

such seriousness as to require extensive repairs after arrival in the recipient countries before the equipment could be put into use.

Senator GRUENING. Mr. Lippman, can you give us any examples to illustrate this charge?

ONE MILLION DOLLAR DUPLICATION IN VIETNAM

Mr. LIPPMAN. Yes. For example, in Vietnam, the mission had to award a contract to a private contractor amounting to over \$1 million for the inspection and repair of equipment obtained through the Agency's excess property program even though such equipment had just come out of the repair shops in Japan and in Europe.

Two questions raised by these cases were:

One, whether the repair standards being utilized by the contractors were adequate; and

Two, whether the private overhaul contractors were actually performing the work they were being paid to do.

EQUIPMENT INOPERATIVE AFTER CONTRACTOR REPAIR

ARMY'S STANDARDS FOR REPAIR HIGHER THAN AID'S

Mr. LIPPMAN. Accompanied by U.S. Army technical inspectors, I examined a D-7 caterpillar tractor acquired by AID from military excess which it had repaired at the L. B. Smith plant at Camp Hill, Pa. AID repairs amounted to repairs of those components which were obviously worn out, based on an external visual inspection. Data provided by the U.S. Army inspectors disclosed that much more extensive repairs would have been undertaken had the Army retained the tractor. Instead of external visual inspection, complete disassembly of the tractor would have been undertaken and all internal parts worn beyond given tolerances would be replaced. The Army estimated twice as much money would have been spent on repair of the tractor as AID expended.

AID'S FORMULA OMITTS NECESSARY REPAIR

The reason for the lower standards is to be found in AID's policy of limiting expenditures for repair of equipment to 15 percent of original cost, wherever possible. The 15 percent limit included not only labor and materials, but also crating and transportation of the equipment to the recipient country. In some cases, the limitation permitted little else than a general check.