

DEPARTMENT OF DEFENSE**Office of the Secretary**

[Transmittal No. 03-24]

36(b)(1) Arms Sales Notification**AGENCY:** Department of Defense, Defense Security Cooperation Agency.**ACTION:** Notice.**SUMMARY:** The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated 21 July 1996.**FOR FURTHER INFORMATION CONTACT:** Ms. J. Hurd, DSCA/COMPT/RM, (703) 604-6575.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 03-24 with attached transmittal, policy justification, and Sensitivity of Technology.

Dated: October 10, 2003.

Patricia L. Toppings,
*Alternate OSD Federal Register Liaison
Officer, Department of Defense.*

BILLING CODE 5001-08-M



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

24 SEP 2003
In reply refer to:
I-03/008798

The Honorable J. Dennis Hastert
Speaker of the House of
Representatives
Washington, D.C. 20515-6501

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act (AECA), as amended, we are forwarding herewith Transmittal No. 03-24, concerning the Department of the Army's proposed Letter(s) of Offer and Acceptance (LOA) to Egypt for defense articles and services estimated to cost \$96 million. Soon after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

A handwritten signature in cursive script that reads "Tome Walters, Jr.".

TOME H. WALTERS, JR.
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachments

Same ltr to: House Committee on International Relations
Senate Committee on Foreign Relations
House Committee on Armed Services
Senate Committee on Armed Services
House Committee on Appropriations
Senate Committee on Appropriations

Transmittal No. 03-24

**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended**

- (i) **Prospective Purchaser:** Egypt
- (ii) **Total Estimated Value:**
- | | |
|--------------------------|---------------------|
| Major Defense Equipment* | \$60 million |
| Other | <u>\$36 million</u> |
| TOTAL | \$96 million |
- (iii) **Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:** Co-production of 21 M88A2 HERCULES heavy recovery vehicle kits, 21 M2 machine guns, spare and repair parts, contractor technical support, support and test equipment, publications, program management, personnel training and training equipment, U.S. Government and contractor technical and logistics services and other related elements of program support.
- (iv) **Military Department:** Army (NFU, UWC, and UVM, Amendment 1)
- (v) **Prior Related Cases, if any:**
FMS case UVM - \$15 million - 15Sep02
FMS case UTQ - \$ 7 million - 31Jan01
FMS case NFQ - \$ 54 million - 3Nov00
FMS case JBM - \$183 million - 18Mar98
- (vi) **Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid:** none
- (vii) **Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold:** See Annex attached
- (viii) **Date Report Delivered to Congress:** 24 SEP 2003

* as defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION**Egypt – Co-production of M88A2 HERCULES Heavy Recovery Vehicles**

The Government of Egypt has requested a possible sale of co-production of 21 M88A2 HERCULES heavy recovery vehicle kits, 21 M2 machine guns, spare and repair parts, contractor technical support, support and test equipment, publications, program management, personnel training and training equipment, U.S. Government and contractor technical and logistics services and other related elements of program support. The estimated cost is \$96 million.

This proposed sale will contribute to the foreign policy and national security of the United States by helping to improve the security of a friendly country which has been and continues to be an important force for political stability and economic progress in the Middle East.

The proposed co-production program with Egypt and United Defense for the M88A2 heavy recovery vehicles will support the M1A1 tanks in Egypt's inventory. The vehicles will be used for towing, wrecking, and hoisting operations supporting recovery operations and evacuation of heavy tanks and other tracked combat vehicles. Egypt will have no difficulty absorbing the vehicles in its armed forces.

The proposed sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be United Defense, Limited Partnership of York, Pennsylvania. There are no offset agreements proposed in connection with this potential sale.

Implementation of this proposed sale will require the assignment of four U.S. Government and 15 contractor representatives for two years to Egypt.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 03-24

**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act**

**Annex
Item No. vii**

(vii) Sensitivity of Technology:

1. The M88A2 recovery vehicles includes the following classified or sensitive components:

a. This AVDS-1790-8CR Engine Propulsion System is an unique modification to the standard piston engine family found in the M60 series and the base M88A1. Manufacturing processes associated with the production of turbochargers, fuel injection system, and cylinders are proprietary, and therefore, commercially competition sensitive.

b. Hydraulic System - Use of commercially available hydraulic components is not entirely unique in the armored vehicle world. None of the subcomponents of the system are classified. Manufacturing processes associated with winches, hydraulic motors, control valves, and the like are proprietary and therefore, commercially competition sensitive.

2. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures which might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

3. A determination has been made that Egypt can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.