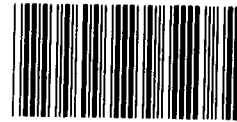


October 1992

# OPERATION DESERT STORM

## Disposal and Sale of Excess Items



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**National Security and  
International Affairs Division**

B-249753

October 13, 1992

The Honorable Carl Levin  
Chairman, Subcommittee on Oversight  
of Government Management  
Committee on Governmental Affairs  
United States Senate

The Honorable Earl Hutto  
Chairman, Subcommittee on Readiness  
Committee on Armed Services  
House of Representatives

This fact sheet responds to your request that we determine the results of phase I of Operation Desert Auction and visit Saudi Arabia before phase II began. The purpose of the auction was to sell materials that were sent to Saudi Arabia for Operation Desert Storm and were later turned over to the disposal system. Phase I of Operation Desert Auction was held from May 17 to May 25, 1992. Phase II of Operation Desert Auction was held from June 28 to July 2, 1992. Appendix I contains specific questions and answers dealing with the disposal process, including the condition of material being sold. Appendix II contains photographs of items we saw in Saudi Arabia.

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**Results in Brief**

In general, items sold during phases I and II of Operation Desert Auction included vehicles from other governments (such as eastern bloc countries) and damaged or unusable U.S. vehicles. Other equipment, such as tents, cable, kitchen equipment, scrap metal, and aluminum, was also sold. This material was heavily covered with sand. In addition, empty ammunition boxes and demilitarized brass casings were sold. Phase III of Operation Desert Auction is scheduled for November 1992. This phase is to be the final effort to sell the remaining excess property, which consists primarily of vehicle scrap and condemned ammunition containers.

The value of the U.S.-manufactured equipment held in the Defense Reutilization and Marketing Office (DRMO) in Saudi Arabia at the end of May 1992 was \$11,753,451, compared to \$198,956,111 for material donated by foreign governments. Eighty-seven percent of the equipment sold was in "H" condition, which the Department of Defense (DOD) defines as "Unserviceable/Condemned, material which has been determined to be unserviceable and does not meet repair criteria." Foreign equipment did not meet Environmental Protection Agency or safety standards and was

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ineligible for import into the United States. Through a program to recover usable property from DRMO, \$139.6 million of material was reused through the end of May 1992.

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## Scope and Methodology

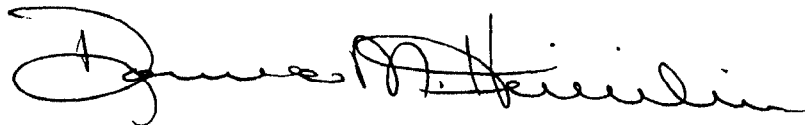
We visited Saudi Arabia from June 27 to July 2, 1992, and viewed items for sale in phase II of Operation Desert Auction as well as some items from phase I that had not yet been picked up by the buyers. We also visited Al Kharj Air Base, which had items that were planned to be turned over for disposal. We reviewed pertinent documentation and observed the phase II auction and met with the auctioneers. We did not verify the validity of figures included in this fact sheet, which were provided to us.

We did not obtain written agency comments. However, we discussed a draft of this fact sheet with responsible agency officials and have included their comments as appropriate. They agreed with the information contained in the fact sheet.

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Unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 15 days from its issue date. At that time, we will send copies to the Secretary of Defense; the Chairmen, House and Senate Committees on Appropriations and on Armed Services, the Senate Committee on Governmental Affairs, and the House Committee on Government Operations; and the Director of the Office of Management and Budget. We will also make copies available to others on request.

Please contact me on (202) 275-8412 if you or your staff have any questions concerning this fact sheet. The information for this fact sheet was developed by Joan Hawkins, Assistant Director, National Security and International Affairs Division, and John Pendleton, European Office.



Donna M. Heivilin  
Director, Logistics Issues

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# The Disposal Process

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The following are specific questions and answers dealing with the disposal process, including the condition of the material being sold.

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**What Guidelines Were Issued for Determining Which Property Would Be Removed From Saudi Arabia?**

Instructions were given by the Assistant Secretary of Defense for Production and Logistics on June 19, 1991, to return to the DOD supply system or U.S. military units outside of Saudi Arabia all usable material except that which (1) had been identified for theater reserves, (2) was to be transferred to a foreign government, (3) was to remain under control of U.S. forces in the region, (4) was to be stored in the Middle East as prepositioned equipment, (5) had been rendered unusable, or (6) had been reported to Congress prior to March 20, 1991, under the Arms Export Control Act. Foreign equipment would have to meet Environmental Protection Agency or safety standards to be eligible for import into the United States.

The 22nd Support Command had, in conjunction with the Defense Reutilization and Marketing Office (DRMO), a proactive program to recover and remove usable property from DRMO to meet operational and humanitarian relief requirements or to return it to the supply system. Those returns amounted to \$139.6 million through the end of May 1992.

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**How Much Material Was Turned In to the DRMO in Saudi Arabia?**

Through May 1992, the DRMO in Saudi Arabia received 56,127 line items with an acquisition value of \$538.4 million. This amount includes items still in inventory, items reused, items sold or transferred to foreign countries, and items abandoned or destroyed. The value of items held in inventory at the end of May 1992 was \$210.7 million. In addition, the DRMO in Saudi Arabia had a scrap inventory of 44.7 million pounds as of the end of May 1992.

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**What Was the Composition of the Material Turned In to the DRMO in Saudi Arabia?**

The inventory value of U.S. equipment still held by the DRMO in Saudi Arabia at the end of May 1992 was \$11,753,451, compared to \$198,956,111 for the value of donated equipment from foreign governments. In terms of line items, 746 line items were U.S. items, and 1,823 line items were donated.

What Was the Condition of the Material Sold by the DRMO in Saudi Arabia?

Eighty-seven percent of the equipment sold was in "H" condition, which DOD defines as "Unserviceable/Condemned, material which has been determined to be unserviceable and does not meet repair criteria." The following total sales summary identifies the number of line items broken down by supply condition code and its percentage of inventory:

- Condition codes A and B (serviceable): 61 line items (3 percent).
- Condition code F (repairable): 253 line items (10 percent).
- Condition code H (unserviceable/condemned): 2,148 line items (87 percent).

How Much Property Was Reutilized?

Table I.1 shows DRMO-reported reutilization figures through the end of May 1992.

Table I.1: Reutilization Statistics Through May 1992

| User                     | Line Items    | Acquisition value    |
|--------------------------|---------------|----------------------|
| Army                     | 9,456         | \$108,861,541        |
| Navy                     | 293           | 1,069,100            |
| Marine Corps             | 86            | 434,611              |
| Air Force                | 659           | 3,658,759            |
| Defense Logistics Agency | 85            | 307,009              |
| Other                    | 50            | 25,220,642           |
| <b>Total</b>             | <b>10,629</b> | <b>\$139,551,662</b> |

A contractor worked at both DRMO sites in Saudi Arabia (at Dammam and King Khalid Military City) pulling, inspecting, repairing, cleaning, and repacking tents and camouflage systems for prepositioned stocks in Kuwait. This contract to clean and thereby recapture tents and camouflage nets resulted in recovery of \$66.1 million in usable property for a cost of \$1.8 million. This \$66.1 million is included in the \$139.6 million reutilization figure.

How Much and What Was Sold or Transferred to Foreign Governments by the DRMO in Saudi Arabia?

Items with an acquisition value of \$91.4 million, including 980 vehicles, were sold to Bahrain under Foreign Military Sales or were transferred to Greece under the Southern Region Amendment. The property predominately consisted of vehicles, trailers, forklifts, scoop loaders, and four World War II vintage landing crafts donated by Germany. The proceeds amounted to \$1.1 million. Most items were of foreign origin, but some were of U.S. origin in condition code H (unserviceable).

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In addition, the Humanitarian Assistance Program requisitioned approximately \$24 million worth of donations from foreign governments that included scoop loaders, graders, trucks, shop vans, shower units, fuel trucks, and water trucks. The supply condition codes were "F" (repairable) and "H" (unserviceable).

According to a DRMO representative, "H" condition code (unserviceable) was used fairly liberally by the services for Germany's donations, since there were no repair parts for the foreign vehicles. For example, some of the vehicles could be repaired but due to the lack of repair parts were coded unserviceable. Also, some of the vehicles could be used for parts. The U.S. vehicles were items such as the 5-ton M52 truck, which are being phased out of the U.S. inventory and were excess to U.S. needs.

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**What Sale Procedures Were Used by the DRMO in Saudi Arabia and Why?**

The U.S. Army in Saudi Arabia entered into a contract with Marhoon Nasser Auctioneers in Saudi Arabia for the nonpersonal services of marketing, advertising, sale, and contract administration actions and support necessary to sell foreign excess U.S. government property in Saudi Arabia. This contract was a competitive procurement, with 36 contractors participating in the solicitation phase and 9 contractors submitting proposals. The contracting office determined the award based on weighted score, using technical qualification, delivery, and price as the evaluation factors. The Army Central Command contracting office signed a contract with Marhoon Nasser Auctioneers on February 19, 1992. The auctioneers received a percentage of the proceeds and will be receiving \$910,478.

The reasons for using a contractor included the credibility that the United States would gain with potential buyers through the contractor's language, experience, contacts (mailing list), and knowledge of local laws, customs, and business ethics.

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**What Were the Proceeds of the Sale in Saudi Arabia?**

The proceeds of the DRMO sales in Saudi Arabia were \$19,059,146, of which \$11,200,000 was from sale of materials donated by Germany.

DRMO officials said they had received much more from the sale in Saudi Arabia than they would have if the items had been sold in the United States or Germany. The total proceeds of \$18.9 million compare to a current market appraisal of about \$15 million and an acquisition value of \$119.4 million for the items sold in Operation Desert Auction. An additional \$143,040 was realized from a sealed bid sale of tank track.



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**Where Did the Proceeds Go?** The \$16.6 million in proceeds from the phase I sale and the \$143,040 for the sealed bid sale of tank track were deposited in the U.S. Treasury Defense Business Operations Fund account 97X4930.5N54 S99999. The \$2.4 million in proceeds for the phase II sale was placed in a suspense account in the U.S. Treasury pending identification of the owning component.

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**Who Were the Major Buyers?** The major buyers were from Saudi Arabia. The major buyer, who had a Dammam, Saudi Arabia, address, paid about \$14 million of the total sales amount of about \$19 million. There were 159 buyers in total.

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**What Remains in Saudi Arabia to Be Sold?** Vehicles and other items such as empty ammunition containers and scrap remain at Al Kharj Air Base and are being considered for disposal. The Air Force did not receive disposition instructions from the item managers on many of the items in time to be included in the scheduled DRMO sale.

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**What Contacts Were Made With State Agencies Concerning the Availability of Items in Saudi Arabia?** DRMO officials said that they provided the General Services Administration screener, who represents state agencies, with ample opportunity to view equipment in Saudi Arabia; however, the screener, who is located in Germany, declined after viewing a videotape. DRMO officials said they sent inventories to the screener in Germany from November 1991 through March 1992 but no state agencies visited the sites. They said the state agencies would have been totally responsible for moving the equipment.

We spoke with the General Services Administrator screener in Germany. The screener confirmed that he had been given an opportunity to view the items in Saudi Arabia but cited the following barriers to states' using these items:

- The cost of shipping, not just from the port, but transportation to the port.
- The understanding that most of the equipment was not operational.
- The problems of repairing foreign-made equipment in the United States.
- Customs laws that would prohibit or make very difficult the import of such items to the United States and agricultural standards that dictate that the equipment be cleaned.

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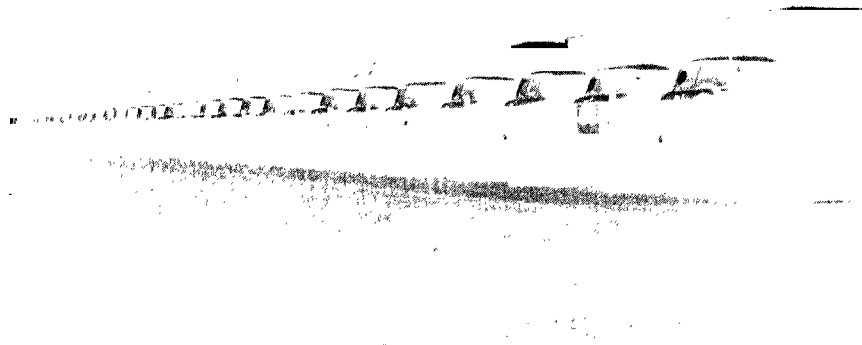
**How Much Property Was  
Abandoned or Destroyed?**

A total of 611 line items with a total acquisition value of \$1,892,817 were disposed of by landfilling or burning. This property included rotten camouflage nets and canvas, mildewed and rotten clothing, and broken wood furniture. Other material was abandoned or destroyed; however, it was accounted for as scrap.

# Items in Saudi Arabia

The following photographs are of items that we saw in Saudi Arabia.

**Figure II.1: East German Trucks for Sale  
in Dhahran**



**Figure II.2: East German Rough Terrain  
Forklifts for Sale in Dhahran**



Figure II.3: Food Service Items for Sale  
In Dammam



Figure II.4: Dolly Trailers that Connect  
Two Trailers for Sale in Dammam

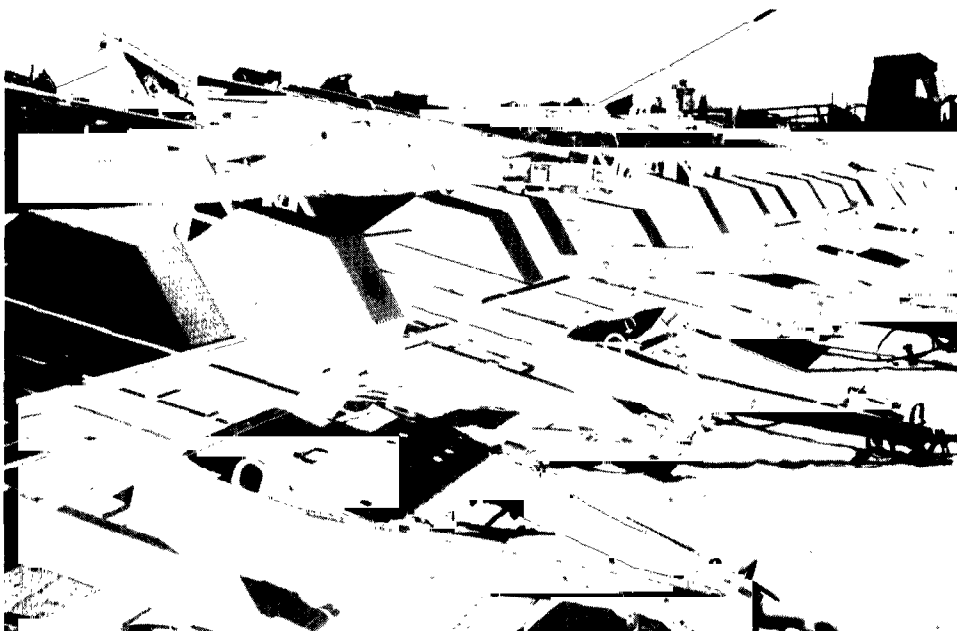


Figure II.5: Auctioneer's Truck at Disposal Auction in Saudi Arabia



Figure II.6: Scrap, Including Remains of F-18 Aircraft, at Disposal Auction in Saudi Arabia



Figure II.7: Aluminum Scrap Sold at King Khalid Military City

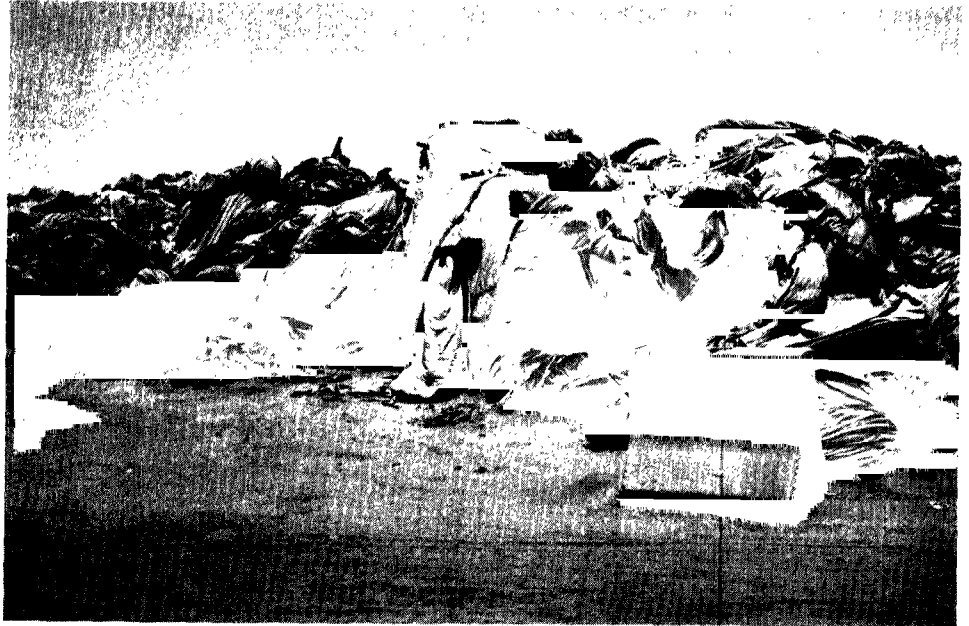


Figure II.8: Scrap Alternators Sold at King Khalid Military City



**Appendix II  
Items in Saudi Arabia**

**Figure II.9: Tents Sold at King Khalid Military City**



**Figure II.10: Scrap Wire Sold at King Khalid Military City**



Figure II.11: Ammunition Boxes Sold at  
King Khalid Military City

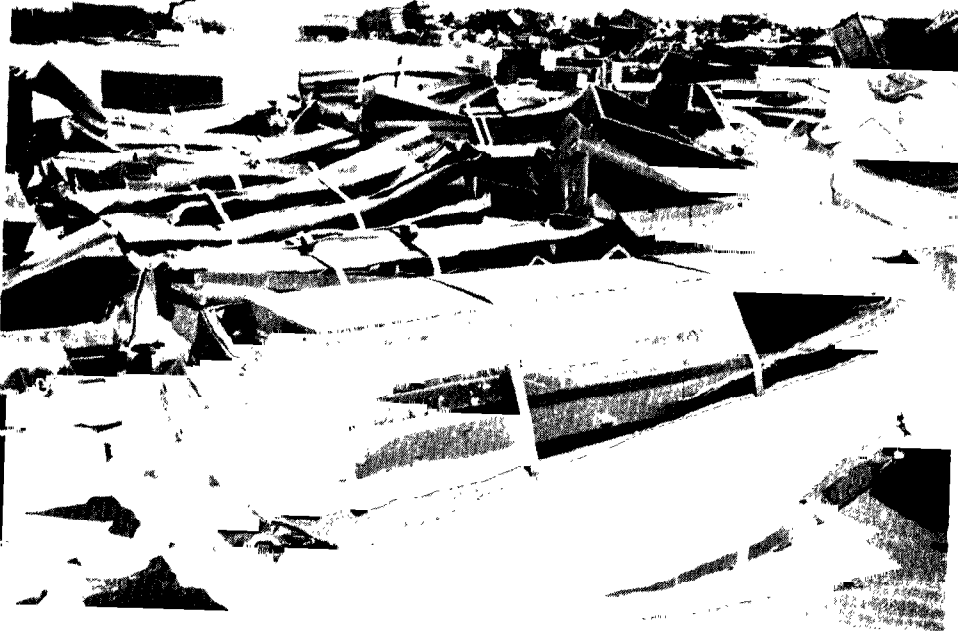


Figure II.12: Vehicles at Al Kharj

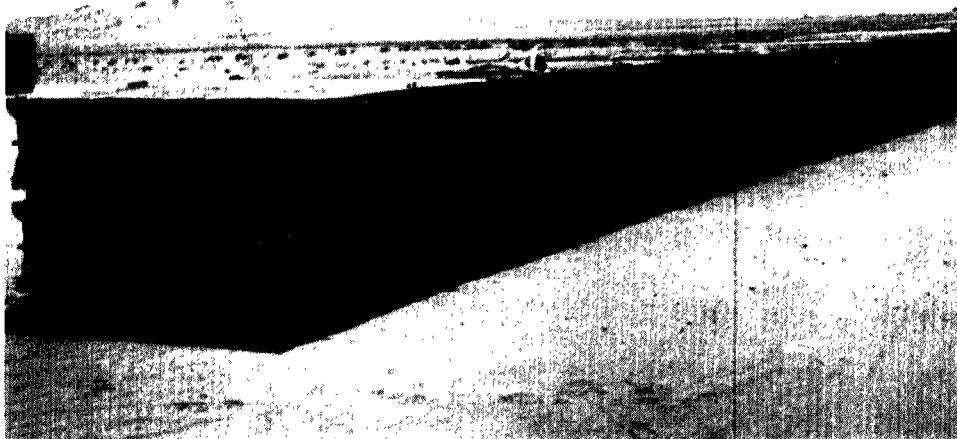




Figure II.13: All-terrain Heavy Forklifts  
With Cracks at Al Kharj



Figure II.14: Rusted Ammunition Boxes  
at Al Kharj





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