Mr. McCauley. No.

Senator Gore. How long have they been in the warehouse?

Mr. McCauley. That is in the record.

Senator Gore. You say one used deep freezer is in the warehouse. By whom was it used?

Mr. McCauley. That is the one which we state above—I do not know exactly where they were purchased or from what source of funds purchased.

Senator Gore. Who used them?

Mr. McCauley. I will check the records.

Senator Gore. According to the record before me, one has been shipped to USOM, Laos; is that correct?

Mr. McCauley. Yes, sir.

Mr. Hopkins. Two were.

Senator Gore. One old and one new Westinghouse; is that correct?

Then there is one in the Health and Sanitation Division.

Mr. McCauley. Yes.

Authorization to Use Freezers

Senator Gore. Is that an authorized use?

Mr. Hopkins. This is for the nutrition team, Mr. Senator.

Senator Gore. That is not the question. Is it an authorized use?

Mr. Hopkins. As far as I know, yes, it would be authorized.

Senator Gore. Then there is one in the USOM photo lab?

Mr. McCauley. Yes.

Senator Gore. Is that an authorized use?

Mr. McCauley. I would consider it is; yes.

Senator Gore. There is one in the USOM snack bar? Is that an authorized use?

Mr. Hopkins. Under the terms of the contract with the concessionaire, yes.

Senator Gore. There is one Frigidaire in the Ambassador’s residence. Is that an authorized use?

Mr. Dunbrow. I hope so, sir. We certainly need them, with the entertainment we have to do, which requires having a lot of food on hand. As far as I know, it is authorized.

Senator Gore. I am sure it is needed, but has your use of such property been authorized?

Mr. Sabatini. The one that the Ambassador was furnished is authorized. According to the Department of State regulations, only two people are accorded deep freezers, the chief of mission and his deputy. The old one in the Ambassador’s residence was deficient—

Senator Gore. Is it an authorized use?

Mr. Sabatini. Yes.

Senator Gore. Is the deep freezer used by Mr. Gardiner authorized?

Mr. Hopkins. Yes, sir. I believe it is. The regulations covering that do not specifically say whether he is authorized a deep freezer or not, but there is a list of things authorized in the regulations. In the case of the director of the mission, there is a specific exemption to the attached list and puts it on a dollar value basis.

Senator Gore. Do you have a copy of the regulations?
Mr. Hopkins. I will have to get it for you.

Senator Gore. We will wait until you get it. For the record, the committee staff discovered the use of these deep freezers after Mr. Gardiner had departed for the important conference which he is attending. Had such information been discovered and the necessity for asking questions about it been determined before his departure, he would have been informed. Mr. Gardiner will be permitted to insert at this point in the record such statement as he may wish to make, if any, with respect to this item.

(The statement is as follows:)

**Freezers in Director's Residence**

USOM records show that a deep freezer of 20 cubic feet capacity was received for the USOM director's residence on July 9, 1957, costing $594.66 excluding packing and shipping charges. On September 24, 1958, eight further deep freeze cabinets, originally ordered for the Field Service Division of USOM, arrived in Saigon. These were not required for the purposes intended when they were ordered, as the Field Service Division was being liquidated with the successful conclusion of the refugee program.

These freezers had a capacity of 8.9 cubic feet each and cost $190 each, exclusive of packing and shipping charges. Two of these deep freezers, costing a total of $380 were placed in the director's residence on September 29, 1958, and the freezer purchased in 1957 with 20 cubic feet capacity, was removed from the director's residence, and sent to USOM, Laos.

The director's residence is used for representational functions, and frequently to house official visitors; per diem due to such official U.S. Government visitors is reduced when they have use of such quarters, resulting in saving to Government. Exigencies of this situation render it extremely desirable for director's residence to keep stock food on hand; as director may be called upon, on short notice, to entertain unexpectedly large group of people. Such a stock of food cannot be safely kept in a tropical climate, such as Saigon's, unless under refrigeration.

ICA regulations permit furnishing mission director's residence with $6,000 worth of materials without reference to ICA, Washington. Mission records indicate that the cost of furnishings in the director's residence, including the two deep freezers that cost $190 each, is less than this figure of $6,000.

At no time has the present Mission Director Gardiner taken any action whatsoever to increase, diminish, or otherwise affect the number of deep-freeze units in the director's residence; this number remains at two, where he found it on assuming the duties of director on November 30, 1958. He believes that the freezers are needed to enable him to discharge his representational duties. These units, originally bought with technical support funds, are funded now with administrative funds.

**Regulation for Furnishing Residence of Mission Directors**

Senator Gore. I will read into the record the paragraph to which Mr. Hopkins has referred:

Mission directors are not limited to the items listed in attachment A in purchasing furnishings for their residences. However, the total expenditure for furnishings for mission directors' residences shall not exceed $6,000 (exclusive of packing and freight charges) without prior ICA, Washington, approval. Expenditures for normal replacements of existing items may also be made without prior ICA, Washington approval provided their estimated original cost is not exceeded.1

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1 ICA Manual Order No. 5821, par. III, C.
SITUATION IN VIETNAM

REPRESENTATIVE ITEMS OF RESIDENTIAL FURNITURE AND FURNISHINGS WHICH MAY BE AUTHORIZED FOR ICA MISSIONS

Bedroom:
- Bed
- Bedside table
- Bedspread
- Bedpost
- Chair
- Chiffonier, wardrobe
- Dresser, bureau
- Dressing table, vanity
- Dressing table bench
- Lamp and shade
- Mattress
- Mirror
- Pillow
- Rug, carpet, linoleum
- Wastebasket

Bathroom:
- Laundry hamper
- Medicine cabinet
- Stool
- Towel rack

Living-dining room—porch:
- Armchair, sidechair, other
- Card, coffee, dining, end, occasional, serving, tables
- Desk
- Hassock, footstool
- Heater
- Lamp and shade
- Porch set
- Rug, carpet, linoleum, mat
- Sideboard, buffet, china closet
- Sofa

Kitchen and pantry:
- Cabinet
- Chair
- Garbage pail
- Hot water heater
- Ironing board
- Meat safe
- Refrigerator
- Stove
- Table
- Washing machine (wringer type)

Other:
- Blinds, awnings, mosquito netting, etc.
- Curtains
- Draperies
- Electrical regulating and adjusting devices such as adapter plugs, transformers, etc.
- Garden equipment (ladder, hose, etc.)
- Screens
- Heaters
- Fire protection equipment

NOTE.—Conditions at each post will determine which of the above items it is in the Government's interest to issue. Electrical equipment or appliances should generally not be supplied unless there is reasonable assurance that they will be operated and maintained in a satisfactory manner.

Senator Gore, These were not purchased as furnishings for the residence, as I understand it.

Mr. Hopkins. They were purchased for other residences.
Senator Gore. They were purchased for project 30-99-000?
Mr. Durrow. For other residences—that is what Mr. Hopkins was trying to point out. They were ordered for field residences.

Senator McGee. Is it your point that Mr. Gardiner was entitled to a deep freeze if he considered it a necessity in his home?
Mr. Durrow. That is right—

Senator Gore. I notice that in attachment A the purchase of a refrigerator is permissible for his residence. Was such a refrigerator purchased?
Mr. Hopkins. I am quite sure Mr. Gardiner does have one in his home.

Senator Gore. A refrigerator was purchased for the director's residence. Then as I understand you, Mr. Ambassador, these deep freezers which were purchased for other uses have been used by Mr. Gardiner? Was that by your permission?
Mr. Durrow. No, sir, I did not know about it until it came to my attention yesterday.

Senator Gore. Was it by anyone's permission, as far as you know?
Mr. Durrow. As far as I know, this was an internal administrative decision in USOM.

DEEP FREEZERS NOTDeclared AS SURPLUS

Senator Gore. Were they declared as surplus?
Mr. Durrow. I don't think so.
Mr. Hopkins. No, but they were surplus to the field service.

Senator Gore. Were there others who may have been entitled to deep freezers if they had been declared surplus?
Mr. Hopkins. No, sir.

Senator Gore. What disposition would have been made of them if they had been declared surplus to project 30-99-000?
Mr. Hopkins. They possibly could have been made available to another project in the country that might have needed one, or they could have been made available to another USOM in another country, or sold.

Senator Gore. By whose determination would they have been declared surplus at the termination of project 30-99-000?
Mr. Hopkins. They would have to have been turned over to the disposal board.

Senator Gore. By whose action?
Mr. Hopkins. The disposal officer.

Senator Gore. I do not believe that is the answer to the question I had in mind. By whose discretion would they have been declared surplus?
Mr. Hopkins. I believe the property officer who controls the property of the mission.

Senator Gore. Is he here?
Mr. Hopkins. No, sir. He is not in the room at the moment.
Senator Gore. Were they in fact surplus after the termination of this project?
Mr. Hopkins. To the field service project, they were; yes, sir.
TRANSFER OF DEEP FREEZERS TO DIRECTOR'S RESIDENCE

Senator McGee. According to the regulations, it appears the mission directors are not limited to the items in attachment A. Would that mean that the mission director could have the refrigerator which is listed and such other items which—

Mr. Hopkins. Yes, sir.

Senator McGee. He is breaking no regulation. He could have 2 or 10, according to his discretion.

Mr. Hopkins. According to his discretion.

Senator McGee. But it is true that the discretion is his as to whether he adds to this list on attachment A, as long as he confines it within the $6,000 limitation? The issue is one of discretion, rather than one of regulation?

Mr. Hopkins. I would say so; yes, sir.

Senator Gore. Is that, in fact, the case? Would an unauthorized use of property not purchased for such purposes, not appear within the $6,000 limitation?

Mr. Hopkins. Except that it is shown on the property list of that particular residence as items having been transferred to that location; it would consequently show in there as such.

Senator Gore. What was the cost of these deep freezers?

Mr. Hopkins. $225 each, including packing and freight.

Senator Gore. They are rather small deep freezers, are they not?

Mr. Hopkins. Yes, 8.9 cubic feet.

Senator McGee. I assume they would not consider the other alternative—shipping them home. They would either store them in the warehouse as they did these two or three, or find some other—

Mr. Hopkins. There would be some other means endeavored to be found first.

Senator Gore. If declared surplus to a project as terminated, they are then available for record assignment rather than to some other project, or for some other office, but no such determination was made and no such assignment was made in this particular case, but they are in use in the director's residence. Being small of size, two of them are in use there; is that correct?

Mr. Hopkins. Yes, sir.

Mr. McGee. One other question. Is it conceivable that Mr. Gardiner would have, or would have been permitted legally under the regulations to have, ordered one or two or three deep freezers from this group or from the same sources?

Mr. Hopkins. Yes, sir.

Senator Gore. So this is the question here—whether this has been handled as a matter of record and as a matter of authorized transfer and use?

Mr. Hopkins. I believe it has been, sir.

TRANSFER OF DEEP FREEZER FROM VIETNAM TO LAOS

Senator Gore. I would like to clarify one item which I failed to clarify in respect to the deep freezers. Was the transfer of the deep freezers from Vietnam to Laos authorized?
Mr. Hopkins. I wasn’t here when it happened. Laos needed two deep freezers. I do know, and it was at the request of Laos, that these were made available to them. We are being repaid for them.

Senator Gore. This is a question of procedure. They were surplus to a project in Vietnam. Indeed, they were never used for that project. By what authority did the ICA office in Vietnam transfer or ship or permit a deep freezer to be taken to Laos and who took it?

Mr. Hopkins. They were shipped up by this mission at the request of the mission in Laos. I don’t know exactly who.

Senator Gore. Was this in consequence of an authorization to purchase such a deep freezer by some Government officials located in Laos?

Mr. Hopkins. I have no idea of the use in Laos. They were sent there at their request and we are being repaid.

Senator Gore. Do you know who used it?

Mr. Hopkins. No, sir.

Senator Gore. Was there one or two shipped?

Mr. Hopkins. Two, sir.

Senator Gore. Would not the correct procedure have been in the case of these deep freezers to have declared them surplus to the project for which they were purchased and that their disposition would then be in consequence of a regulation procedure, rather than arbitrary distribution?

Mr. Hopkins. I think it would have been more appropriate to follow normal disposal procedures.

TRANSFER PROCEDURES BETWEEN GOVERNMENT POSTS

Mr. Sabatini. I would like to comment on the transfer procedures between Foreign Service posts.

When any post has an item which is excess to one post, we circulate by memorandum and say, “We have such-and-such excess items. Can you use them?”

The posts—A, B, or C—will come back and say, “We need such-and-such.”

We will then transfer items to that post, change our inventory and show that it has been transferred from our inventory to theirs, and then we would assume that they were used in accordance with proper Government regulations.

Senator Gore. Unless orderly procedures are followed with the termination of these projects in countries around the world, Government property may be arbitrarily disposed of and used by various posts and individuals. Does not the ICA office in Washington require orderly procedure in this regard?

Mr. Hopkins. They were initially sent up there on a loan basis, but replaceable either in kind or by cash. We, of course, do not have need for them here and consequently do not want them replaced in kind. I agree it would have been more appropriate to have put them through the normal disposal procedures before they were sent.

USE OF DEEP FREEZER SENT TO LAOS

Senator Gore. Of course, two small deep freezers going to Laos are utterly unimportant in value in the context of the enormous funds involved in this worldwide program, but unless procedures are fol-
allowed for the use and disposition of Government properties, then there are possibilities of vast wrongs being committed. That is why I raise the question.

I would like to ask Mr. Newhouse to direct a letter to the agency head in Laos and find out who is using these deep freezers, if their use by those persons has been authorized, and to make a similar inquiry with respect to all ICA heads in Washington.

According to information received from the U.S. Operations Mission in Laos, the new Westinghouse freezer is in use in the Director's residence. It was transferred there on a replacement basis.

The other older freezer is undergoing repairs and will subsequently be used in the mission commissary for the storage of meat and other perishable foods.

INVENTORY CHECKS

Senator McGee. What inventory checks are made by ICA? Can they intercept or doublecheck this through inventory lists in Washington?

Mr. Hopkins. No, sir.

Senator McGee. Where would those records be kept?

Mr. Hopkins. They are maintained at the post; only in Laos. We have a record of shipping them there. They would have to show them as being picked up.

Senator McGee. If they had ordered them from the States on their own, how would they have shown up for accounting purposes?

Mr. Hopkins. They would have been added to property records when received.

Senator McGee. They appear on their inventory lists now?

Mr. Hopkins. They should.

General Williams. I would like to volunteer a statement. I don't know what is behind your questions—

Senator Gore. I will tell you what is behind my questions. This is an attempt to ascertain the disposition and use of Government property. You must have had some question.

General Williams. I did not know whether you were attempting to determine what furnishings had been bought out of aid in kind funds—

Mr. Durbrow. Aid in kind, sir. This has nothing to do with aid in kind.

Senator Gore. Would you like to make your statement now?

General Williams. I have just made it. I misunderstood the Ambassador.

PROCUREMENT OF POLICE RADIO EQUIPMENT

Senator Gore. We will now go to the question of procurement. Mr. Newhouse will have some questions in that regard.

Mr. Newhouse. The first question involves the procurement of police radio equipment, which I understand has been suspended. Is that true, Mr. McCauley?

Mr. McCauley. Yes.

Mr. Newhouse. In the future, will Brownell-Lane be disqualified for having Mr. Fozdar represent them in negotiations for such equipment?

Mr. McCauley. This is a question which has been raised because Mr. Fozdar worked for USOM. After he went to work for Brownell-
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Lane, we issued him orders saying this was a conflict of interest and that they could not have him do any work on procurement in the electronics field as a representative of Brownell-Lane. The final decision as to whether they will be allowed to participate in this has not been taken.

Mr. Newhouse. Mr. Gardiner received a letter from Mr. Fuller, who represents the Summit Corp., dated July 2, protesting the participation of Mr. Fozdar in the bidding for this equipment. I want to know what, if any, action has been taken regarding the future negotiations on this work?

Mr. McCauley. Since the bidding has been suspended, I would believe it would require new bids at the time it is ever reopened. I would like to ask Mr. Taylor to give an answer to this particular question.

SUSPENSION OF PROJECT IMPLEMENTATION ORDERS

Mr. Taylor. There were five of these PIO-C—project implementation orders—suspended as a result of several meetings that were held in this room. Mr. Greenfield attended that meeting with the Michigan State University people and there were various factors that were considered. First of all, there was a new Public Safety Division being organized, new personnel were coming out to participate in the civil guard, and other police programs. The question arose as to whether or not the specifications were restrictive or exclusive. There were other problems in connection with these project implementation orders such as, for example, the hiring of foreign technicians. The successful bidder was to supply technicians for 1 year or more to train local personnel, instruct and assist in the installation of the equipment. Finally, this procurement became so involved that upon request from Mr. Greenfield, who is the procurement adviser at the Government Purchasing Office, it was concluded that it would be in the best interest of the project to suspend all of these procurement orders. There were several factors, not only any particular one.

If we had gone ahead with the procurement, there would have been lots of difficulty. The result was that I wrote a letter to the Government Purchasing Office requesting them to take no further action on these procurement orders until further advised. My letter was dated August 17, 1958. It was not whether or not there was any conflict of interest on the part of some of the bidders. Those factors really did not particularly enter into the decision. Those five procurement orders amounted to somewhere around $1.5 million. They are still under suspension, pending a further review as to whether or not the equipment specified is in fact the equipment desired.

Mr. Newhouse. Mr. Taylor, in August of 1958 were you advised of a letter that Mr. Gregory wrote to Mr. Barrows regarding this same type of equipment?

Mr. Taylor. The letter of 1958 had to do with another procurement. I remember the amount of the project implementation order—$270,000. I am generally familiar with that. I will try to answer any specific questions.
Mr. Newhouse. Apparently I had the wrong impression. I thought it was the preclusive specifications case.

Mr. Taylor. I would say that was part of the reason, but not the entire reason. There were five orders and as I recall, the so-called preclusive feature applied to one of them. The charge of preclusiveness about which there was an article written in the Scripps-Howard newspaper was a different case. That is a 1958 case. Of the total of $270,000 that was set up for that procurement, $120,000 was canceled on the grounds that it was no longer required, so the result of that particular procurement was that instead of the purchase of $270,000 worth of equipment, there was one order placed with the Westrex Corp., for approximately $73,000, and two other small orders making a total of about $90,000. That is the transaction about which Mr. Gregory was complaining.

Mr. McCauley. On this particular transaction the mission director set up a committee to review the old transaction for this particular type of equipment. I understand that the report on this has gone forward to Washington and the general decision was that it was not preclusive.

Mr. Newhouse. Not preclusive. Mr. Barrows, in responding to Mr. Gregory's letter, said the responsibility for contracts is strictly within the jurisdiction of the central purchasing agency of Vietnam. Mr. Taylor, as the person in charge of the project implementation orders in this mission, do you agree with this statement?

Mr. Taylor. The award of contracts is within the jurisdiction of the Government of Vietnam. On the face of all project implementation orders, when Vietnam is the buyer there is the following statement which is required by ICA: "Specifications and special instructions as agreed upon between USOM/VN and the Government of Vietnam." That statement appears on the face of all project implementation orders. The project implementation order itself is signed by the director of the central purchasing authority and the specification approval sheet is signed by the Vietnamese project manager and the USOM technician and sometimes by the chief of the USOM division concerned.

RESPONSIBILITY FOR PROCUREMENT

Mr. Newhouse. Paragraph No. 1 of an ICA regulation on the subject of "Procurement Policies for Nonmilitary Commodities" reads as follows:

The USOM has two important functions in relation to the authorized agent: (1) selection (or approval of cooperating country's selection) (2) advice and assistance to the agent selected.

As a practical matter, Mr. Taylor, where does the chief responsibility lie?

Mr. Taylor. There are two clearly defined functions: the preparation of the procurement documents and the authorization of the procurement which includes the issuance of the project implementation order. When it reaches the Vietnamese Government for procurement, Vietnam takes over at that point. When we issue a project implementation order they get 18 copies of the specifications. At that point
they take over and they follow the normal procurement procedure the same as a U.S. Government purchasing agency.

Mr. Newhouse. But the mission does have a very clear responsibility for procurement, in your view?

Mr. Taylor. Insofar as the specifications are concerned, yes, since ICA requires this statement on the project implementation order. It appears to be a joint responsibility.

Mr. Newhouse. Has the Government of Vietnam ever rejected one of the recommendations from the mission?

Mr. Taylor. With respect to specifications; they have.

Senator McGee. Frequently?

Mr. Taylor. Not too frequently. We have cases where the director of central purchasing authority did not go along with the Vietnamese ministry concerned, and perhaps, in his opinion, the central purchasing authority director felt that the specifications were technically inadequate and if he issued an invitation with such specifications, it would be difficult to evaluate the bids. Also the purchasing authority has in certain situations called to our attention discrepancies.

Mr. Taylor. In an infrequent number of cases, particularly on large procurements, while they are not going to change the specification they will say, "We do not feel it to be adequate." In recent months, they have been extremely cooperative because I have asked them to give us their opinion if they think there is something wrong with the specifications that might make the procurement difficult.

REFUNDS ON PURCHASES

Mr. Dubrow. This is an important area we have discussed in the country team, this general procurement. As I understand it, if the central purchasing authority purchases radios or tractors, et cetera, and we, the USOM, our auditors, or ICA, think it's wrong, then we can ask for a refund. Is that not correct, Mr. Battleman?

Mr. Battleman. Yes, we can get the money back.

Senator Gore. Have you gotten any back?

Mr. Battleman. Something under $600,000.

Senator Gore. Are there additional amounts of refund for which we are asking?

Mr. Battleman. Yes; a little less than $1 million plus an amount for local currency that we are asking for return.

Senator Gore. What action has been taken with regard to that?

Mr. Battleman. We have had further talks with the Vietnamese Government.

Senator Gore. What response have you had?

Mr. Battleman. That is another thing that Mr. Gardiner is going to take up. They are slow.

Mr. McCauley. I have one more point to bring up. After bids are in, on complicated bids at present, the purchasing authority has been asking for the help of our technicians to review the bids to see which really meet the specifications.

EVALUATION OF PERFORMANCE IN PROCUREMENT AREA

Mr. Newhouse. Mr. Taylor, when did you arrive?

Mr. Taylor. I arrived July 20, 1957.
Mr. Newhouse. In your experience, would you say the mission has fulfilled, or discharged its responsibility in the procurement area? How would you evaluate their performance since you have been here?

Mr. Taylor. When I first came here the position which I now hold had been vacant for 6 or 8 months. I came from Karachi. The procedure was that the technicians simply made up the specifications or project implementation order and they would process that through fiscal channels and it would go directly to the Vietnamese Government. Then I became interested in better documentation. I would say that with respect to whether the mission has accomplished their objective, a lot of progress has been made. In 1957, procurement responsibility in the mission was not centralized and I think we definitely have made good progress.

Mr. Newhouse. How has the mission made progress?

Mr. Taylor. First of all, we certainly have better specifications and that I think has been the biggest help—better documentation. Originally back in 1957, due to improper documentation and misunderstanding with respect to U.S. standards on the part of USOM technicians, there was a lot of trouble with the Central Purchasing Authority.

Mr. Newhouse. Is this something you have seen in other missions?

Mr. Taylor. I would say it is universal in ICA. Last winter I was on temporary duty in Washington—I worked in the office of Harry Dreany who is concerned with this problem worldwide. The problem is definitely universal.

Mr. Newhouse. Is it inadequate training? What is the source of the problem?

Mr. Taylor. It is the lack of proper orientation in ICA, Washington—that is not only my opinion but the opinion of many other procurement officers with whom I have discussed the problem. I believe our Industrial Procurement Division in Washington recognizes the problem but has not been able to do anything about it.

**IMPROVEMENT IN STANDARDIZING AND WRITING SPECIFICATIONS**

Mr. Newhouse. Do you think the progress made here reflects lessons that people here have learned? I wonder what sort of lesson you have learned that could be applied elsewhere?

Mr. Taylor. I started an education program in January 1958, because we were having many congressional complaints—foreign terms were being used in violation of the requirement of U.S. standards. Mr. Barrows requested that I get together all the data I could on this to put in a guide for the technicians; and by working closely with the technicians, we have been able to improve the situation. The specification problem falls into two distinct categories. One category—such as tractors, office furniture, adding machines, and so forth etc.—for which we have U.S. standard specifications. In my office we have a set of American standards published by the American Standards Association, a set of American Society for Testing Materials, U.S. Federal Specifications, copies of General Services Administration open end contracts. These take care of approximately 80 percent of the procurement and in this respect we are, in good shape. The other 20 percent falls into the category of such specialized items as radio transmitting equipment, police communication systems, bridges, and other
specialized equipment requiring the services of specialists in their particular fields to write or assist in the writing of the specifications.

Mr. Newhouse. What about the so-called Krupp-type steel bridge case? Where does that lie?

Mr. Taylor. In such cases we have engineers who assume the responsibility for the specifications. I do not assume any responsibility for specifications for such items but on the ordinary standard equipment and supplies we now have few complaints about specifications. Complaints during the past year or so have been almost entirely on highly specialized equipment. The technicians realize we have a central control, and as a result I think our procurement is in reasonably good shape.

Mr. Newhouse. Do you have the responsibility for the project implementation orders that are drawn up in the mission?

Mr. Taylor. Authority in redelegated to me by the mission director which includes signing and issuing project implementation orders. When I sign an order it means I have obtained certification of the Controller that the funds are available; I have obtained the signature of the USOM technician; the technician has obtained the signature of the Vietnam Ministry official concerned and that to the best of my knowledge the document is in proper form for issuance. As to whether the item is actually required in the project, I am not responsible. We have initiated a series of standard practice instructions. I think we have issued seven of these for the information and guidance of technicians with a view to placing more responsibility on the USOM technicians and their Vietnamese counterparts.

TRAINING FOR ASSUMING RESPONSIBILITY OF PURCHASING

Mr. Newhouse. As a practical matter you have the responsibility. Was that the case when you arrived?

Mr. Taylor. That the specifications are in proper order for worldwide bidding; that they are not restrictive but technically adequate. In other words, I put the raw draft specifications into purchase specifications.

Mr. Newhouse. When you arrived, who was exercising this responsibility?

Mr. Taylor. There was no central responsibility.

Mr. Newhouse. How many other missions have you worked with?

Mr. Taylor. I have worked with one other—Karachi.

Mr. Newhouse. What was the situation there?

Mr. Taylor. It was worse.

Mr. Newhouse. What sort of training did you have before going to Karachi?

Mr. Taylor. I did not have any—I learned the hard way.

PROCUREMENT PROCEEDINGS

Mr. Newhouse. How is ICA procurement set up in Washington?

Mr. Taylor. There actually is no procurement set up as such. They have what is called the Industrial Procurement Division headed by Mr. Harry Dreyer. As I understand the functions of the Division, it coordinates the ICA procurement activities and monitors the procurement operations of the USOM's.
Senator Gore. Doesn’t ICA do lots of purchasing?
Mr. Taylor. Not as such.
Senator Gore. What do you mean “as such”?
Mr. Taylor. They call it the Industrial Procurement Division but they do no procurement.
Senator Gore. You mean the Washington office does it?
Mr. Taylor. That is right. We do some in the mission. The ICA, Washington office, primarily concerned with specifications is the Industrial Procurement Division. The issuance of project implementation orders is the responsibility of the ICA Controller.

The ICA Office of Small Business furnishes U.S. industry with ICA procurement information. The ICA, Washington, Public Administration Office conducts courses on procurement and supply for participants from countries receiving foreign aid.

Mr. McCauley. The ICA procurement is taken care of by other agencies now such as the General Services Administration, and so forth, and is one point Mr. Taylor has not brought out. Another point is the Central Purchasing Authority is a comparatively new organization.

Mr. Newhouse. I wish you would outline it since it went into effect.

Mr. Taylor. Mr. Greenfield would be qualified to do that.

Mr. Newhouse. What observations do you have on this procurement—should it be centralized?

Mr. Greenfield. I have no observations so far as ICA.

SERVICING FACILITIES FOR PURCHASED EQUIPMENT

Mr. Newhouse. I would like a comment on the so-called Brownell-Lane clause, which would require a servicing capability from each importer of machinery and technical equipment.

Mr. Taylor. This, Mr. Greenfield is very familiar with. This is simply a matter of purchasing the equipment, having it arrive and no one here to service it because the low bidder did not have the ability to service it and see that it was put in proper running order. ICA, Washington has two standard clauses which stipulate that the bidder must have spare parts and servicing facilities. But the whole thing is killed by this statement “or upon receipt of the material will provide such services.” By adding that we lose effectiveness.

Senator Gore. You go up the hill and come down again.

Mr. Taylor. I have discussed the problem of spare parts and servicing facilities with Mr. Dreany of the ICA, Washington, Industrial Procurement Division. While Washington and this mission agree that this is a very important factor to consider in connection with the purchase of equipment requiring such facilities, Mr. Dreany commented on the fact that there have been complaints from U.S. firms when the provision was strictly enforced. I understand that in some cases complaints in connection have been made to Congress on the grounds that such provisions precluded the sale of U.S. produced equipment in certain aid countries.

Mr. Newhouse. Speaking of the Brownell-Lane clause, it is to some extent in conflict with regulation No. 1.
Mr. McCauley. We do not find the clause as used particularly effective because it involves the part of spare parts or services available and you are never sure they are going to. This clause as now used is not particularly effective as far as we are concerned because it allows an outside bidder to bid on the supposition he will install the service and have spare parts. He may or may not do it. In the meantime, you have the equipment.

Senator Gore. You mean ICA, Washington, is obligated to pay for it?

Mr. McCauley. You may have a firm not specifically skilled in this equipment. I think when he once issues a purchase order——

Senator Gore. This serves to illustrate a feeling that I now have had for days, that some of the questions we have with respect to the program here in Vietnam can very probably be directed to the administrative heads in Washington. This may serve as a field survey example which I hope will prompt some improvement in Washington as well as otherwise.

American Importing Firms

Mr. Newhouse. We spoke about Brownell-Lane; they are the only licensed American importer appearing on the list of the top 20 in terms of volume in Vietnam. And they appear twice—as ENIGNECO and Brownell-Lane. How have they managed to displace older and more experienced firms?

Mr. McCauley. I have been down to their shops; they have a very modern setup, they have imported parts necessary for the equipment they sell, they are keeping a good stock on hand and they have brought in local technicians who are qualified, or outside technicians. I think that perhaps explains the matter.

Mr. Newhouse. In your opinion, it doesn’t necessarily have anything to do with services that Mr. Lane might have performed in earlier years here?

Mr. McCauley. If I understand the matter correctly, they are or were the low bidder at the time of contract letting.

Mr. Newhouse. Do we know the source of the funds behind their large investment?

Mr. McCauley. No, I don’t know the source.

Mr. Newhouse. Do we keep dossiers on American businessmen here? I am thinking of those who were formerly employed with the American Government; for example, Gregory Lane.

Mr. McCauley. I am sure we would have a record of who they were, I don’t know how full or complete.

Mr. Dunbar. I don’t think we have any record in the sense you mean. [Deleted.]

 Favoritism in Letting Contracts

Senator McGee. John, what you are getting at is that former Government employees who go into private business relations would have acquaintances and ready access to getting contracts.

Mr. Newhouse. Yes, that’s it.

Mr. Dunbar. We have given the committee a record already of all the people we know who have worked previously for the U.S. Gov-
ernment. We gave the record to Mr. Marcy. There might be some
we didn't know about.

Mr. Newhouse. We had that in Washington but it is only a record
of those who are here now.

Senator McGee. There is an implication that Brownell-Lane's ear-
lier connections might account for his early rise.

Mr. Newhouse. Mr. Gregory is the same.

Senator Gore. If it has happened here, it has happened in other
places before, including Washington, but it is something against which
administrators of Government programs must be on guard. Would
you say, Mr. Ambassador, Mr. McCauley, General Williams, that
you are aware of the possibilities, and that you are on guard against
favoritism that might result from this assistance?

Mr. Durrow. We are very conscious of it and we are on guard
against it. There is the case of Mr. Fozdar. He came back to town
after joining Brownell-Lane and came to see Mr. Gardiner. Mr.
Gardiner made it clear to him (and he came to see me as well and
complained about Mr. Gardiner) that Mr. Fozdar couldn't deal with
USOM and that the fact that he had hired him might make it difficult
for Brownell-Lane to get business. When he complained to me about
it I told him exactly the same thing.

Senator Gore. In other words, not only you but Mr. Gardiner.

Mr. Durrow. Yes. Mr. Gregory, on the other hand, has been here
for much longer than the 2-year period. He has been out of USIS
since 1954.

Dossiers on American Businessmen

Senator McGee. Without dossiers on businessmen, would there be
a chance for slip-ups?

Mr. Durrow. Sure there could be. Somebody, for instance, who
was working here and left his U.S. Government job in 1954 would
be beyond the statute of limitations anyway.

Senator McGee. You will be replaced in the rotation of service.
How do you provide a check on this?

Mr. Durrow. Not everybody leaves when I leave and other per-
sonnel come back from home leave and a second tour. Some people
have been here much longer than I have been. Actually we have
gotten a list up from the memory of those who have been here for
several years.

Senator McGee. Then you have prepared an informal dossier?

Mr. Durrow. Yes, sir.

Senator McGee. I want the record to show that you didn't leave
it to chance.

Mr. Newhouse. Do you have any information of any American
businessmen operating in Saigon, supervising or connected with com-
panics doing business here, having been expelled from this country,
or declared persona non grata either by French authorities, American,
or at the request of the Vietnamese?

Mr. Durrow. I heard a report about this before you arrived. I
checked back on the individual you probably have in mind. We have a
record of this fellow being here. He was not a direct-line American
employee. He was under contract. I couldn't get specific information
that he was ordered out, but I got conflicting rumors.

Mr. Newhouse. How did they conflict?
Mr. Durrow. He got along with the French but the Vietnamese didn't like him, or the French or the Americans didn't like him—I just don't know which way it was.

IMPORTATION OF PHARMACEUTICALS

Mr. Newhouse. Does ICA finance the importation of pharmaceuticals?

Mr. Ritchie. Yes.

Mr. Newhouse. I understand there are three large European companies who dominate this field. They are said to receive rebates in the form of advertising allowances. This is supposedly because the Government of Vietnam prohibits bringing in samples. It is also alleged that they "load" the prices of pharmaceuticals coming in under the program. Does the mission have information about this?

Mr. Durrow. I have never heard of it.

Mr. Ritchie. I cannot give you any categorical answer as to whether this has happened. I can say that the Director General's office of the Vietnamese Government is very conscientious about scrutinizing all applications for import licenses to see that ICA regulations are complied with including the matter of competitive prices. That is done in several ways—partly by reference to world market prices, by reference also to previous purchases of the commodities right here. If it looks out of line it is turned down and the importer does not get the license. This doesn't guarantee that there are no violations. Certainly, I think I can say that a careful conscientious operation is conducted there to see that prices paid are not out of line. But this is no 100 percent proof.

Mr. Newhouse. No complaints from other businessmen regarding the alleged price fixing of pharmaceuticals?

Mr. Ritchie. There was one I heard about indirectly in one case there might have been that sort of thing going on. We are tracking that down.

Mr. Durrow. Mr. Ritchie, how long have you been here?

Mr. Ritchie. Two months.

Mr. Durrow. Mr. Dunaway and Mr. Welbert have been here longer and perhaps are better qualified to tell about the past. Mr. Dunaway, do you know of anything?

Mr. Dunaway. I don't know of any.

Mr. Welbert. No complaints at all except the one you heard about this week and we got it from the same source.

IMPORT TRANSACTIONS AND COUNTERPART RECEIPTS

Mr. Newhouse. Mr. McCauley, I asked about the number of incidents in which the Government is the licensed importer for ICA-financed imports. Have we had any complaints about the receipts of such actions failing to get into the counterpart fund?

Mr. McCauley. The question is whether the Government imports itself for its own use through the commercial import program. I have heard of none; I would like to check with Mr. Battleman.

Mr. Battleman. We have two types of transactions. In those cases where the Government imports for its own use they put up 35 to 1 and no customs.
Senator Gore. The Government itself puts up the 35 to 1 but does not charge itself customs.

Mr. Battleman. Right. Secondly is the sales proceed basis where they buy for subsequent sales. In that case, they do put up the 35 to 1 plus customs plus taxes.

Mr. Newhouse. What about the case of the coal and clamshell buckets?

Mr. Battleman. They come under the second category. If the proceeds are less than the commensurate value of the dollar the Government puts up the 35 to 1. In the case of the buckets where it dropped below the 35 to 1 we have billed them at 35 to 1.

Mr. Newhouse. I received information that the auditor had received a complaint that a certain portion of the piasters didn't get into the counterpart and were funneled into the Vietnam Government revenue and that this auditor had recommended that Vietnam be disqualified as being a licensed importer.

Mr. Battleman. The Vietnam Government didn't allow us access to the port area to look at those buckets. As far as coal is concerned they were billed at 35 to 1.

Mr. Newhouse. Is this the only such example?

Mr. Battleman. Silk is another example.

Mr. Newhouse. What about the auditor's recommendation?

Mr. Battleman. I don't remember that.

Mr. Newhouse. I was informed that the auditor on this transaction recommended that henceforth the Government of Vietnam not exercise the function of licensed importer.

Senator Gore. Please state his name.

Mr. Battleman. Dewin Wade. I suggest we get the report out and look at it.

Senator Gore. You raise my curiosity about coal buckets. The Vietnam Government refused to allow him to inspect coal buckets.

Mr. Battleman. This is in the port area and this is all part of the problem.

Senator Gore. This is another instance of the lack of cooperation of the Vietnamese Government in not allowing the U.S. Government to have an accurate audit of the counterpart funds generated by imports. Is that correct?

Mr. Battleman. Yes, sir.

Mr. Newhouse. What is your reaction to the suggestion that if all imports were funneled through normal channels——

Mr. Battleman. I don't remember that suggestion. I will have to get the report out and look at it. I do remember the coal buckets and that the proceeds were less than 35 to 1. The sales proceeds earned by the Vietnamese Government were less than the commensurate value of 35 to 1. Under the bilateral agreement we then billed them under 35 to 1.

Mr. Newhouse. Have they responded?

Mr. Battleman. Yes, sir.

Senator Gore. How?

Mr. Battleman. By putting it into the counterpart fund.

Senator Gore. Congratulations.
Mr. Newhouse. I wonder if you would comment on the following statements that appeared in a magazine article published in the United States last year:

"Vietnam had a stock of typewriters sufficient to cover its needs for 5 years, and a stock of calculating machines (including 450 electric calculators) sufficient to cover its needs for 8 years. Neither of these can be successfully stocked for so long a time."

And:

"In the field of textiles *** there has been a disastrous price slump, with goods selling far below cost. Stocks on hand are sufficient to give about two suits of clothes to every Vietnamese man, woman, and child, not counting an additional 23 million yards of cloth, which were due to arrive by the end of March 1958."

What, if any truth, is in these statements?

Mr. McCauley. We would have to check to find out.

Mr. Durkrow. I could add one thing to this. Shortly after I arrived here, they were going into a deflationary situation—they had too many textiles, for instance. This was discussed in the country team, and the explanation given to me at that time was this:

The year before, in 1956, importers would ask for an import license for 2,000 meters but would get only 500. Later they were asking for 6,000 and hoping they would get 2,000. Then the Vietnamese Government changed its policy and issued all licenses to import the amount asked for but which were not really needed to meet market demand. That explains why this surplus of dress goods was on the market.

Senator Gore. Meanwhile, we paid for it.

Mr. Durkrow. It was sold eventually and we got our counterpart payment. We didn't lose on that. The poor fellow who had it in his store got stuck on that one.

Senator Gore. We got stuck, too. If we provide commodities not needed by people for the economy of Vietnam, the taxpayers of the United States get stuck. That illustrates once again the necessity of having an end-use audit.

Mr. Durkrow. We knew about this, Mr. Senator.

Senator Gore. Do you know whether there is an excess supply of calculators, adding machines, typewriters, et cetera?

Mr. Durkrow. I do not know.

Mr. Welbert. What is the basis for the statement that typewriters and calculators are in adequate supply to last for 8 years? Isn't that statement, rather arbitrary? There is no oversupply of typewriters. There is a shortage on certain brands.

Senator Gore. Do you know how many—what supply is on hand in the warehouses?

Mr. Welbert. No, we don't know exactly the figure, but we do know importers buy typewriters now at a high cost of exchange and wouldn't do it if there were an oversupply in the market.

Mr. Newhouse. Are textiles on the present import list?

Mr. Welbert. Not as of November; only yarns.
Senator Gore. Coming back to business machines, are you allowed to examine the warehouses to find out the stockpile of business machines?

Mr. Welbert. Yes, for end-use checks.

Senator Gore. What is your answer to that, Mr. Battleman?

Mr. Battleman. Not in bonded warehouses.

Senator Gore. Mr. Welbert, what did you mean by your answer?

Mr. Welbert. In the hands of importers or retailers, in private channels.

Senator Gore. What about the bonded Government warehouses?

Mr. Welbert. I don't think there are any.

Senator Gore. How do you know? Is this an opinion or do you have information on it?

Mr. Welbert. Opinion.

Senator Gore. What is your opinion?

Mr. Battleman. We don't know.

Senator Gore. You don't know.

Senator McGee. Is your opinion based on the market exchange right now?

Mr. Welbert. On market supply.

Senator Gore. That is the basis for your opinion, that there is no great excess of this equipment?

Mr. Welbert. I know importers of well-known brands are short in stock right now.

Senator Gore. You don't know how many of the well-known or off-brands are in bonded warehouses?

Senator McGee. Would there be any reason for storing these machines in Government bonded warehouses and not releasing them to the market?

Mr. McCauley. Not if there is a market for them, and apparently there is one.

Senator McGee. What this suggests is while this may be your opinion, it involves some valid reasoning.

Senator Gore. In view of the fact that this question has been raised—a question on which I have no information—since it has been raised, would you not think it proper that inquiry be made of the Vietnamese Government as to stockpile of business machines in bonded warehouses?

Mr. Durbrow. I never heard of that particular item until now. What Mr. Welbert meant by the high rate of exchange, importers put up 85 piasters to the dollar. This means there's a market for a commodity purchased with such high cost exchange. Purchasers are willing to pay the price. The Vietnamese Government would not keep such an item in a warehouse if it would bring in 85 to the dollar on the market.

Senator Gore. You make inquiry, please.

Mr. Battleman. I said I don't know, but we have gotten recently—about a month or so ago—a list of items in bonded warehouses but the description is very general and only by actually going in and checking can we see if there are typewriters or adding machines.
Mr. WELBERT. I would like to add for the record that typewriters, calculators, and office machines have been declared ineligible for ICA financing as of January 1958.

VIETNAM BALANCE OF PAYMENTS

Mr. NEWHOUSE. One final question before we close out on this: Are imports covered by exports increasing or decreasing annually? Has the Vietnamese balance payments gap widened or narrowed in the last 3 years?

Mr. DURBROW. Narrowed. This year they are selling about 270,000 tons of rice. They have also increased rubber sales a bit. I will have to ask—who’s an expert on that?

Mr. SMITH. It is narrowing. I can give you the figures.

(The table referred to follows:)

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<td>$233</td>
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<tr>
<td>1958</td>
<td>187</td>
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<tr>
<td>1959 (estimate)</td>
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HIGHWAY CONTRACTORS AND INSPECTION OF PROJECT

Senator GORE. We now come to another major area of inquiry, that is, highways. In connection with a study of highway contracts, performance of contract, the committee staff developed some information that a highway contractor had supplied an automobile to one or more people in ICA, and I state that as a matter of information that has come to us. I would like to ask you, Mr. Ambassador, if you know of one or more instances of this kind?

Mr. DURBROW. This was brought to my attention by Mr. Marcy and Mr. Valeo. I had not heard of it before. I understand USOM submitted a memorandum to you, Mr. Newhouse.

Senator GORE. We have it, and I will read it.

In addition to the vehicles provided under the administrative funds and technical support funds, transportation for technicians is also provided by funds available in specific projects.

(Discussion off the record.)

Senator GORE. That is the statement. It would appear to me irregular. I say "appear to me." I make no final conclusion. But after my first reading of this statement, it would appear to me an irregular practice for a contractor with a highway contract to furnish an automobile, which in fact is paid for by the U.S. Government, to an employee of the U.S. Government and particularly to one who is employed as a highway adviser for inspection purposes. Do you wish to make a statement?

Mr. DURBROW. The matter was brought to my attention. I was told that is according to usual practices of USOM's around the world. I was told that they have other projects and had vehicles similarly assigned to permit advisers to supervise whatever work is being done on his particular project.
Senator Gore. We are not making inquiry of USOM's around the world. This inquiry concerns operations here in Vietnam. Who is the highway adviser for inspection purposes?

Mr. McCauley. Mr. Smith, chief highway adviser.

Senator Gore. Has this automobile been assigned to you?

Mr. Smith. Yes, sir; assigned by the Government, a program vehicle that is used on the project.

Senator Gore. What official of the U.S. Government assigned this car to you?

Mr. Smith. No one in the U.S. Government.

Senator Gore. Who did provide this car, assign this car to your use?

Mr. Smith. It was assigned and agreed to by the Government of Vietnam. This was a program vehicle.

Senator Gore. The Government of Vietnam. Did Johnson, Drake & Piper have the contract?

Mr. Smith. That is correct. The contract is between—

Senator Gore. Did the contractor make the car available to you, or the Government of Vietnam?

Mr. Smith. The Government of Vietnam. Three cars are involved. The Government has one and I have one. The third one is the project manager's, that the contractor has. These were bought before there was a contract, sir.

Senator Gore. They were bought by the Government?

Mr. Smith. Before there was a contractor.

Senator Gore. By what authority do you, an employee of the U.S. Government as inspector-adviser on a USOM highway project, accept the use of a car from the Government of Vietnam?

Mr. Smith. Well; I have to supervise the contractors, all of them, sir, and advise the Government.

Senator Gore. That was not an answer to the question. Do you have authority from any of your superiors to accept the use of an automobile from the Government of Vietnam?

Mr. Smith. I don't recall any specific authority, sir. Although it is known—

Mr. McCauley. When the projects were set up, it is general to put in transportation for the advisers concerned. This transportation then is furnished for this particular individual. You see, here we have—

Senator Gore. Mr. McCauley, I haven't raised the question as to whether the highway inspector or adviser should have transportation with which to perform his duties. I assume that would be necessary. But it would appear irregular for either the contractor or the Government of Vietnam to furnish such transportation. I take it that Mr. Smith would be entitled to transportation to perform his duties. Is that correct?

Mr. McCauley. That is correct.

USE OF VEHICLE PROVIDED BY GOVERNMENT OF VIETNAM

Senator Gore. According to this statement, the car is not only for the performance of official duties, but it is to have for travel between home and work.

Mr. Smith, do you keep the car all the time?

Mr. Smith. No, sir.
Senator Gore. Where is it stored?
Mr. Smith. It is stored in the motor pool—the contractor's motor pool.

Senator Gore. Does the contractor furnish automobiles to the Government of Vietnam other than for the performance of the highway contract?
Mr. Smith. When it is a project vehicle, Capitol Engineering Corp. has some cars; Johnson, Drake & Piper has some, and the Government has some.

Senator Gore. Do you possess a car of your own?
Mr. Smith. Not at the moment, sir.

Senator Gore. This one is available for your use at your own discretion?
Mr. Smith. For any official use.

Senator Gore. Well, has its use to you been refused for any purpose?
Mr. Smith. No.

Senator Gore. How long has it been assigned to you?
Mr. Smith. Approximately—between a year and a half and 2 years.

Senator Gore. Do you drive it yourself?
Mr. Smith. No, sir.

Senator Gore. Who drives it?
Mr. Smith. A driver.

Senator Gore. Who furnishes the driver?
Mr. Smith. The contractor.

Senator Gore. The contractor?
Mr. Smith. Yes, sir.

Senator Gore. Mr. Ambassador, was this practice known by you?
Mr. Durrow. I understand that that was acceptable under ICA regulations.

Is that correct, Mr. Hopkins?
Mr. Hopkins. There were several cars—all in the same category. That's normal practice.

Senator Gore. ICA regulations permitted this kind of practice?
Mr. Hopkins. They permit the purchase of vehicles as required by technicians on the project.

Senator Gore. That is not answering this question.
Mr. Hopkins. The ICA regulations permit the procurement of vehicles of various types for carrying out work of the project in cases where needed. Those vehicles are to be used by U.S. ICA technicians.

Senator Gore. Do you have a copy of that regulation?
Mr. Hopkins. I think I can dig it up for you.

Mr. Durrow. Dig it up.

Senator Gore. We will wait until you can get it.

Senator McGee has concentrated on the question of highways, highway contracts, performance of contracts, and I would like to defer to him to interrogate at this point.

HIGHWAY PROGRAM

Senator McGee. I have only taken this on as a means of gaining information. Senator Gore was involved in such a program in the United States. There are four or five basic questions that the staff
has brought to our attention that focus on phases of the highway program. First, by way of getting the focus, how was the highway program envisaged? Was it envisaged as a military operation, or were the highways to serve economic purposes primarily? The criticism, or much of it, has centered on this issue. Who, Mr. Ambassador, can answer?

Mr. Durrow. I will open up on that one. As I understand it, back in 1954 and 1955, the first thing needed was to get some communication operating here in given areas in the countryside.

Senator McGeE. Fundamentally, for security reasons?

Mr. Durrow. For both economic and security reasons. The latter concerned Communist danger. The immediate thing was to get roads open in order to circulate for both military and economic reasons. It was decided to prepare as many of those main communication lines—the important ones—as possible, and then the Vietnamese Government and others decided in the first instance, in about 1955, to rebuild route No. 1, the old French coastal road up to the 17th parallel. It is a coastal road, and that was the original first priority agreed to by the Government of Vietnam and by the USOM and the rest of us. It made sense.

Then, for two other reasons—I am just as responsible; I agreed to this—after discussing it over at long length in the summer of 1957, 3 months after I arrived, it was decided to change the priority from the coastal road, route No. 1, to the present priorities. These are to build a road from here to Bien Hoa to break the bottleneck of the one-way bridges for the railway and automobile traffic; to build a road from the coast to Banmethuot; and then later to build a road from the coast at Qui Nhon up to Pleiku. This was done for strategic reasons, military reasons, economic reasons, and also for social reasons. President Diem decided in the late winter of 1957 to start his resettlement villages in the high plateau and with that decision made, road communications were important from an economic and social point of view.

I will call on General Williams to talk about this road decision, perhaps saying something about the previous period when route No. 1 was first priority. I take it, General Williams, you were not particularly enthusiastic about just rebuilding route No. 1 and you felt, for military and other reasons, it was essential to build the Bien Hoa Road, route No. 21, first, and route No. 19, second. President Diem, in discussing this problem, wanted us very much to build route No. 19 first, further up the coast, but for other reasons, strategic, military, economic, we insisted on doing route No. 21.

General Williams. I think you have stated it pretty clearly, Mr. Ambassador. When I came here, I was told that priority was Highway 1 from Saigon to Hue. I agreed with this as far as Bien Hoa. The highway they referred to here as the Saigon-Bien Hoa Highway is Highway 1. That is the start of the highway. Highway 1 going up to Hue is not suitable for military traffic. This road was destroyed during the war and can be destroyed very easily by half a dozen people at any time. Because of the configuration of the terrain I was in favor of having the roads go from sea coast up to the high plateau and so recommended. There were two roads this could be done on—the road from Nhatrang to Banmethuot (Highway 21) and also the road from Pleiku further north which
is Highway 19, down to the coast. As the Ambassador says, President Diem at one time thought we should build Highway 19 first. I thought we should not. There was quite a bit of discussion over it and it ended up with building Highway 21 first. Although the reason for this could have been principally military at the time, and I would say it still is highly important militarily but not primarily. That road has had a great effect on the economy of this country and has helped considerably in the building up of the Pleiku area. I don't believe I can add any more.

NEED FOR ROUTE TO SUPPORT MILITARY TRAFFIC

Mr. Durrow. I do think it would be important for the record to say that you feel, from a military point of view, that there is really no road out of Saigon until the Bien Hoa Highway is completed.

General Williams. There is no road out of Saigon now that could take care of heavy military traffic and will not be until Bien Hoa Highway is completed.

Senator McGee. That road going up the west side of the country, there is not sufficient surfacing on it, is that the point—to support military vehicles?

General Williams. That is right. That is Highway 14. It is rapidly getting in that condition from Banmethuot on north as far as Kontum.

Mr. Durrow. I think one of the things not brought out yet is that many of the bridges were blown up, and if not blown up, could not take loads necessary for moving military equipment. The bridges on Highway 14 are for about 5 or 10 tons only.

Senator McGee. On Route 21, when your judgment prevailed, I suppose the basic motivation, as you explained, was the military. That is, to use it for military purposes.

General Williams. That was my reasoning; yes, sir.

Senator McGee. That is, the road is being constructed with military uses in mind?

General Williams. I would say it is being constructed for both economic and military uses in mind.

Senator McGee. Economic use is incidental for the moment. What is the type of construction? Will the road be able to support heavy military vehicles?

General Williams. From Banmethuot down to Highway No. 1, it is already completed as far as bridges are concerned. To get down to Nhatrang, which is a harbor, you move from the junction of Highways Nos. 21 and 1, down Highway 1—that part has not been built up to proper standards.

CONTROVERSY OVER ROAD SURFACING

Senator McGee. There was some controversy about surfacing of the road. Would you care to share with us your thoughts on that controversy?

General Williams. I will tell you what I know. The engineers said that surfacing was not needed because they had a formula of mixing their ingredients—rock, gravel, and other types of soil—so
that hardtop was not necessary. I couldn't question that myself, but it was questioned. The hardtop was not planned for and later they found it necessary to put hardtop on it.

Senator McGee. How much of that road is now hardtop?

General Williams. Approximately 32 to 33 kilometers—two-thirds—coming up from Ninh Hoa to the mountains. Then they have shifted the paving to the opposite end.

Senator McGee. On the stretch we were on, the one out near the airport, I was curious about whether that surfacing would be capable of handling military vehicles.

Mr. McCauley. The surfacing that you saw was the first layer of the asphalt layer to be placed. One more layer will be placed there.

Senator McGee. Another surface of asphalt will then enable military vehicles—

Mr. McCauley. I don't think there would be any difficulty.

Senator McGee. It seems that it would be torn up rather quickly.

Mr. McCauley. It is not too heavy a surface, but it is surface that ordinarily lasts 3 to 5 years.

DETECTION TO RESURFACE ROAD

Senator McGee. Where was the decision changed on surfacing 21?

Mr. Durrow. There were several discussions in the country team. I think the engineers and contractors thought the laterite would be less dusty than it turned out to be. When this became apparent and the traffic was quite a bit heavier than anticipated we decided that we would have to spend about $500,000 on surfacing to prevent dust, accidents, and make it more useful for military and economic reasons. We reported that to Washington and got concurrence on it. The decision was taken here.

Senator McGee. The decision that surfacing was not necessary was whose?

Mr. Durrow. The construction experts thought they could blend these different kinds of rocks and soils to make a road which would hold up with usual maintenance, without blacktop. The laterite didn't hold up as expected. We took the advice of the engineers and contractors.

Senator McGee. Which one of the contractors?

Mr. McCauley. In a meeting of the country team a couple of years ago, we met with Johnson, Drake & Piper and Capital Engineers and the country team, who reviewed the plans for the standards they were going to build by. The engineers came up with the solution that asphalt top would not be needed, which under the condition that they outlined would be a correct solution. However, when we got the base in, we found that during this extreme dry season we got a tremendous dusting effect and—which would require a tremendous amount of equipment to maintain.

Senator McGee. Did you encounter some resistance from Capital Engineering when the decision to change was made?

Mr. McCauley. No, sir; we did not.

Senator McGee. What about ICA at the top?
Mr. McCauley. That decision was given fairly rapidly. As I recall, we sent a cable requesting approval, and a reply was received very promptly.

Senator McGee. John, you were investigating the surfacing on Route 21. Didn’t you encounter some indication to the effect that responsibility for the decision was shifted between the engineers and ICA at Washington?

Mr. Newhouse. The project director of Capital Engineering in Saigon shifts the primary responsibility to ICA, Washington. Certain records that I have seen, memorandums from Mr. McCauley to Washington, indicate that ICA, Washington did not object to this surfacing. But my impression is that the principal responsibility is with Capital.

Mr. McCauley. We had some discussion with Washington but they approved it.

Mr. Durrow. The traffic count was higher than anticipated in this early period and the engineers told us they would make this road without surfacing and there would not be too much of a problem to maintain it without blacktop. Actual experience after the first use convinced us that with the dust and loss of material in the road that it would be advisable to blacktop it. We so advised Washington. I went down the road and our eyebrows raised quite high because it hadn’t held together the way we were led to believe originally.

Senator Gore. I would like to interject that when I saw the road the day before yesterday, I was somewhat surprised. I had heard so much about it and about its cost that I expected to see a highway constructed to a design standard. Actually the design standards are only those of a farm-to-market road—even with the surfacing.

Road’s Ability to Withstand Military Traffic

Senator McGee. Which is the point of the question about the surface and its ability to withstand military traffic.

General Lampert. I regard the surfacing as primarily a protective cover to hold down dust and prevent erosion during the rainy season and lower maintenance costs. The basic strength is in the foundation and the laterite surfacing. You don’t get the strength to support the military loads from the asphalt surfacing.

Senator McGee. How long would it withstand military traffic with the vehicles we have here?

General Lampert. I think it would require a small amount of continuous maintenance, patching small places—one roller, a few laborers, and minor asphalt paving repairs.

General Williams. The road base as constructed will stand up under military traffic as it stands today.

Senator McGee. What are the figures on the cost per mile on that stretch of the road, Mr. McCauley?

Senator Gore. Even when this surface is completed it would be one and a half times of an inch thick. I agree with the statement of General Lampert that this could not be for the purpose of supporting tank traffic. This is but a piecemeal under a tank. Its principal purpose is for the prevention of outer erosion by wind and water. Any
heavy movement in the rainy season—tanks, it seems to me, would ride through it. I am not questioning the advisability of the crust or surfacing. It should have been surfaced. But so far as the road withstand­ning military traffic, it is beyond question, at least to my limited knowledge.

Senator McGee. Since the military consideration was so important it raises a question as to whether any thought was given to putting in a road that would serve all the military purposes?

General Williams. When we decided to build the road, I was asked what the requisite would be for military traffic. [Deleted.] When I saw the specifications, if I remember correctly, the Army Engineers looked at the depth of rock base, and said it would fulfill the requisites that we had asked. I assume it will.

Senator McGee. We were told the day before yesterday by one of the fellows that it is already deteriorating at the other end because of military traffic by the Vietnamese.

General Williams. I was over that road in the last 30 days and what you were told is not true. Unless they are talking about washboarding and things of that nature, yes, but not as far as the base of the road is concerned.

COST OF HIGHWAY

Senator McGee. Mr. McCauley, could you give us a general figure on the cost?

Mr. McCauley. I have $156,000 per mile.

Senator McGee. There would be no estimate available as to what it might have taken to surface a road for military purposes.

Mr. McCauley. We have an estimate on the present blacktop.

Senator McGee. Agreed that the base of the road is solid. What more than this would have been required to have a surface corresponding to our normal farm-to-market road standards?

Mr. Durc­row. As I recall, when we undertook the road discussion, my understanding was that this road would meet the military requirements that General Williams and his officers set up and that it was a secondary farm-to-market road with a certain bridge-loading capacity and that is what it was built for. Blacktopping might have cost a little bit less, if we had started in blacktopping earlier and finished sooner. They can't blacktop during the rainy season. The work stopped on the blacktop during June when the rains began to come. They are now starting and plan to finish before the end of the dry season.

Senator McGee. General Williams, I would like to ask if it would not have been cheaper to blacktop it initially as they went along?

General Lampert. I think it would not have been materially cheaper.

DETERIORATION OF ROAD

Senator McGee. Mr. McCauley, on deterioration of the road, that as I understand it was due entirely to water—moisture effect over this present rainy season—this is a very minor thing, not a major repair job.
Mr. Newhouse. Mr. Funk says that some of this deterioration is accountable to—Funk's words—"reckless use of military vehicles by Vietnamese."

Mr. Smith, I think it is the normal deterioration you can expect when you don't have paving on the base. The primary purpose of any surfacing is primarily to hold your base down. To prevent water penetration of the subgrade. Totally adequate to handle all normal military traffic.

Senator Gore. It is now 5:30 and I am getting a little weary. We will resume tomorrow morning at 8 a.m.

(Whereupon, at 5:30 p.m., the subcommittee recessed, to reconvene at 8 a.m., Tuesday, December 8, 1959.)
SITUATION IN VIETNAM

TUESDAY, DECEMBER 8, 1959

U. S. SENATE,
SUBCOMMITTEE ON STATE DEPARTMENT
ORGANIZATION AND PUBLIC AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Saigon, Vietnam.

The subcommittee met, pursuant to call, at 8 a.m. in the conference room of the operations mission, Saigon, Vietnam.


REGULATIONS GOVERNING USE OF VEHICLES

Senator Gore. Mr. Hopkins, do you now have the regulation to which you referred yesterday?

Mr. Hopkins. Sir, the regulations as I have been able to find are not entirely definitive with regard to use of project vehicles for American personnel. However, I think I can say that such use is in order and I am sure that there is a reference in the manual order. I cannot find a definitive statement to that regard, but other references are made that make it clear this kind of use is permitted.

Senator Gore. That is a little indefinite. You don't have a regulation out of Washington which specifically governs this point?

Mr. Hopkins. That's correct.

Senator Gore. Then it is practice which by repetition has been established.

Mr. Hopkins. We do have a manual order. It states that vehicles which are titled in the host government, purchased in projects and used by mission personnel will be reported to Washington. Though I cannot find a definitive regulation which authorizes as such, it is authorized by that means.

Senator Gore. But nothing that is definitive?

Mr. Hopkins. I have not been able to do so.

Senator Gore. Mr. McCauley, it would appear to me that if an employee of the ICA who is charged with advice and inspection on the highway project for which the U.S. Government is paying needs an automobile, the Government of the United States should provide it.

I raise no question—as I have said, about the inspector needing an automobile, or requiring transportation. I am sure you are aware that at home we have had numerous instances, in several States, of contractors seeking to butter the toast of an inspector on the job. I do not wish to imply that Mr. Smith or any other person has done...
anything wrong or was improperly influenced by the acceptance of favors by contractors, or by Vietnamese officials.

But as our Government pays the contractor in question, this practice should not be continued, in my opinion, if only because it lends itself to unfortunate interpretation.

Mr. McCauley. Could I bring out this point. In the two contracts of Johnson, Drake & Piper and Capitol Engineering Corp, Johnson, Drake & Piper is required to furnish certain services to the Capitol Engineers upon the request of the Government of Vietnam or of USOM and these services might be and are the furnishing of repairs to their automobiles up north, such as quarters, meals, et cetera. It is in the contract itself and is so required rather than set up a separate repair center up there.

Senator Gore. That does not come to the point of this particular automobile. I don't quite understand the transactions here. Mr. Smith told us that this automobile was made available by the Government of Vietnam—now it would appear to me that if the Government of Vietnam has an automobile which it can freely assign to anyone it chooses, then we have provided too many automobiles for this project. To whom does this automobile belong?

Mr. McCauley. To the Government of Vietnam—purchased by the foreign aid program.

PURCHASE OF CARS FOR PROJECTS

Senator Gore. Was it purchased as a part of this highway project?

Mr. McCauley. It was purchased as a part of the overall highway project.

Senator Gore. Then it would appear that ICA has furnished too many automobiles for this project. If the Government of Vietnam does not need this automobile to perform its own functions for this project, then we have provided at least one too many automobiles. Would that not appear logical?

Mr. McCauley. No, sir. Not to me. I will explain the position here. The mission has included the purchase of automobiles against projects, one for the project technician. All the funds which I get are paid for agreed requirements and vehicles required for anyone assigned to the project are from project funds.

Senator Gore. Who pays Mr. Smith?

Mr. McCauley. We pay him through program funds.

Senator Gore. Then he is not an employee of the project; he is an employee of ICA. He is paid by the U.S. Government, but his salary, from a standpoint of accounting, is charged to the expense of this particular project. That would certainly have nothing to do with the automobile; he is still an employee of the U.S. Government but we find his automobile is not furnished by the U.S. Government but by the Government of Vietnam.

That would appear to be an odd sort of arrangement. If the Vietnamese government does not need this automobile on this project, then we have given them too many for this project.

The price of one automobile is not serious, and I repeat, I imply no wrongdoing on the part of Mr. Smith, no improper influence, but it is a questionable practice for an employee charged with the re-
sponsibility of inspection to accept favors to the extent of the use
of an automobile and a chauffeur from the contractor or any other
substantial benefits.

CONDITIONS UNDER WHICH CARS ARE ASSIGNED

Senator Gore, I notice in project malaria eradication 30-51-029,
there are three jeep station wagons listed as being in the same cate-
gory, or rather a similar type category. The employees involved in
the use of these station wagons are George Stein, John E. Taylor,
Duncan A. Puett, Stanley Glenn, Jalil Karam, James Hester, Doris
Wright, J. K. Garner, Alton Levorson, Millard Cox, Thomas Bonds,
Wesley Smith, Arthur Blomgren, Bernard Hall, John Lewis, John
von Runnen, Paul Ullman, James Miller, Quentin Wildman, Her-
man Reames, Severino Alamon, and Lawson Smith.

Will you tell us, Mr. McCauley, under what conditions these em-
ployees have the use of three station wagons?

Mr. McCauley. These employees, as designated here, are employees
in the malaria project, who are doing a great deal of work over the
major part of Vietnam. These station wagons are purchased against
the project and any expenses would be borne by the project them-
selves that are the participants of the government of Vietnam.

Senator Gore. Is this project under contract?

Mr. McCauley. No, sir.

Senator Gore. Is it not then the same situation as the automobile
to which we have been making reference?

Mr. McCauley. Not quite the same.

Senator Gore. Who is the direct head of the malaria eradication
program?

Mr. McCauley. Mr. Taylor.

Senator Gore. John E.

Mr. McCauley. Yes, sir.

Senator Gore. Is he furnished an automobile by ICA?

Mr. Hopkins. Not other than this vehicle shown here.

Senator Gore. Is he entitled to the use of an automobile from your
motor pool?

Mr. Hopkins. Yes, sir.

USE OF MOTOR POOL

Senator Gore. Would any of these employees be entitled to use a
car from the motor pool if a car was needed in the performance of
his function?

Mr. McCauley. Should be; yes.

Senator Gore. Why are they assigned the use of three station
wagons which would be surplus to their official needs?

Mr. McCauley. The answer to that would be the question of trans-
portation for that project which covers the entire country. It is a
rather difficult one. This probably goes back to have transportation
which is constantly available to them—they may be out of here for
a week or 10 days at a time.

Senator Gore. Now, you just said if they need transportation in
the performance of their official functions, they would be eligible to
use transportation out of your motor pool.
Mr. McCauley. Yes, sir. If transportation is available.

Mr. Hopkins. They are entitled to it, if the transportation is available.

Senator Gore. Does not ICA have enough automobiles here?

Mr. Hopkins. There are peak periods when there are, of course, no cars available, but generally speaking, for a field trip if planned sufficiently in advance, transportation can be made available.

Senator Gore. Then I still don't understand why it is either necessary or desirable for the U.S. Government to give to Vietnam enough automobiles from this particular project to provide three station wagons for the use of these employees on a full-time basis when these employees are entitled to the use of transportation from the motor pool for the performance of official functions. It seems that at the very least, we have been very liberal in giving autos away.

Mr. Durberow. I don't know the details, but I have talked to Mr. Taylor of this malaria project. They have to go around the country more than most people would and inspect the progress of the malaria teams and perhaps because of this constant need, one or six of these employees might be on the road checking on the program. I assume, Ben, that we do need extra cars above and beyond motor pool availabilities, because I met Mr. Taylor in the boondocks checking on progress, so I should think that is one of the reasons they need these cars.

I don't know the exact details, but at least one of them would probably be in the various parts of the country checking the malaria operations at all times.

Senator Gore. This project is worthy. There is no question that these people have to travel over the country in performance of their duties with respect to eradication of malaria, but the facts still stand that they are entitled to transportation from the USOM motor pool. But Vietnam, in addition, provides these three station wagons for this project. There are certain regulations governing the use of an automobile by an employee of the U.S. Government; that is, certain regulations govern the use of a Government-owned automobile by a Government employee. There are no regulations that govern the use of an automobile by Vietnam, so these automobiles could be assigned for social functions such as tiger hunting, et cetera, or for whatever purposes they wish to use them, though I do not imply frivolous use, but merely that we have no control except through the direct supervision of our own employees.

USE OF MAAG CARS

Senator McGee. How are MAAG cars handled?

General Lamber. MAAG cars are in three categories. The majority of the cars are military vehicles paid for with U.S. appropriated funds supplied by the Navy Department. In addition, there are some 200 jeeps in the possession of MAAG which are furnished by the Vietnamese Army under the “Assistance in Kind Agreements,” and which are used by our advisors on duty in Saigon and the field. In addition to these, there are a small number of vehicles which have been purchased locally with “assistance in kind” funds.

Senator McGee. These would be technically, Vietnamese cars?

General Lamber. I believe so, sir, because they are purchased with counterpart funds from the “assistance in kind” fund.
Senator McGee. With the Government?

General Lampert. I believe the answer to that is that they are administered by the MAAG motor pool.

Senator McGee. What about the cars we traveled in the other day for inspection? Are they Vietnamese cars?

Mr. McCauley. The sedans were from here.

Senator Gore. General, does MAAG have a contract relation with Vietnam?

General Lampert. We have no contract relation with Vietnam. The various types of services which are supplied under the heading of "assistance in kind" are provided as part of the relation of MAAG and the host country, which agrees to furnish materials or services within its capability either direct or in kind to the MAAG group.

Senator Gore. Do you have a personal car assigned by Vietnam?

General Lampert. I have a personally assigned car from the MAAG motor pool, assigned to me at the direction of General Williams.

Senator Gore. You have a personal car assigned to you from the MAAG motor pool? What would you say about the purchase of the car?

General Lampert. This particular automobile is one of several which have been purchased by MAAG sometime in the past with counterpart funds which are allocated annually and which are known as "assistance in kind" funds. Vietnam does not furnish the automobile assigned to me.

MAAG CARS AND MILITARY CONTRACTORS

Senator Gore. Do you know if either Vietnam or any other contractor on military projects is furnishing the officers of MAAG an automobile?

General Lampert. To the best of my knowledge, no contractor is furnishing automobiles. We have something over 200 jeeps which are operated as American vehicles but which came into Vietnam with the military assistance program and became part of the military equipment for the use of our officers. These are operated under U.S. military motor pool regulations.

Senator Gore. This is a part of the agreement by which military advice and assistance is given?

General Lampert. Yes, sir.

Senator Gore. Now, you said that as far as you know, no military contractor is furnished an automobile?

General Lampert. Yes, sir.

Senator Gore. Do you know if any contractor is paying for a chauffeur for any MAAG officer?

General Lampert. Not to my knowledge; no.

Senator Gore. Will you confirm that?

General Lampert. Yes, sir.

(General Lampert (subsequent statement). Senator Gore, I can confirm that no contractor is furnishing either vehicles or chauffeurs to MAAG.)

Senator Gore. Thank you, General.

General Lampert. No contract except to inspect their work through the Vietnamese. We'll supply the information.