

price incentive contract that includes subcontracts placed on the same basis for which the contractor has not yet established final prices, if cost or pricing data is inadequate to determine whether the amounts are reasonable, but circumstances require prompt negotiation.

DFARS 215.407-5, Estimating systems, and the clause at 252.215-7002, Cost Estimating System Requirements, require that certain large business contractors—

- Establish an adequate cost estimating system and disclose the estimating system to the administrative contracting officer (ACO) in writing;
- Maintain the estimating system and disclose significant changes in the system to the ACO on a timely basis; and

- Respond in writing to written reports from the Government that identify deficiencies in the estimating system.

Michele P. Peterson,

Executive Editor, Defense Acquisition Regulations Council.

[FR Doc. 04-12933 Filed 6-7-04; 8:45 am]

BILLING CODE 5001-08-P

DEPARTMENT OF DEFENSE

Office of the Secretary

[Transmittal No. 04-09]

36(b)(1) Arms Sales Notification

AGENCY: Department of Defense, Defense Security Cooperation Agency.

ACTION: Notice.

SUMMARY: The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Pub. L. 104-164 dated 21 July 1996.

FOR FURTHER INFORMATION CONTACT: Ms. J. Hurd, DSCA/OPS-ADMIN, (703) 604-6575.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 04-09 with attached transmittal, policy justification, and Sensitivity of Technology.

Dated: June 2, 2004.

L.M. Bynum,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

BILLING CODE 5001-06-M



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

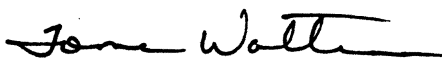
1 JUN 2004
In reply refer to:
I-04/001809

The Honorable J. Dennis Hastert
Speaker of the House of
Representatives
Washington, D.C. 20515-6501

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act (AECA), as amended, we are forwarding herewith Transmittal No. 04-09, concerning the Department of the Air Force's proposed Letter(s) of Offer and Acceptance (LOA) to Israel for defense articles and services estimated to cost \$319 million. Soon after this letter is delivered to your office, we plan to notify the news media.

Sincerely,


TOME H. WALTERS, JR.
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachments

Transmittal No. 04-09

**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended**

- (i) **Prospective Purchaser:** Israel
- (ii) **Total Estimated Value:**
- | | |
|--------------------------|----------------------|
| Major Defense Equipment* | \$208 million |
| Other | <u>\$111 million</u> |
| TOTAL | \$319 million |
- (iii) **Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:**
- 5,000 Joint Direct Attack Munitions (JDAM) tail kits
(which include 2,500 GBU-31 for MK-84, 500 GBU-31 for BLU-109,
500 GBU-32 for MK-83, and 1,500 GBU-30 for MK-82 bombs)
- 2,500 MK-84 live bombs
- 1,500 MK-82 live bombs
- 500 BLU-109 live bombs
- 500 MK-83 live bombs
- 40 MK-84 inert bombs
- 40 MK-82 inert bombs
- 40 BLU-109 inert bombs
- 40 MK-83 inert bombs
- 4,500 DSU-33B/B live fuze components
- 4,500 FMU-139B/B live fuze components
- 500 FMU-143B/B live fuze components
- Also included are: testing, spare and repair parts, support equipment, contractor engineering and technical support, and other related elements of program support.
- (iv) **Military Department:** Air Force (YEV and YEW)
- (v) **Prior Related Cases, if any:** FMS case YET - \$22 million - 9Sep02
FMS case YEQ - \$34 million - 9Feb00
- (vi) **Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid:** none
- (vii) **Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold:** See Annex attached
- (viii) **Date Report Delivered to Congress:**

* as defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION

Israel – Joint Direct Attack Munitions

The Government of Israel has requested a possible sale of :

5,000	Joint Direct Attack Munitions (JDAM) tail kits (which include 2,500 GBU-31 for MK-84, 500 GBU-31 for BLU-109, 500 GBU-32 for MK-83, and 1,500 GBU-30 for MK-82 bombs)
2,500	MK-84 live bombs
1,500	MK-82 live bombs
500	BLU-109 live bombs
500	MK-83 live bombs
40	MK-84 inert bombs
40	MK-82 inert bombs
40	BLU-109 inert bombs
40	MK-83 inert bombs
4,500	DSU-33B/B live fuze components
4,500	FMU-139B/B live fuze components
500	FMU-143B/B live fuze components

Also included are: testing, spare and repair parts, support equipment, contractor engineering and technical support, and other related elements of program support. The estimated cost is \$319 million.

This proposed sale will contribute to the foreign policy and national security of the United States by helping to improve the security of a friendly country that has been and continues to be an important force for political stability and economic progress in the Middle East.

The proposed sale will contribute significantly to U.S. strategic and tactical objectives. Israel will maintain its qualitative edge with a balance of new weapons procurement and upgrades supporting its existing systems. Israel, which already has tail kits in its inventory, will have no difficulty absorbing these additional kits.

The proposed sale of this equipment and support will not affect the basic military balance in the region.

The principle contractors will be: McDonnell Douglas Corporation (subsidiary of the Boeing Company) of St. Charles, Missouri; Alliant Techsystems Incorporated of Janesville, Wisconsin; Alliant Techsystems Incorporated of Clearwater, Florida; Lockheed-Martin Aerospace Corporation of Fort Worth, Texas; Northrup Grumman Company of Los Angeles, California; and Honeywell Corporation of Clearwater, Florida. There are no known offset agreements in connection with this proposed sale.

Implementation of this proposed sale will not require the assignment of any additional U.S. Government and contractor representatives to Israel.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 04-09

**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act**

**Annex
Item No. vii**

(vii) Sensitivity of Technology:

1. The Joint Direct Attack Munition is actually a guidance kit that converts existing unguided free-fall bombs into precision-guided "smart" munitions. By adding a new tail section containing an Inertial Navigation System (INS) guidance/Global Positioning System (GPS) guidance to unguided bombs, the cost effective JDAM provides highly accurate weapon delivery in any "flyable" weather. The INS, using updates from the GPS, helps guide the bomb to the target via the use of movable tail fins.

2. Weapon accuracy is dependent on target coordinates and present position as entered into the guidance control unit. After weapon release, movable tail fins guide the weapon to the target coordinates. In addition to the tail kit, other elements in the overall system that are essential for successful employment include:

**Access to accurate target coordinates
INS/GPS capability
Operational Test and Evaluation Plan**

3. A determination has been made that Israel can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This proposed sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.

[FR Doc. 04-12832 Filed 6-7-04; 8:45 am]

BILLING CODE 5001-06-C

DEPARTMENT OF DEFENSE**Defense Logistics Agency****Privacy Act of 1974; Systems of
Records****AGENCY:** Defense Logistics Agency, DoD.**ACTION:** Notice to alter a system of records.**SUMMARY:** The Defense Logistics Agency proposes to alter a system of records notice in its inventory of record systems subject to the Privacy Act of 1974 (5 U.S.C. 552a), as amended.

The alteration will allow the disclosure of records to the Bureau of Citizenship and Immigration Services, Department of Homeland Security, for purposes of facilitating the verification

of individuals who may be eligible for expedited naturalization; and to Federal and State agencies, including their contractors and grantees, for purposes of providing military wage, training, and educational information, so that Federal reporting requirements can be satisfied.

DATES: This action will be effective without further notice on July 8, 2004, unless comments are received that would result in a contrary determination.

ADDRESSES: Send comments to the Privacy Act Officer, Headquarters, Defense Logistics Agency, Attn: DSS-B, 8725 John J. Kingman Road, Stop 6220, Fort Belvoir, VA 22060-6221.

FOR FURTHER INFORMATION CONTACT: Ms. Susan Salus at (703) 767-6183.

SUPPLEMENTARY INFORMATION: The Defense Logistics Agency notices for systems of records subject to the Privacy Act of 1974 (5 U.S.C. 552a), as amended, have been published in the **Federal**

Register and are available from the address above.

The proposed system report, as required by 5 U.S.C. 552a(r) of the Privacy Act of 1974, as amended, was submitted on May 28, 2004, to the House Committee on Government Reform, the Senate Committee on Governmental Affairs, and the Office of Management and Budget (OMB) pursuant to paragraph 4c of Appendix I to OMB Circular No. A-130, 'Federal Agency Responsibilities for Maintaining Records About Individuals,' dated February 8, 1996 (February 20, 1996, 61 FR 6427).