

SCM-Orientation Course

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- Welcome to the Direct Commercial Sales and Foreign Military Sales comparison module. Countries purchasing military equipment, supplies and services have many choices. Typically, numerous suppliers exist in the global defense market.
- If a country selects equipment or services from a U.S. source, the country must decide whether to purchase directly from the U.S. government through a foreign military sale, or to buy directly from a U.S. manufacturer, through a direct commercial sale. We will compare these two procurement options.

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- The foreign purchaser has many options when choosing to buy a major weapon system. For example, if the Bandarians are considering the purchase of fighter aircraft, a number of choices are available to them.
- They may consider purchasing from the U.S., specifically the U.S. Air Force's F-15 and F-16, or the U.S. Navy's F/A-18. On the other hand, Bandaria may choose to purchase from many other international options such as the United Kingdom, Russia, China, Sweden, or France.

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- When faced with a variety of international defense products, the U.S. government prefers that friends and allies, such as Bandaria, select U.S.-origin defense products. When friends and allies use U.S. equipment, various political, military and economic benefits are generated.
- If a customer decides to purchase U.S. equipment, the U.S. government is generally neutral concerning whether a foreign purchaser procures through the FMS or the DCS process. Overall, the benefits regarding military interoperability, political relationships, and economic influences are about the same whether the procurement is FMS or DCS.
- If international customers may procure most defense articles and services through either FMS or DCS, they are understandably interested in determining which method is the best.
- FMS and DCS are not in opposition to one another. These procurement options have similarities, and reviewing some specific areas will enable a solid comparison.

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- We mentioned earlier that the U.S. government is generally neutral regarding the international customer's choice of FMS or DCS. However, this does not mean always neutral.

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- The specific buyer and seller relationship involved in a sale of defense articles reflects whether the purchase method is FMS or DCS. Explore the FMS buyer and seller relationships.

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- Now, let us look at the buyer and seller relationship with a direct commercial sale. U.S. government involvement will be very limited.

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- While the customer may make a choice between FMS and DCS, a restriction exists against concurrently competing both FMS and DCS channels for the same procurement.

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- The relationship between the international purchaser and the U.S. government is fundamentally different between FMS and DCS. Under FMS, it's a direct relationship with the U.S. government. Under DCS, the relationship is directly with U.S. industry. How might the relationship with the USG impact a purchasing country's preference for FMS or DCS?

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- The Greyhound bus company had the slogan, 'leave the driving to us.' That is exactly what FMS can do for the customer. Program management, as conducted by DoD, applies to the FMS customer only. For DCS, program management must be accomplished by the international purchaser.

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- Now let's look at financial issues that apply to the sale of defense articles and compare those issues between FMS and DCS.

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- Follow-on support and non-standard support are methods for handling the logistics life cycle support of weapons systems. International purchasers must plan how repair and replacement will occur whether they are using FMS or DCS. Look at what these support program methods are and compare their application with FMS or DCS.

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- An offset is an arrangement whereby an international purchaser requires a prospective contractor to agree to provide various national level benefits as a pre-condition to the defense procurement contract. For example, Bandaria may negotiate with a commercial contractor to build a small manufacturing unit within the country charged with producing spare parts for the system being purchased.

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- There are more choices for customers than strictly FMS or strictly DCS. The range of choices goes from full government control under FMS to full customer control under DCS. If customers want to use FMS but want to justify a specific contractor, they can choose FMS, but use a sole source.
- If customers want an FMS case but want some offsets included, they can negotiate offsets with the contractor; or, as another option, they can choose a hybrid program, with some parts FMS and some parts DCS. For example, they can buy the major weapon system under DCS and have FMS for follow-on support.
- The customer, if one of 10 designated countries, can choose DCS coupled with the Foreign Military Financing Program. Purchasers may choose DCS but use U.S. government expertise for contract administration, which can be very complex. Last, but not least, customers can choose traditional DCS.

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- A variety of factors must be considered when comparing FMS to DCS. Neither method is inherently best for all acquisition scenarios. Foreign customers should analyze pros and cons of each to determine which method will best meet their needs.
- This module provided a comparison of DCS and FMS. Since there's a lot to retain, we've created a continuity book that summarizes key terms, organizations, and policies that you can download before you exit.