

# SECURITY OF SUPPLY

## U.S. - Spain Defense Industry Cooperation Conference



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# SECURITY OF SUPPLY

## *OVERVIEW*

- ◆ SECURITY OF SUPPLY / ASSURANCE OF SUPPLY / PRIORITIES AND ALLOCATIONS
- ◆ THE U.S. EXPERIENCE - **DPAS**
- ◆ INTERNATIONAL INITIATIVES
- ◆ SECURITY OF SUPPLY IN THE 21<sup>ST</sup> CENTURY

# SECURITY OF SUPPLY

A dark blue world map is centered in the background of the slide, showing the outlines of continents and oceans.

## *WHAT IS*

- ◆ SECURITY OF SUPPLY

AKA:

- ◆ ASSURANCE OF SUPPLY

- ◆ PRIORITIES AND ALLOCATIONS

# What Is SECURITY OF SUPPLY

- ◆ **NATO DOCUMENT ON *PRIORITIES AND ALLOCATIONS SYSTEMS WITHIN THE ALLIANCE* (June 2002)**
  - All Alliance Nations

**A Nation's ability to guarantee an appropriate supply of defence materials (including their related services) for its armed forces and civil emergency requirements, in order to discharge the nation's foreign and security responsibilities and fulfill its military and civil emergency commitments.**

# What Is SECURITY OF SUPPLY

- ◆ ***FRAMEWORK AGREEMENT ON SECURITY OF SUPPLY***
  - France, Germany, Italy, Spain, Sweden, U.K.

**A Nation's ability to guarantee a supply of Defence Articles and Services sufficient to discharge its military commitments in accordance with its foreign and security policy requirements.**

# What Is Priorities System

- ◆ **SECURITY OF SUPPLY / ASSURANCE OF SUPPLY IS BASED ON *PRIORITIES AND ALLOCATIONS* PRINCIPLES AND PROCEDURES**
- ◆ **NATO AND FRAMEWORK AGREEMENT DEFINITION OF PRIORITIES SYSTEM**

**Procedures under which a government entity can assign priority to, and require preferential acceptance and Performance of, certain contracts and orders over other contracts and orders to meet critical and urgent defense (or civil emergency) requirements.**

# What Is Allocations System

- ◆ **NATO DEFINITION OF ALLOCATIONS SYSTEM**

Procedures under which a government entity can allocate materials, services, and facilities placed under government control to meet critical and urgent defense or civil emergency requirements in accordance with established priorities.

- ◆ **FRAMEWORK AGREEMENT – ALLOCATIONS SYSTEM WOULD BE USED:**

To Ensure equitable distribution of scarce and critical items between defense and essential civilian requirements.

- ◆ **PRIORITIES IS *MICRO* / ALLOCATIONS IS *MACRO***

# DPAS

- ◆ **U.S. DOC ADMINISTERS ROBUST AND SUCCESSFUL STATUTE BASED SECURITY OF SUPPLY SYSTEM - Since the early 1950s**

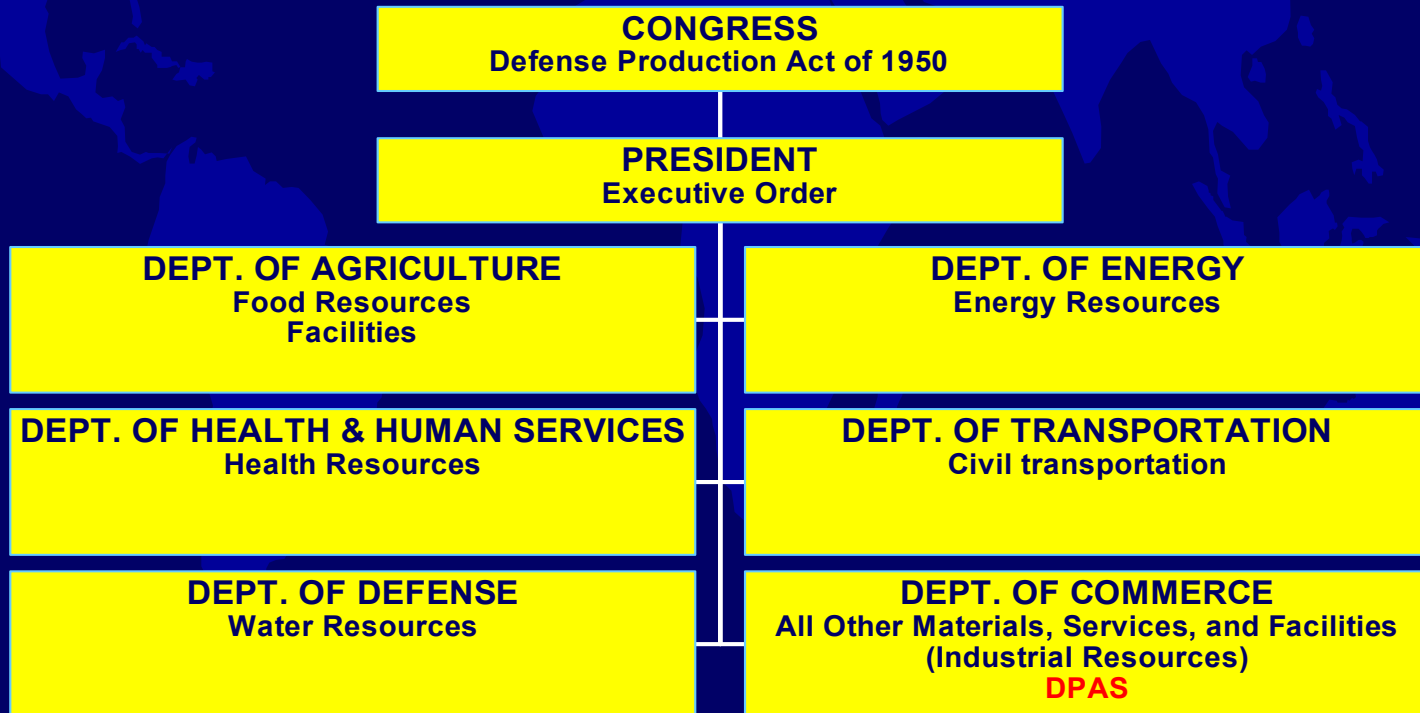
- **DEFENSE PRODUCTION ACT**

- ☞ **Acceptance and priority performance of defense contracts and orders**
- ☞ **Allocation of materials, services, and facilities essential to the national defense**
- ☞ **Definition of “national defense” includes “military assistance to any foreign nation”**



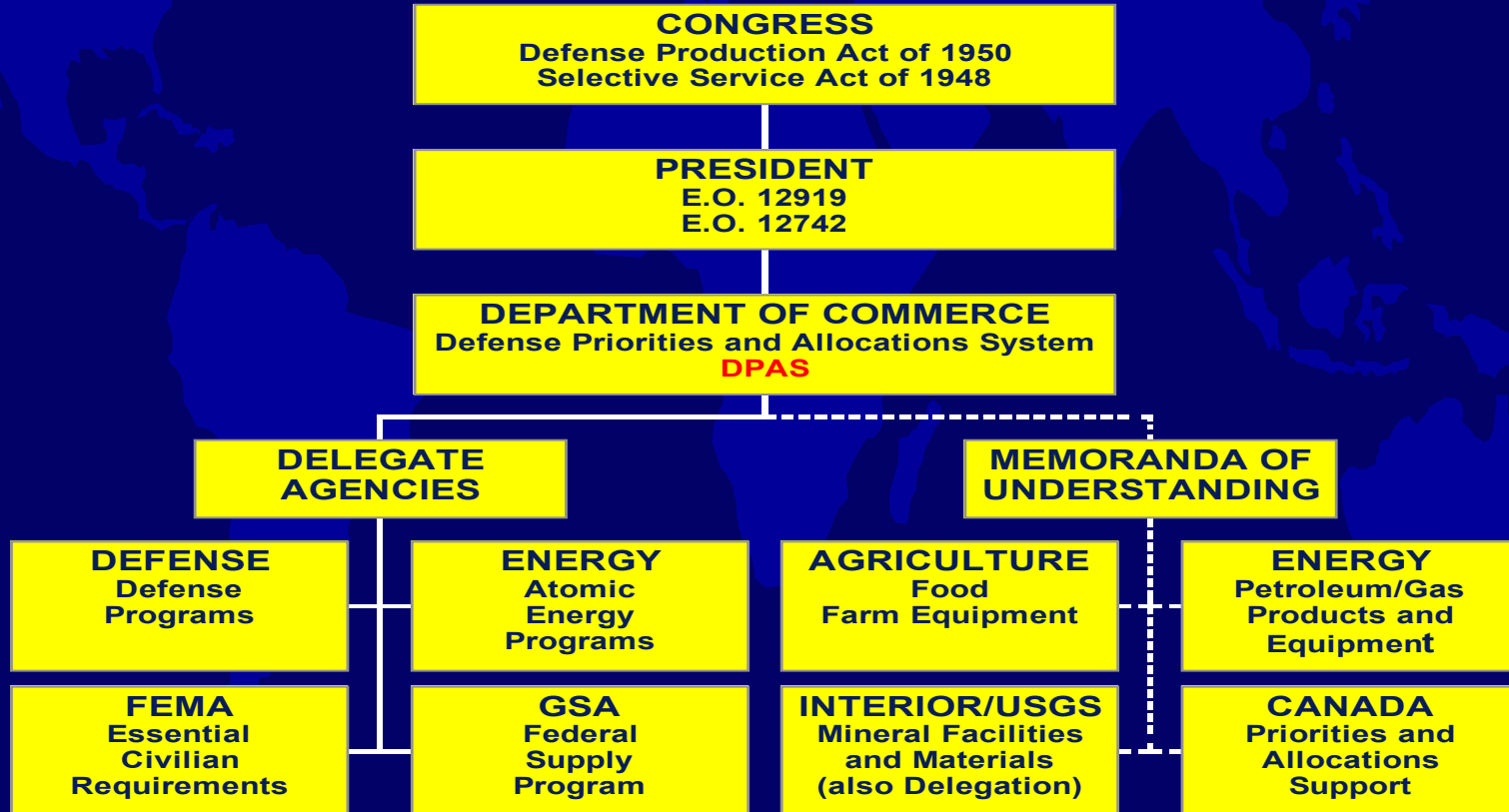
# DPAS

## DELEGATION OF STATUTORY AUTHORITY



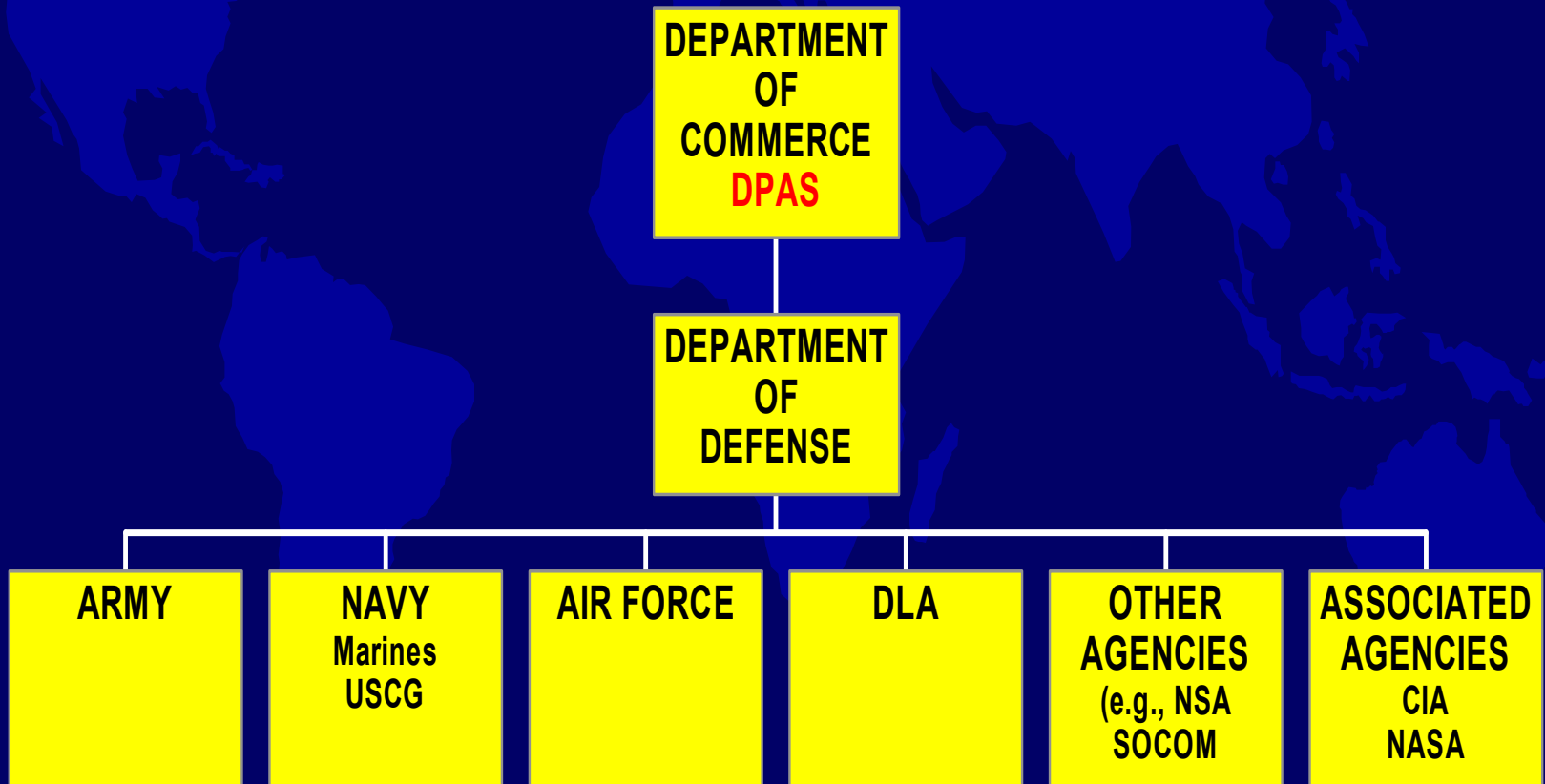
# DELEGATION OF PRIORITIES AND ALLOCATIONS AUTHORITY

## Industrial Resources



# DOD DELEGATION OF PRIORITIES AND ALLOCATIONS AUTHORITY

## Industrial Resources



# DPAS

- ◆ **DEFENSE PRIORITIES AND ALLOCATIONS SYSTEM (DPAS) REGULATION**
  - Industrial resources (products, materials, and services) for approved national defense programs
- ◆ **OPERATIONAL IN PEACETIME AND WAR**
  - Priorities authority also used for catastrophic domestic disaster (natural, accidental, or man-caused) under Stafford Act

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# DPAS

## *OBJECTIVES*

- ◆ **TIMELY AVAILABILITY OF INDUSTRIAL RESOURCES TO KEEP CURRENT DEFENSE AND EMERGENCY PREPAREDNESS PROGRAMS ON SCHEDULE**
- ◆ **PROVIDES OPERATING SYSTEM FOR RAPID INDUSTRIAL RESPONSE IN A NATIONAL EMERGENCY**
- ◆ **MINIMAL DISRUPTION TO NORMAL COMMERCIAL ACTIVITIES**

# DPAS

- ◆ **RULES ARE STANDARD PART OF U.S. DEFENSE CONTRACTING PROCESS**
- ◆ **ALLIED / FRIENDLY FOREIGN NATIONS MAY BE AUTHORIZED PRIORITY RATING AUTHORITY TO SUPPORT DEFENSE PROCUREMENT IN THE U.S.**
- ◆ **NEED FOR RECIPROCAL SECURITY OF SUPPLY ACCESS BY U.S. TO EUROPEAN DEFENSE BASE**
  - Increasing globalization
  - Remove barriers to trans-Atlantic industry cooperation

A dark blue world map is centered in the background of the slide. The continents are outlined in a slightly lighter shade of blue, and the oceans are a darker blue. The map is oriented with North at the top.

# SECURITY OF SUPPLY

## *INTERNATIONAL INITIATIVES*

- ◆ **NATO**
- ◆ **EUROPEAN MULTILATERAL AGREEMENTS**
- ◆ **OTHER ORGANIZATIONS**
- ◆ **U.S. BILATERAL AGREEMENTS**

# SECURITY OF SUPPLY Initiatives

## *NATO*

- ◆ *PRIORITIES AND ALLOCATIONS SYSTEMS WITHIN THE ALLIANCE*
  - Approved by North Atlantic Council (April 1997)
- ◆ *AGREEMENT ON PRIORITIES AND ALLOCATIONS SYSTEMS WITHIN THE ALLIANCE*
  - Approved by North Atlantic Council in June 2002
  - To establish and administer priorities and allocations systems among Alliance members



# SECURITY OF SUPPLY Initiatives

## *EUROPEAN MULTILATERAL INITIATIVES*

- ◆ **6 NATION FRAMEWORK AGREEMENT**
  - France, Germany, Italy, Spain, Sweden, U.K.
- ◆ **4 NATION NORDIC AGREEMENT**
  - Denmark, Finland, Norway, Sweden
- ◆ **REMOVE DEFENSE INDUSTRY COOPERATION BARRIERS**
- ◆ **NOW BEING IMPLEMENTED**

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# SECURITY OF SUPPLY Initiatives

## *OTHER INTERESTED ORGANIZATIONS*

◆ EUROPEAN COMMISSION

◆ OCCAR / A400M

# **DPAS** AND SECURITY OF SUPPLY

## *IN THE 21<sup>ST</sup> CENTURY*

- ◆ **DEFENSE AND EMERGENCY PREPAREDNESS / MILITARY READINESS**
- ◆ **“LEAN AND MEAN” ARMED FORCES**
- ◆ **CROSS-BORDER MERGERS, ACQUISITIONS, AND CONSOLIDATION OF DEFENSE CONTRACTORS AND SUPPLIERS**
- ◆ **SHRINKING DEFENSE INDUSTRIAL BASE**