



FOREIGN PURCHASER GUIDE TO FREIGHT FORWARDER SELECTION

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PREFACE

This is an academic publication. It is intended to serve as a guide for international customers, freight forwarders, shippers, U.S. Security Cooperation Officers and FMS case managers to understand the requirements for moving FMS material through commercial freight forwarders. Information contained in this reference is drawn from current Department of Defense references. Distribution of this publication may be made to U.S. Department of Defense employees, support contractors, international customers and freight forwarders. Questions, suggestions and corrections to this publication are welcome. Submit suggestions or inquiries through the Ask an Instructor feature on the DSCU web page at www.dscu.edu.

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FOREIGN PURCHASER GUIDE TO FREIGHT FORWARDER SELECTION

Introduction

This guide is for information purposes only and is not a directive. It contains recommendations on how to find a freight forwarder and what to include in a freight forwarder contract. The following information is also provided:

- An export guide showing the documentation, functions, and agencies involved in exporting materiel from the United States.
- An import guide showing the documentation, functions, and agencies involved in importing materiel into the United States.
- A prerequisite checklist of the facilities and capabilities the freight forwarder should possess.
- Guidance for evaluating the freight forwarder's performance.

Some of the freight forwarder services described herein are not practical for all purchasers. However, this guide may serve as a guide in selecting a freight forwarder and can be used when negotiating a freight forwarder contract.

General Information

The purpose of this guide is to assist foreign purchasers in selecting a freight forwarder or agent to manage the transportation and delivery of security cooperation materiel furnished by the United States Government (USG). The terms freight forwarder and agent are used interchangeably in this guide. Both large and small freight forwarder companies are licensed by the United States Federal Maritime Commission to arrange for the movement of cargo from the United States to foreign destinations. The purchaser must select a freight forwarder and determine the services which the freight forwarder will perform for the foreign military sales (FMS) customer.

The Foreign Military Financing Program (FMFP) funds cannot be used to pay for freight forwarder services. These services must be procured with the purchaser's own national funds. The services the freight forwarder will perform are negotiated between the purchaser and the freight forwarder. Care must be taken to ensure that the selected freight forwarder performs essential services at a reasonable cost. The responsibilities of the freight forwarder should be expressed in a legally binding contract, so that both parties are fully aware of the costs and services that are to be performed by the freight forwarder. The U.S. government is not a party to the contract and has no responsibilities in this regard.

Under the provisions of the Letter of Offer and Acceptance (LOA), the purchaser normally accepts title to security cooperation materiel at the initial point of shipment. Under the LOA agreement, the purchaser becomes the exporter of most materiel furnished under an LOA. The U.S. Government is the exporter only when U.S. government transportation is provided to move materiel to the overseas port of discharge. Most purchasers do not have the personnel staff in the United States to accomplish all the tasks required to arrange the export of security cooperation materiel from the United States. As the purchaser's agent, the freight forwarder receives, processes, and ships security cooperation materiel to the purchasing country. Because of the various regulations that affect export and import, the freight forwarder plays an integral and essential role in the movement of materiel to the purchasing country.

The freight forwarder is under contract to the purchaser to act as its agent. The freight forwarder should be furnished the most detailed instructions possible. These instructions are normally provided in a statement of work, which becomes a part of the purchaser's contract with the freight forwarder.

Many freight forwarders licensed by the United States Federal Maritime Commission are also licensed customs brokers. A customs broker facilitates the clearance of cargo imported into the United States. Frequently, the purchaser's materiel will need to be returned to the United States for testing or repair. Therefore, the freight forwarder selected by the purchaser should also be a licensed customs broker and tasked to perform import duties and transportation arrangements to the testing or repair facility in the United States.

Since this guide is primarily informational and brief, users are encouraged to refer to the *Security Assistance Management Manual (SAMM)*, Chapter 7, located at www.dsca.mil/samm/. Specific questions or suggestions should be addressed to the Director, Defense Security Cooperation Agency (DSCA), ATTN: Strategy Directorate, 201 12th Street, Suite 203, Arlington, Virginia, 22202-4306. Telephone: Commercial (703) 604-6611; DSN 664-6611.

Exporting and Importing Security Cooperation Materiel

The authority to export and import security cooperation materiel from and to the United States can only be granted to freight forwarders who are registered as an agent to the purchasing foreign government with the Department of State, Directorate of Defense Trade Controls (DDTC). The freight forwarder must have a Letter of Designation assigning the company as the foreign purchaser's agent in order to register with DDTC. This letter can only originate from the purchasing country. For more information, or to obtain Department of State forms, contact the Directorate of Defense Trade Controls at www.pmddtc.state.gov/ or (202) 663-1282. The Letter of Designation must also be provided to the ILCO to initiate an entry or change to the Military Assistance Program Address Directory (MAPAD).

Exporting Security Cooperation Materiel

The Department of State Publication (DSP)-94, *Authority to Export Defense Articles Sold Under The Foreign Military Sales Program*, authorizes the export of unclassified and classified security cooperation materiel purchased under an LOA. If all materiel on the LOA is shipped via the freight forwarder, the freight forwarder initiates the DSP-94 and forwards it to the case manager at the International Logistics Control Office (ILCO) for value certification. These ILCO addresses are:

Army: U.S. Army Security Assistance Command (USASAC)
 ATTN: AMSAC-LAL-PT (Transportation Operations Team) M Avenue, Bldg. 54, Suite 1
 New Cumberland, PA 17070-5096
 (717) 770-4832, (717) 770-4832 or (717) 770-6843

Navy and: Navy Supply Systems Command –Weapon Systems Support
Marine (NAVSUP-WSS-OF)
Corps 700 Robbins Avenue, Bldg 4B Philadelphia, PA 19111-5095
(215) 697-1340 or (215) 697-5019

Air Force: Air Force Security Assistance and Cooperation Directorate (AFSAC)
ATTN: AFLCMC/WFIUC-Transportation
1940 Allbrook Drive
Wright-Patterson Air Force Base, OH 45433-5006
(937) 522-6571, (937) 522-6564, or (937) 522-6565

The freight forwarder should obtain a current copy of the LOA from the purchasing country. The original copy of the completed DSP-94, a copy of the authenticated LOA, and the shipper's export declaration are filed with the district Director of Customs at the U.S. port of exit prior to actual shipment. These procedures are outlined in DSCA Manual 5105.38, *Security Assistance Management Manual (SAMM)*, C7.17. The U.S. Department of Commerce's requirement for Electronic Export Information must be processed through the Automated Export System (AES) by the country representative or freight forwarder. See www.census.gov/foreign-trade/regulations/forms/ and www.aesdirect.gov/ for more details, or call 301-763-2238. The procedures for filing the DSP-94 are outlined in the SAMM at www.dsca.mil/samm, C7.T9.

Cargo Preference Act. In accordance with the Merchant Marine Act of 1936, as amended by the Cargo Preference Act of 1954, defense articles purchased through the Foreign Military Finance Program (FMFP), or which have been granted to a country under the Foreign Assistance Act of 1961 or the National Defense Authorization Acts, and which will be shipped by ocean vessel, are to be transported in vessels of U.S. registry. This requirement applies to new articles and excess defense articles. However, under certain circumstances, the law permits the granting of waivers, allowing not more than 50 percent of the cargo to be shipped in vessels flying flags of the country to which the credit/loan agreement applies.

Freight forwarders must take note of the term of sale on the LOA to determine if the Cargo Preference Act applies to their cargo. The terms of sale "Foreign Military Sales Credit (Non- Repayable)" and "Excess Defense Article (EDA) Grant" require transport by vessel to be made on a U.S.-registered carrier. Shippers can recognize the requirement for a U.S.-registered carrier by the Type Assistance code in the supply requisition, position 35 or in column (5) of the LOA. Type Assistance codes A, M, N or Z indicates credit funded or granted material that is subject to the Cargo Preference Act.

Both the purchaser and the freight forwarder need to be fully aware of this requirement. DSCA and the U.S. Maritime Administration of the USDOT closely monitor credit/loan shipments. DSCA has the responsibility for acting on waiver requests from the foreign countries, while the Maritime Administration monitors actual shipments. A waiver of this requirement may be requested by submitting an application to Director, DSCA, Attention: DSCA (Strategy Directorate) with a copy to MARAD (Administrator, Maritime Administration, Attn: Office of Cargo Preference and Domestic Trade, 1200 New Jersey Avenue S.E., MAR 730 Mail Stop W23-444, Washington, DC 20590-0001). Waiver applications on the basis of non-availability of vessels of U.S. registry must show that the recipient nation has made a reasonable, timely, and bona fide effort to arrange shipment on vessels of U.S. registry and such vessels are not available. Applications on the basis of non-availability must show all comparative rates. The procedures for requesting a waiver are contained in the SAMM, C7.9.

Importing Security Cooperation Materiel

The Department of State Publication (DSP)-61, *Application/License for Temporary Import of Unclassified Defense Articles*, is a temporary import license. It is also issued by PM/DDTC. The DSP-61 is necessary for the return of unclassified defense articles that are NOT associated with an FMS Repair and Return maintenance case or an FMS cooperative logistics case. Examples include materiel brought back into the U.S. for testing or for use in a training exercise in the U.S. Unclassified materiel that is being returned for maintenance or overhaul is exempt from the DSP-61 requirement, per ITAR Section 123.4. This exemption does not apply to classified materiel.

Classified security cooperation materiel is imported by filing a DSP-85, *Application for Permanent/Temporary Export or Temporary Import of Classified Defense Articles and Related Classified Technical Data*. The DSP-85 can be obtained from PM/DDTC at www.pmddtc.state.gov/licensing/index.html. The procedures for repair and return of security cooperation materiel are outlined in the SAMM C7.20, located at www.dsca.mil/samm.

Receiving Security Cooperation Materiel

Security cooperation materiel is shipped from many different sources of supply by mail, small package carriers, and freight carriers. The release documents are attached to the package, carton, or container. Department of Defense (DoD) DD Form 1348-1A or DD Form 1348-2, *Issue Release/Receipt*, is the standard release document used in shipping materiel from DoD depots and other DoD sources of supply. The *Wide Area Work Flow (WAWF) Release Report*, is the standard release document used for materiel sourced from DoD vendors/contractors and other commercial sources (the WAWF replaces DD Form 250, Materiel Inspection and Receiving Report). These documents should contain the following information:

- Shipper's address
- National Stock Number (NSN)
- Transportation Control Number (TCN)
- Requisition or document number
- FMS case identifier
- Item cost
- Final consignee in the purchaser's country

If the shipping document does not contain the required information for U.S. customs clearance, the shipper is required to provide the necessary information.

Establishing Materiel Receiving Records

At the time the materiel is received, the freight forwarder should establish appropriate electronic records to enable tracking of the shipment throughout the transportation cycle. The materiel received should be tracked by transportation control number (TCN), the requisition or document number, and the FMS case identifier. It is suggested that the following additional data are also recorded.

- Receipt of advanced documents
- Shipper's address
- Date materiel was shipped from the source of supply
- Delivering carrier
- Carrier Tracking Number
- Date materiel was received
- Condition of packaging/containers when received
- Materiel damage, if any
- Inland freight charges
- Any special charges against shipment
- Number of pieces in shipment
- Number of items in each container
- National Stock Numbers (NSNs)
- Item costs (value)
- Weight and cube (volume) of shipment
- Project code, if applicable
- Receipt and replies to Notices of Availability (NOAs)
- On-hand holding location

Payment of Inland Freight Charges

Some freight shipments are delivered to the freight forwarder on a collect commercial bill of lading (CCBL). Prompt settlement of these charges must be made by the purchaser/freight forwarder or the purchaser must establish a credit arrangement with the delivering carriers. If the freight forwarder is not tasked to pay freight charges under the terms of the contract, the purchaser may have a Type Address Code (TAC) 7 address entered in the Military Assistance Program Address Directory (MAPAD) that identifies the activity responsible for the payment of CCBL charges. For more information on TAC codes see DSCU publication *The Management of Security Assistance (AKA The DSCU Green Book)*, Chapter 11, or the DSCU publication *FMS User's Guide to the MAPAD*. Both publications are located at www.dscu.edu under Publications.

Inspecting Shipping Containers

Shipping containers need to be inspected when received from the delivering carriers. The initial inspection for damage, shortage, overage, or misdirected shipments, should be made before the carrier's representative is released. Damages and container shortages should be annotated on the carrier's document to support a later claim against the carrier.

If a container that is visibly damaged is received by the freight forwarder, the freight forwarder may choose to forward the material in an overpacked container, or may hold the damaged container pending an inspection by a government representative of the foreign purchaser. The freight forwarder contract should specify whether damaged containers will be overpacked and sent on to the foreign purchaser, or held for customer inspection or stored until the discrepancy is resolved with the shipper.

Misdirected shipments may be returned to the carrier or held pending the receipt of delivery instructions from the source of supply. When incorrect items are delivered to the freight forwarder the shipper may direct the freight forwarder to return the material to the shipper at the shipper's expense.

A container shortage should be annotated on the carrier document. The shipment should be accepted and held pending resolution of the shortage. **Freight forwarders should not refuse shipments from carriers or return material to the shipper when the shipments are addressed to the freight forwarder's FMS customer, unless the material is hazardous or explosive.** Title to the material passed to the foreign government at the initial time and point of shipment. The U.S. Government warrants title transfer only ("constructive proof of delivery").

If improperly packaged or marked material arrives at the freight forwarder's facility, the freight forwarder should accept the material. The freight forwarder should then notify the shipper to resolve the problem, or provide information to the FMS customer to have the customer file a claim against the shipper via the Supply Discrepancy Report process. The freight forwarder should contact the shipper to identify and resolve discrepant shipments.

Damaged, misdirected, and other frustrated shipments may be held in a designated area until a claim is filed against the carrier or the condition is resolved.

Examining Container Markings and Shipment Documents

Container markings and shipment documentation also need to be examined for accuracy. The freight forwarder should ensure that container markings are correct and that the documents accompanying the shipment remain intact and securely attached to the outside of each shipping container. This examination will simplify identification and processing of the shipment in the receiving country.

Filing Claims against the Delivering Carrier

Claims for loss, damage, or shortage of material which appears to have occurred while the shipment was in the custody of the commercial carrier need to be filed against the delivering carrier. If the material was delivered on a Collect Commercial Bill of Lading, or the freight forwarder has a contract with the carrier, then the freight forwarder should initiate a claim against the carrier. The purchaser should ensure that the freight forwarder credits the purchaser's account with any settlement resulting from claims against the carrier.

Identifying Shipper Discrepancies

The freight forwarder should advise the purchaser of any detected shipment discrepancies which appear to be the responsibility of the shipper. These discrepancies include damage that appears to be the result of improper packaging and discrepancies in container marking and shipment documentation. If damage or shortages exist that appear to be the fault of either the shipper or the carrier, the freight forwarder should document and report the discrepancy to the shipper. If the transportation of the materiel from the shipper to the freight forwarder was prepaid by the FMS customer, the shipper must initiate a claim, called a Transportation Discrepancy Report, DD Form 361, against the carrier on the FMS customer's behalf.

Storage Charges before Trans-shipment

Once a freight forwarder receives materiel, it may be necessary to store the materiel until the scheduled transshipment date. The purchaser should ensure that the freight forwarder has adequate warehouse facilities and materiel handling equipment to properly unload, move, store, and reload materiel on the outbound carrier's vehicle for onward movement to the purchasing country.

Staging and Processing Materiel for Onward Movement

Some packages, cartons, or containers may have been crushed, weakened, or broken due to handling by a carrier with no apparent damage to the contents. The freight forwarder should carefully examine all shipping containers prior to onward movement. All shipping containers should be adequate to withstand handling and movement risks associated with the mode of transportation to be used for onward shipment to the purchasing country. The freight forwarder should have adequate capability to repackage or reinforce containers found to be inadequate for onward movement. The freight forwarder should ensure that all appropriate documentation is visible on the repackaged container, i.e. DD 1348-1A form, labels, electronic tracking devices, etc. whenever possible. Physical protection for materiel being transshipped must be provided by the freight forwarder.

Shipment Consolidation

The freight forwarder should be required to consolidate small packages into larger shipping containers. Materiel should be consolidated according to the purchaser's instructions. When consolidating shipments, the freight forwarder must ensure that all appropriate markings are placed on the new shipping container. To minimize the risk of loss, damage, and pilferage, door-to-door sea van container service should be employed whenever possible. When door-to-door container service is used, the freight forwarder should provide a listing of all containerized materiel to the purchaser.

Preparing Materiel for Onward Movement

When preparing materiel for onward movement to the purchasing country, the freight forwarder should label, mark, and fully document shipment units for ease of identification and processing by the receiving activity. The freight forwarder should record significant information regarding the dispatch of the shipments. This information may include:

- Identification of shipment units or containers
- Name of vessel and voyage number
- Aircraft and flight number
- Estimated/actual loading dates
- Estimated/actual discharge dates
- Port of loading
- Port of discharge

The freight forwarder should also arrange delivery of materiel to the aerial or surface port of exit from the United States.

Preparation of Movement Documents and Customs Clearance Documents

The freight forwarder should prepare all movement and customs clearance documents. These documents may include:

- The bill of lading for movement of materiel by the selected air or surface carrier
- Air waybills for air delivery
- Dock receipts for delivery at the surface terminal
- Air or ocean manifests
- Customs declarations and other export clearance documents
- Cargo certificates for hazardous and explosive materiel

Other Responsibilities that Should be Delegated to the Freight Forwarder

The freight forwarder is responsible for:

- Reporting to the appropriate U.S. government agency all security cooperation materiel exported.
- Payment of all freight charges for onward movement of materiel on behalf of the purchasing country.

Control of Shipments

The freight forwarder should maintain complete control over each security cooperation program shipment. This control should start on the day that advance documents are received and continue through the receipt of materiel from the delivering carrier, processing and staging, and until final shipment to the purchaser's port of discharge. This action will provide constant information on the location and status of each shipment in the system. It will enable the freight forwarder to immediately respond to purchaser inquiries concerning the status of in-transit materiel.

Tracer Action

The freight forwarder should provide follow-up tracer action for inbound materiel that is not received in a timely manner. The establishment of records for receipt of materiel, staging and processing, and preparation of materiel for onward shipment will aid tracer action. When due-in materiel is not received, the freight forwarder should request evidence of shipment documents from the original shipping activity and initiate tracer action with the applicable carrier.

Customer Pickup of the Purchaser's Materiel in the Freight Forwarder's Possession

Special instructions must be given to the freight forwarder regarding materiel that is to be picked up by the purchasing country's owned or operated aircraft or vessel. Foreign owned and controlled aircraft or vessels are normally given permission to land at U.S. military bases upon request. If purchaser owned or controlled aircraft or vessels are to be used to move materiel that is in the freight forwarder's possession, the freight forwarder must be provided with the flight or ship itinerary. Arrangements must be made with the military base seven to fourteen days before arrival. Specific instructions are provided by the military department. The materiel is moved to the military base for forwarding by the freight forwarder. The purchaser should reimburse the freight forwarder for this service. Any services provided by the military base are charged to the foreign government.

Cargo Insurance

Freight forwarders arrange cargo insurance on behalf of the purchaser. Cargo insurance should be fully discussed with the freight forwarder and included in the terms of the freight forwarder's contract.

Storage Charges for Delays in Shipment from the Source of Supply

DoD shipping activities and commercial contractors have limited storage facilities. They are unable to store security cooperation materiel for long periods after the materiel has been prepared for shipment. When shipments are delayed at the source of supply, the purchaser may be liable for storage charges.

Materiel Reporting System

The freight forwarder should develop and maintain an efficient reporting system to keep the purchaser advised of the status of shipments. The status should include advance notice of shipments due-in at the freight forwarder's receiving facility, receipt of shipments, shipment processing status, estimated forwarding dates, carrier name, voyage/flight number and itinerary, estimated date of arrival at port of discharge, and any other specific information the purchaser may require. FMS customers and their freight forwarders should participate in the Enhanced Freight Tracking System (EFTS), accessible through the Security Cooperation Information Portal (SCIP), which will provide visibility of materiel movement from the point of origin to final destination. FMS customers should arrange for their freight forwarders to electronically report materiel receipts and shipments to upload into the EFTS. The EFTS team will work with the country/freight forwarder to effect exchange of data between the two systems. The EFTS team has the capability to write software for the country/freight forwarder to minimize cost and ensure successful integration.

The following information is provided as a guideline for the data EFTS requires from a freight forwarder.

SCIP Account.

Establish and maintain a current Security Cooperation Information Portal Account and access to the EFTS program by requesting a token-enabled Security Cooperation Information Portal (SCIP) account. For detailed instructions and all associated forms, visit www.scportal.us. Click on "Registration Info" at the top of the page. When the form has been completed and signed please fax it to 1-717-605-9082 for processing.

Interface.

In collaboration with the EFTS Program Office, freight forwarders are encouraged to establish an active information/data exchange using one of the following interfaces:

- Web services (Preferred Method)
- FTP: File Transfer Protocol (w/ increased security restrictions)
- Other: Method must be presented to EFTS Program Office for review and evaluation.

Once data transfer functionality is determined and operating, reporting is required at least daily and data must be sent in one of the following formats:

- XML: eXtensible Markup Language
- EDI: Electronic Data Interchange
- Text File

Reporting Requirements.

The freight forwarder should report the following six transactions:

- Transaction #1: Arrival of a shipment inbound to FF facility
- Transaction #2: Break bulk: Any time one multipack shipment is broken down to individual shipments (One to many TCN relationship)
- Transaction #3: Consolidation: Any time multiple shipments are consolidated into one shipment (Many to one TCN relationship)
- Transaction #4: Departure of a shipment outbound from FF facility
- Transaction #5: Confirmation of delivery to final destination
- Transaction #6: Discrepancy (misrouted, damaged, misidentified material)

Negative reports (no transactions to report) are required to continuously monitor EFTS connectivity. Reports should be submitted daily and can be automated. If reporting is suspended for any reason other than EFTS program availability, the EFTS program office and the Country sponsor will be notified immediately stating cause, corrective action, and estimated date to resume reporting.

Data Requirements.

All transactions sent to EFTS will at a minimum contain the data identified in the sections of this publication discussing *Establishing Materiel Receiving Records* and *Preparing Materiel for Onward Movement*.

Further information about this program may be obtained from the EFTS program office:

Enhanced Freight Tracking System (EFTS) 7	Navy Supply Systems Command –Weapon Systems Support (NAVSUP-WSS) 700 Robbins Avenue Program Office Philadelphia, PA 19111-5095 (215) 697-5003 or (215) 697-4820
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Receipt, Handling, and Processing of Classified Materiel

If the purchaser proposes to take delivery and custody of classified materiel in the United States and uses its own facilities and transportation for onward shipment to its country, the foreign purchaser or its designated representative (e.g., the freight forwarder) shall be required to submit a transportation plan for approval by the DoD component. The elements of a transportation plan are outlined later in this guide. The definition of classified materiel includes hardware, software, publications and technical data. In order to accept classified materiel for transshipment to the purchasing country, the freight forwarder must obtain a facility security clearance from the Defense Security Service (DSS). To obtain the required facility security clearance for the freight forwarder, the purchaser must send a request to:

Defense Security Services
The Defense Industrial Security Clearance Office (DISCO)
Attention: Facility Clearance Division
600 10th Street
Fort Meade, MD 20755
Telephone: 11-888-282-7682
Fax: 301-833-3912
e-mail: occ.rqst.forms@dss.mil
DISCO Web Site: www.dss.mil/disco/index.html

Once a facility security clearance is obtained from DISCO, a copy of the facility clearance letter must be sent to the Defense Logistics Management Standards Office (DLMSO). The DLMSO is the custodian of the Military Assistance Program Address Directory (MAPAD). The FMS customer must inform DLMSO which freight forwarder address should be designated with a Type Address Code (TAC) that indicates the facility is cleared to accept confidential or secret materiel. Facility clearance letters may be sent to:

Defense Logistics Management Standards Office (DLMSO)
DLA J627
8725 John J. Kingman Rd
Fort Belvoir, VA 22060-6221
Telephone: 703-767-2117

These functions are the responsibility of the purchaser but are normally accomplished by the freight forwarder. The freight forwarder must have obtained a security clearance through the Defense Industrial Security Clearance Office (DISCO) as explained earlier. In the event the freight forwarder is unable to make suitable arrangements for shipment of classified materiel being procured under a direct commercial contract, the freight forwarder should notify the foreign customer to make appropriate arrangements for Defense Transportation System (DTS) shipment under an FMS Letter of Offer and Acceptance (LOA). Approval by the DoD component is required for the purchaser to receive, store, and transport classified materiel. Application for the import of classified defense articles must be made on a DSP-85, *Application/License for Permanent/Temporary Export or Temporary Import of Classified Defense Articles and Related Classified Technical Data*. For more information, see the SAMM, Chapter 7.

A freight forwarder with a security clearance issued by the Defense Security Service may accept and transship classified materiel to the purchasing country according to the prearranged transportation plan. A TAC A (small parcel shipments) or a TAC B (freight shipments) designation will be entered in the MAPAD for freight forwarders that have been issued a SECRET security clearance by the Defense Security Service. A TAC C (small parcel shipments) or a TAC D (freight shipments) designation will be entered in the MAPAD for freight forwarders that have been issued a CONFIDENTIAL security clearance by the Defense Security Service.

Offer Release Codes

The offer release code is assigned in column (6) of the LOA. This code advises the purchaser of materiel releasability. When code A is assigned, the materiel is automatically released for shipment. Code Y is used when shipping radar sets, vehicles, or any other materiel that may require special handling or storage. Code Z is used for hazardous and sensitive materiel such as toxic items, explosives, firearms and classified materiel. When Code Y or Z is assigned, the shipper sends a Notice of Availability (NOA) to the type address code (TAC) 3 in the MAPAD. Normally, this is the address of the purchaser's freight forwarder, who has been assigned NOA responsibility by the purchaser. However, NOAs for classified materiel will always be sent to the FMS purchaser's government representative in the United States. This normally will be the purchaser's embassy in Washington DC. The purchaser's embassy is responsible for coordinating with the freight forwarder to receive classified materiel. The NOA for Y items gives the freight forwarder fifteen days to respond with special shipping instructions. Otherwise, the materiel is shipped to the freight forwarder address indicated in the MAPAD. The NOA for Z items advises the freight forwarder that the materiel is ready for shipment, but will not be shipped until special shipping instructions are received. Normally, the freight forwarder should have the capability to store toxic items or lethal chemicals and should answer the NOA without delay. Explosives and firearms are not shipped to freight forwarder facilities. The freight forwarder must arrange with the appropriate U.S. military service for onward movement of these items from a U.S. government controlled water port or aerial port of exit from the United States. Purchaser owned or controlled aircraft or purchaser owned, operated, or controlled surface vessels may be used for the onward movement. The response to the NOA must state the port of exit from the United States, the date of departure, the name of the vessel and voyage number, or the aircraft number and operator, or the airline and flight number. Classified materiel is only shipped in accordance with the prearranged transportation plan that is included in the terms and conditions of the LOA.

Transportation Plan for Classified Materiel

The provisions of DoD 5200.1-R, *Information Security Program*, and DoD 5100.76-M, *Physical Security of Sensitive Conventional Arms, Ammunition and Explosives*, require transmission instructions or an approved transportation plan be incorporated into the security requirements of the LOA when the foreign purchaser proposes to take delivery and custody of classified materiel in the United States and use its own facilities (to include those of a freight forwarder.) and transportation for forward shipment to its country. Any contract, agreement, LOA, or other arrangement involving the release of classified materiel to foreign entities must include a transportation plan. The transportation plan must be approved by applicable DoD military department authorities. At a minimum, the transportation plan shall include the following provisions:

- A description of the classified materiel, together with a brief narrative as to where and under what circumstances transfer of custody will occur;
- Identification, by name or title, of the designated representative(s) of the foreign recipient government or international organization who will receipt for and assume responsibility for the materiel. In the case of U.S. classified materiel, the person(s) so identified must be cleared for access to the level of the classified materiel to be shipped;

- Identification and specific location of delivery points and any transfer points;
- Identification of commercial carriers and freight forwarders or transportation agents who will be involved in the shipping process, the extent of their involvement, and as applicable, their security clearance status;
- Identification of any storage or processing facilities to be used and, relative thereto, certification that such facilities are authorized by competent government authority to receive, store, or process the level of classified materiel to be shipped;
- When applicable, the identification, by name or title, of couriers and escorts to be used and details as to their responsibilities and security clearance status;
- Description of shipping methods to be used, together with the identification of carriers (foreign and domestic). For classified materiel, see DoDM 5200.01, *DoD Information Security Program*, volume 3, enclosure 4, and for classified sensitive materiel, see DoDM 5100.76, *Physical Security of Sensitive Conventional Arms, Ammunition and Explosives*, enclosure 10.
- In those cases when it is anticipated that U.S. classified materiel or parts thereof may be returned to the United States for repair, service, modification, or other reasons, the plan must require that shipment shall be via a carrier of U.S. or recipient government registry, handled only by authorized personnel, and that the applicable DoD component [for foreign military sales] or Defense Security Service [for commercial sales] will be given advance notification of estimated time and place of arrival and will be consulted concerning inland shipment;
- The plan shall require the recipient government or international organization to examine shipping documents upon receipt of the classified materiel in its own territory and advise the responsible DoD component in the case of FMS, or Defense Security Service in the case of commercial sales, if the materiel has been transferred enroute to any carrier not authorized by the transportation plan; and
- The recipient government or international organization also will be required to inform the responsible DoD component or the Defense Security Service promptly and fully of any known or suspected compromise of U.S. classified materiel while such materiel is in its custody or under its cognizance during shipment.

Controlled Cryptographic Items (CCI)

Controlled Cryptographic Items (CCI) are not classified, but because CCI is deemed sensitive, its handling requires additional security. Many commercial freight forwarders will not be required to handle classified freight, and therefore will not be required to obtain a facility clearance from the Defense Security Services. A facility security clearance would require the freight forwarder to follow specific security procedures. To ensure that the freight forwarder is capable of securing CCI as well as routine cargo, the following security-related guidelines are suggested as part of the contractual requirements for all FMS purchasers that make use of commercial freight forwarders who are not cleared for handling classified materiel.

What to Include in the Freight Forwarder Contract

Normally, the purchaser is responsible for the transportation beyond the Port-of-Exit of its own materiel furnished under an LOA. The purchaser negotiates with a freight forwarder to represent the purchaser in arranging for the receipt, processing, export, and import of security cooperation materiel. The following describes the receipt, processing, transshipping procedures and functions in detail. Delegation of any or all of these functions or responsibilities to the freight forwarder is made at the discretion of the purchaser. The responsibilities of the freight forwarder should be specified in a detailed statement of work in the contract established between the purchaser and the freight forwarder. The following is a list of the facilities and capabilities that a freight forwarder contracted to move security cooperation materiel should possess. It can be used as a checklist by the purchaser's representative when negotiating a contract for freight forwarder services.

Security of Warehouses, Storage Areas and Terminals

These specific requirements are applicable to all freight forwarder who are engaged in the storage of cargo in warehouses, on storage areas and terminals.

Procedural security. The freight forwarder shall have documented procedures in place which ensure:

- That all cargo entering the warehouse or storage area is properly marked, weighed counted, documented and inspected for the absence of illegal goods or attributes.
- That all containers entering the premises are properly sealed and that the seal is compliant to its documentation.
- That all cargo and containers are compliant with their documentation and manifest
- That received containers, when emptied, are sealed again and that such sealing is properly recorded.
- Adequate maintenance and calibration of any security pertinent equipment.

The freight forwarder shall have documented procedures in place which describe:

- How deviations from normal operating procedures are reported and investigated within the organization and how responsibilities for this are defined.
- How the shipping activity, the foreign customer, customs and other relevant law enforcement bodies are notified in cases where anomalies (e.g., package tampering, loss, delays), are detected and/or illegal activities are detected and/ or suspected.
- How overages/shortages, including unmanifested materials, shall be detected and how these are reported to customers, the shipping activity, customs, other law enforcement bodies, clients and other appropriate parties.
- How random, unannounced security verification of areas in control of the organization and within the supply chain are performed and who decides where and when these verifications take place.
- Who shall be authorized to break seals for inspection purposes and re-seal the packages before further handling and how information about such change of seal shall be processed.

Physical security. The freight forwarder shall have an adequate security system for protecting the purchaser's materiel. The freight forwarder shall have documented procedures in place which ensure that warehouses and storage areas for outward bound cargo as well as terminals are identified as restricted areas. For these restricted areas the freight forwarder shall have documented procedures in place and/or physical provisions made which ensure that:

- Warehouses should be constructed of materials, which resist unlawful entry and protect against outside intrusion of unauthorized persons and goods.
- Storage areas and terminals are surrounded by perimeter fences which comply to the legal and statutory requirements.
- External and internal doors, windows, gates and fences of restricted areas are provided with locking devices.
- Restricted areas, both inside and outside, are provided with adequate lighting.
- International, domestic, high-value, and dangerous goods cargo is marked and segregated within the premises by a safe, caged or otherwise fenced-in area.
- Restricted areas are equipped with intrusion alarms.
- Parking areas for private vehicles are well segregated from restricted cargo areas.

Access controls. The freight forwarder shall have documented procedures in place and physical provisions made which ensure that:

- Unauthorized access to facilities is prevented.
- Controls include positive identification and recording of all employees, suppliers, visitors, and vendors on site.
- Authorization to access restricted areas shall be clearly visible.
- Visitors are not allowed to move around the facilities without accompaniment of an employee unauthorized / unidentified persons are challenged.
- Authorization to access restricted areas shall be recorded and evidence shall be worn clearly visible at all times.
- Security Codes, cards and/or keys shall only be submitted to authorized persons for which records shall be held.
- Upon termination of engagement at the premises security Codes, cards and/or keys shall be returned to the organization for which records shall be held.

Human resources. The freight forwarder should have a professionally trained staff with a working knowledge of the USG supply and transportation systems. The freight forwarder's personnel must have full and complete knowledge of the U.S. and purchaser's country export and import documentation requirements. A comprehensive knowledge of domestic and foreign regulations including monetary exchange systems is essential.

The freight forwarding company should have documented procedures in place which shall describe:

- In detail, the tasks and responsibilities of personnel assigned security duties.
- How employees, including sub-contracted staff are screened and interviewed prior to employment.
- How analysis is carried out to define which personnel perform security sensitive duties.
- How the background of employees, including sub-contracted staff, which perform security sensitive tasks is annually checked. These checks shall be routinely done when relocating personnel to security sensitive positions within the organization.
- How all employees, including sub-contracted staff, are trained and educated to recognize breaches of cargo and/or information integrity and unauthorized access.
- How a security awareness program shall be implemented and provided to employees and sub-contracted staff, including the recognition of internal conspiracies, maintaining cargo integrity, and determining and addressing unauthorized access. These programs should offer incentives for active employee participation in security controls and verifications.

Information security. The freight forwarder shall have made provisions which ensure that:

- Internal /external two way communication systems to contact internal and/or external security personnel are in place and operational at all times, including, where applicable, procedures which prevent impersonation.
- The organizations security procedures are kept confidential and are not distributed outside the organization without authorization of the company security officer.
- Obsolete document are destroyed under secure conditions.

Other contractual considerations. The freight forwarding company should have evidence of a sound financial history.

- Adequate warehousing facilities (indoor and outdoor) with sufficient equipment and personnel to handle the purchaser's materiel.
- A full range of packaging services, to include boxing, crating, banding, and palletizing. It also should include the use of stretch-wrap, bubble-wrap, and other state of the art packaging methods.
- A cargo consolidation capability.
- A capability to ship and receive materiel by all modes of transportation, to include small package carriers, truck, air, rail, and ocean vessel.

- A computerized or manual bank of transportation schedules, carrier tariffs, and customs regulations.
- A shipment tracking capability. This should consist of automated capabilities, including bar code reading, or other automatic identification technologies to ensure the capability to communicate and exchange information with other systems. Manual systems are discouraged as data cannot be shared easily.
- The capability for direct computer link with the purchaser's computer system.
- The capability for direct computer link with U.S. Government computer systems, including EFTS.
- A loss and damage claims processing capability, to include assistance with filing Supply Discrepancy Reports (Standard Form 364) or researching discrepancies as needed.
- The capability to provide adequate insurance coverage for the purchaser's materiel.
- The capability to provide customs brokerage service for the import of purchaser's materiel.

Where and How to Find a Freight Forwarder

The National Customs Brokers and Forwarders Association of America (NCBFAA) Inc. publish an online membership directory. It lists the licensed customs brokers and international freight forwarders in numerous locations throughout the United States and other locations in the world. The listing explains what customs brokers and freight forwarders are and what they do. It also describes how to locate a customs broker or freight forwarder in a particular area in the United States. The NCBFAA membership directory is an excellent source of information on where and how to find a freight forwarder. The membership directory is available on the Association's web site (see *Find Members*, for which there is a fee to subscribe). The Association's contact information is:

National Customs Brokers and Forwarders Association of America, Inc.
 1200 18th Street, NW, # 901
 Washington D.C. 20036
 Telephone: (202) 466-0222
 FAX: (202) 466-0226
 Web Site: www.ncbfaa.org

Other sources of freight forwarder addresses include large city telephone directory "yellow pages," and transportation, physical distribution, traffic management, and logistics magazines, periodicals, and web sites. Such sources often list freight forwarders that offer their services to the general public. Also, discussions with other foreign purchasers on the efficiency and effectiveness of their freight forwarders are encouraged.

Evaluating the Freight Forwarder's Performance

The purchaser should periodically review the freight forwarder's performance. The following actions will help evaluate the quality of the services performed by the freight forwarder.

- Transit time for delivery of materiel from the freight forwarder's facility to the purchasing country.
- Adequacy of the freight forwarder's tracking and reporting system.
- Timeliness of the freight forwarder's response to the purchaser's request for tracer action or follow-up information.
- Effectiveness of consolidation and containerization performed by the freight forwarder.
- Amount of loss and damage attributed to the freight forwarder.
- Condition of materiel upon receipt at final destination.
- Compliance with the purchaser's special instructions for priority shipments or other special handling and shipping requirements.
- The storage charge assessed by the U.S. government because of untimely responses to the Notice of Availability.
- The accuracy and consistency of the freight forwarder's billing procedures.
- A comparison of overall transportation costs to the volume of movement.
- Compliance with classified materiel policy and procedures, as appropriate.
- Effectiveness and accuracy of data interchange with U.S. Government (including EFTS) and country systems.

Changing Freight Forwarders

If the purchaser elects to change freight forwarding companies, it is imperative that the contracts of the outgoing company and the incoming company overlap by at least six months. The purchaser must initiate a change to the MAPAD as soon as a new contract is in place to ensure that future shipments are sent to the new freight forwarder. The overlap in contracts is necessary to ensure that material in transit during the change in freight forwarders does not become frustrated at the outgoing company. The foreign purchaser should submit the Letter of Designation assigning the new freight forwarder as their agent to the ILCO to initiate the change to the MAPAD.

Military Assistance Program Address Directory

The Military Assistance Program Address Directory (MAPAD) resides on the Internet at <https://www.transactionservices.dla.mil/DAASINQ/warning.asp>. It is the primary source used by the shipping activities to determine the shipping addresses for security cooperation materiel. The purchaser is responsible for keeping the MAPAD addresses current. The MARK FOR and FREIGHT FORWARDER codes, entered on the LOA by the purchasing country, are reentered in the document number and supplementary field of each requisition. Shipping activities use these entries to get the MARK FOR and FREIGHT FORWARDER codes. The purchaser service designator, Army, Navy, or Air Force, is also entered in the supplemental field of each requisition. These entries are used to create Military Assistance Program Address Codes (MAPACs), a six-character code which corresponds to a clear text address. The corresponding clear text addresses for the MARK FOR and FREIGHT FORWARDER codes are obtained from the MAPAD. Foreign Purchasers must initiate action to change MAPAD addresses with the FMS transportation specialists at the ILCOs. At least sixty days advance notice of any such change is required. It is extremely important for all address changes to be immediately identified to keep the MAPAD current and avoid misdirected shipments. All MAPAD changes must be submitted to the ILCO by the foreign purchaser.

For assistance in interpreting MAPACs and the MAPAD, refer to D I S C S publication *FMS User's Guide to the Military Assistance Program Address Directory (MAPAD)* located at the DSCU web site at www.dscu.edu under Publications.

References

DoD Manual 4000.25, Volume 6, Chapter 3, *Military Assistance Program Address Directory (MAPAD)*: <https://www.transactionservices.dla.mil/DAASINQ/warning.asp>. (Select MAPAC from the left menu.)

DoD Regulation 4500.9, *Defense Transportation Regulation, Part II, Cargo Movement, Appendix E, Security Cooperation Program (SCP) Shipments: Foreign Military Sales (FMS) and Pseudo-FMS Cooperative Programs*, at www.transcom.mil/5/pt/dtrpart2/dtr_part_ii_app_e.pdf.

DoD Manual 5100.76, *Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives*

DSCA Manual 5105.38, *Security Assistance Management Manual (SAMM)*, Chapter 7 at www.dsca.mil/samm/.

DoD Manual 5200.01, *DoD Information Security Program, Volume 3*.

DoD Manual 5220.22, *National Industrial Security Program Operating Manual (NISPOM)*.

MIL-STD 129, *Standard Practice for Military Marking*.

DSCU Publication *FMS User's Guide to the MAPAD*: listed under Publications at www.dscu.edu.

DSCU Publication *The Management of Security Cooperation* (aka, *The Green Book*), listed under Publications at www.dscu.edu.

National Customs Brokers and Forwarders Association: www.ncbfaa.org/

U.S. Customs Service: www.cbp.gov/

U.S. Department of State, Directorate of Defense Trade Controls: www.pmddtc.state.gov/



Arlington, Virginia
Wright-Patterson Air Force Base, Ohio
WWW.DSCU.EDU



Defense Security Cooperation Agency
Department of Defense