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AUG 6 1973

The Honorable Henry S. Reuss
 House of Representatives

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Dear Mr. Reuss:

In your letter of May 3, 1973, you requested GAO to investigate and report on the accuracy and objectivity of the judgments made concerning the procurement of commercial trucks in Australia for Cambodia. As agreed with your staff, a summary of the information which was readily available is enclosed with this letter.

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We did not obtain written comments from either the Department of Defense or the Department of State because of your desire for us to expedite the report. We did, however, submit the draft summary to these Departments for a classification review and received approval to release this information as unclassified.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

James R. Statts

Comptroller General
 of the United States

Enclosure

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SUMMARY OF INFORMATION ON PURCHASE
OF AUSTRALIAN VEHICLES

In 1971 the United States purchased from Australian manufacturers 600 trucks, 100 trailers, and associated materials and services for Cambodia. The justifications for this procurement, totaling about \$5.6 million, were (1) an urgent requirement for commercial trucks, primarily to transport Cambodia's rice crop, and (2) an Australian Government commitment to provide, with its own funds, technicians to insure proper use of the vehicles.

Secretary of State William P. Rogers' memorandum of February 22, 1971, stated that representatives of both the United States and the Government of the Khmer Republic had agreed that 600 standard, commercial, 5 to 7 ton trucks and 100 trailers would be most suitable for transporting rice. The memorandum stated that various alternatives involving the procurement of U.S.-manufactured vehicles had been considered. However, U.S. military vehicles cost twice as much as comparable commercial vehicles, and their maintenance was more complex. The purchase of U.S. commercial vehicles under the military assistance program would require longer procurement and transportation leadtimes than those for Australian vehicles.

On February 9, 1971, the U.S. Department of the Army informed the Secretaries of State and Defense, together with other interested parties, that because of changed requirements, it could make available 790 5-ton International Harvester commercial trucks and 60 trailers. According to the Army, 283 trucks and the 60 trailers were in stock; the trucks could have been modified to haul trailers and could have been delivered in about 90 days--by early May 1971, if requisitioned immediately. The Secretary of State's memorandum did not mention the availability of these vehicles.

URGENCY OF REQUIREMENT

According to the memorandum, Cambodia urgently needed commercial trucks, primarily to transport the rice crop to protective storage areas before the rainy season began in May and to prevent its capture by the enemy. The first 100 trucks arrived in Phnom Penh on April 9, 1971, followed by a second shipment of 114 trucks and 31 trailers on May 27. Additional deliveries were as follows:

	<u>Trucks</u>	<u>Trailers</u>
July 5 to 9	134	22
August 9	134	46
September 13	118	1

Although the memorandum stated that the trucks were urgently needed to haul rice, none of the trucks were used for this purpose until July 4, 1971. Between April and July the trucks were assigned to the Cambodian military. After all the trucks were delivered, the Cambodian military retained 350 and civilian agencies received only 250.

PAYMENT FOR AUSTRALIAN TECHNICAL SUPPORT

According to the memorandum, one justification for purchasing the Australian vehicles was that Australia was to have provided, from its own funds, all necessary technicians in Cambodia for up to 1 year to insure that the vehicles were effectively used. However, the United States may have paid at least part of the cost for Australian technicians in the vehicle purchase price.

The Chief of the Military Equipment Delivery Team in Cambodia stated in August 1971 that the cost of the vehicles indirectly paid for the technicians. At about the same time, personnel of the Departments of State and Defense informed the U.S. Embassy in Phnom Penh that they understood that the truck manufacturers had paid for the technicians.

SPARE PARTS SUPPORT

The initial procurement package included about 1 year's spare parts. After 1 year the Cambodian Government was to assume responsibility for maintenance and technical support, with economic assistance under United States or Australian aid programs. The Agency for International Development (AID), however, could not use its funds to support those vehicles assigned to the Cambodian military, and the Office of the Secretary of Defense initially determined that military assistance funds would not be used for follow-on support of the vehicles.

Follow-on spare parts support became a problem because (1) it was believed that the initial procurement necessitated purchasing follow-on spare parts from Australia, thus inhibiting continued U.S. support, (2) the Australian Government did not provide additional vehicle assistance, and (3) the Cambodian Government was not capable of funding the spare parts cost from its own resources.

As the problem of spare parts grew more critical in 1972, the previous position of not using military assistance funds for follow-on spare parts support was changed. In October 1972 authorization was given to use \$220,000 (subsequently increased to \$245,368) of such funds to purchase urgently needed spare parts from Australian manufacturers. The basis for this authorization was the nonavailability of spare parts from U.S. sources and the urgency of the requirement.

However, most of the major components are of U.S. origin. Because of delays in contracting for the parts when the need was already deemed urgent, the parts are being airlifted from Australia at U.S. expense.

In early 1973 AID initiated action to fund spare parts for some Australian trucks used by Cambodia's civilian agencies. International Harvester informed AID in April 1973 that the majority of needed parts could be obtained in the United States with no difficulty. A list of such parts was prepared, but as of April 12 the Cambodian Government had not requested that the parts be purchased.

QUANTITY OF VEHICLES REQUIRED

The memorandum stated that United States and Cambodian representatives agreed that 600 commercial 5 to 7 ton trucks and 100 trailers were most suitable to meet the urgent requirement. The Departments of State and Defense were not able to provide documents showing the basis for the number of vehicles purchased. The quantities were negotiated by United States and Cambodian officials in Washington; however, no study was made to quantify Cambodia's requirement.

LEADTIMES FOR U.S. AND AUSTRALIAN VEHICLES

In December 1970 the Commander in Chief, Pacific (CINCPAC), stated that informal information obtained from the Army indicated that 12 to 18 months leadtime was required to supply the requested vehicles and trailers. However, on February 9, 1971, the Army informed the Secretary of Defense and CINCPAC that, if ordered on a priority basis, the trucks could be delivered approximately 90 to 120 days after the contract was awarded and that the trailers could be delivered 120 to 180 days after.

The justification memorandum stated that the Australian manufacturers could supply the commercial vehicles 3 to 6 months faster than any United States source. The Australian manufacturers were said to be prepared to begin the first delivery of 150 vehicles within 4 weeks. As previously stated, deliveries started about 6 weeks after the date of the memorandum.

PROCUREMENT SOURCE FOR TRAILERS

Australian Department of Supply invoices show that Freighters, Ltd., supplied all 100 trailers. An official in the Defense Security Assistance Agency stated that, according to the Army, both Freighters, Ltd., and Gitshan, Ltd, supplied the trailers. This official explained that Gitshan may have been a subcontractor for some of the trailers. A quantity breakdown for each supplier was not available.

NOTIFICATION TO THE CONGRESS

Funds used to procure the Australian vehicles were authorized under the Special Foreign Assistance Act of 1971 (Public Law 91-652). On March 16, 1971, the Department of State informed the Chairman, Senate Committee on Foreign Relations, that the President had issued Determination 71-8, signed March 1, 1971, to authorize procurement of Australian vehicles for Cambodia.