



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON, D.C. 20350

IN REPLY REFER TO
OPNAVINST 3700.20
OP-631

30 NOV 1976

OPNAV INSTRUCTION 3700.20

From: Chief of Naval Operations

Subj: Leases and demonstrations of DOD aircraft

Encl: (1) DOD INST 7230.8 of 9 Jun 76

1. Purpose. To implement the policy and procedures in enclosure (1), and to provide guidance on the leasing of U. S. Navy aircraft to manufacturers for sales demonstrations, the demonstrations of U. S. Navy aircraft to foreign governments, and for the display or demonstration of U. S. Navy aircraft at international air shows.

2. Scope. This instruction applies to all Department of the Navy components with management and operating responsibility for naval aircraft.

3. Policy. U. S. Navy aircraft may be demonstrated to foreign governments, or leased to the manufacturer for demonstration to foreign governments, when foreign sales would contribute significantly to free world defense efforts and U. S. foreign policy. The use of U. S. Navy aircraft for display or demonstration at international air shows also falls within the provisions of this instruction.

4. Responsibilities

a. The DCNO (Plans, Policy and Operations) (OP-06) is responsible for the overall coordination of the demonstration, or lease for demonstration, of Navy aircraft for foreign governments. The Director, Security Assistance Division (OP-63), is assigned to perform these responsibilities and to coordinate Navy actions required by enclosure (1).

b. The DCNO (Air Warfare) (OP-05) is responsible for identification of available Navy aircraft and coordination with OSD, DSAA, OP-63, CHINFO, COMNAVAIRSYSCOM, aerospace contractors, and other support agencies. An OP-05 coordinator assisted by the appropriate OP-506 aircraft program coordinators will be assigned by OP-05. Within OP-05, the Aircraft Programs Branch (OP-512) is responsible for identifying available U. S. Navy aircraft to be utilized for leases and demonstrations.



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c. The Chief of Naval Material (MAT-07) is responsible for the overall coordination of Material Command support, preparation and execution of the lease for demonstration, and coordination of the turnover of the leased aircraft, or the implementation of the FMS case for demonstration.

5. Action. Upon receipt of a request for demonstration or lease for demonstration of U.S. Navy aircraft, the following actions are required:

a. OP-06 (OP-63):

(1) Coordinate the determination of Navy support for the request;

(2) If participation is feasible, coordinate the development of an implementation plan and identify the source of funding to support the request;

(3) Coordinate approval of each lease. Approval and signature authority has been delegated by the Secretary of the Navy to the Assistant Secretary of the Navy, Installations and Logistics (ASN (I&L)); and

(4) Provide guidance and assistance to the contractor to facilitate obtaining the necessary clearances in accordance with the procedures and directives of the State Department Office of Munitions Control and DOD offices engaged in sales and disclosure functions.

b. OP-05 (OP-51):

(1) Identify and coordinate the aircraft assignment and support for each request; and

(2) Authorize the lease and subsequent disposition of those aircraft to NAVMAT.

c. Chief of Naval Material (MAT-07):

(1) Upon notification by OP-05 that an aircraft can be made available for lease, identified by aircraft number, availability date, and location MAT-07 will coordinate the following actions:

(a) Prepare and submit an appropriate Determination and Findings for approval by the ASN (I&L) pursuant to 10 U.S.C. 2667; and

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(b) Draft a proposed lease agreement, coordinated between the contracting officer, program office, Office of the Navy General Counsel, Office of the Navy Judge Advocate General, Logistics and Fleet Support Group representatives, the proposed lessee, and other interested offices.

(2) Upon approval by the ASN (I&L):

(a) Complete and execute the lease agreement with the lessee; and

(b) Coordinate the turnover of the aircraft between the custodian and the lessee.

(3) For demonstration aircraft under an FMS case:

(a) Develop cost and other data for the preparation of the FMS case; and

(b) Coordinate the implementation of the FMS case.



J. P. MOORER

Deputy Chief of Naval Operations
(Plans, Policy and Operations)

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Department of Defense Instruction

SUBJECT Leases and Demonstrations of DoD Aircraft

- Refs:
- (a) DoD Instruction 7230.7, "User Charges," July 18, 1973
 - (b) ASD(I&L) Memorandum, "Leasing of Aircraft for Evaluation/Demonstration Purposes (FOUO)," July 12, 1971 (cancelled by DoD Transmittal 76-7, June 9, 1976)
 - (c) Section 2667, Title 10, United States Code
 - (d) Armed Services Procurement Regulation, VI-705.3
 - (e) DoD Directive 5105.38, "Defense Security Assistance Agency," August 11, 1971
 - (f) DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," June 19, 1973
 - (g) DoD Instruction 2140.1, "Pricing of Sales of Defense Articles and Defense Services to Foreign Countries and International Organizations," June 17, 1975

I. PURPOSE

This Instruction establishes the Department of Defense policy and procedures for (a) the leasing of DoD aircraft by the Military Departments to manufacturers for sales demonstrations, and (b) the demonstration of DoD aircraft to foreign governments.

II. CANCELLATION

Reference (b) is superseded and cancelled by DoD Transmittal 76-7, June 9, 1976.

III. APPLICABILITY

The provisions of this Instruction apply to the Military Departments.

IV. POLICY

A. General

1. When foreign sales of U.S. manufactured aircraft would contribute significantly to free world defense efforts and U.S. foreign policy, the Military Departments may lease DoD aircraft to their manufacturers for demonstrations to foreign governments or may demonstrate DoD aircraft for foreign governments. Requests for aircraft for leases and demonstrations will only be approved if the aircraft requested can be made available consistent with military requirements and no commercial version is available on a timely basis.

Enclosure (1)

2. Prior to the lease of any aircraft to a manufacturer or demonstration of an aircraft by the Military Departments, the necessary clearances will be obtained in accordance with the procedures and directives of the State Department Office of Munitions Control and the DoD offices engaged in sales and disclosure functions (DoD Directives 5105.38 and 5230.11, references (e) and (f) respectively).

B. Lease of Aircraft to Manufacturers

1. The Military Departments will lease, pursuant to section 2667 to title 10, United States Code (reference (c)), rather than bail aircraft to manufacturers. The terms herein authorized are considered to be in compliance with the statute and DoD Instruction 7230.7 (reference (a)). Each lease will be approved by the Secretary of the Military Department involved.
2. Charges for leased aircraft will be determined in accordance with DoD Instruction 7230.7 (reference (a)). The lessee will pay additional user charges for service provided by DoD for aircraft while it is under lease. These may include, but are not limited to, spare parts, maintenance services, fuel, crew pay and per diem. These charges must be consistent among Military Departments for like aircraft. The lease will provide that the lessee shall not include any charges or costs resulting from the use of the leased aircraft directly or indirectly in any U.S. Government contract, except to the extent authorized in contracts for Foreign Military Sales (FMS) under ASPR VI-705.3 (reference (d)).
3. The U.S. Government will assume the risk of loss or damage of the leased aircraft when a U.S. Government pilot is the pilot-in-command during the flights or when the plane is in the custody of the U.S. Government. If a contractor or foreign government pilot is the pilot-in-command or the plane is not in the custody of the U.S. Government, the lessee will assume the risk of loss or damage. This risk will be covered by hull insurance on the depreciated value of the aircraft or, with the Government's approval, the lessee may be self-insured. The Military Department involved will review and approve the flight plan to assure that the risks are not inordinate to the need. In all cases, the lessee will be required to hold the U.S. Government harmless against claims or liabilities by the lessee or third parties.

C. Demonstrations By A Military Department

1. A request for a demonstration of a DoD aircraft, rather than a lease to a manufacturer, will be denied unless it originates from a foreign government as a Foreign Military Sales (FMS) case. If the FMS case is approved, the requesting government shall be

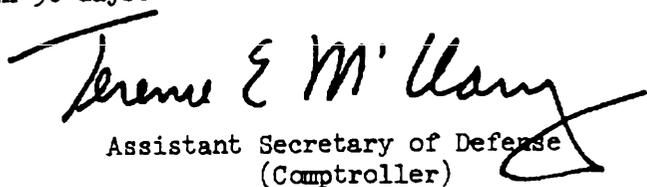
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charged in accordance with DoD Instruction 2140.1 (reference (g)). If, however, the time to complete the Letter of Offer and Acceptance (LOA) would unnecessarily delay the flight demonstration, the LOA can be processed after the fact as long as prior approval of the Director, Defense Security Assistance Agency, has been obtained.

2. The U.S. Government will assume the risk of loss or damage of the demonstration aircraft when a U.S. Government pilot is the pilot-in-command during the flights or the aircraft is in the custody of the U.S. Government. If a contractor or foreign government pilot is the pilot-in-command or the aircraft is not in the custody of the U.S. Government, the foreign government will assume this risk and be required to reimburse the U.S. Government for any loss or damage to the aircraft. In all cases, the foreign government will be required to hold the U.S. Government harmless against claims or liabilities by the foreign government or third parties.

V. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Two copies of implementing regulations shall be forwarded to the Assistant Secretary of Defense (Comptroller) within 90 days.


Assistant Secretary of Defense
(Comptroller)