



DEPARTMENT OF THE ARMY
U.S. ARMY SECURITY ASSISTANCE COMMAND
5701 21ST STREET
FORT BELVOIR, VA 22060-5940

REPLY TO
ATTENTION OF

AMSAC-MP

25 JAN 2002

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Department of Defense Policy on Foreign Customer Participation in the Letter of Offer and Acceptance (LOA) and Contracting Development Process (USASAC 02-02)

1. Reference memorandum, The Deputy Secretary of Defense, 9 Jan 02, subject: Department of Defense Policy on Foreign Customer Participation in the Letter of Offer and Acceptance (LOA) and Contracting Development Process.
2. Reference 1.a. outlines guidance to provide foreign military sales (FMS) customers more visibility into pricing for LOAs and FMS contracts. With respect to government charges for the LOA, the following pricing information may be provided to customers upon request:
 - a. Logistics Support Charge
 - b. Contract Administration Services
 - c. Nonrecurring Cost recoupment charges included on the case.
 - d. Breakout of USG cost to provide more detail about what is included in each line (e.g., engineering services, training, etc., which may be embedded within a line).
3. FMS customers are entitled to enough information relating to LOA prices to enable them to demonstrate they have exercised due diligence in deciding to purchase a particular weapon system or service. Prices on varying alternatives, quantities, and options should normally be provided to help FMS customers determine what they will buy and help them make price/performance trade-off decisions.

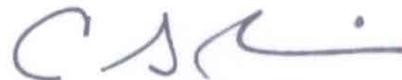
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4. During the contracting process between the contractor and the USG, the contracting officer shall consult with the FMS customer about major contractual matters, especially any matter that could be perceived as being inconsistent with or significantly different from the LOA. As specified in Defense Federal Acquisition Regulations Systems (DFARS) 225.7304(b)(3), FMS customers are not allowed to observe negotiations involving cost or pricing data, unless a deviation is granted in accordance with DFARS Subpart 201.4. FMS customers will be allowed to participate in discussions with industry regarding technical specifications, price-performance trade-off decisions, delivery schedules, special warranty provisions, and other requirements unique to the FMS customer. The degree of participation of the FMS customer during contract formation is left to the discretion of the contracting officer after consultation with the contractor. U.S. Government personnel shall not release any contractor proprietary data, except in those limited cases where the contractor authorizes release of specific data.

5. If a FMS customer requests additional information concerning FMS contract prices, the contracting officer shall, after consultation with the contractor, provide sufficient information to demonstrate the reasonableness of the price. This may include tailored responses, top-level pricing summaries, historical prices, or an explanation of any significant differences between the actual contract prices and the estimated contract price included in the initial LOA price.

6. The point of contact for the action is Ms. Lynn Jones, AMSAC-MP, 703-806-2280 or DSN 656-2280.



CARLOS A. PIAD
Director of Plans, Policy
and Procedures