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DoD Contracting in the Global Environment

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Lieutenant Colonel
Charley L. Williams
U.S. Air Force

Faculty Research Advisor
Lieutenant Colonel Cecilia C. Albert, USAF

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The Industrial College of the Armed Forces
National Defense University
Fort McNair, Washington, D.C. 20319-6000

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DoD CONTRACTING IN THE GLOBAL ENVIRONMENT

International contracting is very difficult because of its inherently complex nature. Foreign contractors, multiple governments, and diverse cultures add dimensions not found in domestic contracting. We continue to see significant and repetitious mistakes. In this paper I attempt to illustrate the complex process, discuss its effectiveness, and offer suggestions for improvement by answering the following questions: 1) What is international contracting? 2) Why is it important? 3) How well is it accomplished? and 4) How can the process be improved?

I review a current contract case to highlight the complexities of international contracting. The contract for F-15 aircraft Programmed Depot Maintenance and Multi-Stage Improvement Program had been performed by the Spanish company Construcciones Aeronauticas Sociedad Anomina (CASA). In 1990 the follow-on contract was competed. The case review follows the complex and extended process of contract competition, award, and contract start-up at the new contractor's facility in Israel. The case brings to light issues relating to communication, planning, organization structure, and diverse view points of the various actors.

My recommendations for improvement focus on education, communication, and organization. We need a DoD-wide, synergistic, demand-driven education and training system. Improve communication by linking Contract Administration into program management and reducing headquarters involvement. Streamline acquisition organizations by reducing staffs and professionalizing the acquisitions corps.

Charley L. Williams, Lt Col, USAF

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D O D C O N T R A C T I N G

I N T H E G L O B A L E N V I R O N M E N T

Contracting internationally is important to the United States and the Department of Defense as much for political reasons as military and economic ones. However, international contracting can be very difficult because of its inherently complex nature. Working with foreign contractors, multiple governments, and diverse cultures adds dimensions to the contracting process not found in domestic contracting.

International contracting, when done correctly, greatly contributes to the security of our nation. When it is done poorly the cost is not just economic - implications extend into the political and military arenas as well. Because they are different, overseas contracts merit and receive special attention by many. However, we continue to see significant, and often repetitious mistakes in the process.⁴ Why?

Few people, inside or outside the US government, are aware of the full extent of the DoD contracting effort overseas - or the unique, very complex process necessary to support it. This paper will highlight what is different about international contracting, examine the process, analyze how well the process works, and suggest areas for improvement. After reading this paper you should be able to answer some basic questions about DoD's international contracting process:

- *What is international contracting - as it relates to DoD?*

- *Why is it important* - are international contracts the same as domestic ones?
- *How well is it accomplished* - are we getting full benefit from the process?
- *How can the process be improved* - or can it be?

WHAT IS INTERNATIONAL CONTRACTING?

The answer to the question, "What is international contracting?", would seem obvious. It is the act of contracting between parties belonging to different nations - or at least the performance of a contract in a nation foreign to the contracting agency. When the contracting agency is the US government the answer must be taken further. It's the use of public funds in support of national security in an international, political environment. To grasp the significance of that statement we need to more fully explore what is included in our overseas contracting workload.

The Department of Defense spends a significant portion of its annual budget through foreign contracts. At the end of Fiscal Year 1992 the Department of Defense had nearly \$18 billion on contracts being performed in 35 different countries.¹⁰ Those contracts support our military, and often play a direct role in our foreign policy in those 35 nations. However, it often becomes difficult to clearly identify how much contract work is directed into a country intentionally and how much arrives as a result of market actions.

Visible and Invisible contracts

The Army, Navy, Air Force and the Defense Logistics Agency (DLA) often award contracts directly to foreign contractors. These direct contracts are recognized as *prime* contracts just as are similar US contracts. Such contracts are frequently for the supply or manufacture of spare

parts or commodities. Also, contracts may include services or maintenance efforts - even fuels or transportation. Just as within the US, overseas prime contracts are relatively easy to track and monitor. Responsibility for quality, cost and schedule rests with the prime. Responsibility for contract administration (US government oversight) is delegated to the cognizant DLA organization. However it doesn't end there.

It's not unusual for a contract that has been awarded to a prime contractor in the US to be supported by *subcontracts* in foreign countries.¹⁷ Often there are several layers of subcontracts as the various components are subdivided further. Each tier becomes more obscure as the tiers of subcontractors grow - eventually they may become entirely invisible to the contracting agency. This is even more likely overseas. Why is that important? The importance is manifold:

- Responsibility for government oversight is delegated to the government contract administration office (CAO) that oversees the prime contractor. When flow-down requirements go with a subcontract a secondary delegation is presented to the CAO having local responsibility for the subcontractor's region. When the subcontract is overseas we may or may not have a CAO readily available.
- Some subcontracts don't require direct oversight by a CAO. The prime contractor is expected to provide oversight of the subcontractor's efforts. However, when the subcontract is performed in a foreign environment the situation may be different. The US government often provides the oversight in lieu of the prime contractor for various reasons.
- Tracking the expenditure of funds is difficult. Internationally, we want to ensure that we aren't spending money in support of unfriendly nations or in politically unacceptable ways.

- Because of offset arrangements, credits are often given or received for the amount of contract dollars spent in a foreign country. Claiming credit becomes more difficult as subcontract layers become obscure.

The Actors

Before we examine the process, one must first meet the actors and learn how each affects the system. International contracting encompasses most of the same actors as DoD's domestic contracting efforts plus many more.

Congress

Congress has tremendous impact on the DoD contracting process.¹⁷ Laws enacted over recent years have greatly complicated the contract source selection and award process in general. Further, the congress at times involves itself directly in specific contract source selections. Many congressional decisions are made without adequate analysis with regard to the overall business impact of the particular decision (such as to favorably consider a particular contractor for award regardless of economic or military considerations - with predictable results). When such decisions involve foreign contractors the effects are much greater because of distances, cultural differences, and logistical impediments.

State Department

The State Department is responsible for country-to-country agreements and otherwise facilitating business relationships between countries. These agreements and relationships have a direct bearing on how international contracts are devised and executed.

The State Department can also have a significant impact on the effectiveness of US contract

administration services in a particular country because of National Security Decision Directive (NSDD) 38.¹⁰ NSDD 38 limits the size and composition of US missions assigned in each country. The directive gives the Chief of Mission (usually an ambassador) the right to deny or delay entry to US citizens being stationed in-country. In countries where DoD contract administration personnel are not otherwise covered by Status of Forces agreements the NSDD 38 authority may restrict the size of the organization allowed in country - regardless of need.

In many countries where DoD personnel are assigned there are no US military support bases available. Where that is the case, DoD organizations often depend directly on the State Department for housing, mail service, personnel management of local national employees, and any US supported shopping. It's wise to work an agreement with the State Department prior to placing contracts in-country. Ignoring this factor can have a direct affect on the success of a contract.

DoD

Each of the military branches and DLA has its own mechanisms for purchasing centrally managed services, maintenance, weapon systems, equipment, spare parts, and commodities (Centrally managed means those items which are purchased in support of the entire service as opposed to those items purchased at the local level in direct support of the local post, base, or camp). Some items are of such a critical nature, large dollar value, or are components of larger systems (weapon systems, transport system etc.) that they are overseen by program managers. Other items are handled as part of a class of items. DLA purchases items used commonly by all the services.

Although the Federal Acquisition Regulation and its DoD supplements, along with various other regulations, apply to each of the procuring activities the manner in which they are implemented is often distinctly different. Each agency further supplements the governing regulations and often adds service or local regulations and procedures. For these reasons, and the fact that their contracting organizations are designed differently, the manner of award and contract effectiveness is very diverse.

Until recently each service maintained individual contract administration services (along with DLA) for contract management after award. This virtually assured no requirement for coordination of contracting effort among the various agencies (in order for any one of them to award and administer a contract).

As a result of the Defense Management Review initiated in 1989 the Defense Contract Management Command (DCMC) was organized under DLA in the summer of 1990.¹⁰ The services' various contract administration organizations were combined with those of DLA to become a single, joint organization with the responsibility for administering all centrally managed contracts after award. In recognizing the differences and unique complexities of contract administration in foreign countries DCMC then formed a subordinate command - Defense Contract Management Command International (DCMCI).

On 1 October 1990 DCMCI absorbed most of the services' personnel and resources dedicated to overseas contract administration. Since that date DCMCI has gradually assumed virtually all responsibility for contract administration services (CAS) outside the continental US. At the end of FY '92 DCMCI had 43 offices in 26 countries. They were administering more than 6,700 contracts valued at nearly \$16 billion with CAS requirements in 35 countries.¹⁰ The offices are of various sizes and include expertise in contracting, quality assurance, program and

technical support, and general administration. Legal and other services are provided to the offices as needed. Several have flight operations programs with resident (US) pilots who perform functional check flights on overhauled aircraft.

Foreign Governments and Contractors

US contracts, and performance of those contracts, must conform to (or at least not violate) the laws and regulations of the host country (in addition to those of the US). Contract administration people stationed in-country must comply with all the laws and regulations as well as country-to-country agreements. The customs and culture must be understood - embarrassing consequences are often the price of ignorance or indifference.

Most foreign countries conduct business in a different manner from one another. Some are distinctly different from the US, others are easier to understand. An important point here is that inappropriate decisions can be made if one doesn't rely on the people most familiar with the particular foreign environment during the early stages of source selection and contract award. A poor decision in the international environment may later result in very high level involvement from both sides - business decisions may turn into a political struggle. Why? Let's examine the following:

- Many foreign firms are fully or partially owned by their governments. An action that would be considered a business matter when dealing with a domestic contractor may quickly turn into an international incident when a foreign firm is involved.
- Many foreign firms are fully or partially owned by members of an additional (or several) countries. This can become more important if one of those countries is not in good standing with the US government.

- Many foreign firms are subsidized by their governments. How do we determine when we have fair competition?
- Often, contracts placed overseas are as a result of previously negotiated offset arrangements, independent of the contract in question. This sometimes causes an award to a contractor with questionable credentials - resulting in poor performance.
- Some contracts are awarded as political concessions - without competition or with questionable competition. The decision may be the right one for political reasons but it can have other costs.
- For most foreign contractors a US defense contract is a significant status symbol. A loss of that contract may be much more than just a loss of part of their business base.

WHY INTERNATIONAL CONTRACTS - HOW IMPORTANT ARE THEY?

Securing goods and services from foreign contractors has been a practice of the military since the colonial era. At various times in our history we have depended heavily on other nations to help sustain our military capability. Today we are not as dependent on foreign sources as we once were. However, as we demobilize our industrial base we may become more dependent on the global market than we have at any time since World War I.¹³ Furthermore, predictions of regional instabilities may cause us to spread our defense dollars over a wider area for political, military, and economic reasons. What are some of those reasons?

Political

There are several reasons for viewing DoD contracts as political tools when they're being executed by a foreign contractor. DoD contracts:

- Show US support and trust for the host government.²⁶
- Support economy of the host nation – a good substitute for direct monetary aid.²⁶
- Provide technology transfer – making stronger allies.¹⁶
- Support alliances – cooperate in common use of material and equipment.¹⁶
- Support fair trade and a more open marketplace.²⁶

Military

Many DoD contracts are strategically placed overseas to directly support theater forces.

Foreign contracts can have several advantages over domestic ones.

- It is generally faster to use in-theater sources rather than CONUS sources for depot level repair and overhaul of weapon systems and equipment.
- Foreign sources often provide redundant capabilities – adding flexibility.
- Technology transfers can make friendly governments and their armies stronger – can be a stabilizing force.¹⁶
- They can support common production of allied joint-use arms and equipment.¹⁶
- They can provide an avenue for reverse technology transfer – an event which is becoming more common.¹⁷
- They promote interdependence by focusing on market competition rather than military conflict.²¹

Economic

Getting the most value for the dollar is becoming increasingly important. Declining budgets will certainly cause us to be more discerning as we contract for goods and services. Regardless of the desire to support US contractors we will continue to have good economic reasons to use foreign sources.

- Because of lower labor rates many foreign contractors can produce quality goods or services at a lower cost than domestic companies.
- Transportation intervals and shipping costs often make it more economical to purchase goods, maintenance, or services in-theater for forward based units.
- Joint and cooperative ventures will become more commonplace in order to reduce and share production costs among countries.¹³
- As other countries become more technologically competitive the US will buy more available products instead of spending research and development money on similar products.²²

For whatever reasons we use international contracts we must be effective in our process. An ineffective process degrades the intended benefit and adds cost. We can't ensure effectiveness or improvement without assessing current accomplishment.

HOW WELL IS INTERNATIONAL CONTRACTING ACCOMPLISHED?

For those who are not experienced in international contracting it may be difficult to fully appreciate how complex the process can be. Reviewing an actual contract case can be helpful in understanding how the various actors affect the process - and how we frequently ill use opportunities to maximize the political, military, and economic opportunities inherent in

overseas contracting. I've selected for review an on-going case I'm personally familiar with.

Case Review - F-15 PDM/MSIP

Since the mid-1950s the Spanish company Construcciones Aeronauticas Sociedad Anonima (CASA) had routinely won contracts for in-theater maintenance of USAF fighter aircraft. CASA had several other US contracts (Navy F-18 co-production, Army helicopter engine repair and overhaul, etc.) but jet fighter overhaul was the company favorite. In early 1990 CASA was performing in the last year of a three-year contract for programmed depot maintenance and Multi-Stage Improvement Program (PDM/MSIP) for Air Force F-15 fighters. At \$2 million each the 17m aircraft-per-year contract was important to the company - economically and politically.

CASA's managers were confident that they would win the follow-on contract due to be awarded later that year. Their rates were competitive in-theater and they were performing very well on the current contract. CASA delivered high quality aircraft - on schedule. Beside that, hadn't they been loyal friends with the US Air Force for more than 35 years?

They would not be successful, however, and in November, 1992 the long CASA-USAF association ended with the delivery of the last CASA-overhauled F-15. Strangely, the winner of the follow-on contract was not even among the competition when solicitations were first distributed.

Background

The US Air Force F-15 fighter aircraft fleet is centrally managed by the program manager at Warner Robins Air Logistics Center (WR-ALC). The program manager has world-wide

responsibility for F-15 depot level maintenance, major modifications, and upgrades for the aircraft and its associated systems. He is responsible for monitoring requirements and establishing contracts for the thousands of parts, maintenance and services required to sustain the fleet. For those aircraft that are maintained in the states, depot level maintenance and modification is accomplished organically by the military and DoD civilians at WR-ALC (or another logistics center). However, it's not the same overseas.

For F-15s stationed overseas, depot maintenance centers are established by awarding contracts to firms within the theater. The level of maintenance is the same whether it's accomplished in the states or in a foreign country (Kim Hae, Korea for the Pacific and, until 1992, Getafe, Spain for the European theater). Upon contract award, contract administration responsibility is delegated to DCMCI who assigns the contract to the office having cognizance over the geographic area.

The cognizant office in Spain is the Defense Contract Management Office (DCMO), Madrid. Prior to consolidating into DLA in 1990 the office had been Detachment 19 of the Air Force Contract Maintenance Command. The office was physically located in CASA's facility in Getafe (just south of Madrid) and had been in place since the mid 1950's. The office was responsible for many contracts in several locations in Spain and Portugal but the F-15 contract was the largest and most complex.

The office had been manned with military and DoD civilians who had direct experience with F-15 maintenance and quality assurance, either on the flight-line or in other depot operations. The chief of flight operations (and test pilot) had come from the Air Force unit in Bitburg, Germany - the unit who's planes were being overhauled by CASA. Flight time from Bitburg to CASA's facility is approximately two hours - well within the F-15's range).

The F-15 PDM/MSIP contract scheduled 10 aircraft per year to rotate through CASA's facility. The process required a complete teardown of the jet, extensive overhaul and modification followed by reassembly, extensive ground tests, and finally functional check flights. The whole process took approximately six months from input to delivery. There would normally be five to seven aircraft in work at any time.

A controlled input schedule is important for both the contractor and the Air Force. The contractor had to schedule limited hangar space, equipment, and personnel. The Air Force unit could afford only limited numbers of jets to be gone from their unit at a time but PDM is a mandatory, scheduled process - slipped schedules can mean grounded aircraft at the home base.

Since the MSIP portion of the process required handling and testing of some classified equipment CASA personnel were restricted from performing parts of the process. A second contractor was required - a US contractor with appropriate clearances. In this case there was a Lockheed field team stationed in CASA's facility, also under a WR-ALC contract. The classified equipment was required to be stored in a classified vault built for that purpose. Lockheed and DCMO people controlled access to the vault and all classified documents and equipment.

Summer 1990

The F-15 PDM/MSIP contract was to expire in 1990 and the Primary Contracting Officer (PCO) had begun the solicitation and source selection process for a competitive award. Proposals were coming from several interested contractors in the European Theater.

DCMO Madrid was asked to participate in preaward evaluations on a number of the competing contractors. Specialists were sent to the contractors' facilities to evaluate production, management, and financial capability.

In August, 1990 Desert Shield began. CASA was asked to determine its surge capability in support of deployed units. Spare parts and materials were shipped to units as they requested lateral support.

Fall 1990

The follow-on contract selection process was a little behind schedule and the PCO had amended the current contract to ensure contract coverage until the new contract could be put in place. The process came to a halt when the PCO was informed that she would have to consider additional contractors - congress had a particular one in mind.

On 2 October 1990, Senator Inouye, from the Committee on Appropriations, submitted a report to accompany the DoD Appropriation Bill, 1991. Among other comments and explanations the report addressed the Overseas Workload Program (OWP) and in particular advised, "... Israel is to be considered in the European theater. . ."27 It went on:

The Committee encourages the Department of Defense generally, and the Air Force specifically, to expand the OWP to identify and develop new specialized capabilities in depot maintenance and repair in Israel. The Committee expects the Department of Defense to consider the special depot maintenance capabilities found in Israel. The repair and maintenance of F-15s . . . [is an area] where the Committee believes Israel may have a technical edge.²⁷

[Note: An F-15 does not have the range to fly unrefueled from Bitburg, Germany to Israel

(even with auxiliary fuel tanks). Therefore, the pilot must arrange for and meet an in-flight tanker or find an airfield with the correct fuel and willing to service the jet. Further, any somewhat direct routing requires the transit of several countries' airspace - permission to proceed is required in each case, usually well in advance of each trip. Could the US depend on receiving permission during times of war?]

The PCO started over. She had to re-solicit all potential contractors - and include Israeli Aircraft Industries (IAI) of the newly decreed "European" country, Israel. The delay forced the PCO to extend the CASA contract well beyond the stated completion date.

Winter 1990-1991

Source selection continues, DCMO Madrid is not asked to evaluate any additional competitors. CASA continues to receive aircraft inputs on the extended contract.

CASA's management (a largely government-owned company) begins what will become extensive effort in several attempts to reverse the decision to include Israel in the competition for the follow-on contract. At various times the president of CASA met with the US Ambassador in Spain. The Spanish Ambassador met with officials in Washington D. C. Further, they enlisted the aid of King Juan Carlos (who would later have personal contact with President Bush in a meeting in Washington).

Spring 1991

It becomes apparent that a new contract cannot be in place and ready to function this year. The PCO opens negotiations with CASA for a one-year contract for fiscal year 1992 (FY '92). The program office revises the input schedule in order to get as many F-15s as possible into

CASA's plant during FY '91(they will attempt to input 15 aircraft instead of the planned 10).

In April, CASA's president meets with Deputy Secretary of Defense Atwood and other senior officials at the Pentagon.

Summer,1991

On 1 July 1991, contract FO9603-91-C-0708 is awarded to Israel's IAI (Israeli Aircraft Industries) with a projected start in April of 1992. At DCMCI's request the F-15 program manager at WR-ALC hosts a review for contract start-up. The meeting takes place on 7 August 1992. Several issues come to light during the meeting:³¹

- DCMCI had not been involved in the preaward evaluation of the contractor (Although DCMCI had a CAS organization located in Israel with on-going oversight of other IAI contracts).
- Approximately 300 tons of US government furnished equipment and materials will have to be transferred into Israel for contract startup - most of it coming from CASA's facility in Spain. On-going US re-supply will be necessary throughout the life of the contract. There are no US military facilities in Israel nor routine military airlift to support the transportation effort.
- Much of the equipment required for successful contract startup is still needed by CASA until completion of their current contract.

Fall,1991

On 5 September a postaward orientation conference is held at the contractor facility in Israel.⁹ Representatives from WR-ALC, HQ DCMCI, the Defense Contract Management Area of Operations, Tel Aviv (DCMCI's office in Israel), meet with the contractor to ensure all parties understand the terms of the contract and what is needed to begin operations. Numerous startup requirements are identified - most require US government action. Additional DCMCI personnel requirements are identified.

During September, three F-15s are input at CASA's plant in Spain. This totals fifteen for FY '91 - fifty percent more than originally planned. These inputs along with the four on CASA's new one-year contract will ensure work at CASA's facility through the end of FY '92.³²

DCMCI receives from the State Department authorization to assign only eleven of the fifteen new people required to perform contract administration duties in Israel.⁹ One of the denied positions is the Chief of Flight Operations (who is also the F-15 pilot). Because preparations for flight operations are critical for the new contract startup the denial forces the Chief of Flight Operations in Spain to perform double duty via multiple temporary duty assignments into Israel.

Winter 1991-1992

On 3 February 1992, the Commander, DCMCI, sends a letter of concern to the program manager at WR-ALC referencing the previous meetings. He states, "Several action items identified during the referenced meetings do not appear to be moving to resolution."⁹ The letter goes on to outline more than a dozen major issues requiring resolution in order to permit successful start-up of the new contract. Among the items are:

- "The identification of critical items of support equipment and materials" and a "time-phased" plan for shipment from CASA to IAI.
- "It is (WR-ALC) responsibility" to submit an NSDD 38 request to the State Department for authorization to station in-country their technical representatives. They must send written notification to the Ambassador regarding the additional US contractor personnel who perform the classified portion of the contract.
- "Establish procedures for . . . disposal of scrap material and hazardous waste." This is a US (program management) responsibility and is handled through the Defense Reutilization and Marketing Office (DRMO). However, "there is no DRMO facility in Israel to handle these items."
- Insufficient preparations have been made for flight operations at the contractor facility.
 - • "In order to conduct flight operations, an 'approach end' (aircraft arresting) barrier needs to be installed." (The contractor shares a runway with Ben Gurion airport in Tel Aviv.)
 - • "Due to lack of USAF support facilities in (Israel, . . . WR-ALC must make arrangements) for life support equipment to be inspected and repaired" (Life support equipment includes the pilot's oxygen mask, "G"-suit, and survival equipment.)

On 19 February, a priority message is sent from DCMCI to WR-ALC noting that "concurrent requirements for limited assets will exist at CASA and IAI for a period of approximately six months, APR-SEP 92."¹²

A 25 February response is sent from the program manager to DCMCI's commander (We are now approximately one month from first aircraft input at IAI). The letter addresses most of

DCMCI's previous comments, including these salient points:

- "When the IAI contract was awarded, we anticipated the last input to CASA would be Jan 92 (with delivery approximately July 92). It now appears that the last input will be in Apr 92 (delivery in October). This will delay shipment of support equipment by approximately three months. We are aggressively exploring other sources . . . (to include) loan of equipment from active duty sites."
- "We have completed all requirements for placing (our technical representative) in Israel. We are awaiting the Ambassador's approval."
- "We have asked IAI to present a proposal for contractor disposal of material/scrap." (Hazardous waste?)
- The lack of a barrier is "no problem" for the first aircraft input.
- "USAFE (US Air Forces Europe) will be requested to inspect and certify IAI's life support capabilities."

In March WR-ALC's request to station their technical representative in-country is denied by the US Ambassador in Israel. This is another significant setback. Among other duties the technical representative would remove, and be responsible for, the F-15 classified components during several months (until the US contractor field team would be placed in country - planned for FY '93).

On 25 March, 1992, DCMO Madrid's pilot landed the first F-15 in Israel. The arrival is a staged media event with world-wide coverage by CNN news. Several Israeli dignitaries are present along with IAI company officials. The US Ambassador is present along with the F-15 program manager and the WR-ALC commanding general.

Spring 1992

At the end of May DCMCI performs a staff assistance visit to DCMAO Tel Aviv to assess contractor progress as well as the office's personnel requirements. In the subsequent trip report they conclude that, "Start-up of the F-15 program is not going smoothly." ³⁰ They found that the contractor was continuing work despite the lack of several program essential (and contract required) items.³⁰ Such as:

- A complete set of technical orders relevant to the program.
- Contractor produced and US government approved procedures for:
 - • Quality assurance
 - • Control of government furnished property
 - • Safety plan
 - • and others

On 11 June the DCMCI commander sends a letter of concern to the program manager. He outlines several problems:⁸

- The contractor was required to establish US government approved Safety Procedures and Contractor Flight Operations Procedures *prior* to input of the *first* aircraft. Neither exists at this time.
- The contractor has not been furnished appropriate equipment nor material by the US government in order to adequately perform on the first aircraft.

- Not all appropriate technical orders have been received.
- Adequate aircraft arresting systems are still not in place on the contractor's runway and are not expected to be installed and operational until November. An estimated twenty F-15 flights may occur by that time according to the program schedule.
- "In view of the above, I must ask that input of the second aircraft, which is scheduled for 13 Jul 92, be delayed until the above conditions have been corrected."⁸

Summer 1992

July, 1992 the second aircraft is inducted at IAI. The program office's technical representative is transferred from Spain to Israel - he is assigned against a DCMAO Tel Aviv position because State Department authorization has not been received for his position.

Fall 1992

An F-15 Program Management Review is conducted. Among the discussion items are the following:¹⁹

- The need to install an aircraft arresting system.
- Hazardous waste disposal required actions.
- Delinquent Quality Assurance procedures.
- Need for expedited government furnished equipment.

In November the pilot/Chief of Flight Operations is transferred from Spain to Israel. He

becomes the first commander for the new organization, Defense Contract Management Office, Ben Gurion (offices in the contractor's facility).

On 20 November the last F-15 departs CASA's facility in Spain. All remaining equipment and materials are prepared for shipment to Israel.

Winter 1992-1993

The contractor has still not established approved procedures for quality assurance, and control of government furnished parts.⁵

The first two F-15s missed their originally scheduled delivery dates. The first jet had been put on a 240 day "learning" schedule with required delivery of 6 January, 1993. The second jet had been put on a more normal flow schedule of 120 days with delivery required on 21 December, 1992 (ahead of the first jet).³³

Epilogue

The contractor in Israel is continuing to perform on the F-15 PDM/MSIP contract. The first jet (input 1 April 1992) was delivered on 24 March 1993, two-and-a-half months later than originally scheduled. The second input was delivered three months late on 19 March 1993. The third (and subsequent aircraft) are not expected to be delivered before August of 1993. Both the contractor and the US government have had difficulty supporting their portions of the contract. Many issues remain to be resolved.

HOW CAN THE PROCESS BE IMPROVED?

International contracting has always been difficult as compared to domestic contracting, and it always will be. However, improvements can be made which will facilitate the contracting effort. I'll concentrate on three key areas:

- Education
- Communication
- Organization

Education

Education should be the number one priority for ensuring effective and efficient contracting. The quality of the contracting process is only as good as the quality of the people who effect it. Unfortunately education (and training) is often ignored when selecting people for key positions. By this I mean education directly relating to the job at hand and at such a depth and breadth as to make the assigned people experts in the field.

Yes, there are numerous schools for program managers, contracting officers, and quality assurance specialists. All the services have schools, and national schools also provide core education. The services all require some amount of training or education for career levels. However, there is little consistency in demanding specific qualifications for specific jobs. When working in the international contracting environment this often means the difference between a successful, efficient operation and a costly inefficient one.

How do we improve the education system for international contracting? Here are some

recommendations:

- Analyze the specific job requirements for people working on both the preaward and postaward side of the contracting process. This would include everyone in the program management organization as well as contracting and contract administration organizations.
- Special attention must be given to unique aspects of the international environment as well as the special program-related requirements.
- DoD-US Government relationships must be understood.
- Country-specific issues must be identified where appropriate (language, culture, technical capabilities, government-industry relationships, US support base, etc.).
- From this analysis build a *demand-based* education and training system directly linked to job requirements.
- The DoD professional and technical education system should be revamped to reduce redundancy and increase synergism. There should be a very logical, progressive architecture whereby members of the DoD acquisition community would receive training and education as needed, in a range of broad to very specific curricula. Broad professional education would be provided along with technical training *as demanded by job assignments* not career levels.
- Education and training requirements must be made mandatory for job placement and controlled by the personnel specialists. Otherwise, it is just too convenient to make excuses for ignoring some of the requirements.
- Special requirements (such as those found in specific jobs in the international arena) must be identified to the programs they support. The extra costs for education (as well as the extra personnel costs) should then be included in source

selections when various countries are being considered. In that manner program managers and leaders up the chain will have a better understanding of the true cost of programs in the international arena - and could make more cost-effective contracting decisions.

Communication

Communication is always a key factor in the success of any program. However, communication is too often assumed to have happened when it has not. What do I mean by that?

True communication begins with a transmitter of information. The information flows to the receiver who then absorbs and interprets the information. Next comes the important part, the receiver provides feedback which allows the transmitter to know if the information was received and interpreted as it was intended. Too often information is simply transmitted and an assumption is made that true communication has happened. Or worse yet, no information is sent because one party believes the other already knows or has no need to know. These are common communication problems but the international environment has some unique ones.

Different languages and cultures process information differently. Most international contracting is conducted in the English language but very often the interpretation of information or the actions resulting from the information will be different even though the feedback appeared to confirm what the transmitter intended. This cultural difference creates significant problems at times. What can be done to improve communication?

- Make culture and language education mandatory prerequisites for assignment to positions dealing directly with foreign contractors.

- Actively build a base of people in DoD who have experience and education in the international environment.
- Tie contract administration directly into the source selection process. Regulations must be changed to link the contract administration organization directly to the program office and to strengthen the voice of the CAS team. There is no one better equipped to foresee strengths and weaknesses of foreign contractors than the people stationed in-country dealing with the culture and the contractors.
- Push communication and decision making down to the lowest level possible. There is too much opportunity for error or false assumptions when headquarters people try to make program or contracting decisions.

Organization

The overall contracting effort within DoD is not organized in a manner to facilitate a smooth and efficient contracting process. As discussed previously there are four major contracting agencies within DoD - the three military services (the Marines participate with the Navy) and DLA. However, DCMC (under DLA) is the only DoD contract administration service, and DCMCI handles all contract administration in foreign countries. The contracting agencies are organized differently and view the contracting process differently. They differ in the emphasis they place on education and experience required within their acquisition communities. Their expectations of contractor capabilities and responsibilities vary. Likewise, they often disagree on what constitutes appropriate contract administration service from DCMCI.

Disagreements or differences are often difficult to resolve. There are no common organization links below DoD level and this can lead to adversarial, uncooperative, or simply

ineffective relationships. How can we organize more effectively?

- There are already on-going initiatives that would create a DoD "acquisition corps." I agree with that concept. Whether it would be more effective as a joint agency or as identified positions within the various services and DLA is debatable. I see a need to retain the mission identity unique to each of the military branches, but that can be done either way. What I feel is more important is to organize in a manner that absolutely minimizes headquarters staffs and places highly qualified people in the field. Given authority and responsibility, qualified people make programs successful.
- Within the military branches members of the acquisition community should not compete with the operations community for jobs or promotions. There should be some overlap in assignments in order to facilitate understanding between support and operations. However, the assignments should be clearly identified and limited. Career paths should be constructed in a manner that would enhance experience levels and provide for a logical education continuum.

CONCLUSION

I've attempted to illustrate how complex and difficult DoD contracting in the global environment can be. Too often we waste resources and money because there is a general lack of knowledge or appreciation for the importance and value of international contracts. This paper only touches on the subject and has left out many more issues than it has covered. If the reader has gained some appreciation for 1) what international contracting is, 2) why it is important, 3) how well it is accomplished, and 4) that the process can be improved, then I have been successful.

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