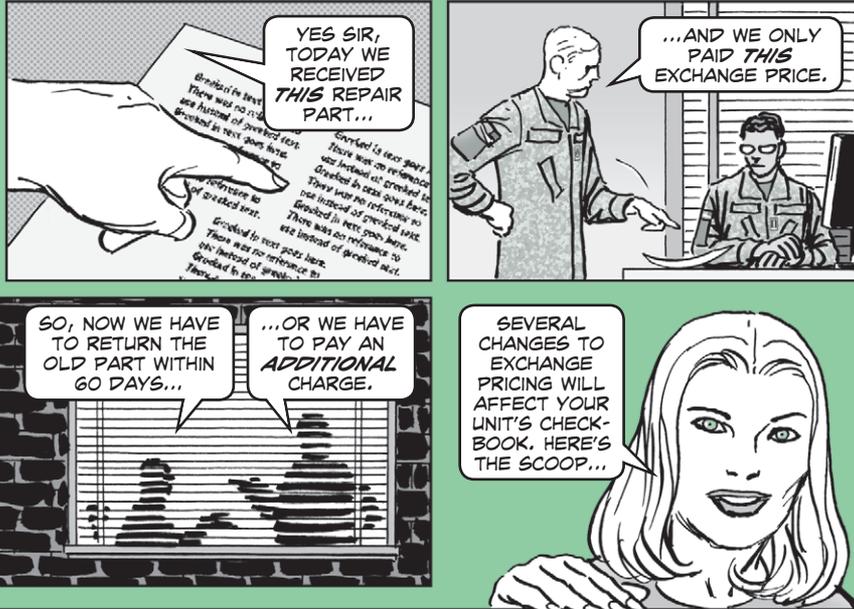


THE ARMY'S NEW WAY TO MANAGE REPARABLES



Exchange Pricing (EP) in the Army has been in transition since April 2008. How EP has changed directly affects units—right in the pocketbook. Here's what you should know.

The Army was experiencing problems with granting excess credit in its logistics system. DOD Comptroller solutions became the evolving EP system.

EP rules require Army-managed NSNs that are on an existing or planned national maintenance program to have an EP and a standard price (SP).

When an EP item is issued, a like unserviceable item, as defined by the Order of Use (OOU) file, must be returned within the 60-day delay days period (DDP) or the difference between the standard and exchange price will be charged to the unit.

The intent of EP is to increase the return of reparable items to the supply system and to improve national visibility of reparable. EP also reduces the number of financial transactions by limiting unserviceable and serviceable credit to only designated EP items.

Standard Price (SP) =
Latest Acquisition Cost
+ Cost Recovery Rate
(CRR)

Exchange Pricing (EP): Past vs Present

Exchange Price (EP) =
Loaded Repair Cost
+ Cost Recovery Rate
(CRR)

PAST ENGINE, DIESEL:
Standard price: \$494,832.00
Unserviceable credit: \$246,094.00
Serviceable return rate credit: \$432,545.00

Exchange Pricing Tenets

- Shift from past credit on turn-in to charge of "delta" (SP minus EP) if not turned in within Delay Days Period (DDP) (60 days set by HQDA)
- No unserviceable credit for Army customers
- NSNs with on an existing or planned national repair program have an assigned EP value
- Serviceable Exchange Price Return (SEPR) credited for serviceable turn-in

PRESENT ENGINE, DIESEL:
Standard price: \$494,832.00
EP price: \$248,738.00
EP delta bill: \$246,094.00 (no turn-in)
Serviceable exchange price return credit (EP minus CRR): \$186,451.00

Past Practice

When a customer bought an Army-managed item they were charged a standard price (SP), which was equal to the latest acquisition cost plus an amount for cost recovery. In this example, the SP for the diesel engine was \$494,832. When the customer returned the **unserviceable engine**, they got an unserviceable credit equal to the SP minus the sum of the loaded repair cost recovery (CRR): \$246,094. The customer's net cost for the replacement part was \$248,738. If, however, the customer returned a **serviceable engine**, they got a serviceable credit of \$432,545.

The New Exchange Pricing Practice

Customers are charged the exchange price (EP) up front. But, the EP is only available for EP designated items. The EP includes the loaded repair cost and an amount for cost recovery. The EP for the diesel engine = \$248,738.

If the unit returns the **unserviceable engine** to the supply system within the delay days period (DDP), the action is complete—there are no additional customer changes. However, if the unit does not return the unserviceable engine within the DDP, it is charged the delta: the SP (\$494,832) minus the EP (\$248,738) — another \$246,094.

If a unit returns a **serviceable engine** to the supply system, they get a serviceable EP return (SEPR) credit (the EP (\$248,738) minus an amount for cost recovery). In this example, the serviceable exchange credit for the diesel engine = \$186,451.



**NOW PAY
ATTENTION.**

**THERE'S
GOOD
STUFF IN
HERE!**



Phase I, Stand-Alone Tracking

Phase I established procedures for tracking issue and return transactions for designated EP NSNs by Department of Defense Activity Address Code (DODAAC). Three new data elements—the Exchange Price value, the Delta Bill value (the difference between the SP and the EP), and the Serviceable Exchange Price Return credit value—were added to the Army Master Data File (AMDF) on FED LOG for all EP items.

It became possible to display, review and analyze unit performance by DODAAC for matched and unmatched issues with turn-ins as measured against the DDP.

Phase II, One-for-One Credit

Last October, EP Phase II allowed credit for designated Army SARSS customers only for issue of like repairable items as set in DFAS Regulation 37-1, Chapter 13. This ended the practice of granting unserviceable and serviceable credit for all repairable turn-ins.

In December, the EP system began reporting expired DDPs on the 5th day of the month after the expiration.

Recoverable Items Tracking under EP centralized the reporting of recoverable items to the Logistics Support Activity's Logistics Information Warehouse/Integrated Logistics Analysis Program (LIW/ILAP) for issues and turn-ins of all items with a recoverability code of A, D, F, H, K or L.

Phase III, Full Exchange Pricing

Phase III implemented the full version of Exchange Pricing on May 1st.

The LIW/ILAP and Funds Control Module tracks issue and turn-in transactions. If an EP item is issued and a like unserviceable item is not returned within the established DDP, an obligation adjustment Delta Bill will be triggered and processed at DFAS to charge the unit the difference between the standard price and the EP.

When EP financial triggers are activated during Phase III they will only pertain to a recoverable NIIN that is also an EP NIIN.

EP will eventually migrate to the future Enterprise Resource Planning (ERP) systems of Global Combat Support System-Army (GCSS-Army) and Logistics Modernization Program (LMP).

For more information on Exchange Pricing see:

<http://www.ssf.army.mil/ssfweb/DesktopDefault.aspx?tabindex=5&tabid=25>