



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

JUL 09 2018

COMPTROLLER

MEMORANDUM FOR DIRECTOR, DEFENSE SECURITY COOPERATION AGENCY

SUBJECT: Reduction to the Foreign Military Sales Transportation Surcharge Rates

I approve your June 13, 2018 request (attached) to reduce the seven surcharge and generic code rates that fund the Foreign Military Sales (FMS) Transportation Surcharge Account as shown in your memorandum. These changes will revise the rates charged to all FMS and Building Partnership Capacity cases, effective July 18, 2018. This policy change will be published in the next Department of Defense Financial Management Regulation update to Volume 15, Chapter 8.

My staff point of contact is Mr. Anthony Wisdom. He can be reached at 703-571-1675 or [anthony.a.wisdom.civ@mail.mil](mailto:anthony.a.wisdom.civ@mail.mil).

A handwritten signature in black ink, appearing to read "Mark E. Easton", is positioned above the printed name.

Mark E. Easton  
Deputy Chief Financial Officer

Attachment:  
As stated

cc:  
Deputy Director for Strategy and Support, Defense Finance and Accounting Service



## DEFENSE SECURITY COOPERATION AGENCY

201 12TH STREET SOUTH, STE 203  
ARLINGTON, VA 22202-5408

JUN 13 2018

### MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Reduction to the Foreign Military Sales (FMS) Transportation Surcharge Rates

Reference(s): (a) DoD 7000.14-R, "Department of Defense Financial Management Regulation," Volume 15, Chapter 7, Paragraph 071802, January 2014  
(b) DoD 7000.14-R, "Department of Defense Financial Management Regulation," Volume 15, Chapter 3, Paragraph 030202.A, May 2018  
(c) DSCA Policy 09-22, Increase to Delivery Term Codes (DTCs) Percentage Rates for "Below-the-Line" Transportation on Foreign Military Sales (FMS) and FMS-Like Cases, 30 June 2009

The Department of Defense Financial Management Regulation (DoDFMR) requires that proposed revisions to rates or surcharges be approved by the Office of the Under Secretary of Defense (Comptroller) (Reference (a)). The purpose of this memorandum is to request your approval of the Defense Security Cooperation Agency's (DSCA) proposal to reduce the FMS Transportation Rates as follows:

Delivery Term Code (DTC)	Transportation Description	Rate Area*	Current Rate	Proposed Rate
2	CONUS inland origin to inland destination	N/A	3.75%	2.75%
5	CONUS DoD movement for partner	N/A	3.75%	2.75%
7	Door to Door	1	14.25%	11.75%
7	Door to Door	2	22.25%	14.25%
8	Point of origin to port of exit	N/A	6.25%	5.25%
9**	To Nearest Port	1	11.25%	11.25%
9	To Nearest Port	2	19.25%	12.25%

Note \*: Rate Area 1 includes Europe, Central America, Mediterranean Ports, Alaska, and Hawaii. Rate Area 2 includes Newfoundland, Labrador, Thule, Iceland, South America (East & West Coasts), Far East, African Ports (other than Mediterranean) and Near East.

\*\* The overall rate for DTC 9, Rate Area 1, remains unchanged; however, the underlying Generic Code rates changed. There is a 1.00% decrease to Generic Code L1A which resulted in a 1.00% increase to Generic Code L1B.



The underlying Generic Codes would change to the following rates:

		<b>L1A</b>	<b>L2B</b>	<b>L1B</b>	<b>L1F</b>	<b>L2C</b>	
DTC	Rate Area	<b>Inland CONUS</b>	<b>CONUS Port Handling</b>	<b>Ocean Transport</b>	<b>Inland Overseas</b>	<b>Overseas Port Handling</b>	DTC %
2	-	2.75%	-	-	-	-	2.75%
5	-	2.75%	-	-	-	-	2.75%
7	1	2.75%	2.50%	2.50%	3.00%	1.00%	11.75%
7	2	2.75%	2.50%	5.00%	3.00%	1.00%	14.25%
8	-	2.75%	2.50%	-	-	-	5.25%
9	1	2.75%	2.50%	5.00%	-	1.00%	11.25%
9	2	2.75%	2.50%	6.00%	-	1.00%	12.25%

The FMS Transportation Surcharge Rates are assessed as a percentage of the value of articles shipped by the Defense Transportation System (DTS) on applicable FMS cases. The collections generated from this surcharge are deposited into the FMS Transportation Surcharge Account to fund U.S. Government expenses for DTS shipments. The surcharge rates were last changed in 2009 when the rates were increased to prevent potential insolvency of the Transportation Surcharge Account as billings were exceeding collections. The current rates were established by Reference c and are documented in the Security Assistance Management Manual (SAMM), Table C9.T4a, Table of Delivery Term Codes and Percentages (attached); and DoDFMR, Volume 15, Chapter 8 Tables 8-18, 8-27, and 8-28 (attached).

In order to update the rates the following attached documents include the new rates to be published if approved:

- SAMM, Table C9.T4a, Table of Delivery Term Codes and Percentages: All DTC rates are updated.
- DoDFMR, Volume 15, Chapter 8, Table 8-18, Surcharge Matrix: The rate in Footnote 4 is updated.
- DoDFMR, Volume 15, Chapter 8, Table 8-27, Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF: Generic Codes L1A, L2B, L1B, L1F, and L2C are updated.
- DoDFMR, Volume 15, Chapter 8, Table 8-28, Transportation Charges Based on Transportation Bill Codes for Inventory Items Not Shipped by DWCF: Generic Codes L1A, L2B, L1B, L1F, and L2C are updated.

The following Transportation related tables have no changes:

- DoDFMR, Volume 15, Chapter 8, Table 8-15, Delivery Term Codes: Other Than Return and Repair
- DoDFMR, Volume 15, Chapter 8, Table 8-16, Delivery Term Codes: Codes Used in Connection With Return and Repair Codes


As required by the DoDFMR (Reference (b)), DSCA closely monitors the FMS Transportation Surcharge Account. DSCA exercises a deliberate and thorough process which reviews annual account activity, and every five to seven years conducts a joint review of DTC rates with the MILDEPs. The results of these reviews serve as a basis for any recommendation on rate changes.

DSCA has recorded robust increases in the Transportation Surcharge Account since Fiscal Year 2015. Over the past three fiscal years, collections have exceeded disbursements by an average of \$136.8M per year. This has resulted in an account balance which was \$610.4M as of the end of Fiscal Year 2017 and the balance continues to increase as Fiscal Year 2018 progresses.

As part of our latest assessment, we conducted an analysis examining DTC rates based on collections, actual transportation billings from shippers, and the impact of forecasted rate changes. Our analysis confirmed that lowering the DTC rates would better align DTC charges to actual transportation bills.

Based on our analysis, DSCA has determined that a decrease to the FMS transportation rates as noted in the tables above is warranted. With your approval, the revised rates will be charged to all FMS and Building Partnership Capacity cases starting on 18 July 2018. DSCA will change the SAMM and inform DFAS Accounting Policy to change the DoDFMR to document the new surcharge rates, subsequent to your approval.

I request your favorable consideration of this requested change. If you have questions or would like additional information, please contact Ms. Danielle Ayers, DSCA DBO/FPA, (703) 697-9407 or email: [mary.d.ayers2.civ@mail.mil](mailto:mary.d.ayers2.civ@mail.mil).

  
J. Aaron Harding  
Acting Principal Director  
Business Operations

Attachment:  
As stated

Change SAMM Table C9.T4a. Table of Delivery Term Codes and Percentages to reflect proposed rates:

#	Delivery Term Codes (DTC)	Percentages to be used when Shipping from:	
		DWCF	Other than DWCF
2	a) Inland origin to inland destination within CONUS/Canada (except Newfoundland and Labrador)	0.00%	2.75%
	b) Inland origin to inland destination within a foreign country other than Canada	0.00%	2.75%
4	Recipient country is responsible for the cost of CONUS transportation and subsequent arrangement for onward movement or when transportation is provided as a case line such as high flight or special assignment airlift mission (SAAM)	0.00%	0.00%
5	DoD movement for FMS customer in CONUS/Canada (except Newfoundland and Labrador)	0.00%	2.75%
7	DoD movement from point of origin to, and including, inland carrier delivery to the specified inland location (includes overseas movement of parcel shipments via the Military Postal Service through APO/FPO channels):		
	a) To Europe, Hawaii, Latin America (Central America and Caribbean Basin), and Mediterranean ports	9.00%	11.75%
	b) To Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), Far East, African ports (other than Mediterranean), and Near East	11.50%	14.25%
8	DoD movement from point of origin to, and including, unloading, handling, and storage aboard vessel at port of exit	2.50%	5.25%
9	DoD movement from point of origin to, and including, vessel discharge at the point of discharge:		
	a) To Europe, Hawaii, Latin America (Central America and Caribbean Basin), and Mediterranean port	8.50%	11.25%
	b) To Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), Far East, African ports (other than Mediterranean), and Near East	9.50%	12.25%
Notes:			
<ul style="list-style-type: none"> <li>At the time of preparation of the LOA, if it is known and authorized that materiel will be shipped via a SAAM, the cost should be included as a line on the case and priced as an estimate of the cost. This shipment will cite the line on the case for reimbursement.</li> <li>Delivery Term Codes 3 and 6 were eliminated in 2010 and should not be used when pricing LOAs.</li> </ul>			

Change the DoDFMR to read as follows:

Table 8-18. Surcharge Matrix

DSC	Contract Administration <sup>1</sup>	PC&H <sup>2</sup>	Admin <sup>3</sup>	Transportation <sup>4,5</sup> Parcel Post <sup>6</sup>
AA	N	N	Y	A
AB	N	N	Y	A
AC	N	N	Y	A
AD	N	N	Y	A
AE	N	Y	Y	B
AG	N	Y	Y	B
AH	N	N	Y	A
AJ	N	N	Y	A
AK	N	N	Y	B
AL	N	N	Y	B
BA	N	N	Y	N
BB	Y	N	Y	N
BC	N	N <sup>7</sup>	Y	N <sup>7</sup>
BD	N	N	Y	N
BE	N	N	Y	N
BF	N	N	N	N
BG	N	N	Y	N
BH	N	N	Y	N
BK	N	N	Y	N
BT	N	N	Y	N
CA	N	N	N	N
CB	N	N	Y	N
CC	N	N	Y	N
CD	N	N	N	N
DA	N	N	Y	N
DB	N	N	Y	A
DC	N	N	Y	B
DD	N	N	Y	N
DE	Y	N	Y	N
DF	N	N	Y	N
DG	N	N	Y	N
DJ	N	N	Y	N
DK	Y	N	Y	N
DL	N	N	Y	N
DX	N	N	Y	N
EE	N	N	Y	N
EF	N	Y <sup>8</sup>	Y	B <sup>9</sup>
EG	N	N	Y	B <sup>9</sup>
EH	N	N	Y	N
EJ	N	Y	Y	Y

Table 8-18. Surcharge Matrix (Continued)

DSC	Contract Administration <sup>1</sup>	PC&H <sup>2</sup>	Admin <sup>3</sup>	Transportation <sup>4,5</sup> Parcel Post <sup>6</sup>
EK	N	N	Y	N
EL	N	N	N	N
EM	N	N	N	N
EN	N	N	Y	N
SA	N	N	Y	A
SB	N	Y	Y	B
SD	N	Y	Y	B
SE	N	N	Y	B

<sup>1</sup> DFAS SCA will compute CAS if Price Code is “N” and Reimbursement Code is other than “N” unless statutory waiver of contract administration has been made. See subparagraphs 080502.D and 080502.P.

<sup>2</sup> PC&H does not apply to DWCF items with ship dates after September 30, 1990.

<sup>3</sup> Administrative costs will be computed unless administrative costs have been waived pursuant to statute.

<sup>4</sup> The Inland CONUS transportation charge of 2.75 percent does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for generic codes L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991.

<sup>5</sup> In this column, A refers to items furnished from DWCF. B refers to inventory items that are not shipped from DWCF. Transportation for inventory items furnished from DWCF to freight forwarders or Canada (except Newfoundland and Labrador) is included in the price. Shipments beyond that point are computed according to Table 8-27. Costs for items that are not furnished from DWCFs are also computed according to Table 8-28.

<sup>6</sup> Transportation costs are computed using the TBC of the transaction. However, if this position is blank, transportation costs are computed using the DTC. If a DTC is not on the DTC Table, reject the transaction.

<sup>7</sup> Included in actual or estimated actual repair cost.

<sup>8</sup> Computed standard PC&H except if RIC begins with “G.” RIC that begins with “G” will not have PC&H computed.

<sup>9</sup> For DSC “EF” and “EG” when transportation is by the [General Services Administration \(GSA\)](#) (RIC begins with “G”) and the TBC is not blank, or where the TBC is blank and the DTC is other than “4,” the CONUS transportation add-on (generic codes L1A, L1D, and L1E) is not computed. GSA includes CONUS transportation in the price of the item.

**\*Table 8-27. Transportation Charges Based on  
Transportation Bill Codes for Inventory Items Shipped by DWCF**

<b>TBC</b>	<b>Generic Code</b>	<b>Percentage of Item Priced by Generic Code</b>	<b>Total Percentage</b>
A	L1D	0.0 <sup>1,2</sup>	0.0
B	L1E	0.0 <sup>1,2</sup>	0.0
C	L1A	0.0 <sup>2</sup>	6.0, 8.5/7.5, 9.5
	L2B	2.5	
	L1B /L1C <sup>3</sup>	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	
	L2C	1.0	
D	N/A	0.0	0.0
E	L1A	0.0 <sup>2</sup>	0.0
F	L1A	0.0 <sup>2</sup>	5.0, 7.5/6.5, 8.5
	L2B	2.5	
	L1B/L1C <sup>3</sup>	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	
G	L1A	0.0 <sup>2</sup>	9.0, 11.5/10.5, 12.5
	L2B	2.5	
	L1B/L1C <sup>3</sup>	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	
	L2C	1.0	
	L1F	3.0	
H	L1A	0.0 <sup>2</sup>	2.5
	L2B	2.5	
J	L2B	2.5	7.5/9.5
	L1C	4.0/6.0 <sup>5</sup>	
	L2C	1.0	
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L4O	3.0 <sup>1</sup>	3.0
N	L1A	0.0 <sup>2</sup>	3.0
	L4O	3.0 <sup>1</sup>	
P	L1A	0.0 <sup>2</sup>	5.75
	L4O	3.0 <sup>1</sup>	
	L1A	2.75 <sup>2</sup>	
Q	L1A	0.0 <sup>2</sup>	10.75, 13.25/12.25, 14.25
	L4O	3.0 <sup>1</sup>	
	L1A	2.75 <sup>2</sup>	
	L2B	2.5	
	L1B/L1C <sup>3</sup>	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	



Table 8-27. Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF  
(Continued)

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
R	L1A	0.0 <sup>2</sup>	14.75, 17.25/ 16.25, 18.25
	L4O	3.0 <sup>1</sup>	
	L1A	2.75 <sup>2</sup>	
	L2B	2.5	
	L1B/L1C	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	
	L2C	1.0	
	L1F	3.0	
S	L1A	0.0 <sup>2</sup>	8.25
	L4O	3.0 <sup>1</sup>	
	L1A	2.75 <sup>2</sup>	
	L2B	2.5	
U	L1D	0.0 <sup>1,2</sup>	2.5
	L2B	2.5	
V	L1D	0.0 <sup>1,2</sup>	6.0, 8.5/7.5, 9.5
	L2B	2.5	
	L1B/L1C <sup>3</sup>	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	
	L2C	1.0	
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	0.0 <sup>1,2</sup>	5.0, 7.5/6.5, 8.5
	L2B	2.5	
	L1B/L1C <sup>3</sup>	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	
Y	L1D	0.0 <sup>1,2</sup>	9.0, 11.5/10.5, 12.5
	L2B	2.5	
	L1B/L1C <sup>3</sup>	2.5, 5.0 <sup>4</sup> / 4.0, 6.0 <sup>5</sup>	
	L2C	1.0	
	L1F	3.0	

<sup>1</sup> The costs of L1D, L1E, and L4O are included in the DWCF item price when being directly shipped to the customer. If the item is shipped to a staging location, the rate listed must be charged.

<sup>2</sup> L1A does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991. L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price. The second movement TBCs (P, Q, R, or S) are charged at the normal rate.

Table 8-27. Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF  
(Continued)

<sup>3</sup> Wherever "L1B/L1C" appears, if the POE code is "A," L1C is computed; otherwise, L1B is computed.

<sup>4</sup> L1B is computed at 2.5 percent for rate area one or 5.0 percent for rate area two. See Chapter 7.

<sup>5</sup> L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 7.

<sup>6</sup> L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price.

**\*Table 8-28. Transportation Charges Based on  
Transportation Bill Codes for Inventory Items Not Shipped by  
DWCF**

<b>TBC</b>	<b>Generic Code</b>	<b>Percentage of Item Priced Generic Code</b>	<b>by</b>	<b>Total Percentage</b>
A	L1D	3.75 <sup>1</sup>		3.75
B	L1E	3.75 <sup>1</sup>		3.75
C	L1A	2.75		8.75, 11.25/ 10.25,12.25
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> / 4.0, 6.0 <sup>4</sup>		
	L2C	1.0		
D	N/A	0.0		0.0
E	L1A	2.75		2.75
F	L1A	2.75		7.75, 10.25 /9.25, 11.25
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> / 4.0, 6.0 <sup>4</sup>		
G	L1A	2.75		11.75, 14.25/13.25, 15.25
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> / 4.0, 6.0 <sup>4</sup>		
	L2C	1.0		
	L1F	3.0		
H	L1A	2.75		5.25
	L2B	2.5		
J	L2B	2.5		7.5/9.5
	L1C	4.0/6.0 <sup>2</sup>		
	L2C	1.0		
K	L1C	N/A		Actual amount billed by AMC
L	As applicable	N/A		Actual amount computed by shipper
M	L4O	3.0 <sup>1</sup>		3.0
N	L1A	2.75		5.75
	L4O	3.0 <sup>1</sup>		
P	L1A	2.75 <sup>5</sup>		8.5
	L4O	3.0 <sup>1</sup>		
	L1A	2.75 <sup>5</sup>		
Q	L1A	2.75 <sup>5</sup>		13.0, 16.0/15.0,17.0
	L4O	3.0 <sup>1</sup>		
	L1A	2.75 <sup>5</sup>		
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> / 4.0, 6.0 <sup>4</sup>		

Table 8-28. Transportation Charges Based on Transportation Bill Codes for Inventory Items Not Shipped by DWCF (Continued)

TBC	Generic Code	Percentage of Item Priced Generic Code	by	Total Percentage
R	L1A	2.75 <sup>5</sup>		17.5, 20.0/19.0, 21.0
	L4O	3.0 <sup>1</sup>		
	L1A	2.75 <sup>5</sup>		
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> /4.0, 6.0 <sup>4</sup>		
	L2C	1.0		
	L1F	3.0		
S	L1A	2.75 <sup>5</sup>		11.0
	L4O	3.0 <sup>1</sup>		
	L1A	2.75 <sup>5</sup>		
	L2B	2.5		
U	L1D	3.75 <sup>1</sup>		6.25
	L2B	2.5		
V	L1D	3.75 <sup>1</sup>		9.75, 12.25/11.25, 13.25
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> /4.0, 6.0 <sup>4</sup>		
	L2C	1.0		
W	L1O	N/A		Transportation Cost Look-Up Table
X	L1D	3.75 <sup>1</sup>		8.75, 11.25/10.25, 12.25
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> /4.0, 6.0 <sup>4</sup>		
Y	L1D	3.75 <sup>1</sup>		12.75, 15.25/14.25, 16.25
	L2B	2.5		
	L1B/L1C <sup>2</sup>	2.5, 5.0 <sup>3</sup> /4.0, 6.0 <sup>4</sup>		
	L2C	1.0		
	L1F	3.0		
Z	L1A	2.75		(Charge may not exceed \$25.00)

<sup>1</sup> Amounts collected for L1D, L1E, and L4O must be reimbursed to the shipping depot shown in the delivery transaction. SF 1080 billings for actual costs are not required.

<sup>2</sup> Wherever "L1B/L1C" appears, if the POE Code is "A," L1C is computed; otherwise, L1B is computed.

<sup>3</sup> L1B is computed at 2.5 percent for rate area one or 5.0 percent for rate area two. See Chapter 7.

<sup>4</sup> L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 7.

<sup>5</sup> L1A is computed twice on non-DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port for TBCs P, Q, R, and S