

May 2023 UPDATE



Industrial Base Cooperation Working Group (IBCWG)

for Defense MOU Attachés Group

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AGENDA



1. Review of Security of Supply Arrangements (SOSA)
2. Defense Priorities and Allocations System Program (DPAS)
3. DPAS and Foreign Industry
4. DPAS and FMS

Review of Security of Supply Arrangements (SOSA)

- A SOSA provides a framework for the US to **receive and provide** priority support for defense-related goods and services with signatory nations.
- To facilitate the unhindered access to some key supplies, the US DoD has entered into non-binding bilateral Security of Supply Arrangements (SOSAs) with 13 foreign governments **to secure the priority provision of defense-related goods and services.**
- The US Government **uses the Defense Priorities and Allocations System (DPAS) to prioritise the performance of a contract** for the promotion of the national defense.
- Presently SOSAs are **rarely used a bilateral tool** to receive or provide priority support for either the US or foreign governments. However, we might see a shift as the US DoD continue to face domestic supply chain challenges and are given more authority from the US Congress to address these supply chain bottlenecks.
- A well-functioning SOSA relationship requires promotion and adoption of the SOSAs within our domestic industrial bases, as well as education on SOSAs for DoD & MoD officials on both US and partner side.

Defense Priorities and Allocations System Program (DPAS)

- There are two levels of priority ratings, identified by the rating symbols “DX” and “DO”. **Majority of the 300,000 ratings are “DO”**. Less than **25 contracts received the “DX” ratings** which are reserved the highest national security programs -- currently those are nuclear deterrence programs (e.g. B-2 Stealth Bomber) and **presidential military assets (e.g. Air Force One)**.
- DPAS priority means that US Government contracts are to be **given priority over commercial and foreign customers**.
- **By law, the prime contractor must flow down** the priority rating to their supply chain subcontractors.
- The effect of the DPAS comes when lower tier contractors, that also have other customers, must prioritize their defense contracts, e.g. cables, electronics, metal parts, raw materials.

DPAS and Foreign Industry

- The DPAS and their priority ratings orders have **no legal standing outside of the United States**.
- For foreign-based suppliers, a **SOSA is a non-binding arrangement** between the US and a foreign nation to obtain informal assistance provide for reciprocal priorities supplies and support.
- Unlike **US companies which are legal obligated to prioritise defence contracts** if requested, foreign-based suppliers provide assurance via a voluntarily industry Code of Conduct to prioritize US defense contracts to the greatest intent possible.
- This is most relevant for lower tier contractors, but foreign primes or higher tier subs can easier flow down if they have also signed a Code of Conduct.

DPAS and FMS

- In theory - all priority rated US Government contracts that included FMS purchases would extend the priority rating the FMS customer.
- However, there is a risk that contracting officers think differently if it is an export variant or item, and not part of the same contract they use for the DOD.
- SOSA signatories may want to include in their LORs that their contracts shall be given a DPAS priority rating base on requirements.
- SOSA signatories seeking a DPAS priority rating for either FMS or DCS contracts with US industry can submit a **Special Priorities Assistance (SPA)** FORM BIS-999 to **OUSD A&S Industrial Base Policy DPAS Lead**.
- There is no mandated timeline for action or reply for SPA submissions.

Further Reading

- **Congressional Research Service:** “*Security of Supply Arrangements (SOSAs): Background and Issues*”: <https://crsreports.congress.gov/product/pdf/IF/IF11894>



- **OUSD A&S Industrial Base Policy:** Security of Supply: <https://www.businessdefense.gov/security-of-supply.html>



- **Bureau of Industry and Security:** “*The Defense Priorities and Allocations Systems Training Course*”: <https://www.bis.doc.gov/index.php/documents/other-areas/strategic-industries-and-economic-security/1615-dpas-training-slides>



- **Request for Special Priorities Assistance:** FORM 999: https://www.bis.doc.gov/index.php/component/docman/?task=doc_download&gid=498

