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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

DEC 18 1970



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Dear Mr. Tennant:

We are presently inquiring in India into the AID Mission's procurement of Australian manufactured Holden automobiles. We are comparing the advantages and disadvantages that might result from buying either Indian-manufactured vehicles with U.S.-owned Indian rupees or U.S.-manufactured vehicles as alternatives to buying the Australian Holdens. A report resulting from this work will not be ready for sometime yet.

The purpose of this letter is to bring to the Agency's attention a matter which we believe deserves early action because of recently enacted legislation affecting the statutory price limitation for passenger motor vehicles.

On July 15, 1969, the AID Mission in India requested Washington's approval for the procurement of Australian passenger vehicles. The request was justified on the basis that equipment suitable to the rough road and climate conditions in India could not be obtained in the United States within the statutory price limitations. The Chevelle Sedan and Station Wagon, although found to be satisfactory in India, both exceeded the price limitations. The lower cost Chevy II, apparently available within the price limitation, was reported to be highly unsatisfactory in actual operation on Indian roads.

On December 30, 1969, the U.S.-only source provision of section 636(i) of the Foreign Assistance Act of 1961, as amended, was waived by AID to permit the purchase abroad of right-hand drive motor vehicles by certain AID missions who required such vehicles because of local laws or the custom of driving on the left side of the road. At that time, the only right-hand drive passenger vehicle manufactured in the United States exceeded the statutory price limitation for passenger vehicle procurement by U.S. Government agencies. The need for vehicles with the right-hand drive feature was set forth as the primary justification for waiving the legislative provision for purchasing U.S.-manufactured vehicles.

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In April 1970, the AID Mission approved a source waiver for the purchase of 12 Holden sedans from Australia. The primary justification included the need for right-hand drive cars because traffic in India moves on the left thereby creating dangerous visibility for left-hand drive vehicles.

It is important to note that the request from the AID Mission to Washington in July 1969 asking approval for procurement of the Australian vehicles did not justify the procurement on the need for right-hand drive. The justification revolved around the price limitation problem.

The need for right-hand drive vehicles by the Mission in India has not been demonstrated or supported by past experience. In a discussion with AID officials in India, it became apparent that the use of left-hand drive vehicles is essentially no problem to AID in India.

Early in 1970, Congress began to consider a bill to allow the purchase of additional systems and equipment for passenger motor vehicles above the statutory price limitations. On September 26, 1970, such a bill was enacted (Public Law 91-423, 91st Cong.). The Administrator of the General Services Administration can now decide what additional systems or equipment may be purchased, outside any price limitation otherwise established by law, in order to render a passenger motor vehicle completely equipped for operation. As a result of the passage of this law, the AID Mission's contention that it cannot procure satisfactory Chevrolet sedans and station wagons with the required equipment and within the statutory price limit is probably no longer tenable and should be reevaluated.

Because of AID's strong interest in minimizing the effects of its operations on the U.S. balance-of-payments, and in view of the recent legislation affecting the price limitation on passenger motor vehicles, we believe that AID may wish to consider appropriate action to discontinue the purchase of Australian automobiles for use in India.

Our inquiry has been limited to India. The matters discussed here may be equally valid in other countries.

We discussed the contents of this letter with officials in AID's Administrative Overseas Support Division and the Office of Management in the Bureau for Near East and South Asia. Two of the points made were that official notification of the change in the law had not yet been disseminated within AID and the AID Missions, and that AID had not received implementing instructions from the General Services Administration. We feel that AID should take the initiative to obtain whatever information is required and act promptly to forestall further off-shore procurements of passenger vehicles.

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We would appreciate receiving your views on this as well as information on any actions taken or contemplated by AID.

Sincerely yours,

John D. Redell

John D. Redell
Assistant Director

The Honorable Edward F. Tennant
Auditor General
Agency for International Development

97

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