DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

MCO 4443.13
LPC-2
14 Dec 12

MARINE CORPS ORDER 4443.13 Administrative Change

From: Commandant of the Marine Corps
To: Distribution List

Subj: STANDARD PRICING POLICY FOR THE MARINE CORPS SUPPLY MANAGEMENT ACTIVITY GROUP (SMAG)

Ref: (a) MCO 5215.1K

Encl: (1) MCO 4443.13

1. Situation. The references found in MCO 4443.13 contain the current Defense pricing regulations and will be used to establish prices for Marine Corps managed spare parts.

2. Mission. The Commander, Marine Corps Logistics Command (MARCORLOGCOM) is responsible for ensuring the Marine Corps SMAG sets prices based upon full cost recovery, including all general and administrative support provided. Prices are established through the budget process and remain fixed during the year of execution, except for correction of errors.

3. Execution. Administrative changes are as follows:

a. Change sponsor to reflect LPC-2.

4. Administration and Logistics.

a. Distribution Statement. Directives issued by the CMC are published electronically and can be accessed online via the Marine Corps homepage at: http://www.marines.mil.

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directives can be obtained through Marine Corps Publications Distribution System (MCPDS).

c. Recommendations concerning the contents of this Order are invited. Such recommendations will be forwarded to the Commandant of the Marine Corps (CMC) Logistics Policy (LP) via the appropriate chain of command.

5. Command and Signal

a. Command. This Order is applicable to the Marine Corps Total Force.

b. Signal. This Order is effective the date signed.

M. G. DANA
By direction

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MARINE CORPS ORDER 4443.13

From: Commandant of the Marine Corps
To: Distribution List

Subj: STANDARD PRICING POLICY FOR THE MARINE CORPS SUPPLY MANAGEMENT ACTIVITY GROUP (SMAG)

Ref: (a) DoD 7000.14R, FMR Volume 11B, Chapter 55
(b) DoD 7000.14R, FMR Volume 2B, Chapter 9

Encl: (1) General Policies-Standard and Exchange Pricing
(2) Pricing Control
(3) Definitions-Cost Recovery Elements

1. Situation. References (a) and (b) contain the current Defense pricing regulations and will be used to establish prices for Marine Corps-managed spare parts. This revision contains current stock funding of Marine Corps reparable spare parts; and include current policies and procedures for pricing spare parts, standard and exchange, as outlined in references (a) and (b).

2. Mission

a. The Commander, Marine Corps Materiel Command (COMMARCORMATCOM) is responsible for ensuring the Marine Corps SMAG sets prices based upon full cost recovery, including all general and administrative support provided. Prices are established through the budget process and remain fixed during the year of execution, except for correction of errors.

b. The Commander, Marine Corps Logistics Bases (COMMARCORLOGBASES) is the functional SMAG representative for Wholesale Operations and will incorporate all procedures set forth in references (a) and (b) when pricing spare parts.

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ENCLOSURE (1)

3. Execution

a. COMMARCORMATCOM will:

(1) Ensure pricing for the SMAG budget is in accordance with applicable DoD Financial Management Regulations and are set to fully recover costs and achieve an Accumulated Operating Result (AOR) of zero in the budget year. During budget execution, SMAG will record either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual or projected losses or return actual or projected gains in the budget year.

(2) Ensure prices set for all activity group processes match the rate changes approved during the budget review.

(3) Ensure pricing policies are consistent with the primary goal of a Working Capital Fund (WCF) which is to focus attention on the total costs of operations to provide goods and services at the lowest cost.

b. COMMARCORLOGBASES will:

(1) Develop, publish, and execute internal pricing policies consistent with the primary goal of a WCF which is to focus attention on the total costs of operations to provide goods and services at the lowest cost.

(2) Establish standard and exchange prices through the budget process that will remain fixed during the year of execution, except for correction of errors.

(3) Establish standard prices for reparable items, including the cost recovery elements, consistent with the policies prescribed for other SMAG items per reference (a). Sales of reparable items made without a carcass return shall be priced at the standard unit price (SUP).

(4) Establish exchange prices for the issue of a reparable item in which the requisitioner indicates a carcass will be returned; i.e., the established repair cost plus the appropriate cost recovery elements.

(a) Exchange Price. The exchange price for repairable items shall be determined by a homogeneous grouping such as national stock number (NSN), Federal Supply Classification (FSC), subclassification, repair category, or materiel category. The exchange price may consist of a percentage factor times the standard price. Authorized Marine Corps customers will be billed the difference between the SUP and the exchange price if a carcass is not returned in the prescribed time frame.

(b) Exchange Price Calculation. The exchange price shall be calculated on the most representative unit repair cost of the item plus the appropriate cost recovery elements to recover the cost of managing the item. The same cost recovery elements used in the standard price calculation shall be used in the calculation of the exchange price plus cost recovery elements for carcass attrition (washout and losses), shipping and transportation costs for returns of carcasses from customers. If the standard price is less than the exchange price, a review of the standard price and the exchange price should be made to validate the accuracy. If the standard price is less than the exchange price because new items are not currently being acquired, the standard price shall be increased 20 percent over the exchange price as incentive for the customer to return the carcass to the wholesale system.

4. Administration and Logistics

a. In operations of the magnitude and complexity of the Navy Working Capital Fund (NWCF), it is recognized that the pricing policy, as outlined herein, cannot be applied with mathematical precision. Reasonable latitude and judgment must be exercised at all times in this application.

b. A record of current and prior SUP's and exchange prices with representative procurements of each item shall be maintained to aid and facilitate the review of SUP's. This data bank may be limited to currently active items and those for which future procurement is anticipated.

c. MATCOM will conduct an annual review to ensure the Marine Corps SMAG cost recovery elements are adequate to maintain the capital of the fund. If the review indicates a requirement to revise the cost recovery elements; MATCOM will forward a request to the Commandant the Marine Corps (RFO) to obtain approval/disapproval from the Department of the Navy (FMB). The major consideration relative to the implementation of revised SMAG cost of recovery elements (as reflected in costs to customer accounts) is the customer budget formulation process. Cost of recovery elements in effect will continue to be used until revised elements are approved.

5. Action. Addressees shall take action, as appropriate, to ensure compliance with this Order.

6. Reserve Applicability. This Order is applicable to the Marine Corps Reserve.

G. S. McKISSOCK
Deputy Commandant
Installations and Logistics

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ENCLOSURE (1)

GENERAL POLICIES-STANDARD AND EXCHANGE

1. The DoD uniform pricing policy for reparables financed by a WCF established a two-price system, which includes the SUP and an exchange price.

2. The following general policies will govern the establishment of the SUP:

a. Each item will have a single SUP, which will be used for inventory account (including the value determination of losses, gains, or adjustments) reporting and for affecting reimbursement after issues of material.

b. All SUP's will be stated in dollars and cents.

c. For sales purposes, price reductions from standard prices may be made for items in the secondary item strata of economic retention, contingency retention and/or excess when there is a determination that there is an actual difference in utility or desirability of an item due to age, condition, or model, or when a lower price will promote its utilization for a purpose which would otherwise be uneconomical. This authority to reduce sales prices is applicable to items being phased out of the system (not being procured), and items with limited shelf-life remaining. In addition, as an exception to the general requirement that a single price for each item shall be used for inventory pricing, notwithstanding condition, serviceable items in less than new condition held for sale to individuals may be reduced for inventory purposes to the lower selling price.

d. Depot modification performed on items in inventory will be treated as procurement cost and will be added to the existing SUP to arrive at the standard price of the item re-designated. This policy is applicable only when a new stock number is assigned.

3. The following general policies will govern the establishment of the Exchange Price:

a. The exchange price is contingent upon carcass return.

b. The exchange price will include the most recent representative repair cost plus applicable Marine Corps cost of recovery elements or will consist of a percentage factor multiplied by the SUP.

c. Exchange prices have been developed for all reparables, both Marine Corps-managed reparables and those other service managed items which the Marine Corps is authorized to repair.

PRICING CONTROL

1. The following price control guidance should be used in support of Marine Corps managed and non-Marine Corps managed items:

a. Other Stock Items. The SUP for other managed items will be established by the responsible DoD inventory manager. These SUP's will be used, unless otherwise authorized, notwithstanding the fact that local procurement may be directed occasionally. Prices for locally managed DSSC-stocked items which do not have an NSN or a standard price will be established locally by the agency or activity effecting the procurement. Local NSN's are assumed to be assigned to these DSSC-stocked items. When a representative procurement is made, the locally established price will be the contract or purchase order price, when other than freight on board (F.O.B), plus the actual or estimated cost of FDT; a locally established surcharge will be included to compensate for all foreseeable net losses and authorized expenses.

b. Defense Logistics Agency (DLA) and U.S. Army Tank Automotive Command (TACOM) Managed Items. When materiel is procured from either DLA/TACOM and those agencies assigned DoD-wide management responsibilities; the SUP used within the Marine Corps will be that assigned by the supplier agency. No markup of price is allowed because these activities routinely grant a "retail loss allowance" as part of their normal billing procedures.

c. Weapon System Oriented Consumable Items. Items assigned to another service for integrated materiel management will be carried at the SUP established by that agency. No Marine Corps cost recovery elements markup will be added to prices on items procured from the integrated materiel manager.

d. GSA (Cataloged and Stocked Items). The SUP of items procured from stocks of GSA (Management Code O) will be as established by GSA in the Federal Catalog System and in related catalog publications.

ENCLOSURE (2)

ENCLOSURE (1)

e. Federal Supply Schedule Items. Items procured by the MARCORLOGBASES from commercial sources on GSA Federal Supply schedules will be coded under the appropriate materiel category as Marine Corps-managed (Management Codes 1 through 6) items. The SUP established will include the appropriate surcharge markups for the category as listed in enclosure (1).

f. Marine Corps-Managed Items. All Marine Corps-managed reparable items with a non-consumable item management support code (NIMSC) of an alpha code and any one NSN with a FSC beginning with "00" will have the SUP calculated to include the applicable cost of recovery element markups as listed in enclosure (1). An exchange price is developed for reparables that the Marine Corps has authority to repair.

g. Set, Kits, and Chests. Sets, kits, and chests, which are produced by assembly of component parts, shall be priced at acquisition cost plus the appropriate cost of recovery elements.

h. Transfer of Accountability of Material Capitalized or Decapitalized. In material decapitalized to the gaining inventory manager (GIM), capitalization will be effected on the date of the transfer of accountability at the GIM SUP. Marine Corps stock will be repriced to the GIM SUP prior to decapitalization and will be maintained at the GIM SUP. This process is an exception to stabilized pricing rules.

i. Incorporated Government-Furnished Property. Pricing of items in which government-furnished property has been incorporated will be per the provisions of this Order, using procurement (replacement) cost to include contract cost plus the value of government property used.

DEFINITIONS - COST RECOVERY ELEMENTS

1. Cost Recovery Elements. A cost recovery element, also referred to as surcharge rate, shall be included in the standard and exchange sales price of an item including direct deliveries from contractors, commercial items, nonstandard items, manufacturer's part numbers, and other items without a standard price. DoD 7000.14R, FMR volume 2B, chapter 9 provides detailed information that addresses the components for computing the cost recovery (surcharge) rate as listed on the SM-5a budget exhibit titled Wholesale Only - Surcharge Calculation.

NOTE: Separate SM-5a budget exhibits will be prepared for repairable divisions for sales at standard and sales at exchange price. For the estimated sales at standard price, the net sales reflected should represent sales at latest acquisition cost (LAC) For sales at exchange, the net sales reflected should represent sales at latest repair cost (LRC). There should be a consolidated exhibit for reparables that sums both the sales at LAC and LRC and the surcharge elements.

2. Transportation Cost. The surcharge is applied to current procurement, replacement, or production costs to compensate for transportation expenses incurred by SMAG.

a. First Destination Transportation (FDT) is that transportation required effecting the delivery of material from a procurement source to the first point of use or storage for subsequent distribution within the supply system. The procurement source and first point of use or storage may be in the continental United States or overseas. The procurement source is any supplier outside the DoD supply system or DoD industrial activities that fabricates new material.

b. Second Destination Transportation (SDT) is transportation that includes only movement of Navy Working

Capital Fund (NCWF)-owned/Marine Corps managed items materiel subsequent to the initial shipment from a supplier to a DSSC storage point or user. Any cost of shipment from a supplier for which the NWCF is liable for payment, will be identified by using the appropriate transportation account code (TAC).

3. Material Inflation Cost. The surcharge is associated with the approved Department of Navy (DON) inflation factor related to material for all years.

4. Supply Operation Obligation. Costs associated with operations of the Inventory Control Point (ICP) for the Marine Corps managed items. These costs include wages of civilian labor, travel, utilities, and base support.

5. Distribution Depot Obligation. Costs that are directly related to the reimbursement of Defense Logistics Agency (DLA) distribution depot charges. This includes charges for processing and storage of inventory.

6. Capital Surcharge. Cost required to support disbursements for capital investments that will not be covered by depreciation approved in the President's budget for Prior Year (PY) and Current Year (CY). For the Budget Year (BY)/BY+1 enter anticipated surcharge amount required to support disbursements for capital investments that will not be covered by depreciation.

7. Inventory Obsolescence/Losses Obligation. Cost necessary to compensate NWCF for foreseeable losses and authorized expenses. Some of these losses are pilferage, shrinkage, damage, deterioration, disposal, and loss by physical inventory adjustments and obsolescence.

8. AOR Recovery. Cost added to prices to adjust for prior year gains/losses approved in the President's budget for PY and CY. For BY/BY+1, enter anticipated surcharge amount required to adjust prices for PY gains/losses. The estimate for the BY/BY + 1 must be based on actual PY results and the revised CY difference between Retail Net Sales and Obligations.

9. Condemnation Obligation (Depot Washout) is the cost to replace repairable items that have attrited (washed out) during the repair process.

10. Budgeted Rates. DoD(C) will review and approve all final rates and prices developed for the President's budget submission during the Budget Review. Rates to be charged customers will be developed by the components in their budget estimates submission to recoup all costs associated with the activity group operating and capital budgets including all labor and non-labor, direct, indirect, and general and administrative overhead costs. Following the determination of required costs and proposed rate structures necessary to recover the full costs of executing the Component's planned support program, components will make corresponding adjustments in appropriated customer account budget request to ensure the customer and Fund business budgets are in balance.

11. Management Code. A one-digit alpha/numeric code used to designate responsibility for management control. The code also permits designation of material commodity and category. The alpha series designates the agency within DoD, which has been assigned responsibility for integrated materiel management control. The numeric series designates weapons integrated materiel management items. Refer to Marine Corps Users Manual (UM) 4400-71 Volume 2, pages 245 and 246 for an explanation of the management codes.

12. Stabilized Rate. The stabilized rate is the cost per output measure customers are charged for the products or services provided by the activity group. Rates are required to be established at levels estimated to recover the cost of products or services to be provided, as well as the approved surcharges. A stabilized rate is established for the fiscal year(s) budget being formulated during the budget review process. Once established, rates are stabilized (held constant) for the applicable fiscal year(s). The stabilized rate is determined by taking the approved cost per output measure for the budget interfund transactions (adjustments to reflect

changes in the cost of purchases between business areas within the fund) and for the impact of prior year gains or losses as reflected by the AOR. This annual stabilized rate is the rate that will be charged for all new customer orders received and accepted during that specific fiscal year, regardless of the first year the work is actually executed and billed. In Supply Management, customers are charged the stabilized price in effect when the item is dropped from the inventory.

ENCLOSURE (3)

ENCLOSURE (1)