

CHAPTER 8

**MUTUAL LOGISTICS SUPPORT BETWEEN THE UNITED STATES AND
GOVERNMENTS OF ELIGIBLE COUNTRIES AND
NATO SUBSIDIARY BODIES**

0801 OVERVIEW

080101. Purpose. This chapter provides procedures for transacting reimbursable procedures under the authority of Title 10, United States Code, Chapter 138 provides pricing guidance for those transactions, and provides instructions for disposition of proceeds for such reimbursable transactions.

080102. Overview. Title 10, United States Code, Chapter 138 authorizes the use of support agreements for certain mutual logistics support among the United States and governments of other North Atlantic Treaty Organization (NATO) countries, NATO subsidiary bodies, other eligible foreign countries, the United Nations Organization, and any regional international organization of which the United States is a member. Section 2341 authorizes the procurement of logistics support, supplies, and services from a foreign country. Section 2342 authorizes the sale to or exchange of logistics support, supplies, and services with a foreign country or international organization. Section 2344, as amended by the National Defense Authorization Act for fiscal years 1990 and 1991, authorizes logistics exchanges to be of equal value. Before that amendment, section 2344 required exchanges to be of an identical or substantially identical nature. The specific guidance on the use of these authorities is contained in DoD Directive 2010.9, "Mutual Logistics Support Between the United States and Governments of Eligible Countries and NATO Subsidiary Bodies."

0802 POLICY AND PROCEDURES

080201. Liquidation of Credits and Liabilities. Compensation for the acquisition or transfer of supplies (materiel) and services shall be obtained through either of the following methods:

A. Reimbursement. Payment for supplies (materiel) and services in the currency of the supplying nation.

B. Exchange. Replacement of supplies (materiel) or services with supplies or services of equal value. Equal value is the actual or estimated price at the time of transaction approval. Equal value transactions shall be certified by the officials delegated such authority by the Secretaries of the Military Departments.

080202. Methods of Liquidation of Accrued Credits and Liabilities

A. Reimbursable Transactions. Agreements entered into by the U.S. Forces shall stipulate the liquidation of outstanding accounts receivable or accounts payable on a monthly basis. Bills shall be accompanied by necessary supporting documentation and paid 30 days from the date prepared.

B. Exchange Transactions. Exchange transactions shall be settled through the issue or receipt, as applicable, of replacement supplies or services within 12 months of the original transaction. If not settled within this period, the exchange transaction shall be converted to a reimbursable transaction, and the resulting accounts receivable or accounts payable shall be liquidated in accordance with paragraph 080202.A., above.

080203. Inventories of Supplies. Inventories of supplies for elements of the U.S. Forces may not be increased for the purpose of transferring supplies under the authority of Title 10, United States Code, Chapter 138 and DoD Directive 2010.9.

080204. Obligation and Earned Reimbursement Limitations. The obligations and earned reimbursement limitation set forth below shall be followed during normal peacetime periods. These ceilings do not apply during periods of active hostilities involving the U.S. Forces. These limitations likewise do not apply to exchange transactions unless converted into a reimbursable transaction due to nonreplacement.

A. Obligation Limitations

1. For NATO countries, NATO subsidiary bodies, or from the United Nations Organization or any regional international organization of which the United States is a member, during any fiscal year, the amount to be obligated by the Department of Defense for reimbursable transactions (purchases) may not exceed \$200 million. Of the \$200 million limitation, no more than \$50 million in obligations shall be incurred for the acquisition of supplies (materiel) other than petroleum, oil, and lubricants (POL).

2. For participating non-NATO countries, the total amount of reimbursable liabilities (purchases) that the United States may accrue (before computing offsetting balances) with each country may not exceed \$60 million in any fiscal year. No more than \$20 million in liabilities shall be accrued in any fiscal year for supplies (materiel) other than POL.

B. Earned Reimbursement Limitation

1. For NATO countries, NATO subsidiary bodies, or from the United Nations Organization or any regional international organization of which the United States is a member, earned reimbursement (sales) accruals from all reimbursable transactions may not exceed \$150 million during any fiscal year.

2. For participating non-NATO countries, the total reimbursable credits (sales) that the United States may accrue, under the authority of Title 10, United States

Code, Chapter 138, from each country (before computing offsetting balances) may not exceed \$75 million in any fiscal year.

080205. Requests for Authorization to Use Limitations. Each organization that intends to enter into reimbursable purchases or sales under the authority of Title 10, United States Code, Chapter 138 shall request authorization. Requests shall be accompanied by justification, including a prioritization of requirements. The requests shall be submitted to the cognizant Unified Combatant Command through the requesting organization’s appropriate Component command. The authorizations do not increase the amount of obligational or apportioned anticipated reimbursable authority, but rather allow use of existing budget authority to enter into purchases or sales under the authority of Title 10, United States Code, Chapter 138. Requests shall identify the categories of support as identified in Table 21-1.

CATEGORIES OF SUPPORT		
<u>Category of Support</u>	<u>Requested Authorization</u>	
	<u>Obligations (Purchases)</u>	<u>Earned Reimbursements (Sales)</u>
POL	\$ _____	\$ _____
Other Materiel	_____	_____
Maintenance	_____	_____
Services	_____	_____
TOTAL	\$ _____	\$ _____

Table 8-1

080206. Waiver During Contingency or Non-Combat Operations. When the U.S. Forces are involved in a contingency operation or non-combat operation (including an operation in support of the provisions of humanitarian or foreign disaster assistance or in support of peacekeeping operations under Chapters VI or VII of the Charter of the United Nations), the restrictions in subsections 080204 and 080205 are waived for purposes and duration of that operation.

080207. Issuance of the Authorization. The cognizant Unified Combatant Command shall review and approve requests for authorization. If the total amount requested by all Component commands exceeds established limitations, the cognizant Unified Combatant Command shall review the justifications and make appropriate reductions to requested amounts as needed. Each cognizant Unified Combatant Command shall advise the Military Departments of authorizations distributed.

080208. Distribution of Authorization Received. Upon receipt of an authorization from a Unified Combatant Command, Component commands shall authorize their activities to enter into reimbursable transactions under Title 10, United States Code, Chapter 138. No activity or unit shall enter into such transactions unless they have been provided an authorization. Recipients of an authorization shall establish procedures to ensure that authorized dollar amounts are not exceeded.

080209. Other Requirements

A. Detailed reports are required for transactions conducted under Title 10, United States Code, Chapter 138. The information requirements are found in Chapter 8, “Special Reports,” Volume 6, of this Regulation.

B. Forms used to document the issue or receipt of supplies and services under authority of Title 10, United States Code, Chapter 138, are subject to a bilateral or multinational agreement. However, these forms must meet the minimum information requirements set forth in chapter 8, “Special Reports,” Volume 6, of this Regulation.

C. Any accounting station receiving an authorization to incur obligations pursuant to the authority of Title 10, United States Code, Chapter 138, shall establish a subsystem to the normal appropriation or fund accounting system to capture data on the use of this authority. Similarly, receipt of the earned reimbursement authority requires the establishment of a customer order subsystem to capture data on the use of such authority. Source documents pertaining to the authorized dollar amount and its use, such as obligations (DoD undelivered orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered), disbursements (liquidation of unpaid accrued expenditures), accounts payable (the unpaid portion of accrued expenditures), accounts receivable (earned reimbursements), and collections (receipt of payment to liquidate accounts receivable) shall be recorded promptly in the subsystem records.

D. Control over exchange transactions shall be established and maintained through use of an exchange transaction history file. Input to the history file shall be made by submission of each individual transaction form which includes the minimum information required by chapter 8, “Special Reports,” Volume 6, of this Regulation.

080210. Pricing Reimbursable Transactions. Title 10, United States Code, Chapter 138, authorizes two methods for pricing reimbursable transactions. The method to be used depends on whether a reciprocal pricing agreement exists. Pricing procedures under each of the alternatives are set forth below.

A. Reciprocal Pricing Principles. When a reciprocal pricing agreement has been signed by the United States and another participating country, pricing by the supplying country shall be in accordance with the following:

1. For new procurements, the price charged to a recipient country by the supplying country should be no less favorable than that charged the armed forces of the supplying country by its contractors. The price charged shall allow for differentials due to delivery schedules, points of delivery, and other similar considerations.

2. For supplies from inventories of the supplying country, or for logistics support and government services, the same prices shall be charged by the supplying government as it charges its own armed forces for identical supplies or services. When the Department of Defense is the supplier, the price charged shall be identical to rates charged by the DoD Components for cross-Service logistics support or services.

B. Nonreciprocal Pricing Principles. To the extent that a DoD Component cannot achieve mutual acceptance by another country of reciprocal pricing principles, or in the case of a NATO subsidiary body, the following procedures shall apply:

1. U.S. commanders delegated authority to negotiate agreements pursuant to section F, DoD Directive 2010.9, shall determine that the price for acquiring supplies or services is fair and reasonable. This determination shall be supported by a price analysis based on prior experience and supporting data and consider all applicable circumstances. If this determination cannot be made, no acquisitions shall take place.

2. Any transfer of supplies or services by U.S. Forces shall be subject to the pricing provisions of Volume 15 of this Regulation.

C. NATO Subsidiary Bodies. The pricing principles set forth in paragraph 080209.B., above, also shall apply to agreements with NATO subsidiary bodies for the purchase or sale of supplies and services.

080211. Disposition of Proceeds. Any payment for materiel or services provided by U.S. Forces and initially recorded as a sale transaction, shall be credited to the appropriation or fund currently available for the same purposes for which the expenditures were made, regardless of whether the payment is received in the fiscal year of sale or subsequent fiscal year. Payment for a transaction initially recorded as an exchange of materiel or services, but converted into a sale transaction due to nonreceipt of replacement material or services, shall be credited to the appropriation or fund currently available for the same purposes for which the expenditures were made, regardless of whether the payment is received in the fiscal year of sale or subsequent fiscal year.

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