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SUMMARY
OF
REVIEW OF U.S. ASSISTANCE TO SOUTH VIETNAM
FOR ROADS AND HIGHWAYS

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INTRODUCTION

South Vietnam's highway system plays an important role in the security, stability, and economy of the country. Consisting of over 20,000 kilometers of roads that link the population centers, the agricultural areas and urban markets, the major cities and seaports, and the capital and outlying administrative centers, the highway system facilitates support of military operations, promotes national unity by providing for interchange between the central government and the largely rural populace, and supports agricultural and other economic activities. Because alternative means of transportation are limited, the highway system is considered vital to the well-being of the country.

① Complete data regarding the total cost of U.S. support and assistance to the GVN for roads and highways is not available. Based on the information that is available from 1965 through fiscal year 1973, the U.S. has expended about \$1 billion for this purpose. ② Although the purpose of this assistance was primarily to upgrade existing highways to military standards in support of the war effort, the improved highways that resulted are considered an important asset for the postwar economic development of the country. As of June 30, 1973, about \$88 million of assistance for highways was in the pipeline and additional funds may be requested in the future, primarily for further reconstruction work.

South Vietnam's Highway System

The various types of roads that make up the highway system are:

<u>Classified roads:</u>	<u>Total Kilometers</u>
<u>Primary</u>	
--national highways, connecting the major districts of the country to Saigon.	3,800
--interprovincial highways, connecting provincial capitals to the national highways.	2,700
<u>Secondary</u>	
--provincial roads, connecting provincial districts to provincial capitals and thus to the interprovincial and national highways.	3,600
--rural roads, serving as feeder routes to the above roads.	<u>3,700</u>
	13,800
<u>Unclassified roads:</u>	
--unimproved roads, tracks and trails traditionally maintained by the villages and local populace.	4,400
<u>City streets:</u>	
--streets maintained by the autonomous cities.	<u>1,800</u>
	<u>20,000</u>

About 4,800 of the 6,500 kilometers of primary roads are asphalt surfaced and the remainder gravel surfaced. About 400 kilometers of provincial roads are asphalt surfaced, 1,100 kilometers gravel surfaced, and the remaining 2,100 kilometers are earth and laterite. Most of the rural roads are of earth.

The system also includes some 4,500 bridges with a total length of about 99,000 meters. This existing network of roads and highways is considered adequate for current transportation needs and future economic development plans, but requires upgrading, repair of war damages, and continuing routine maintenance.

U.S. Assistance for Roads and Highways

This assistance began in 1955 with the initiation of two USAID projects that cost about \$52.3 million until they were terminated in 1965. From fiscal year 1965 through fiscal year 1973 an additional \$1,086 billion has been provided, primarily by the Department of Defense (DOD) as shown below.

Project funding

<u>Project 1/</u>	<u>Duration</u> <u>(fiscal year)</u>	<u>Obligations</u>		<u>Total</u> <u>Obliga-</u> <u>tions</u>	<u>Pipeline</u> <u>as of</u> <u>6/30/73</u>
		<u>AID</u>	<u>DOD</u>		
294-Highways Improvement	1965-1975	\$ 968	\$177,465	\$178,433	\$26,222
332-Rural Development (Secondary Roads)	1969-1974	-	5,661	5,661	2,606
370-Saigon Area Action Program (Saigon Streets)	1968-1972	4,192	-	4,192	-
392-Provincial Roads and Quarries	1968-1972	16,031	-	16,031	1,581
396-Nha Trang Streets	1968-1972	3,000	-	3,000	-
408-Highway Advisory Assistance	1973-1977	<u>2,439</u>	<u>38,241</u>	<u>40,680</u>	<u>39,616</u>
Total		<u>\$26,630</u>	<u>\$221,367</u>	<u>\$247,997</u>	<u>\$70,025</u>
DOD/Lines of Communication (LOC) Non-project Funding	1968-1975			<u>313,213</u>	<u>18,658</u>
Total AID/DOD project and non-project funding				<u>\$561,210</u>	<u>\$88,683</u>
Estimated DOD assistance for which cost data are unavailable (See page 5)				<u>* 525,000</u>	<u>-</u>
Total U.S. assistance FY 1965-1973				<u>\$1,086,210</u>	<u>\$88,683</u>

1/ See Appendix I for additional information concerning these projects.

* A NOTE SHOULD BE PLACED HERE TO INDICATE THAT THIS AMOUNT INCLUDES THE ESTIMATED COST OF TACED LABOR, MATERIALS AND EQUIPMENT - NOT DIRECT FUNDS.

In addition to dollar funds, about VN \$15.5 billion of USAID controlled counterpart funds have been utilized in connection with the above projects. Because of the frequent changes in exchange rates over the period of the projects, we did not attempt to determine the exact dollar equivalent of those funds. However, at the official exchange rate in effect on June 30, 1973, this would be about \$31 million. The actual dollar equivalent would be considerably higher due to the lower rates in effect in the past.

Responsibility for administering all assistance to highways was assumed by the Military Assistance Command, Vietnam (MACV) in fiscal year 1968. Overall responsibility was transferred to USAID in July 1972, except for some DOD construction work in the pipeline and some assistance to Army of Vietnam (ARVN) engineers.

Most of the funds have been spent for reconstruction of highways and most of this work was done under DOD's LOC program. The LOC program was begun in fiscal year 1968 to provide adequate highways to support the war effort. The program consisted mainly of upgrading much of the existing national and interprovincial highways to modern standards. It also included some new construction, such as bypasses around population centers, repair and replacement of bridges, and improvements of city streets. The status of the LOC program as of June 1, 1973 was as follows:

<u>Work Done By</u>	<u>Kilometers of Reconstruction</u>	
	<u>Programmed</u>	<u>Completed</u>
U.S. troops	1,759	1,759
U.S. military contractor	989	989
Free World Forces	12	12
Republic of Vietnam Armed Forces (RVNAF)	671	344
Lump Sum contractors <u>1/</u>	108	60
Deferred	536	-
Total	<u>4,075</u>	<u>3,164</u>

1/ One Vietnamese and two Korean contractors.

3 The cost of the LOC program, which includes some funding under projects 294-Highways Improvement, and 392-Provincial Roads and Quarries, as well as the DOD non-project funding, is reported as about \$460 million. However, this does not include the cost of U.S. Army Engineer Battalions that worked on the LOC program for about three years and completed 60 percent of the highways reconstructed under the program as of June 1, 1973. Although supporting records are no longer available, the cost of this effort is estimated by former LOC program officials as about \$500 million. In addition, records are unavailable regarding Military Sealift Command costs for transporting rock for the program over a 6-year period. This cost has been estimated as roughly \$25 million.

U.S. ASSISTANCE TO DEVELOP
SOUTH VIETNAM'S HIGHWAY
MAINTENANCE CAPABILITY

The Directorate General of Highways (DGOH)^{1/}

The GVN agency charged with the responsibility for maintaining classified roads is the Directorate General of Highways. In practice, this responsibility has been limited mainly to the national and inter-provincial highways. DGOH maintains a personnel strength of around 4,000, has an estimated 2,700 units of highway maintenance equipment, and the following facilities:

- a central headquarters in Saigon.
- a central repair shop for major repairs and overhaul of highway equipment.
- a central repair parts depot to support the central repair shop and district shops.
- five district offices from which highway maintenance teams operate and district shops that perform lower levels of equipment maintenance.
- province shops that function mainly as service stations.
- a Highway Training School for instruction of mechanics, equipment operators, surveyors and draftsmen.
- two quarries and two construction material plants.

The DGOH has been described as a debilitated highway department with much of its best manpower drawn off by the war effort, its administrative processes atrophied through non-use, and generally lacking the capability of maintaining the improved and relatively sophisticated highway system that resulted from the wartime highway program.

1/ In July 1973, the DGOH was decreed an autonomous agency and renamed the Vietnamese Highway Administration (VHA). For convenience, we have used DGOH throughout this report.

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* by whom?

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Assistance Provided by USAID to the DGOH

Extensive use has been made of technical service contracts in attempts to provide DGOH with the capability to maintain its equipment and highways.

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This assistance has been largely ^{NOT good} ineffective for a number of reasons.

The GVN has not always provided the resources and support it agreed to provide under project agreements. This would include timely procurement of spare parts, providing qualified counterparts to advisors to implement the advisors' recommendations and providing the resources necessary to carry out recommendations. On the other hand, contractors have not always provided the number of advisors called for under the contracts, and those provided have sometimes been less than competent. In some cases, contractors failed to perform specific tasks called for under the contracts and in other cases the work performed was obviously unsatisfactory and of little, if any, benefit to the DGOH. Yet, with one exception, the contractors' performances have been rated as satisfactory and the contractors have been reimbursed in full on the basis of time expended, regardless of whether contract objectives were met.

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PA & E

M. ADX

We were informed that USAID is required to pay the contractors for all time expended, regardless of performance, and the only recourse available to USAID in the event of unsatisfactory performance is to terminate a portion or all of the contract. It is our understanding that contracts are seldom terminated because such action usually creates excessive legal problems. As a punitive measure, contractors that do not perform satisfactorily are not awarded follow-on contracts.

At the DGOH's central repair facility, we found that contractors did not perform well enough to receive follow-on contracts. However,

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since each contractor had its own system or method of operation. the same or similar tasks were repeated under successive contracts. Consequently, the return on the investment in these contracts appears to have been marginal at best.

*CS
Comment*
In a 1972 analysis of technical services contracts, USAID's Associate Director for Financial Management (ADFM) described a pattern of inefficiency and mismanagement throughout the contract process. The analysis stated that:

- a mutuality of objectives frequently had not been established among the parties concerned; the GVN, USAID, and the contractor. In many instances no substantive prior consultations were undertaken or concurrence sought from the GVN, and those undertaken were not with the proper officials or at the proper level. Thus, the GVN often failed to meet their responsibilities. The failure to establish mutually understood and agreed upon objectives was an underlying cause of most of the failure of contractual effort.
- in general the contractor operations were efforts without specific plans, established priorities, specific goals, identifiable intermediate objectives, timeframes or an established relationship of benefit to cost.
- many contractors failed to accomplish major elements set out in the scope of work and failed to provide the personnel required to meet objectives.
- contractor personnel sometimes were not qualified technically for the specialty in which they were advising or functioning.
- the language of contracts was often so broad and indefinite that standards for performance could not be established; regardless of deficiencies, contractors often were rated as having complied with the terms of the contracts.

The ADFM analysis recommended a number of remedial actions to improve contract services as shown below.

- contracts should be entered into only for the purpose of achieving clearly defined and verifiable objectives, and assistance should be provided only in connection with achievement of such objectives.
- contractor responsibility for satisfactory performance of scope of work should be established.
- contractor objectives should be limited to those obtainable with available resources.
- complete understanding and agreement should be established among the GVN, USAID, and the contractor regarding objectives and resource requirements.
- contractor evaluation procedures should be revised to eliminate unsupportable opinions of contractor performance and address themselves to measurable progress of the contractors toward fulfilling specific work plans.

We found that many of the deficiencies cited by the ADFM analysis pertain to the contract services provided to the DGOH.

Past Assistance

Under Project 392, Provincial Roads and Quarries, USAID entered into two series of contracts that cost about \$6.7 million to provide advisory support to the DGOH and assistance for equipment maintenance. Advisory support assistance was provided under three successive contracts during the period December 1968 through March 1973. The purpose of the contracts was essentially to develop a modern road maintenance capability within the DGOH. The services to be provided included:

①
②
Quarries
Contracts

- assistance to mobile highway maintenance teams in each of the five highway districts in such areas as development of maintenance techniques, supervision and training of work crews, and operation and maintenance of equipment used by the teams.
- training of management personnel in highway department functions such as preparation of work schedules, equipment maintenance management, job inspections and personnel administration.
- establishing procedures for rehabilitation and maintenance of equipment via supervision of district repair shop operations.
- training of maintenance supervisors and mechanics.
- establishing an equipment inventory system and a functional spare parts system for the district shops and training supply personnel.
- developing soil testing techniques and training DGOH personnel to utilize soil testing in conjunction with highway maintenance and construction.

The contracts were amended to include training ARVN Engineer Battalions in highway construction techniques. Management of contract services related to DGOH was transferred from MACV to USAID in July 1972, with MACV retaining responsibility for assistance to the ARVN. Deficiencies noted in contractor performance were as follows:

- MACV reported that one contractor never provided more than 13 personnel, although the contract required 15.
- USAID auditors reported that one contractor failed to carry out some work assignments required under the contract. Since the contract scope of work identified tasks to be performed for which the contractor was authorized payment, the auditors

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Regardless, MACV and/or USAID rated each contractor's performance as satisfactory.

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Assistance for equipment maintenance was provided under three successive contracts during the period September 1968 through July 1972. The first two contracts ran until January 1971 and were primarily for rehabilitation and maintenance of equipment at DGOH's central repair facility and at the five highway district shops. The contractors were to manage, operate, and maintain the central facility for both equipment repairs and logistical support of contractor and DGOH field operations. In addition to actual equipment repair, the work included determination of parts requirements, warehousing and storage of parts, taking an inventory of spare parts and establishing and maintaining a central stock record system.

see comment number 6

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The second contract placed increased emphasis on preparing the DGOH to take over the central repair facility.

The objective of the third contract, which initially was to run from December 1970 through January 1972, was Vietnamization of the central repair facility to the extent that a viable, working Vietnamese organization would be in operation by January 1972. The contract period was subsequently extended to July 1972.

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There were numerous deficiencies in the performance of these contracts. MACV reported that the first contractor did not meet the equipment repair priorities, primarily because of problems in obtaining spare parts. The contractor was absolved of any blame because the GVN's Central Logistic Agency (CLA) was responsible for providing spare parts

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support. The contractor's performance was also reportedly hampered by the unavailability of skilled Vietnamese, which necessitated hiring at a much lower skill level than desired. However, the first contractor apparently was responsible for unsatisfactory performance in some areas. USAID auditors reported that the second contractor inherited a deplorable situation in regard to spare parts, as the first contractor had indiscriminately ordered parts without regard to requirements which resulted in a large inventory of excess and obsolete items. In addition, many of the tasks that the first contractor was paid to complete had to be repeated under the follow-on contract, and USAID's Legal Office decided that the first contractor would not be considered for further contracts.

PA&E

Many deficiencies were reported with respect to the second contractor's performance. Reports show that:

- progress was unacceptably slow, finished work was generally unsatisfactory, and although improvement was made after some personnel changes, satisfactory performance was never achieved.
- four of seven heavy duty mechanics were technically unqualified for their positions.
- the contractor failed to establish and maintain a dependable inventory, stock records were so unreliable that the successor contractor was required to make a complete new inventory, and obsolete parts were stockpiled due to unrealistic estimates of requirements.
- the performance of contractor personnel as advisors to the Vietnamese was unsatisfactory.
- little training of Vietnamese personnel was done. Contractor personnel were largely unsuited for carrying out an effective training program.

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One of the most important tasks assigned to the third contractor was to develop and implement a bilingual Manual of Operating Procedures to serve as the basis for future shop and maintenance operations and the Vietnamization of the central repair facility. The manual was not completed until March 1972, about 10 months later than required by the contract. The delay was partly due to DGOH reviews and translations, but the contractor was also considered to be lax in carrying out this part of the contract. In addition, although the manual was approved and accepted by DGOH and USAID, it was found by current contract advisors to be too voluminous, wordy, ambiguous, technical and sophisticated, and therefore impractical to implement or utilize. At the time of our review, the manual was being revised in order to implement more practical procedures.

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The contractor did not complete the required inventory of spare parts until May 1972, more than one year behind schedule. We were informed that the inventory contained so many discrepancies that a complete new inventory had to be made by the current contractor.

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D.H.M.
Under Project 408, Highway Advisory Assistance, another contract was awarded in January 1973 for equipment and supply management to assist the DGOH in establishing and implementing systems and procedures for management, maintenance, repair and overhaul of its equipment fleet; and management and operation of repair shops and warehousing and supply division. Many of the specific functions and tasks to be carried out under this contract are the same as under the previous contracts discussed above. Obviously, the prior contracts did not result in any significant improvements in DGOH capabilities. Regardless, the performance of all the contractors, with one exception, was rated as satisfactory and all of the contractors were paid in full on the basis of level of effort provided.

Current Assistance

③
The stated purpose of Project 408, Highway Advisory Assistance, begun in fiscal year 1973, was to increase the institutional capability of the DGOH to maintain and develop the highway system by improvement of its managerial performance, procedures, techniques and methods in all functional areas. In spite of the previous contracts awarded, USAID's justification for the project noted the following constraints or weaknesses within DGOH that precluded it from effectively carrying out its responsibilities for maintaining and developing the highway system.

In regard to equipment management and maintenance:

- equipment preventive maintenance procedures are not adequately implemented in the districts or provinces, resulting in excessive equipment downtime and repair costs.
- district and provincial repair facilities are generally inadequately equipped for equipment maintenance and repair.
- the heavy equipment and supporting vehicle fleet are old and non-standardized, creating maintenance and spare parts supply problems.
- excessive equipment downtime continues from lack of timely spare parts procurement and distribution.
- equipment management procedures and practices, based on a cost accounting system covering all equipment costs, have not been established.

In regard to DGOH planning and administration:

- DGOH cannot accomplish valid maintenance and improvement planning because it lacks current, accurate data on traffic composition and volume and on road conditions.
- program planning and budgeting functions lack accurate data relative to cost of materials and work, such as for contract construction and highway maintenance.

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--DGOH lacks an adequate procurement system which accurately forecasts construction and maintenance materials requirements, estimates production capacities, and initiates procurement in a timely, orderly and economical manner.

--DGOH personnel lack adequate management and technical skills.

--construction contract administration is inadequate due to a lack of modern procedures and a trained staff.

To improve DGOH's capabilities in these areas, USAID provided funds for the DGOH to award three contracts to U.S. firms to provide advisors to the DGOH in the areas of management systems, contract administration, and equipment and supply management, as follows:

DM JM

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Jorgensen

<u>Contract</u>	<u>Period of Contract</u>	<u>Dollar Cost</u>	<u>Anticipated Extension (Cost Undetermined)</u>
Equipment and supply management	1/30/73 to 1/29/75	\$699,000	To 1/28/76
Contract administration	5/ 4/73 to 5/ 3/74	\$635,000	To 5/ 2/75
Management advisory services	1/15/73 to 1/14/74	\$450,000	To 1/13/76

DM JM

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Jorgensen

As far as we could determine, the first six months of the equipment and supply management contract have been essentially devoted to staffing, surveying existing conditions as a basis for preparing a detailed workplan, correcting the inventories, and reviewing and revising the operating manual prepared by the previous contractor. No evaluation reports have been made as yet by USAID of contractor performance.

The purpose of the contract administration contract is to assist the DGOH in development of procedures and a trained staff to plan, award, supervise, and control DGOH contracts for highway construction and rehabilitation. This assistance is programmed to continue until May 1975.

At the time of our review, the contract had not been fully staffed and effort had been directed toward preparation of a plan for carrying out the work assigned under the contract.

Jorgensen

The purpose of the management advisory services contract is to assist the DGOH in designing, establishing, and implementing comprehensive management systems in all functional areas, including organizing, staffing, training, planning, financial management and accounting. Although the contractor's monthly reports generally describe progress as good, problems are being encountered. For example, in the area of financial management and accounting, we were informed by U.S. advisors that DGOH had no qualified accountants or budget specialists, and the accounting system provides for little more than posting. Although 59 DGOH personnel have attended accounting courses at the National Institute of In-service Training since 1970, there is still no one on the staff considered by the advisors to be competent enough to be trained in accounting principles or systems. We were informed that due to this almost total lack of expertise, plans for development of an effective financial management system have been significantly delayed.

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Although the GVN agreed to provide qualified management personnel to work as counterparts to U.S. advisors, this has not been done and the contractor's recommendation to replace present counterparts with more competent personnel has not been acted upon. This is reportedly delaying accomplishment of contract objectives.

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There are indications that a mutual understanding with the GVN as to contract objectives and purpose had not been established prior to award of the contracts. Reportedly, some slippage has occurred because Vietnamese

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personnel believed the U.S. advisors were to perform operational tasks rather than advise the Vietnamese in their performance. In addition, achievement of the objectives of Project 408 are to be realized through these contracts and this requires an increase in personnel and funding which the GVN has been either unable or unwilling to provide. The effective implementation of comprehensive management systems and systems for equipment and supply management, the purpose of two of the contracts under Project 408, is dependent to a great extent on the availability of competent counterparts and other Vietnamese personnel. As noted above such personnel are not available or have not been provided. The lack of sufficient funds and inadequate spare parts support discussed later in this summary also appear to inhibit achievement of project and contract objectives. At this point, it appears doubtful that project and contract objectives will be met unless the GVN provides adequate input to the project.

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In addition, since contractors are paid on the basis of time expended rather than their accomplishments, it appears that there is little incentive for them to perform effectively. The return on the investment in current technical assistance contracts may be marginal, just as in the past, unless changes are made to provide incentives for the contractors to meet stated contract objectives.

CONSTRAINTS TO DEVELOPMENT OF
AN EFFECTIVE HIGHWAY PROGRAM

Vehicle Weight Control Problems

An effective vehicle weight control program to protect and preserve roads is regarded as an indispensable activity of any highway system. Such a program is of increased importance for South Vietnam because a significant portion of the highways are built on a type of base soil that results in a faster than normal rate of highway deterioration. The GVN weight control program can be charitably termed ineffective.

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Although the GVN has had a law limiting vehicle weights since 1967, there has been no effective program of enforcement. U.S. officials have reported that trucks are outfitted with overload springs, the frames and beds extend beyond the dimension designed by the manufacturers, and the vehicles are loaded until they cannot physically hold more. Single axle commercial vehicles routinely carry loads weighing double the legal limit of 18,000 pounds. The effect of such loads on highways has been demonstrated by studies that show a 24,000 pound load has three and a half times the deteriorating effect as an 18,000 pound load. A 30,000 pound load has nine times the deteriorating effect as an 18,000 pound load. Consequently, disintegration of highways is reported as typical on nearly all road systems throughout the country. Highways designed and constructed to last 15 to 20 years with normal maintenance are breaking down and requiring major maintenance after only two or three years. For example, two sections of national highways totaling over 50 kilometers and reconstructed by the U.S. under the LOC program about three years ago ~~are to receive major repairs~~ under USAID's current highway program at a cost of over \$4 million.

The deterioration of these sections was attributed to the combined factors of rapid construction because of heavy fighting in the area and to overloaded trucks.

The routine overloading of trucks and its effects on the highways has long been recognized. In December 1970 MACV reported to USAID on the problem and noted that military vehicles were not at fault, as commonly believed, but the damage was being done by single axle commercial trucks. MACV concluded that without enforcement of load limits, the cost of maintaining the highways was becoming exorbitant.

In February 1971, the U.S. Ambassador in charge of Civil Operations for Rural Development Support (CORDS) wrote the Prime Minister about the problem, stressing the need for a vigorous and forceful weight control program.

In July 1971, a limited program was begun but was discontinued after one week to await approval from the Prime Minister and until elections were over. Limited operation was resumed in November 1971, has continued sporadically, but remains ineffective.

From May 1971 to April 1972 a MACV highway engineer attended 34 meetings with GVN and/or U.S. officials attempting to formulate an effective weighing program with little progress reported.

Boyer Allen

In August 1972, a U.S. consulting firm reviewing the highway program reported that although it was widely recognized that the degradation of the highway system was accelerating beyond any normal expectancy because of continual almost universal overloading of vehicles, nothing was done. The firm concluded that lack of action to control highway loads to the

limits of highway design was intolerable in view of high and increasing damage, and that unless action was taken soon, there was considerable question as to whether the Republic of Vietnam could ever maintain an economically viable highway system.

In February 1973, the USAID Mission Director wrote the Secretary of State at the GVN Prime Minister's Office as follows:

"In many places, roads designed to survive 20 years with routine maintenance were showing serious distress after two or three years of service. The consequence of this abusive practice to the economy of Vietnam and the evident quick dissipation of the half-billion U.S. dollar investment in the LOC highway programs, in my judgement, requires that the problem receive the urgent attention of the highest authority in both our governments."

The Mission Director also referred to the \$55 million programmed for expenditure by the U.S. on highways, noting that contracts were being awarded to repair and resurface LOC highways which were built within the last four years, and questioned the wisdom of additional investments of this magnitude without effective safeguards to prevent destructive truck loadings. He also pointed out the need to man additional weighing sites and operate them 24 hours a day (or curfew to curfew). He noted that there was only one weighing station in Vietnam and it only operated part of each day. Overloaded trucks simply parked in full view of enforcement officials and waited for the station to close for the day.

The Secretary of State agreed to start an immediate vehicle weight control program and in March 1973, USAID assigned a full-time advisor to provide assistance.

A June 1973 USAID analysis indicated a number of reasons for the lack of an effective weight control program and the considerable difficulties that would have to be overcome. For example, no GVN executive in a position to do so had assumed responsibility for the program or shown an interest in providing the personnel, funds, equipment, direction or supervision to enable an effective program to flourish. This is probably due, at least in part, to the fragmentation of responsibility, interest, and authority between the various agencies involved in the program. As described by USAID,

- the DGOH has an inherent interest in highways, but no police power nor responsibility for the program.
- the National Police has the power to enforce weight laws, but no decreed responsibility nor inherent interest in the program.
- the Directorate of Land Transport (DLT) has the decreed responsibility to administer the program, but no inherent interest and no authority to enforce the law.

In addition, personnel from the cooperating agencies are not assigned to the weight control teams, but are merely loaned. They may be withdrawn at any time and are not always available to be used when and where necessary to best administer the program.

Also, the National Police want weighing teams to obtain police personnel from the province in which the team may be operating on any given day. However, there is no assurance that Provincial Police Chiefs will cooperate in providing personnel. In one case a Province Chief ordered the weighing team out of the province because he did not believe in the need for weighing trucks.

At present the penalty for violation of the weight limit is 600 piasters, or U.S. \$1.20, regardless of the amount of overload. For second and subsequent violations, the fine is the same, but the vehicle's registration and trip ticket may be withheld. If they are, the vehicle must be impounded. Because of problems with impoundment and violent reaction and complaints by owners, sometimes justified by long delays in return of papers, plus the lack of cooperation by the police in impounding the vehicle, very few vehicles are impounded. In relation to the 600 piasters penalty, an overload of 10,000 to 18,000 pounds brings the truck operator about 12,000 piasters to 23,000 piasters in receipts. Obviously, the present fine offers no deterrent to overloading. In June 1973, USAID proposed revised fines ranging from 1,500 piasters to 10,500 piasters based on the amount of overload for a first offense and double and triple these amounts for second and subsequent offenses. As of late August 1973, no action had been taken on this proposal.

Due to the long period of disinterest and inaction in regard to vehicle weight control, the GVN is now faced with overcoming the problem of overloading as a long-standing, well-established practice. Although it is illegal, it is a generally accepted practice by the Vietnamese public. Although truck owners have reportedly been informed of the law and the reason for its existence, they are unwilling to give up the profits made from overloading and protest any efforts to control weights. According to a USAID report, when the number of vehicle weighing teams was increased to four in April-May 1973, letters of protest were sent

to the Prime Minister and President, demonstrations were held at weighing sites, and editorials and adverse comments appeared in the newspapers. USAID also reported that grenades have been thrown at weighing teams, various other acts of violence have been committed, and officials responsible for the weight control program have received a number of assassination threats.

In June 1973, USAID proposed an immediate short-term program calling for 21 weighing teams operating from curfew to curfew. This would require an increase in personnel from 40 to 294, and an increase in annual funding from 4.6 million piasters to 45 million piasters. The GVN appropriated 20 million piasters to fund the program through 1973 and the Prime Minister's Office officially requested all province personnel to support and assist the weighing teams.

In July 1973, the DLT submitted two decrees to higher authority for approval. One proposed an expansion of weight laws to enable more effective enforcement against violators, and the other proposed establishing a Truck Weighing Service within the DLT and specifying responsibilities, duties, and authority of the various members.

At the conclusion of our field work in Vietnam in late August 1973, no estimate was available as to when the 21 teams under the short-term program would be activated. Reportedly there were problems in obtaining qualified team leaders and other personnel. The decrees mentioned above were still awaiting approval. We were informed that even if the proposal to increase fines is approved, it must be published for six months before

it takes effect as law. The few weighing teams in operation continued to be almost totally ineffective. They were still operating only about eight hours a day and never on Sunday. Trucks were continuing to park along the highway in view of the weighing team until the team went to lunch or stopped operations for the day. On one occasion we observed and counted 67 parked trucks, and at times the number of parked trucks reportedly reaches 200 or more.

Regardless of the stated GVN support for the vehicle weight control program, it remains to be seen whether the necessary funds and personnel will materialize and the other obstacles to implementation of an effective program can be overcome.

Spare Parts Procurement Problems

(21) The availability of spare parts has long been a critical obstacle to efficient equipment maintenance operations. Moreover, DGOH has about 2,700 units of equipment, including a large number of items that are not economically reparable and obsolete items for which spare parts are no longer made. Of the remaining 1,600 to 1,700 units regarded as operational, an estimated 15 percent are deadlined at any given time due to a lack of spare parts. By 1971, the GVN central repair facility had accumulated a spare parts inventory of about 130,000 line items valued at \$15 million. However, most of these items were of little use. U.S. contractors running the facility had ordered parts indiscriminately with little regard to actual requirements and were unable to establish effective inventory, identification, and distribution systems. Currently, the inventory reportedly consists of about 55,000 line items valued at \$4.8 million, of which

about 42,000 items are not usable. These include parts received from excess U.S. supplies for which DGOH has no related equipment. Although supporting records are not readily available, it seems reasonable to assume that most of these parts were bought with U.S. funds.

As described by a U.S. consulting firm reviewing DGOH operations in August 1972, the spare parts supply function has been characterized by:

- Boyer Allen*
- lack of adequate identification of equipment being supported.
 - lack of knowledge of what the repair parts inventory contained.
 - erratic and poorly controlled stocking and distribution.
 - absence of a coherent set of inventory operating procedures.
 - unresponsive repair parts procurement procedures.

DMSM

The current U.S. contractor at the central repair facility is reportedly providing assistance to the first four problem areas cited above. However, spare parts procurement procedures are likely to continue to be an on-going problem because of the GVN-imposed requirement that spare parts be ordered through the Central Logistics Agency (CLA).

In the past, U.S. contractors operating the repair facility have essentially been absolved of blame for poor performance in repairing equipment because they have been required to rely on CLA for spare parts procurement. One contractor, for example, had ordered over 1,250 parts

through CIA by September 1968. Five months later, only 128, or 12 percent, of the parts had been received. Regardless, parts procurement through CIA was continued until February 1972 when another U.S. contractor was authorized to make direct procurement due to CIA's continued inadequate support. Since the termination of the latter contract, all orders have again been required to be placed through CIA. Normally, one to two years elapse from placement of an order until receipt of parts, and then the orders are often incomplete. In addition, CIA assesses a 14 percent service charge.

To alleviate the problem, USAID established a fund of \$400,000 in December 1972 to procure parts on an emergency basis which apparently circumvents some of the red tape and provides for air shipment. Although placed through CIA, these orders have been received within 70 to 100 days. We were informed that this fund, with about \$220,000 remaining as of August 1973, will not be replenished.

DGOH is allowed to buy parts directly if the order is for under 1 million piasters (about \$2,000) and the parts are available in country. DGOH and U.S. officials believe they could obtain 70 percent of the spare parts needed under this procurement if local dealers would stock parts to meet DGOH's requirements. However, local dealers reportedly are unwilling to invest in large inventories because of inflation, devaluation, and GVN pricing policies.

Consequently, it appears that DGOH's equipment maintenance operation will continue to be hampered by the requirement to order parts through CIA. USAID, U.S. contract advisors, and DGOH officials were critical

*For emergency
needs only
through CIA*

22

of this requirement because of the excessive cost and time factors involved and were of the opinion that DGOH would have a spare parts problem as long as parts have to be ordered through CIA.

Personnel Problems

23

One of the major obstacles to DGOH attaining the capability to maintain the highway system is a critical shortage of qualified personnel. A U.S. consultant firm in 1972 estimated that DGOH needed to increase its staff from about 4,000 to 7,000 personnel in order to effectively carry out its responsibilities for maintaining the classified highway system. They believed that due to the release of Vietnamese employees by the U.S. contractors, the labor market was sufficient to meet DGOH needs. However, DGOH has been unable to attract competent personnel, or even to retain all of its qualified personnel.

For example, although DGOH has an acute shortage of engineers, it was unable to recruit any of 35 recent graduates of the Civil Engineering School of Vietnam. Although the GVN in the project agreement of Project 480, agreed to provide an additional 600 people to DGOH in 1973, the DGOH budget for personnel decreased from 4,532 people in 1972 to 4,082 in 1973. Actual personnel strength in July 1973 was down to 3,769, and the budget submission for 1974 called for 4,083 people. Obviously the GVN does not believe it can recruit or provide funds for the personnel DGOH requires.

The basic problem reportedly is that civil service salaries and benefits are not competitive with other sectors. For example, a comparison of sectors of the monthly compensation in piasters for an engineer in 1972 showed:

	<u>DGOH (Civil Service)</u>	<u>Autonomous GVN Agency</u>	<u>U.S. Sector</u> ^{1/}	<u>Private Sector</u>
Single	19,895	41,275	56,604	100,000
Married, 5 children	26,595	44,025	58,404	103,150

^{1/} Vietnamese employees of U.S. agencies or contractors

DGOH compensation was found to be competitive with the U.S. sector and autonomous agencies only in the lower skill categories, but only in the case of a married employee with a large family.

Various tactics have been used to circumvent the low salary scales of the civil service. Contracts with VECCO, an autonomous GVN agency, have been used for the operation of DGOH's central repair facility and quarries, job classifications for some DGOH employees have been changed in order to pay, for example, an accountant the higher salary of an engineer, and USAID has supplemented salaries at the DGOH's Highway Training School in order to retain qualified staff.

Such measures, however, have been regarded as temporary with the preferred alternative to low civil service salaries being the establishment of DGOH as an autonomous agency. This was done in July 1973, although implementation procedures may not be completed until 1974. This step, in theory, will permit the new agency to pay higher salaries than civil service and hopefully attract more and better qualified people. Although new pay scales were still being devised at the time of our review, it is estimated that funds for salaries will have to be doubled over 1973 levels in order to make the new agency pay scales comparable to other autonomous

GVN agencies. Since the agency is to be funded through the GVN budget, which has been inadequate to sufficiently fund DGOH in the past, it appears that increases in funds necessary to attract and retain the personnel needed will require increased contributions from the U.S.

Funding Problems

For many years, the funds provided to DGOH by the GVN have been inadequate for even routine operations.

In the past, these shortfalls were made up with local currency purchased with DOD dollar funds--about \$27 million--and contributed to DGOH. The DGOH budget has also been supplemented by USAID-controlled local currency generated through sale of commodities under PL 480, Title I and the Commodity Import Program. From 1966 through 1973, the U.S. has provided about 53 percent of the funds for the DGOH budget.

As originally planned under Project 408, the DGOH would be fully capable of maintaining the highway system and would be fully funded from the GVN budget by 1978. To attain the necessary operational capability, the DGOH budget would have to be increased substantially to provide for additional personnel, higher salaries, and expanded operations in general. USAID intended for the GVN's contribution to DGOH to increase and USAID's contribution to decline through 1977 as shown in the table below.

DGOH BUDGET
(Billions of Piasters)

	<u>1973</u>		<u>1974</u>		<u>1975</u>	<u>1976</u>	<u>1977</u>
	<u>Planned</u>	<u>Actual</u>	<u>Planned</u>	<u>Proposed</u>	<u>Planned</u>	<u>Planned</u>	<u>Planned</u>
Total requirement	\$7.7	\$7.2	\$8.4	\$9.5	\$10.5	\$11.4	\$12.8
GVN contribution	2.9	2.2	4.0	2.7	5.4	7.2	9.8
U.S. contribution	4.8	5.0	4.4	6.8	5.1	4.2	3.0

The GVN contribution would have to increase by about 330 percent over the life of Project 408. The 2.9 billion piasters GVN contribution planned for 1973 represented an increase of 25 percent over 1972, but the actual increase was only 7 percent. For 1974, the GVN was to provide 48 percent of the budget but apparently plans to provide only 27 percent. The U.S. contribution for 1974, which was to have decreased by eight percent, now is expected to increase by 36 percent over 1973.

In view of this wide discrepancy between planned and actual contributions during the first two years of the five year project, it seems extremely unlikely that the GVN will fund the DGOH fully by 1978. Moreover, the GVN announced in May 1973 that public works, including the highway program, will receive a lower priority than originally planned in order to meet more urgent needs of refugees and war victims.

(25) To solve the perpetual funding problem and increase the low civil service salaries, USAID recommended the establishment of DGOH as an autonomous GVN agency, financed with highway user fees, primarily gasoline taxes, such as is done in the U.S. This would provide a direct relationship between highway use and funds available for highway maintenance and improvement. The DGOH has been decreed an autonomous agency with funds from bridge, ferry and road tolls available for its use, but not gasoline taxes. Receipts from tolls are insignificant and consequently the agency will continue to rely on the GVN budget and U.S. contributions for its support.

SUMMARY OF PROJECT ASSISTANCE
TO
SOUTH VIETNAM FOR ROADS AND HIGHWAYS

PROJECT 294-HIGHWAYS IMPROVEMENT

(26) This project was begun in 1965 by USAID to provide commodity assistance to the DGOH. Since fiscal year 1967, DOD has provided all of the funding for the project. The project has served as a vehicle for expending DOD funds earmarked for the DOD/LOC program. The basic objective of the project since fiscal year 1967, therefore, has been to reconstruct highways to support military operations. An additional objective has been to improve the maintenance capability and performance of the DGOH. Of \$178 million obligated, about \$127 million has been charged to the LOC program. The remainder of the funds have been obligated primarily for DGOH budget support, commodities, and to help fund contracts for technical assistance to the DGOH managed under Project 392.

Termination of Project 294, previously scheduled for the end of fiscal year 1972, has been postponed until the end of fiscal year 1975, reportedly to enable DOD to provide advisory services for materials production and supplemental labor for RVNAF engineer troops working on the LOC program through USAID contracts.

PROJECT 332-RURAL DEVELOPMENT (SECONDARY ROADS)

(27) Under the pacification program, various projects were undertaken to enhance the security and prosperity of selected areas. Such projects included construction of roads and bridges, irrigation systems, schools, dispensaries, and markets. About 2,500 kilometers of rural roads have been constructed by private contractors, province personnel, and U.S. and Vietnamese military forces since 1969 at a cost of about \$3 million.

About \$5.7 million has been obligated and this work is continuing.

PROJECT 370-SAIGON AREA ACTION
PROGRAM (SAIGON STREETS)

28
One objective of this project was to maintain an adequate level of essential public services within the metropolitan area. To this end, about 17 kilometers of key Saigon streets were widened, improved, and paved during the period 1968-1972 at a cost of about \$4.2 million. About 63 kilometers of Saigon streets were also rehabilitated under the LOC program for about \$11 million.

PROJECT 392-PROVINCIAL ROADS AND QUARRIES

This project was initiated in fiscal year 1968 to support Project 294, Highways Improvement and the LOC program, and to develop an adequate road maintenance and repair capability within the DGOH. The major activities of the project not discussed in the body of the report and related costs, were as follows:

Improvement and operation of
quarries (\$5.2 million)

29
In order to help meet the increased demand for crushed rock resulting from the highway construction program, a contract was let with RMK/BRJ in late 1967 to provide equipment, materials, and technicians for the establishment and operation of the Nui Sap quarry in An Giang province in the Delta. The Nui Sap quarry production increased to 40,000 tons per month after installation of a crushing plant in 1968 and then to about 80,000 tons after installation of a second crusher in 1970. DGOH was scheduled to assume responsibility for operation of the quarry in fiscal year 1972. However, due to the urgent need for crushed rock, this did not occur until July 1973, when Vietnamese Engineering Construction Company (VECCO) took over the Nui Sap quarry under a contract with DGOH.

30
A small amount of support was also provided to the DGOH quarry at Chau Thoi near Saigon. Originally operated by DGOH and then by VECCO under contract with DGOH, production was expected to reach 8,000 tons per month by 1971. As far as we could determine, production never exceeded 3,000 tons per month. Due to inefficient operating conditions and lack of potential for expansion, this quarry reportedly will be phased out.

Commodity support for DGOH (\$2.2 million)

In addition to commodities to directly support the other activities of the project, DGOH was provided a variety of construction and maintenance materials, such as piling, bridging steel, ferry boat engines, tamping machines, and tires and tubes for heavy equipment. Equipment was also provided for two DGOH pre-stress concrete plants. The concrete plants are operated by VECCO under contracts and production of these plants reportedly is near design capacity.

Support for the Highway Training School (HTS) (\$.2 million)

31
The HTS provides instruction in mechanics, heavy equipment operation, surveying and drafting. USAID assistance has included provision of U.S. advisors, USAID local national employees as instructors, commodities such as visual aids, tools, parts, and supplies, and funds to supplement salaries of DGOH instructors. HTS has contributed little to meeting DGOH needs for trained personnel. Instruction appears to be little more than a familiarization process and graduates require

further training and experience in order to attain any degree of competence. From 1969 through mid-1973, 1,213 students graduated from the school. Only 45 or 3.7 percent were DGOH employees. The other graduates returned to their provinces or the military forces upon graduation.

PROJECT 396-NHA TRANG STREETS

32 Under this project, 10.6 kilometers of streets were reconstructed and related drainage provided during the period 1968-1972 at a cost of \$3 million.

PROJECT 408-HIGHWAYS ADVISORY ASSISTANCE

33 The stated purpose of this 5-year project, which began in fiscal year 1973, is to increase the institutional capability of the DGOH to maintain and develop the highway system. In this connection, USAID awarded three technical assistance contracts to provide advisors to the DGOH in the areas of management systems, contract administration, and equipment and supply management. The dollar costs of the contracts totaled \$1,784 million.

Under project 408, USAID also manages DOD funds for reconstruction of war-damaged roads and bridges and completion of the LOC program. Over \$38 million of these funds have been obligated for reconstruction of highways and bridges and for architectural and engineering services for design and supervision of the work. As of June 30, 1973, no expenditures had been made, and the actual construction work is not expected to be completed until after 1977.

COMMENTS ON GAO REVIEW OF HIGHWAY PROGRAM
(Keyed to noted numbers in margins of attached copy of Report)

GAO Report
Page No:

USAID Comments

1 (1) Data in USAID possession is only a small portion of the MACDC-LOC *GAO agree*
file. Complete files were not turned over to USAID. *WR*

(2) The purpose of the assistance was not to upgrade roads and *WR Agree*
bridges to military standards but rather to restore them in support
of military operations, to assist pacification operations, and to
stimulate national economic growth and unity.

5 (3) Who were "former LOC program officials?" Certainly none of the
USAID engineers detailed to and under MACD-LOC have any idea of this
amount. *avg 300,000 Km. GAO does not agree - Bishop concurs. USAID withdraws* *do not Preship confirmed*

6 (4) This statement was made in 408 PROP in November 1971 and was *WR Agree*
quite true at that time. Much progress has been made by the DGOH/VHA
since then, and the statement is not factual today (November 1973).

7 (5) "Largely ineffective" is not a fair statement. Although some-
times stated as "development oriented," advisory contracts were really *WR*
"operational" until USAID/DGOH series of advisory contracts after *GAO agrees will rewrite more balanced statement.*
July 1, 1972. However, in spite of all goals not having been reached,
earlier contracts were of use and operational progress was made, as
well as some development goals reached.

7 & 8

(6) The first contract referred to was with Trans-Asia, September 68 to September 69. It was managed by the MACDC/LOC/CFM (Contracts and Facilities Management) Branch. USAID has no first-hand information but heard that (1) contractor performance was unsatisfactory, and (2) failure of CIA/NRFD to provide adequate spare parts support was a contributing factor. (Cliff Frank has more knowledge on this.)

The second contract was with PA&E, September 69 to December 70. The PA&E performance was unsatisfactory and was reported as such. Again, this contract was managed by the CFM Branch until mid-December 1970. At that time we (the MACDC/LOC Engineering Branch, USAID-detailed) took on COR responsibilities and edited and amended the final contractor evaluation report (which had been drafted by the military) to reflect failure to perform.

OK
*GAO agree
will rewrite
more balance
statement*

The negative tone of the GAO review fails to consider the fact that contractors do fail to perform satisfactorily at times, the world over. The GAO appears to be criticizing ^{MACDC/LOC} USAID for candidly reporting a failure. The evaluation in question has provided a measure of justification for not awarding subsequent contracts to this contractor.

The third contract was with Philco Ford, December 29, 1970 to June 1972. The GAO did not discuss this contract with either Bishop or Coffey (COR/alternate COR for MACD/LOC). Instead, comments were apparently based on discussions with DMJM personnel who had no reasons or background knowledge to give objective comments.

9 (7) This statement does not hold true for the present series of USAID/DGOH advisory contracts. Goals and measurable objectives have been set up in contracts in order to measure progress and performance.

GAO agrees, will rewrite noting.

(8) This contract provided essentially operational support -- not advisory support. Note extension through March 1973 was to provide operational records control for CORDS and operational engineering support for ARVN. Note this contract was under 392 and 294. This contract was not under USAID/ETA except for the record-keeping for CORDS for extension of five men from July 1, 1972 through September 1973.

GAO agrees

11 (9) USAID did not rate contractors. ETA was very careful to insist that contractor evaluations were not done by USAID-detailed engineering staff acting for USAID -- but as staff of MACDC/LOC, which had responsibility and control.

OK

GAO agrees

13 (10) Not true. The VHA management and present advisory contractor, DMJM, have revised and simplified some of the procedures due to translation requirements and conditions; but the Manual is still essentially as prepared by Philco Ford. Nothing has been rejected as useless (as implied by GAO).

GAO agrees will billan statement

(11) This is not a fair statement. Although the inventory still needed some further work, it was in much better shape after being purged of the large amount (U.S. \$1.7 million) of excess parts.

No full agreement, but will rewrite more balanced statement.

Philco Ford could be excused for not clearly completing because of

13
(cont)

large influx of excess parts transferred to DGOH by MACDC during this time. Philco Ford handled and screened these parts, a task not covered in scope of contract and with no additional staff.
(Info provided by former MACDC/LOC-detailed engineer.)

(12) Prior to DMJM contract, DGOH (VHA) was not a viable operating organization. DMJM is an advisory contract, while Philco Ford was operational. (Philco Ford had 23 U.S. staff at Suoi Lo O. DMJM has 3.)

Agreement to note contract (PF) scope was otherwise

Although the Philco Ford contract did not accomplish the degree of success in all aspects of the operation that MACDC had hoped for, the report fails to mention that a Vietnamese organization was left in place which did, and still does, operate the facility. This was in spite of the fact that DGOH, for budgetary reasons, reduced the staffing substantially after Philco Ford left the scene. Also, it was never contemplated that no further advisory assistance would be required after the Philco Ford contract.

will balance statement

14 & 15

(13) Factual as stated except taken somewhat out of context by GAO. Also, conditions resulting from the war are completely ignored.

will balance

15

(14) DMJM performance has been evaluated as satisfactory for progress toward planned goals and objectives for the period from January 30, 1973 to July 31, 1973.

will rewrite

*present
you should be 1971*

16

(15) Three (not 59) have taken this course, and these three are working hard in the accounting department in VHA (DGOH).

Prior to 1971 there were 59

The statement that no one is considered competent for training is not true according to the Chief of Party for Roy Jorgensen Assoc. Progress is now considered to be satisfactory toward reaching contract goals for accounting.

*will be done
will rewrite and note.*

(16) This statement is not true. Mr. Chittim states -- and ETA agrees -- that good VHA counterparts have been provided.

*agree
will rewrite*

(17) Not true. This is a host-country contract between DGOH (VHA) and Jorgensen. Admittedly, US contractors were operational in the past. But this contract is and has been strictly advisory, and ETA knows of no indications to the contrary.

*will
will rewrite*

17

(18) Contractor and ETA both very satisfied with progress to date.

will rewrite

(19) We do not agree and feel statement is unfair and untrue -- at least for present USAID series of advisory assistance to the VHA.

*will
rewrite a
least for the*

18

(20) The basic objection to the auditors' report, as it relates to weight control, is not so much to what the auditor does say as to what he does not say. For example, the "Proposed Weight Control Program" is a forty-four page document from which the auditor has taken an abundance of quotes from just four or five pages where

*GAO agrees,
will rewrite
noting progress
and improve
ment made
last 12-15
months.*

18
(cont)

the adverse aspects and "horrible examples" of this situation are discussed. His treatment of the balance of the report is sketchy where it exists at all. This is highly significant, since it is the balance of the report that provides the course of action to control the weight problem. To illustrate, the "Proposed Weight Control Program" contained 12 goals which were considered by USAID to be absolutely necessary if there were to be a viable program of weight control. The auditor disregarded these as a total program and selectively referred to only three of them; but even then, he never identified them as being part of a 12-point program. He only states that "in June 1973, USAID proposed," etc., but he fails to note that there was a full and adequate program that had been developed by USAID and adopted by the GVN.

Must also note that the LOC highways failed primarily because of wartime inadequate construction and would have failed even if truck loadings had been under complete control.

will rewrite

24

(21) The reference to 130,000 line items of spare parts valued at U.S. \$15,000,000 in storage at Suoi-Lo-0 as of January 1971 is not substantiated by any known records. Philco Ford estimated this value at \$6,000,000 and about 70,000 line items.

*will rewrite
although notes
from
MACDC/
File.*

The GAO figures of 42,000 line items not usable out of 55,000 on hand in July 1973 are evidently also a roundhouse estimate.

24
(cont)

Most of the obsolete stock was removed by the Philco Ford contractors and VHA in 1971 and 1972. Quarry crusher parts were made obsolete when VHA shut down its quarry operations at Chau Thoi in 1973. VHA and the DMJM contractors are screening the remaining stores for excess stocks. This screening is not complete. A conclusion can be reached that there is excessive stock by comparing turnover with total stock value, but to say that almost 80 percent is unusable is far from the truth. VHA did not take into inventory the excess PDO parts for which it had no use. These were transferred to another U.S. agency in April 1973 and shipped out in July.

GAO notes disagreement files but will rewrite Pro & Con and put in balance

26

(22) Does not note the great improvement in CLA procedures and local dealer activities in supplying parts.

Leave Pro & Con
Frank will put in balance

27

(23) No mention is made by GAO that Jorgensen is working on implementing the recommendations made by the Booz Allen Report which was completed on June 30, 1972. One completed recommendation

GAO agrees, will rewrite

27
(cont)

opinion that VHA should be able to reduce the overall number of personnel considerably in the agency. At the present time, there are 4,053 full-time employees, 2,595 floating personnel, for a total of 6,648 personnel in the entire department. Some 1,600 of these people will be transferred to the province chiefs when the transition occurs. The Booz Allen report also recommended that a new salary schedule be established for the entire highway department. This has been accomplished and is now awaiting approval by the Vietnam Highway Administration. On Page 28, the salary schedule shown for the engineers does not show any fringe benefits which occurred within the department.

This report is part of the Booz Allen report and the allowances, etc., that are given to the Highway department employees was not shown. For instance, for the married personnel, the report shows 26,595 piasters per month and does not show over 12,000 cash allowances or other allowances that are given to this personnel. With the new proposed salary scale it is hoped that the salary problem within the DGOH will be resolved.

29 (24) Figures as planned are taken from PROP. Proposed figures for 1974 were not as proposed but as approved by DGBFA.

I don't understand the purpose of GAO in this section. The GVN is having a serious financial problem which is of great concern

will rewrite noting our comments.

42'

29
(cont)

to the U.S. Mission. Our projections of what the GVN could provide in 1973 and 1974 (which projections were made in late 1971) are in error now -- which is the universal fate of many careful projections. Our projections for 1978 for no USG budget support may have to be changed, but as of this date, plans are the same.

30

(25) The Booz Allen contract study team made recommendation for "establishment of DGOH as an autonomous agency such as is done in the U.S." USAID made no official recommendations or endorsement either for forming of an autonomous highway organization or a highway trust fund.

will rewrite

oc

VHA is proceeding toward attaining funds from gasoline taxes for its support in spite of GAO note to the contrary. GAO does not have back-up data to reach its rather definite statement, and the four-year period remaining to go until 1978 is ignored.

31

(26) DOD provided funds and controlled the project until July 1, 1972 when USAID assumed responsibility and terminated the project except as noted for RVNAF support (which was a USAID contract but under DAO responsibility and direction).

(27) Under DOD/CORDS responsibility until end CY 1973. Will continue under VHA (DGOH) CY 1974, with USAID support and responsibility.

*will note
in rewrite*

32 (28) Saigon streets were not a responsibility of USAID but were under CORDS (370) and MACDC/LOC responsibility. *Noted*

(29) I'm not sure DGOH was scheduled to take back its Nui Sap Quarry in FY 72; but MACDC/OICC did make an attempt for USAID/DGOH to take over and operate this quarry for its contracts (OICC, MACDC/LOC and ARVN/LOC), plus CORDS Secondary Road Program -- including transportation handled by the M.S.C. *Noted*

33 (30) Quarry has been closed, but main reason for closing was no need, with SUMPCO in operation. *Noted*

(31) Although the training school is being redirected by Jorgensen for different type and level of training to fit current needs of the VHA, the school has provided many trained operators and mechanics to provinces sorely lacking in these skills on secondary roads. *will note in rewrite*

Funds to supplement HTS have been minimal. USAID has, since July 1, 1972, furnished only local staff to HTS. This is scheduled to terminate at end of FY 74. *GAO agrees*

34 (32) Under MACDC-LOC. *Noted*

(33) No problem on what is stated as far as it goes. Progress is satisfactory on Project 408. *Agrees*



EMBASSY
OF THE
UNITED STATES OF AMERICA

U.S. AID MISSION TO VIETNAM

June 19, 1974

Mr. Richard R. Brown, Jr.
SA/VN
Agency for International Development
Washington, D. C. 20523

Dear *Rick*:

We are busily answering AID/W's cable (State 130510) on GAO audit of the highway program. The cabled answer will, of course, be there before the arrival of this material; however, we want also to send this.

In October 1973, the enclosed draft remarks of the GAO were presented to USAID. We made detailed rebuttal (also enclosed) and discussed in conference with the GAO auditors. Please note the margin notes on the copy of the rebuttal. We were later called by GAO and informed that the draft remarks were not official, were to be changed; and they (GAO) requested us not to forward copies of the draft and our rebuttal to AID/W since the report would be drastically changed. Actually, the GAO appeared embarrassed by their draft and our (we thought) effective rebuttal.

I was afraid of a double cross so an unofficial copy, both the draft and rebuttal, was sent to Mr. James L. Sloan and Mr. Clarence Groceman, our Engineering backstop, with a short summary of events.

I hope this will be of use to you.

Best regards

Dan F. Miller, Jr.
Assistant Director
for Engineering Technical
Assistance

Enclosures: (2)

cc: Mr. James L. Sloan
SER/ENGR



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We are busily answering AID/W's cable (State 130510) on GAO audit of the highway program. The cabled answer will, of course, be there before the arrival of this material; however, we want also to send this.

In October 1973, the enclosed draft remarks of the GAO were presented to USAID. We made detailed rebuttal (also enclosed) and discussed in conference with the GAO auditors. Please note the margin notes on the copy of the rebuttal. We were later called by GAO and informed that the draft remarks were not official, were to be changed; and they (GAO) requested us not to forward copies of the draft and our rebuttal to AID/W since the report would be drastically changed. Actually, the GAO appeared embarrassed by their draft and our (we thought) effective rebuttal.

I was afraid of a double cross so an unofficial copy, both the draft and rebuttal, was sent to Mr. James L. Sloan and Mr. Clarence Groceman, our Engineering backstop, with a short summary of events.

I hope this will be of use to you.

Best regards

Enclosures: (2)

/S/ Dan F. Miller, Jr.

cc: Mr. James L. Sloan
SER/ENGR

Dan F. Miller, Jr.
Assistant Director
for Engineering Technical
Assistance

John P. Robinson, Director
USAID/Vietnam

OCT. 25 1973

Acting Manager, Saigon Office - Richard C. Thabet
U.S. General Accounting Office

Review of U.S. Assistance to South Vietnam
for Roads and Highways (Code 49215)

Enclosed is a copy of a summary of the results of the subject review. The summary does not represent the official position of the General Accounting Office and is being made available only for the purpose of obtaining your views at the exit conference on the matters discussed. A written response is not necessary at this time.

We would appreciate it if an exit conference could be set up as soon as possible after the personnel concerned on your staff have had an opportunity to review the summary.

Enclosure

