AID'S MISMANAGEMENT OF THE EXCESS PROPERTY PROGRAM

68060256

COMMITTEE ON GOVERNMENT OPERATIONS UNITED STATES SENATE

NINETIETH CONGRESS

FIRST SESSION

SEPTEMBER 14 AND 21, 1967

Printed for the use of the
Committee on Government Operations

GOVERNMENT DEPOSITORY
UNIVERSITY OF RUTGERS, THE STATE UNIVERSITY
452555

GOV. DOC.

86-277

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1967

Y 4
.G 74/6
S. 8/4

COMMITTEE ON GOVERNMENT OPERATIONS

JOHN L. McCLELLAN, Arkansas, *Chairman*

HENRY M. JACKSON, Washington
SAM J. ERVIN, JR., North Carolina
ERNEST GRUENING, Alaska
EDMUND S. MUSKIE, Maine
ABRAHAM RIBICOFF, Connecticut
FRED R. HARRIS, Oklahoma
ROBERT F. KENNEDY, New York
LEE METCALF, Montana
JOSEPH M. MONTOYA, New Mexico

KARL E. MUNDT, South Dakota
CARL T. CURTIS, Nebraska
JACOB K. JAVITS, New York
CLIFFORD P. HANSEN, Wyoming
HOWARD H. BAKER, JR., Tennessee

JAMES R. CALLOWAY, *Chief Clerk and Staff Director*
ARTHUR A. SHARP, *Staff Editor*

JEAN REYNOLDS, *Clerk*
HARRIET S. EKLUND, *Editor*

sources, AID, May 11, 1967 ... Government Property Re-
11. Comparison with repair work done by AID and work Army would do on the identical piece of equipment prepared by Department of the Army, Headquarters, Tobyhanna Army Depot, Tobyhanna, Pa., June 23, 1967 ... 102
12. Examples of USAID/Vietnam inspection reports showing defective equipment with notation "Condition When Received in Vietnam" ... 109
13. Memo concerning meeting with Mr. Lippman on excess property for Vietnam, May 22, 1967 ... 114
14. Memo and interim report on examination of U.S. excess property procured during the period July 1, 1964, through December 31, 1966 (by Agency for International Development, U.S. aid mission to Vietnam, Saigon, Vietnam), March 31, 1967 ... 118
15. Selected examples of AID mission complaints on defective and inoperative equipment due to inadequate contractor repairs, December 23, 1965 ... 119
16. Résumés of all EPRO 5 personnel as of April 30, 1967, dispersed on June 6, 1967 ... 122
17. Report on audit of the excess property program covering the period of October 16, 1959, to September 30, 1965, prepared by the Agency for International Development, U.S. aid mission to Turkey, Office of the Assistant to the Director-Controller, USAID/Ankara, June 16, 1966, Audit Report No. 66/11 ... 128
18. Report of audit No. 65–10 issued: March 9, 1965, U.S. operation mission to the Philippines office of the controller, audit branch ... 130
19. Report of audit, increase in production of minerals—project No. 489–12–210–605; increase in iron production—project No. 489–12–210–[illegible]; comparative costs of imported new equipment and U.S. excess property ... 141
24. Statement by Robert L. Crownover, Assistant Director for Logistics, USAID/Vietnam ... 180
25. Letter of transmittal to Senator Ernest Gruening from Frank H. Weitzel, Assistant Comptroller General of the United States, October 25, 1967 ... 205

CONTENTS

Opening statements of the chairman 3

WITNESSES

SEPTEMBER 14, 1967

Joseph Lippman, staff director, Subcommittee on Foreign Aid Expenditures 162

James M. Scott, executive director, Fairfax Community Action Program; Mrs. Shirley Worthy, SBMCAA; Mrs. Rosa Little, SBMCAA; Mrs. Edna Tolson, CARP; Rev. Rufus Adkins, FCAP; Francis Honesty, president, United Communities for Improvement 164

Major Joseph N. Pike, Bethel, Alaska; accompanied by Capt. Raymond H. Holmsen, Jr., Bethel, Alaska; Maj. Lloyd Ahvakana, Anchorage, Alaska; and Capt. Timothy Gologergen, Savoonga, Alaska 173

Robert T. Griffin, Assistant Administrator, General Services Administration; accompanied by Byron E. Harding, Special Assistant to the General Counsel; Louis C. Tuttle, Manager, Personal Property; Disposal, Office of Property Disposal 184

Sol Elson, Director, Division of Surplus Property; accompanied by Bernard 196

the subcommittee) presiding.

Present: Senator Gruening.

Also present: Joseph Lippman, staff director; Herbert W. Beaser, chief counsel; Jean D. Reynolds, clerk; and Harriet S. Eklund, editor.

OPENING STATEMENT OF THE CHAIRMAN

Senator GRUENING. The hearing will please come to order.

Today the Subcommittee on Foreign Aid Expenditures begins its hearings on the administration of the excess property program by the Agency for International Development. This program is authorized by section 608 of the Foreign Assistance Act of 1961, which established a revolving fund of $5 million which AID can use to repair and overhaul equipment which it obtains from excess stocks of the military services.

HEARINGS FIVE-PRONGED

These hearings will cover the following areas:

One, the adequacy of repairs made by AID contractors on excess property.

Two, the effectiveness of AID's controls over repairing contractors' operations.

Three, whether the large increase in the excess property program is justified in the light of the real needs of recipient countries and their capability of utilizing and maintaining the equipment.

Four, whether AID's overall management of the program has been adequate.

Five, the extent to which changes in basic policies involving repair standards, inspection procedures, personnel, and organization of AID's overseas offices are required in the interest of economy and efficiency.

TESTIMONY TO COVER S. 1974

At these hearings, testimony will be taken from Agency witnesses and other interested parties with regard to S. 1974, which has been [illegible] SANS JUSTIFICATION, SUBSIDIZES AID . . .

First, however, I want to refer to a statement which has been given the subcommittee by the Department of the Army relating to the cost of handling AID's excess property. The Army performs a number of functions for AID, including receiving, storing, packing excess property, and arranging for shipment to foreign governments. Because the subcommittee staff study indicated the likelihood that the Army

The Army now also advises me that it proposes to recover the $440,000 subsidy from AID.
Development.

LIPPMAN REVIEWS FOUR POINTS OF INVESTIGATIVE TRAVEL

During this time, visits were made to various areas of AID operations in the United States and abroad. You made some of these visits with the staff. Visits were made to:

One, France and Germany, where much of AID's acquisition of excess property from military sources is made;

Two, facilities of a major AID contractor in Antwerp, Belgium, where large amounts of excess property are overhauled before shipment to recipient countries by AID;

Three, Turkey, Thailand, South Vietnam, and Korea to study the adequacy of AID missions' control over programing by recipients; and

Four, the facility of the major, private repair contractor in Japan to review AID's supervision and control of the carrying out of the repair contract.

AID ALERTED TO DEFICIENCIES

As significant deficiencies were uncovered in the administration of the program they were immediately brought to the attention of the [illegible] remedial action could be taken by it. AID obtained by AID from military excess stocks.

These complaints came not only from recipient nations but also from the staffs of some of the AID missions.

Complaints focused on two main points:

One, the inadequacy of the repairs made by AID on equipment by AID's private overhaul contractors;

Two, the lack of technical manuals and repair parts.

With respect to the first point—the adequacy of repairs—numerous examples were found of equipment which had been, and was being, received in defective condition. As a result, equipment broke down shortly after being placed in use. In other cases, the defects were of

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 OMITS 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

Independent studies, in 1966, of AID's excess property program point out that the program has been "sales oriented" rather than "service oriented." Staff observations confirm the conclusion that the program has focused on shipping as large a volume of equipment to foreign countries as possible. This was achieved by presenting the program as a "bargain" to AID mission and recipient country officials.

The point made repeatedly over the years by excess property management personnel was that they could furnish good equipment at a fraction of the cost of new equipment and the resultant savings could be utilized to undertake additional economic aid projects. Obviously, these excess property officials could make good on such promises only if the repairs to equipment, and the amounts charged against country economic aid programs were kept at a minimum.

"MINIMIZING COSTS . . . CAN LEAD TO INADEQUATE EQUIPMENT REPAIR"

If AID were to utilize the standards of repair used by the Army, equipment furnished from excess property might no longer present a bargain and AID missions and recipient countries would be inclined to purchase new equipment.

Minimizing costs as a means of encouraging foreign countries to take MAINTENANCE of excess property can lead to inadequate

For example, a study in September 1966, by Harbridge House, a private consulting firm retained under an AID contract, reported that in Vietnam the useful life of a piece of equipment ends with its first breakdown because of the lack of maintenance facilities in that country.

Discussions with AID operating personnel in Vietnam during the staff visit indicated that while they have no effective system for knowing where the equipment is, what it is being used for, or what condition it is in, they believe that outside of Saigon the country was literally littered with broken-down and abandoned equipment which had been shipped into the country under the section 608 excess property program.

SOME 500 PIECES OF MAJOR EQUIPMENT MAINLY INOPERATIVE IN SAIGON

As will be shown through documentation and photographs later, the situation is hardly any better in Saigon itself. At the time of our visit in April 1967, we found some 500 pieces of major equipment which had been received under the section 608 program at Petrus Ky, a holding area in Saigon.

The greater part of this equipment was inoperative. This equipment consisted of tractors, vehicles, and cranes badly needed to move priority cargo from the highly congested port of Saigon.

20-TON CRANES HAVE MINIMAL LIFE SPAN

The chief AID adviser to the Saigon port authority told me that shortly before my visit he had obtained three 20-ton cranes from Petrus Ky to unload badly needed steel pipe. The cranes broke down 2 hours after being placed in use and were still inoperative at the down shortly after receipt or which has been difficult to maintain in two countries covered by the staff study, the recipient governments had insisted on obtaining new equipment from AID even though the kind of equipment needed was in the agency's excess stocks.

INCREASING OPPOSITION FOLLOWS

It is fairly clear from discussion we have had with AID mission personnel and officials of foreign governments that AID can expect increasing opposition to the acceptance of excess property unless equipment is repaired to a much higher standard than heretofore, taking into account the limited maintenance which can be performed in underdeveloped countries.

It was found that increased acceptance of excess property does not necessarily result in any overall savings to the U.S. Government.

As reported by the General Accounting Office and as confirmed by the staff investigation, excess equipment furnished under the economic aid program is largely additional to the existing level of the country aid programs. The instances in which a recipient country will forego a new equipment procurement and will accept excess equipment appear to be the exception to the rule. In most cases, the AID mission will program both the new procurement [illegible] to begin a reevaluation of its basic policies.

Senator GRUENING. Mr. Lippman, is there any explanation why there was this long delay?

Mr. LIPPMAN. Mr. Chairman, we have not received any. But certainly AID has been aware of this situation for a long time.

". . . KEEP EXCESS PROPERTY OUT OF THE COUNTRY"

During the staff visit to Thailand in 1967, the situation was largely unchanged, and top mission personnel pleaded with us to do what we could to keep 608 excess property out of the country. And similar reports have been made by other missions over the years.

AID SHIPMENTS MADE "AS IS"

The October 1966 Harbridge House study of the excess property program for AID reported that—

> Because AID's excess property personnel are much more "sales oriented" than "service oriented," complaints by the AID missions of defective equipment are dismissed with the assumption that whatever went wrong happened after shipment and that resulting problems are strictly the mission's respon- [illegible] on occasion mission protests have been honored, the general

aware of the report included the top management of AID, including the assistant administrators, the deputy administrator, and the AID administrator.

Senator GRUENING. Continue, please.

SUBCOMMITTEE DIRECTS ATTENTION TO JAPAN AIRCRAFT CO.

Mr. LIPPMAN. In order to ascertain the extent of contractor responsibility for the defective equipment received by AID missions, the subcommittee staff directed its attention to Japan Aircraft Co., the major rebuild contractor in the Far East.

A visit to the plant in Yokohama disclosed that Japan Aircraft Co. had recently undertaken the repair of vehicles to be paid for by the Government of Korea out of its own funds but utilizing AID acquired excess property. The AID mission in Korea, to insure the adequacy of repairs, had insisted on independent final inspections by U.S. Army personnel. At the time of the staff visit, the Army inspectors had just completed their inspection and we were able to discuss their findings with them.

SECTION II WORK ACCOMPLISHED

Repair organization/activity; Japan Aircraft Mfg. Co., Ltd.
Location; No. 3175 Tomiokapcho, Kanazawapku, Yokohama, Japan.

[Total man-hours 256; total man-hour cost $427.52; total parts cost $295.13]

had not in fact been performed.

Senator GRUENING. Was any attempt made to get a reimbursement?

Mr. LIPPMAN. I think Mr. Lee, the Assistant Administrator for AID, will testify as to the actions taken by the agency to recover funds.

Senator GRUENING. Please procced.

PAYMENTS BASED ON AID'S INSPECTION

Mr. LIPPMAN. It should be noted that repairs by the contractor are made on the basis of a work order, which itemizes the work to be done. This work order must be approved by the AID inspector in advance. The contractor certifies on the final work order that all of the work listed has been accomplished and the equipment is in good serviceable condition. That verification must also be approved by the AID inspector. Payments to the contractor are based on these documents.

With your permission, sir, I would like inserted here in the printed record of this hearing some samples of work orders on equipment repaired by Japan Aircraft Co. in which U.S. Army inspectors found overcharges for repair work not performed.

EXHIBIT 1

Rehabilitation on AID Work Specification Appendix A, Contract AID/cad/1129 (Estimated Total Man-hours: 257.50).

[Total man-hours 256; total man-hour cost $427.52; total parts cost $295.13]

CAB AND ASSOCIATED PARTS					
		Oil engine No. 10	REP	11 L	1.33
		Oil engine No. 30	REP	11 L	1.28
Repair noperative regulator at both side door	1.0	Oil gear	REP	6.2 L	26.8
Replace damaged both side cowl ventilator seals	.5	Oil brake	REP	6.0 L	4.98
Replace damaged left door seal	1.0	Grease general	LP	0.1 K	.03

Install missing intake [illegible]		4720-203-2668 Hose	REP	1.2 M	
BRAKE SYSTEM					
Replace damaged brake line connector	.5	5310-281-1250 Nut	REP	1 EA	.04
Adjust service and clean SVC brake system	16.5	5310-359-0458 Gasket	REP	14 EA	.19
Replace 1 ea of damaged master cylinder with flexible line, then remove rust and dust for the rest.	4.0	5330-529-8653 Gasket	REP	2 EA	.03
		Steel sheet	REP	1 EA	7.91
		Connector brake line	REP	1 EA	.69
Check air-hydraulic cylinder after master cylinder repair.	.5				
Replace damaged wheel cylinder and bleeder valve.	15.0	2910-741-2506 Spring	REP	1 EA	.14
		2510-737-3292 Weather	REP	1 EA	.42
	2.5	2540-050-0813 Blade	REP	2 EA	.54
Adjust hand brake system		2540-741-0601 Cover	REP	1 EA	5.15
		2540-741-0602 Cover	REP	1 EA	3.68
WHEEL HUBS AND BEARING					
	.5	2540-741-0794 Arm	REP	2 EA	.708

ACCEPTANCE CERTIFICATE

I hereby certify that I have inspected and ascertained the above cited item of equipment to be in a good serviceable condition and have accepted the work performed thereon in its entirety.

WELDEN M. HARNESS,
AID Marshalling Site Superintendent,
Contract No. AID/csd/1129.

MAINTENANCE REQUEST

SECTION 1

Control number; Aid to No. 4243-57.
1a. Organization; AID EPRO NO. 5, % American Embassy, Tokyo.
Serial number; 20987.
3. Noun nomenclature; Truck Cargo 2½ ton W/O WINCH, M-211.
ACQ. COST 5,993.
Rehabilitation on AID work specifications, Appendix A, Contract AID/csd/1129
(estimated total man-hours: 238.50).

SECTION II. WORK ACCOMPLISHED

ENGINE AND ENGINE COMPONENT		Gasket flywheel	REP	2 EA	$5.54
Dismount engine and overhaul due to excessive wear and noises with replacing faulty parts together with measuring, grinding, repacking, cleaning and adjusting work.	78.0	2510-040-2071 Flap	REP	2 EA	.66
		2510-737-3287 Weather-strip	REP	2 EA	.90
		2510-741-0629 Arm	REP	4 EA	1.84
		2510-741-0633 Channel	REP	2 EA	32.60
		2510-741-0696 Frame	REP	2 EA	.90
Replace dirty oil filter element	.5	2510-741-0703 Seal	REP	1 EA	9.56
	1.0	2510-741-0711 Frame	REP	4 EA	.56
	1.0	2510-741-1378 Lock	REP	1 EA	9.02
			REP	1 EA	.72

sentative. I also hereby certify that this item is in good serviceable condition.

YOSHIKI TAGAWA,
Project Manager, AID Operations,
Japan Aircraft Mfg. Co., Ltd.

[Total man-hours, 276.5; total man-hour cost, $461.76; total parts cost, $758.64]

Description	Man-hours (hours and 10ths)	Federal stock No.	Part source code	Quantity	Parts cost
transfer side for front propeller shaft	1.0	2540-733-9699 Valve	REP	1 EA	
Cannibalize intermediate propeller shaft and 8 ea of clamp bolts.		2540-952-7035 Mirror	REP	1 EA	1.90
Repair intermediate differential oil leak and clean for the rest.	.5	2590-318-1052 Throttle	REP	2 EA	1.28
Service front axle alinement		2590-606-8504 Kit	REP	1 EA	2.34
Replace front rear axle flexible hose	3.0	2805-656-6924 Gasket	REP	1 EA	1.77
Replace rear axle cover gasket		2805-741-1610 Valve	REP	1 SET	
	3.0	2910-294-1307 Cap	REP	6 EA	.20
	1.0	2910-631-6958 Spring	REP	1 EA	3.48
	.5	2910-696-0333 Tube	REP	2 EA	1.12
		2910-699-7904 Pump	REP	1 EA	.32
		2910-735-0572 Collar	REP	1 EA	3.17
	.5	2910-735-0583 Hose	REP	1 EA	15.88
					.06
BRAKE					.84
Check air compressor and air governor, after engine overhaul.		2910-735-0583 Hose	REP	1 EA	
Adjust, service and clean SVC brake system	15.0	2910-741-2431 Kit	REP	1 SET	.84
Replace brake lining shoe kit, brake shoe adjusting nut, and gear.	1.0	2920-287-9125 Rotor	REP	1 EA	4.23
Replace 1 ea of unserviceable master cylinder		2920-358-7534 Point	REP	1 SET	.90
Remove damaged wheel cylinder and remove rust and dust out for the rest.	1.0	2920-620-3959 Cable	REP	1 EA	.24
Service and adjust hand brake system	2.0	2920-835-7724 Plug	REP	6 EA	1.34
		2930-737-6626 Cap	REP	1 EA	2.94
WHEEL HUBS AND BEARINGS	1.5	2930-741-0884 Hose	REP	1 EA	1.81
Adjust wheel bearing, service hubs and bearings and related parts, replace oil hub inner and outer seal ass'y, wheel bearing adjusting nut rock.		2940-141-9026 Element	REP	1 EA	.81
		2990-265-2025 Spring	REP	1 EA	1.08
STEERING SYSTEM	4.5	2990-741-0582 Pipe	REP	1 EA	.31
Adjust steering gear, service steering drag link, steering wheel, pitman arm.		2990-741-0585 Packing	REP	2 EA	5.84
		3110-143-7538 Cone	REP	7 EA	.76
		3110-191-0491 Bearing	REP	1 EA	17.50
		4710-277-5525 Tube	REP	0.31 FT	.52
		4710-277-5525 Tube	REP	3.28FT	.02
	3.5	4710-277-			.19

[Total man-hours, 276.5; total man-hour cost, $461.76; total parts cost, $758.64]—Continued

Description	Man-hours (hours and 10ths)	Federal stock No.	Part source code	Quantity	Parts cost
SHEET METAL					
Repair crack and corrosion of engine hood	3.0	5340-282-7521 Clip	REP	3 EA	$.21
Plug up a hole at removed left heater and remove its bracket.	1.0	5340-526-2278 Ring	REP	6 EA	.30
		5340-741-0530 Coupling	REP	2 EA	5.00
Install missing right rear cushion seal at engine body and then paint all surfaces.	.5	5905-337-8277 Resister	REP	1 EA	3.20
		[illegible] Switch	REP	1 EA	22.90
		2530-735-0591 Bolt	LP	2 EA	.56
		2530-741-0531 Connector	LP	1 EA	.56
LUBRICATING					
Grease up and fill oil in accordance with lubrication chart.	2.5	2530-741-2117 Spring	LP	4 EA	1.11
		2805-741-1611 Valve	LP	4 EA	2.67
		2805-741-1721 Ring	LP	1 SET	6.38
INSPECTION		2910-741-2719 Gasket	LP	1 EA	.18
	20.0	2910-741-2719 Gasket	LP	1 EA	.18
Perform initial, in process and final inspection		5310-281-1250 Nut	LP	1 EA	.04
	276.50	2540-741-693 Curtain	LP	1 EA	9.11
Total	38.00	5330-529-8653 Gasket	LP	1 EA	.01
Excess		9320-741-0734 Weather strip.	LP	1.5 EA	.38
		Hose ru. front brake	LP	2 EA	2.22
		Hose flex, front rear	LP	3 EA	4.58
		Indicator temp w/clamp	LP	1 EA	1.81
		Cover inspection hole	LP	3 EA	.75
		6TN battery w/acid	LP	2 EA	57.22
		Door instrument	LP	1 EA	3.89
		Jack hydraulic	LP	1 EA	6.11
		Shackle	LP	4 EA	3.78
		Tire recapping	LP	8 EA	156.67
		Packing wood box	LP	1 EA	0.71
		Wrench	LP	1 EA	2.44
		5315-741-0658 Pin	REP	2 EA	3.00
		Gasoline	REP	15 GL	1.44
		Oil engine No. 10	REP	16 L	1.92
		Oil engine No. 30	REP	12 L	1.39
		Oil gear	N/C	10 L	0
		Oil brake	REP	12 L	9.96
		Grease general	LP	0.1 KG	.03
		Grease bearing	REP	9.4 KG	1.13
		Paint light green	REP	1.0 KG	.68
		Paint yellow	LP	9.0 KG	6.09
			N/C	0.8 KG	.00

AID TO NO. 1245-57. I further certify [illegible] deviations from any specifications cited in the contract or other related contract terms except those approved by the Contracting Officer or his authorized representative. I also hereby certify that this item is in good serviceable condition.

YOSHIKI TAGAWA,
Project Manager, AID Operations,
Japan Aircraft Mfg. Co., Ltd.

MAINTENANCE REQUEST

SECTION 1

Control number; Aid to no. 4184–15.
1a. Organization; Aid EPRO No. 5, c/o, American Embassy, Tokyo.
3. Noun Nomenclature; Truck cargo 2½ ton 6x6 w/o winch, M211.
Acq. cost 5,993.
Rehabilitation on AID work specifications, Appendix A, Contract AID/csd/1129 (Estimated total man-hours: 253.00).

SECTION II—WORK ACCOMPLISHED

Repair organization/activity; Japan Aircraft Mfg. Co., Ltd.
Location; No. 3175, Tomiokapcho, Kanazawapku, Yokohama, Japan.

[Total man-hours, 357; total man-hour cost, $597.44; total parts cost, $784]

Description	Man-hours (hours and 10ths)	Federal stock No.	Part source code	Quantity	Parts cost
ENGINE AND ENGINE COMPONENT	--------	Motor wiper----------	N/C	2 EA	0
spring.		2510-580-8128 Bracket----	REP	1 EA	5.26
Clean air cleaner of reservoir base and element---	2.00	2520-741-1511 Cone-----	REP	1 EA	5.01
Repair inoperative fuel pump capacitor with replacing terminal plate assy, fuel pump elbow and cable with cleaning work.	1.00	2520-741-1523 Piston----	REP	1 EA	8.90
		2520-741-1649 Gasket----	REP	1 EA	4.03
		2520-708-4043 Sleeve----	REP	1 EA	3.88
Clean fuel tank and line, replace fuel tank unit---	4.00	2520-708-4044 Spring----	REP	20 EA	.40
	4.50	2520-708-4064 Washer----	REP	1 EA	.17
		2530-287-8252 Bleeder----	REP	12 EA	3.84
Replace unserviceable muffler and mounting clamp.	1.00	2530-324-1047 Spring----	REP	1 EA	.11
		2530-350-7493 Cup-------	REP	1 EA	2.10
Replace corroded rear, upper and lower exhaust pipes with packing seal.	3.00	2530-537-2176 Line------	REP	1 EA	.34
		2530-537-2210 Kit-------	REP	1 EA	.25
Perform engine compression tests----------	1.50	2530-560-8485 Brake----	REP	1 EA	5.39
Cyl. No. 1 2 3 4 5 6		2530-693-1028 Nut------	REP	3 EA	1.08
Comp. (psi) 113 113 120 120 113 113		2530-737-6444 Wheel----	REP	1 EA	6.39
		2530-741-0810 Hose-----	REP	1 EA	1.00
INSTRUMENT AND ELECTRICAL SYSTEM		2530-741-2065 Cyl-------	REP	12 EA	39.24
Check speedometer of its function at rod test----	.50	2530-741-2105 Brake----	REP	2.25 EA	6.86
Check ammeter of its function after engine repair.	.50	2540-050-0810 Arm------	REP	2 EA	1.40
Replace defective oil pressure sending unit and water temperature gage sending unit, then service all gages and other sending units.	3.00	2540-050-0813 Blade----	REP	2 EA	.54
		2540-699-9381 Chain----	REP	1 EA	.80
		2540-734-2196 Arm------	REP	2 EA	4.80
Check and repair generator of its function after engine repair.	2.00	2540-741-0600 Cover----	REP	1 EA	5.35
		2540-741-0601 Cover----	REP	1 EA	5.15
Replace defective harness at regulator-generator.	9.50	2540-741-0602 Cover----	REP	1 EA	3.68
Service inoperative headlight, marker light, blackout taillight and their wiring.	6.50	2540-741-0603 Cover----	REP	1 EA	2.77
		2540-741-0638 Fastener--	REP	10 EA	.50
Repair switch for bad contact----------	1.50	2540-741-0694 Cover----	REP	1 EA	10.17
		2540-737-6110 Handle----	REP	1 EA	1.01
		2540-952-7035 Mirror----	REP	2 EA	1.28

[Total man-hours, 357; total man-hour cost, $597.44; total parts cost, $784]—Continued

Description	Man-hours (hours and 10ths)	Federal stock No.	Part source code	Quantity	Parts cost
POWER TRAIN SYSTEM					
Adjust clutch pedal of free travel	1.50	2590-314-0745 Harness	REP	1 EA	$8.14
Overhaul defective transmission replacing damaged parts with cleaning and adjusting work.	39.00	2590-606-6504 Kit	REP	1 EA	1.77
		805-624-4765 Lock	REP	5 EA	.40
Replace transfer vent line pipe and check its function.	1.50	805-690-781 Hose	REP	1 EA	.36
		2910-696-0348 Cable	REP	1 EA	3.02
Cannibalize propeller shaft between transfer and intermediate, transfer and pillow block, transfer and front for missing one.	8.00	2805-735-0443 Hose	REP	3 EA	1.23
		2805-735-0444 Hose	REP	1 EA	1.10
		2910-735-0572 Collar	REP	1 EA	.06
Cannibalize intermediate drive shaft, 8 ea of attaching nuts and gaskets for missing one.	4.00	2805-741-1604 Gasket	REP	1 EA	2.58
		2910-741-2431 Kit	REP	1 EA	4.21
Check air hydraulic cylinder of its function after engine repair.	2.50	2920-358-7534 Point	REP	1 EA	.24
		3030-517-1169 Belt	REP	1 EA	5.00
Replace 12 ea of damaged wheel cylinders and 12 ea of bleeder vales.	7.50	3110-143-7538 Cone	REP	2 EA	.71
		3110-144-8998 Bearing	REP	1 EA	13.60
Service hand brake system with replacing damaged parts and adjusting work.	2.00	4030-741-0659 Shackle	REP	4 EA	.08
		4730-014-2433 Nut	REP	2 EA	.09
		4730-202-6491 Elbow	REP	1 EA	.29
		4720-203-2668 Hose	REP	4.92FT	
STEERING SYSTEM					
Adjust steering gear, steering drag rink, pitman arm, replace cracked steering wheel, steering box oil seal.	6.00	4730-221-6215 Elbow	REP	2 EA	.48
		4720-235-1781 Tube	REP	10 FT	.30
		4820-275-2225 Cock	REP	1 EA	.26
Service spring shackles, torque rod, repair right front clip band of dent.	4.00	4730-278-2977 Plug	REP	1 EA	.11
		4730-496-7511 Elbow	REP	1 EA	.22
		4730-702-2750 Clamp	REP	5 EA	.85
		4730-720-1398 Clamp	REP	1 EA	.30
FRAME					
Repair front bumper of dent and stone shield of dent, install 4 ea of missing shackles and 2 ea of pintle pins, tighten 4 ea of loose tie down U-bolts.	4.50	4730-741-2089 Elbow	REP	1 EA	.24
		4730-741-2689 Elbow	REP	1 EA	.24
		5310-741-2088 Washer	REP	5 EA	.05
		5310-711-2088 Washer	REP	4 EA	.04
		5310-275-635 Gasket	REP	15 EA	.45
		5310-276-8674 Retainer	REP	1 EA	.14
SHEET METAL					
Repair hood of crack, plug up hole at removed heater and remove its bracket, repair right fender of dent, install 2 ea of missing bolts, tighten loose mounting bolt on left hand.	26.00	5310-741-2088 Washer	REP	15 EA	.15
		5315-058-8606 Pin	REP	3 EA	.12
		5315-845-4232 Pin	REP	2 EA	.10
		5315-846-0126 Pin	REP	2 EA	.04
		5320-264-3171 Rivet	N/C	100 EA	-----
		5325-011-7965 Grommet	REP	2 EA	.10
CAB AND ASSOCIATED PARTS					
Service cab mounting, windshield, windshield wiper and control, door, seat, mirror, cab floor, interior trim, replacing roof panel right side upper, door check arm, cowl ventilator seals,	28.00	5330-700-0669 Packing	REP	1 EA	.03
		5330-741-1429 Seal	REP	6 EA	6.00
		5935-306-2063 Connector	REP	1 EA	.04
		5935-776-0599 Connector	REP	6 EA	1.32
		5340-282-7542 Clamp	REP	4 EA	.84
			REP	1 EA	5.40

[Total man-hours 357.75]		2[illegible]-741-1485 Line	LP	1 EA	1.25
Perform initial, in process and final inspection	27.00	930-741-2090 Line	LP	1 EA	1.67
		5730-735-0552 Elbow	LP	1 EA	.75
		6620-270-3275 Unit	LP	1 EA	2.22
Total man-hours	357.75	9320-741-0734 Weather Strip	LP	2.5 M	.63
Excess man-hours	104.75	9900-80-2795 Reflector	LP	1 EA	.28
		Tire whole repair	LP	6 EA	148.33
		Glass door	LP	1 EA	7.78
		Glass	LP	1 EA	7.78
		Hose, flex	LP	4 EA	6.11
		Repair radiator	LP	1 EA	7.22
		Packing wood box	LP	1 EA	.71
		Wrench w/handle	LP	1 EA	2.44
		Jack, hydraulic	LP	1 EA	6.11
		2530-529-4021 Kit	LP	4 EA	8.89
		Gasoline	REP	15 GL	1.80
		Oil engine No. 10	REP	16 L	1.92
		Oil engine No. 30	N/C	12 L	0
		Oil gear	N/C	10 L	0
		Oil brake	N/C	12 L	0
		Grease general	LP	0.1 K	.03
		Grease bearing	REP	9.4 K	1.13
		Paint light green	REP	1 K	.68
		Paint yellow	LP	9 K	6.09
		Paint gray	LP	0.8 K	.54
		Paint black	LP	0.8 K	.50
		Paint white	LP	0.2 K	.13
		Thinner paint	N/C	10 L	0
		Thinner lacquer	LP	10 L	1.96
		Paint chassis black	LP	6 K	2.08
		Miscellaneous item	REP		8.49
		6TN Battery w/acid	LP	2 EA	57.22
		Replace tire 900-20	LP	2 EA	4.00

[illegible] I further certify that there have been no variations and/or deviations from any specifications cited in the contract of other related contract terms except those approved by the Contracting Officer or his authorized representative. I also hereby certify that this item is in good serviceable condition.

YOSHIKI TAGAWA,
Project Manager, AID Operations,
Japan Aircraft Mfg. Co., Ltd.

ACCEPTANCE CERTIFICATE

I hereby certify that I have inspected and ascertained the above cited item [illegible] serviceable condition and have accepted the work

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT,
FAR EAST REGIONAL LOGISTICS OFFICE,
San Francisco, Calif., April 17, 1967.

Memorandum for record.

Subect: Inspection of 608 equipment.

A meeting was held on 14 April 1967 to discuss results of inspection conducted at Japan Aircraft on 608 2½ ton trucks for Korea. Present were:

Mr. C. H. Roller, FE/RLO.
Mr. John E. Robb, FE/RLO.
Mr. Orville Landis, AID/Washington (on TDY to EPRO–5).
Lt. Colonel Noel Smith, Director of International Logistics, USADCJ.
Mr. Ed Dubsky, Inspector (USADCJ–IL).
Mr. Ed Baker, Inspector (USADCJ–IL).

Inspectors reported that over 20 trucks were inspected and none were considered acceptable. Standards used by inspectors did not exceed those in Appendix A of EPRO–5 Contract. Deficiencies varied widely, but indicated conclusively that contractor was not doing a workmanlike job and in some cases, had indicated work as completed when, in fact, nothing had been done. For example, one work sheet indicated labor time and parts charge of $12.90 for new oil filter when no change had been made. They also reported that there was a lack of guidance to and supervision over contractor. Work orders were made after the fact and not provided to him prior to initiation of work as per contract. Site supervisor was either not qualified or not able to provide proper supervision of work in process to insure acceptable standards. Mr. Crocker on 13 April authorized cancellation of proposed shipment and directed contractor to redo vehicles which would be reinspected next week by USADCJ inspectors.

Further investigation [illegible] standards must be developed for each and steps taken to insure that acceptable work is accomplished before shipping equipment to Missions.

A subsidiary conversation concerned overall RLO requirements for technical assistance from International Logistics. In order to program FY 1968 needs,

REPORT OF SPECIAL LOGISTICS ASSISTANCE VISIT TO USAID MARSHALING SITE, YOKOHAMA, JAPAN (JAPAN AIRCRAFT MFG. CO., LTD., SUGITA)

DEPARTMENT OF THE ARMY,
HEADQUARTERS, U.S. ARMY DEPOT COMMAND, JAPAN,
San Francisco, April 21, 1967.

USADCJ IL.
Subject: Report of Special Logistics Assistance Visit to USAID Marshaling Site, Yokohama, Japan (Japan Aircraft Mfg. Co. Ltd. Sugita).
To: Acting Director, USAID FE Regional Logistics Office APO 96343.
This report is forwarded for information.
For the commander:
I. M. OZAKI

tation of excess property for Agency for International Development Excess Property Regional Office–5. (AID/EPRO–5) The inspection was to include work in process and completed vehicles ready for shipment.

3. *Highlights*

a. Inspection of approximately 40% of the vehicles, rehabilitated by the contractor at the time of the visit, revealed that acceptable quality had not been achieved.

b. Based on the results of the inspection, it was decided by the Officer in Charge (OIC) EPRO–5 to suspend the inspection until the contractor reworked the vehicles to an acceptable level of serviceability.

c. As requested by the OIC EPRO–5 a check list of basic maintenance requirements was prepared by the team as guidance for the contractor.

4. *Observations*

a. The AID/EPRO–5 Marshalling Site Superintendent, Mr Weldon M. Harness, was contacted upon arrival at the Japan Aircraft Mfg. Co., Ltd. facility. Mr Harness advised the team that approximately fifty M211 trucks had already been completed by the contractor and requested that these vehicles be inspected.

b. A copy of the contract AID/csd/1129, dated 14 February 1966, with amendments, was reviewed to determine scope of work to be performed in rehabilitation of these vehicles and quality control standards upon which to determine serviceability of the vehicles, Appendix "A" to the contract contained this data. Since these standards were found to be written in general terminology rather than in specific terms which would provide clear cut quality requirements, it was decided that the technical inspection should encompass only operational characteristics, safety features, and general appearances. At the time this decision was made it

[illegible] pressure warning buzzer.
(15) Repair of lights.
(16) Repair of excessive steering system free play.
(17) Replacement/cleaning of rusty fuel tanks.
(18) Repair of oil leaks.
(19) Repair & adjustment of carburetors.

six cylinders. A compression [illegible] the cylinders, the other five had 135–137 psi. A wet (oil) compression check of the cylinder, having low compression, indicated worn rings since the compression was then higher.

g. On vehicle job order number 41–8317, the ignition timing was incorrect, the distributor points were pitted and not properly adjusted, and the oil cleaner was dirty and overfilled with oil.

h. The results of the expanded inspection criteria were verbally reported to the Marshalling Site Superintendent on 12 April 1967, and he arranged a meeting with the OIC EPRO–5 and the contractor for the morning of 13 April 1967. At this meeting the results of the inspection were discussed in detail and a decision was made by the OIC EPRO–5 to suspend further inspection by the team until [illegible] had reworked all the vehicles in question. The team was informed [illegible] completed

(5) Adjustment of valve clearance.
(6) Adjustment of ignition timing.
(7) Adjustment of point dwell & replacement of pitted points.
(8) Test & adjustment of spark plugs.
(9) Measurement of compression.
(10) Adjustment of toe in.
(11) Adjustment of voltage regulator.
(12) Inspection & test of generator.

The subcommittee staff also undertook an examination of defective equipment in other countries to ascertain the existence of nonperformance by other contractors. Examples and supporting documents will be presented later in the hearings showing that defective work has been done by contractors in Europe and the United States on equipment sent to Vietnam and Turkey. The extent of the deficiencies indicates that the situation disclosed in Japan may be worldwide and has existed for some time.

The full extent of the overcharges for work not performed has yet to be determined by AID, but it should be noted that since 1963, AID has paid nearly $10 million for the repair of excess equipment.

MAINTENANCE IMPEDED BY TECHNICAL MANUAL DEFICIENCY

The second major complaint from AID mission and recipient country officials concerned the lack of technical manuals and repair parts [illegible] maintenance of

Mr. J. Robb, Dep Dir AID FE/RLO.
Mr. C. O. Crocker, OIC EPRO–5.
Mr. W. M. Harness, Marshalling Site Supt EPRO–5 (Japan Aircraft Mfg. Co. Ltd).
Mr. A. Leverson, EPRO–5.
Mr. O. Landis, Excess Property Division, AID, Washington, D.C.

(*b*) Contractor Personnel (Japan Aircraft Mfg. Co. LTD.):
Mr. M. Ishiwata, Sugita Plant Supt.
Mr. Y. Tagawa, Gen Mngr (AID Project).
Mr. A. Tobe, Planning Manager.
Mr. M. Morita, Mngr Business & Contracts.
Mr. S. Yamada, Manager (Business).

Mr. LIPPMAN. Because of the likelihood that the overbilling found by the Army inspectors occurred in other instances, the staff suggested to AID that it undertake an inspection of all equipment on hand in the Japan Aircraft Co. shops and in transit to country recipients to determine the extent of amounts charged to the Government for work

justification for 1,000 trucks undergoing repair in Europe destined for use in Turkey.

Senator GRUENING. Have you some examples to illustrate that?

Mr. LIPPMAN. Yes, I do, sir.

Senator GRUENING. What are some of them?

". . . AID'S CONCERN WITH IT CEASES"

Mr. LIPPMAN. For example, the hundreds of items of major pieces of equipment found deteriorating in Saigon is one example of the crash program undertaken by AID to send equipment to that country with little regard for the capability of Vietnamese agencies to absorb the inflow. Indeed, as shown in the Harbridge House report of October 1966, the AID mission in Vietnam does not [illegible] made no assessment of the country's capability to maintain the equipment and purchase spare parts.

Discussions that I had with responsible officials of the Turkish Government disclosed that considerable amounts of equipment previously delivered to Turkey were inoperative because of lack of spare parts. It was common procedure, the staff was informed, for it to take up to 1 year to obtain approval for the allocation of foreign exchange to place an order for spare parts.

EXHIBIT 4

DOCUMENTS PREPARED BY AID MISSION IN TURKEY ON [illegible]

Ship via: Turkish Flag vessel, Turkish Cargo Lines. D.B. Deniz Nakliyat.
Forwarding Agent: Schenker und Co. GMBH. Heald Office, Manheimer St. 81–95 Frankfurt.
Ultimate consignee: Devlet Malzeme Ofisi—Ankara—Turkey.
DEPARTMENT OF TREASURY AND ORGANIZATION [illegible] Istanbul—Turkey.

SECTION 608 EXCESS PROPERTY REQUIREMENT LIST OF THE STATE SUPPLY OFFICE

Description	Quantity	Percent 15 ASC.	Percent 15 ASC.T.
Truck Cargo GMC 2½ ton	1,000	$900	$900

REMARKS

This is to certify that the items above represent a request for the U.S. Government Excess Property for non-military use and intended for economic development requirement in Turkey as requested by the Government of Turkey.
Approved.

HAYRETTIN OZANSOY,
Assistant General Director of Treasury and OIEC,
Turkey.

REPUBLIC OF TURKEY, MINISTRY OF FINANCE, DEPARTMENT OF TREASURY, AND ORGANIZATION FOR INTERNATIONAL ECONOMIC COOPERATION, GOT COMMITTEE ON AMERICAN MILITARY EXCESS PROPERTY

USAID/TURKEY.
ATTENTION: MR. ABDON F. GUIDETTE,
Excess Property Branch,
municipalities and [illegible]
repair of their roads and the streets.

O.I.E.C. and the recipient insures that maintenance and resources are sufficient to assure extraction of maximum economic value the requested property and to perform the maximum service for the economic development of Turkey. Further, the recipient agrees to notify USAID thru O.I.E.C. if the property becomes excessive to its original requirements so that it may be re-allocated and to maintain appropriate records for locating and accounting for the property at all times.

HAYRETTIN OZANSOY,

EXHIBIT 5

FINDINGS OF GENERAL ACCOUNTING OFFICE IN ITS EXAMINATION OF AID'S EXCESS PROPERTY PROGRAM IN TURKEY

Our review of the excess property acquired under the Advance Acquisition Program by Turkey indicated that the USAID Mission, Turkey (mission) had not followed certain required procedures relative to the receipt and inspection of excess property and had not enforced requirements of the excess property transfer agreements on the part of the Government of Turkey (GOT). As a result the mission, in a number of instances, had not determined whether—

(1) There was a need for the equipment when requested by the GOT.

(2) Equipment had been physically received by the GOT agency or municipality.

(3) Equipment was received in operating condition and in reasonably good appearance, and

(4) Equipment was being effectively used.

During our review we noted that several cases of nonutilization and misallocation of equipment had existed for extended periods of time. We also noted that some items of equipment were being received in an unsatisfactory repair condition and were not being reported to the mission.

INSTANCES OF ITEMS OF EQUIPMENT RECEIVED IN TURKEY IN UNSATISFACTORY REPAIR CONDITION

Of 57 excess property items which were tested during our visits to various [illegible]

4. A centrifugal water pump was missing a six watt, 120 ampere hour accumulator, a four inch valve, and the radiator was perforated.

5. The engine of a pipeline truck had low oil pressure. None of the exterior lights worked and the exterior surface was badly rusted.

6. A pipeline truck was received with a cracked engine block.

INSTANCES OF NONUTILIZATION AND MISALLOCATION OF EQUIPMENT IN TURKEY

1. An AID Mission audit report dated June 16, 1966, stated that 125 of the 643 direct acquisition excess property items selected for review were not being utilized. Only 5 of the 26 recipients of the items reviewed reported the nonutilization.

2. GAO's review of 7 Mission Excess Property Branch reports dated from August 18, 1966, to May 9, 1967, on the allocation, maintenance and utilization of excess property by the Government of Turkey (GOT) recipients disclosed 35 of 164, or 21 percent, of the excess property items to municipalities in Turkey were improperly utilized—some examples follow:

(*a*) The consignment of a bituminous distributor designed for the asphalt paving of roads to a small municipality (population 5,670) which lacked the financial resources to use it. An arrangement was subsequently made to have the item reallocated to the State Highway Department.

(*b*) A municipality was consigned a truck tractor which was modified with a truck body. The streets of the municipality were so narrow that it could not be used, and it was idle most of the time.

(*c*) A semi-trailer refrigerator van was consigned to a municipality that did not have a truck tractor. [illegible]

3. GAO found indications that 6 of the 64 excess property items which we inspected at recipients in Turkey were improperly utilized. Of these 6 cases, there were two instances where the recipients had either limited or no need for the items, two instances where the items were consigned without either required components or other items required to utilize the consigned items and two items, a sedan and a bus, which, in our opinion, did not serve a useful economic development purpose.

IDENTIFICATION BY AID AS TO NEED FOR AND END-USERS OF EXCESS PROPERTY IN TURKEY

GAO found that the Mission does not adequately evaluate Government of Turkey (GOT) excess property requirements. Information furnished by GOT was so vague that it was not possible to determine the using agency's operational requirements for the excess property.

In reviewing 24 orders for lots of excess property, GAO found nine instances where the using GOT agency had not submitted the required proposed allocation of United States excess property form. One GOT agency (Devlet Malzeme Ofise (DMO)) provides supplies to other GOT agencies and their orders for excess property did not disclose to the AID Mission the actual recipient and the intended use of the items. We identified 59 items furnished DMO but the Mission was unable to furnish us with information as to the allocation and location of these items. The GOT subsequently furnished us with information as to the end-users that received this equipment.

AID KNOWLEDGE AS TO RECEIPT AND CONDITION OF EXCESS PROPERTY IN TURKEY

AID KNOWLEDGE AS TO UTILIZATION OF EXCESS [illegible]

Transfer agreements between AID and the Government of Turkey (GOT) require that the GOT submit a report not later than six months after the receipt of excess property describing the status of the property.

We found that the GOT was not submitting the six-month status reports. The AID Mission, through a series of requests to the appropriate GOT coordinating agency made a series of requests that such reports be furnished. On May 9, 1967, the Mission was notified that GOT hoped to furnish the required information through a planned punch card system.

GAO reviewed the files on 14 orders for lots of excess property which were shipped at least seven months prior to our visit, and we did not find any instances where the recipient submitted a six-month status report.

Mr. LIPPMAN. Since the staff visit to Vietnam, we have been advised that the flow of excess property into the country has been sharply curtailed pending a reevaluation of the program.

AID CONFRONTED WITH ALIEN PROBLEMS

The shortcomings in AID's overall management of the excess property program has also caused a reevaluation to be undertaken of the

agency's role in acquiring and repairing excess property. Such a role has been a rather unique one for the agency. For the most part, AID is not an operating agency. It is mainly involved in financing purchases for foreign governments and rendering technical advice to them.

The award of overhaul contracts, the administration of such contracts, the inspection of the finished product, and the necessity for inspection at the receiving end confronted the agency with problems alien to its usual mode of operation and with which it was not fully prepared to cope. We have been advised that the agency is now considering alternative methods of managing the excess property program.

Maintaining a large administrative staff in Tokyo is a very expensive matter. Finally, it does not make sense to acquire excess property in Thailand, as the agency is now doing, ship it to Japan for overhaul, and then ship it back to Thailand for use in that country when there is ample capacity in that country for the overhaul of the equipment in the first instance.

INCONSISTENCY OF AID'S PHILOSOPHY NOTED

In a real sense, the continuation of large out-of-country repair facilities, totally financed by AID, is inconsistent with AID's philosophy. Other forms of economic assistance are programed to recipient countries on the premise that aid will be phased out as each country's capability, both financial and technical, increases.

A good deal of AID's efforts are aimed at increasing the technical capability of foreign countries. However, there is no such plan for phasing out the excess property program and no overall plan for increasing the recipient countries' capabilities to undertake the acquisition of excess property and its overhaul, including the gradual assumption of financial responsibility.

Senator GRUENING. What is the evidence that substantiates [illegible]

Much progress has been made in Korea along these lines where the AID mission assists the country in obtaining military equipment excesses that are taken over on an "as is" condition and repairs are made in its own shops using its own resources.

This program, which has been underway for some time, makes questionable the need for a large AID-financed repair facility at Inchon, Korea. Examination of the situation in other countries might well disclose numerous other opportunities for a phaseout of AID financing and the possibility of saving very substantial amounts of appropriated funds with a resulting saving in the U.S. balance of payments.

Senator GRUENING. Thank you very much, Mr. Lippman. This is obviously the result of very careful research, and it is a very fine career lasting approximately a third of a century, getting his [illegible] training as Assistant Director of the Division of Territories and Island Possessions. He had a high position in the Bureau of Indian Affairs and for the last 6 years he has served as a very effective Governor of Samoa.

Mr. Lee, we welcome you to your new responsibilities, which will be somewhat different from those you have had and perhaps a little more arduous, as you will soon discover. I wish you every success in this new undertaking.

STATEMENT OF H. REX LEE, ASSISTANT ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT, ACCOMPANIED BY ROBERT W. HERDER, DEPUTY ASSISTANT ADMINISTRATOR FOR ADMINISTRATION; JOHN F. OWENS, DEPUTY DIRECTOR, OFFICE OF PROCUREMENT; JEROME J. JACOBSON, ASSISTANT GENERAL COUNSEL; TAYLOR GREENFIELD, DIRECTOR, OFFICE OF LOGISTICS, EAST ASIA BUREAU; ROBERT L. CROWNOVER, VIETNAM MISSION; HOWARD HAWES, KOREA MISSION; CARSON CROCKER, FORMER CHIEF EXCESS PROPERTY REGIONAL OFFICE

I have not yet been sworn in to the job, although the Senate approved me as of yesterday.

For the most part, I am generally aware of some of the problems that have been raised by the subcommittee.

I do have a substantial staff of experts with me who have been engaged in this program. I am hopeful that we can advise the subcommittee on the various problems and answer your questions.

This subcommittee is well acquainted with the general size and methods of operation of the advance acquisition program. I do not believe it will be necessary for me to review these aspects of the program in any great detail today. I would like to say, however, that I believe the general concept of an advance acquisition program is a sensible one. The idea of acquiring excess property, rehabilitating it to specific standards, and then using it carefully to meet the needs of the developing nations makes sense. This is a good and proper use of property excess to the needs of the owning agencies.

But a good idea, a good concept is not enough. Any program operated by the U.S. Government must be carefully and intelligently managed. And here we have had a number of important problems in the advance acquisition program.

Mr. Lippman mentioned a number of them which I will touch on in this statement.

The best way to do this is chronologically, starting with the difficulties encountered in our rehabilitation contract with the Japan Aircraft Manufacturing Co., Ltd., in Yokohama, Japan.

The Japan Aircraft Manufacturing Co.—JAMC, for short—is a large Japanese firm which does repair and maintenance work for the U.S. Navy, Marine Corps, and Seabees, as well as AID.

JAMC'S WORK SATISFIES ARMY AND NAVY

We entered into a fairly standard time and materials contract with JAMC in February 1966. Under the contract, JAMC was to rehabilitate U.S. excess property acquired in the Far East by AID's Excess Property Regional Office No. 5 located in Tokyo.

revealed that the quality of JAMC's rehabilitation was well below an adequate level. More importantly, it clearly indicated that JAMC was charging AID for work not actually performed. All of the inspected vehicles were reworked to acceptable standards at JAMC's expense before being shipped to Korea. The freeze on payments to JAMC remained.

"ALLEGATIONS OF NONPERFORMANCE BY JAMC"

Third, during April, the subcommittee's inspection team arrived in Tokyo after visiting several other AID countries. In these countries, the subcommittee staff heard allegations of nonperformance by JAMC. These allegations appeared to be confirmed by the Army's inspection of the 2½-ton trucks. The subcommittee staff recommended that further payments to JAMC be stopped and that a full-scale investigation of the contract and of AID's Tokyo office be undertaken.

Fourth, on April 29, AID dispatched a special investigation team to Tokyo. This team—with special help from the Department of Defense and a private contractor named ARENCO—inspected the inventory of completed equipment at JAMC; JAMC's accounting and management methods used on the contract; AID's supervision of the JAMC contract; and the management of the Tokyo Excess Property Office. During this inspection, the AID team also had the benefit of a

CORRECTIVE ACTIONS TAKEN PROVE BENEFICIAL

Once aware of our management problems, we instituted corrective actions covering not only the JAMC contract, but also the entire management of the advance acquisition program.

We made claims against JAMC and recovered over $59,000 in payments to JAMC from August 1966, through January 1967. Our settle-

NEW BIDS SOLICITED FOR NEXT SPRING

We are not extending the existing JAMC contract when it expires next March. Instead, we intend to resolicit Japanese industries for new bids. In the meantime, we are (1) increasing the authorized onsite supervision of the contract from one to two Americans (this may be

contractor is inexcusable. And I will not attempt to try to make excuses. But some background as to the contributing circumstances may be useful in understanding the corrective action we took, are taking, and have planned.

LOWER LEVEL JAMC EMPLOYEES BLAMED

modestly but grew rapidly—beyond our expectation and immediate realization.

Our initial emphases were directed to the acquisition of property, to out shipments, and to volume production. Our limited manpower resources were directed toward these emphases. Such aspects of this program as quality control, inspection, recordkeeping, and acquisition selectivity consequently suffered.

ago today. I am convinced that this contract has not been properly supervised, and that the contractor has been taking advantage of this in recent months. We have entered into negotiations with the Antwerp contractor. We are taking steps to correct that situation. We have a team of experts on the scene who have frozen further shipments from Antwerp. They are going back over each piece of equipment, and are insisting on a full and complete rehabilitation of the equipment where necessary. I think that we do have this situation in hand, and that we are moving to correct the situation in Antwerp.

34 ADDITIONAL STAFF AUTHORIZATIONS MADE

We have increased the staffing authorizations of our overseas Excess Property Offices to provide increased contract supervision and tighter management and financial controls. Staff authorizations for our Far East operation have been increased by 20, for Europe by 14. And we are continuing to study that situation as we complete our reports. I think we will soon be in better shape to know whether or not this staffing is adequate for the job.

NEW THEME HERALDS "SERVICE, NOT PROFIT"

convinced that some countries can repair excess equipment themselves, under certain standards and supervision by AID. This would eliminate the necessity of rehabilitation by AID contractors and it would also, of course, lend an additional boost to the economy of those countries as well as train additional people within the country.

PROBLEM CORRECTION GUIDES NEW DIRECTIVES

more flexible type of reinspection until we tighten up and are absolutely sure of the rehabilitation work performed in our rehabilitation centers. After that we will only need an inspection at the port of arrival to determine whether or not there has been damage or pilferage en route. We will no longer need to tear down some of the assemblies as we have been doing in the past few months because of the shoddy rehabilitation work. This again probably will vary from country to country.

ADVANCE ACQUISITION PROGRAM ONLY PART OF EXCESS PROPERTY PICTURE

These, then, are the steps we have taken and are taking to correct problems and improve the effectiveness of the advance acquisition program. I believe that these actions, once completed, will assure that the program is better managed.

But this program is only part of the total excess property picture in the AID. Excess property is also furnished by AID under section 607 of the Foreign Assistance Act—the so-called non-AID-financed program—and under the direct-acquisition program. Under these programs, property is not acquired and rehabilitated by AID, but is

The factors that determine effective use of excess property are several—requirements determination; spare parts and maintenance capabilities; arrival inspection and accounting; and utilization

excellent use as well as examples of nonutilization or underutilization. I should like to go over these elements and discuss some of our problems in this regard.

The Foreign Assistance Act directs AID to substitute excess property for new procurement wherever possible. This is a fairly straightforward business. Firm requirements already generated and thoroughly reviewed and approved in our regular programing process are simply filled with excess property.

The cost savings are tangible and the total cost of the project can usually be reduced. We face few special utilization problems here and the record of such excess property utilization is generally good. Obviously, this is an ideal use of excess property. We should do more of it and we intend to do everything possible to see that this use is increased.

FOREIGN ASSISTANCE ACT MANY FACETED

The Foreign Assistance Act also directs us to use excess property as additional, complementary assistance to the developing countries over and above the amounts annually programed and appropriated for the various categories of assistance. Essentially, excess property provided under this provision of the Foreign Assistance Act goes to the public sector of the developing countries, construction, and transportation.

In Vietnam, the refugee program has received and used well cots, water distribution equipment, blankets, clothing, and other supplies from excess U.S. stocks to relieve the dire plight of thousands of hapless people.

WE HAVE ROOM FOR IMPROVEMENT

But we have also had our difficulties with this form of assistance. We have found a number of instances of improper utilization of excess property provided to the very developing countries mentioned above. So the picture is mixed. And we have room for improvement.

The problem here is to assure that requirements for this additional assistance are hard; to assure that the recipient ministries and municipalities can and will use any equipment they receive to good effect; and finally, to assure that priorities within the countries are set and followed.

One obvious way to do this would be to have AID thoroughly review and investigate each separate requisition. But to do this in every mission would require additional AID staff in significant numbers.

full logistical processes of each country using excess property. It will also mean that in each such country AID will have to tighten its surveillance over excess property and be prepared to take swift corrective action.

EXCESS PROPERTY PROGRAM REQUIRES A GREAT DEAL OF KNOW-HOW

In closing, I would simply like to say that we have had many problems in the administration of the excess property program. We believe we have identified most of these problems and that we have work underway to get them corrected. We would be pleased to receive any suggestions the subcommittee has on further improvements that might be undertaken. We would also be happy to maintain active consultation with the subcommittee as we go forward with changes in the program.

. . . A GREAT DEAL OF SUPERVISION

I would also like to add, Mr. Chairman, that I have had quite a bit of experience with surplus property on some of the jobs I have been on in the past. This is an extremely tricky and spotty business. In many instances, surplus property or excess property has been used watching the rehabilitation work on the Navy's trucks and outboards in Tokyo, I noticed that every piece of equipment they had was taken down completely—practically a rebuilding job. Now, this is expensive. But it provides a vehicle that has a practically new-use capability.

What rehabilitation costs depends a great deal upon what is found after a vehicle is torn down. We have to maintain a fine balance on such things. In many instances, we have countries that could tear down equipment and rehabilitate it themselves. Some countries could take a piece of equipment if it is in operating condition, and then repair it when and if it breaks down, providing they have a good supply of spare parts.

PREREQUISITE—SELECTIVITY

There are other countries to which it is absolutely ridiculous to send excess equipment unless it has been completely torn down to be sure that there are no wornout components in the motor or elsewhere.

So we are going to have to be more selective. We are going to have to be more selective in the type of equipment we acquire. Otherwise, our expenses will run too high, and there will be absolutely no incentive for a country to take this equipment. After all, we do want to push this equipment into the areas, substitute it for new equipment where we can, in order to save money, and also to make good use of it.

TIME, NOT SELECTIVITY THE FACTOR

I have found some areas where, undoubtedly, we have acquired property that we should not have acquired. For example, last spring when NATO had to pull out of France, hundreds of millions of dollars' worth of equipment were thrown on the market at once. As a result we acquired some equipment that we probably should not have acquired. We simply did not have the teams of experts, nor could we obtain them in the length of time available.

We have got to use more selectivity, and we have got to equip ourselves to be more selective. If we cannot get some of the Defense Department agencies to handle our rehabilitation work, we are also going to have to get this kind of expertise in our agency. We would prefer to get it from the agencies that have experience in this line. If we cannot, we will have to do it ourselves.

In many instances, we have requested the Defense agencies to provide services for us. In many cases, they have. But because of their own requirements, they have had to taper off and we have had to take our work to private contractors. And this is part of the problem.

Senator GRUENING. Mr. Lee, I want to congratulate you on taking the position that you have that the findings of the subcommittee were valid, and that AID has fallen short in many respects in these fields, and that you are going to make every effort to correct these shortcomings.

I think that is a very fine and proper attitude. The subcommittee will continue to observe these actions and see how effectively and rapidly the reforms are made.

Let me ask you another question. When you were Governor of Samoa, were you able to acquire any surplus property?

I don't recall exactly, but I think one of the criticisms that you made I recall I had a private contractor down very shortly after. When, as a consultant to me, to consider our equipment needs. And when he arrived on the scene, he was shocked to find that most of the equipment we had was equipment that his firm had junked in Eniwetok because it was completely worn out.

We had, subsequently, a year or so later, acquired this as equipment to do the job in Samoa. It was absolutely ridiculous. And here again we did not have the expertise to really consider this acquisition, and we were very foolish.

EQUIPMENT SPECIALISTS PROVED PROFITABLE

I do want to say that after we got operating and got some equipment specialists on our staff, we were able to obtain some very good surplus equipment. We obtained it from all over the Pacific. And it served us well. And I think the net effect was good.

On the other hand, even with the best of selectivity by experts, we got a lot of lemons. This is what you get in a used equipment business. It is like buying a used car. Some are good bargains, and some are not. I think we have to use great care in managing this program. But even with the best of care, I suspect you are going to continue to hear some you have any difficulty in getting what you asked for?

Mr. LEE. No, sir, we were very successful in doing this. The disposal agencies and the Government agencies that had excess were very good in releasing it to us. We had very little difficulty.

FOREIGN SHIPMENT OF ESSENTIAL SURPLUS STIRS DISSATISFACTION IN STATES

Senator GRUENING. The reason I asked is because the subcommittee feels that a substantial part of the surplus that is now going abroad should go to wherever is practical, to the people who are paying for it; namely, the American people in the States and elsewhere. And I am glad to hear that in Samoa, which is, of course, under the American

flag, you had no difficulty getting it. But in other parts of the country there is a good deal of dissatisfaction, because essential surplus that could be used here is going abroad. This is one of the reasons why this legislation is pending now.

And this represents the view of the agencies throughout the 50 States as well as in our outlying areas, which are also under the American flag. I think that it was probably due to the fact that you were both efficient in meeting those requests, and that you were out in the Pacific, where it is relatively simpler to get this aid transferred than it would be if it had to be shipped way back to the North American continent, the 48 lower States, as we call them.

LEE CLAIMS SURPLUS CAME FROM PACIFIC ISLANDS

Mr. LEE. Senator, I would like to point out that we tried to concentrate our work in the areas that were reasonably close to Samoa. A good share came from Hawaii, Midway, Christmas Island, and the adjoining areas of activity of the U.S. defense agency. We were given provision to enable them to acquire excess property, and they went out and acquired huge stocks of excess property in Europe. And they did it rather indiscriminately. You will recall that we had some real problems in cutting this program down to size. Some of the acquisitions were very good. Many of the diesel locomotives that the Alaskan Railroad had—and I suspect they still have some—came from the surplus stocks. And those were good.

But there were some pretty big horror stories in terms of some of the other excess. We had a real problem there for several years in cleaning up that situation.

But I would suspect that we continue to have similar problems in a number of Federal agencies simply because of the nature of surplus.

OBJECTIONS OF WIDELY SCATTERED AID PERSONNEL LONG IGNORED

Senator GRUENING. In your statement, you say that in the early part of this year, AID began to get some indications that difficulties were occurring in the Japan Aircraft contract, and that logistics personnel in the Bureau for the Far East began running into indications that the rehabilitation work being done was not up to acceptable standards.

clude the following:

1. Upon taking over his assignment in Thailand 1964, Mr. McNerney found that his predecessors had "indiscriminately acquired large quantities of miscellaneous, unidentified parts by direct acquisition." He found that M–211 trucks had been obtained through the excess program; these trucks were equipped with automatic transmissions which had a history of maintenance problems even when the truck had been a standard item of issue in the U.S. Army. To complicate matters, no manuals had been received with the trucks and no provision had been made to supply repair parts. This situation continues to exist. Mr. McNerney notes that at present many more manuals are needed and equipment continues to arrive without technical manuals.

SPARE-PARTS PACKAGE SUGGESTION DROPPED

AID SPURNS SUGGESTION OF ARMY EQUIPMENT INSPECTION

4. Mr. McNerney proposed that U.S. Army inspectors be used to inspect equipment repaired by private contractors but this was rejected by the AID excess property people as being a reflection on their ability.

5. In a visit to Washington in June and August 1965, Mr. McNerney proposed that AID adopt the Army's standards for repair of equipment instead of repairing only those components or assemblies which gave outward appearance of unserviceability. "All those approached

EXHIBIT 6

STATEMENT OF DANIEL P. MCNERNEY, CHIEF, LOGISTICS DIVISION, U.S. OPERATIONS MISSION TO THAILAND

My first objective was to introduce consideration of excess in the programming phase. First result of this was that the FY 65 Project Agreements for the

of the Thais could not be furnished.

limit the acquisition of excess equipment and the purchase of new items instead.

9. Through 1967, the AID mission continued to report specific instances in which defective equipment was received in Thailand. Mr. McNerney states that "It has been difficult to get unsatisfactory equipment reports from the field since project personnel have been discouraged by Government Property Resources history of claiming nonresponsibility." According to Mr. McNerney, this situation continues through the present.

Cases cited included a D8 tractor which broke down after a few hours' use because of worn gears in the transmission even though work had been done on the transmission by the repair contractor. Of 76 engines inspected before being put into use only four were complete and performed satisfactorily. Excess property personnel supplying the engines attempted to place the blame on improper storage and maintenance after receipt.

We also asked Mr. McNerney to make an evaluation of the in-country repair capability by the Thai Government agencies and private repair contractors. And his statement, which I would like to have included in the record, contains an evaluation that concludes that a repair capability does exist in Thailand for the Thais to do their own

[redacted] OF THE EXCESS PROPERTY PROGRAM

The idea of using USALCJ employees for final inspection was described by the OIC EPRO 5 as a ". . . reflection on our ability . . .".

While I was on home leave (June–August, 1965) I discussed with the OICs EPROs 4 and 5, with the Director, Office of Material Resources, Government Property Resources (MR/GPR) and with FE Bureau officers the ideas I had for improving the quality of 608 equipment and which I expressed first at the FE Logistics Seminar in May. Essentially what I suggested was that instead of the policy of repairing only those components or assemblies which gave outward evidence of unserviceability, that the policy be one in which the military concept of "fifth echelon inspect and repair only as necessary" (5th echelon IROAN) be followed. 5th echelon IROAN practice required "that all dynamic assemblies are sufficiently disassembled to insure that inspection is adequate and serviceability standards are assured. The objective of IROAN is to do sufficient, but not unnecessary, assembly and replacement of parts." The increased level of repair would be accompanied by Mission agreement to pay actual costs instead of a flat 15%. All those approached with this idea reacted postively and agreed that this change would assure a better quality product and do much to preclude objections to utilization of excess except the Director MR/GPR who

The FE/RLO organized a FE Logistics Seminar held in Tokyo in May 1965. Among subjects discussed were problems concerning excess property utilization, availability of parts and manuals and the use of USALCJ employees for final inspection of 608 excess prior to shipment. The matter of parts availability was the only one firmly resolved and that not completely, i.e., the shipment of a package of concurrent spares by EPRO 5 although discussed, never materialized.

This is also the first place where I went on the record as desiring a higher level of repair.

projects having [illegible]
by the RTG (See Tab R) and a PIO/T providing $12,000 for necessary commercial repairs was processed.

Because of lack of sympathetic attention from GPR and EPROs to USOM's complaints and recommendations, USOM prepared a policy Airgram (TOAID A–1043, Tab T) in which criteria were announced for measuring commodity requirements against project requirements to determine the practicability of procuring items from excess in lieu of new procurement. Application of these criteria has reduced the objections to use of 608 to a minimum although instances of receipt of unsatisfactory equipment continue to occur. It has been difficult to get unsatisfactory equipment reports from the field since project personnel, both USOM and RTG, have been discouraged by GPR's history of claiming non-responsibility. In recent months when unsatisfactory reports *have* been received from the field, EPRO's and GPR have been more responsive in making good, although not in every case, to which no responses have been received, and in which it was necessary for the project technician to point out to the workshop manager that an incorrect standard was used, are examples.

Tabs W and Z are particiularly interesting in that they illustrate deficiencies in the field as well as in the GPR.

Tab W records the history of a D8 tractor which I noticed during a trip to the Northeast Technical Institute, Korat, in the company of the Director, FE/RLO, in December, 1966. It was obviously a 608 item and aroused my curiosity. Questioning of Philco contract personnel at the institute elicited the response that the machine had operated only a few hours after arrival when it became unserviceable with transmission problems. Disassembly of the transmission revealed that, among other less serious deficiencies, the transmission forward and reverse gears were worn out. No unsatisfactory equipment report had been made but calling for 25 operations including one described [illegible]
sion". The record shows a total of 1,464.6 man house of labor and $3,476.94 were expended on this machine and that the transmission had apparently been disassembled, reassembled and installed without replacing wornout gears. Approximately 25% of the acquisition cost of the tractor had been spent on the tractor which was in the Yokusaka U.S. Navy Shop for 19 months, but it failed after a few hours operation. This tractor is apparently one of several which are alluded to in AIDTO 397 as examples of complete overhaul where necessary. The officers referred to as witnesses to this activity told me that a number of old, worn-out tractors had been acquired and that the EPRO was faced with two alternatives; disposal or complete rebuild. The second was chosen.

such poor equipment. It developed that, during an earlier ProAg negotiation meeting on June 23, 1965, the RTG had been promised equipment with a lifetime expectancy of 85% of new and that a joint RTG/USOM team would inspect the equipment prior to shipment (See Tab O). Unfortunately, no USOM officers at the December 1 meeting had also been present at the June 23 meeting. USOM expressed regret that follow-up on the pre-shipment inspection had not been made

into service and which had not been unboxed were opened and inspected for completeness. Five were complete and nineteen were missing the same range of parts as the earlier 76. Two of the twenty-four were disassembled and inspected. Both had piston rings rusted to the pistons which was obviously the result of prolnoged outside storage. Results of this investigation were passed to EPRO 4 and my deputy, who has visited EPRO 4 recently, reports that replacement of missing parts is to be made shortly.

History of 608 Excess Utilization, Thailand

Period	*Acquisition cost*
July 1961 to September 1964	$1,755,000
October 1964 to March 1967	2,679,000

years. This uses the unserviceable equipment as a training aid for teaching mechanic and allied trades trainees and the finished product as a training aid for the equipment operator, driver, machinist, etc., trainees. Hence the rehabilitation of excess property fits well with the the department mission and the practice has been very successful.

The other departments, on the other hand, have a specific mission, which includes rebuilding equipment in their inventory when necessary, but does not include rebuilding equipment to add to inventory. The minor reorganization and additional staffing necessary to undertake the broadened mission could probably be accomplished if the departments concerned were convinced that it would be in their best interests. This would be a value judgment on the part of each department and influenced by different factors in each case. In my opinion it is doubtful that a strong enough case could be made for these departments to choose to go the excess property route. A special study to determine the most economical, feasible and practical means and place to accomplish major repair and overhaul for equipment of the National Security Command was made in the fall of 1966. A copy of the report resulting from this study is attached at Tab DD. This report, limited as it is, indicates that the capability for 608 rehabilitation is present in the Thai private sector.

The Property Disposal Office, U.S. Army Support Command, Thailand, reports that in FY 66 $5,043,917 acquisition cost excess property was generated. In the first three quarters of FY 67, $7,787,571 acquistion cost was generated and for FYs 68, 69, and 70, although no accurate yardstick exists it is estimated that $10 million a year will be generated to include $16 million known MAP excesses. Although records are not kept by condition codes, most excesses are in R–4 or poorer condition. My personal opinion is that the common practice is to condition

requests. And how they are coming about.

On the question of spare parts, I think that the picture the subcommittee now has is not exactly accurate. In 1965, the Far East Bureau of AID and the Defense Department concluded an agreement whereby the AID mission in the Far East could obtain spare parts for equipment obtained from excess.

And it was announced at the conference that Mr. McNerney spoke of in May of 1965—which I called—that if the missions would, at the time they ordered a piece of excess property, also provide a funding document for spare parts the U.S. Army depot would send them a recommended list of spare parts that should accompany the equipment, and then would furnish the spare parts.

We also suggested at that conference that missions ordering a piece of equipment through excess first check with my office to determine whether spare parts were available. Because, even with this very wonderful Army facility with 125,000 different spare parts on hand, and doing an excellent job of supporting old equipment, there are some pieces of equipment that cannot be supported. And so we would avoid getting that type of equipment into our system.

AID BUYS $3 MILLION WORTH OF SPARE PARTS

go with it, because it is very difficult, as Mr. Lippman knows, to identify parts without a manual. If a simple part like a fan belt breaks and it cannot be identified, then the whole bulldozer is out of commission.

CROWNOVER ADVOCATES HIGHER LEVEL OF REHABILITATION

In January of this year we received an authorization from the Far East Bureau of AID to establish a publications depot at my office in Japan where the AID missions of the Far East could request technical manuals, repair manuals, and catalogs. They could also determine in advance whether these catalogs were available before they placed their orders for excess equipment.

So we had taken action some time ago to lick the two problems of spare parts and technical manuals as far as the Far East Bureau is concerned.

And now that includes Vietnam and East Asia.

As far as the rehab standards, your able staff member, Mr. Lippman,

knows that I have been advocating a higher level of rehab all the time. And I am happy to report that conditions are now such that I am confident we are going to get—we are beginning to get—a higher level of rehabilitation.

Senator GRUENING. Thank you.

Are there any questions?

Mr. LIPPMAN. I have just one, Mr. Chairman.

LIPPMAN AVERS MORE REGIONAL LOGISTICS OFFICES NEEDED

Mr. Crownover, you described briefly the establishment of the regional logistics office in Tokyo, which had a responsibility for supplying or supporting the end items in the Far East with spare parts. But substantial quantities of excess property are going abroad that I received during my visit to some Middle East countries about their inability to get spare parts. They weren't able to draw on your supplies. Perhaps the agency might want to consider establishing similar depot operations for other areas.

Mr. LEE. Mr. Chairman, I think Mr. Owens might elaborate on this point a bit.

WORLDWIDE LOGISTICS OFFICE UNDER CONSIDERATION

Mr. OWENS. Mr. Chairman, the agreement between the Far East Bureau and the Army provides that on a case-by-case basis——that is, in the missions in other parts of the world that have drawn on excess——the Army and the Far East Bureau will provide spare parts support on request.

Now, in addition, I should add that as a result of the new look we are taking at this program, we are considering expanding the mission of this office to include a mission worldwide, not only for spare parts, but for publications and manuals.

Senator GRUENING. Mr. Beaser.

Mr. BEASER. I have one comment, Mr. Chairman.

When I was in Bangkok in the latter part of April, the mission there was still accumulating [illegible] before the figure was $10,000 for the re-

library was established, and we would accept requisitions after the time of your visit or shortly thereafter. It is now established. And we either furnish the manuals immediately from Tokyo, or go back to the military publications depot in St. Louis to obtain the manuals. If we determine that the manuals cannot be obtained, we advise the mission not to buy the equipment.

But it is a recent thing. We started the action in January.

Mr. BEASER. After we were there.

Mr. CROWNOVER. The official announcement to the missions—I cannot recall the exact date, but it might have coincided with your visit, or it might have been shortly thereafter.

WHAT ABOUT EUROPE?

Mr. BEASER. Let me ask Mr. Lee the question, then.

What are your plans to unify the program rather than to split it up between a Far East mission or a European mission? Far East seems to be doing something about manuals. What about Europe?

Mr. LEE. We discussed this with the people in Frankfurt the other day when I was there. And they are moving. Whether we will establish a worldwide facility or have one in Europe and one in Asia—we simply some of this equipment. And here again we are going to [illegible] an evaluation as to whether or not we will proceed on any kind of equipment regardless of how good shape it is in unless we have adequate manuals and operating instructions.

NO MANUALS WITH EQUIPMENT IN FAR EAST

Mr. BEASER. But, in the meantime, equipment is going out without manuals?

Mr. LEE. I am not sure whether we are sending out any equipment in the Far East without manuals. Perhaps Mr. Crownover can elaborate on that.

Mr. CROWNOVER. The equipment is going out without manuals in the Far East. But the missions have now the capability to obtain the manuals in a separate arrangement with the Far East regional logistics.

Mr. BEASER. What about Europe and Latin America? Is equipment going down there without manuals?

Mr. LEE. I cannot say whether it is or not. I know that our people in Europe are attempting to get manuals, and I assume that as rapidly as they become available they are making them available. Whether we are sending equipment out without manuals right now, I could not say.

Mr. BEASER. Could you supply that for the record?

Mr. LEE. We will supply that for the record.

(The above requested item follows:)

REPAIR AND SPARE PARTS MANUALS

At the time of the hearing, AID's regional excess property offices were shipping equipment in a limited number of cases to countries in Africa, Asia, and Latin America without accompanying repair and spare parts manuals.

possibility of their doing a lot of this rehabilitation work in the country—I discussed it with the people in Thailand and I am sure that they can rehabilitate many pieces of equipment. However, they expressed doubt on some types of equipment and here again I think flexibility is the thing that we have to have in this program. We have not had it until recently. And we are planning to get more of it. But in order to have this kind of flexibility, we have to have a staff of experts. We simply have not been staffed to provide the kind of the expertise that is necessary to have flexibility. I can say that the situation in Thailand——that is, the ideal situation——would be to send a good share of our equipment to Thailand completely unrehabilitated; but only after a reasonably good inspection before acquisition.

LACK OF TRAINED PERSONNEL REDUCES FLEXIBILITY

On the other hand, there may be some pieces of equipment that Thailand would want which should be completely rehabilitated, either in Antwerp or Japan or at some other rehabilitation center. So I think our problem has been this lack of flexibility caused by the lack of trained personnel. And this is the thing that we are going to try to correct.

So if Thailand wants a piece of equipment completely rehabilitated

acquisition under 608."

Senator GRUENING. Suppose you cut it in half. Wouldn't that enable you to——

Mr. LEE. Actually, we have slowed it down essentially. I believe that our output has been slowed down to one-half in both of these depots in recent months as a result of these investigations.

"ROOM FOR BOTH" CLAIMS LEE

Senator GRUENING. If you cut it in half, the other half might go back to the people who paid for the property in the first place, the American people.

Mr. LEE. Again, just an observation, Mr. Chairman. The amount that we are taking is such a small percentage of the program that I don't think it would make a great deal of difference. I think there is room for both.

And here again I would like to refer back to this experience that AID program. [illegible]

LIPPMAN QUERIES AID'S INERTIA . . .

Mr. LIPPMAN. Mr. Lee, I would like to get back to one thing. It is something of a mystery to us as to why AID didn't take on this question of the adequacy of repairs in past years. Why did they have to wait for the subcommittee to stir them up, so to speak, to get into an evaluation of this thing?

. . . AFTER REPEATED COMPLAINTS . . .

The record is replete with mission complaints going back for many years. And Mr. Crownover knows from his own experience in the Far East about this. In January he wrote a memorandum to Mr .Greenfield summarizing his surveys of this situation in the Philippines, in Thailand, in Laos, and Vietnam, and concluded that there was a uniform agreement that there should be an upgrading of equipment.

wrong with the excess property program. So you move in and you correct these. Next week or next month another subcommittee or perhaps this subcommittee will uncover some additional specific deficiencies and you move in and correct those. But the real fundamental question, it seems to me, relates to the system that you have,

which allowed the situation to continue for some years undetected by the top management and without any action being taken.

Mr. LEE. I simply have not been in the program long enough or had enough of a look at it to give you a good answer. I can speculate. I repair or overhaul that one should take until someone has had a little experience. I think those complaints have been piling up certainly in recent months, and in the last year or two. And they got to the point where some corrective action had to be taken. Here again we still find a great deal of differences in our own staff as to how far we should go on the level of rehabilitation. And I think this goes back to the matter of selectivity. We cannot set one standard of rehabilitation across the world, around the world, and make everyone happy.

I think we are going to have to tailor this program to the individual needs of the countries. And in a country like Thailand we are going to have to have more than one standard. Some of the equipment should go in there without one bit of work being done on it, and other equipment probably needs partial or complete rehabilitation. It is extremely difficult to evaluate at this point on why we made these mistakes.

LACK OF EXPERTISE ANOTHER FACTOR

I think the important thing is that we correct them, and that we get the flexibility that is needed in this program, and the selectivity.

Here again we have made some mistakes on selection. And this is a normal mistake in any excess property program. I think you will find with AID, if I may speak frankly on this. You react to specific deficiencies that are brought to your attention. Here are some things

you might carry that message back to your chief. This is a matter of overall policy over which I am sure as yet you have had no part in formulating. But I think that that is something that would greatly increase its usefulness. Have you any comments on that?

"TIP-OFF" UNNOTED?

the best of management controls, we are never going to
point where there will be no horrendous examples—not in this program, nor in other programs. I think that is not only the nature of government, but also of private business. All we can do is do our best to try to improve them.

"LESS LADLING OUT OF FUNDS"

Senator GRUENING. Mr. Lee, I think that your thoughts about the needs of greater selectivity in the surplus program are very sound. And I think it applies to the whole AID program. And I think that feeling has been reflected in the recent debates in the Congress, the

and what is necessary depends primarily on the judgment of the particular AID personnel"—that is, the AID personnel in the repairing country. This was in October 1966.

We will submit for the record at a later point documents procured from AID showing that at that time incorrect vouchers were being submitted by Japan Aircraft Co. showing repairs as having been already released to AID that had not in fact been made, shipment. I don't think we are going to lose any money that we have put into that rehabilitation work as such. Because I think the settlement that has been arrived at is a good one.

Now, the big problem is to make sure that we gear up through our own staff or through contracts with one of the defense establishments to make sure that this can never happen again. We again face the problem in Antwerp. I think we have caught it. I don't think the problem is going to result in any big expense to the U.S. Government. This has caused some real discomfort in some of the countries that have received this equipment. I think we can get restitution on both of those.

Mr. BEASER. Have you stopped payment to Antwerp?

INSPECTION—BEFORE SHIPMENT—IN ANTWERP

Mr. LEE. Yes, we stopped payments to Antwerp. And we have teams of experts there tearing down and inspecting the vehicles and other equipment that had been rehabilitated and are awaiting shipment.

Again this gets back to this matter of selectivity. I think all of these investigations have borne this out as one of the big needs of this program.

Mr. BEASER. Another statement made by Harbridge House was that "no written standard for repair of excess equipment exists." Tool repairs are made on an inspect-and-repair only-if-necessary basis,

million has been paid to Japan Aircraft for repair work over the years, wouldn't it seem equitable to prorate the 40-percent deficient performance over the entire value of the contract since its inception? Isn't the $59,000 a very small recovery under the circumstances? What comment do you have on that?

Mr. LEE. Mr. Chairman, we have Mr. Jacobson, our assistant counsel, who went to Japan as soon as this difficulty arose, and worked with our inspectors, and I think with your people. And he is fully aware of the details of this. And I would like to ask him to comment on it.

Senator GRUENING. Will you?

JACOBSON PUTS FIGURES IN "CORRECT PERSPECTIVE"

Mr. JACOBSON. Senator, I would like first to put some figures into what I think is the correct perspective.

You made reference to $2 million worth of expenditures on the Japan Aircraft contract. The figure actually is $662,614.12.

Senator GRUENING. $660,000?

Mr. JACOBSON. $662,000—which covers the period from the commencement of the contract through January 1967, the whole period for which the contractor has been paid by AID.

[illegible] that when we speak of the 40 percent being good, it was 40 percent in which everything that was required to be done had been completed.

. . . ON DEFECTIVE EQUIPMENT

And when we speak of the 60 percent of defective work, it is to the effect that there were some item or items in that 60-percent value of equipment that had not been done, but not simply a total 60-percent nonperformance for which the contractor had been paid.

Now, with regard to 104 pieces of equipment that we had available

some degree of nonperformance. So that we took the percentage of nonperformance on that equipment, and we extrapolated it back over the total man-hours of equipment that had been worked and paid for between August 1, 1966, through January 31, 1967.

And that made up actually a little under $30,000 within the total figure that we arrived at as a total settlement.

We had shortages in inventory, which made up a second category. And we had a third category where our inspectors, in the process of examining the equipment, considered the amount of hours charged, and came to the conclusion that for the job specified the hours seemed unreasonably long. And they, accordingly, made a subjective judgment as to what the proper number of hours ought to be. And they categorized that as excessive hours worked.

Now, with regard to this category of the claim, the contractor raised a number of serious objections. First of all, he said that he doesn't quite understand by what standards any man who comes and looks at a piece of equipment afterward that has had a considerable amount of body damage work repair done, or has had a paint job done, can determine from the finished product what the condition was at the outset when the work was started. So that a large portion of this category he noted, and I think properly, as being purely speculative and subjective paid his labor.

So that taking account of the third category, we settled it simply on the basis of the claims we made for the 67 pieces at hand without an attempt to extrapolate that.

Mr. BEASER. May I ask one question?

Mr. JACOBSON. Surely.

AID APPROVING WORK IN EXCESS OF AGREEMENT?

Mr. BEASER. Under the contract, as I read it, you make out—AID makes out a work order or a contract. And that has to be approved by the AID man. What has been happening in fact as far as Japan Aircraft at least is concerned is that ex post facto you have been approving work in excess of the amount previously agreed on for items; is that not so?

Mr. JACOBSON. That is correct.

BEASER QUERIES AUTHORITY TO AMEND THE CONTRACT

Mr. BEASER. What is your authority for paying that?

Mr. JACOBSON. I looked into this question, Mr. Beaser, and I found cumulatively over the life of the contract this was—let me see—12,837 hours where the billings had exceeded the initial work order approvals, but that with respect to all of them, in each instance there was a certification of approval on the part of either the officer in charge or the marshaling site superintendent accepting this.

Mr. BEASER. Did he have authority?

Mr. JACOBSON. He had authority to amend in advance. And equally, it seems to me that he had authority to amend by ratification.

Mr. BEASER. He isn't the contracting officer?

JACOBSON'S DEFENSE: ". . . A MATTER OF FORM"

Mr. JACOBSON. No, I think that is really a matter of form. What you are saying is that they could have stopped the work in the midst of the work and negotiated the new contract for additional hours as discovered. As a matter of fact, I have been insisting that they should proceed on this basis, notwithstanding that the contractor pointed out, and had pointed out months before, that to do this would simply result in a paralysis of his operations, because as he got into the opening up of an engine, or the equipment, and it was found that additional work was necessary, if he were unable to reach an agreement early with the marshaling site superintendent, it would simply mean that he left that piece of equipment in the stall it was being operated in, and within a short period of time he would have a fairly well paralyzed operation while he went back into negotations.

PISTONS: "SHOULD I PUT THEM IN OR SHOULDN'T I?"

Mr. BEASER. But isn't that, Mr. Jacobson, exactly what you do with a mechanic repairing your own car? He breaks it down, and sees that you now need pistons, and gives you a call, and says: "Should I put

time-and-materials contract that was the standard contract of the Army Forces Procurement Agency, and it follows that which is in effect in Antwerp.

CONTRACT WITH JAPAN AIRCRAFT A GRATUITY?

Mr. BEASER. That is what Mr. Lee says on page 31. However, if you take a look at your Navy contract, it does not refer to any minimum. What you have provided in the contract with Japan Aircraft is a gratuity, actually. Japan Aircraft did not have to perform a single thing for AID, but was guaranteed a minimum of $400,000.

Mr. JACOBSON. That is talking to a different feature of the contract. I quite agree, there was a minimum figure of $400,000 which had nothing to do with the work order operation.

Mr. BEASER. Here you sort of underwrote the operations of Japan Aircraft to the tune of $400,000. Where is your authority for that?

JACOBSON AGREES CRITICISM IS WELL TAKEN

Mr. JACOBSON. I think you might have been right, and I think your criticism is well taken as a general matter, but inapplicable in view of the fact that the contract expenditure far exceeded the minimum. Now, I can concede that if it had not, there might have been a windfall to the contractor. I don't know specifically what was in mind when this contract was negotiated on these terms. It is conceivable that a contractor who is undertaking a contract with someone for the first time and is being called upon to increase his work force wants to have some assurance that he is going to have the volume to put through.

Mr. BEASER. They didn't do it with the Navy.

Mr. JACOBSON. They haven't done it in the negotiation of the second contract.

LEGALITY OF PAYMENTS SUBMITTED TO GAO? NO

Mr. BEASER. Have you submitted this question on the legality of the payments under this contract to GAO?

Mr. JACOBSON. No. I have rendered an opinion to my office with

whether all payments of the contract—which you indicate amount to only $662,000, but our figures are three times that high—are not illegal. lawyers in the General Accounting Office, who would advise us that any payment in excess of the work specified on the work order approved by the AID inspector is an illegal amount. I would like to have you comment on that.

Mr. JACOBSON. I haven't seen the opinion of the General Accounting Office. I am afraid until I see that I cannot comment on it. And I am quite prepared to submit our opinion in support of our position.

Senator GRUENING. We would like to have your opinion.

Mr. JACOBSON. Surely.

EXHIBIT 7

MEMO FROM MR. JEROME J. JACOBSON SUBMITTED TO MR. LESLIE A. GRANT

(U.S. GOVERNMENT MEMORANDUM)

Date: September 25, 1967.

To: GC, Mr. Leslie A. Grant.
From: GC/WOH, Jerome J. Jacobson.
Subject: Submission of GC Opinion to Gruening Committee.

Senator Gruening requested submission for the Committee's record of a copy of the opinion I referred to in my testimony of September 14, 1967. Attached for transmission is a copy of that opinion furnished to you on August 17, 1967—entitled, "Japan Aircraft Manufacturing Company-Excess Hours Ratified by Marshalling Site Superintendent"

> authorized hours in the first instance ratified the increase, according to the terms of the endorsement. The defect appears to be one of form rather than substance, since the representative could have amended the work order to increase the hours. This would have complied literally with the terms of the contract. However, nothing was found which indicated that the ratification was in fact itself improper. Instances were found in which the site superintendent refused to ratify excess hours not previously authorized by him. This group of unratified hours was taken up with the officer-in-charge on the basis of which in January, 1967, out of 4,465 excess man-hours billed by the Contractor, agreement was reached between the Contractor and the officer-in-charge to ratify 2,365 man-hours and disallow 2,100 man-hours. The billing was adjusted accordingly. No facts or grounds were found for questioning this negotiated settlement."

sented an amount of $21,438.20 or 4.8% of the total man-hours worked and billed throughout the entire period under review. However, as noted, it was found that except for 4,465 man-hours which were compromised, the Marshalling Site Superintendent had in all other cases ratified the additional hours worked and billed in his signing for the acceptance and delivery of the applicable item of equipment by an endorsement which included the statement: ". . . and accepted the work performed thereon in its entirety."

Moreover, in reviewing the records of the EPRO–5 Office, we ascertained from a memorandum to the files of March 6, 1967, that the subject of performing additional work without prior authorization had been the subject of a meeting on January 24, 1967 between the officer-in-charge, Mr. Carson Crocker and the Contractor, and that subsequently at another meeting on March 2, 1967, agreement was reached to disallow 2100 direct-labor hours from the invoice.

The relevant portion of the memorandum states:

> "7. At numerous times before and after the January 24 meeting Mr. Harness had pointed out, at the shop level, examples of excessive man-hours on specified pieces of equipment. Finally, the invoice submitted in February was held up in view of excessive man-hours. At a negotiating meeting on March 2, 1967, it was agreed that 2,100 direct-labor hours would be disallowed from the invoice."

proper practice on the part of the Contractor. "Excessive" appears to have been used by EPRO–5 in connection with the cost limitation which GPR placed upon the rehabilitation program, namely of keeping rehabilitation costs within the arbitrary 15% limits used in the program. This appears indicated in a portion of the memorandum to the file which stated:

> ". . . at a meeting on January 24, 1967, Mr. Crocker impressed on the Contractor the necessity to reduce cost. Our schedule of M211 costs was presented for discussion. Out of 137 vehicles completed to date, repair charges averaged 20% or $42,000 more than the 15% service charge. EPRO advised NIPPI that these charges cannot be tolerated and still maintain the integrity of the revolving fund."

86–277—67——5

were highly doubtful and that efforts along these lines would only have served to prejudice the course of the negotiations which were proceeding satisfactorily.

I believe that if we had sought to repudiate the acts of these officials we would have influenced the Contractor to bring his American Counsel in Tokyo into the negotiations and would have retarded the total negotiations without

Mr. JACOBSON. No, I haven't.

AID work orders;

2. 224 items or 29.2% had been completed within a maximum of 30 man-hours;

3. 179 items or 23.2% "found one or more major components missing, were [illegible] as he found them and had ratified technical variations in connection with matters he had authority to approve initially as an amendment to the work order.

These ratifications were considered in two contexts. If the ratification by the Site Superintendent in some cases and the officer-in-charge in the others, came within their respective authority to approve the hours in the work order, the Government cannot repudiate their acts or deny its effect.[1] This conclusion seemed unassailable in the absence of any evidence that the ratifications related to wrongful acts.

Secondly, if these representatives of the Government lacked authority to ratify the additional work performed, but the circumstances under which they were operating were such that the most sensible conclusion to draw is that they had been authorized to take the action in question—the ratification—both contract appeals boards and the courts would draw this conclusion in support of the Contractor's position. Thus, where a person was in general superintendence of all the Contractor's activities on the particular contract—technical and financial—although not officially appointed and authorized by the Contracting Officer for the purpose in question, he was held to be, in fact, an authorized representative.[2]

The entire circumstances were examined against these alternatives. I concluded that the prospects of repudiating the acts of the Marshalling Site Superintendent and the officer-in-charge and sustaining a valid claim against the Contractor

---

[1] *Ritter* v. *U.S.*, 28 F. 2nd 265 (1928); *Lindsey* v. *Hawes*, 67 U.S. 544; *U.S.* v. *Standard Oil of California*, 20 F. Supp. 427; *U.S.* v. *Jones*, 176 F. 2nd 278.

[2] The Government Contractor, Briefing Papers, *Who Is the Contracting Officer*, No. 67–2, April 1967, p. 5, citing Clevits Ordnance Division of Clevite Corp. ASBCA 5859 (1962 BCA § 3330); Tenney Engineering Inc. ASBCA 7352 (1962 BCA § 3471); Also appeals of Swinerton and Walberg Co. ASBCA No. 3144 (56–2 BCA 1038); Lillard's, ASBCA No. 6630 [illegible]

Mr. BEASER. Which is that depot, Lorain?

Mr. LIPPMAN. No, that is the name of the equipment. The depot is Frankfurt. We don't know whether it was done in Antwerp or Rota.

(Displays exhibit.)

Mr. JACOBSON. I cannot comment on Frankfurt.

Mr. BEASER. But we are going to put this into the record. And it would be well if you did comment.

INVESTIGATORS AT FRANKFURT

Mr. LEE. I would be glad to comment on the Frankfurt operation. As I indicated earlier in my statement, we do have a team of investigators in there. We are going through the same type of detailed investigation of all the work that they have done. And I think that we will have a report very soon. We would be glad to submit it to the

Fuel leaking from fittings on fuel pump and fuel tank; fuel pump leaking; general assembly dirty; spark plugs, contact points, and condenser defective; excessive paint on control levers.

That is from Vietnam.

(Displays exhibit.)

Mr. JACOBSON. Where is that one from, Mr. Beaser?

to necessitate our taking a look at the entire contract.

Mr. BEASER. Thank you. Because if you rely solely on the subcommittee staff picking this up, it is hopeless.

Mr. LEE. I realize that. On the other hand, if we do have specific complaints, then we will want to take a look at all the work that is being done. As far as I know—and perhaps we have some examples—I was not aware of the fact that we had had complaints on those facilities. If we have had, we will certainly look into the overall situation. But I think we have gone on another assumption that we had better supervision on those sites, because they were supervised by the Department of Defense. They have had a lot of experience in this type of thing, and generally I think they do a very good job.

Senator GRUENING. Mr. Lee, on page 34 of your statement you say that you have found a number of instances of improper utilization of excess property preferred for Korea, Vietnam, and Turkey. Now, those are among the countries visited by the subcommittee staff. And I think it would be desirable to have Mr. Lippman give us a summary of the investigative findings in each of these countries. If your staff has any comment as Mr. Lippman proceeds, please don't hesitate to interject your questions.

April and May of 1967. This area is under the jurisdiction or the control of the Port of Saigon Authority. And the equipment that moved in here came directly off the ships as part of AID's excess property program, and was placed here in a hold status before it was sent out to the countryside and elsewhere to the recipients, who were Vietnamese Government agencies, authorities, and the like elsewhere.

(Exhibiting large photograph)

MOST EQUIPMENT FOUND DEFECTIVE

That is Rota. Now, I also have some that were repaired in the United States.

Mr. LEE. There again we look to the Defense Establishment for the supervision of those contracts. If you have some examples, we would like to get together with you and get the specific examples so

And at the time I visited these places they were undergoing inspection by an Army team. The greater part of the equipment was found to be defective. [Photograph.]

This is a 20-ton crane, with the U.S. handclasp on it, which was totally inoperative. And I believe this was one of the cranes that the Army inspector determined was beyond repair; they couldn't do anything with it. And what they were doing was pulling out the parts, cannibalizing it, as the term is used in the Army, pulling out the parts and putting them on other pieces of equipment.

As you notice, the engine is lying on the ground here. How it got there no one could really explain. [Photograph.]

booked on commercial vessels. And they are offloaded in the Port of Saigon and moved to this area.

Senator GRUENING. Who pays the MSTS?

Mr. LIPPMAN. DOD pays them.

Senator GRUENING. At what rates, commercial rates?

DOD "HAS BEEN SUBSIDIZING AID . . ."

Mr. LIPPMAN. These are under an MSTS industrial fund rate which does not allow MSTS to overall lose or make a profit. However, the Department of Defense has beein subsidizing AID on certain shipments by DOD billing AID for a much lower cost than the DOD cost concurred.

Senator GRUENING. In some places, doesn't AID actually pay DOD not on a cubic foot basis but on the basis of value—that is, 15 percent of acquisition costs?

Mr. LIPPMAN. Yes. However, the percentage applied to the acquisition cost varies depending on the services performed by the DOD—and we will hear from Mr. Allen at a later date, from the Department of the Army, on this subject.

I would prefer that we get the answer from him. My understanding is that in some instances DOD inadvertently billed AID on the basis

Mr. LIPPMAN. Yes, on an actual cost basis.

Senator GRUENING. But every time one of these useless pieces of machinery is shipped and found to be useless, then the cost of transportation is just a total loss, is that it?

ALL CAUSES ADD TO MILLIONS OF U.S. DOLLARS LOST

Mr. LIPPMAN. Senator, the situation is much more unfortunate than that, more than merely the amount of repairs that have gone into it that are useless, and the transportation costs. These pieces of equipment were vitally needed to relieve the Port of Saigon of the tremendous congestion that existed there in 1966. They were not so used for the largest part, because they were inoperative, and they were defective pieces of equipment. This resulted in tremendous congestion at the ports where U.S. ships were tied up; for 30 to 45 to 60 days, to 90 days in some cases. And for each day that these ships were tied up, as we found, the United States had to pay a demurrage charge of something in the neighborhood of $5,000 a day. So this deficiency, to put it mildly, resulted in a loss to the United States of millions of dollars over and above the repair costs that were uselessly put into the equipment.

We found no evidence, for example, that the mission had made any inspections of the equipment to find out what its condition was on arrival, or that they had gone back to try to establish who was responsible for the inoperative equipment. Were the carriers responsible? If so, a claim should have been filed against them. Were the repair contractors responsible for putting equipment into this kind of shape through their repair shops? Then claims should have been filed against them.

But the mission took no action on this thing. And we simply weren't able to find out why this situation was allowed to occur, and who was responsible for it.

WHAT ABOUT SYSTEM DEFICIENCIES THAT CAUSED THE FIRES?

Now, an internal audit report was made at the AID mission in Vietnam in March in which they disclosed this situation. But that report, too, was superficial. It just talked about the situation that existed and the need for moving this property out into the users' hands. But

it didn't pin down just why the situation was allowed to occur. I think this dramatically makes the point that I tried to make with Mr. Lee before: that the AID seems to address itself to specific instances that come to its attention by putting out fires, rather than by getting into the system-deficiencies that allow these situations to go undetected.

Senator GRUENING. When a defective piece of equipment comes from, say, the Japan Aircraft, and is sent into Thailand as defective, and is repaired in Thailand, who pays for the cost of repairs?

Mr. LIPPMAN. Well, this has been a mixed lot. In many cases the repairs will be undertaken by the AID or by the Thais. In Vietnam, as in Thailand, the AID mission has had to go out and award contracts to Philco for assistance in putting equipment into condition

a claim against it, we obtained some $29,000 for nonperformance. This pertained to the equipment that was serviced by the company between August, the beginning of August, and the end of January. Additionally, so far as the equipment on hand was concerned, the $6,600 worth of nonperformance, the contractor had to go back and redo those pieces of equipment. So that we had received under $30,000 in reimbursement for what we could statistically, and not as a matter of proof, reach as a settlement.

Mr. BEASER. What I am talking about is from the time of the signing of the contract, which I think was in February of 1964, until, say, August 1966, a lot of this equipment was going out to Thailand and other places in poor repair.

WHO IS RESPONSIBLE FOR THE NONPERFORMANCE?

And Thailand and the other places, through AID money, U.S. money, had to repair it to make good on what Japan Aircraft had failed to do. What attempt was made to——

Mr. JACOBSON. Mr. Beaser, we have no damage claims as such under the contract or against the contractor once property was received from them and shipped out.

Mr. BEASER. Why not?

sent out a piece of equipment that was not in good operable condition, but also for which equipment we had not paid.

Mr. BEASER. You may have or you may not. How do you know?

Mr. JACOBSON. We don't know. But we must assume that the settlement is applicable to the equipment.

Mr. BEASER. To the equipment on hand?

Mr. JACOBSON. No; to the equipment that had been shipped between August and January of——

Mr. BEASER. Whatever happened to "from February to August"?

Mr. JACOBSON. Pardon?

Mr. BEASER. Whatever happened to the period between February and August?

not do; this was not my function.

Senator GRUENING. Go ahead.

(Photograph.)

Mr. LIPPMAN. We can quickly run through the other pictures to give an idea of the condition of the equipment.

(Photograph.)

Mr. LIPPMAN. I might add that this was only one of two areas, a great deal of equipment was in another location.

Incidentally, Mr. Lee, in reference to our pointing out that there were other sites—repair contracts other than Japan Aircraft and Antwerp that were involved in this—you might note that this crane, which was defective and inoperative, bears a designation as to a site here in the United States. We can give you the supporting documents.

(Photograph.)

Mr. LIPPMAN. These other cranes have nameplates indicating the source of repairs other than Japan Aircraft and Antwerp.

(Photograph.)

Mr. LIPPMAN. Here are a variety of tractors.

I think that about does it for Vietnam.

LEE VERIFIES LIPPMAN'S STATEMENTS ON PORT OF SAIGON

Now, about the time that this equipment arrived, the port situation had gotten so bad that the Vietnamese Government was simply unable to cope with it. Finally the U.S. Army, as I understand it, was called in. They brought their own equipment, and moved in and took over the port. It was a battalion of some 500-odd men. They have cleared up the port. But since they brought their own equipment, much of the equipment that we brought in for the port authority was moved to Petrus Ky. This was a holding area until an alternative use for this equipment could be found.

SOME AID EQUIPMENT USED

Now it is also my understanding that when the U.S. Army moved in to clear port congestion, they used some of this equipment. It was loaned to them simply to get the job done, because of the urgency of the situation. Everyone that had something to contribute, contributed it. And much of this equipment went into the Army pool to help relieve port congestion.

But a good many pieces were moved out, and at the time you saw it, it was sitting out there in the rain and mud, which is typical of Vietnam.

Our people have moved it out as rapidly as possible. I visited the

"THESE KINDS OF MISTAKES ARE BOUND TO HAPPEN"

I am going to ask Mr. Crownover to comment on some of the examples here. As I say, I know, because of my very brief inspection, that some of these pieces of equipment are inoperative. Some have become inoperative after they arrived there. They broke down during the normal process. And some of them are not needed because the Army brought equipment of its own. Some of the equipment has been cannibalized to keep other equipment moving. In cases where you have a big buildup, of war conditions, these kinds of mistakes are bound to happen.

Do you know whether the agency has undertaken any study along these lines?

"WE ARE CONSIDERING ALL THE ALTERNATIVES"

work is all paid for under a barter arrangement, which relieves the dollar drain situation.

Mr. LIPPMAN. Are you sure it relieves the dollar drain situation, Mr. Lee?

AVAILABLE FACILITIES MUST DICTATE AREAS FOR REPAIR WORK

Mr. LEE. No, I am not sure, because I do not understand all of the mechanics of the barter arrangement in relation to this particular contract. I do know that we have a barter arrangement there. On any barter arrangement there can always be a question as to whether this is a complete relief—it probably isn't in this case—but it is a factor. It relieves the situation, and it isn't an out-and-out drain to the extent that one might think on a casual examination. But we are well aware of the problem, and the desirability of getting this work out into the recipient countries if they can do it. Or if they can't do it entirely, to have them do it to the extent they can. I would not anticipate that we would be able to close down either one of these rehabilitation depots in the immediate future. We are going to have to continue to do some repair work in areas where the facilities are available.

GRUENING ADVOCATES DEVELOPING REPAIR AND MAINTENANCE CAPABILITY IU.

"It is the sense of the Congress that in furnishing assistance under this Act, excess personal property shall be utilized whenever practicable in lieu of the procurement of new items for United States assisted projects and programs."

impressive accomplishments.

Nevertheless, those very accomplishments have been subjected to official criticism, mainly on the grounds that, substantial though these accomplishments were, they were still less than what the critics asserted they should have been.

in properly.

Senator GRUENING. Mr. Lee, it is now 12:35, and we have a number of other witnesses. I think we had better postpone this second hearing until the call of the Chair, perhaps next week sometime, when we would want to hear Mr. Griffin, Mr. Harding, Mr. Tuttle, and representatives of the Department of Health, Education, and Welfare. And AID may also have some further testimony it would like to present following these hearings.

So we will stand in recess subject to the call of the Chair, and will probably have a meeting about a week from now.

Will you be available?

Mr. LEE. We will be available.

Prepared for the Bureau of the Far East, Agency for International Development, October 1966

(By Harbridge House, Inc., 11 Arlington Street, Boston, Massachusetts)

PART I

INTRODUCTION

A. Background

The Federal Property and Administrative Services Act of 1949, as amended, directs all federal agencies to obtain and utilize excess property in lieu of new procurement. The foreign Assistance Act of 1961, as amended by passage of the 1965 Act, singled out AID to particularize and intensify the above general directions. In part, the Act stated:

facets of the existing excess property system that affect the Bureau of the Far East. The third Part undertakes to enumerate the various changes that may occur to the present excess property system over the next few years, while the final Part sets forth the recommendations of the Harbridge House task force.

PART II

THE EXCESS PROPERTY SYSTEM

A. Purpose

The purpose of this Part of the AID Excess Property Report is to provide a comprehensive analysis of the present excess property system—from the generation of an item as excess, to its utilization by a mission. Such understanding is dependent upon familiarity with: (i) the multichanneled flow of excess; (ii) the scope and the dollar magnitude of the system's various segments; and (iii) the dynamics of the system and its subsystems.

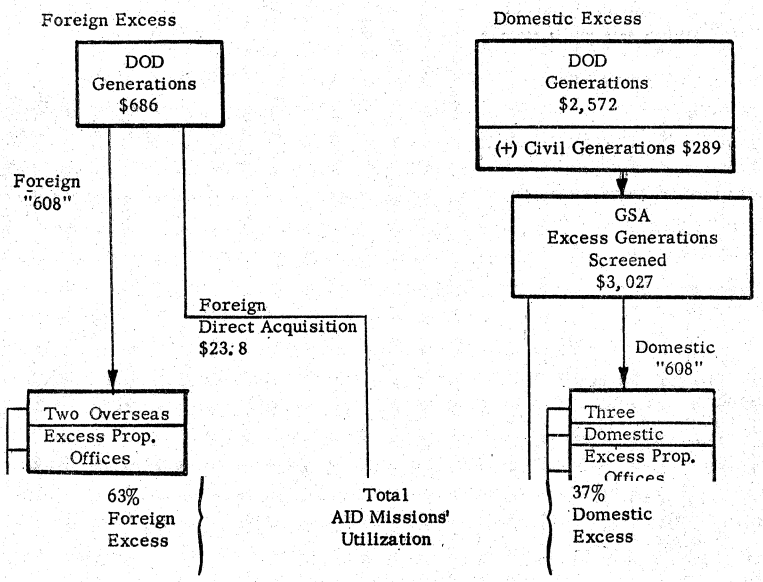
This Part of the report is divided into five sections. Section A presents the purpose of this Part of the report and details its overall organization. Section B presents an overview of the excess property system, and provides gross statistics

findings apply to Thailand and to Laos as well as to Vietnam. Nevertheless, its focus—like its preparation—is directed to Vietnam.

C. Organization

This report is divided into four Parts, of which this Introduction is the first. The second Part, the major portion of this report, undertakes to describe those

ANNUAL EXCESS GENERATIONS AND UTILIZATION - FY66
($ in millions)



2. The Size of the Excess Flow

The movement of excess property from generation to utilization is presented, in toto, in Exhibit I. The intent of this exhibit is to show the four separate channels by which excess reaches AID missions, and to indicate the dollar magnitudes associated with the movement of excess property.

Two of the four channels represent mission utilization via "Direct Acquisition." Direct acquisitions are those excess property utilizations made directly from the DOD (if foreign excess) and via the GSA (if domestic excess). The other two channels, both labeled "608," involve an intermediary between the

[1] Personal property is simply all property other than real property. There is a third class in addition to excess and surplus: "exchange-sale" property, which is certain narrowly specified property (69 categories) that the Congress allows the holding agency to "trade in" toward its own new replenishment.

it from the EPRO. In other words, EPRO 608 acquisitions go into inventory and EPRO shipments to missions come out of that inventory.[2]

Turning from flow to size, the first point to be made is that these figures are expressed, as excess property figures almost universally are, in terms of original acquisition cost (OAC). What stands out in scanning the dollars reflected in Exhibit I is the minute percentage of total excess generations that wind up as AID utilizations. All told, in FY66, only 1.7 percent of excess property generations were utilized by AID.

C. The excess property flow

Familiarity with the flow of excess is a prerequisite to understanding the reference to AID, that is, as it affects any federal agency engaged in utilizing excess. Roughly 95 percent of all domestic excess property is generated by the DOD, thus the flow presented herein assumes DOD origin.

An understanding of the flow begins with an understanding of "reportable" or "nonreportable" excess property. Weapons and other items of a specialized military nature are generally nonreportable, as are salvage and scrap and, in general, those items whose condition, though better than salvage, is exceedingly poor. GSA handles many, and AID acquires a few, nonreportable items of domestic excess; but since the overwhelming bulk of AID acquired items is reportable, Exhibit II presupposes reportable excess.

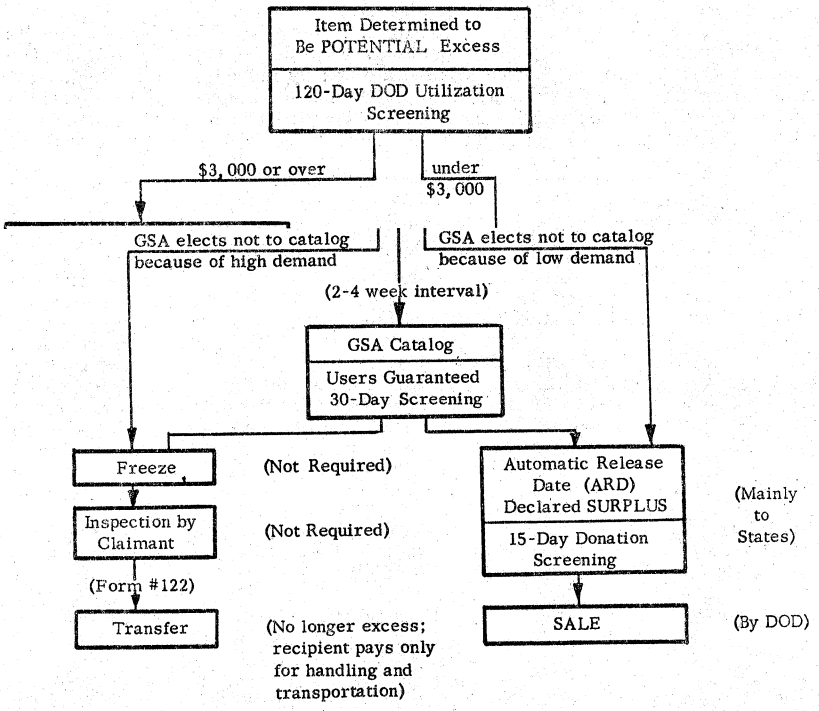
The DOD has three categories of long supply: economic reserves, contingency reserves, and potential excess. The excess flow begins with the DOD determination that an item is potential excess. Later on, it may become "declared excess." After having been found to be potential excess, the item undergoes nearly four months of intensive DOD internal screening, both intraservice and interservice. During this 120-day DOD utilization screening period, items are cross-screened, largely by automatic data processing methods.

At the end of the 120 days, the item will take either of two paths in accordance with its original acquisition cost (OAC). If an item's OAC is $3,000 or over, and it is not a major item,[3] it remains potential excess and is publicized in a listing made up weekly by the Defense Logistics Service Center, Battle Creek, Michigan. The listing provides DOD utilization screening supplementary to that effected by ADP. Within the DOD, the listing is widely distributed. Copies are not generally available outside the DOD, but they do go to three domestic AID EPRO's and to Saigon, alerting their recipients to possible excess availabilities. If, at the end of 30 days, no DOD activity has claimed the item, it is declared handling as Non-AID-financed. Now relatively minor throughout all AID, GOT transactions are especially so to the Bureau of the Far East.

[3] So called "major" items are published separately in "flyers" and are declared excess by OSD.

[4] That is, GSA Form 120 is sent to the GSA. Excess property does not *physically* leave the holding agency unless and until an acquiring agency removes it.

EXHIBIT II
DOMESTIC EXCESS: GENERATION
AND UTILIZATION



special treatment. It is automatically cataloged and, upon cataloging, the first 15-day screening is reserved for DOD claimants. The DOD priority under this

other types of items need not be cataloged to be utilized; a phone call or two will suffice. Finally, if an item is on an agency's "want" list, presumably there is little need to catalog it.

GSA effects transfers of excess by "authorizing," that is, approving, them for transfer. Ordinarily, the transfer is initiated by an informal freeze,[6] which often is followed by a physical inspection of the subject property, and which, with few exceptions, is followed up by transfer (GSA Form 122). Property not transferred within the normal 60-day utilization screening is automatically declared surplus and immediately becomes subject to a 15-day donation screening period. During these 15 days, and even thereafter, the property may still be claimed by a federal agency, and, if still available, may yet be utilized by reversion from surplus to excess status. However, any item already transferred or donated normally lies beyond later reach. Moreover, only rarely (and reluctantly) will any item be withdrawn from sale for utilization as excess. Unclaimed civil excess is sold by GSA; the DOD sells its own.

Whereas Exhibit II shows the general flow of excess from generation to utilization by a federal agency, it does not reflect the various additional factors peculiarly involved in any AID mission acquisition of domestic excess. Exhibit III endeavors to present these consideratons. Specifically, it analyzes the particulars of the two systems, Direct Acquisition (DA) and Advance Acquisition (AA or 608) initially brought to attention in Exhibit I. Throughout, Exhibit III assumes AID-financed transactions only.[7]

a. *The Domestic Advance Acquisition System.*—Until 1963, when Congress established the Advance Acquisition (608) program, Direct Acquisition (DA) was the only system available to AID for other declared domestic excess. Direct Acquisition remains the nominal system for satisfying missions' known needs. The Advance Acquisition program was established to enable AID to it alone gets, and with which it deals exclusively. Transfer of the item on GSA Form 122 may or may not be preceded by its cataloging. If not, the EPRO is informally notified of its availability. In any event, in all likelihood the EPRO freezes the item before perfecting its transfer. Typically, the EPRO freezes the item orally, probably by telephone but perhaps in person at the GSA office. The freeze may merely cover the paperwork time lag. More probably, however, it is made to give EPRO personnel an opportunity to inspect the item, especially if the item is an equipment item.

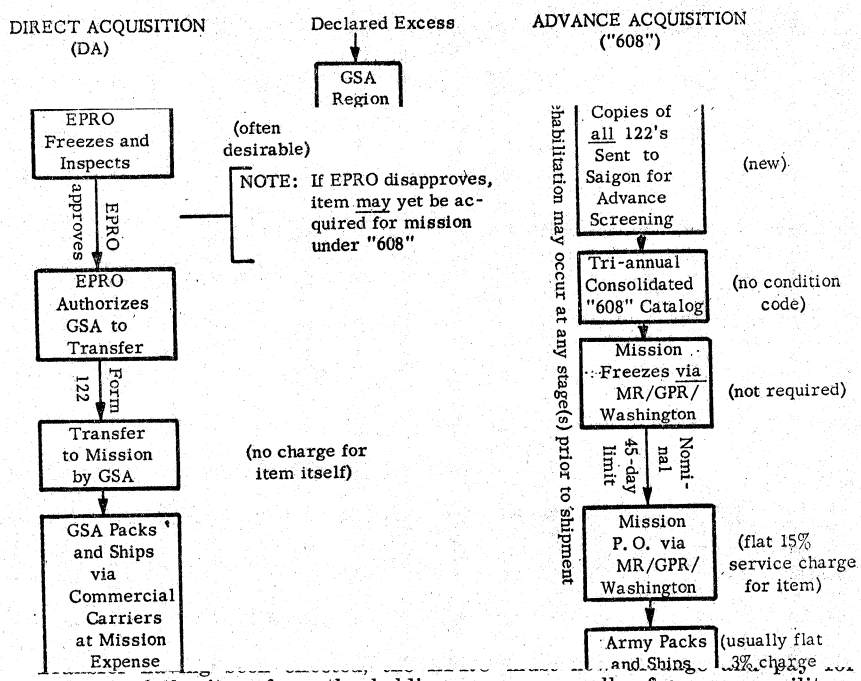
---

[5] Minus, for DOD-generated items under $3,000, the 15 days of DOD utilization screening.

[6] Most, but not all, GSA regions honor freezes, treating them as almost inviolate reservations to be set aside only for drastic reasons. Nevertheless, to GSA claimants, freezes are privileges, not rights.

[7] In both FY 65 and FY 66, total Non-AID-Financed (607) transactions were less than 10 percent of AID's total utilization each year. In FY 65, less than 4 percent of total Far East excess utilization was 607; in FY 66, the percentage was less than 6 percent; in FY 65, Vietnam's 607 utilization was zero. For these reasons, 607 transactions are given little consideration throughout this report.

EXHIBIT III
AID MISSION ACQUISITION OF DOMESTIC EXCESS



movement of the item from the holding agency—usually, from some military activity's disposal yard—to the EPRO's own warehouse, or, if the item requires rehabilitation, to the rehabilitation site. Rehabilitation may begin immediately or not, as determined by a variety of factors: the nature and degree of the rehabilitation required; the rehabilitation agent's backlog; the supply of similar items already available for issue; the demand for such items or, perhaps, the demand for that particular item; and the source of the demand

The next step is a recently adopted (midyear) innovation. Every 15 days, MR/GPR/W sends copies of all GSA Form 122's to Saigon for 30-day priority screening. This Vietnam priority is absolutely overriding; it applies to all acquisitions, including any that were made to satisfy some other mission's specific requirements.

Domestic excess property items are rarely reserved for particular missions prior to their first cataloging, for, apart from Saigon's screening of the Form 122's, most missions rely on the catalog to inform them of new availabilities. The three domestic EPRO's issue a consolidated catalog triannually, the issuance taking place a month after the date as of which the inventory is listed. Listed by EPRO, the items carry no condition codes, but they do list accessorial changes. Nominally, the mission pays nothing for the item itself, but must pay a flat 15 percent of the original acquisition cost to the MR/GPR for its services. These services include: reimbursement of the EPRO's inbound transportation expense; rehabilitation (if any); storage; and other incidental costs, exclusive, however, of packing and outbound transportation. (Thus is the revolving $5 million fund maintained.)

After receiving the catalog, the mission may submit a purchase order for particular items, sending it to MR/GPR/W; but commonly, it will first request a freeze upon whatever it seeks, again sending the request to MR/GPR/W. If the items are still available, MR/GPR/W will direct the EPRO to freeze them for the mission. Such freezes have been broken only rarely in behalf of Saigon, though they can be. Typically, the freezes are followed by the mission's purchase order, then by shipment to the mission. The cost of packing and outbound transportation is—for domestic 608 excess only—ordinarily another flat charge: merely 3 percent. Far and away most domestic excess (and virtually all such

domestic excess Direct Acquisition program fell so low that, if the same level is to be maintained in the future, Direct Acquisition will assume only minor overall importance, Domestic Direct Acquisitions totalled about $1.1 million in FY66, with Vietnam taking the lion's share, $868,000, or nearly 80 percent of AID's total domestic Direct Acquisition.

The Direct Acquisition program is dependent upon the mission's obtaining a copy of the particular GSA regional catalog listing the item. MR/GPR/W instructs GSA which of the ten regional catalogs are to be sent by GSA to what mission, so that few, if any, of the eighty AID missions receive copies of each GSA catalog. (It is understood that Saigon receives all.) The flow shown in Exhibit III presupposes that the subject mission received the subject catalog.

The mission does not request the item directly of GSA; rather, it submits its request via the EPRO which has jurisdiction over the GSA region. The request is also, in effect, directed to the EPRO, for the EPRO has the authority to approve or disapprove it. Upon receipt of a mission request, the EPRO gets in touch with the regional GSA office and, if the item is still available, freezes it. Again, physical inspection by EPRO personnel normally follows the freeze. At this point, the EPRO may disapprove the mission's request, although such disapproval is not necessarily fatal to the acquisition. (The item may be acquired for the mission by the EPRO under the Advance Acquisition program, perhaps because the 608 route is cheaper.)

If the EPRO approves the mission's request, the transaction is then between the mission and GSA, again using Form 122. The GSA packs and ships at

Direct Acquisition program. Its principal handicap is the likelihood that by the time the EPRO receives the mission request, the item is no longer available. Obviously, it takes time for GSA catalogs to reach missions, and many Direct Acquisition requests arrive at the EPRO only after—often *long* after—the automatic release date has passed. Even if this date has not yet passed, the item is likely to be already transferred to, or at least be frozen for, another federal agency. Some sixty times, from mid-June to the end of July, Saigon had to be sent the disappointing message, "NA" (not available), in response to requests for domestic excess under the Direct Acquisition program.

2. The Foreign Flow

Happily, the foreign flow of excess property is much simpler than the domestic flow; accordingly, it enables [illegible] discovering its availability in time to claim it. It appears that in many, if not most, instances there is no prescribed excess screening period. Items tend to move directly from potential excess status to surplus status. Listings of excess DOD stocks are sometimes available to the two foreign EPRO's and the missions, but typically, the only catalogs available are sales catalogs of surplus property. As a result, the foreign EPRO's are largely dependent for their acquisitions upon personal contacts with DOD property disposal personnel.

Recently, two changes have occurred within DOD in regard to excess stock. The first change is this: heretofore, for foreign excess, only items of $5,000 or more OAC had to be reported to Defense Logistics Services Center (DLSC), whereupon they were published in the aforementioned 30-day listing that DLSC issues weekly for DOD utilization screening. This threshold has now been dropped from $5,000 to $500; as a result, perhaps somewhat fewer items will escape the two foreign EPRO's notice.[8]

The second change affects only Vietnam. Whereas before there were no listings of excess generated within Vietnam, some weeks ago the Army in Vietnam

[8] Because of this change, foreign excess items between $500 and $2,999 now receive wider DOD utilization screening than do their domestic counterparts!

some $351 million (97 percent) went to the states; and an additional $6 million (1.5 percent) went to public airports.

2. Far East Excess Utilization

Exhibit V refines and expands the prior exhibit, especially with reference to the Bureau of the Far East interests in excess property. Several striking relationships are revealed by this exhibit:

EXHIBIT IV.—WORLDWIDE EXCESS GENERATIONS—AID UTILIZATIONS (2-YEAR SUMMARY)

[Dollar amounts in millions original acquisition costs]

	Fiscal year 1965	Fiscal year 1966
DOD utilization	$857.0	$1,456.0
DOD domestic excess	4,420.0	2,572.0
DOD foreign excess	694.0	686.0
Total DOD excess	5,115.0	3,258.0
	169.0	289.0

importance of the various steps in the excess property process, some knowledge of dollar data is necessary.

Three tables are presented in the next three exhibits. The first such table, Exhibit IV, in analogous to Exhibit II in that it looks only from generation to utilization by AID generally—no Bureau of the For East figures or mission figures are included. Its time span is only the last two fiscal years. The second table, Exhibit V, extends over the last five fiscal years and focuses mainly on various breakdowns of AID utilization figures, including breakdowns of particular import to the Bureau of the Far East. The final table, Exhibit VI, shows, in several important categories, the relative volumes of domestic and foreign excess, and in addition presents the breakdown of Advance Acquistion shipments to Vietnam, over FY66, by quarters.

1. World Wide Generations—AID Utilization of Excess

Several facts worth noting are generated by Exhibit IV: (1) DOD utilization increased tremendously (70 percent) from FY65 to FY66 even though DOD generations fell sharply; (2) reportable excess screened by GSA is less than the nonreportable excess screened by it; (3) although the reportable excess circularized by GSA increased absolutely in FY66 over FY65, it decreased relatively; as a percentage of total reportable excess, the amount circularized fell off by 7 percent; [9] (4) DOD records confirm AID being virtually the only user of foreign

1 percent to a high 86 percent of all excess property utilized by the mission, averaging *about 50 percent* of all such excess property.

These facts indicate that the Bureau of the Far East is a large (if not the largest) single customer of MR/GPR, and that the Vietnam Mission is also a large (if not the largest) user of excess property within the Bureau. Finally, these data indicate that the largest single source of excess property employed by the Vietnam Mission is the Advance Acquisition program. Clearly, the Bureau of the Far East should have a lively interest in, and has every right to examine in detail, the policies, procedures, and regulations MR/GPR employs in operating AID's excess property program.

(Again, the explanation lies largely in the utilization of situs country excess in Korea, Taiwan, Vietnam, and the Philippines.)

EXHIBIT VI.—FOREIGN AND DOMESTIC EXCESS ACQUISITIONS

[Dollar amounts in millions, OAC]

	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966

percent of all AID excess utilizations, averaging slightly more than *one-third* of all such excess property;

(ii) The Vietnam Mission (one of 80 such AID missions) has also increased its utilization of excess property, from a low of 17 percent to a high of 40 percent of all Bureau of the Far East utilizations, averaging, again, more than *one-third* of all such excess property utilized;

(iii) The Vietnam Mission has likewise increased its utilizations of property via the Advance Acquisition (608) program, from a low of less than

figures, of the $919,000 of foreign excess obtained under the Direct Acquisition program during FY66, all but $89,000 was situs country excess, (and of the $89,000, $83,000 was for two items, a rug and the Butler Building), while all Vietnam's 607 (only $24,135) was situs country excess turned over to voluntary agencies operating in Vietnam.

E. System dynamics

To this point in the report, discussion has centered on the flow of domestic and foreign excess property into AID, and on the size of this flow, measured in dollars. It remains to this section to discuss the inner workings of the AID excess property system and to analyze the regulations, constrains, procedures, and attitudes which impinge on this flow and materially affect the use of excess property by the Bureau of the Far East. Since the GSA, MR/GPR, and the Bureau of the Far East all interact to generate (and solve) the many problems relative to the use of excess property, the inputs of each these organizations are analyzed herein, together with a discussion of the general and specific problems at hand.

GSA has its own regulations. The GSA Utilization Manual, Chapter 2, Paragraph 35, directs its regional utilization officers to consider "national defense requirements, emergency needs, equitable distribution and transportation costs," in making its excess property transfers. Expressly subordinated to those four factors, a further order of precedence is then laid down:

"(1) Transfers which will preclude current procurement.

(2) Transfers for immediate use . . ."

The next three priorities are of exceedingly narrow applicability. The sixth priority is "transfers for international economic aid programs."

The GSA Manual then goes on to sanction "first come, first served" approvals, if none of the four listed factor or the six priorities subordinate are applicable.

In theory, the application of these regulations by the GSA regional office to available excess might best wait until the automatic release date (ARD). At that point in time it would be possible to determine which claim among several competing claims rates the highest priority, and the transfer (or award) could be made accordingly. In practice, that is almost never done. Rather, the preponderance—of transfers is effected on a "first come, first served" basis. Moreover, the first served is often the only claimant served, the beneficiary of preferential notification of the item's availability. Usually the advance notification is by telephone, "Would you like . . .?", the items having just come in; that is, the GSA regional office had just received its 120 Forms.

By no means is AID always the preferred claimant, but at least one GSA region makes copies of major 120's available to the AID EPRO's for immediate prescreening.

In such an atmosphere, freezes against available excess property are not to be taken lightly by the agencies which have placed them. Though by no means may they play a decisive role in determining which of the rival claimants for a par-

that it is both a sellers' and a buyers' market. GSA donation personnel are as interested in customer relations as their customers are in seller relations. And if one must disappoint a customer, the best way to do it is to avoid his even becoming aware of the disappointment. If an item is transferred without cataloging, those who never learn that the item was available will not be disgruntled at its loss. The next-best way to disappoint a customer is to play a passive role, whereby blame for the loss bounces back upon the customer himself; that is, to indicate that the system operates on a "first come, first served" basis.

In view of the GSA "first come, first served" practice, the domestic EPRO's deserve commendation for achieving the volume of 608 acquisitions that they have recorded. Their personal relations with GSA, so critical to them, appear to be good to excellent.

b. *The GSA Southeast Asia Priority.*—On 25 March 1966, the Commissioner of the GSA's Utilization and Disposal Service wrote the AA/MR, promising "special treatment" to requests for domestic excess for Southeast Asia (Saigon, Bangkok, and Vietnam). Except for a prior request from another federal agency constituting a "national defense requirement or a domestic emergency need," he wrote, such an AID request for Southeast Asia would be approved "in those cases where the property is available upon receipt of the request." One month later, the Commissioner formally instructed the ten regional GSA offices to honor this priority, adding that it would apply both to the Direct Acquisition and the Advance Acquisition programs which the EPRO's identified as requirements of those three missions.

Initially, the EPRO's used their own discretion as their basis for invoking priority. But almost immediately a problem developed: GSA discovered and protested the shipment to a Latin American Mission of an item that an EPRO had claimed under the Southeast Asia priority. MR/GPR/W was obliged to respond. Utility is concerned, the importance and direct personal EPRO's [illegible] the relations with their GSA counterparts is certainly not misplaced.

2. *MR/GPR Inputs*

a. *Background.*—The dollar data presented in Section D of this Part of the Report (particularly those data presented in Exhibits V and VI), argue that the Bureau of the Far East is, perhaps, MR/GPR's single largest customer of excess property. As such, the Bureau of the Far East has a major interest in the vicissitudes of MR/GPR operations, since it is the single Bureau most affected by these operations. This Section of the Report presents an in-depth examination of MR/GPR operations as they affect the Bureau of the Far East, in response to this interest.

b. *Enabling Legislation.*—The Material Resources/Government Property Resources Division (MR/GPR) organization administers all excess property for the Agency for International Development. It carries on its work under legislation found in the Federal Property and Administrative Services Act of 1949 (under which the Direct Acquisition program of the Agency is operated), and the Foreign Assistance Act of 1961, as amended. Three sections of the Foreign Assistance Act affect most of MR/GPR's excess property efforts. These sections are

(i) *Section 102 of the Act*—which requires AID to utilize excess property in lieu of new procurement;

(ii) *Section 607 of the Act*—which establishes the Non-AID-Funded excess property program, [illegible] has construed the limitation to refer to unordered, rather than to unshipped items.)

(ii) *The $45 million volume constraint.* (Applicability: all domestic excess.) Just like any other federal agency, AID may claim and utilize domestic excess, but only up to $45 million annually. Under the same law, when claims for excess exceed $45 million, AID not only loses its right to claim additional excess, but thereafter comes second to the states; that is, only after donation screening may AID claim surplus property and, if successful, reconvert it to excess. (This provision of the Act suggests the identity of the political interests most antagonistic to AID's utilization of excess.)

(iii) *The Advance Acquisition constraint.* (Applicability: all 608 excess.) In establishing the Advance Acquisition program, the Congress decreed that the $5 million revolving fund might be used to pay the costs of excess property "in advance of known requirements therefor."

Neither the second nor the third constraints enumerated above has affected AID excess property operations: the second, because its threshold has not yet been reached; the third, because it is disregarded. The first, however, is felt, and sometimes keenly, as when occasionally an EPRO has to delay the transfer of follow-ups to its GSA freezes, pending receipt of purchase orders to reduce its own unordered inventory.

c. *Excess Property Offices.*—MR/GPR administers the five regional excess property offices (EPRO's), three in the United States (Atlanta, New Cumberland, and Sharpe) and two overseas (Frankfurt and Tokyo). MR/GPR has redistributed the statutory $15 million limitation on excess inventory among the three domestic EPRO's, limiting New Cumberland and Atlanta to $5 million each, and Sharpe to $3 million. The remaining $2 million is reserved for special contingencies. (This constraint in no way affects [illegible] EPRO service areas.)

preferences favor the former over the latter. As an example, the MO on excess property establishing intra-AID priorities for claiming foreign excess (for which AID is virtually the only claimant) gives any Advance Acquisition claim precedence over any Direct Acquisition claim. Other typical preferences include:

(i) Subjecting Mission requests for Direct Acquisition to EPRO approval;

(ii) Subjecting Mission accessibility to GSA catalogs to MR/GPR determination; and

(iii) Limiting the benefits of the AID-Army transportation agreement covering domestic excess to Advance Acquisition stocks.

Preference for the Advance Acquisition program over the Direct Acquisition program is caused in part by the "profit motive" built into the revolving fund. As might be expected, MR/GPR desires to preserve the integrity of its revolving fund so that it can continue to do business. As a result, the organization is motivated to show a gain in the fund.

The $5 million revolving fund was invaded, of course, to get the 608 program underway during FY 63 and FY 64, but gains of $1.2 million in each of FY 65 and FY 66 more than offset this initial investment, so that at the end of FY 65 (despite one EPRO being still cumulatively in the red), the revolving fund registered a surplus of more than $8 million, for a 16 percent "profit" over the two-year period.

MR/GPR has been able to record gains to the revolving fund because its average of all costs expended, per excess item, has been something less than its 15 percent accessorial charge. Numerous rehabilitated items, in fact, cost more—sometimes very much more—than the 15 percent charged; but many other items, particularly those that require no rehabilitation whatsoever, cost substantially less. Without exception, each EPRO must secure "non-rehab" items to support its operation (a factor which aggravates the domestic EPRO's otherwise difficult role vis-a-vis the GSA). Moreover, the same compulsion occasionally discourages the EPRO's from acquiring low-value lots, irrespective of their condition and of their utility, because of the relatively high cost of handling them as measured against their original acquisition cost (OAC). Indeed, the MR Program Guidance Manual discourages EPRO acquisition of line items having an OAC of less than $1,000.

e. *Sales and Service.*—As with any organization moving large volumes of used equipment from one user to another, MR/GPR considers itself something of a "sales and service" organization. Notwithstanding the high personal dedication which characterizes the individuals in the MR/GPR organization—personal dedication to the service of their country and to the service of AID-assisted underdeveloped nations—*it would appear MR/GPR personnel are much more "sales-*
of AID excess property acquisitions, it is clear that much of the inventory [illegible]
utilization by the missions consists of mechanical equipments. Data obtained via analyses of recently published MR/GPR information reveal that as of 30 April 1966, more than three-quarters of the dollar value of the inventory was in equipments ($7.7 million out of a total inventory of $10 million). Likewise, it is clear that a few high-dollar equipments account for most of the dollar value of this inventory. An analysis of the composition of the domestic Advance Acquisition inventory is presented in Exhibit VII. Analysis of this exhibit reveals that equipments with original acquisiton costs of $5,000 or more accounted for only 14.7 percent of all items of equipment inventory, but that these same items accounted for nearly 80 percent of all inventory investment equipments.

EXHIBIT VII.—EXCESS EQUIPMENTS, ITEMS AND DOLLARS[1]

Original acquisition costs	Items			Dollars		
	Number of items	Percent	Cumulative percent	Amount (in thousands)	Percent	Cumulative percent
$40,000 or over	14	0.5	0.5	$889	11.5	11.5
$20,000 to $39,999	65	2.5	3.0	1,950	25.4	36.9
$10,000 to $19,999	135	5.2	8.2	2,025	26.3	63.2
$5,000 to $9,999	167	6.4	14.6	1,253	16.3	79.5
$3,000 to $4,999	193	7.4	22.0	77	1.0	80.5
$1,000 to $2,999	483	18.6	40.6	966	12.5	93.0
$500 to $999	398	15.4	56.0	299	3.9	96.9
$100 to $499	870	33.4	89.4	218	2.8	99.7
$1 to $99	276	10.6	100.0	13	.3	100.0
Total	2,601	100.0	----------	7,690	100.0	----------

It may be that EPRO's interest in mechanical equipments derives in part from the greater competition for them, for it is obvious that most federal agencies—and the states—desire to obtain such equipments. Perhaps in the excess property market, as in other markets, demand determines value. In any event, the opposition of those antagonistic to AID utilization of excess property springs perhaps more from envy over mechanical equipments acquired by AID than from any other single source.

Whereas the EPRO's have acquired large quantities of mechanical equipments and some electrical equipments, they have acquired very, very few electronic equipments. A number of MR/GPR personnel possess backgrounds endowing them with some knowledge of mechanical equipments, but few, if any, possess familiarity with electronic items.

While dollar data on equipments are useful in assessing the makeup of the total Advance Acquisition inventory, it reveals little or nothing about the utility of such equipments to their ultimate users, the missions. Utility—in part, at least—is determined by the age of the equipment, the assumption being that the older the equipment is, the less useful it is. Accordingly, as part of this study, an analysis was undertaken of the ages of equipments listed in the current domestic excess property catalog. This analysis revealed that of the 2,601 items listed, some 535 (or about 20 percent) had the model year specified in their catalog descriptions. The results of this analysis are presented in Exhibits VIII and IX. Exhibits VIII, which indicates ages of equipments by five-year increments, reveals that more than 50 percent of all equipments analyzed were 16 or more years old, with more than 90 percent of all such equipments being 11 or more years old.

EXHIBIT VIII.—EXCESS EQUIPMENT AGES,[1] NUMBERS AND PERCENTS

[illegible]

EXHIBIT IX.—EXCESS EQUIPMENT AGES

	Number of items	Total original acquisition cost	1 to 5 years	6 to 10 years	11 to 15 years	16 to 20 years	21 to 25 years	Over 25 years	Equipmen ages specified
Machine tools	694	$1,404,429	1	15	38	64	53	11	182
Vehicles	332	1,343,203	2	12	72	22	6	0	114
Construction equipment	275	3,321,716	0	1	37	36	9	1	84
Materials handling equipment	72	338,159	0	1	11	1	0	0	13
Compressors, generators, and pumps	443	539,162	0	14	21	9	4	8	56
Other	785	743,763	2	0	17	49	17	1	86
Totals	2,601	7,690,432	5	43	196	181	89	21	535

Source: "Domestic Excess Property Catalog No. 4," May 31, 1966, published by MR/GPR, Washington, D.C.

Exhibit IX presents these same data broken down into several arbitrary classes of equipment: machine tools, vehicles, construction equipment, materials handling equipment, compressors, pumps and generators, and others. As this exhibit reveals, the composition by age varied according to classification, machine tools being the oldest. For them, the sixteen-to-twenty-year interval was the mode; whereas for vehicles, it was eleven to fifteen years. Dated construction equipment (which accounted for nearly one-half of the dollars in the equipment

they accounted for 88 percent of all such items. Relatively few materials handling equipments were dated; of those that were, the preponderance fell ino the eleven-to-fifteen-year interval. The same interval constituted the mode for compressors, generators, and pumps.

(2) Standards of Rehabilitation: It is the announced policy of MR/GPR on rehabilitation of excess equipments to restore such equipments to 70 percent of their original serviceability before shipment to missions for use in the field. While this policy is voiced many times throughout the MR/GPR organization, it is likewise clear that actual rehabilitation is undertaken on an ". . . inspect and repair only as necessary" basis.[10] And, what is necessary depends primarily upon [illegible] of the particular EPRO, since no written MR/GPR standards for [illegible] frequent complaints registered against excess equipment, as recorded in the various AID reports, concerns bald tires. Research has disclosed that most excess equipments ready for shipment this summer had poor tires—either poor tread or poor casings, or both.

In June 1966, the Director of MR/GPR sent a memorandum to each EPRO Officer-in-Charge, attaching a copy of a Saigon report which indicated a ". . . very serious problem of deterioration of rubber componentry in mechanical items." The Director's memorandum concluded:

"As a matter of policy, I fully endorse USAID's recommendation that all such parts subject to deterioration be replaced during the rehab process, even though the part may meet our normal Section 608 criteria. Please take the action required and implement this direction at once."

What effect the Director's memorandum has had to this point is uncertain. Certainly, when he was informed of one EPRO's interpretation of his words "rubber componentry" as not requiring new tires, the Director stated that he would correct the EPRO's misinterpretation.

On balance, it is clear that AID cannot afford to rehabilitate equipments to the level of serviceability undertaken by the Department of Defense. But AID is not limited to a mere choice of either retaining present minimum standards or going to military rebuilding criteria. Other possible levels lie in between.

(3) EPRO Operating Differences: (a) *Differing rehabilitation levels.*—Research conducted in Vietnam confirmed the view that foreign excess equipments are often rehabilitated to higher standards than domestic. One reason for this difference is the existence of written standards in the Tokyo EPRO's largest rehabilitation contract. Another reason, perhaps, is the matter of labor rates, which range from about 24 cents an hour in Korea to something over a dollar

[10] Indeed, the minutes of the Excess Property Seminar [illegible] this year employed "inspect and repair only as necessary" as a criterion for the conduct of rehabilitation operations.

[11] The Tokyo EPRO has developed a series of written standards for rehabilitation of the equipments undertaken by one of its contractors—Japan Aircraft. By lay standards, these criteria appear to be thorough, viable, and reasonably explicit.

"A firm funded mission purchase order . . . must accompany the special listing."

In practice, Mission "want" lists are funded virtually never, nor is the required format observed. Rather, the few "want" lists that are generated tend to be relatively informal documents. As a result, the EPRO's do not treat them systematically by any form of rigorous cross-screening against their inventory. Most EPRO personnel are necessarily bent on, and devote the bulk of their time to, making acquisitions. They find "want" lists useful more as general, than

Item 30 of the PA/PR called for sixty surgical instrument sterilizers at an estimated total new procurement cost of $2,610 (60 at $43.50). The FSN was 6530–299–8392, but the item description explicitly stated "Sub NS 6530–708–4570." As of the beginning of the year, the domestic 608 inventory contained 2088 sterilizers numbered 6530–708–4570, as shown by the consolidated domestic catalog, published 31 January 1966. (Note that this catalog was published to the field after the generation of the "want" list by Saigon.) All had an OAC of $61, and were available to the field at $9 each (15 percent of $60 = $9). In addition, the sterilizers held at New Cumberland and at Atlanta were in N–1 condition.[12]

Other items on the PA/PR included X-ray equipment, corrosion-resistant sterilizers, and other similar equipments, of which some substitutes held in inventory might have been possible. It is plain, however, that until the missions standardize on the use of "want" lists, and the EPRO's screen them in depth against their inventories, items will be purchased which might have been provided from excess.

(b) *Cataloging inadequacies.*—MR/GPR catalogs of excess stock on hand do not contain condition codes. MR/GPR is opposed to publishing available data on equipment condition, on two grounds: (1) condition may be reported incorrectly, and (2), since all Advance Acquisition excess held in inventory is serviceable, by definition, no condition information is needed.

---

[12] Condition codes are not reprinted in the excess property catalogs—data on conditions are available at the EPRO's.

No.				
195	46–6059	Kettle, steam (40 gal., gas fired)	1	$655
196	46–6059	Scaffolding hoist	3	450
197	46–6059	Bearings	Lot	907
206	46–6059	Fillings (elbows, tees, etc.), stainless steel	Lot	4,465
207	46–6059	Gate valves	Lot	1,200
220	46–6059	Transformers	5-in. lot	847
7	27–6082	Automotive parts, Willys	Lot	10,423
8	27–6082	Nuts and washers	Lot	11,459
9	27–6082	Oil seals	Lot	6,380
12	27–6082	Hose, rubber, radiator	128,000	19,219
13				
24	27–6082	Hardware (screws, bolts, etc.)	Lot	24,915
26	27–6082	Automotive parts, Willys	Lot	20,470
28	27–6082	Bushing, Marion shovel	209	470
30	27–6082	Gasket, GM	449,707	62,959
55	27–6082	Lighting fixtures and lamps	Lot	2,171

27	25–7008	Wire rope (stainless steel)	15	945
28	25–7008	----do	58	27,608
29	25–7008	----do	24	11,424
30	25–7008	Float, steel	150	115,950
31	25–7008			
52	25–7008	Hardware spares, miscellaneous nuts, bolts, washers, etc.	Lot	9,749
54	25–7008	----do	Lot	11,184
58	25–7008	Calipers, machinist's	41	1,168
78	25–7008	Hardware, rivets, bolts, washers, etc	Lot	8,545
98	25–7008	Lubricants	Lot	2,997
29	46–6059	Pumps and pump parts	Lot	7,248
41	46–6059	Refrigeration compressor	4	2,916
49	46–6059	Radio transmitter	3	12,500
50	46–6059	----do	3	19,440
51	46–6059	----do	2	12,870
58	46–6059	Electronic equipment (power supply, amplifiers)	4	2,090
62	46–6059	Electrical converters	10	7,508
63	46–6059	Electric motors	158-in. lot	13,758
70	46–6059	Lamps, lighting fixtures	Lot	4,499
71	46–6059	Circuit breaker	58	9,396
72	46–6059	Cable, power, electrical	Lot	1,287
80	46–6059	Diesel engine components	Lot	1,623
114	46–6059	Tube steel	102	479
141	46–6059	Brake unit (Warner)	50	520
143	46–6059	Engine components	Lot	5,194

3. AID Mission Inputs

a. *Background.*—Most AID missions operating in cooperating nations have established excess property organizations to help in administering excess property. The Vietnam Mission has located its Excess Property Section in the Procurement Management Branch.

At the time of our research conducted in Vietnam, the Excess Property Section consisted of a chief and two assistants, plus administrative help recruited from the Saigon population.

The official functions of the Vietnam Mission's Excess Property Section are excerpted in Exhibit XI.

EXHIBIT XI

OFFICIAL DUTIES OF THE SAIGON MISSION

6. Arranges for the transfer to the GVN of (other) non-AID-financed excess property . . .
7. Maintains close working relationship with the Program and Economic Development Office, technical divisions, the MR/GPR/W, EPRO's General Services Administration, and Defense Service Logistics Center . . .

31	Paris 66-77	Housing, flywheel and clutch, REO, truck	234	3,323

The listing should not be interpreted to suggest that AID should have claimed all or even most of its items. Indeed, it is deemed obvious that many were unsuitable. Rather, the intent is to show that some items do survive screening and, in connection therewith, to indicate the types of items that have survived.

86-277—67——7

b. *Receipt of Excess.*—AID Advance Acquisition (608) shipping documents carry the notation:

"In accordance with the Administrator's directive . . . the USAID excess property office should inspect all items covered by the subject purchase order immediately upon arrival in the host country and report their condition to MR/GPR/W."

Over 30 perecnt of the FY66 shipments of domestic excess to Vietnam came through the port of Saigon during the two months of April and May. The weight and cube of those shipments slightly exceeded 1,600 metric tons. It would appear that three excess property officers in Saigon would find it impossible to carry out this responsibility. Fortunately, in the Vietnam Mission, responsibiilty for arrival inspection of excess property has been assigned to the Maintenance organization, and Maintenance has, at least in part, contracted it out.

On balance, it appears that excess property staff personnel share the general MR/GPR attitude that once an item of excess has been delivered to the host country, AID's concern with it ceases. In excess property, as otherwise in Vietnam, no density figures are available. The Section's records show what excess property has been received over the [illegible] acquisitions, the acquisition process is, as it were, difficult enough without making maintainability a further limiting factor. Mission noncompliance may perhaps be attributable to the separation of supply and maintenance functions, or perhaps to the widespread attitude that mission responsibility ceases upon delivery of the item to the host government, or to a combination of both. In any event, and notwithstanding formal policy declarations, maintenance in general and spare parts in particular remain a major, unsolved problem in the AID excess property program.

The minutes of the Excess Property Seminar conducted May 23–25, 1966, in Panama (held for Latin American personnel) state that

". . . spare parts support on excess property is far more complicated than on new procurement and . . . the likely need for spare parts in the case of old equipment is greater than in the case of new, yet, at the same time, spares are more difficult to come by."

The Bureau of Latin America has a proposed Spare Parts and Maintenance Policy (which, as of 27 September 1966, lacked only MR/GPR clearance to become official). This Policy declares:

"*No* excess property . . . which requires spare parts for normal maintenance will be authorized for use in any grant or loan program in Latin America unless . . . the Borrower/Grantee . . . will immediately make arrangements to assure the availability of spare parts normally required."

d. *Equipment vs. Commodity Excess.*—The 608 program as operated by MR/GPR involves a flat accessorial charge of 15 percent against all items of excess property, irrespective of the item. Since roughly 75 percent of all dollars in the

constituted $546,000. The next largest item was wire, $154,000. In total, these two lion a year, but the prospect of improved local [illegible] whatever situs excess can be utilized not only saves money (the only cost being local transportation), it saves much time and effort, particularly procurement effort.

Unfortunately, the prospect of additional situs country excess is as limited as it is attractive. The amount of DOD excess generated in Vietnam is large; but one can estimate roughly that at least 90 percent of the excess in the property disposal yards is junk, and although some part of this junk might be salvaged, the amount may be too minute to justify the sorting effort. Since the DOD itself utilizes much of the remaining tenth, declared excess is still less. The new Army policy of listing that usable remainder will surely operate to improve AID's utilization. Nevertheless, this new policy does not countermand the older one of retaining whatever is repairable, pulling it out of Vietnam and sending it to Okinawa for repair. It is this latter ploicy which severely limits the magnitude of prospective improvements in the Mission's utilization of situs country excess. Another limiting factor is the impossibility of one individual's knowng all AID's needs in Vietnam.

Nevertheless, an increase of $250,000 in situs country utilization may well be the equivalent of an improvement in other excess utilization of, say, $500,000. At the very least, the former avoids the delays in consumption which are incident to all in-bound transoceanic shipments, and avoids making port congestion worse.

4. Generic Problems of Excess Property

a. *Background.*—A number of problems concerning the utilization of excess property by the Bureau of the Far East are not under the primary control of any one organization within AID, or for that matter, any organization external to it. Some of these problems are attitudinal; others relate to the overall eco- sibility, for enforcing AID's stated policy [illegible] of policies and pro- first source of supply."

In keeping therewith, among the Comptroller General's four general recommendations, one was that AID:

". . . require a written certification from responsible individuals that, for each purchase of new property, either no suitable excess property was available or available excess property was not used for a stated reason."

It can be argued that in the field, as distinguished from Mission headquarters, the problem of utilizing excess property is less one of apathy than of ignorance and lack of attention. To be sure, some field personnel are indifferent, or even antagonistic, to the use of excess. Perhaps more often, however, they are uninformed—in part because they are so busy with other matters.

So far as research has disclosed, no AID-wide effort has ever been made to acquaint all professional Mission personnel, particularly technicians, with the

Of course, acquaintance with the nature of excess stock does not solve the whole problem, or even the largest part of it. Given both a general knowledge of the excess property potential and a high degree of willingness to utilize it, Bureau of the Far East field personnel face a difficult problem in learning about specific excess availabilities. The twenty-five copies of 608 catalogs that Saigon Mission receives certainly cannot provide all who might profitably examine them the opportunity to do so. At present, only favored personnel can be afforded that chance. Moreover, mere access to catalogs is not enough; the access must be timely, else whatever items are selected may well have been preempted by other claimants.

c. *Excess Property Lead Times.*—Over the past few years, a number of complaints about slow deliveries of excess stock have been made by the Far East Mission to AID/W. Research of excess property lead times indicated nothing conclusive can be stated—either absolutely or relatively to lead times for new procurement. Outcomes vary widely from case to case, depending upon such factors as: whether the item is obtained under the Advance Acquisition or Direct Acquisition programs; whether an item is ready for issue or requires rehabilitation; and whether shipping space can be obtained, especially if the item is being shipped under special, space-available rates. In general, it would appear that

exceeds 100 percent of the reported utilization. Equally, no doubt, there are instances where the savings are negative, where the outlay for the excess exceeds its market value or—far more important—its value to the ultimate user.

Such savings, positive or negative, cannot be evaluated other than on a case-by-case basis. No universally applicable cost/benefit formula exists for their measurement, nor can one be easily devised. The insufficiency of catalog descriptions of the condition of items aggravates the problem; but the problem would still exist, even if the condition of every item were fully and accurately known in advance of ordering it.

What matters, of course, is value of the item of excess to the end user, and that value has nothing to do with cost. Where the item of excess under consideration is precisely the same as the given new item and is in the same condition as the new item, the value of the excess item to the user is exactly the same as the value of the new one. And, if the excess item is available and the new one would otherwise have to be procured, the savings are clearly real savings. However, the actual decisions are seldom that clear-cut. The substitute excess may not be exactly the same as whatever new item would be selected; for example, the item may be gasoline-engine driven instead of diesel-engine driven. And even if the excess item is precisely the same as what would be ordered new, its condition probably is not the same. Certainly, if the item is an equipment item, the odds are astronomical against its condition being the same as that of a new item. Here, relative values will turn on several factors, but most notably on the intensity and the duration of its past and on its projected use.

Making sound cost/benefit comparisons of new versus excess equipments is peculiarly difficult in Vietnam, because of the maintenance situation there. Research indicates the life of an equipment item in Vietnam tends to end with its first breakdown.[15]

whether the new equipment will last longer than the several used ones which could be obtained for the same dollar outlay. The question remains, and it remains unanswerable.

f. *Wants vs. Needs.*—It is axiomatic in the field of government procurement that the government buys for only its minimum requirements; that is, it satisfies only needs, never wants. That principle has not been extended to the utilization of excess. Nevertheless, the Comptroller General's report of April 1965 objected that:

". . . most, if not all, of the excess property has been provided as additions or supplements to the regular approved and programmed assistance and, as such, has resulted in an additional expenditure of United States resources rather than in a dollar savings to the United States. . . . Moreover, excess property items were being transferred as additions or supplements when the same types of items were simultaneously being purchased new for AID-financed projects and programs."

MR/GPR is wont to take the position that no distinction can be drawn between excess used in substitution for new proceurement and excess used in supplementation of programmed requirements.[16] Thus, AID protested to the Comptroller General that the provision of supplementary excess was not a valid basis for criticizing it. To which the Comptroller General retorted:

"We . . . have no objection to continuance of this practice. Our concern and our report deal with AID's failure to place primary emphasis on those uses of excess property which would result in savings . . . consideration (should) first be given by AID to the use of excess property in AID-financed projects and programs, and only after it is assured that such excess property is not needed for these activities should AID allow it to be transferred as supplementary assistance."

The supplementary excess issue is of significance to the Vietnam Mission, so long as the port of Saigon remains congested. Whereas the volume of excess [illegible] cable requested dispatch in replying, the required information being urgently "necessary in order to release balance of requirements for new procurement using current fund this fiscal year." [17]

[16] Although, at the Panama Seminar on Excess Property, an MR/GPR spokesman indicated "that the Congress prefers that excess property be a substitute for new acquisitions rather than as a supplement to the approved USAID program."

[17] MR/GPR/W replied May 2, projecting full satisfaction of the pickup and station wagon requirements, and all the two-and-one-half-ton trucks, if automatic transmissions were acceptable, but only 200 jeeps. Tokyo replied on the same date, projecting partial quantities in each category, including 90 jeeps, and sent MR/GPR/W a copy of its reply. Whether Frankfort has responded, MR/GPR/W did not know in August. (The decentralization of inventory control in MR/GPR makes this lack of coordination typical. Whereas copies of the MR/GPR/W to Saigon were sent to the three domestic EPRO's, no copies were sent to Frankfort or Tokyo.)

PART III

PROSPECTS FOR CHANGE

A. Introduction

The prior Part of this Report has dealt at some length with the excess property flow, and the dynamics of day-to-day operations of excess property as it affects the Bureau of the Far East. No discussion of future generations of excess

Domestic excess generations (OAC)	Fiscal years		
	1966	1967	1968
Gross value reportable	800	700	700
Gross value nonreportable	3,900	3,500	3,500
Totals	4,700	4,200	4,200

While it may be doubted that extrapolation has any validity whatsoever, the following trend is noted:

Total worldwide excess generations: Fiscal year 1964 ..... $6,900m
Total worldwide excess generations: Fiscal year 1965 ..... 5,300m
Total worldwide excess generations: Fiscal year 1966 ..... 3,300m

2. Prospects for Foreign Excess

Presumably, the OSD forecast did not take into account the military roll-up in France, inasmuch as GSA's request was for domestic excess generations. In any event, that roll-up should portend large acquisitions by the Frankfort EPRO. The Tokyo EPRO, however, has no such roll-up in view, and recently reported trouble acquiring needed quantities of excess property. By the end of FY66, its available inventory was down to less than $3 million, and its Officer-in-Charge informed members of the research team that unless conditions changed—that is, unless larger quantities of excess again became available—he expected to have to reduce his staff and the scope of his operations [illegible] value by trade-ins. Until very recently, however, the DOD felt itself constrained to do otherwise, offering its DEXS to other agencies for no-cost transfers, as though it were excess. Of the FY65 excess screened by GSA, $105 million was DEXS, of which $37 million was transferred as excess. In FY66, those figures dropped to $77 million and $30 million respectively. In each year DEXS was therefore about 5 percent total GSA transfers. Now, however, the DOD has authorized its depart-

[18] The OSD is apparently concerned lest the regional character of the GSA-provided DOD screening inhibit maximum utilization of such items.

agency fashion. Presumably, this action will have the effect of reducing DOD domestic excess availabilities.

4. Political Factors

The DOD increase in utilization of its own property cannot help but have an impact on future excess generations. Another impact on generations is caused by the ebb and flow of political opinion regarding the generation and use of excess property. At least one Senator, Senator Ernest Gruening (Democrat, Alaska), has exhibited a lively interest in excess property over the past two years, and it is entirely possible that his activities may alter the generation of excess property by DOD, and its use by AID. The threat to AID's utilization of excess property is embodied in Senator Gruening's Bill, S. 3385. He proposes therein to submit all Advance Acquisition inventories, foreign as well as domestic, to donation screening by the States before AID might utilize them. According to the Director, MR/GPR, the Bill has no serious prospect of passage.

Another effect of Senator Gruening's activities is felt through DOD generations. Specifically, the Senator has severely criticized DOD disposal practices, and has requested DOD to study the dissimilar departmental (Army, Navy, and Air Force) policies toward repair vs. disposal, with a view to establishing greater uniformity therein. The DOD denies that Senator Gruening has influenced its disposal policies and practices. Nevertheless, guidelines, as well as rules, operate in disposal practices, so discretion is involved; and the exercise of discretion appears to have been influenced. The off-the-record statement of a headquarters-level DOD representative was to the effect that, in situations where a year ago an inventory manager would have elected to excess certain items on the rationale of holding costs probably exceeding new procurement

5. Summary

No categorical assertions can be made, but all things considered, it appears likely that the amount of DOD-declared excess will be reduced in the foreseeable future. Based on all of the foregoing inputs, the research team forcasts the following worldwide excess generations (exclusive of the eventual roll-up in Vietnam):

Forecasted worldwide excess generations

Fiscal year 1967	$4,500m
Fiscal year 1968	4,200m
Fiscal year 1969	3,800m

C. Changes in AID excess property operations

A number of changes in AID excess property operations appear in prospect over the next two years or so. Among them are the following:

(i) *The Advance Inventory—Changes in Mix.*—The trend of Advance Acquisition shipments has been consistently and sharply upward over the past few years. Unless the mix between equipments and commodities changes, however, it would appear that the trend cannot continue upward for more than a year or two. Part of the reason for this potential "topping-out" relates to the fact that about 75 percent of all items held in the 608 inventory are equipment items and, therefore, require rehabilitation. Given the fact of a $15 million ceiling on this inventory, the rehabilitation cycle itself establishes a ceiling on the turnover of these equipment items. This situation is further worsened by the fact that items rehabilitated for known needs are being included in the reported on-hand inventory. This inclusion quite naturally tends to limit the quantity of goods that can be acquired and stored in advance of genuine needs therefor.

(v) *Changes to EPRO 5 Organization.*—At various times during the course of task force research, references were made to the possibility of the Bureau of the Far East assuming cognizance over EPRO 5 (Tokyo). Examination of this organizational approach by members of the research team revealed that removal of this organization from MR/GPR would probably harm that organization, and would not materially help the Bureau of the Far East.

That EPRO 5 happens to have so much of its business with Vietnam is incidental. It remains, like the other four EPRO's, an office whose business is AID-wide, worldwide. Currently, the Vietnam Mission can obtain as many of its acquisitions from EPRO 5 as Saigon chooses. It has not chosen, and presumably would never choose, to take all. The other Far East Missions are in a position to claim as much of the remainder as they will, since they obtain Tokyo's catalog's earlier than do the Missions elsewhere. Finally, it appears that the transfer of EPRO 5 to the Bureau of the Far East would create difficult and highly sensitive liaison problems with MR/GPR.

(vi) *Management Analysis of MR/GPR.*—Within the last few weeks, submission was made of the report of a special in-house survey of MR/GPR. The report is outstanding, and if its recommendations are adopted, highly important changes will ensue. The survey team of the Management Analysis Division of the Office of Management Planning reached the central conclusion that many of the prob-

A. Introduction

Part I of this Report has served to introduce the subject of excess property to the reader. Part II, the major portion of this Report, analyzed the excess flow throughout AID: its dollar magnitude and the system dynamics of excess property, with particular reference to its impact on the Bureau of the Far East, and the Vietnam Mission. Part III assessed the prospect for change, and indicated the probable size of excess property generations over the next three years. It remains to this Part of the Report to present recommendations for improvement in excess property operations.

[redacted] five sections of the Procurement Management Branch. The increase in excess property utilization by the Vietnam Mission from $1.8 million in FY62 to $13.1 million in FY66 makes excess "big business" in this Mission. Accordingly, the Excess Property Section should be promoted to Branch level, and the duties of the Branch should be expanded to include—in addition to its current duties—promotion of the use of excess property by Mission staff members and technical personnel, including the injection of excess property planning into Mission programming.

C. Recommendations beyond the power of the Bureau of the Far East to implement

The recommendations provided in this Section of the Report are presented with the knowledge that the Bureau of the Far East cannot undertake these proposed changes; rather, that the office of concern is more directly the Material Property Resources Division of AA/MR. It is obvious, however, that a num-

mum, the following functions:

(i) That within the Bureau's Missions he both promote the use of excess property where the costs and benefits of such use advantage the Bureau, and

(v) That in the event MR/GPR does not prepare materials to educate all Mission staff members respecting excess property, he prepare them for all such staff members under the Bureau of the Far East jurisdiction.

(vi) That he spend a minimum of two months annually in the field to acquaint himself thoroughly with the user's point of view toward excess, and with each Mission excess property officer's problems.

(vii) That he consider and investigate the feasibility of a centralized, combined Far East screening of excess property listings (especially GSA's) on behalf of the Far East Missions.

(viii) That he develop records and cause to be reported annually excess equipment densities in each of the Far East Missions, together with minimum data on their usage and condition.

(ix) That he concentrate more upon the substitution of excess for new procurement than upon its supplementary use, and that he advise the Assistant Administrator on budget controls over the latter.

(x) That he consider and advise on the feasibility and advisability of such matters as:

Establishing a forward holding point for Vietnam refugee items: say, at Poro Point;

Establishing standardization policies for excess equipments, particularly for Vietnam;

Establishing age guidelines therefor (for example, no excess equipment item over twenty years old should be acquired).

(xi) That for the duration of the congestion in the port of Saigon, he monitor Vietnam's use of supplementary excess, notifying the Assistant of its periodic weight and cubage

2. Seek Legislative Authority to Combine the Advance Acquisition and Direct Acquisition Programs

Such legislation should be so drafted that the Advance Acquisition program would become the one channel for satisfying both known and anticipated future needs. Shipments for both known and future anticipated needs would then involve an accessorial charge (as is now the case with anticipated needs only), and the Missions would then deal solely with the EPRO's—never with the GSA, and never with the DOD excess property disposal officers, except for situs country excess. Such legislation would remove any cloud upon the legality of present practices, and would alleviate the $15 million constraint, removing from it the many items awaiting or undergoing rehabilitation, frozen in recognition of existing needs therefor.

MR/GPR requires central control over excess if such property is to be provided to the Missions in an effective and economical manner. Specifically, central control should be established over:

(i) Mission "want" lists;

(ii) cross-screening;

voted to the specific problems of spare parts for excess equipments, including the claiming of many more spare parts for the Advance Acquisition inventory.

(vii) That MR/GPR prepare a booklet on excess property utilization for field personnel. In addition to describing the entire excess property system and AID's operations therein, the booklet should stress (as MR/GPR personnel do privately) that in some situations it is just as mistaken to use excess as it is, in others, to reject it.

ferred under the DA Program and $14,900,000 under the 608 Program. The property transferred under the DA Program was obtained from sources in Turkey and Europe. 608 property was obtained from worldwide sources utilizing all Excess Property Regional Offices (EPROs). Since 1964, better than 95% of all property transferred to the GOT under the 608 Program was funded from program loans (non-project). Approximately $122,000 acquisition cost of 608 excess property has been acquired under Capital Development Loan funds (project). The GOT administers their Excess Property Program through the Organization International Economic Cooperation (OIEC) which in turn falls under the Ministry of Finance. The present head of this organization is Mr. Ozansoy, who assumed responsibility for this operation in November 1966. Prior to this date and subsequent to February 1967, the operation was basically a 'one man operation'. As stated by USAID personnel, some of Ozansoy's predecessors were extremely competent, while others were not. Since assuming the duties of this position, Mr. Ozansoy, in February 1967, acquired the services of an operating type (engineer), Mr. Bozoglu, who in turn has devised various administrative procedures which have been lacking in the program to date. These procedures, when implemented, should eliminate the deficiencies which have plagued the program in the past and continue to do so at present. The procedure, as defined by OIEC, will:

(1) collect requests from recipients, (2) evaluate the requests of the recipients as to actual need, maintenance capability, budgetary support, etc., (3) freeze valid required property through the USAID, (4) issue Development Loan Letter Orders for valid required property through the USAID, (5) insure that all property is cleared through customs (within 30 days) after arrival in country by the recipient, and (6) follow through with appropriate surveillance of all property on a semi-annual basis to determine: (a) condition of [illegible]

It envisions a staff of approximately (14) people.

USAID

The Excess Property function is part of the Office of Commodity Imports. Until the arrival of Mr. A. Guidette, the duties and responsibilities of this program were handled by Mr. John May, Chief, Office Commodity Imports and Mr. John Bourne, Deputy Chief, Office Commodity Imports. Until assignment of Mr. Guidette as Excess Property Officer (EPO), the USAID did not and could not handle the function of this office in the manner in which it should have been done. Basically, prior to the assignment of the EPO, the USAID approved practically all the requests for excess property by the GOT on a pro forma basis without much, if any, investigation as to need, capability, budgetary support, etc.

tion of the property, (6) concur in the allocation and reallocation of all excess property and (7) provide the USAID with general surveillance over the entire program. A man of this type would also require the following qualifications: (*a*) familiarity with the country, (*b*) with GOT requirements, (*c*) with the language, and (*e*) a proven ability of getting along with the Turks.

During my stay in Turkey, I visited the following GOT installations and viewed excess property in operation:

(1) *Men's Technical Teacher Training College, Ankara,* accompanied by the following USAID/T personnel: H. Kerwin, Chief, Education Division; K, Harris, Branch Chief, Vocational Education Branch, and A. Guidette, Excess Property Officer. During the visit, I met and discussed the program with the following Turks: A. Erkan, Director; G. Erci, Department Head, Machine Shop; H. Dogan, [illegible] and one other school on a pilot basis and has agreed to use every means available to assist the Turks to obtain excess property. During the visit to this institution, I noticed the following machine tools, which were stored on a ramp outside a warehouse and were not in use:

(1) 12B Pratt & Whitney Profiler and Milling Machine (production item).
(1) Red Ring Gear Grinder (production item).
(1) Fellows Model E Gear Shaper (special-production item).
(1) Gear Grind Grinder (production item).
(1) 61A Fellows Gear Shaper (production item).

I was not able to learn if these items had been acquired by the GOT for this institution or if they had been ordered by a Contract Team, Spring Garden Institution. Sufficient to state that they had been in country for some time and had not been utilized. I brought this matter to the attention of USAID personnel, who in turn notified OIEC/GOT, who then informed me that the property would be reallocated as quickly as possible.

(2) *Ataturk Sanitorium, Ankara,* accompanied by the following USAID/T personnel: J. Bouros, Deputy Chief, Office Commodity Import; A. Guidette, EPO, and K. Intepet, EPO (local). During the visit, I met and discussed with Mr. Cafer the use of the excess property which had been obtained by this institution. All excess property was obtained under the DA Program and totaled $333,135 acquisition cost. $320,569 came from Turkey and $12,566 from Europe. The property consisted mostly of beds, medical equipment and supplies. I was very impressed with the utilization of excess by this institution. In one instance, I saw a lamp which had been modified, and was informed that this was used during operations. This, in my opinion, was a classic example of the Turks ingenuity in being able to adapt an item to a critical need. Also, Dr. Cafer informed me that [illegible] The types of property received consisted, in the main, of vehicles, construction and road building equipment, material handling equipment, etc. Regarding the 608 equipment received so far, Mr. Sahinbas mentioned that there had been a few

minor defects but that he was perfectly satisfied and preferred the 608 equipment (serviceable) over the DA equipment (as is—where is). I viewed their entire maintenance facilities and found them to be good but small. Their capability, not only for maintenance, but also for remodification and re-engineering, is far above average. I viewed an excess truck which had been re-engineered from a cargo truck to a fire tank pumper with a 40 foot extension ladder. Mr. Sahinbas informed me that if he had to buy that piece of equipment now, it would cost in the neighborhood of $50,000. I also viewed (1) Super 'C' *Turnadozer* in operation at the municipal garbage dump, and was informed that this was one of sixteen obtained from excess under the DA Program. He has ordered approximately $40,000 worth of spare parts from the U.S. in order to place the other Super 'Cs' in operable condition. I also viewed a Cat D 7 in operation, working on a street in the City of Istanbul. I was informed that in the past, he was forced by OIEC, to take excess property that he did not want. Sahinbas was very happy with the property he had received, and gave me a list of further items required.

The plant has a full capacity of 800 tons per day but was running at 600 tons. The reason for not running at full capacity was due to a part shortage of gravel. During 1966, 500,000 square meters of asphalt were laid in the repair of streets. Mayor Kiber estimates that 1,300,000 square meters will be laid in 1967. Using excess equipment, the price for doing this work dropped from $3.00 per square meter to $0.96 per square meter.

Up to December 1966, the Municipality had received $593,884 acquisition cost of property, of which $400,586 was obtained through the 608 program and $193,298 from the DA Program. Mayor Kiber made the following statements: (*a*) preferred 608 equipment over DA, (*b*) preferred commercial type vehicles over military vehicles because of economical operation, (*c*) in order of preference, he prefers 608 equipment from (1) domestic sources and (2) Antwerp Marshalling Site. He has not been satisfied with property from the Rota Marshalling Site, (*d*) he has been cannibalizing DA equipment for parts, (*e*) does not believe DA equipment has the same value as 608 and, therefore, does not take as good care of it as he possibly should, (*f*) has been remodifying equipment in order that it will perform more economically for his purposes, (*g*) intimated that gas engines removed from equipment, and replaced with diesel engines, were being sold without USAID knowledge or approval, and (*h*) he had personal knowledge of OIEC misallocating equipment to recipients.

I viewed a considerable amount of equipment, some of which are as follows: 5 ton dump trucks (only one had the AID emblem), heaters, asphalt finishers, D 7 dozer, road grader, etc. The following items viewed were not in operation: one 10 ton Baldwin Lima Hamilton, full track, crane. Mayor Kiber stated that he required a shovel front for this item. The crane had only arrived approximately 3 weeks earlier but was checked out and was ready to work, one bitumi-

ture of funds to rehabilitate, they needed all of them, and they would be put into operation, and he hoped they could be ready this year. At the present time, he does not have sufficient funds in his budget to rehab all of the seven vehicles this year, but he hopes to be able to obtain supplemental funds for this purpose. If this is not possible, the items will be completed next year. I viewed the entire operation, and it appears to be an excellent operation. Also, I saw a complete stock room filled with spare and repair parts for communication equipment which was obtained through the DA Program. This agency supports and furnishes services to the following GOT agencies: Forestry, Agriculture, Civil Aviation, Maritime, and Fishing.

(6) *D.S.I.—State Hydraulic Works, Ankara*, with Mr. Bozoglu, OEIC/GOT; A. Guidette, USAID/EPO, and K. Intepet, USAID/EPO (local), and met S. Sanal, Chief, Machinery and Supply Department. DSI has received approximately $2.5 million acquisition cost of excess property under the DA. They have not received any 608 property as yet, though they have approximately 25 to 30 items on order which will total approximately $400,000. The types of equipment they have received so far from excess consist of construction and road building equipment as well as vehicles. All property was acquired from Europe or Turkey and had to be rehabilitated prior to utilization. To rehab the equipment now in operation, they have ordered approximately $500,000 of spare parts from commercial sources in the United States. Most of the working items were out of the city, but I did view the following items in operation: one 2½ ton, 6x6, truck, which had been modified to add a water tank on the chasis; one fire truck; sixteen buses, most of which were Chevy and Ford, but one was a GMC coach; one 4 door Chevy automobile; four ¼ ton jeeps; one 15 ton semi-trailer, and one Bedford bus, manufactured in England, which was obtained from excess thru EPRO 4 approximately three years ago.
for maintenance work on this type of operation would be approximately 20%. Mr. Sanal stated several times that he was very appreciative of receiving excess property, and that it had helped tremendously in his operation and that he was looking forward to receiving the 608 items that he had on order. Maintenance capability was very good.

(7) *Bolu Forestry Base Maintenance Depot, Bolu*, with Bozoglu, GOT/OIEC; Guidette, USAID/EPO, and Bertshay, USAID/Forestry technician met with Mr. Salith Brean, Director. Viewed the entire operation, and the maintenance capability of this organization was exceptional. The following is a partial listing of equipment received under both the 608 program and the DA Program: nine D 7 cat tractors; two road graders; three TD18 tractors; five M series 2½ ton, 6x6, trucks (Reo's); two Clark fork lift trucks; two 16 cu. ft. cement mixers; two 300 Amp welders; one jeep; one ambulance, and one battery charger. The TD18 tractors and the battery charger, according to the Director, were obtained from 608, while the balance of the equipment was obtained from the DA Program. The three TD18 tractors were acquired with straight blades, and the Forestry requires angle blades. They intend to refit these items with angle blades, but,

in the meantime, they have been using them with the straight blades. The items have been in the country for approximately one year, and the maintenance cost has been light. The main complaint with this organization, as with all others visited, was the lack of spare parts and the necessity to obtain foreign exchange to buy the required parts. I inspected one No. 3 Brown & Sharpe Universal Milling Machine in their machine shop. The foreman of the shop was very pleased with this piece of equipment, which was obtained from the 608 program.

The following average repair cost were obtained for DA equipment which had been rehabed by this organization during the period of 1961–1963:

Item	Quantity	Turkish lira	Dollars	Approximate acquisition
[illegible]				
Pratt Whitney 2 Wheel Gear Grinder (2UP–546)[2]				
Micromatic Model 7–10–2 Hydrahone[2]				
#3 Bardons & Oliver Ram Type Turret Lathe[1 3]				
Fosdick Floor Type Drill Press[1]				

Mr. Ercan stated the following: (*a*) Excess Property acquisitions was one of the main reasons for the success of the forestry operations in Turkey; (*b*) he preferred 608 equipment over DA; (*c*) approximately 10% of all of his equipment was obtained from excess sources; (*d*) Forestry could not have accomplished as much as they did without excess property, and (*e*) *the excess property program of the U.S. was one of the best forms of AID that could be given to another country for their economic development.*

PORT OF ISTANBUL (PORT NO. 62 HASKOY CUSTOM AREA)

The following items were waiting to be picked up by recipients:

Description	L/O number	Agency	Identification number	Arrival date
Truck mounted crane, 20 ton[1]	66–20	Municipality of Ardesen	A–3572–D	June 1965.
Straddle truck[1]	58–93	Municipality of Merzifon	4UP351	December 1965.
Crane TMD, 3 ton[1]	58–61	Turkish Maritime Banks	2UP64133	January 1966.
Shop van truck, mounted	66–113	Municipality of Kirsehir	4UP943	No-

[illegible], though a production machine tool, would have limited application for the Forestry. It is on the list of requirements for the Yeni Mahalle Pilot School, and I was informed that this item would be transferred to the school.

Tourna Dorer	58–202	Municipality of Tapa		1966.
Semitrailer, tank	66–442	Municipality of Immir	(1)	(2)
Truck, wrecker, 1 arm	66–442	do	(1)	(2)
Truck, wrecker, 2 arm	66–442	do	(1)	(2)
Truck, utility	58–109	do	2UP–66–17	Nov. 1966.
Do	58–109	do	2UP–66–17	Nov. 1966.
3 truck chassis	66–442	do	A–4150–D	April 1967.
Truck, utility	66–58	Municipality of Islamkoy	(1)	(2).
Trailer-van, cooling	66–329	Municipality of Kinik	(1)	(2).
Water tank, truck mounted	66–92	Municipality of Kires	4UP–936	Nov. 1966.
Tractor, MRS	66–172	Municipality of Cal	2UP–66–48	Do.
Do	66–172	Municipality of Aydin	2UP–66–48	Do.
Trailer, lowboy	58–89	Public Works of Iaparta	5UP–043	Jan. 1966.
Compressor, truck mounted	58–271	Municipality of Sarkikaragec	4UP–985	Nov. 1966.
Truck, 2½ ton	66–192	Municipality of Evciler	A–1725	Sept. 1966.
Truck, cargo, 2½ ton	66–198	Municipality of Usek	A–1809	Dec. 1966.
Truck, chassis	----------	No identification	----------	--------
Do	----------	do	----------	--------
Truck, ¾ ton	66–451	Municipality of Daniali	(1)	(2)

[1] Form DD1149 documents are not received up to date.
[2] Items shipped from KPRO 4.

DISCUSSIONS WITH GOT/OIEC (MINISTRY OF FINANCE)

air compressor (210 Leroi or equal), one sheepsfoot roller, one truck tractor (5 ton), one road grader (Cat 12 or equal), one front end loader (2–4 cu. yd.), five 5 cu. yd. dump trucks, one 2½–3 cu. yd. dump truck, one 10–15 ton road roller, one 2000–5000 gal. water truck, one ½ ton pickup truck, one lubricating & servicing unit, one 300 Amp welder, and one maintenance truck complete with equipment; (*d*) the estimated utilization of equipment in the pools will vary, due to weather, but it was estimated by the GOT that 150 days per year would be a minimum; (*e*) the 1000 trucks which the GOT has ordered from EPRO 4. These items will be used for the following purposes: 300 border control (to control smuggling), 200 Ministry of Interior (law enforcement), and 500 for large municipalities; (*f*) GOT advised that they hope to acquire 50 million dollars acquisition cost of excess property in the near future for their economic development, and that was just a start; (*g*) how excess property will help the GOT; (1) build more farm to market roads, (2) enable the farmer to earn more money, (3) send more children to school, (4) more jobs, (5) GNP will increase, (6)

(1) The proposed procedure, which is in the process of formulation by the GOT, be completed and placed into operation within four (4) months, or the program be stopped until this is accomplished.

(2) That the following deficiencies now evident in the program be corrected: (a) ordering by the GOT of non-required items by recipients, (b) misallocations by the GOT to recipients, (c) forcing of non-required and unwanted property on recipients by the GOT, (d) possible sale of excess property by recipients without USAID approval (I did not find any evidence of this practice, but it was intimated that this had occurred in the past), (e) immediate transfer of past misallocated property by the GOT, (f) enlargement of the OIEC/GOT staff. and (g) filling of vacant slots by the USAID which will assist the GOT.

(3) AID emblems be put on all 608 excess property in country.

To: Mr. Joseph Lippman, Staff Director, Subcommittee on Foreign Aid Expenditures, Room 162, Old Senate Office Building, Washington, D.C.

1. Reference AID Conference held at New Cumberland Army Depot on 20 June 1967 in accordance with Priority Message DA 819984 from DCSLOG/MCD, dated 19 June 1967, subject as above.

2. DA Forms 5–23, Item Data Sheets for Agency for International Development and Department of Army Rebuild, covering Caterpillar Tractor D–7, FSN 2410–191–0536, are furnished as requested.

LONNIE E. HARPOOL,
First Lieutenant, AGC, Adjutant,
(For the commander).

ITEM DATA SHEET FOR DEPARTMENT OF ARMY REBUILD

ITEM DATA SHEET FOR ENGINEER EQUIPMENT (AR 750-512)	1. DATE (This information void after 90 days)
2. TYPE OF REQUEST (Check appropriate box) a. ☐ DISPOSITION REQUEST b. ☐ REQUEST FOR STANDARD ITEM DESCRIPTION AND FEDERAL STOCK NUMBER c. ☒ REPAIR ELIGIBILITY DETERMINATION	
3. TO: U.S. Army Mobility Equipment Center St. Louis, Mo.	4. FROM: Tobyhanna Army Depot Tobyhanna, Pa.
5. DEPOT, THEATER OR PCS DOCUMENT CONTROL a. SYMBOL / b. DOCUMENT NUMBER	6. CONDITION CODE (AR 755-6 and AR 755-10)
7. PRESENT PHYSICAL LOCATION OF ITEM: L. B. Smith, Inc., Camp Hill, Pa.	
8. TEMPORARY ITEM DESCRIPTION AND FEDERAL STOCK NO.	9. STANDARD ITEM DESCRIPTION AND FEDERAL STOCK NO.: 2410-191-0536 Tractor, full tracked, DED, w/bulldozer blade, cable operated, front power control unit, rear mounted winch
10. STORAGE RESERVATION CODES (Applicable to equipment in CONUS Depots only - AR 735-15) a. CONDITION / b. OWNERSHIP / c. LOCATION / d. STANDARDIZATION	
11. END ITEM TECHNICAL DATA	

cost of repair divided by catalog value)	23	TOTAL SCORE	d. 15

17. TYPE OF REPAIRS REQUIRED (Continue in Remarks below, if necessary)

Tracks grousers and one sprockett need replacing - Est. Cost $2200.

See attached sheet

18. RECOMMENDATIONS		19. PROCUREMENT DATA		20. ESTIMATED REPAIR COSTS	
	a. REISSUE W/O REPAIR	a. ACQUISITION COST Est.	18,243	a. COST OF PARTS & MATERIAL	3000.00
				b. COST OF MISSING TOOLS & ATCH.	
X	b. REPAIR TO ISSUABLE STANDARDS	b. PURCHASE REQUISITION NO.		c. LABOR COST 175 @ 5.65	989.00
	c. NOT ELIGIBLE FOR REPAIR	c. PURCHASE ORDER NO.		d. TRANSPORTATION COSTS RE-TURN OF ITEM TO REBUILD SITE	Trans 32.00 O/H 137.00
		d. CONTRACT ORDER NO.		21. TOTAL REPAIR COST	Subtotal 89.00 4247.00

22. MWO'S NOW INSTALLED ON EQUIPMENT (List numbers)

23. MWO'S REQUIRED AT TIME OF REBUILD (List numbers)

Requisitioned 28 Jan 67 - MB

24. REMARKS

Blade L 12'6 W 48" H36" wt
L 226 W 152 H 103 Wt 35676

TM-5-2410-207-12P
" 35P
TM-5-1227
TM-5-3068A
TM-5-9528

25. DISPOSITION INSTRUCTIONS

Received
Jan 27 67
TAD

Approved:
Ralph C. Suhm
Marshalling Site Supt.

26. RECOMMENDED REPAIR OR REBUILD SITE

Operational test unit to determine extent of repairs required. Start and adjust engine, replace missing magneto on starting engine. Replace all radiation cooling system hoses. Replace fan belts. Fill cooling system with anti-freeze. Change all fuel and oil filters. Change engine oil. Test transmission in all forward and reverse gears. Adjust steering clutchs and levers. Replace tracks, replace left sprocket. Fill final drive cases with proper lubricant, grease all track rollers and idlers, and track group assembly and winch assembly to facilitate disassembly, cleaning and detailed inspection.

COOLING SYSTEM AND OIL COOLER

Pressure test cores in accordance with recommended pressures to determine eligibility for repair. Remove upper and lower tanks, rod all core tubes and back flush. Remove all residual sludge and rust from tanks. Reassemble in accordance with applicable manuals using new gaskets. Pressure test completed units and repair all leaks in cores.

Furnish new hoses and radiator cap. Clean and paint exterior in accordance with MIL–T–704D.

with synthetic lacquer primer in accordance with Specification TT–P–664. Check all clutch linkage to master clutch control lever and repair or replace as required.

TRANSMISSIONS

Remove transmission covers (main and starting engine transmission) and flush interior to facilitate inspection of all seals, bearings, shafts, idlers and gears.

Replace all worn and defective parts. Replace all seals. Check ring and pinion for wear and cracks. Dial indicate for

WINCH ASSEMBLY AND FRONT P.C.U.

Disassemble units and repair in accordance with applicable manuals. All non-friction surfaces of P.C.U. clutch to be coated with TT–P–664. All cable and related parts are to be unwound, inspected and preserved in accordance with applicable manuals and specifications. Replace cable as required.

Inspect dead axles in accordance with applicable manuals. Diagonal brace track frame bushings to be replaced as required.

TRACK FRAME AND TRACK GROUP ASSEMBLY

Extend track to its maximum and measure across five pins and compute internal pin and bushing wear. Replace or turn pins and bushing 180° as required. Measure link wear and grouser wear in accordance with prescribed manner. Build up links by submersible arc welding and rework grousers with specified applicator bars as required. Evaluate the complete reclamation of the track assembly as to cost and determine the economics of repair. If tracks require more than 2 of the 3 reclamation processes, replace tracks. Gauge sprockets and check splines. Replace or rerim sprockets as required. Replace bellow seals. Check bottom rollers, carrier rollers and idlers for wear and repair. Reclaim rollers and idlers by submersible arc welding. Rebush, reseal and repair in accordance with applicable manuals and manufacturer's recommendations. NOTE: Track assembly must have minimum 75% track life remaining for acceptance.

BULLDOZER BLADE

Replace all cutting

REMARKS

Overall condition of unit—Fair.

PETRUS KY

EQUIPMENT INSPECTION AND MAINTENANCE WORKSHEET

1. Organization: USAID LOG DIV/MMB.
2. Nomenclature and model: TL–25K, NMC #26505 CRANE/SHOVEL CRAWLER MTD, 10 T, LORAINE.
3. Registration/serial/FSN: 24261.
5. Date: 17/6/67.
6. Type inspection: T I.

APPLICABLE REFERENCE

7. TM Number: Engine: Hercules. Model: JXD. SN No. 1934715.

ALL INSPECTIONS AND EQUIPMENT CONDITIONS RECORDED ON THIS FORM HAVE BEEN DETERMINED IN ACCORDANCE WITH DIAGNOSTIC PROCEDURES AND STANDARDS IN THE TM CITED HEREON

8*a*. Signature (*person(s) performing inspection*): Mr. Borja, TCN, Maint. Branch USAID/LOG.
9*a*. Signature (*Maintenance Supervisor*): David May, Maint. Branch USAID/LOG.

TM item No.	Status	Deficiencies and shortcomings	TM item No.	Status	Deficiencies and shortcomings

*Damage/pilferage after receipt in Vietnam.
**Condition when received in Vietnam.

PETRUS KY

EQUIPMENT INSPECTION AND MAINTENANCE WORKSHEET

1. Organization: USAID LOG DIV/MMB.
2. Nomenclature and model: NMC #26506 CRANE/SHOVEL CRAWLER MTD, LIMA 34.
3. Registration/serial/ FSN: 2595.
4*b*. Hours: None.
5. Date: 17/6/67.
6. Type inspection: T I.

8*a*. Signature (*Person(s) performing inspection*): Mr. Borja, TCN, Maint. Branch USAID/LOG.
9*a*. Signature (*Maintenance Supervisor*): David May, Maint. Branch USAID/LOG.

TM item No.	Status	Deficiencies and shortcomings
1	(**)	Oil leaking from rear crankshaft seal.
2	(**)	Oil leaking from oil filter cover gasket.
3	(*)	Adjust fan and generator belt, loose.
4	(*)	Adjust governor belt, loose.
5	(**)	Dismount exhaust flexible pipe and weld on mounting flange to exhaust manifold.
6	(*)	Battery missing.
7	(*)	Cables boom and hoist missing.
8	(*)	Bridle assembly, suspension cables and pins missing.
9	(**)	Adjust clutches swing drums.
10	(**)	Install boom and extension assemblies.
11	(**)	Replace missing extension bolts and mounting pins boom.
12	(**)	Lubricate chains, sprockets, and rollers track shoes.
13	(**)	Remove painted dirt on conical rollers and turntable.
14	(**)	Lubricate all gears, levers, rods, pins, and cables, after cleaning of painted dirt.
15	(*)	Repair dent on panel and sliding door of cab.
16	(**)	Replace bared wiring generator to voltage regulator.
17	(**)	Clean magneto points, spark plugs, and carburetor power unit, and test operation.
18	(*)	Replace all 110–V bulbs cabin and floodlights.
19	(*)	Top floodlights missing.
20	(*)	Horn missing.

*Damage/pilferage after receipt in Vietnam.
**Condition when received in Vietnam.

PETRUS KY

Model: 3057C.
SN #3A–18018.

ALL INSPECTIONS AND EQUIPMENT CONDITIONS RECORDED ON THIS FORM HAVE BEEN DETERMINED IN ACCORDANCE WITH DIAGNOSTIC PROCEDURES AND STANDARDS IN THE TM CITED HEREON

8*a*. Signature (*Person(s) performing inspection*): Mr. Borja, TCN, Maint. Branch, USAID/LOG.
9*a*. Signature (*Maintenance Supervisor*): David May, Maint. Branch = USAID/LOG.

TM item No.	Status	Deficiencies and shortcomings
1	(*)	Replace 2 each battery, 12 volts.
2	(*)	Replace clamps, battery cables.
3	(**)	Control cable, engine stop frozen.
4	(*)	Fill up coolant in radiator.
5	(*)	Adjust fan belt and generator settings.
6	(*)	Install boom and extension assemblies.
7	(*)	Replace boom mounting pins; bridle assembly, suspension cables.
8	(**)	Replace boom cable; rusty and worn out.
9	----	Track shoes and pins worn out and track shoes corroded; frozen.
10	(**)	Sprockets, track shoes worn out.
11	(*)	Lubricate sprockets and chain drive.
12	(**)	Clean out painted rust and dirt and lubricate after; all control levers, shafts, rods, pins and cables.
13	(**)	Remove dirt, paint and rust on conical rollers and turntable.
14	(*)	Lubricate idler wheels and rollers; deprocess and test electric power unit.
15	----	Deprocess and test electric power unit.
16	(*)	Replace all cabin bulbs and all top floodlights missing.
17	----	Clean off all dirt and lubricate turntable and swing gears.

*Damage/pilferage after receipt in Vietnam.
**Condition when received in Vietnam.

EQUIPMENT INSPECTION AND MAINTENANCE WORKSHEET NMC #25145
DETERMINED IN ACCORDANCE WITH DIAGNOSTIC PROCEDURES AND STANDARDS IN THE TM CITED HEREON

8*a*. Signature (*Person(s) performing inspection*): Mr. Borja, TCN, Maint. Branch, USAID/LOG.
9*a*. Signature (*Maintenance Supervisor*): David May, Maint. Branch, USAID/LOG.

TM item No.	Status	Deficiencies and shortcomings
1	(*)	Seat assy, operator missing.
2	(*)	Ignition switch missing.
3	(**)	Starter button switch missing.
4	(*)	All wires broken and disconnected, rewire.
5	(*)	Battery missing.
6	----	Radiator leaking.
7	(*)	Boom assembly, mounting pins, hook block, suspension cables, cable and pins assembly boom stop missing.
8	(**)	Clamp exhaust pipe extension missing.
9	(*)	Power unit floodlights missing.
10	(**)	Left chain loose.
11	(**)	Track shoes and pins worn out.
12	(**)	Track shoe sprockets worn out.
13	(**)	Roller bushings worn out.
14	(**)	Oil leaking excessively on tracks drive box.
15	(*)	Bulbs, floodlights, and cabin lights missing.

*Damage/pilferage after receipt in Vietnam.
**Condition when received in Vietnam.

EQUIPMENT INSPECTION AND MAINTENANCE WORKSHEET NMC No.: 10464

1. Organization: USAID Log. Div./MMB.
2. Year, make, type and model: Garrion Crane IQ/TON, 6x6, Thew Co.

DETERMINED IN ACCORDANCE WITH DIAGNOSTIC PROCEDURES AND STANDARDS IN THE TM CITED HEREON

8*a*. Signature (*Person(s) performing inspection*) Mr. Borja, TCN, Maint. Branch USAID/LOG.

9*a*. Signature (*Maintenance Supervisor*) David May, Maint. Branch USAID/LOG.

TM item No.	Status	Deficiencies and shortcomings
1	(**)	Spark plugs, contact points, condenser; defective.
2	(**)	Clean and service generator, starter motor and carburetor assemblies.
3	(**)	Dismount and clean radiator, fins, block, by dirt and execessive paint.
4	(**)	Fuel tank, fuel lines; fuel pump bowl dirty.
5	(**)	Gasket mounting, engine governor, and generator; leaking.
6	(**)	Seals, steering knuckles; leaking.
7	(**)	Seal steering sector shaft; leaking.
8	(**)	Muffler assembly rotten.
9	(**)	Seal compansion flange; front differential leaking.
10	(**)	Shaft, rod, and pins, clutch pedal; corroded.
11	(**)	Clutch disc frozen.
12	(**)	Brake band parking, frozen.
13	(*)	Windshield cracked.
14	(**)	Hinge cab door frozen.
15	(*)	Door torn; Straighten and weld torn portion.
16	(**)	Window glass channels on door rotten and binding.
17	(**)	Window glass, regulators, door and rear; corroded.
18	(*)	Mounting nut and lever knob; service light switch missing.
19	(*)	Fuse turn signal lights missing.
20	(*)	Bulbs panel lights missing.
21	(*)	Bulbs, turn signal lights; front, clearance lights missing.

6. Type inspection: TI.

APPLICABLE REFERENCE

TM Number: VN–E–6470–12.
TM Date: L/SMB.

ALL INSPECTIONS AND EQUIPMENT CONDITIONS RECORDED ON THIS FORM HAVE BEEN DETERMINED IN ACCORDANCE WITH DIAGNOSTIC PROCEDURES AND STANDARDS IN THE TM CITED HEREON

8*a*. Signature (*person(s) performing inspection*): Mr. Borja, TCN, Maint. Branch USAID/LOG.

9*a*. Signature (*Maintenance Supervisor*): David May, Maint. Branch USAID/LOG.

TM item No.	Status	Deficiencies and shortcomings
1	(**)	Floodlights not mounted.
2	(**)	Boom missing.
3	(**)	Hook block missing.
4	(**)	Bridle assembly missing (Crossover sheaves for boom).
5	(**)	All 4 outrigger locking pins missing.
6	(*)	Batteries missing.
		CARRIER CRANE 10T, BAY CITY, TDXC NMC NO. 10462 SN NO. 7893
1	(*)	Windshield wiper arm assembly missing.
2	(*)	Door glass cracked.
3	(**)	Transmission top gasket leaking.
4	(**)	No output from generator.
5	(*)	Right front fender bent.

*Damage/pilferage after receipt in Vietnam.

EQUIPMENT INSPECTION AND MAINTENANCE WORKSHEET NAG 16-74

1. Organization: USAID. LOG. DIV./MMB.
2. Nomenclature and model: CRANE TRK MTD 20 T. LORAIN, E-6610.
3. Registration/Serial/F SN: 22524.

APPLICABLE REFERENCE

TM item No.	Status	Deficiencies and shortcomings
1	(**)	Fuel leaking from fittings on fuel pump and fuel tank.
2	(**)	Oil fuel pump leaking.
3	(**)	Generator assembly dirty.
4	(**)	Spark plugs contact points and condenser defective and head gasket; water getting into combustion chamber.
5	(**)	Excessive paint on control levers, rods, pins and cables; control levers frozen.
6	(**)	Lubricate all gears, chains, and sprockets.
7	(*)	Boom bridle assembly missing.
8	(*)	Suspension cables and pins, bridle assembly missing.
9	(**)	Frame sliding window glass; right side of operator rotten.
10	(*)	Lower windshield glass cracked.
11	(**)	Hoist cables badly corroded and worn out.
12	(*)	Wedge boom cable anchor; sheave missing.
13	(*)	Floodlight top right missing.
14	(*)	Wire disconnected on top left floodlight.
15	(**)	Hinge top ventilation door of cab frozen.
16	(**)	Hinge door operator cab frozen.
17	(**)	Remove excessively painted rust and dirt on turntable.
18	(**)	Tensor rod left boom cable stop broken.

* Damage/pilferage after receipt in Vietnam.
**Condition when received in Vietnam.

EXHIBIT 13

MEMO CONCERNING MEETING WITH MR. LIPPMANN ON EXCESS PROPERTY FOR VIETNAM

MAY 22, 1967.

DAA/VN, Mr. Walter G. Stoneman.
AAA/VN/CM, Mr. John Heilman.
VN/CM/LOG–D (Acting), Frank A. Osmanski.

from contractors should be made at all EPRO's.

We indicated that VN/CM/LOG was then in the process of producing a memorandum to PROC/GPR requesting that not only the above three requirements be satisfied but also that certain new standards of rehabilitation be instituted, immediately for Vietnam, then as soon as possible throughout the entire Far East, and finally, when it can be negotiated, worldwide.

Mr. Lippmann asked for a memorandum on the action we will take on his three points. We intend to send him a copy of our memorandum to PROC/GPR.

pearing on those lists should be used to fill existing requirements for the same equipment, and (b) establish controls and standards designed to promote and measure work output of the Philco/Ford contract team in order to assure that their production levels are commensurate with man-hours input.

Attached also, for your signature, is a memorandum to the ADLOG requesting him to (a) take action on the report recommendations, and (b) advise you within twenty days of action taken.

AGENCY FOR INTERNATIONAL DEVELOPMENT, U.S. AID MISSION TO VIETNAM, SAIGON, VIETNAM

INTERIM REPORT ON EXAMINATION OF U.S. EXCESS PROPERTY PROCURED DURING THE PERIOD JULY 1, 1964, TO DECEMBER 31, 1966

AUDIT BRANCH, OFFICE OF THE ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT, AUDIT REPORT NO. 67-57, MARCH 31, 1967

SCOPE AND PURPOSE OF EXAMINATION

Vietnam for such equipment is located in an open lot located at Petrus Ky, Saigon/Cholon.

heavy equipment out of Petrus Ky to job sites at a pace that would tend to reduce in two or three months, stored quantities of such equipment.

Out of 38 tractors and cranes stored at Petrus Ky on March 22, 1967, only [illegible] certified as operable and available for issuance, steps are taken to keep them in such condition until removed from the lot.

The following incident which occurred while we were at Petrus Ky, serves as an example of the latter shortcoming. A USAID technician came to Petrus Ky in response to a notice from ADLOG/MMB requesting him to pick up two trucks that were available for issuance to him. After the trucks were located, it was found that one had faulty brakes, and the other had a shattered windshield. The technician declined to accept delivery until the necessary repairs were made; consequently, he departed and movement of the vehicles from Petrus Ky was delayed.

In response to our request for comments regarding statements in the draft of this report, ADLOG stated, "The vast bulk of equipment arriving in country is moving fairly rapidly to the consignees and is presenting no long-range storage problems." While we do not question the accuracy of this statement, it obscures the fact that quantities of equipment stored at Petrus Ky has increased in the past few weeks. We have noted that the Petrus Ky inventory list dated February

months later during the period November 4 to 15, 1966. We were informed by [illegible] assigned to the Petrus Ky storage site that nearly all re-USAID offices which requested procurement of such property. With the exception of a few pieces of equipment, the extent of repairs required to put vehicles in operating condition was not known. ADLOG had taken steps, however, to correct the latter situation. A Philco/Ford contract group consisting of approximately 100 Korean third country national employees has been engaged in inspecting and repairing inoperable equipment.

We considered progress on vehicle inspections by the contract group as quite adequate, however, completed repair jobs appeared to be lagging. Records showed that on March 23, 1967, ten vehicles were in the Saigon Shop for repairs. The first one was brought in on February 14, 1967 and the last one was brought in on March 1, 1967.

Maintenance and repair facilities

It was the opinion of ADLOG personnel assigned to Petrus Ky that existing shop facilities were not adequately equipped to handle repairs on heavy equipment such as tractors and cranes. Problems resulting from this condition were becoming more serious because additional heavy equipment requiring major repairs and overhaul were still arriving in Vietnam and being stored at Petrus Ky. On February 18, 1967, we saw four newly arrived D–7 tractors at the storage site; two had cracked main engine blocks and three had cracked starter engine heads. Under existing conditions, we believe prospects are dim for moving

ments that have resulted in securing guard services at Petrus Ky which are the same type as those provided other USAID activities in Saigon.

Conclusions

We have noted during the course of this examination that Petrus Ky activities related to Excess Property Automotive Equipment has shown gradual but steady improvement in its organizational and managerial aspects. Security for protecting property has been strengthened, and the Philco/Ford contract team now provides inspection and repair services that previously were lacking. The contractor's productiveness however, in terms of hardcore-storage-problem equipment moved from the "deadlined" category to the "ready for issuance" category has not been adequate. Until improvement occurs in this area, significant progress in reducing quantities of automotive equipment stored at Petrus Ky may not be realized.

Quantities of equipment are stored at Petrus Ky which are uncommitted and unconsigned with regard to designation of specific users. Such equipment represents the hard-core storage problem at Petrus Ky. ADLOG/PMB is in a good position to render assistance in solving this problem by identifying prospective users of such equipment. ADLOG/PMB has not performed this service because they have had not been furnished information that identifies uncommitted and unconsigned equipment stored at Petrus Ky.

Recommendation No. 1.—The USAID, ADLOG, should arrange for ADLOG/MMB to prepare lists of Excess Property items which identify uncommitted and unconsigned equipment stored at Petrus Ky. These lists should be furnished USAID/V: [illegible] that rather than starting new procure-

Director
Associate Director
ADPW
ADLOG
ADM
ADRE

ment of vehicles and equipment described in Reference (E) because of excessive age and poor condition. This shipment was intended for ARD [Accelerated Rural Development] [illegible] Foreign Assistance Act], a determination will be made as to whether it is practicable or impracticable to procure the item from excess in lieu of new procurement.

The criteria include but are not necessarily limited to the following:

1. Project

a. Criticality, particularly its relation to countersubversion and security.
b. Importance of timely arrival and mission ability to influence arrival time.
c. Effect on project of equipment becoming unserviceable.
(1) Is project one requiring coordinated operation of a spread of equipment?
(2) Are there deadlines to meet?
d. Particular suitability for excess utilization such as training projects, vocational education and the like.
e. Expected usage in terms of work to be performed and frequency of use.

2. Commodity

a. Normal availability from excess.
b. General nature of the commodity.
(1) Is it normally available new or used?
(2) When normally only available used:
(a) Is it motorized or not?
(i) If notorized, what are the probalities of its having been abused?
(b) What has our experience been in the past with similar items obtained from 608 excess concerning:
(i) Condition upon receipt.
(ii) Service history.

[illegible] track grader engine cylinder head cracked. Faulty ignition components voltage regulators starter and solenoids. Leaky water pump. Inoperative lights windshield wiper. Missing wiper blades tools. Deteriorated fan belt brake hose.

3. Tech manuals and parts catalogs missing.
4. Delayed delivery after PO issurance eight months or more.

BLAIR.

DEPARTMENT OF STATE.

To: U.S. AID Tokyo U.S. AID A–07. Pass to EPRC 5.
From: USOM/Thailand.
Subject: Process Property Section 603, Special Maintenance Procedures.
Reference: U.S. AID A–12 dated January 27, 1967, same subject.

Further, U.S. AID recommends that the suggested procedures outlined in Tokyo U.S. AID A–27 dated October 22, 1965, be followed on all 608 equipment. Briefly, these provided that all dynamic assemblies be sufficiently disassembled to insure that inspection is adequate and serviceability standards are assured.

PHILCO CORP.,
TECHREP DIVISION,
ARD TRAINING UNIT, NORTH EAST TECHNICAL INSTITUTE,
Korat, March 22, 1967.

Mr. DAVID P. LAWSON,
U. S. O. M.
Bangkok.

Subject: Condition, on receipt, of 608 equipment.

Pursuant to our conversation on 15 March, concerning the condition of "608" equipment as received, it is quite obvious that the equipment so far received, has not been rebuilt. In fact, quite often, the only noticeable work performed has been a new paint job.

To date, the following deficiencies have been uncovered.

1. 8–D Tractor Serial 9A1644 (MSD 1–22–24).

This Tractor was received with leaking injector seals, leaking "Dog House" seals, forward-reverse sliding collar so badly worn as to prevent shifting, and carbon deposits on pistons. The tractor was worked only 15 hrs. before further ment is now deadlined at the NETI shop awaiting repair.

4. Unit Crane, 10 ton, Truck MTD, Serial 52120 REC No. C–20.

This Crane was received from REC on loan, but unused by them. It has not been placed into service by us because of the lack of a boom. When Crane C–4 broke down, an attempt was made to cannibalize the engine from this carrier. On inspection, the bearings and crankshaft on this Crane carrier also proved unserviceable.

JAMES D. SANDERS,
Philco Field Site Coordinator.

Approved by:

A. I. HENNESSEY,
Chief of Party.

C/O U.S. ARMY DEPOT COMMAND, JAPAN,
APO San Francisco, Calif., January 4, 1967.

FE/RLO–AID/W Memo #40.
To: Mr. Greenfield, FE/LOG.
From: R. L. Crownover, FE/RLO.
Subject: Section 608 Excess Property.

1. Have recently observed subject property in use in Philippines, Thailand, Laos, and Vietnam. There has been same improvement in quality of rehab. This, together with solution of spare parts and catalog problems which formerly hampered the program, makes 608 equipment much more acceptable to USAIDs and host government agencies. There is still unanimous support for further improvement in quality of rehab. Specifically, there is desire that all high wear-out type

time consuming. USAIDs would be willing, if necessary, to pay more than the current 15% charge to have these improvements made by EPRO's.

2. In the Philippines, the provincial governments are paying through a trust fund arrangement for the Section 608 equipment and for its transport. Under this arrangement, it is especially important that the quality of rehab be of a high order. Recently 20 dump trucks were acquired by Laguna and Tarlac Provinces. The tires on these trucks appeared to be in good condition on arrival, but 30 tires were blown out within the first month. They were manufactured in 1950–1951, and had deteriorated in storage. I urge AID/FE to present this case to AA/MR and to recommend replacement of the tires without cost to USAID or Laguna and Tarlac Provinces.

3. I anticipate in the near future additional purchase of 608 equipment by host governments. The Royal Irrigation Department in Thailand has shown an interest since it has learned that spare parts support is available through FE–RLO from USADCJ.

4. The Korean government also is preparing to purchase large quantities of Section 608 excess equipment with its own foreign exchange. Any dissatisfaction with the quality of rehab will reflect unfavorably on the USA. We should improve the product and stand ready to make prompt restitution in those exceptional cases when deficiencies are discovered.

5. Copies of this memo are being furnished to FE USAIDs for comment and/or concurrence in the policy changes proposed herein.

DEPARTMENT OF STATE,
March 21, 1967.

To: TOKYO USAID A–14

cases, air compressor, etc., to consider. We have no problem in rebuilding transmissions, but what overloads us now and is so expensive, is the number of defective engines and transmissions on M–211 trucks upon receipt or short use. These vehicles have to be load tested for about 10 miles with at least a 5 ton load or dynamometer tested.

Other M–Series type such as M–215, M–221 Truck Tractors and M–37 are in great demand in this Mission. These we would be willing to pay extra costs for rehabilitation that are beyond R–1 condition, provided they were completely overhauled, tested and new parts used.

SULLIVAN.

DEPARTMENT OF STATE,
January 27, 1967.

To: SAIGON USAID A–40, VIENTIANE USAID A–10, BANGKOK USAID A–12.

From: Tokyo.

Subject: Excess Property Sect. 608, Special Maintenance Procedures.

At various times Mission representatives have expressed an interest in obtaining Sect. 608 property with accessories, modifications or special maintenance not covered by the standard charge of 15% of acquisition price which is the regular

Sect. 608 rate. This procedure has been authorized by AID/W and EPRO–5 will comply with such requests whenever they are feasible and if the Missions accept the additional charges.

Specifically the suggestion has been made that the M–211 model 2½ ton cargo truck which has an automatic transmission might be particularly acceptable if all transmissions were subjected to a complete overhaul, regardless of their working condition at the time they are rehabilitated.

This procedure which would be over and above the normal rehabilitation standards for trucks having transmissions in good operating conditions was deemed advisable by Mission personnel because of exceptional conditions in the field and because maintenance facilities are not always capable of performing adequate repairs in the field on this sub-assembly.

EPRO–5 estimates indicate that this special procedure would raise the cost [illegible] USAID Saigon [illegible]

2. On 14–15 Feb. 1967 Cat Mod D–7 on PO No. 4378–J–01, 4378–J–02, 4378–J–04 and 4378–J–05 with VNE No. 6337–111 M/F ORC refugee with following defects:

A. PO No. 4378–J–01, Ser No. 6T946 W/engine Ser No. 6T946 has cracked main engine block, cracked starter motor head, missing instruments and unserviceable track and suspension components.

B. PO No. 4378–J–02, Ser No. 6T2363 W/engine Ser No. ST1865P has cracked main engine block.

C. PO No. 4378–J–04, Ser No. 4T6841 W/engine Ser. No. has cracked starter motor head.

D. PO No. 4378–J–05, Ser No. 6T940 W/engine Ser No. 4T9976 has cracked starter motor head, unserviceable power control unit and unserviceable blade lifting cables.

3. Above conditions noted upon discharge. It is obvious that conditions present at shipment as all power control units tied in hold positions.

4. Once again this equipment is in less than 0–2 condition code which is acceptable standard. Repair standards or quality control should be raised by all suppliers of excess equip to Saigon.

OFFICE MEMORANDUM, U.S. GOVERNMENT

FEBRUARY 13, 1967.

To: Mr. Daniel P. McNerney, Chief, Logistics Div.
From: Ivan Smith, Acting Chief, Equipment Division.
Subject: 100 Jeep Engines Purchased from EPRO Frankfurt, Germany

Reference Scodas Letter dated November 16, 1966.

[illegible] investigation in order to come up with as complete

96090 : Generator and fuel pump missing.
88043 : Clutch and distributor missing.
15658 : Fuel pump missing.
10387 : Complete.
13096 : Clutch, fuel pump missing.
99370 : Complete.
98269 : Fuel Pump missing.
17321 : Generator missing.
76485 : Distributor and Fuel Pump missing.
12823 : Complete.
50806 : Carburetor missing.
10863 : Fuel Pump missing.
78755 : Clutch and Carburetor missing.
73554 : Clutch missing.
40706 : Distributor and Fuel Pump missing.
84174 : Carburetor and fuel pump missing.
96095 : Generator and Clutch missing.
88700 : Fuel pump missing.
46580 : Complete.
98445 : Clutch missing.
14494 : Clutch and Carburetor missing.
46004 : Fuel Pump, Clutch missing.
38226 : Distributor missing.

e. Two of the remaining 24 engines were disassembled and inspected. Engine with Serial No. 46004 had been rebuilt, the cylinders were bored .030 oversize and the crankshaft had been ground to .020 undersize, it had new pistons, rings and bearings put in, the only thing [illegible]

Carburetors	18
Generators	15
	9

On the same basis we can assume that 50 of the engines were never rebuilt.

g. The engines were stored outside here at Korat and we willingly accept the responsibility for damage that resulted from improper storage but do not feel that missing parts and the unrepaired condition of some of the engines is our responsibility.

DEPARTMENT OF STATE

To—AID/Washington TOAID–A–3825. APRIL 7, 1967.
From—USAID/Saigon.
Subject—608 Excess Property—Jeeps.
Reference—VN–E–6337–120.

1. Nine jeeps arrived under the referenced P.O. which apparently received nothing but a heavy coat of paint without preparation of surface.

2. Inspection on arrival reveal entire lot of vehicles were given only coat of paint even on engines and inside surface of radiators without benefit of steam cleaning. Rubber components were not replaced but painted over. Also, coils, distributors, carburetors etc. Improperly cleaned parts of engine and body were painted over and paint can be peeled off readily. Motormounts were rotten and should have been replaced. Canvass seat covers were rotted and in a deplorable condition.

3. All excess vehicles now undergo deprocessing which should only include checking or change of [illegible]

gasoline. However, often minor or major repairs have to be accomplished
the future, request engines, components and radiators not be painted but sprayed with oil preservative. It is impossible to determine if any repairs, and/or replacement have been made or are required.

4. Following are USAID/VN recommendations:

(a) Establish and/or improve testing and inspection procedures (to include inspection for protection against weather and freezing temperatures in transit) before equipment is placed in open storage or before shipment is made.

(b) Acquisition of 608 equipment on a more selective basis.

(c) Establish a higher and more uniform criteria for rehabilitation of 608 excess property, especially for EPROS I, II and III.

Subject: EPRO 5 Personnel and Qualifications as to parts and technical manuals

Pursuant to your request of this data attached herewith are all résumés of EPRO 5 personnel as of April 30, 1967.

Attachment.

Name: Carson O. Crocker.
Grade Level: FSR–1.
Education: B.S., Princeton University Languages and Sciences.
DOB: 8/29/08.
Experience with A.I.D.:

6/16/64 to present: Officer in Charge, Regional Office Far East Excess Property—FSR–1.
10/63–6/64: Chairman Personnel Evaluation Panel (& other TDY assignments in AID/W)—FRS–2.
4/59–10/63: Director USOM Honduras and Counsellor of Embassy for Economic Affairs—FSR–2.
12/57–4/59: Acting Deputy Director, O/LA Institute Inter American Affairs—FSR–2.
8/57–12/57: Desk Officer River Plate IIAA—FSR–3.
8/56–8/57: Acting Director USOM Colombia—FSR–3.
6/53–8/56: Chief Field Party Agriculture and Natural Resources, Colombia—FSR–3.
6/52–6/53: Chief Field Party Agriculture and Natural Resources, Paraguay—FSR–3.

Experience Prior to A.I.D. Employment:

3/51–3/52: Export Sales Manager, Miami Window Corp., Miami, Fla.

Name: James I. Kumara. [illegible] Minnesota Export Sales
Grade Level: FSR–3 (L).
Education: B.A., Michigan State University—Accounting, Business Economics.
DOB: 01/26/28.
Experience with A.I.D.:

3/65 to present: Excess Property Utilization Officer, Business Manager, Tokyo–R–3.

Prior Experience with A.I.D.:
1962–65: General Services Officer (Transportation) US AID Pakistan.
1957–62: General Services Officer (Transportation) USOM Iran.
1954–57: Equipment Officer, USOM Jordan.
1952–54: Master Mechanic, USOM Jordan.
Experience Prior to Employment with A.I.D.:
1949–52: U.S. Army Shop Foreman.
1947–48: Davis Construction Company, Davis Dam, Nevada—Mechanic.
1946–47: UNRRA—China Mission Equipment Specialist.
Other Qualifications and/or Licenses: None

Name: Weldon M. Harness
Grade Level: FSR–4 (L)
Education: University of Arkansas—2 Years; No Degree
DOB: 08/14/21
Experience with A.I.D.:
2/8/65–Present: Excess Property Officer (General)—Tokyo, Japan.
9/61–9/62: Deputy Supply Adviser, Ankara, Turkey
Education: No Degree.
DOB: 07/15/23

October 16, 1959 to February 10, 1964, the scope of this audit also included the same period in order to provide a large enough sample to properly evaluate the following "elements" of the program cited by the Chief of Commodity Imports in his request for the audit:

1. Operational and administrative effectiveness of O.I.E.C.'s American Excess Property Office.
2. The accountability and responsibility provided by recipient agencies.
3. Ways to measure benefits produced by excess property.
4. Degree of utilization of property transferred.
5. Capacity for effective digestion of additional excess property.

We examined the records of the original consignees for the receipt and disposal and Manual Order 1415.6, "Commodity Procurement: Acquisition of U.S. Government-Owned Excess Property". The audit findings in this report are based upon selective testing of representative transactions and procedures. Tests of procedures, property accounting records, internal controls and operations were made to the extent deemed necessary.

III. BACKGROUND INFORMATION

A. List of Recipients Contracted.
B. Missing Shipping Documents.
C. Recipients That Have Not Submitted the 6 Months' Status Report.
D. Excess Property Not Utilized.
E. List of Recipients That Did Not Submit Proposed Allocation Report.
F. Property Not Accounted For.

I. AUTHORITY

At the request of the Office of Commodity Imports, USAID/Ankara, an audit was made of the U.S. excess property program in Turkey, administered by the Office for International Economic Cooperation (O.I.E.C.), Excess Property, Branch, on behalf of the Government of Turkey (G.O.T.). This audit was made pursuant to the standard audit provisions in the three Excess Property Transfer Agreements between the Government of Turkey and the Government of the United States.

II. SCOPE OF AUDIT

This audit, covering the period from October 16, 1959 to September 30, 1965, was conducted from September 16, 1965 to February 28, 1966. Although the three prior audits that had been made of this program covered the period from

This program permits acquisition
foreign sources on an "as-is-where-is" basis directly from GSA, DOD and other Government agencies. There is no charge as to the value of the property itself.

Magnitude of the Excess Property Program

Through September 30, 1965 the USAID had transferred excess property to more than 332 recipients. The original acquisition cost of this property was approximately $35 million as follows:

Origin	Direct	Section 608	Total
Turkey	$9,314,235.62		$9,314,235.62
Europe	14,180,852.32	$3,119,853.00	17,300,705.32
Japan		261,329.00	261,329.00
United States	7,500,000.00	562,243.00	8,062,243.00
Total	30,995,087.94	3,943,425.00	34,938,512.94

IV. SUMMARY OF FINDINGS

The areas of weakness disclosed by the audit are summarized below and are set forth in detail in Part VI of this report.

USAID excess property shipping records are incomplete (Finding A, Page 5). Two tug-boats and one crane barge were transferred to the Turkish Navy without prior approval of USAID (Finding B, Page 5). None of the recipients have submitted the six months status report (Finding C, Page 6). Some property has not

ber 1965. We were informed by Maritime officials that they were too large for normal harbor use and too expensive to operate.

We subsequently learned that the Office of Commodity Imports had not received a request for transfer of these vessels, as required by the "Accountability" provisions of Decree No. 5/582, "General Policy and Procedure for USAID Mission Acquisition and Transfer of U.S. Government Excess Property for Non-military Use in Turkey". This decree provides that "Receiving agencies will be expected to sign receipts for excess property, maintain accountability therefor and promptly recondition and utilize it for the purposes for which it was provided. Such property may not then be transferred to another agency unless permission to do so is applied for and obtained from the USAID Mission".

We visited the Gölcük Naval Base on January 20, 1966 and the Commandant of the Base confirmed receipt of the vessels. We inspected the crane barge Barbados II, which was loading a vessel, and the tugboat Kepez which had a crew aboard and apparently had just returned from a trip. Reportedly, the other tugboat was "on duty in the Bosphorus" and could not be observed.

Recommendation B–1 (Action Office—GOT Ministry of Finance, OIEC Excess Property Branch) : It is recommended that OIEC submit a request to the USAID Office of Commodity Imports for permission, including justification, to transfer the tugboats, Kepez—LT 790 and Aksoy—LT 819 and the crane barge, Barbados II—YD 185, from the Turkish Maritime Lines to the Turkish Navy it being understood that the equipment transferred would be for non-military use by the Turkish Navy.

None of the Recipients Have Submitted the Six Months Status Report

Some Property Has Not Been Utilized Nor Reported As Excess To OIEC

(D)

Finding: Out of 643 direct acquisition items and 330 Section 608 items we found 125 direct acquisition items that were not being utilized in accordance with the provisions of paragraph 2.a. of the Transfer Agreements. We also found that out of the 26 recipients involved only 5 of them had reported the non-utilization of the property to OIEC in accordance with the provisions of paragraph 1 (e) of the agreements.

Paragraph 1 (e) of the agreements provides that the recipients will "notify USAID, through the OIEC, if and when the property should become excessive to the originally stated requirements so that it may be re-allocated". Paragraph 2.a. of the Excess Property Agreements states that "The recipient agrees that the property transferred to it pursuant hereto will be used promptly and effectively in Turkey as stated on Form A".

Reasons for the non-utilization are summarized below from Exhibit D, which also lists the recipients that did not comply with the reporting requirement.

Lack of spare parts	Scrap	No need	Excess to needs	Total
9	50	58	8	125

Lack of Spare Parts

Items were placed in this category when spare parts were not available from the excess property program or from the commercial market. In our discussions with the ultimate recipients we learned that spare parts for many of the older models of equipment are becoming increasingly more difficult to obtain. Considering that some of the equipment was more than five years old when received by the recipient in 1960 and 1961, spare parts will become increasingly more difficult to obtain, with a corresponding increase in non-utilization.

Scrap Condition

open air storage area in Haydarpasa, Istanbul. These scrapers were received in 1962 and have never been utilized. Topraksu officials, with whom we talked, stated that the road scrapers were much too large for their needs.

Excess to Needs

Items were placed in this category when the recipients had identical items, of which some were being used and some were not. For example, a recipient received 20 trucks, but the workload involved could be handled by 10 trucks. Consequently, based on information provided by the recipients, we classified 10 trucks as "excess to needs".

Recommendation D–1 (Action Office—GOT Ministry of Finance, OIEC Excess Property Branch): It is recommended that OIEC acquaint all GOT officials and employees who are responsible for administration of the program with the requirement for reporting property excess to their needs.

Recommendation D–2 (Action Office—GOT Ministry of Finance, OIEC Excess Property Branch): It is recommended that OIEC take action to transfer or dispose of the excess property that is not being utilized. (Exhibit D).

Most Recipients of Section 608 Excess Property Did Not Submit Form A

(E)

Finding: Sixteen of the 23 recipients of Section 608 property did not submit the Proposed Allocation of U.S. Excess Property as required by the transfer agreements. (Exhibit E)

Paragraph 1 of the agreements provide that "The recipient agrees to submit a Proposed Allocation, per Form A attached, to USAID, listing the items proposed

were unable to determine whether the property was not received or not properly accounted for. Furthermore, the recipients involved were not aware of the requirements of section 4 of the Agreements which states that "The recipient agrees to verify shipment received with covering documentation, and to report and reconcile any shortages or overages".

Recommendation F–1 (Action Office—GOT Ministry of Finance, OIEC Excess Property Branch) : It is recommended that OIEC establish procedures and controls to assure submission by the recipients, and receipt by OIEC, of reports verifying receipt of shipments, including the quantity and acquisition cost of overages and shortages.

Recommendation F–2 (Action Office—Office of Commodity Imports) : It is recommended that the Office of Commodity Imports establish a reports control system to assure submission of the "Receipt of Shipment" reports, by OIEC to the USAID/T.

Recommendation F–3 (Action Office—GOT Ministry of Finance, OIEC Excess Property Branch) : It is recommended that the OIEC Excess Property Branch locate and/or account for the items listed in Exhibit F and submit a report thereof to the USAID/T.

OIEC Accounting Records of Loan Funds for Section 608 Property Were Inadequate and Not Current

(G)

Finding: The Excess Property Branch of OIEC posts each Letter Order for Section 608 property to a journal. As of February 23, 1966, the last entry in the journal was dated October 22, 1965 under Letter Order 608 property.

Recommendation G–1 (Action Office—GOT Ministry of Finance, OIEC Excess Property Branch) : It is recommended that the Excess Property Branch establish adequate and current accounting records for Loan Funds for Section 608 property. The records should provide for the following information:

1. Loan number and amount of funds reserved under the loan.
2. Letter Order number, date and amount of funds obligated.
3. Balance of unobligated funds under the loan.
4. Adjusting entries for amendments to the Letter Order.

The OIEC Had Not Met Its Responsibilities For Program Administration

(H)

Finding: When we examined the records and related program documents at the OIEC, and discussed our findings with OIEC officials and twenty four representatives from various GOT agencies in a general meeting on February 24, 1966 we learned that:

1. There had never been a meeting of the "American Excess Property Purchases Arrangement Committee" authorized by GOT Decree No. 5/582 to administer the program.
2. Generally, GOT officials at the operating level were unknowledgeable of the purposes and features of the excess property program and their responsibilities in connection with the program.

3. No procedure had been established for allocation of property on a priority basis, as prescribed in the GOT directive of general policy and procedures for acquisition and transfer of U.S. excess property.

4. No back-order system had been established for filling the requests for property which were not available at the time requests were received.

5. No summary information had been prepared of unfilled requests from each agency. The only way to ascertain the backlog and age of unfilled request was to check each individual request.

6. As of February 27, 1966, the Excess Property Branch had 409 unfilled requisition for 6,651 items of equipment 36,000 meters of water pipe, 39,000 meters of electric and telephone cable and other miscellaneous items. 182 requisitions for 1271 items were 30 to 120 days old, 49 requisitions for 731 items were six months old, 157 requisitions for 1,073 items were 12 months old and 21 requisitions for 3,576 items were 18 months old. We were unable to ascertain which requisitions had been screened against excess property catalogs.

[illegible] (*Action Office—GOT Ministry of Finance*) : It is recom-

b. All GOT and Municipal employees, having [illegible] organization responsibilities, have expert knowledge of the purposes and features of the program and of their responsibilities in connection with the program.

Recommendation H–2 (*Action Office—GOT Ministry of Finance, OIEC Excess Property Branch*) : It is recommended that the OIEC design and install an administrative management improvement program specifically including:

a. A program and priority allocation system for excess property broken down into ministry and independent agency program appropriate to the needs of each ministry and independent agency.

b. A back-order system for filling requests for property which is not available at the time the requests are received.

c. Summary control information on unfilled requests from each agency.

d. Procedures for clearing the backlog of unfilled requisitions.

VII. GENERAL COMMENTS

The following comments are based on 82 individual end-use reports of visits to 74 recipients. Two reports each were made on 8 recipients of both direct acquisition and Section 608 property.

Utilization

With the exception of isolated instances, the recipients are obtaining maximum work value from the excess property received to date. It is our opinion that the non-utilization problems disclosed by the audit are relatively normal to a program the size and nature of the Excess Property Program in Turkey.

Illustrative of obtaining maximum work value from excess property is the utilization of the following road building equipment transferred to the Turkish reputation we [illegible]

of money, time, material, and quantity or quality".

Following are some typical examples of the basis upon which we rated the reaction of the recipients to the program as good.

Forestry Department—Mersin

"The vehicles have been helpful to accomplish a lot of work. Achievements cannot be measured".

State Railways—Ankara

Speech by Ismail Ertan, General Director of the Turkish State Railways, at December 6, 1965 turn-over ceremony of 468 excess property railroad cars.

"I welcome and thank you on behalf of our Establishment who are present on this occasion which have come here to celebrate an accomplishment to be very beneficial for the Turkish State Railways. In a critical time, when the need for freight cars against an increasing demand of transportation was very great and our financial facilities were very limited, our American friends provided us, through AID funds, with 468 freight cars, 300 of which were furnished against a very small amount of payment and the other 168 free of charge. All of these cars, each having a loading capacity of 50 tons, have arrived in our country. As seen from the demonstrations here, 46 of these cars will be used as they are, 100 of them will be modified to have 15 meter high fixed-walls, and the remaining 322 will be [illegible] about the utiliza-

tion of the vehicles and automotive parts as training aids for class room and workshop purposes, since the school budget was inadequate to provide the quantity and variety of vehicles and parts, essential for training purposes.

Following are some examples of bad reaction to the program.

Topraksu—Istanbul

Mr. Ziya, Regional Officer, stated that the 14 road scrapers arrived in 1962 and none of them could be used because they are too large and they do not have tractors to pull the heavy scrapers.

The Istanbul office informed their General Directorate on July 11, 1963 that the scrapers were excess to their needs. The General Directorate accordingly informed OIEC by Letter number 115/6977, dated January 30, 1964, but has received no reply.

General Directorate of Türk Kusu—Ankara

Mr. Irkin, the Supply Officer, stated they did not pick up 12 aircraft and seven miscellaneous items because they were in junk condition. Of the 10 planes picked up they cannibalized eight for the repair of the other two but still need engines for the two that have been repaired.

Administrative Shortcomings

The general success of the Excess Property Program in terms of utilization was achieved despite the many administrative shortcomings of the program. It has been recognized for some time by both the GOT and USAID that these shortcomings are due primarily to lack of an adequately staffed organization in the GOT to administer the program. (See Finding H)

When the program was initiated in Turkey in 1960, the GOT, by Decree N-

as well as representatives from State
the State Supply Office, was assigned the following duties:

a. To request information from GOT Agencies as to their requirements and to determine which of such requirements can be met from United States excess property sources.

can be effected.

On July 17, 1962, by Decree No. 6/741, the representative from the Ministry of Finance, OIEC, as Chairman of the Committee, was authorized to sign the transfer and acceptance documents for excess property on behalf of the GOT.

The Committee authorized by Decree No. 5/582 apparently has never functioned as an "operating committee" as originally contemplated. Instead, the OIEC representative has operated as a one man committee and operating organization on a part-time basis.

Recognizing the deficiencies in the administration of the program, the GOT, in August 1963, requested approval of the use of Counterpart Funds for a "GOT Excess Property Acquisition Activity". The project was established by Project Agreement No. 66–99–5, dated March 25, 1964.

The excess property organization authorized by the project agreement provided for a special staff group operating under the general direction and guidance of OIEC, Ministry of Finance. The group was to be charged with the responsibility for overall administration and coordination of the excess property program in Turkey. The estimated personnel requirement was 20 employees at an annual cost of TL 427,200.00. The total amount committed for the project was TL 842,-250.00, which covered personnel and other operating costs for a period of 15 months. It was contemplated that the project would be self-supporting after May 31, 1965. The final contribution date was established as February 28, 1965.

To date, the Ministry of Finance has not requested approval for release of any part of the funds. Since no funds had been requested and the final contribution date expired over one year ago, action was taken during the audit to cancel the project. (And make the funds available for other purposes). A Project Agreement amendment for this purpose was approved on March 3, 1966.

establishing the operating committee authorized by Decree No.

Excess property audit list of recipients contacted

	Location
Ministry of Agriculture:	
1. Office of the Ministry	Ankara.
2. Topraksu	Izmir.
3. Pest control	Do.
4. Pest control	Adana.
5. Forestry	Istanbul.
6. Forestry	Izmir.
7. Forestry	Mersin.
8. Topraksu	Do.
9. Topraksu	Istanbul.
10. Forestry	Antalya.
11. Forestry	Bolu.

Excess property audit list of

	Location
Ministry of Tourism:	
66. Tourism	Izmir.
67. Tourism	Antalya.
Miscellaneous:	
68. Trade Teachers School	Ankara.

41. Public works directorate	Do.
Ministry of Education:	
42. Tildiz Technical School	Istanbul.
43. Technical and vocational training	Do.
44. Printing plant	Do.
45. Automotive Technical Institute	Adana.
46. Undersecretariat of Technical and Vocational Education	Ankara.
47. Technical University	Istanbul.
48. Ege University	Izmir.
Ministry of Health:	
58. Iller Bank	Istanbul.
59. Iller Bank	Ankara.
60. Directorate of Public Works	Antalya.
61. Municipality of Istanbul.	
62. Municipality of Adana.	
63. Municipality of Ankara.	
64. Municipality of Izmir.	
65. Municipality of Bornova.	

3. State airports	Izmir
4. State railways	Haydarpasa-Istanbul
5. Technical University	Istanbul
6. Municipality of Ankara	Ankara
7. Municipality of Izmir	Izmir
8. Turkish civil aviation	Ankara
9. Forestry	Mersin
10. State railways	Ankara
11. State railways	Haydarpasa-Istanbul
12. State railways	Sirkeci-Istanbul
13. Maritime Bank	Istanbul
14. State railways	Izmir
15. Etibank	Istanbul
16. Etibank Fuel Power Station	Do.
17. Electrical exploitation	Ankara
18. EIEI	Do.
19. EIEI	Adana
20. EIEI	Antalya
21. Undersecretariat of Technical and Vocational Education	Ankara
22. Hacettepe Medical Center	Do.
23. State supply office	Istanbul
24. Municipality of Ankara	Ankara
25. Municipality of Izmir	Izmir

145	Radios	4	97,888
146	____do	1	3,700
165	Trailer 20 ton	2	43,488
192	Truck, shopvan	3	45,084
193	Scraper, earthmoving	1	10,920
203	Truck, tractor, 5 ton	1	28,094
204	Electronic testing machine	1	33,210
220	Crane, truck motorized	1	27,045
221	Crane, truck motorized	1	56,348
241	Crane, crawler with shovel	1	6,526
245	Forklift	2	43,488
252	Shopvan	1	32,230
258	Crane, truck motorized	1	29,975
259	____do	2	43,488
290	Truck, shopvan	1	21,744
58	____do	5	21,053
71	Truck, dump, 5 ton	1	30,000
72	Tractor crane	2	78,000
73	Truck, special purpose	1	39,851
74	Truck, fire	1	39,851
75	____do	4	14,036
64	Truck, forklift	1	12,550
55	Truck, straddle	2	30,519
56	____do	8	14,839
57	Tractor, warehouse		
	Total	134	1,565,922

142 AID'S MISMANAGEMENT OF THE EXCESS PROPERTY PROGRAM

General

The purpose of this review was to determine the extent of utilization and comliance with maintenance and reporting requirements of 40 vehicles (book value $99,132.66) transferred from U.S. Government Excess Property Stocks under Section 607 of the Foreign Assistance Act of 1961 (FAA), to the Emergency Employment Administration (EEA) of the Government of the Philippines (GOP).

Six of the 40 vehicles which were transferred to EEA in April, May and June 1963, were supposedly in operating condition and put into immediate use. In the ensuing 17½ months, 20 additional vehicles were repaired, leaving 14 vehicles which have never been rehabilitated.

The field work for this audit was conducted between January 27, 1965 and February 12, 1965.

Scope

The provisions of the National Economic Council (NEC)-U.S. Agency for International Development transfer agreement (T/A) and supporting documents less than 50% actually available and utilized by EEA.

Furthermore, EEA has not:

(1) Maintained adequate records of vehicle utilization;

(2) Submitted the six-month utilization report required by the T/A; and

(3) Provided adequate funds for the rehabilitation, operation and maintenance of the vehicles as required by the T/A.

We have recommended (Recommendation No. 1) that unless EEA takes immediate steps to correct these deficiences noted within 30 days from receipt of this report, the Mission initiate action to reposses the vehicles and allocate them to other GOP agencies who can guarantee reasonable utilization.

This report was discussed with the Program Officer who concurred with the findings and recommendations presented.

DETAILED FINDINGS AND RECOMMENDATIONS

transferred. Furthermore, there appeared to be no controls or records established over gasoline and oil consumption, cost and frequency of repairs and replacement of worn out or defective spare parts, nor were trip reports, trip tickets or any other reports indicating for what and how the transferred vehicles had been utilized available for examination.

In interviews with the EEA Assistant Administrator, various supply officers and officials in charge of EEA projects (Reforestation, Forest Conservation, Public Works and the General Auditing Office unit with the EEA), we determined that:

(1) Trip tickets are supposed to be filled out for each trip, but must be attached to the vouchers as support of claims for per diem and reimbursement for costs of repairs and maintenance expenses paid out of personal funds.

(2) No vehicle usage reports are prepared which would show mileage covered, number of days vehicle was used and/or idle, and cost of operation and maintenance. We also were told that several of the vehicle odometers were not working.

(3) The use and maintenance of the vehicles is determined by the office or project which received the vehicle as well as to a great extent by the individual actually operating the vehicle.

(4) Ordinary operating, maintenance and repair expenses such as gasoline, oil, greasing and cost of minor spare part replacements are being paid by the individual user or operator of the vehicle as there are no funds presently available for this purpose and the appropriation provided in the budget for fiscal year 1964–65 is not yet approved. The cost of major repairs are too large an expense for most users and as a result, at least one sedan has been deadlined in the EEA [illegible] enumerated in the transfer agreement (T/A) relating to the use of the transferred vehicle. The Assistant Administrator was appraised of this matter and indicated he would take steps to have the vehicle returned.

(7) Two vehicles are assigned to two former EEA officials. One, a weapons carrier, was issued to Daniel Gabat, a former Camp Superintendent under the Reforestation project in San Marcelino, Zambales. However, we understand the vehicle is now being held by Mrs. Crestita Antonio as security for personal debts of Mr. Gabat. The second, a pick-up was issued to Eusebio B. Garcia, a former Camp Superintendent under the Reforestation project in Hilltop, Norzagaray, Bulacan, who apparently still has the vehicle. Both of these situations are presently under investigation by EEA but so far no action has been taken.

In summary, of the 40 vehicles turned over to EEA, only 19 are presently being used in the EEA program.

Inspection

We inspected 21 of the vehicles which included the 14 at Reyes' garage and 7 which are in Manila and nearby. Three of the 7 supposed to be operating were deadlined at the date of inspection, and the odometers on the remaining 4 were broken. One of the latter group was in Reyes & Sons for a replacement of broken front window glass.

There were, however, actually 4 deadlined vehicles: a sedan which was parked in the open EEA compound and 3 carryalls being repaired in a private shop at

Rehabilitation funds

Funds in the amount of P207,000.00 were appropriated by the GOP for the rehabilitation of an anticipated 56 vehicles as provided for in a contract between EEA and Reyes & Sons Motor Works. As of February 12, 1965, P75,285.00 was paid for the rehabilitation of 20 vehicles turned over to EEA leaving a balance of P131,715.00 available to cover the rehabilitation costs of the remaining 14 units. The contractor had refused to release the rehabilitated vehicles to the EEA, or to begin work on others until he was paid and it was only last July 1964 that funds were finally released to EEA so they could pay the contractor. Rehabilitation work on the remaining 14 is continuing at a slow pace.

Conclusion

Based on the available records and information gathered through interviews, it

(b) Put all the vehicles [illegible] of the vehicles transferred

(c) Obtain adequate operating funds;

(d) Set-up proper records and controls; and

(e) Prepare required reports; the Mission (acting through the Program Office) initiate action, as provided under the terms of the transfer agreement, to repossess the 40 vehicles and transfer them to other GOP agencies who can guarantee proper utilization.

In the event that it becomes necessary to repossess the vehicles and some cannot be returned because the contractor repairing the vehicles has a lien on them, consideration should be given to billing the GOP for the fair value of these vehicles at the date they were transferred.

EXHIBIT 19

REPORT OF AUDIT

INCREASE IN PRODUCTION OF MINERALS—PROJECT NO. 489–12–210–605

INCREASE IN IRON PRODUCTION—PROJECT NO. 489–12–210–560

INCREASE IN COAL PRODUCTION—PROJECT NO. 489–12–210–599

FOR THE PERIOD FROM SEPTEMBER 1, 1963 TO DECEMBER 31, 1965

OFFICE OF THE ASSISTANT DIRECTOR/CONTROLLER, UNITED STATES OPERATIONS MISSION TO KOREA, AGENCY FOR INTERNATIONAL DEVELOPMENT

to provide the [illegible] industry (both government owned and private) to develop to a level where[illegible] could produce those minerals needed within Korea such as coal and limestone, produce other minerals in sufficient quantities to earn foreign exchange through

exports, and ultimately be in a position to finance its own future development costs. The Ministry of Commerce and Industry (MCI) is the Korean governmental organization responsible for fulfilling these goals, with specific tasks assigned to the Office of Geological Survey (OGS), the Bureau of Mines (BOM), the Research Institute of Mining and Metallurgy (RIMM), and the Korean Office of Minerals Exploration Program (KOMEP). KOMEP (the section primarily concerned with exploring and developing mining properties) originally was initiated by BOM and the USOM/K Mining Branch, and legalized by the National Assembly of the Republic of Korea (ROKG). Subsequently, KOMEP became a part of OGS and augments the technological services and assistance rendered by the OGS, the USOM/K Mining Branch, and U.S. mining engineers under contracts financed by AID, and receives the backing of the research and testing institutions equipped through AID procurement.

KOMEP has, through acquisition of U.S. Army excess equipment and mining machinery financed by AID, established a rental equipment pool valued at

... from production	489-12-210-560	499.4
Increase in production of minerals	489-12-210-605	1,049.8
Total		[1] 3,130.4

[1] Does not include the original acquisition value (approximately $7 million) of U.S.-owned excess property acquired from U.S. Government sources at no cost under the direct acquisition program.

Scope of audit

Our review was centered upon the operation of the KOMEP equipment pool to ascertain (a) if adequate accountability records had been established and were being used for the commodities provided; (b) if the commodities provided were being satisfactorily utilized; (c) if the mine owners were being billed accurately and promptly for that equipment rented to them and for royalty fees due; and (d) if the KOMEP pool was being satisfactorily managed in a business-like manner, and in accordance with the terms of the ProAgs which established KOMEP. Additional audit work was performed to determine if commodities obtained during the period under review for other phases of the mining industry had been procured in accordance with AID regulations, and if this equipment was being properly utilized. We also reviewed the procedures used in following up on counterpart loans made by the Korean Reconstruction Bank (KRB) for the development of coal mines to ascertain if the funds were being utilized as intended. A further review was made to determine if Koreans trained in the United States under the participant training program had fulfilled their obligations by utilizing the knowledge gained from their overseas training by working in the Korean mining industry.

Responsibilities for the administration of these projects were delegated by the USOM to the Mining Branch of the

than the amount of loan funds disbursed for facilities improvement, and other mines had not yet provided enough of their own funds to complete the facility program planned.

2. Instances when the team, surveying the facilities completed, erroneously reported equipment rented from KOMEP as facilities which had been procured with loan funds.

In brief, our audit disclosed a significant number of deficiencies requiring corrective action. These deficiencies are detailed in the body of the report, accompanied by our recommendations for appropriate corrective actions.

Prior to publication, a draft copy of this report was submitted for review and comment to the Mining Branch of IED, which expressed concurrence in the report findings.

Follow up on prior audit recommendations

The previous audit reports covering these projects were issued prior to the time when AID funding for coal and minerals other than coal was combined into one project agreement. Consequently, two reports were issued, i.e., No. 285, Increase in Iron Ore Production, January 30, 1964, and No. 301, Increase in Coal Production, April 17, 1964. Report No. 285 contained twelve recommendations which had all been closed based on either adequate follow-up by the USOM/K Mining Branch or on replies received from EPB which were considered satisfactory. Report No. 301 contained one recommendation which is still open. During our current review, we performed further follow-up to ascertain if the action promised in the replies to the recommendations made in Report No. 285 had been fully implemented. We determined that action pertaining to three of [illegible] surplus equipment and spare parts had not been satisfactory; therefore, additional com-

rates and between similar equipment, and to provide a stimulus to the mining industry	285–11	[illegible]
EPB should take the action necessary to insure that licenses are promptly issued for the U.S. Army excess trucks furnished to KOMEP	301–1	5

Detailed Findings and Recommendations

KOMEP Mining Equipment Pool

General

The KOMEP mining equipment pool consists of machinery, spare parts, and maintenance supplies and tools, which are to be used for exploring and developing those mines considered to have potential for producing coal and mineral ores. The pool commodities have been provided primarily from U.S. Army excess property (on a no-cost basis), and also by dollar funding of both new equipment and reimbursable U.S. Army excess property. The pool is physically located in two places, i.e., the OGS headquarters in Seoul, which handles most of the U.S. Army excess equipment, and at Chungju, which primarily handles the equipment, spare parts, supplies, and tools procured in a new condition with dollar funding.

equipment is rented to mines only after approval has been granted by the Mining Development Board (MDB) which is composed of members from the OGS, the ROK Bureau of Mines, and the USOM/K Mining Branch. In administering a rental program, it is essential that a basic record be established for each major piece of equipment when the commodity is first obtained, and a running history be maintained throughout the life of the item. This basic record should contain a complete description of the commodity, serial number, date received, source, value, condition, estimated life, rental value, physical location at all times, and any significant repairs or alterations made. Although the mining equipment pool has been in operation since 1960, KOMEP has not yet established this type of a record for its equipment.

One of KOMEP's significant problems is that its records are not reliable in disclosing the actual location of equipment. Our visits to mine sites revealed numerous instances when (a) the equipment was not at the mine indicated in KOMEP records, and (b) equipment had been transferred either to another mine or back to KOMEP, but KOMEP's records had not been changed as indicated below.

Of the 28 mines we visited, we found that at 14 mines the equipment physically located did not agree with KOMEP records. At three of these mines, we were not able to locate any of the equipment which KOMEP records indicated should be there. A list of the equipment which we were unable to locate is provided in Schedule 1 of this report. Unless this equipment is located within three months and inspected by a USOM representative, a refund claim will be filed with the ROKG for the value of the equipment.

Recommendation No. 1.—EPB should instruct MCI to have KOMEP make an exerted effort to locate the equipment listed in Schedule 1 of this report, and to report within three months the physical location of that equipment to the USOM.

We noted instances when equipment was transferred from one mine location to another without the prior approval of the MDB. Since all of the 28 mines we visited, we found equipment not being utilized at 18 mine sites. A list of this equipment is provided in Schedule 2 of this report. A claim for the value of this unutilized equipment will be filed with the ROKG three months after the issuance of this report unless KOMEP is able to establish that the equipment is then being effectively used.

Recommendation No. 3.—EPB should instruct MCI to have KOMEP (a) find another mine which will be able to utilize the equipment effectively and which is acceptable to the MDB, (b) transfer the unutilized equipment listed in Schedule 2 from the present locations, and (c) report the status of the equipment to the USOM within three months.

At KOMEP's Chungju mining pool location, we noted that many dollar procured spare parts have had little or no movement since they were obtained when

licenses for all 2½-ton or 5-ton trucks which have been repaired; but the ROKG does not consider jeeps or ¾-ton trucks as practical for use at mine sites, and therefore has not permitted the issuance of kwan plates for the jeeps and ¾-ton trucks. (Those jeeps which have been licensed were being used by officials of OGS.) The USOM Mining Branch, however, believes that jeeps and ¾-ton trucks would be useful at mine sites, and apparently KOMEP (a branch of the ROKG

mine owners, and dispose of those spare parts determined to be surplus to requirements (after receiving approval from the USOM).

In our audit report No. 301, issued April 17, 1964, we recommended (No. 1) that EPB take the necessary action to insure that government (Kwan) licenses be issued promptly for the U.S. Army excess trucks which had been furnished for mining projects. This recommendation has not yet been implemented. The first reply we received from EPB (December 3, 1964) stated that "vehicle licenses for the 319 various trucks received from the U.S. Army were isued on June 5, 1964. Additionally, those trucks which have been fully repaired are being utilized for transportation at the mining areas, with the remaining trucks to be put to use in the near future for the original purposes." The USOM responded on December 9, 1964, that EPB's reply had been investigated and that all trucks had not been licensed; therefore the recommendation could not be closed. On June [illegible] of the ¾-ton trucks, and verified that all the jeeps and [illegible] and 13 (2½-ton) had been repaired, but none of the vehicles had been licensed. We further noted that all the jeeps were being used: four being operated under private licenses, two being operated under temporary licenses issued by the local police, and two being used to a limited extent at the mine sites without any license.

As noted in Schedule 2, we also found 2½-ton and 5-ton trucks not being utilized due to their being neither repaired nor licensed. On December 4, 1965, EPB requested permission from the USOM to cannibalize 31 (2½-ton) trucks. On March 30, 1966, the USOM denied this request until a physical inspection could be made of the trucks and disposition determined on an individual basis. On April 29, 1966, USOM proposed to the ROKG that they sell these trucks, if possible (considering price offered) to the mine owners who had repaired the vehicles. The KOMEP board was authorized to make the final decision on the sales, and instructed to insure that the vehicles continue to be used in the mining industry.

Because of the long delay in having our former recommendation resolved, we made a complete investigation to determine how many of the U.S. Army surplus trucks obtained for KOMEP had not yet been licensed. Following is a summary of our findings:

	¼-ton trucks	¾-ton trucks	2½-ton trucks	5-ton trucks	Total
Total granted to KOMEP (Jan. 1, 1963, through June 30, 1965)	26	16	207	100	349
USOM permission granted to dismantle for spares	3	0	4	19	26
[illegible]	[illegible]	[illegible]	[illegible]	81	323

Mine	Equipment	Usage period	Billed
Danki coal mine	Bulldozer	Dec. 16, 1964 to Feb. 23, 1965	May 19, 1965.
	----do	Feb. 24 to Oct. 30, 1965	Do.
Shi Heung graphite mine	----do	June 1 to July 31, 1964	Aug. 7, 1964.
	----do	Aug. 1, 1964 to Feb. 23, 1965	July 29, 1965.
	Dump truck	May 10 to Sept. 9, 1964	June 10, 1964.
	----do	Sept. 10, 1964 to Feb. 23, 1965	July 29, 1965.
			Do.

billings rendered to five of the mines we visited:

a. Equipment was found at mine sites (as shown on KOMEP records) which was not being billed and was not in use at the time of our visit. This equipment may have been used between the final rental date and the time of our visit.

1. *Sungju Coal Mine:* Mixer at mine site since October 1963; never billed. Grader at mine site from October 1963 which we saw at the local rail station. Transferred back to KOMEP as of August 1965; never billed.

2. *Shi Heung Graphite Mine:* Rooter Road at mine site since August, 1963; billed only from August 1963 through May 1964.

b. In this group of five mines, no billing had been rendered for either ¼-ton utility trucks or ¾-ton trucks; however in our visit to these mines we found a ¼-ton truck in use at Sungju mine and a ¾-ton truck fully repaired at Dai Myung Mine. Elsewhere in this report we note that other trucks were in limited use at mine sites without licenses and other privately licensed trucks were being fully utilized. KOMEP had not rendered billings for any of these trucks since they were not under contract.

c. Billings are rendered on a sporadic basis and at times several months after the usage period had ended. Examples follow:

billings to all mines. We therefore feel that not only should these specific deficiencies be corrected, but KOMEP's procedures relating to the billing of rental charges must be definitely strengthened.

Recommendation No. 6.—EPB should insure that the billing section of KOMEP: (a) Institutes use of the rental rates established by the KOMEP Board on February 23, 1965, and retroactively adjusts all billings rendered for usage subsequent to February 23, 1965.

(b) Investigates thoroughly all billings rendered over the past two years to ascertain the extent of billing errors relating to (1) equipment in use at mines for which billings were not made, and (2) computation errors; and renders adjusted billings as applicable.

(c) Revises its contracting and billing procedures to insure that all equipment being utilized at mine sites is under contract, and is invoiced on a prompt and regular basis at the established rates.

Method of computing royalties

Our audit report No. 285 contained a recommendation (No. 7) pertaining to payment of exploration royalties which has not been resolved. The program relating to ROKG assistance in exploring and developing mines calls for the mine owners to contract with the ROKG to explore potential veins, and the mine owners agree to reimburse the ROKG for the costs incurred through payment of royalties at the rate of 59 percent of ore sales over a period not to exceed ten years. If exploration proves the vein is unproductive, the mine owners are not obligated to repay the exploration costs. Assistance to the ROKG in this area has been provided by the USOM since 1961 through counterpart funding [illegible] ROKG development budgets [illegible] to the timing of the repayments, but did not correct the conflict between the ROKG law and the project agreements as noted above.

Recommendation No. 7.—EPB should research and report to the USOM the reasons for the inconsistency between the Project Agreement and the ROKG law (which was enacted after the Project

Mine/equipment	Rate established by KOMEP Board	Rate billed

Note: (1) In all instances the rate billed is less than the established KOMEP Board rates; (2) Similar equipment (even when located at the same mine) is billed at different rates.

These findings were noted in our review of billings made to only five mines, but are probably indicative of the types of deficiencies and errors which occur in the

cable to AID financing. During January 1965, the BOK deposited 16,640,593 won in the AID Collection Suspense Account; however, to date the USOM has not rendered a billing to transfer the amount due to AID for rentals and royalties for the period from October 1 to December 31, 1964.

During 1965, the BOK deposited collections in the AID Collection Suspense Accounts as they were received, and on a monthly basis (approximately two to three months after the USOM is notified by the BOK) the USOM rendered a billing to transfer the collections from the AID Collection Suspense Account to [illegible] Through December 31, 1965, the 1963 and September 30, 1964 were on an estimated basis, and no royalties were deposited from October 1 to December 31, 1964; and we cannot determine the excess amount of collections deposited during 1965. At this time, therefore, we wish to adjust all previous estimates, correct the errors which have been made, and bring all deposits for collections up to date. To do this we request KOMEP to prepare several analyses of rental, royalty, sales, and miscellaneous income billings and collections. Pertaining to rentals, sales, and miscellaneous income, the analyses should cover the period from January 1, 1964 through December 31, 1965. Since billings rendered by the USOM for royalties have thus far been on an estimated basis, it is necessary that the analyses pertaining to royalties show (a) the amount disbursed to each mine in the fiscal year disbursed, (b) if the exploratory work resulted in increasing production, and (c) the royalties paid in each of the fiscal years to date. Samples of the forms which should be used by KOMEP in compiling this data are provided in Schedules 3A, B and C of this report.

Although these analyses are required at this time to correct the amounts deposited in the AID Counterpart Fund Special Account, we recommend that KOMEP continue to compile similar data during 1966 and future years. This will not only assist KOMEP in modernizing its method of keeping records, but will also assist the USOM technicians to determine the success of the rental and exploration programs, the need for further rental equipment, and those mines [illegible] exploration subsidies which require visits.

states that the ROKG will initiate action to establish a revolving fund for KOMEP.

The KOMEP operation is growing in size, both in rental collections and in the exploration program. During 1965, billings rendered by KOMEP totaled 55.2 won million (which we conservatively estimate could have been 69 won million if the rates recommended by the KOMEP Board had been used). These collections are currently being deposited into the Counterpart Fund Special Account and are reprogramed for all phases of AID assistance to the ROKG, i.e., not exclusively for the mining industry. Annual rental and royalty collections of this magnitude would assist the ROKG to fulfill the goals recently established for the mining industry in the ROKG's Five Year Plan. Since the ROKG will eventually have sole responsibility for financing the program, we consider that several Project Agreements, and (b) consider the use of the revolving fund for KOMEP to raise money to support the goals established for the future development of the mining industry in the ROKG's Five Year Plan.

Evaluation of the KOMEP operation

Although the KOMEP operations has definitely assisted the Korean mining industry by providing equipment and funds for exploration and development of new mines, the organization has not been managed in an efficient manner. We noted deficiencies in KOMEP's control over the location of equipment, numerous instances when equipment was not being properly utilized, and that the procedures to insure that rent was billed for all equipment being used were not adequate. Our audit was based on random tests of KOMEP's records and visits to selected mine sites. It would be most unusual if the deficiencies we found on a test basis were not prevelant throughout the entire KOMEP operation. To have a successful rental program, it is necessary that the mining equipment pool be effectively managed. Management must know where all equipment is at all times, know which equipment is not being effectively utilized, and be able to provide those mines which need equipment with their needs within a short period of time.

To assist KOMEP in improving the management of its operation, we are offering a recommendation to provide and maintain controls over the rental equipment. It would also undoubtedly be very helpful if a consultant were made available to KOMEP to assist in establishing procedures for managing the operation.

Recommendation No. 10.—EPB should (through MCI) insure that the KOMEP performs the following preliminary steps (a–d) necessary to provide adequate controls over rental equipment, and then implement those steps (e–g) required to maintain control over these equipment to the nearest storage area immediately. Mine owners should be allowed to retain only that equipment which will be repaired and utilized within the following month.

(e) Establish procedures to insure that all equipment at mine sites is under contract and being billed.

General

During our audit, tests were made at various OGS locations to verify the existence and utilization of commodities which have been provided to OGS by AID through dollar procurement, and from U.S. Army excess property procured on both a cost and no-cost basis. The locations visited were the OGS laboratories in Seoul and Taejon, and the RIMM laboratory in Seoul.

Accountability for commodities

With few exceptions, we located all the commodities included in our test reviews at the accountable locations. One exception involves a ¼-ton utility truck (jeep) assigned to the Taejon laboratory, and granted to OGS as no-cost U.S. Army excess equipment. Records at the Taejon laboratory indicated this jeep had been at that location until September 25, 1964, when it was turned over to the Office of General Affairs of the Chung Chong Namdo provincial government. Follow up with the Office of General Affairs disclosed that this jeep (Serial No. 53K21098; Engine No. MB52817) was sold at public auction as part of a lot along with two other jeeps on April 21, 1965, for a total of 401,900 won. USOM permission to sell this vehicle had not been obtained, and OGS officials in Seoul informed us they had not been contacted prior to either turning the jeep over to the Office of General Affairs or the sale. Funds collected from the auction were deposited in the ROKG General Account. Concurrently with the issuance of this report a claim in the amount of $894.60 will be filed with the ROKG for the value of this jeep.

On August 10, 1964, RIMM notified the director of OGS that a shipment re- [illegible] 1964, under PIO/C 30141 did not include several items valued

(a) OGS Taejon laboratory:			
Cold mold arc furnace	$23,923	Sept. 10, 1964	OGS claims no transformer to operate: USOM mining section claims this type transformer is common in Korea.
DFC melting furnace	3,719	July 20, 1964	
13 in. roasting furnace	1,306	----do------	Lack of parts not originally supplied.
Mercury cathode apparatus	599	Mar. 12, 1965	Lack of electrode.
Titrator	646	Mar. 17, 1965	
(b) OGS Seoul laboratory: Microgramatic balance.	1,450	July 30, 1964	Not set up due to lack of funds.
(c) RIMM:			
Indicating recording and program pyrometer controller.	1,409	Aug. 28, 1964	Being stored until needed as replacement.
Hydrogen ion meter and accessories	740	Aug. 7, 1964	Do.

Note: Concurrently with the issuance of this report, a refund in the amount of $33,792 will be requested from the ROKG for nonutilization of these commodities.

COUNTERPART FINANCING OF COAL MINING DEVELOPMENT

General

Under the Project Agreements concerned with the improvements of administration in public finance within Korea, counterpart funds have been loaned to KRB in the amount of 569.9 million (during the period from FY 1962 to FY 1965) for

the purpose of providing financial [illegible] facilities than the amount of the loan funds disbursed by KBR for facility improvements, and that other mines had not yet provided enough of their own funds to complete the facility program as planned. A summary of the funds disbursed to, and the accomplishments of, those four mines follows:

Mine name	Fiscal year	Facility improvements		Date of—	
		Amount of loan disbursed (Korean war)	Accomplishment per survey (Korean war)	Last disbursement	Survey
Jungdong coal mine	1963	4,526,000	3,273,970	Mar. 28, 1964	June 30, 1965
Sungpoong coal mine	1963	7,995,000	6,679,000	Dec. 18, 1964	Apr. 23, 1965
Kangnung coal mine	1964	15,403,500	11,620,000	Apr. 20, 1965	June 30, 1965
Shiniwon coal mine	1964	1,160,000	280,000	Sept. 22, 1964	July 4, 1965

Note.—Above figures do not include either the funds loaned by KRB for operating capital or the funds which were to be provided by the mineowners.

During our field review we found that ownership at Jungdong Coal Mine had changed twice since the loan had been made, but as of our visit during August 1965, no progress had been made since the survey previously conducted.

Recommendation No. 11.—EPB should request MCI to (a) determine the amount of facility improvements which have taken place at these four mines to date, (b) determine as applicable, why the facility improvements have not been completed, and (c) report the findings to the USOM.

During our investigation of [illegible] part of the survey team, (b) insure that the survey team has full knowledge of all facilities (procured and rented) which should be located at the mine to be surveyed, and (c) insure that adequate follow-up is made by MCI on facilities which are found by the survey team to be unutilized.

PARTICIPANT TRAINING

Under the three project agreements under review, 13 participants were sent to the United States for training. Of these, six have returned and are employed in some phase of the Korean mining industry. The USOM technical training branch questions however, if one of these participants is actually utilizing as originally contemplated the training he received in his present assignment. They reported to EPB on December 9, 1965, that although this person was on the payroll of the Dai Han Coal Corporation he had not been assigned any specific duties. To date the USOM has not received a reply to this letter.

INCREASE IN PRODUCTION OF MINERALS

SCHEDULE 1.—KOMEP EQUIPMENT NOT LOCATED AT DESIGNATED MINE

Mine site	Quantity	Type equipment	Comments
Sungju Coal Mine	1	¼-ton utility truck	Reported transferred to Dongjin Coal Mine by Sungju personnel.
Bosung Coal Mine	7	2½-ton trucks	Reported by Bosung Seoul office to be in storage in Pusan; could not be located at Pusan address.
	1	¼-ton utility truck	Reported by personnel at mine site to be operating in Seoul; not physically seen.
Munkyong Coal Mine	1	315 cubic feet per minute air compressor	Both items reported by mine site personnel as never received.
	1	25 horsepower electric hoist.	
	1	250 cubic feet per minute Air compressor.	Reported by mine site personnel as transferred to Chang Soo Mine.
Dai Han Iron Mine	1	2½-ton truck	Reported by mine site personnel as transferred to Ulsan Iron Mine, a branch of parent mine.
Dai Han Coal Corp. (Kangwon Provincial Forest Office)	1	D-6 bulldozer	KOMEP records show only DHCC; reported by forestry station to be at other DHCC locations.
	1	Fire-fighting truck.	
Jungsun Coal Mine	1	60-kilowatt generator	No equipment belonging to KOMEP found at this location; mine not operating at time of visit; guard at mine site stated operations at this location, nor ever there per ex-employee who further stated mine was closed in September 1963.
Najon Coal Mine	1	Forklift truck.	
	2	5-ton dump trucks	
	5	2½-ton dump trucks	
	1	Road grader	
	1	210 cubic feet per minute air compressor.	
Dongwon Coal Mine	3	5-ton dump trucks	KOMEP records show total of 10 trucks delivered in lots of 7 and 3; mine claims only 7 were received in lots of 4 and 3; 3 trucks missing since July 1963.
	5	2½-ton dump trucks	KOMEP records show delivery September 1963; mine claims none received at that time although they do have the other 18 2½-ton trucks shown on KOMEP records.
	1	Pick rose hoist	Mine personnel claim they never received this hoist.
Woojan Coal Mine	3	5-ton dump trucks	This equipment reported by mine personnel to be at other location of same parent company.
	2	2½-ton dump trucks.	
	1	Forklift truck.	
Samboo Coal Mine	5	2½-ton dump trucks	Not found at mine site; informed by contractor at site that no equipment ever rented from KOMEP; subsequently informed by KOMEP that this matter turned over to police for investigation.
	1	30 kilowatt generator.	
	1	15 kilowatt generator.	
Dia Myung Mining Co. (Koo Bong Mine).	1	D-7 bulldozer	Personnel at mine site claim this bulldozer at other mine operated by Dia Myung Mining Co.
Shi Heung Graphite Mine	1	315 cubic feet per minute air compressor.	Reported by mine site personnel to be located at Moon Kyong Iron Mine.
	1	5-ton dump truck.	
	1	50 kilowatt generator.	
Yungwol AgLime Mine	1	D-6 bulldozer	Found a D-7 bulldozer; mine personnel claim they exchanged the D-6 for a D-7 with Chongam Coal Mine. KOMEP records did not show a bulldozer at Chongam Coal Mine.

		Nos. M4086, 3031, 01790, M5290, other two not readable).	after partially repairing, but unable to obtain sufficient parts to fully repair; KOMEP records show quantity of 8 trucks, 9 were physically seen and 1 other reported as previously returned.
	1	Wrecker truck (serial No. 5043.	Operable; in process of being returned to KOMEP.
	1	D–8 bulldozer (serial No. 8R2508).	Inoperable; mine personnel claim under repair.
Milkum iron mine	1	¼-ton utility truck (engine No. 48556).	Repaired; operating under temporary license issued by local police.
Munkyong coal mine	1	500 CFM air compressor (serial No. 13286).	Inoperable; mine personnel claim being repaired.
Sangyong limestone mine	2	2½-ton dump trucks (serial and engine numbers not readable).	Inoperable; mine personnel claim they are unrepairable; not used since receipt during October 1963.
Kangwon limestone mine	1	5-ton crane (serial No. 6558).	Inoperable; at mine site since Nov. 1964; mine personnel claim never used and
"	5	5-ton tractor trucks (serial Nos. 324052, 522888, 524757, 522919, 523937.	Major repairs have been made; 2 currently under minor repair; not licensed, but in process; in limited use at mine site.
Dai Han Coal Corp. (Kangwon Provincial Forest Office).	1	10-ft. extension boom for crane.	Operable; in storage for undeterminable period.
Samchok coal mine	2	¾-ton cargo trucks (serial and engine numbers not readable).	Repaired; not licensed; in limited use at mine site.
Jungdong coal mine	4	2½-ton dump trucks (engine Nos. 55864, 147572, 685272, 581716).	Reported by mine personnel to be in Pusan; found there in highly cannibalized condition. One other truck (as noted on schedule 1) not located.
Dongwon coal mine	2	¼-ton utility trucks (serial Nos. MD–39849, MD–11380).	Not located at mine site, but seen in Seoul operating under private licenses.
	1	¾-ton cargo truck (serial No. 181763536).	Repaired; not licensed; in limited use at mine site.
	2	2 ½-ton dump trucks (serial Nos. 438850, 409001).	Originally repaired and used at mine site; prior to being licensed involved in accident; in very poor condition.
	1	5-ton tractor truck (serial and engine number unreadable).	Cannibalized and used as spare parts for other trucks.
	1	250 cfm air compressor	Not used due to poor condition.
Woojan coal mine	3	2 ½-ton dump trucks (engine Nos. 270252800, 270150914, 270812438).	One under repair at mine site; two located in Pusan in storage in poor condition.
	2	5-ton dump trucks (serial and engine numbers unreadable).	Cannibalized; reported by mine personnel and KOMEP as obtained for that purpose.
	1	210 cfm air compressor (engine No. 30271145).	In good condition; not being used due to low ore production.
Nonsan Limestone Mine	1	5-ton tractor truck (serial No. 524033).	Repaired; not in use; awaiting licensing of truck—reported as in process.
	1	12-ton semitrailers.	

INCREASE IN PRODUCTION OF MINERALS

Distribution of report

	Number of copies
ROKG:	
EPB	

	$	$	$	$	$

Note: Schedule should indicate all equipment on rent, whether new or U.S. Army surplus equipment with 1 figure shown for each mine.

SCHEDULE 3-B.—SALES OF SPARE PARTS AND UNREPAIRABLE COMMODITIES

Name of mine to which commodities were sold	1964		1965		Total uncollected
	Billed	Collected	Billed	Collected	
	$	$	$	$	$

SCHEDULE 3-C.—SUBSIDIES GRANTED FOR EXPLORATION COSTS

Fiscal Year ____ Subsidy for Mine Exploration—Subject to Repayment Through Royalties Over a 10-Year Period

Note: Separate schedule required

90 percent current. The accounting system is greatly improved. This recommendation is being held open until fully checked.

7. Recommendation No. 7. EPB claims that ROKG law does not conflict. This action is held open until a proper agreement and changes to the law can be made. USOM feels inconsistencies are continuing.

8. Recommendation No. 8 has been completed.

9. Recommendation No. 9. Reorganization of Komep into a ROKG corporation now provides for adoption of a revolving fund. This action is not fully completed but expected to be completed in the near future.

10. Recommendation No. 10. (A) Not completed. (B) 80 percent completed. (C) Not completed pending funds being available in the revolving fund. Other ROKG corporations' areas will also be used free of charge. (D) Pending implementation of (C) above. (E) Completed. (See remarks for recommendation No. 6 above.) (F) Reported as completed but USOM follow-up necessary. (G) Dependent upon availability of personnel and use of the revolving fund. This action not as yet implemented.

11. Recommendation No. 11. No reply received from ROKG to date.

12. Recommendation No. 12. No reply received from ROKG to date.

(Whereupon at 12:25

AID'S MISMANAGEMENT OF THE EXCESS PROPERTY PROGRAM

THURSDAY, SEPTEMBER 21, 1967

counsel; Ardella G. Russell, assistant clerk; and Harriet S. Eklund, editor.

Senator GRUENING. The hearing will please come to order. Today the subcommittee continues its hearings on the administration by the Agency for International Development of the excess property program authorized by section 608 of the Foreign Assistance Act of 1961. Testimony presented last week disclosed serious shortcomings in the administration of the program. One of the major deficiencies involved the inadequate repair by AID contractors of excess equipment before such equipment is shipped to foreign governments receiving economic assistance.

The subcommittee received evidence of millions of dollars of equipment which arrived in these countries in defective condition and

Mr. LIPPMAN. [illegible] OF THE EXCESS PROPERTY PROGRAM

look into the administration by the AID mission of the excess property program in that country. I inspected a number of sites where excess property was being utilized and discussed the program at length with responsible agency officials and with officials of the Government of Turkey. The deficiencies disclosed by my inquiry were serious enough to suggest a more thorough review and the General Accounting Office was therefore requested to undertake a more detailed examination. These deficiencies follow the same pattern of shortcomings disclosed in previous testimony on the administration of the excess property program in other countries.

LIPPMAN DELIVERS AN 8-PRONGED SUMMARY OF DEFICIENCIES

They are summarized as follows:

1. Millions of dollars of excess property have been shipped to Turkey with little regard for the capability of the Turkish Government agencies to utilize or maintain the equipment.

2. The failure of Turkish Government agencies to provide prescribed reports on equipment utilization and on equipment condition meant that the AID mission did not know the condition on arrival of the equipment repaired at the AID contractor facilities or what happened to excess property [illegible]

From 31 various recipients in Turkey, 14 had such mechanical deficiencies when delivered that they could not be operated.

A telephone maintenance truck had two 14-cm. cracks along the manifold side of the engine block when it arrived in the Government of Turkey Customs [illegible]

These are some of the examples of the numerous items which the General Accounting Office picked up.

To continue: [illegible] investigation showed numerous instances of nonutilization of equipment given by AID to Turkey. There is evidence that this situation resulted from the interaction of two factors; (1) the AID mission tended to approve any request of the Turkish Government for excess equipment as a matter of course and without inquiring into actual need; and (2) the Turkish Government agency responsible for obtaining excess property from AID forced the distribution of such equipment to user agencies even though such agencies did not want, and could not use, the equipment.

I could cite some examples of this if I might, Mr. Chairman.

Senator GRUENING. I wish you would.

Mr. LIPPMAN. This is an internal audit report which is made by the AID mission's own internal auditors, dated June 16, 1966. They cite numerous examples, dozens literally, of pieces of equipment that they found were not in use, 125 pieces, I believe, all told. Illustrative of this are the 14 huge road scrapers at the Toprakasu Hyderapasa area in Istanbul. These scrapers were received in 1962 and have never been utilized. Toprakasu officials with whom we talked stated the road scrapers were much too large for their needs.

During my visit in April of 1967 I attempted to find out from the AID mission what had happend to these 14 road scrapers that have never been used since arrival. [illegible] AID'S PRACTICES

7. Significant and numerous instances were noted in a GAO audit where AID financed the procurement of new equipment and material although identical items were available in AID's excess property inventory. It is evident from this audit report that the excess property program in Turkey was supplemental to the established economic aid program in that country rather than a substitute for new procurement.

8. Responsible Turkish officials have reported serious difficulties in obtaining spare parts from commercial sources to maintain the equipment. Spare parts are not provided with delivery of the equip-

ment and difficulty is experienced in obtaining approval for the allocation of foreign exchange to purchase the spare parts abroad. As a result, once equipment breaks down, it takes as long as 1 year to obtain the needed parts and to make the required repairs.

Senator GRUENING. That concludes your statement?

Mr. LIPPMAN. Yes, it does.

Senator GRUENING. The subcommittee will now take up S. 1974. This bill provides that excess property acquired by the Agency for International Development must be made available to local health, education, and civil defense agencies before such property can be given to foreign governments. Under existing procedures, AID has priority in obtaining excess property over local agencies.

The subcommittee with hear from Robert T. Griffin, Assistant Administrator of General Services Administration; H. Rex Lee, Assistant Administrator, AID: representatives of Health, Education, and Welfare; and from Richard Zook, president of the Nation Association of State Agencies for Surplus Property. GSA, AID, and the Bureau of the Budget oppose S. 1974. HEW favors enactment of the

Who is going to be the spokesman?

Will you identify yourself for the record, and also give the names of the other witnesses from Maryland?

STATEMENT OF JAMES M. SCOTT, EXECUTIVE DIRECTOR, FAIRFAX COMMUNITY ACTION PROGRAM

Mr. SCOTT. Mr. Chairman, I am James M. Scott, executive director of the Fairfax Community Action Program. Some of the members of the board of directors of the Fairfax Community Action Program, the staff and members of the community of Gum Springs, and the Community Action Association, all of Fairfax County and from the Citizens Against Rural Poverty in Prince Georges County and I have a few matters we should like to bring to your attention.

Senator GRUENING. Proceed in your own way.

Mr. SCOTT. Thank you.

SCOTT AIRS FAIRFAX COUNTY POVERTY PROBLEMS

The Fairfax Community Action Program is a private, nonprofit organization organized to coordinate the war on poverty in Fairfax County, Va.

[illegible] is also a private, nonprofit

EIGHT THOUSAND FAMILIES WITH ANNUAL INCOME UNDER $4,000

In a county like Fairfax, with a median family income of considerably over $12,000 per year, there are over 8,000 families with incomes under $4,000. According to a recent survey there is an average of seven persons in each of these households. Thirteen percent of the fathers interviewed were unemployed during a portion of the previous 12 months.

Over one-third of these families are scattered throughout the rural portions of the suburban county with an area of over 400 square miles.

Throughout Fairfax County but particularly in rural areas, the inaccessability of jobs and the inadequacy of public facilities perpetuate the cycle of poverty.

To serve such a large territory there are three health department clinics, two State employment commission offices, one county hospital, one welfare department office. All are at considerable distance from the rural parts of the county.

PUBLIC TRANSPORTATION INADEQUATE

[illegible] on the bus route to the District he is likely to have great difficulty in getting to the job.

Since cross-county transportation is so poor, many people cannot get to the public health and welfare facilities.

As a comparatively young—actually all of our agencies are young and small—we have neither the staff nor the resources to meet all the needs and solve all of the problems resulting from inadequate transportation facilities. We have tried to tap other sources. Volunteers, using personal automobiles, meet some needs. We use staff cars to take community representatives to participate in policymaking bodies, but we cannot do enough in this fashion. Far too many people cannot take advantage of community services and cannot participate in meetings which affect them directly because of the lack of transportation.

SURPLUS EQUIPMENT SUPPLY SCARCE

We have attempted to obtain Government surplus vehicles hoping to establish perhaps through cooperatives a regular intracounty model transportation system to clinics, shopping centers, jobs, and service agencies. We were not successful though we spent considerable

time visiting warehouses and inspecting some vehicles. We were told that agencies which had made similar requests some months earlier had obtained buses, trucks, and cars, but at the time of our request the supply seemed to be limited to vehicles which were in such obviously bad condition that acquiring them seemed hardly an answer to our problems.

Because of this shortage, we have begun to investigate other sources. In the meantime, however, other needs have arisen. We have found that the supply of surplus equipment is increasingly short.

[illegible] be used in temporary buildings which housed AID care centers would no longer be available because of the need for such supplies elsewhere.

We now hear that Congress is considering cutbacks in antipoverty funds in order to meet the Nation's foreign commitments.

BUSES, STATION WAGONS, CARS JOIN LIST

As you can tell, we are convinced that in Fairfax County reductions in already limited funds, in addition to the already reduced supply of equipment, could be a disastrous retreat in the war on poverty.

We are specifically in need of buses, station wagons, automobiles which can be of some service in transporting individuals and groups of people to jobs, to services, to community meetings. We are in need of office equipment such as folding chairs, and in some cases filing cabinets, and we are in need of air conditioners in the case of the preschool which was located in a terrifically hot temporary school building during the past summer.

We have become somewhat pessimistic about being able to acquire these items, however, because continuous investigation through a number of channels has yielded no results.

If I may, Mr. Chairman, I would like to introduce three or four [illegible]

Mr. SCOTT. First, I should like to introduce representatives from the Saunders B. Moon Association; Mrs. Worthy on my right and Mrs. Little on my left.

I am speaking for myself and the other people of Gum Springs. I brought to the attention of the Moon Center that we need transportation badly for the kids and older people. Now, we have quite a few people that—one couple is blind—and we have some that are sick and trying to get to Fairfax County Hospital. The children need shots and some have difficulties because of having other diseases which should be treated at the clinic, but we don't have transportation.

That was my main reason for coming here today, to ask for this, and at preschool—we have a preschool with children—we don't have any air conditioners. We need more furniture and what-not-or-other. That is mostly all I have to say.

I also noted numerous cases in which such means of transportation, apparently vitally needed here, were badly used or misallocated in recipient countries.

For example, the General Accounting Office audit of Turkey shows sedans were given to a sports stadium in Istanbul for transporting the people to sporting events. Involved were a large bus and some sedans.

Another instance noted by the General Accounting Office was that of automotive vehicles that had been given to religious institutions in Turkey.

We have similar cases of misuse in other countries.

For example, recent information obtained from the AID mission in Korea indicates that 30 percent of all of the excess property given by AID to one very large project was either sold by that agency, illegally and contrary to the agreement with the United States, or was otherwise misused.

We have very substantial evidence of misuse of the very kind of equipment that the community action program people indicate they are in desperate need of.

STATEMENT OF MRS. EDNA TOLSON, THE CITIZENS AGAINST RURAL POVERTY ASSOCIATION

Mrs. TOLSON. I am Edna Tolson. I live at Box 269–B, Route 3, Brandywine, Md.

I am the executive director of the newest poverty program in Prince

summer months suffered a great deal. We had to close school because of the heat and the little children just could not take all day with the heat. The buildings were exposed to no trees or anything; just the sun, and the teachers and the children are badly in need of air conditioners.

EMPLOYMENT OPPORTUNITIES LOST BECAUSE OF INADEQUATE TRANSPORTATION

In the transportation department—if we had a vehicle or a bus we could get people to their jobs. Some have to go at least 40 miles to find employment. We have unemployed people because they cannot get to locations to secure decent jobs. And in this way, we have thought of utilizing transportation, if possible, to get people, more people, employed in various points in the county where there is employment available.

Thank you.

Senator GRUENING. Thank you very much.

Mr. Lippman, did you see any of the air-conditioning equipment? under existing proced[illegible]

Senator GRUENING. Thank you very much.

Mr. SCOTT. Mr. Chairman, I should like to introduce Mrs. Edna Tolson, representative from the Citizens Against Rural Poverty at Prince Georges County, Md.

Senator GRUENING. Will you give your name and address to the stenotypist?

[illegible] Savannah Street, [illegible]

For the last 3 years we have been involved in a war on poverty. Being confronted with this problem, moving from Loudoun County to Fauquier County, I have discovered that the problem is transportation. People without transportation in the rural area find it is impossible for them to find jobs. It is impossible for you to tell a person to go to a clinic to receive clinical aid without transportation.

TRANSPORTATION FACILITIES AND ADEQUATE HIGHWAY SYSTEM

Our mileage records for our bus could indicate the need for buses or whatever we can get for transportation. It is 87 miles from the farthest office to the nearest acceptable hospital.

Our records show [illegible] community.

Reverend Rufus Adkins, who is also representing the Fairfax community action program.

I visited a training center in Harpers Ferry, W. Va. They repair their own vehicles but we don't even have anything to repair here.

I have been trying to get folding chairs to hold meetings throughout the rural area in Fairfax County and everybody I talk to tells me there is not a chair available.

Senator GRUENING. Have you called this problem [illegible]

Reverend ADKINS. My director is Mr. Jim Scott.

AGENCY AND UPO MEMBERS ON LOOKOUT FOR ESSENTIAL SURPLUS

Senator GRUENING. What happened then?

Did you take this up further?

Mr. SCOTT. Yes, sir. We have two ways of attempting to locate surplus equipment.

First is having the members of our agency go to the various warehouses and inspect equipment, or screen equipment, and the other is that we are connected with the metropolitan agency called the United Planning Organization. We have a contract with them and they have staff people who are continually looking in the warehouses for additional supplies. We, along with staff members of the Saunders Moon Association, have either requested assistance from United Planning Association through their staff, to look for the supplies which we need and cannot spend full time looking for or, in some cases, when we have heard that certain kinds of things are available. For instance, not long ago, we understood that we might be able to find automo-

going to do? You tell me there is a job available. I don't have transportation."

YOUTH-TRAINING PROGRAM IN EQUIPMENT REPAIR SUGGESTED

We spend more money in shipping this stuff abroad. If we could keep some of it at home, it would utilize the young people in a training program in repairing this equipment. It would give them jobs here at home in repairing this equipment.

I have been a resident of Fairfax County since 1929. I have seen it grow from a farm area into an affluent society of about $11,000 a year.

Fairfax has a peculiar situation in that it has pockets of poverty. It has pockets of poverty, instead of one large area. The poverty is in groups, in small community groups, and these groups are surrounded by an affluent society with an area that is possibly bare between that and the affluent society.

Its greatest problem and contributing factor to the poverty is transportation. There is work for some to be found but they have to depend on others for transportation. When the other person does not feel he wants to go to work, this person has to stay home which gives him a black eye, as far as his employer is concerned and he is labeled as no-account; and the problem goes on and on.

TRANSPORTATION—MAIN AREA OF COMPLAINT

For those that are able to get transportation, sometimes it is inconvenient. Maybe they are due at work at 10 o'clock but they have to leave home at 5 o'clock in the morning to go with someone that leaves transportation; lack of transportation is a great factor there. Most of the loses 3 and 4 hours a day, as far as transportation is concerned. He more or less has to pay the person who transports him for that transportation, plus transportation to the point of getting transportation to his job, is an added expense. When the day is finished, he has very little left of that which he has worked for to actually put to use for himself.

The question has been told by others to the members of the subcommittee, that for emergency things transportation is needed and is not present. We feel that if some of this surplus material would be put in the hands, say, of Fairfax Community Action Program, that possibly there could be supplied drivers for this vehicle to answer the emergencies that arise so far as these communities are concerned.

Mrs. Azzie Harris, 8108 Brosar Road, Alexandria, Va.

Mrs. Lynn R. Hickerson, CARP, R.R. 1, Box 706–A, Accokeek, Md.

Mrs. Nonnie B. King, FCAP, 3109 Sherwood Hall Road, Alexandria, Va.

Mrs. Elizabeth A. Lockett, 5809 Syphax Drive, Apartment G–2, Falls Church, Va.

John Short, FCAP, 4808 Backlick Road, Annandale, Va.

Mrs. Ruth D. Washington, CARP, Westwood, Md.

Mrs. Ruth Wright, FCAP, 5814 Syphax Drive, Apartment 2, Falls Church, Va.

Mrs. Alice Yates, FCAP, 5621 Wolcott Avenue, Fairfax, Va.

Senator GRUENING. I would like to call on the witnesses from Alaska—Major Pike, Captain Holmsen, Major Ahvakana and Captain Gologergen.

Will you come forward and take your seats at the table.

STATEMENTS OF MAJ. JOSEPH N. PIKE, BETHEL, ALASKA; CAPT. RAYMOND H. HOLMSEN, JR., BETHEL, ALASKA; MAJ. LLOYD AHVAKANA, ANCHORAGE, ALASKA; CAPT. TIMOTHY GOLOGERGEN, SAVOONGA, ALASKA

[illegible] years?

Major PIKE. Yes, sir.

Senator GRUENING. Are you fairly familiar with conditions in the communities along the coastal front?

Major PIKE. Yes, sir; I am.

Senator GRUENING. What would you say would be some of their needs that could be supplied, if some of the surplus material could be brought to them?

PIKE SPEAKS AS MAYOR PIKE OF BETHEL

Major PIKE. Mr. Chairman, before I answer that question, I would like to make it clear for the record that my statements made here this morning, are not for the National Guard but as mayor of Bethel.

Senator GRUENING. I think as mayor of Bethel, your testimony will be even more pertinent——

Mayor PIKE. Thank you.

Senator GRUENING (continuing).———in that you are fully familiar with the needs of your community.

Mayor PIKE. In answer to your question, sir, the greatest need in our villages along the coast, the southwestern coast of Alaska, is the need for generators.

Senator GRUENING. Generators?

Mayor PIKE. Yes, sir. Many of the villages do not have electricity. This is mainly due to the teriffic cost of buying new equipment and keeping it serviced so that they can produce the electricity that they do need.

There are many villages that would like to have a portable freezing unit. This not only helps their economy, but it helps the individuals themselves. As you know, in most of these villages, their basic diet is fish and seal. Farther up north, you get into the walrus meat, [illegible] other than by

Mr. Lippman, did you see any generators being disposed of abroad?

Mr. LIPPMAN. Yes. This is one of the major items of material that we find in the disposal yards and in AID holding areas.

AID has picked up a very large number of generator sets of all kinds—from as little as 1½ kilowatts up to a couple of hundred kilowatts, tremendous in size—and these have been sent overseas.

MOBILE REFRIGERATING UNITS

I have also seen refrigerating units that the Army and the Air Force have disposed of. These are generally on trucks. They are mobile units and I think those would be ideally suited for use in the villages of Alaska because of their mobility.

Senator GRUENING. Well, as Mayor Pike has pointed out, the large number of people live pretty largely on subsistence economy and they depend on fish from the rivers and the sea, on seals and game, and if all this cannot be refrigerated a lot of it is going to spoil.

Is that the case?

Mayor PIKE. Yes, sir.

Senator GRUENING. Mayor Pike, is there any need [illegible] for any road repair machinery or snow carrying machinery?

bids, and this is a very large amount of money for the small amount of roads that we receive for this. If the city could possibly get hold of some of this surplus equipment, it would greatly improve the area. This would cause more houses to be built, streets to be more straight than they are, and it would just bring more people into Bethel and so it would help the economy very much.

AIRPORT RUNWAY AND STATE-RESPONSIBILITY STREETS KEPT CLEAR OF ICE AND SNOW

We do have an agency, the Department of Aviation in Bethel, at the present time. During the winter months, their No. 1 priority is the keeping of the airport runway free and clear of ice and snow and after they do clear the runway then they do come down into town and clear what they call the "State-responsibility streets."

Now, this does not include all of our streets. Some of the streets never get cleared because it is not their responsibility and there is a very small amount of equipment available in Bethel for the city to hire and to have these streets cleared.

ROAD EQUIPMENT [illegible] should be deposited. With all of these needs, if this equipment could be made available to us, then I am sure that the living conditions in Bethel would be greatly improved.

Senator GRUENING. Mr. Lippman, have you any comments on the equipment that Mayor Pike mentioned?

Mr. LIPPMAN. Yes, sir. I do.

The irony of the situation is that the very equipment that is needed in Bethel and in other communities, is lying idle in Turkey and in many other countries. Of the hundreds of pieces of equipment which the General Accounting Office audit and the internal audit has found were not being utilized, these items, these hundreds of items included just the things that you mentioned, Mayor. Such things as road scrapers, and road graders and tractors and bulldozers to clear snow; firefighting equipment; general purpose vehicles, all are on the list of items that I have here which were uncovered in Turkey as being not utilized since their receipt. If I may, Mr. Chairman, I would like to include this list of 125 items in the record.

Senator GRUENING. Without objection, it will be included, along with other pertinent materials.

(The list and other pertinent materials referred to above follow:)

EXHIBIT 21

EXCESS PROPERTY AUDIT—EXCESS PROPERTY NO

(Prepared by AID Mission Internal Audit I

val date	Serial No.	Quantity	Agency	Reason	Reported to OIEC
		1	Forestry	Mer	No.
Flaring mac	1123–61	1	do		No.
Tester, aircr 12, 1962	H–59–82	1	do	Bol	No.
Grader, road 1, 1961	LM 2D–2178	14	Topraksu	Ist	Yes.
Truck, "Mai		1	do		No.
Scraper, roa		1	Maritime bank		No.
Trailer y 27, 1962	Y60–1387 CP	1	do		No.
Truck, fork do	Y60–1975 CN	1	do		No.
Do do	Y60–1280 LE	1	do		No.
Do do	Y60–1782 CN	1	do		No.
Do do	5518–20061004	1	do		No.
Tractor, wa do	5518–20061005	1	do		No.
Do do	241–13180002	1	do		No.
Do do	5641–12308025	1	do		No.
Do do	4614–21009805	1	do		No.
Do do	5509–13059921	1	do		No.
Do do	702–12770001	1	do		No.
Do do	5641–20088001	1	do		No.
Do do	5643–20662603	1	do		No.
Do do	5643–20662602	1	do		No.
Do do	5643–202226002	1	do		No.
Do do	5643–20222601	1	do		No.
Do do	4443–13322201	1	do		No.
Do do	5736–21310004	1	do		No.
Do do	5736–21310003	4	do		No.
Do do		1	do	re parts	No.
Truck, for		1	do		No.
Crane		1	State airports		No.
Truck cra ay 25, 1964		1	do		
Trainer, d	MH 1663	1	do		
Truck, sp	MH 1529	1	do		
Do	1033 CB				
Fire truck					

1	do	do	Sept. 14, 1964.			
1	State railways	ees to need				
1	do	k of spare				
1	do	ess to need				
1	Ege University	k of spare p				
1	TKI	ap				
1	do	k of spare p				
1	State highways	do				
1	do	k of spare p				
1	Health directorate	do				
		ess to needs				
1	do	do				
22	Ministry of health	k of spare p				
1	Health directorate	p				
1	do	ss to needs				
1	Municipality	lo				
1	do	lo				
1	do	lo				
2	do	p				
1	do	of spare pa				
		lo				
1	Civilian flying training					
18	State supply office	eed				
1	do	o				
1	do	o				
1	do	o				
1	do	?				
1	do	?				
2	do	?				
1	METU	?				
1	do	?				
1	do	?				
4	do	?				
1	Rural affairs	?				
125						

The actual value of this property to the U.S., as excess, should be considered. The use of "original acquisition cost" for documentation purposes might lead to an inflated impression of the actual value involved. As stated before, tabulations of property transferred to the Government of Turkey, through mid-1967 totaled $77.2 [illegible] Comparative Costs of Imported New Equipment and U.S. Excess Property" shows costs of six or seven times more to import new equipment. This is academic, however, as Turkey doesn't have the reserve to import new equipment for the work being done by U.S. excess property. The [illegible] only demonstrates why the C[illegible]

operated by authority of [illegible] to national agencies and [illegible] all of this property has been allocated to national agencies where there are long-established and well equipped facilities and resources to manage, operate and maintain the property. The balance, principally common-type equipment, has gone to smaller municipalities and provincial agencies where there is ready access to maintenance facilities.

The instance of non-utilization cited by the Subcommittee concerned 125 pieces of equipment reported as non-utilized in an AID's internal audit report and 57 items of "rehabbed" equipment found by examiners of the General Accounting Office to be inadequately repaired. The AID audit covered 50% of the "Direct Acquisition" property and 80% of the "Advance Acquisition" property transferred from inception of its Program, in late 1959, through September 30, 1965. While not excusing these instances, the number is considered minimal for an activity of the character and scope of the excess property program in Turkey and believed to be well within the normal experience factor of industrial activ-

year and these [illegible] similar amounts of varied equipment.

shown commendable ability to turn out special parts in [illegible] allocation necessary. The availability of spare parts is a point of careful study when consideration is being given to the acquisition of U.S. excess property.

An example of the high degree of utilization extracted by the Turks from U.S. excess property is the lot of 229 vehicles transferred to the Ministry of Health in 1962 and 1963. These were all from "Direct Acquisition" property acquired from U.S. Military collections in Europe. These vehicles were old and worn when transferred, being mostly models from the early 1950's. As of April 1967, 141 were still in use, 66 had been scrapped, 14 worn out vehicles were in the central repair shop yard, near Ankara, awaiting disposal action, and 8 were still considered good enough for further repair and use. Such instances are typical. The needs are so urgent and extensive and the means to acquire new equipment so scarce, that the Turks deem it economical to expend far more effort and expense on a piece of equipment to keep it in use than is considered practical in other countries.

EXHIBIT 23

USAID TO TURKEY

OFFICE OF COMMODITY IMPORTS

U.S. EXCESS PROPERTY PROGRAM

Comparative Costs of Imported New Equipment and U.S. Excess Property

Equipment	Cost to importer				Difference	
	Imported under normal import program		Acquired under (608) excess property program			
	Amount	TL	Amount	TL	Amount	TL
1. Scraper 3 cu. yd. struck (est. org.						

by the man-in-the-street. It provides evidence to him of U.S. interest in his country's welfare. It also introduces U.S. equipment to new areas. Even though out-dated and worn, it demonstrates the standards and quality of U.S. products. It demonstrates the use of machinery to areas accustomed only to primitive methods.

Equipment	Cost to importer				Difference	
	Imported under normal import program		Acquired under (608) excess property program			
	Amount	TL	Amount	TL	Amount	TL
8. Generator (35 kw) (estimated cost $3,990 plus $319.20 for frieght and handling):						
Org. Com./Cost	$3,990.00	$36,229.20	$598.50	$5,434.38	$3,391.50	$30,794.82
Ocean freight/handling	319.20	2,898.34	319.20	2,898.34		
Taxes and duties	3,500.91	31,788.26			3,500.91	31,788.26
Total cost	7,810.11	70,915.80	917.70	8,332.72	6,892.41	62,583.08
9. Passenger car (4-door sedan) (estimated cost $2,000 plus $300 for freight and handling):						
Org. com./cost	2,000.00	18,160.00	300.00	2,724.00	1,700.00	15,436.00
Ocean freight/handling	300.00	2,724.00	300.00	2,724.00		
Taxes and duties	3,109.92	28,238.07			3,109.92	28,238.07
Total cost	5,409.92	49,122.07	600.00	5,448.00	4,809.92	43,674.07
10. Truck, 15 ton (estimated cost $17,000 plus $1,700 for freight and handling):						
Org. com./cost	17,000.00	154,360.00	2,550.00	23,154.00	14,450.00	131,206.00
Ocean freight/handling	1,700.00	15,436.00	1,700.00	15,436.00		
Taxes and duties	12,566.68	114,105.45			12,566.68	114,105.45
[illegible]	2,809.03	25,505.99			2,809.03	25,505.99
Total cost	6,989.03	63,460.39	950.00	8,626.00	6,039.03	54,834.39
13. Truck, 5 ton (estimated cost $3,800 plus $380 for freight and handling):						
Org. com./cost	6,000.00	54,480.00	900.00	8,172.00	5,100.00	46,308.90
Ocean freight/handling	600.00	5,448.00	600.00	5,448.00		
Taxes and duties	4,434.69	40,266.98			4,434.69	40,266.88
Total cost	11,034.69	100,194.98	1,500.00	13,620.00	9,534.69	86,574.60

Senator GRUENING. Does that conclude your statement?

Mayor PIKE. Yes, sir.

7. Bulldozer, for use with tractor in item 6 (estimated cost $6,500 plus $650 for freight and handling):						
Org. com./cost	6,500.00	59,020.00	975.00	8,853.00	5,525.00	50,167.00
Ocean freight/handling	650.00	5,902.00	650.00	5,902.00		
Taxes and duties	2,797.01	25,396.85			2,797.01	25,396.85
					8,322.01	75,563.85

AHVAKANA REAFFIRMS PIKE'S STATEMENTS

Major AHVAKANA. Yes, I did live in Fairbanks prior to my home now in Anchorage.

Senator GRUENING. Are you fairly familiar with the living conditions in western Alaska and in smaller communities?

Major AHVAKANA. Right. In my inspections, I have been well aware that these conditions existed. As Mayor Pike informed us in his statement and to clear the air, as far as the surplus property activity that we have in Alaska, we do have surplus property in Alaska which

Major AHVAKANA. I think that gets to the surplus property to this effect.

Senator GRUENING. Thank you very much.

Captain Gologergen, you come from about as far west as it is possible to go. You come from the village of Savoonga, do you not?

LACK OF SNOW REMOVAL EQUIPMENT CAUSES HARDSHIP

Captain GOLOGERGEN. Yes, sir. I come from Savoonga and my problem was mainly identical with what Mayor Pike here stated as his, in his village or city there. They are so remote out there, if this equipment could be obtained—the problem of transporting it to our area—this would not reflect just the village of Savoonga, since we have another village there of Gambell. Our main problem in winter is snow removal equipment.

Senator GRUENING. Snow removal equipment?

Captain GOLOGERGEN. Yes, sir.

Senator GRUENING. I know that Savoonga was shut off for several weeks last winter because of the heavy snowfall and the lack of any snow removal equipment, and that there was considerable hardship in being unable to get supplies flown in there for quite a period of time.

Captain GOLOGERGEN. Yes, sir. In fact, we lost a couple of lives for for sanitation purposes, it would be greater—little equipment that where our areas and the villages are. And small firefighting equipment—not the machine type—just small, manual-operated firefighting

WALRUS—MAINSTAY IN SAVOONGA

Senator GRUENING. Well now, Savoonga is largely dependent on walrus for its food, is it not?

Captain GOLOGERGEN. Yes, sir.

Senator GRUENING. Doesn't that spoil in the summertime?

Captain GOLOGERGEN. It spoils 100 percent—our meat—from the month of May until the freezeup which is in late October.

Senator GRUENING. So that refrigeration would save this food and add substantialy to the welfare and happiness of the village, is that correct?

Captain GOLORGERGEN. Yes, sir; that is correct. Our main survival in summer and winter is more or less walrus and seal and fish. And no refrigeration in summer means we have about 4 or 5 months of hardship trying to obtain fresh meat flown in, which involves a lot of financial problems.

SAVOONGA NEEDS OUTBOARD MOTORS

Senator GRUENING. Do the villages have any need for outboard motors?

Mr. LIPPMAN. Yes, sir. In our first visit overseas to the AID holding areas in Europe in late 1965, we saw literally hundreds of boats which the AID had acquired from the military surplus.

Senator GRUENING. What was being done with them?

Mr. LIPPMAN. Those were to be rehabilitated. They needed very little rehabilitation, really. They were being painted up mostly; the engines checked. Then they were being shipped overseas to the various foreign countries—mostly in the Far East.

Senator GRUENING. Thank you very much, Captain Gologergen.

Captain GOLOGERGEN. Thank you, sir.

Senator GRUENING. Captain Holmsen, would you like to say something?

Captain HOLMSEN. Yes, sir. Speaking on the boats and motors, and speaking from personal experience, as a scoutmaster of a troop in Bethel, we are endeavoring to start a summer camp for the boys out on the coast and along Kuskokwim. We cannot afford to go to Anchorage. We are limited with boats and motors. We have tried to borrow boats, but there is a deficiency and private individuals are out on the river. It

is a very small item, but to the Scouts it is very important to get to a camp.

Senator GRUENING. How long have you been in Alaska?

Captain HOLMSEN. Since 1961.

Senator GRUENING. Well, then, we have two pure natives that were born there and two who are Alaskans by choice.

Would that be right?

Mayor PIKE. Yes, sir.

Senator GRUENING. Well, thank you very much, gentlemen.

supply system and I contract, which is located about 3 miles from Anchorage and that is located between Anchor Point and Fort Richardson.

Mr. BEASER. Have you seen any equipment there that has been tagged for AID use?

Major AHVAKANA. Well, when they receive the property, the GSA tags all of the property that can be rehabilitated, and the items that can be used for parts, but the majority of the property that comes in from Alaska is pretty well used and pretty well worn out. Further, it would cost much more than the equipment itself. That is why we have this property disposal area.

Senator GRUENING. Thank you very much for your testimony.

We will now hear from Mr. Robert T. Griffin, the Assistant Administrator, General Services Administration, and he is accompanied by Mr. Byron E. Harding, Assistant General Counsel of the Disposal Division, and Mr. Louis C. Tuttle, Manager of the Personal Property Disposal, Office of Property Disposal.

STATEMENT OF ROBERT T. GRIFFIN, ASSISTANT ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY BYRON E. HARDING, SPECIAL ASSISTANT TO THE GENERAL COUNSEL, AND LOUIS C. TUTTLE, MANAGER, PERSONAL PROPERTY DISPOSAL

bill to amend the Federal Property and Administrative Services Act of 1949, as amended, and for other purposes.

GRIFFIN DEFINES S. 1974

S. 1974 would amend section 203(j) (1) of the Federal Property and Administrative Services Act of 1949, as amended, for the purpose of giving State agencies for surplus property first choice on Federal excess personal property acquired by the Agency for International Development and being held by that Agency pursuant to section 608 of the Foreign Assistance Act of 1961 for use in connection with the assistance programs.

Section 608 of the Foreign Assistance Act of 1961, as amended, provides for an advance acquisition program under which AID obtains the transfer of items of excess property in advance of known requirements. The amount of personal property held by AID pursuant to section 608 cannot exceed at any one time $15 million in total original acquisition cost. Under section 608 that maximum Federal utilization should be made of Government-owned excess property.

ADVERSE REACTIONS OF GSA

Through the excess property utilization program, Federal agencies reduce or eliminate the need for procuring new commodities in carrying out their program missions. General Services Administration's long experience in managing the utilization program has clearly demonstrated that the use of excess property does reduce new procurement and thereby has eliminated substantial expenditures for such new items.

OPPOSES ENACTMENT OF S. 1974

In addition, S. 1974 would also have an adverse impact on another basic concept of the Federal Property Act; namely, that Federal agencies have first priority on available excess property. No provision is made in S. 1974 for the transfer of domestic excess property held by AID to other Federal activities prior to offering for donation. If such personal property acquired by AID under its advance acquisition program is not subsequently used for foreign assistance, it would normally be reported by AID to GSA as excess and [illegible] to other Federal

Aside from that, GSA is opposed to the enactment of S. 1974. regulate one limited aspect of the foreign excess program; this bill objections to the inclusion of foreign excess property in S. 1974 remain the same as those we have expressed for domestic excess property acquired and held by AID; namely, the maximum Federal utilization should be made of Government-owned excess property, and that Federal agencies should have first priority on such property, whether foreign or domestic.

In closing, Mr. Chairman, I wish to repeat the assurances previously given the subcommittee that GSA is in full accord with the principles and objectives of the donable property program. GSA continues to work closely with the other agencies, Federal and State, for the vigorous promotion of the donation program, which provides significant benefits to our schools, hospitals, and other eligible institutions and organizations throughout the country.

That concludes my prepared statement, Mr. Chairman. I will be glad, and my associates will be glad, to answer any questions you may have.

Senator GRUENING. Now, on page 185 of your statement you say that inasmuch as transfers of excess property to AID for its statutory program uses constitute a Federal agency utilization in excess amounts of equipment of S. 1974 would have an adverse impact on one of Ismir and Istanbul. Such equipment included Surplus Property Act: ment to maintain the cities' streets, trucks to help in garbage collection, equipment for the cities firefighting services, and electric generators to light the homes of the residents in these cities.

DISCRIMINATION AGAINST OWN PEOPLE

Your statement seems to contend that when excess property is acquired by AID and given to the cities of Ismir and Istanbul—those are merely illustrative; there are other cases, too—it is a Federal program which should be given priority over the donation of the same kind of equipment to the cities of our own people back home. I have had many requests from remote communities not only in Alaska but

need—a certification by the Agency requesting the property that they

Mr. GRIFFIN. 607 comes after donation screening. That is not a large amount of property and neither is the 608 domestic aid a large amount. It is significant, but in the light of total program, it is a small amount; but AID comes to GSA, Mr. Chairman, for property under 608 in the advance acquisition program which is the property for approved programs, as we understand it, of the AID missions in the field for which Federal funds would have to be spent to purchase property and materials, under the approved programs of that mission. Our interest is in making available to AID, or any other Federal agency, already owned Government property for which Federal funds for new acquisitions would be spent in the future.

We are not interested in any agency, whether it be AID or any other agency, taking any property that they don't need for approved and authorized programs.

Now, it is our understanding in connection with the certifications of AID, that this property is needed in th[illegible]

Mr. GRIFFIN. I would agree, certainly, Senator.

Senator GRUENING. There is objection of your agency to the enactment of this legislation. Does it include objection to the disposal in the case of the kind you now mentioned, where cities in Europe and Asia are supplied with the kind of things that our municipalities ask for, that our municipalities need but cannot get?

Mr. GRIFFIN. Our objection, Mr. Chairman, very clearly extends only to the point that if there is a Federal need—an approved Federal

86-277—67——13

in anything which they enact including this bill if it is enacted; but my basis for comment on the bill [illegible] and giving it to a hospital which has been erected with the use of Hill-Burton funds. The higher priority goes to FAA for the municipal airport. Is that right?

Mr. GRIFFIN. That is correct under the law.

Now, this is a carryover provision from the Surplus Property Act of

ties have to do without basic equipment that they sorely need, [illegible] those same items scattered all over the world?

treatment with countries all over the world [illegible] with you, Senator, more which are recipients of this aid.

Mr. BEASER. I have a few questions.

Senator GRUENING. Go ahead.

Mr. BEASER. I am a little confused at your testimony. You seem to be saying that the bill before us today is bad because it would change the law, and that is exactly the purpose of the bill.

You are saying that under the existing statute, it is supposed to be used for a Federal purpose which you have given as including the use of equipment by Istanbul. Yet the bill itself would change the law and you are opposing it because it would change the law.

If you read your testimony carefully, you will see that all it says is that under existing law, you are supposed to be doing exactly what you are doing and therefore the bill is bad. But this is up to the Congress to decide.

GRIFFIN AVERS GSA'S "FEDERAL USE OF FEDERALLY OWNED PROPERTY FIRST"

Mr. GRIFFIN. There is no question about that, Mr. Beaser. I doubt, really, that you can interpret my statement that way. Every bill that is enacted in Congress changes our responsibilities or authorities in [illegible] ready to obey the mandate of Congress

GRIFFIN INSISTS FEDERAL USE WITHIN AID PROGRAM

Mr. BEASER. But you are opposing this bill which gives a priority to health and education agencies as opposed to AID.

Is that the position of General Services?

Mr. GRIFFIN. Federal use within the AID program.

Senator GRUENING. Mr. Griffin, on page 3 of your statement, you say that if personal property acquired by AID under its advance acquisition program is not substantially used for foreign assistance, it would normally be reported by AID to GSA as excess, and made available to other Federal agencies before being determined surplus and offered for donation.

VERY LITTLE MATERIAL REPORTED BY AID TO GSA FOR REDISTRIBUTION

[illegible] committee is that very little, if

Mr. GRIFFIN. And at the same time, education and health. So that is a judgment that Congress would make and I really would have to see the bill. I am sure you agree, I would have to see the bill before I would commit myself as an individual or for GSA, as to how I would comment on it.

of foreign excess in which the Administrator of General Services would have any responsibility or authority. So we do have some concern in lumping the handling of the two together for this one purpose, leaving the rest of the foreign excess utilization and disposal still the complete authority and responsibility of the owning agency. We would have very limited control on foreign excess and it would be a difficult program to manage for that reason.

Senator GRUENING. Mr. Griffin, one of the reasons you advance for your opposition to S. 1974 is stated on page 185 of your statement when you say that through the excess property utilization program, Federal agencies reduce or eliminate the need for procuring new commodities in carrying out their program missions and that the General Services Administration's long experience in managing the utilization program has clearly demonstrated that the use of excess property does reduce new procurement, and thereby has eliminated substantial expenditures for such new items.

I take it that the long experience of your agency does not include the overseas operations of AID.

AID USES EXCESS PROPERTY AS SUPPLEMENT

more knowledge of what AID is doing with the property, but it is my understanding—I will ask Mr. Harding to supplement my comment—it is my understanding in the legislative history of 608 that it was originally intended as an advance acquisition of property which would curtail expenditures for new procurements and the obviation wherever possible, of new procurements for mission programs, but I do not have firsthand knowledge other than what you read to me here this morning, Mr. Chairman.

Do you have any comments on that, Mr. Harding?

Senator GRUENING. Would you like, Mr. Harding, to testify?

Mr. HARDING. I don't think I can add to what Mr. Griffin has said. It was my understanding, too, that the purpose of these provisions of

abroad back to the people who really paid for it.

Mr. GRIFFIN. Well, our basic comment, Senator, deals with two [illegible] We believe that, based on our experience, the advance ac- [illegible] obviate expen-

AID would have to comment as to whether the property is being substituted for new procurement or supplementing new procurement; but I still think that while the legal requirement is not there, that the original intent is obviation.

BEASER—"ORIGINAL INTENT WAS TO SAVE THE GOVERNMENT MONEY"

Mr. BEASER. The original intent was to save the Government money. act should not be changed. [illegible] is used to supplement the amount

Now, I am asking you on what basis GSA is making this recommendation against the bill, on the ground that it is saving the Government money?

Have you made a study of the foreign aid program to see that it is?

GRIFFIN DISCLAIMS AUDIT MADE "OF THE EFFECTIVENESS AFTER ACQUISITION"

Mr. GRIFFIN. No. Of course, I am sure you recognize that this is the function of GAO; we are not the auditors—post auditors—of their uses and would not either have the authority or the manpower to do that. We do work on a very close regular basis in our utilization and disposal program with AID. Our operating people have pretty good information on the property that is being rehabilitated; the use it is intended for. We frequently have to make determinations as to particularly the area of Southeast Asia where AID has a first priority, whether or not the use that they are requesting it for is an urgent use or should it go to another Federal agency. But other than the daily operating interrelationships between the agencies and satisfying ourselves that they are requesting this property on a valid basis for which [illegible] requirements, for which they are considering new

NO CORRECTIVE ACTION FOR ABUSES IN DOMESTIC [illegible] audit of

Mr. GRIFFIN. They did not call attention to GSA and they do, you know, make direct recommendations to the agency which has respon-

abuses extended to the domestic program asking for corrective action.

Mr. BEASER. Has not GSA a responsibility here?

Mr. GRIFFIN. They have the responsibility which I just described, definitely.

Mr. BEASER. In other words, if domestically acquired property is being wasted, do you still maintain that GSA is opposed to this bill?

Mr. GRIFFIN. If the domestic property is being wasted and it comes to our attenion, we will do everything in our power to stop the waste. We are not going to foster that.

Mr. BEASER. We have held one hearing already in which we have adduced information which had never been brought to anybody's attention about poor repairs, nonutilization [illegible] IN PREVIOUS HEARING

Mr. BEASER. But you have made no effort to do so prior to these hearings, have you?

Mr. GRIFFIN. I am not sure, Mr. Beaser, that there is abuse in the uses to which this domestic property is being devoted.

Mr. BEASER. You might want to study the testimony given last week.

Mr. GRIFFIN. I will.

Mr. BEASER. And the evidence produced there, which is in black and white.

Mr. GRIFFIN. Mr. Tuttle, do you have any comment on daily operation supervision as to whether or not these abuses are being called to our attention and if corrective action needs to be instituted or has been instituted?

Mr. TUTTLE. Our 10 regions do work closely with AID, as you mentioned, Mr. Griffin, on a day-to-day basis on screening items for the domestic 608 program; and so I think we would hear from our regional offices if any cases arose of the nature that you are talking about. I have not heard of any in many months.

TUTTLE AFFIRMS THAT GSA ACCEPTS AID'S WORD ON PROPERTY NEEDS

Mr. BEASER. Mr. Tuttle, I [illegible] attention to a report of the General Accounting Office dated February 1967. This is one of many reports bearing on this same issue.

Now, this is just one of a dozen reports that the General Accounting Office has produced on this and which our own investigation has produced. Last year Mr. Herbert Waters testified before this subcommittee when he was Assistant Administrator of AID for material resources and had responsibility for the excess property program. He indicated that by far and large, this excess property was considered in light of extending the AID dollar which I believe is the phraseology he used, and he would not admit that he could attribute every piece of excess property or even the bulk of the excess property acquired and relate it to a substitution for new procurement.

Mr. GRIFFIN. Are we still talking of foreign excess?

Mr. LIPPMAN. No, we are not.

Mr. GRIFFIN. The language you just used certainly indicates it.

Mr. LIPPMAN. No, it does not. This property was acquired from a variety of sources. It is acquired overseas. It is acquired from domestic sources. You will find that the AID domestic rehabilitation program, the 608 program, is concerned with shipping these quantities of items to the very countries which receive the excess from foreign aid.

Mr. GRIFFIN. Well, let me just say, Mr. Lippman, if this was the intent of the GAO language, I do not understand that they so directed that comment to GSA as need under the domestic program for cor-
substitution of [illegible] my understanding.
my mind the whole question of the justification for giving [illegible]
ority and considering these programs as Federal programs when there is no such saving to the Government, and I think it might be appropriate for the agency, GSA, to reconsider its position in light of all of the evidence that has been adduced at these hearings over the last 2 years.

COULD EVIDENCE CHANGE GSA'S POSITION ON S. 1974?

Mr. GRIFFIN. Reconsider our position on the bill?

Mr. LIPPMAN. Yes, sir.

Mr. GRIFFIN. I don't think that we would change our position on the bill.

Mr. BEASER. Regardless of the evidence?

Mr. GRIFFIN. Well, the disposition that I would have on the bill

is that the intent of 608 or the purpose of 608 relating to both foreign and domestic, is a good one.

When it comes to Federal agencies and AID and other agencies that come through our Federal supply system where we asked them to validate their requirements; where we located excess and substituted excess. We know this is a valid, worthy program. We know that it saves the Government money; it reduces the requirements of appropriations.

Now, in speaking of AID, we want the authority under 608 continued as we presently understand it, so that for domestic excess property AID will have the opportunity to select property which would otherwise be purchased with Federal funds or which may not even be available to them on the open market in a timely fashion to meet their requirements.

Now, we don't want AID or any other Federal agency taking property that they don't see a clear need for and depriving the donation program of the property, or the Treasury of the anticipated receipts of the anticipated sale of the property. This is the basic objection we have, crystallized as meaningfully as I can make it. And that is my only objection.

Mr. BEASER. All right. Let me go back a little bit; 608 is an advance-acquisition program.

Mr. GRIFFIN. Right.

Mr. BEASER. Advance-acquisition but they are going to be buying trucks, though.

Mr. BEASER. But they don't know where the need is, and what we have shown here——

Mr. GRIFFIN. They do have a great many years of experience in property acquisition for their approved programs.

Mr. BEASER. What we have shown here is that they have been acquiring this property, then going out and selling it to get rid of it—not in accordance with approved projects. When they acquire it, they have no concept at all what project is going to go where.

Mr. GRIFFIN. I cannot answer on the foreign excess.

Mr. GRIFFIN. I would not say that would be the case of domestic excess.

Mr. BEASER. Do you make them prove where they are going to use it?

Mr. GRIFFIN. We have to compare needs of other agencies.

Mr. BEASER. When the AID man comes into your yard and says, "I want this truck under 608," do you say, "What country is going to use it? What project is that going to be used on? Is that already in the program?"

Mr. GRIFFIN. That would go beyond the intention.

Mr. BEASER. You do not know.

Mr. GRIFFIN. We do not precisely demand that information. Let me answer you; this is not a requirement.

Mr. BEASER. That is right; so you don't know what they are doing with the domesticaly acquired excess property.

Mr. GRIFFIN. Well, let me just say this. As far as the donees who are the next step in priority, and the other Federal agencies, these [illegible] as far as the domestic program, have not been pointed up to us. yet. If the subcommittee directs us to take some action within the area of our responsibility, we will take the action.

Senator GRUENING. I have no further questions.

Thank you very much.

We will now hear from the Department of Health, Education, and Welfare.

We will have Mr. Elson, the Director of the Office of Surplus Property and Mr. Bernard Feiner, of the Office of General Counsel.

STATEMENT OF SOL ELSON, DIRECTOR, OFFICE OF SURPLUS PROPERTY, ACCOMPANIED BY BERNARD FEINER, OFFICE OF GENERAL COUNSEL

Mr. ELSON. I am Sol Elson, Director of the Office of Surplus Property, Department of Health, Education, and Welfare, and with me is Mr. Bernard Feiner, Deputy Assistant General Counsel of our Department.

RECALLS TESTIFYING ON S. 3385

I appreciate the opportunity to appear before your subcommittee and to testify on Senate bill No. 1974.

[illegible] June 22, 1966, on

can hold at any one time.

Also, there is a further limitation of $45 million in original acquisition costs of domestic excess property which may be acquired in any fiscal year for delivery to foreign governments unless it has first been made available for donation under section 203(j) of the Federal Property and Administrative Services Act of 1949.

S. 1974 WOULD OPEN UP WHOLE NEW RESOURCE OF ASSISTANCE

AID also acquires [illegible] been selected and held by AID pending development of a need.

A number of the types of property so acquired overseas are those which are either not currently available or only rarely available in this country for donation in health, education, and civil defense uses. Also, it would enable the acquisition domestically of some needed and desirable types of property which are currently being obtained by AID out of domestic excess such as construction and heavy equipment.

WOULD PROVIDE BENEFITS

Although we have not dealt with foreign excess property in our program and therefore are not in a position to evaluate the economic feasibility of acquiring property from foreign bases and transporting it to the United States for donation in our program, we believe that to whatever extent this can be economically accomplished, it would provide benefits to eligible donees under the donation program.

ZOOK AFFIRMS SIMILARITY OF S. 1974 TO S. 3385

Mr. Chairman, in my opinion, enactment of Senate bill 1974 could benefit the donation program. You may recall Mr. D. W. Lash, director of the Arkansas State Agency for Surplus Property and then the president of the National Association of State Agencies for Surplus Property, testified favorably on Senate bill 3385 on June 22, 1966, which is almost identical to Senate bill 1974 both of which were introduced by yourself and a number of your colleagues.

In my opinion, enactment of Senate bill 1974 could open a whole new source of personal property both domestic and foreign for the eligible health, education, and civil defense donees. To interpret that Senate bill 1974 would remove the priority that the Agency for International Development now has on $45 million worth of domestic excess property that it may transfer each year. This would make property

Mr. ELSON. That is correct, sir.

Senator GRUENING. Thank you very much.

We will now hear from Mr. Richard Zook, president of the National Association of State Agencies for Surplus Property.

STATEMENT OF RICHARD ZOOK, PRESIDENT, NATIONAL ASSOCIATION OF STATE AGENCIES FOR SURPLUS PROPERTY

Senator GRUENING. Mr. Zook, we are very happy to have you here. Proceed in your own way.

Mr. ZOOK. Thank you, Mr. Chairman.

I am Richard Zook, president of the National Association of State Agencies for Surplus Property and the manager of the Washington State Agency for Surplus Property.

On my right is Mr. W. R. Flynn, vice president of the National Association of State Agencies for Surplus Properties and chief of the [illegible] Property.

point in fairness to all concerned. That is, as you know, our programs are self-supported and that there is one factor——or many factors——large [illegible] to consider when accepting property for transfer, and as usefully used as it could be used at home and [illegible] basic philosophy that the domestic needs should have at least equality if not priority to the foreign use.

The foreign programs have many spigots, and this one is one that has developed to a very tremendous size and we feel that corrective legislation is desirable. That is the reason why this legislation is introduced.

Thank you very much.

Mr. ZOOK. Thank you very much, Mr. Chairman.

Senator GRUENING. Mr. Lee.

STATEMENT OF H. REX LEE, ASSISTANT ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

S. 3385 OPPOSITION REREAD INTO RECORD

This bill is identical for all intents and purposes to S. 3385 on which AID testified in June of 1966. We opposed the bill at that time and we do so again.

I should like to read into the record our reasons for opposition to this bill, which were stated during the testimony last year:

(1) It would materially and adversely affect the legal authority of AID to efficiently and effectively administer the Advance Acquisition Program, both as regards domestic and foreign excess, by making the requirement that such property be offered to the States a condition precedent to the use of property held by AID for economic assistance programs.

(2) This bill would, of necessity, create an additional screening period for excess property. For example, where AID acquired excess property which had already been screened by Federal agencies, for the Advance Acquisition Program, AID would be required to then offer such property to a completely new class of potential claimants, the States, before it could be used for the purpose for which AID acquired it in the first instance.

(3) Each year, approximately $4.5 billion——original acquisition cost——of property is declared excess. In Fiscal Year 1965, AID under the Advance Acquisition Program received and 1.5 percent in 1967.

I would like to point out one thing. We keep talking about millions or hundreds of millions of dollars worth of property. I think this is a little misleading to the public and everyone else. Actually, the value of this excess equipment across the country or around the world is somewhere between 7 and 10 percent of the acquisition cost. We are not talking about millions of dollars of excess property. We are talking about real values of somewhere around $70,000 to $100,000 instead of $1 million.

LEE REALIZES LOCAL NEEDS

I think in terms of practicality—you heard many witnesses here this morning who talked about the need for equipment in our communities. Certainly, I would not want to deny that need.

We heard the witnesses from Virginia and Maryland who stated how badly they needed transportation, air conditioning, and other

Take Bethel, for example—the cost of transportation to Bethel. I would suspect—unless Alaska has had a great improvement in its transportation in the last several years—the transportation cost is [illegible] percent of the acquisition cost and in some in-

I found in my last job that we frequently had to pass up lots of excess equipment simply because of the high cost of transportation. It was not nearly as high as in areas in Alaska. I think transportation is a factor that we have to take into consideration.

We must also consider the repair facilities in these areas.

Mr. BEASER. Mr. Lee, how would the cost of transportation of a caterpiller tractor from New Cumberland, Pa., to Barrow, compare with transporting it to Izmir, Turkey?

Mr. LEE. I would suspect, Mr. Beaser, that it would be substantially greater.

Mr. BEASER. To Barrow?

Mr. LEE. Yes, to Barrow.

Certainly to Bethel; in my opinion, it would be a very large percentage greater, because you have some real trans-shipment problems in getting it to Bethel.

Mr. BEASER. And Izmir?

Mr. LEE. I cannot give you the exact cost. I would suspect that in terms of actual costs, it would be less.

Mr. BEASER. I am talking about if you have to pay unsubsidized cost.

a maximum of 1.5 percent [illegible] I think it would be less. I do not this is not a substantial amount of money or amount of equipment that would be available under this program.

CREAM OF THE CROP GOES TO AID

Mr. LIPPMAN. Mr. Lee, if I could ask a question? Going through the Department of Defense disposal operation one is impressed with the tremendous amount of scrap material—the tanks and the weapons

Is it not true that AID is skimming the cream of the crop of the surplus availabilities in the Department of Defense?

Mr. LEE. I would hope that we were screening the cream of the crop. If not, we are not doing a good job. As I mentioned last week, I think we have to do a still better job of screening.

I grant you this percentage figure is not an exact figure. I do want to point out that it is small in comparison to the total surplus available.

DREGS FOR LOCAL AMERICANS FROM SURPLUS AREAS

Mr. LIPPMAN. You may be acquiring the best material of the lot.

Mr. LEE. I would certainly hope so. We can be condemned very seriously if we were not.

Mr. LIPPMAN. This may be the reason why these people from Fairfax County and Prince Georges County and other areas could only find the dregs when they went out to the surplus areas.

Mr. LEE. Let me point out again: last year I understand that AID's surplus property people entered into an agreement with the president of the National Association of State Agencies. In that agreement, we agreed to consider their needs and to defer to those needs in most instances unless it was a very QUESTIONABLE PRODUCT

As near as I know, we have a good working relationship with the association. We want to continue it. We are perfectly willing to strengthen it and I think that it can be strengthened and we won't have this problem.

Again, I would like to point out that as I said last week, any time you deal with excess property, you are dealing with a very questionable product. When a Federal agency disposes of it overseas, frequently it simply does not warrant shipment back to the States; certainly not to Point Barrow or Bethel. This gets very difficult.

Now, I did check our people when I first started looking into excess property a week or so ago. As near as I could tell, we have acquired virtually nothing in region 10. At least, I have been unable to find any instances where we have acquired excess in Alaska. I would be a little disappointed in our people if they acquired surplus property in Alaska that some of these needy Eskimo villages could have acquired. If we have acquired any, I would like to find out about it. We want to work with these communities.

I think the agreement we entered into last year with the National Association of State Agencies is indicative of our willingness to work with them. We want to strengthen that and to continue to work with

Now, the chairman mentioned the problem of the NATO surplus being dumped on the European market. I had referred to this last week.

I inquired very carefully of our people about what had been done by other Federal agencies and State agencies in screening this property. I am advised that this property went through a wide advertisement all over the country; that many people overlooked it. Many turned it down.

[illegible] of the Nation, I think we have to consider that this is not simply a matter of releasing a bulldozer in any of these areas to some community. We have exactly the same problems with American community's use of this equipment as the problems overseas which were pointed out last week. We want to work with the State agencies to see if we can improve our cooperation.

[Reads:]

EXCESS PROPERTY IS A VALUABLE MATERIAL RESOURCE

(4) The interjection of the States into the field of foreign excess property disposal would seriously impair the efficiency of the overseas foreign excess disposal program, the efforts of AID to use such property in economic assistance programs, the effective use of such property in Southeast Asia, and it would create an unavoidable time delay—screening period—in the utilization of foreign excess. To the extent that AID would be required to finance the purchase of essential equipment or material which would otherwise have been available from excess property, assistance programs will cost more to achieve the same result. Further, the whole concept of the States becoming involved in the disposal of foreign excess is of dubious economic validity because of cost and transportation problems, as regards screening and the movement of property. In addition, the importation of such property back into the United States would open the door for its ultimate disposal by the States in domestic markets, a situation which the Congress obviously hoped to avoid by prescribing that excess property [illegible] may not be imported into the United States.

BUREAU OF BUDGET TWICE CLEARS AID'S [illegible] assistance ef-

I might say again, this was last year's clearance. It has been cleared again with the Bureau of the Budget. They still have no objection.

In essence, S. 1974 gives to the States and other eligible non-Federal domestic recipients of surplus property a higher priority than the Agency for International Development. Obviously, such matters of priority are properly determined by the Congress. We are pleased to

have been given this opportunity to make our views known. We shall do our level best to carry out any congressional mandate.

Again, Mr. Chairman, I might say that we do have some statements in relation to Vietnam, Turkey, and Korea. We gladly submit them for the record if this will spare the time of the subcommittee.

Senator GRUENING. Yes. We would like that.

Kindly submit those for the record. We will consider it as ordered and we will hold ourselves in reserve for another meeting.

(The statements in relation to Vietnam, Turkey, and Korea are as follows:)

EXHIBIT 24

STATEMENT BY ROBERT L. CROWNOVER, ASSISTANT DIRECTOR FOR LOGISTICS, USAID/VIETNAM

MANAGEMENT OF EXCESS POVERTY

The purpose of this paper is to explain in general terms how the AID mission to Vietnam has in the past managed the excess property program and the changes in that management system that have been made in recent months. In order that the paper can be particularly useful in connection with the present Senate Subcommittee Hearings, I will provide in appropriate places specific responses to some of the statements made by Mr. Joseph Lippman on 14 September.

The 500 pieces of equipment [illegible] new trucks by the Army, these 50 trucks on loan were returned to AID control and were placed in storage at Petrus Ky. Many of them, due to the hard usage they had received, were beyond economical repair. Others needed repairs ranging from minor to extensive before they could be delivered to GVN agencies. These account for some of the 500 pieces of equipment at Petrus Ky.

(b) About 18 months ago, a U.S. Army Engineer unit arrived in Vietnam without its full complement of equipment. Upon request by the U.S. Army in Vietnam, USAID agreed to provide the equipment through excess sources, and officers from the U.S. Army Engineer unit did go to Tokyo and select the required equipment. It was delivered to the Engineer unit in Vietnam and did for an extended period of time do useful work. Eventually, the Engineer unit received from its own Army sources equipment and returned the borrowed equipment to AID. It was in need of repair at the time it was returned and was included in the equipment at Petrus Ky.

(c) There were a few pieces of heavy equipment shipped from Japan during the early part of 1967 in which the contractor in Japan failed to drain the water from the radiators. During the voyage to Saigon, the water froze and the engines were broken. These pieces of heavy equipment were stored at Petrus Ky and were part of the 500 pieces. AID did obtain a refund from the contractor for this equipment.

(d) In late 1965 and early 1966, the Port of Saigon was in a deplorable condition with regard to congestion of transit sheds and hardstands. At times there were as many as 40 ships waiting to be discharged, and some of the ships waited in excess of 60 days. For those ships on charter, the demurrage rates varied from $1,500 to $3,000 per ship per day. For those ships not on charter, a congestion surcharge was in effect. The net effect of this [illegible]

faced with that situation, took several actions to relieve the port congestion. All of these actions involved some degree of risk that they would be unsuccessful. But failure to take risks at that time would have been the worst possible course of action. Viewed as a whole, these calculated risks paid enormous dividends. The Port is no longer congested, no ships are waiting and the congestion surcharge has been reduced substantially.

One of these actions was the ordering of 200 cargo trucks, M–211, and several cranes and other pieces of heavy equipment through the AID advance acquisition [illegible]. The intention when this equipment was ordered was that it would be the informal agreement) did not intend to carry out the [illegible] suitable maintenance and parking area was not provided. Drivers were not hired, and for the few pieces of equipment that were turned over to the GVN and leased to stevedores, a special account was not set up.

Under these circumstances, AID was unwilling to transfer the equipment to the custody of the Port Authority but did decide to hold the equipment pending a solution to the problem. Between the time the equipment was ordered and the time it arrived, a high level decision in the Executive Branch of the U.S. Government was made that the U.S. Army would take over a large part of the Saigon Port operations. This was agreed to by the GVN on 4 July 1966. Within a short period of time, the U.S. Army placed a large number of trucks and materials handling equipment into the task of port clearance, and the need for the equipment which AID had ordered for port clearance began to decrease. Consequently, the GVN Port Director became progressively less anxious to accept the equipment under any terms that AID considered reasonable. During all of this period after the equipment arrived, the equipment was stored at Petrus Ky and accounted for a large part of the Petrus Ky equipment.

(e) The AID refugee support program in Vietnam includes the acquisition of a large number of water trailers, a few vehicles, and a few pieces of heavy equipment such as bulldozers to clear land for refugee resettlement. This equipment must be ordered well in advance of the situations that generate large numbers of refugees and must be on hand at the time these situations occur if it is to be of use. A substantial portion of the equipment at Petrus Ky and Thu Duc was in this category. It was in effect stockpile in anticipation of need to support the refugee program.

(f) Some of the equipment at Petrus Ky was ordered to support various pro[illegible] being held at Petrus Ky until such time as deliveries night. In these instances, the equipment had to be held until replacement of these components could be made. Although a guard force was employed, it was unable to stop these thefts.

Condition of excess equipment on arrival in Saigon

There is little if any doubt that much of the equipment arrived in substandard condition. Unfortunately, AID is not able to verify this fact except in a few instances such as the equipment with the frozen cooling systems. Faced with a

equipment is no longer placed there for deprocessing. Most of the equipment brought in to support refugee operations has been delivered and put to good use. The equipment damaged by freezing (mentioned earlier) and the various pieces of equipment loaned to U.S. Army units and turned in at Petrus Ky which were beyond economical repair, have been turned in to property disposal yards. Much of the remainder has been placed into operable condition and delivered to consignees. Of the original 500 pieces of equipment, only 55 are undelivered, and these have been removed to a more secure and suitable work area at Thu Duc. In the meantime, all incoming equipment with the exception of 25 pieces has been placed in operable condition and delivered to consignees. Thus, we now have a backlog of 80 pieces (55 of the 500 in May plus 25 [illegible] in the Ministry of Public Works; another 55 in the Ministry of Agriculture facilities; and 67 in connection with the operation of a GVN central repair parts depot and maintenance management center, including mobile teams for assistance to provincial maintenance activities.) Total cost of the contract, which covers a 15-month period commencing in the spring of 1967, was $1.97 million. By and large the terms envisioned in the original contract have been carried out.

A separate agreement with the Mayor of Saigon stipulated that the AID Mission could schedule up to one-half the workload of the 100 Koreans assigned to the Saigon shop. As planned, about 15 of these 100 were assigned to the deprocessing of newly-arrived equipment (filling batteries, radiators, cleaning, and replacing pilfered items) but not substantially to rehab work on equipment from Japan. More Koreans were later assigned to actual rehab of equipment returned by the U.S. Army after heavy use at the port, and to assist in clearing up the backlog at Petrus Ky.

In summary, only a very small percentage of the total cost of the Philco-Ford contract was devoted to further repair and/or rehabilitation of mechanical equipment received from the Japanese contractor.

System for programming excess property

As stated above, there were in the past emergency situations in which AID did place orders for large amounts of excess property without solid assurances that the property would be utilized and maintained to an acceptable degree. However, a few months ago, the Port congestion situation began to clear up and AID adopted some strict policies with regard to procurement of excess property:

(a) Accurate lists were prepared of all equipment on hand which could not for various reasons be delivered to original consignees. All [illegible]

of the Agency's overseas Mission's management of excess property furnished to the Government of Turkey pursuant to section 608 of the Foreign Assistance Act, as amended.

Sincerely yours,

FRANK H. WEITZEL,
Assistant Comptroller General
of the United States.

sities. Currently it is receiving from the various ministries and agencies between 500 and 1,000 requisitions per week for repair parts. Even though the depot is relatively new, it now supplies from its own stocks on a one- to two-day basis, over 50% of the parts requisitioned. The remainder of the parts requisitioned and not on hand are ordered from GSA or from U.S. Army Depot Command-Japan. The majority of the parts ordered from Japan arrive and are delivered to the requisitioner within 30 days. While this is by no means a completely satisfactory solution to the problem of repair parts, it represents excellent progress over the situation that existed in the past and does provide a solid foundation for continued improvement.

Parts catalogs and technical publications

The GVN central repair parts depot, in addition to its primary mission has the task of providing parts catalogs and technical manuals to the end users of mechanical equipment. The depot is using the services offered by the AID Regional Logistics Office in Tokyo in obtaining these publications. Action to obtain the publications is taken at the time equipment is ordered and normally the publications are on hand well in advance of the arrival of equipment. Action is also taken prior to the placing of orders for excess equipment to insure that repair parts are available to support the equipment. In instances where spare

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., October 25, 1967.

B–146995.

Hon. EREST GRUENING,
Chairman, Subcommittee on Foreign Aid Expenditures, Committee on Government Operations, U.S. Senate.

DEAR MR. CHAIRMAN: Herewith for the use of your Subcommittee is a copy of our report to the Agency for International Development on an examination

At the time of our visit in April 1967, responsible personnel of the Medical Center explained that the oxygen plant, which had arrived in October 1966, had not been tested because the Medical Center did not have anyone technically qualified to operate the plant. The Medical Center informed us that the liquid oxygen generated by this plant would have to be transformed to gas oxygen through the use of a converter before it could be used at the Medical Center. We were not able to establish whether the Medical Center officials had been aware of

responsibility for it, and establish accountability.

2. Verify each shipment received with the covering documentation, and report and reconcile any shortages or overages.

3. Submit a report, not later than 6 months after the date of transfer, to the Mission describing the status of the property.

4. Notify the Mission if and when the property should became excess to the originally stated requirements so that it may be allocated.

Many of the proposed allocation forms received by the Mission were so vague that it would not have been possible to adequately evaluate the requesting agency's operational requirements for the property. Ne noted that, in many instances, the proposed allocations stated that the excess property was for use only in the services of the GOT agency or municipality.

For example, an oxygen generating and charging plant, which had an original acquisition cost of $231,415, was acquired by GOT as excess property at a cost of $34,712, or 15 percent of the original acquisition cost, plus transportation costs. The proposed allocation form submitted by GOT to the Mission

percent, of the items had mechanical deficiencies when received which made the equipment unsatisfactory for use until repaired. For example, a telephone maintenance truck allocated to the P.T.T. Genel Md. (state telephone department) in Istanbul, Turkey, had two 14 centimeter cracks along the manifold side of the engine block when it arrived at the GOT customs. In another case, a sedan allocated to the Ministry of Finance in Ankara had such limited power when received that the recipient had to overhaul the engine at a cost of about $220.

The inoperable equipment, noted above, for the most part, had not been reported to the Mission by the recipients because most of the recipients were unaware of the AID procedures for inspection and reporting of equipment condition. Mission responsibilities for ensuring that serviceable equipment is provided are contained in and AID Circular [illegible] Property Officer should report all facts to AID/W * * * for guidance and determining appropriate action."

On July 20, 1965, the Mission advised AID/Washington (AID/W) of its inability to determine the condition of excess property and stated that the transfer was contingent on inspection and acceptance by GOT. Further evidence of the Mission's attitude that the recipient should bear the responsibility for inspection and acceptance of the property was found in the transfer agreements between AID and GOT, which contain the provision that AID makes no warranty as to the condition or to the suitability for proposed use of any excess property which may be furnished and that the recipient bears full responsibility for inspection, selection, and acceptance.

During our review, we were told by a Mission official that the Mission did not have adequate staff to comply with the AID/W inspection requirements. However, we were informed that an employee had been recently assigned by the Mission the responsibility for inspection of excess property when it is received in Turkey.

OIEC advised us that instructions would be issued to recipients of excess property in Turkey, covering the requirements under the transfer agreements for furnishing statements of intended use, receiving reports, and 6-month status reports on the use of the equipment. An analysis of these instructions [illegible]

had no control over that equipment [illegible] to GOT agencies and municipalities, as discussed above, since the Mission was not informed of either the receipt of the property in Turkey or the actual recipient of the property.

Our inspection of excess property at the recipients revealed that a substantial number of items had been received in an inoperable condition. Of 57 items examined that had been tested by the recipients, we found that 14, or about 25

happen when the Mission does not properly evaluate the need for [illegible] before it is acquired.

We were informed by the Excess Property Officer that reports on the results of inspection trips were being sent to OIEC with a request that steps be taken to reallocate those items of equipment which were not being effectively utilized.

CONCLUSIONS

Ineffective utilization of equipment, such as those instances noted during our review, could, in our opinion, be avoided if the Mission makes greater efforts in determining the need for the equipment before approving its acquisition by the recipient country. We believe that the Mission, before approving the acquisition of excess property, should require the recipient country to provide sufficient detail concerning the requesting agency's or municipality's operating requirements to determine whether the equipment is needed and can be operated and maintained efficiently and effectively by the recipient.

We believe also that, had the Mission enforced requirements on the part of the recipient country to report receipt of the property and had the Mission followed AID procedures for inspection of the equipment when received, unserviceable equipment could have been identified and appropriate action could have been taken to correct the deficiencies, including, if necessary, improvement in the quality of repair work performed at the AID rehabilitation sites.

We shall appreciate an expression of your views on the above matters, together with information as to any action taken or to be taken thereon.

Copies of this report are being sent to interested congressional committees and to the Administrator, General Services Administration.

A.I.D. furnished the Sub-Committee a series of documents [illegible] Property Program administered by the A.I.D. Mission to Korea.

These documents describe what I believe to be an effective and sensible use of United States Excess Property. The Koreans have used excess property for a good many years. The Koreans are capable of and proficient in using, maintaining, repairing and rehabilitating such property. It is my opinion as well as the opinion of the Koreans I have worked with that U.S. excess property has had a very substantial impact on the successful economic and social development program that is underway in that country today.

I understand that after reading the material submitted, the Sub-Committee [illegible] regarding theft or loss of certain U.S. excess

representing the condition value of the missing equipment at the time of acquisition. We are awaiting payment of this amount from the Government of Korea.

Mr. BEASER. Just two questions, Mr. Lee.

I realize your use of this program. This statement that you made was made last year——

Mr. LEE. We do subscribe to it generally in terms of the general principles. As I indicated last week, we are taking steps to correct some of the deficiencies of our program that this subcommittee has called to our attention; the GAO has called to our attention; the inspectors have called to our attention. I think by working closely together, we can evolve a very satisfactory surplus property or excess property program that will be beneficial to the United States.

Again, I would like to repeat, we want to work with the State agencies. I think we can do it on a voluntary basis; as near as I know, we have.

We invite the State agencies to come in and sit down and talk about the agreement which was made last year.

Mr. BEASER. You would be willing to give the State agencies, as far as domestic excess is concerned, first call?

Mr. LEE. No, sir. I don't think we would. On the other hand, that is a matter of law.

Mr. BEASER. I don't mean as a matter of law. As an administrative matter.

Mr. LEE. As an administrative matter, it is my understanding that we have essentially done this except in the case of a few critical items that were required in very critical areas. We feel that it would appreciably affect our program although I agree with Mr. Lippman, if we do our job well, we are going to skim the cream of the crop.

LEE WANTS AID PRIORITY TO REMAIN WHILE SEEKING IDEAL SURPLUS PROPERTY PROGRAM

I would like to reiterate again what I said last week. We have acquired in areas like Europe, where large excesses have been dumped on the market at one time, we acquired, I think, items that we probably

should not have acquired. I think this has been a huge [illegible] think in the end, the United States probably will get better use out of that than if this had simply been allowed to go the route of the rest of the equipment, but we want to perfect our program. I should not say "perfect" it. I don't think we will never have a perfect program in dealing with excess property.

We want to improve it.

Again, I would like to say that we would want to work with the subcommittee. We want to work with the States to see if we can find the ideal way of using this excess equipment. We would not want to see our priority taken away from it.

Senator GRUENING. Thank you very much, Mr. Lee.

We are glad to receive those other statements.

I now direct that any and all pertinent letters or documents be added at this point to the printed record of this hearing.

EXHIBIT 27

LETTER TO SENATOR ERNEST GRUENING FROM MR. LAWSON B. KNOTT, JR., ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., Oct. 19, 1967.

project. [illegible]
completion of a project.

However, we are in full accord with the position that the possible availability of excess property should be taken into consideration by Government agencies prior to procurement of new items, and that there should be effective internal systems for so doing. This is the concept which General Services Administration stresses in its regulations and vigorously emphasizes in numerous interagency meetings and day to day Government contacts. The keynote, well known to Government property management people, is that "excess is the first source of supply."

In like vein, the Comptroller General, in one of his reports to the Congress of the United States to which you referred, B–146995, April 1966, while stating that the General Accounting Office saw no basis for questioning the furnishing of excess property by AID as supplemental assistance, stressed that the primary emphasis should be on using excess in all possible cases to avoid planned purchases of new property.

On the matter of GSA's role, we testified at the September 21, 1967 hearing that GSA does have a responsibility for seeing that excess property is accquired by Federal agencies for valid purposes. We believe, however, that GSA's activities along this line, having the objective of maintaining a highly productive program for excess property utilization, do not, and should not relieve agencies of a basic responsibility for determination of property requirements. The heads of agencies and departments and their authorized representatives, supported by technical staffs, are in the best position to determine what property will advance the missions which have been assigned to them by hundreds of legislative enactments.

When cases of possible nonuse or misuse by any agency of property acquired from excess come to our attention, we endeavor to ascertain the facts and discuss [illegible] personnel. This has had good effect.

the property would ultimately be used (Senate Report No. 612, July 24, 1961; House Report No. 851, August 4, 1961).

The House Committee on Foreign Affairs stated in its report (pages 67–68):

"This section [section 608] is a completely new authority. It is designed to overcome one of the chief obstacles to fuller utilization of U.S. excess property in this country and abroad. It will allow the AID agency to acquire foreign and domestic excess and other property in advance of a specifically identified requirement under part I programs and under section 607. At the present time it is extremely difficult to match the availability of an excess item with such requirements. The very limited time (usually 30 to 45 days) for which an item is available under normal screening procedures for excess property prohibits a complete review of worldwide needs. Also, the availability may not coincide with the AID requirement. Therefore, even though it could reasonably be expected that the item would be needed in the immediate future, existing authority has been interpreted as not permitting its acquisition and retention."

Considering the foregoing, we are unable to assure you that transfers of excess property to AID for use under section 608 will take place in the future only when AID is able to demonstrate to GSA that such excesses will be used in lieu of new procurement. However, as Mr. Griffin commented at the hearing, we will question any AID requests for domestic excess property which we believe cannot be properly used and will inquire into any nonuse or misuse of such property which comes to our attention. AID uses relatively little domestic excess personal property as compared to the total available; in fact, in FY 1967 its domestic acquisitions dropped about 40% from the FY 1966 level.

In regard to your letter request of September 22, 1967, to the Comptroller General, that Mr. Griffin be furnished with summaries of all of the G.A.O. findings to the State cooperating programs carried on by the Federal Highway Administration of the Department of Transportation, and the U.S. Forest Service and Soil Conservation Service of the Department of Agriculture. The data which are readily available concerning these three programs are set forth in the enclosed table.

We have shown the number of line items by major categories of property in lieu of the quantities by major categories; and we hope this will be equally helpful to the Subcommittee. To obtain quantities, we would need to have all GSA regional offices review many individual document folders for the past three fiscal years. A line item on an excess property transfer order normally consists of a stock number, a description, number of units, unit acquisition cost, and total acquisition cost (number of units times unit acquisition cost).

We are informed that the following authorities are applicable to the three programs referred to above:

Department of Agriculture, Forest Service—16 U.S.C. 580a.
Department of Agriculture, Soil Conservation Service—16 U.S.C. 490a.
Department of Transportation, Federal Highway Administration—23 U.S.C. 308(b).

We hope this information will be helpful to the Subcommittee.

Sincerely yours,

LAWSON B. KNOTT, Jr., *Administrator.*

EXHIBIT 28

TRANSFERS OF EXCESS PERSONAL PROPERTY TO FEDERAL AGENCIES FOR USE IN STATE COOPERATING PROGRAMS

Transfers to	Fiscal year 1965		Fiscal year 1966		Fiscal year 1967	
	Line items	Acquisition cost	Line items	Acquisition cost	Line items	Acquisition cost
Department of Transportation:						
State highway departments:						
Motor vehicle equipment	160	$744,603	118	$373,849	100	$459,161
Construction equipment	173	1,326,550	147	1,252,688	41	429,361
Machine tools	53	90,183	41	60,831	22	53,544
All other	545	186,054	640	207,062	354	287,471
All other	[illegible]	[illegible]	[illegible]	[illegible]	517	1,220,537
Totals	12	67,532	16	3,117	52	249,068

EXHIBIT 29

COPY OF LETTER TO SENATOR JOHN L. MCCLELLAN, CHAIRMAN OF GOVERNMENT OPERATIONS COMMITTEE, FROM WILFRED H. ROMMEL, ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE, BUREAU OF THE BUDGET

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., September 8, 1967.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to Senator Gruening's letter of August 21, 1967, extending an invitation to the Bureau of the Budget to testify on S. 1974, a bill "To amend the Federal Property and Administration Services Act of 1949, as amended, and for other purposes." In connection with your earlier request of July 13, we have been in contact with Mr. Joseph Lippman, Staff Director of the Subcommittee on Foreign Aid Expenditures, and would like to submit a report on the bill in lieu of testifying.

The proposed legislation would amend section 203(j)(1) of the Federal Property and Administrative Services Act of 1949, as amended, to provide that Government personal property which was designated excess and is being held for expression of congressional policy in the Foreign Assistance Act shall be "excess personal property shall be utilized whenever practicable in lieu of the

S. 1974 would make fundamental changes in the basic policies set forth in both the Foreign Assistance Act and the Federal Property and Administrative Services Act which we believe would be undesirable. If additional limitations on the use of excess property in the Foreign Assistance program are considered desirable, we believe a more appropriate means of accomplishing them would be by amending the Foreign Assistance Act.

We also would be opposed to enactment of this type of legislation because of the administrative problems posed, especially with respect to foregn excess property. Participation by State agencies for surplus property in the disposition of foreign excess property would involve additional delays in disposal with resulting increases in storage and handling costs and further deterioration of the property.

For these reasons, we recommend against enactment of S. 1974.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

EXHIBIT 30

LETTERS TO SENATOR ERNEST GRUENING, summaries of our findings relating to the utilization of excess property by the Agency for International Development.

Enclosed for your information is a copy of our letter dated September 29, 1967, to Mr. Griffin transmitting the foregoing data.

We plan in the future to furnish the General Services Administration for its information and use copies of our reports on the administration of the excess property program of the Agency for International Development under section 608 of the Foreign Assistance Act of 1961, as amended.

Sincerely yours,

FRANK H. WEITZEL,
Assistant Comptroller General of the United States.

GENERAL ACCOUNTING OFFICE,
INTERNATIONAL DIVISION,
Washington, D.C., September 29, 1967.

MR. ROBERT T. GRIFFIN,
Assistant Administrator,
General Services Administration.

DEAR MR. GRIFFIN: The Chairman, Subcommittee on Foreign Aid Expenditures, Senate Committee on Government Operations, advised us that in your testimony on September 21, 1967, before the Subcommittee you stated that re-

tomers is normally 100 percent of the original acquisition cost or inventory price of the material concerned. Accessorial charges should be computed upon a percentage of the acquisition cost, however, in some instances this did not occur and the accessorial charges were based upon an AID Billing Price which was considerably less than the acquisition cost. As a result the following differences occurred between DOD costs and billings to AID for the period FY 1964 through FY 1967:

Fiscal year	Volume in	DOD costs	DOD billings	Difference [1]

excess property to recipient countries, (3) qua[illegible]
tributed to recipient countries, and (4) negotiation and administration of AID repair contracts.

We plan in the future to furnish your Agency for its information and use [illegible] matters and any other reviews we

STATEMENT OF ROY ALLEN, CHIEF, TRANSPORTATION MATERIEL MOVEMENT BRANCH, TRANSPORTATION MOVEMENT MANAGEMENT DIVISION, DIRECTORATE OF TRANSPORTATION, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS, DEPARTMENT OF THE ARMY

Mr. Chairman and members of the committee, I am Roy Allen. It is a privilege to review with you the support given by the Department of Defense (DOD) to the Agency for International Development (AID) in connection with the movement of excess personal property under Section 608 of the Foreign Assistance Act of 1961, as amended. DOD's authority for providing service to AID under this program is Section 608 of the Foreign Assistance Act of 1961, as amended; Section 402 of the Federal Property and Administrative Services Act of 1949 and the Economy Act of 1932.

The Committee Chairman's letter to Secretary McNamara, dated 12 June 1967, requested the DOD to provide a witness to respond to a number of matters relative to the excess personal property program. In the course of this statement I will address matters posed by the Committee Chairman's letter.

There have been two agreements dated 16 March 1962 and revised on 19 August 1965 applicable to the CONUS excess personal property program which were signed by DA, GSA and AID. These agreements require selected Army installations within CONUS to provide on a reimbursable basis the following services for AID:

a. Receipt.
b. Storage.
c. Repair and Overhaul.

statutory authority for DOD [illegible]
however, an inadvertent subsidy was provided. This happened due [illegible]
interpretation of the regulation governing the application of accessorial charges to AID's Excess Property Shipments. The billing price DOD charges its cus-

has a higher priority in claiming excess property than your own State Surplus Property Agency. AID can therefore "skim the cream" off the excess property [illegible] State Agency is left to screen what AID discards.

State. Under existing law and regulation foreign cities [illegible] in obtaining excess equipment than our own cities. A summary of the facts disclosed during the Subcommittee's hearings is enclosed.

It would be most helpful if you would comment on the provisions of S. 1974, indicating your State's need for the excess property being disposed of by AID

tary Traffic Manager, Beach Master, Pier Superintendent, and Marine Superintendent. Subsequent to World War II, he was employed by the Department of the Army, General Services Administration, Department of State, Office, Chief of Engineers, and the Office, Chief of Transportation. During this entire period, Mr. Allen has acquired extensive knowledge and experience in the commercial and military traffic management field, involving all modes of transportation.

EXHIBIT 32

COPY OF THE LETTER SENT OUT BY SENATOR ERNEST GRUENING TO THE GOVERNORS OF THE 50 STATES, THE COMMISSIONER OF PUERTO RICO, THE DIRECTOR OF [illegible]

[illegible] GRUENING,
U.S. Senate,
Washington, D.C.

[illegible], October 16, 1967.

DEAR SENATOR GRUENING: Governor Reagan has asked me to acknowledge your letter concerning our State's surplus property program.

I have taken the liberty of directing your inquiry to the Governor's secretary for Business and Transportation, Mr. Gordon Luce.

I hope shortly to have a detailed response to the matters that you have brought to our attention.

Sincerely,

KENNETH F. HALL,
Assistant Cabinet Secretary.

STATE OF CALIFORNIA,
GOVERNOR'S OFFICE,
Sacramento, November 6, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR SENATOR GRUENING: The cities and counties of California have a very great need for the valuable federal excess personal property which could be made available to them through the passage of your Senate Bill 1974. My Director of the Department of General Services, Andrew R. Lolli, has had extensive experience and background working with the AID and Federal Surplus Property Programs. He has assured me that great benefit and savings can be derived by our local communities, especially on such items [illegible]

DEAR SENATOR G[illegible]

and will advise you of our states requirements.

With all good wishes,

Sincerely,

WINTHROP ROCKEFELLER, *Governor.*

Your Bill should also include a provision whereby AID is required to show an established program before it is allowed to acquire and warehouse excess of surplus property for distribution overseas.

If I can be of further assistance, please do not hesitate to write me.

Sincerely,

JOHN A. LOVE.

STATE OF CONNECTICUT,
EXECUTIVE CHAMBERS,
Hartford, October 26, 1967.

Hon. ERNEST GRUENING,

should be authorized [illegible] lations of unwanted material, through public sale or auction, in order their spaces within a reasonable time and be in a good position to bring in fresh property. The current procedures for effecting disposition of unwanted material are far too drawn-out and time-consuming for a business-like operation.

Giving states priority over AID would appear to be one correct course of action if the Federal surplus property program is to return to its former usefulness. The changes proposed in S. 1974 would have a good remedial effect on improving the operations of the state agencies. If the proposed bill could also provide an expeditious process for ridding the state agencies' space of materials in storage for six months or more, this would also be helpful to the program.

Sincerely,

JOHN DEMPSEY, *Governor.*

STATE OF FLORIDA,
OFFICE OF THE GOVERNOR,
Tallahassee, October 17, 1967.

Hon. ERNEST GRUENING, [illegible] Building Washington, D.C.

OFFICE OF THE GOVERNOR,
Atlanta, October 13, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: I am pleased to take this occasion to acknowledge receipt of your timely and informative letter of October 5th, together with other information that you provided in reference to surplus property being handled by the Agency for International Development.

Your thoughtfulness in bringing to my attention the shocking and wasteful manner in which surplus material is now being handled is appreciated. The inefficient and shameful way in which this program is being handled is in line with the way numerous other programs are being administered by our national government. Not only is this agency failing to efficiently administer (AID) by looking after the interest of the taxpayers, but also is neglecting the

STATE OF INDIANA,
OFFICE OF THE GOVERNOR,
Indianapolis, November 3, 1967.

Hon. ERNEST GRUENING,
Senator, Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: This will acknowledge receipt of your letter concerning surplus property.

During the fiscal year 1964–65, the Indiana Agency for Federal Surplus Property received, through the Department of Health, Education and Welfare, surplus property whose original acquisition cost to the United States Government was $7,506,115.28. During the 1965–66 year the amount decreased to $5,904,725.50 and the amount received continued to decline in the 1966–67 year to $4,031,679.96.

In addition to the decline in dollar value, the quality and variety of supplies, materials and equipment received is far below that received in previous years.

The net result of the above situation has been that we showed an operating deficit of $5,250.00 in 1965–66 and over $37,000.00 in 1966–67. For this reason we have moved the Indiana State Agency for Federal Surplus Property from Camp Atterbury to the Indiana State Warehouse at 601 Kentucky Avenue, Indianapolis, Indiana, in an effort to reduce the operating overhead. We will need to reduce the number of personnel employed by this agency, in the near future, in order to bring revenue and expenditures into balance. However, more importantly, we are not able to furnish our Public Schools, Colleges, Universities, Hospitals and Civil Defense Units with the supplies and equipment badly needed in their operation.

Any legislation

Advance Acquisition Program (Section 608). EXECUTIVE CHAMBERS,

Apparently the costs involved have limited the acquisition of property from Hawaii under Section 608 of the Foreign Assistance Act.

Our Program has not dealt with foreign excess property and we are unable to evaluate the economic aspect of acquiring from foreign sources without more information on the types, quantities, conditions, and desirability of such property.

Kind personal regards. May the Almighty be with you and yours always.

Sincerely,

JOHN A. BURNS.

STATE OF IDAHO,
OFFICE OF THE GOVERNOR,
Boise, October 18, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: I appreciate the opportunity to comment on S. 1974, and the status of the surplus property program in Idaho. This program has in the past been of very significant value to our State, and has provided our agencies and political subdivisions with an opportunity to acquire properties, materials, and equipment that would otherwise have been unavailable or too expensive.

During the last eighteen months we have experienced a huge decline in the quantity and quality of Federal surplus property received and available for donation. This has had an adverse effect on our expanding programs of health, education, and civil defense institutions. I fear that if this decline continues, and [illegible] provides relief, the donable surplus property program will be

Sincerely,

DON SAMUELSON, *Governor.*

STATE OF NEBRASKA,
EXECUTIVE OFFICE,
Lincoln, October 17, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR SENATOR GRUENING: This will acknowledge with gratitude receipt of your letter dated October 5th with regard to surplus property being used primarily by the agency for a National Development.

Most certainly I am in agreement with your contention that the States have great need for surplus property and I applaud you for your efforts and for the introduction of S. 1974.

There are several areas where Nebraska can use the surplus property in many ways and one of the main purposes would be in Vocational Technical Training. Industry is demanding skilled workers and farm laborers are being replaced by machinery, therefore, we are accumulating a surplus of labor and training facilities are not completely available or are they well equipped.

Thank you for your help in this important matter.

Very truly yours,

NORBERT T. TIEMANN, *Governor.*

THE STATE OF NEVADA,
EXECUTIVE CHAMBER,
Carson City, Nev., October 16, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Washington, D.C.

DEAR SENATOR GRUENING: Your letter of October 5th was concerned with the Agency for International Development having a higher priority than the states in claiming excess property.

I have made inquiry here about this and find agreement with your position that it would be most desirable to permit domestic agencies to have priorities over foreign governments in the field of surplus property.

My people here in state government advise me that this is true at this time for the reason that much of this [illegible] Under these circumstances, any means of increasing the flow of surplus property to the states would have benefit in Nevada.

Sincerely,

PAUL LAXALT, *Governor of Nevada.*

STATE OF NEW JERSEY,
DEPARTMENT OF EDUCATION,
Trenton, N.J., October 18, 1967.

Hon. ERNEST GRUENING,
U.S. Senate,
Washington, D.C.

Dear SENATOR GRUENING: Your letter of October 5, 1967, dispatched to the Honorable Richard J. Hughes, Governor of the State of New Jersey, has been referred to my attention for reply.

We are of the opinion that the provisions of S. 1974 may be helpful provided that the General Services Administration wasn't required to service the growing number of eligible donees with a higher priority than schools, hospitals, and civil defense.

We are required to transmit applications through the Department of Health, Education, and Welfare, Office of Surplus Property Utilizations, for approval by the General Services Administration. HEW has no Federal priority and is subject to withdrawal by GSA for any properties required by other preferred donees.

Prior to the [illegible]

research and manufacturing, Federal Road Programs, The Job Corps, NDA, MDT, CAP, SEA's MARS, Boys Clubs, AID, Job Development, Neighborhood Youth Corps, Community Action Centers, and all other OEO Programs receive preferred treatment by GSA.

We concur with your observation regarding the poor quality and short supply [illegible] property other than electronics, but AID, in itself, is only one [illegible] of the entire donation pro-

U.S. Senate,
Washington, D.C.

DEAR SENATOR GRUENING: Thank you for your October 5 letter.

New Mexico has made exceptionally good use of a substantial amount of surplus property—particularly real property—acquired from the federal government. Naturally, we would be interested in improvements in the system.

I have asked my director of finance to look into your proposal and submit his comments to you.

Sincerely,

DAVID F. CARGO, *Governor.*

STATE OF NEW YORK,
EXECUTIVE CHAMBER,
Albany, October 31, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: I appreciate your writing me with respect to your Bill, S. 1794, relating to federal excess property.

A reversal of the present priorities would no doubt benefit the State of New York. I also recognize, however, that the AID program has corresponding needs, the relative importance of which I am not in a position to evaluate.

As the AID program is a vital portion of American foreign policy, I must at this time, defer to those charged with the execution of our foreign policy to de[illegible] needs and hope that they, as well as you, will be able to balance

Washington, D.C.

DEAR SENATOR GRUENING: Thank you for your letter of October 5 in which you review the priority given our State's Surplus Property Division in securing Federal properties. The disbursing of Federal surplus properties in North Carolina is handled by the Division of Purchase and Contract of the Department of Administration. By copy of this letter, I am asking Mr. Wayne Corpening, Director of the Department of Administration, to review your Senate Bill 1974 with our Purchase and Contract Division.

Thank you for bringing this matter to our attention.

Sincerely,

DAN MOORE.

STATE OF NORTH CAROLINA,
GOVERNOR'S OFFICE,
Raleigh, October 20, 1967.

Hon. ERNEST GRUENING,
U.S. Senate, New Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: I indicated to you in my letter of October 12, 1967, that we would review Senate Bill 1974. In regard to this bill, which would transfer the Agency for International Development's (AID) priority in claiming excess property to the State Surplus Property Agencies, I wish to assure you of our [illegible] eligible donee health and educational institutions and civil defense organizations in the 100 counties in North Carolina through our North Carolina State Agency for Federal Surplus Property represents substantial tax relief and savings to the tax payers of our State annually. The property acquired through the donation program greatly enhances the effectiveness of the programs of public health, education, and civil defense being carried out in our State.

Accordingly, if the priority in obtaining excess property was transferred from AID to the State Surplus Property Agencies, it would result not only in a substantial increase in needed surplus property but the additional benefits to the eligible donees would effect even greater tax relief and savings to the taxpayers of our State in Federal, state, and local taxes.

We therefore urge the enactment of this bill. I am taking the liberty of forwarding copies of this letter to Senators Sam J. Ervin, Jr. and B. Everett Jordan so they might know something of the benefits of the proposal to the State of North Carolina.

Sincerely,

DAN MOORE.

STATE OF MAINE,
OFFICE OF THE GOVERNOR,
Augusta, Maine, November 3, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: I appreciate receiving your [illegible]

and I hasten to support your measure as a necessary action.

In addition, it may be beneficial to require AID to submit to G.S.A. adequate assurances that it has properly fulfilled the express intent of their surplus property acquisitions and at a later date AID be required to confirm the utilization.

Sincerely,

JOHN A. VOLPE, *Governor.*

STATE OF MINNESOTA,
OFFICE OF THE GOVERNOR,
St. Paul, October 13, 1967.

Hon. ERNEST GRUENING,
U.S. Senator, Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: Thank you for your recent letter in regard to the administration of the excess Federal property program.

You stated that one of the reasons for diminishing amounts of surplus property given to Minnesota, and the poor quality of the property so given is the higher priority accorded to the Agency for International Development, commonly referred to as AID. You also stated that a recent hearing before a subcommittee higher education facilities and technical schools, as well as to [illegible] institutions. In addition, through our Civil Defense Agency we have distributed such property on a controlled basis to municipalities.

Senator, in this area we have been at a marked disadvantage as we are a "have not state" in a "have not area". By this, I mean the scarcity of defense and military facilities and installations prevents Minnesota and this area from generating large amounts of surplus equipment. Although it is true that this property is distributed on an allotment basis, nevertheless states in the area of such generating centers are in a position to secure more favorable allotments, as the cost of transportation to the Federal Government is materially reduced.

Furthermore, it should be noted that Minnesota, (as does each of the other states) defrays the cost of repairing excess property, thus saving the Federal Government a substantial sum yearly.

Your interest in legislation that would place Minnesota in a more favorable position with respect to securing surplus Federal property is greatly appreciated.

With best wishes.

Cordially yours,

HAROLD LEVANDER, *Governor.*

OFFICE OF THE GOVERNOR,
Oklahoma City, October 23, 1967.

Hon. ERNEST GRUENING,
U.S. Senate,
Senate Office Building, Washington, D.C.

DEAR SENATOR GRUENING: I appreciate your letter concerning Senate Bill 1974. This bill is of particular interest since the Oklahoma Surplus Property Agency is experiencing a lack of property, both in quantity and quality. We are all aware that the war effort has a great deal to do with this problem.

I am told that the AID program does absorb property that would be desirable to schools, hospitals and Civil Defense units. If your investigation indicates that the property distributed through AID is abused and consequently is creating a waste, I would strongly support corrective legislation.

Any consideration that Congress can give the Surplus Property program during this critical period will be greatly appreciated.

Sincerely yours,

DEWEY F. BARTLETT, *Governor.*

OFFICE OF THE GOVERNOR,
STATE CAPITOL

TENNESSEE,
EXECUTIVE CHAMBER,
Nashville, October 26, 1967.

Hon. ERNEST GRUENING,
U.S. Senate, Washington, D.C.

DEAR SENATOR GRUENING: The surplus property program is used by State and local agencies with much success in Tennessee. Any changes that would improve the quality and quantity of items available to our agencies should be beneficial to the program.

I have referred your letter of October 5 to the State Department of Education for review. Should that agency have any comments on the provisions of S. 1974, they will be forwarded to you.

With warmest personal regards,

Sincerely,

BUFORD ELLINGTON.

---

important bill and should receive favorable consideration. You may be interested in knowing that our association is lending its best efforts along this line, and you may count on our department's full support in endeavoring to obtain more

obtaining its full share of property. However, based on the Agency for International Development information available, it is not in a position to sanction promotion of States' priorities for A.I.D. property at this time.

The Commonwealth heartily supports public institutional over private utiliza- [illegible] property. Your efforts to increase the quantity and

Hon. ERNEST GRUENING,
U.S. Senator, Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: This will acknowledge with thanks your letter of October 5, 1967 concerning the federal surplus property program. Your points are very well taken and I have asked our State agency to render a report to me concerning the status of our State program.

Subsequent to the receipt of this report, I shall be in touch with our Congressional delegation and indicate to them my personal support for your bill.

Thank you for keeping me informed on this very important subject.

Sincerely,

JOHN H. CHAFFEE, *Governor.*

[illegible] IMPROVEMENT OF THE EXCESS PROPERTY PROGRAM

due to the heavy demands for such property by the Agency for International Development.

This problem has been thoroughly reviewed by Mr. H. Michael Dye, executive director of the State Agency for Surplus Property and his superior, Finance and Administration Commissioner Truman E. Gore.

Mr. Dye has reported that this indeed is a problem, and is proving damaging to our own efforts to locate and obtain surplus property. While Mr. Dye recognizes that it would not be economically feasible in some cases to return property which is located overseas, he feels that property located in the United States could be released by AID in many cases for local programs for the assistance of our own hospitals, schools, and civil defense agencies, and the like.

Mr. Dye reports that the problem further is compounded by the fact that other agencies, such as the Office of Economic Opportunity and local community action groups currently enjoy a higher priority status in obtaining such equipment.

Mr. Dye supports your bill S1974, and would be glad to provide additional supporting information, if you should desire it.

You might be interested to know that we also support S1717, introduced by Senator Proxmire, which would enable the government to dispose of perishable items before they become unusable. Such legislation, we feel, would go hand-in-hand with the bill which you have introduced. We also [illegible] duced by Senator McClellan

Cheyenne, October 9, 1967.

Hon. ERNEST GRUENING,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: Thank you for your letter explaining the purpose of the need for your bill which would give states first priority in claiming government surplus property.

I would certainly endorse the objectives of your bill. It seems to me that an view of the fact that surplus property is bought and paid for by the taxpayers' dollars, the states and their political subdivisions are entitled to a higher priority than foreign aid recipients. With states and local governments struggling to meet increased demands in the face of inadequate revenues, your bill would be of considerable help to these units of government.

With all good wishes.

Sincerely,

STANLEY HATHAWAY,

Senator GRUENING. We will now stand in recess until further call.

(Whereupon, at 12:30 p.m., the subcommittee was adjourned, subject to the call of the Chair.)

O