

DOCUMENT RESUME

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[Reimbursement of Foreign Military Sales to Saudi Arabia].
February 14, 1978. 2 pp.

Report to Commander, Department of the Army: Army
Tank-Automotive Materiel Readiness Command, Warren, MI; by Henry
W. Connor, Associate Director, Logistics and Communications Div.

Contact: Logistics and Communications Div.
Organization Concerned: Department of the Army.

A foreign military sale to Saudi Arabia consisted of 2,314 cargo trucks and 40 dump trucks costing a total of \$28,445,162. According to the terms of the sale, transportation of these vehicles would be handled by the U.S. Army as a reimbursable service. Records indicate that the Army was billed more than \$9 million for port handling and ocean transportation services while Saudi Arabia paid only about \$3.5 million. The U.S. Army could lose about \$5.5 million on transportation on this case. This case should be reviewed by the U.S. Army Tank Automotive and Readiness Command and necessary amendments issued to Saudi Arabia to recover the full transportation costs paid by the Army. (RRS)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



LOGISTICS AND COMMUNICATIONS
DIVISION

FEB 14 1978

Commander
U.S. Army Tank Automotive
and Readiness Command
Warren, Michigan 48090

Dear Sir:

Reference is made to Foreign Military Sales case DA 001.

This sale consisted of 2314 cargo trucks and 40 dump trucks costing a total of \$28,445,162. According to the terms of the sale, transportation of these vehicles would be handled by the U.S. Army as a reimbursable service.

We have examined billing records of the Military Traffic Management Command and the Military Sealift Command and estimate that the U.S. Army was billed more than \$9 million on this case for COMUS port handling and ocean transportation services. Records of the Security Assistance Accounting Center, Lowry AFB, Colorado, indicate that Saudi Arabia only paid about \$3.5 million. Accordingly, the U.S. Army will lose about \$5.5 million on transportation on this case. The following table of estimated charges shows our computation.

Billings to the Army

Port handling services, 69,963.80 measurement tons @ \$14.45 each	\$1,010,977.
Ocean transportation, 69,963.80 measurement tons @ \$114.80 each	<u>\$8,031,344.</u>
Total	<u>\$9,042,821.</u>

Billings to Saudi Arabia

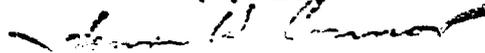
Port handling services	\$ 421,206.
Ocean transportation	<u>\$3,134,534.</u>
Total	<u>\$3,556,340.</u>

Estimated loss to the Army - \$5,486,481.

In view of the large amounts involved and the necessity of the United States to recover all costs in connection with the Foreign Military Sales Program, we recommend that this case be reviewed by your command and necessary case amendments issued to Saudi Arabia to recover the full transportation costs paid by the Army.

Should you desire additional information on this case, please contact Mr. John J. Crarney of my staff on (202) 275-3637. We would appreciate being advised of actions taken.

Sincerely yours,



Henry W. Connor
Associate Director

cc: U.S.A. Security Assistance
Center - BRAC/AM
Alexandria, Va