

**ANNUAL REPORT
OF THE
DIRECTOR GENERAL**



MULTINATIONAL FORCE & OBSERVERS

JANUARY 2002

The following annual report is drawn from the report of the Director General delivered to the Trilateral Meeting 5 November, 2001, which brings together MFO Management with the two Treaty Parties, the other primary Funds-Contributing State, and other States supporting the MFO. Appended are the audited financial statements for MFO Fiscal Year 2001.

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MFO FY 2001: AN OVERVIEW

I am pleased to report that the Multinational Force and Observers (MFO) faithfully and successfully executed its mission in our Fiscal Year 2001 (FY 01) with the continuing firm support of the two Treaty Parties and of our family of Participating and Donor States.

Our success remains founded on the commitments of Egypt and Israel to implement and consolidate the security provisions of the Treaty of Peace and its Protocol, reflected in the model liaison system linking the Parties and the MFO. I wish to acknowledge with great appreciation the dedication, hard work and professionalism of both liaison organizations in support of the peace and the MFO: the Egyptian Liaison Agency With International Organizations (LAWIO) headed by MG Mohammed el Hakim, and the Israel Defence Forces Liaison and Foreign Relations Division (IDFLFRD) headed by BG Dani Arditi.

We worked this past year in the context of continuing regional unrest which impacted on our operations, logistics, and morale support program.

- Violence close to the International Boundary (IB) between Rafah and the Mediterranean Sea had a direct effect on the safety and operational tempo of the MFO. The Force Commander reviewed and refined measures to ensure the safety of MFO personnel in executing the mission. Adjustments were necessary particularly in the work of the Civilian Observer Unit (COU) and the Fijian Battalion (FIJIBATT) which both operate in this area. The situation remains the subject of ongoing dialogue between the MFO and both liaison organizations. The MFO, since our meeting this time last year, has maintained its border crossing for logistics and personnel movements at el Awga/Nizzana, well removed from Rafah, and has enjoyed excellent cooperation on both sides. This has added driving time to our support missions in Israel, but has helped ensure the safety of our operations. I continue to seek the Parties' consent also to shift helicopter crossings to the el Awga/Nizzana location.
- Force protection, always a central priority, has been emphasized throughout this difficult year. After the attacks on the United States last September 11, our force protection measures have been increased and risks reassessed. In addition to the operational changes noted above, we have had to restrict both duty and non-duty travel in parts of Israel and in areas under the Palestinian Authority. In conjunction with both Parties, and in concert with me and my Representatives in Cairo and Tel Aviv, the Force Commander constantly reviews and if necessary adjusts travel restrictions. While our restrictions can negatively affect morale, safety is paramount. Given the difficult current situation, I cannot foresee any significant changes in the short term. We set a consistent approach to force protection across all contingents in our

integrated multinational environment. Nonetheless, contingent commanders and their national authorities may adopt more stringent procedures. An example is NBC (nuclear, biological and chemical) protection. I recently sent to all Participating States a letter regarding MFO policy on NBC, recalling that any NBC protection measures continue to remain the responsibility of national contingents.

- Our vital helicopter logistics support, provided by the U.S. Aviation Company with its 10 UH-1 utility helicopters, continues to occupy our attention as the aging U.S. Army UH-1 fleet heads towards retirement in the next two to three years. I am pleased that the maintenance challenges and expenses of prior fiscal years have not been repeated this year. I greatly appreciate the U.S. Army's responsiveness to the challenges we face in maintaining these assets in the field, in particular by creating a pre-deployed supply of critical components at our North Camp. Looking towards the eventual replacement of this critical resource, this report at a later point contains our conclusions on MFO lift requirements as requested by the Parties. Ensuring the safety and readiness of the UH-1 fleet and managing transition to a different platform will be an ongoing challenge for FY 02 and beyond.
- Given the political and economic situations, maintaining a stable MFO budget is hard work. I am pleased that again in FY 01 we operated within budget. We will remain committed to a \$51 million budget for FY 02 for an eighth straight year.

Managing change in this complex environment is a major responsibility of the MFO's leadership. We encourage a management culture that welcomes change and encourages innovation and continuous improvement in the way we work.

- ✓ The leadership itself has seen significant changes during the FY. Most notably we welcomed our seventh Force Commander, MG Robert Meating of Canada, who assumed command on 1 March 2001. General Meating has filled key armored commands and National Defence Headquarters staff positions in a distinguished career with the Canadian Armed Forces that has been recognized by Canadian and U.S. decorations; he has prior Middle East peacekeeping as well as NATO experience. He has quickly established a reputation as a soldier's general who leads by example, emphasizing core soldier skills for safe and effective accomplishment of the mission. In the Rome Headquarters, we have converted two positions to create both a new Director for Information Systems, who will ensure we stay on top of this evolving area and get the most out of our IS investment, and also a Director General's Management Review Officer who will be the chief agent of management review and validation, reporting directly to me. We recruited two exceptional people for these positions, from the private sector and through an internal promotion from the Force, respectively. At the Force, we have a solid team under the Force

Commander following the annual rotation of military staff personnel, a new Chief of Communications and Information Systems (CIS) recruited from NATO HQ, and a new Force Comptroller recruited from the private sector. There has been no increase in staffing.

- ✓ Invisible from the outside, but promising to revolutionize our internal management tools, is an Enterprise Resource Planning (ERP) system which has been implemented under budget. This has been the most intense and significant single project in the recent history of the MFO. Our ERP platform will bring us into line with sound commercial practices, utilizing a proven, integrated information system. A project this size in a small organization like the MFO was a huge challenge, but the problems we encountered were limited and not unusual. Key personnel worked hard to design and configure the system, often juggling other work requirements. I want to pay tribute to the team's dedication and commitment. We were particularly pleased to find that existing MFO business practices required few adjustments to work within this commercially standard application. The ERP system is primarily focused on finance and logistics, but it will have other uses including human resources, and operations information storage and report writing. We have much work ahead to ensure we are getting the most benefit out of the system. Over time the tools provided by ERP will improve our business practices and provide us with better visibility into many areas of our operations. To maximize our benefits from ERP, we need to further develop and reinforce ERP skills, ingrain ERP in our "culture", right-size our CIS support staff in terms of skills and number, and ensure that we actively "mine" the information that will become available to us as we work with the system.
- ✓ With post-September 11 demands on U.S. military personnel high, the U.S. Army has advised us that the next rotation of the U.S.-contributed infantry battalion serving in the southern sector of Treaty Zone C (USBATT) will be composed of a battalion from the Reserve Component. In 1995 we had a similarly composed and fully successful USBATT. The battalion being readied for deployment in January 2002 will have a compressed lead-time for preparation, and the MFO is doing all it can to assist in accelerated training and orientation to the mission. The use of Reserve Component forces will not affect mission accomplishment and should be invisible to all those outside the MFO. We have been informed that the organization, rank structure, and personnel strength of USBATT will be unchanged

As we begin our FY 02, significant challenges abound. I am confident that we will continue to meet them and, with the cooperation of both Treaty Parties and of our steadfast Participating and Donor States, that we will fulfill all mission requirements. We seek to make all our MFO partners proud to be associated with this unique and successful peacekeeping mission, a legitimate source of optimism at a difficult time in world and regional affairs.

PARTICIPATION AND FINANCIAL SUPPORT

**PARTICIPANTS
AND DONORS**

I am pleased to report that participation and donor relationships remain stable. No changes are anticipated in FY 2002. In this tense period, it is all the more essential that the international community holds steady in supporting the Treaty Parties and the MFO in their peacekeeping, a critical building block of any wider regional settlement.

- I am pleased to have signed today with the Ambassador of Colombia the renewal of Colombia's participation in the MFO. Signature of the renewal agreement during the Trilateral Meeting appropriately highlights Colombia's unwavering support of the peace and the role of the Colombian Battalion (COLBATT) role as one of the critical pillars of the MFO.
- Italy's current period of participation will expire in March of 2002. We have begun discussion with the Italian Government looking forward to the continuation of the mission so capably performed by the Coastal Patrol Unit (CPU). Italy underscored its strong commitment to the peace and to the work of the MFO with deployment this year of the third of four new patrol vessels of the Esploratore Class, designed and built expressly with the MFO mission in mind. I am grateful for Italy's superb support both as contributor of the CPU and as the Headquarters State.
- Donor support has been maintained by Germany, Japan and Switzerland. As our financial margins constantly decrease, these contributions assume ever-greater importance. They are greatly appreciated. I hope that these contributions will be maintained in FY 2002.
- Uruguay initiated a very helpful change in tour length for its engineering unit to standardize one-year tour lengths for all its contingent of 60 personnel. This welcome change is being implemented gradually through July 2002. It will add greater stability and continuity to the critical mission performed by these hard working and highly disciplined soldiers.

- We completed a thorough review and updating of documentation of all Force staffing. This was also required to prepare for implementation of our ERP system. Compared to FY 00, the table below reflects reduction of two authorized but unfilled French Contingent positions, and a shift of one position (driver for the Force Commander) from the Norwegian to the Canadian Contingent.
- As you know, the new Administration in the United States was committed to a review of all U.S. worldwide military commitments during this past year and this included the U.S. forces in the MFO. I am pleased to report that after thorough examination and consultations with the Receiving States, the United States decided not to propose any change in its participation at this time. In a round of diplomatic consultations preceding the Trilateral Meeting, the U.S. has reaffirmed its policy of strong support for the MFO with all the Supporting States.

Authorized military strength and the impact of progressive downsizing of the MFO over time are indicated in the accompanying tables.

CONTINGENT	MAIN DUTIES	STRENGTH AT NOV 01
AUSTRALIA	STAFF	25
CANADA	STAFF, ATC	29
COLOMBIA	INF BATT	358
FIJI	INF BATT	338
FRANCE	FWAU	15
HUNGARY	FMPU	41
ITALY	CPU	75
NEW ZEALAND	NZTAT	26
NORWAY	STAFF	4
URUGUAY	ENGRS, TRNSPT	60
UNITED STATES	INF BATT	529
	SPTBATT	309
	STAFF	27
		865
TOTAL		1836

Table One.

MILITARY MANPOWER - 1987 TO PRESENT

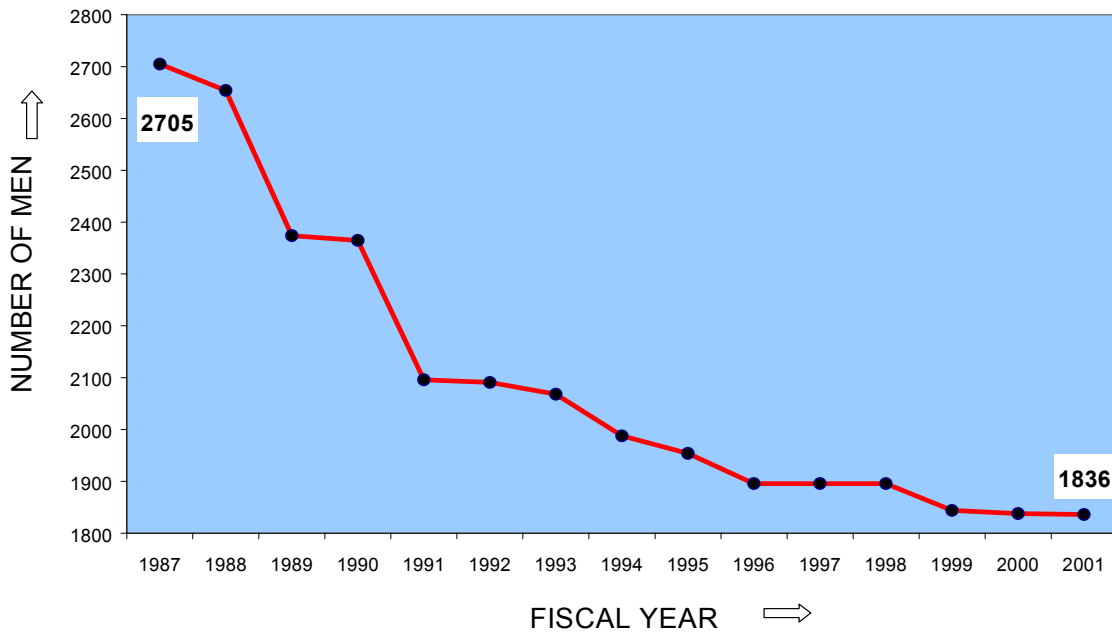


Table Two.

VISITORS TO THE MFO

We in the MFO are proud of what we do. It is always an honor to host visitors from the Supporting States and to show them what their soldiers and our civilians do and how their contributions help to maintain peace in this volatile region. Once again we thank the two liaison systems--LAWIO and IDFLFRD—for their outstanding support for our visitor programs.

In FY 2001 our senior civilian and military visitors included:

- ✓ From Australia, ADM Chris Barrie, the Australian Chief of Defense Forces and MG Peter Abigail, Chief Australian Land Forces.
- ✓ From Colombia, GEN Fernando Tapias Stahelin, the Commander of the Colombian Armed Forces, and BG Carlos Algertos Fracica Naranjo, Commander of the Colombian Quick Reaction Forces.
- ✓ From France, BG Michel Benard, Commander, French Air Force Planning.
- ✓ From Hungary, Dr. Janos Homoki, the Political State Secretary for the Ministry of Defense; Mrs. Anna Felkaito, Deputy Head of the International Department of the Ministry of Defense; Mr. Janos Oszkovszki, Senior Counselor in the Prime Minister's Office; Dr. Alfred Kohalmy, Deputy State Secretary, Cabinet Chief, MOD; Dr. Janos Karasz, Deputy State Secretary, Economic Affairs, MOD; GEN Lajos

Fodor, Chief of the Hungarian General Staff; LTG Lajos Urban, Deputy Chief of the General Staff; LTG Havril Andras, Vice Chief of Defense Staff; COL (Dr.) Geza Matlag, Deputy Head of the Ministry of the Interior; Andras Zsinka, Head of Human Management Department, Ministry of Interior; and COL Tibor Kovacs, Chief of NATO and Multinational Affairs Division, Hungarian Joint Operations Center.

- ✓ From New Zealand, the Honorable Phil Goff, Minister of Foreign Affairs and Trade.
- ✓ From Norway, MG Roar Haugen, Chief of the Norwegian Army Staff and MG Per Mathisen, Chief of the Norwegian Homeguard Forces.
- ✓ From the United States, the House of Representatives delegation to the NATO Parliamentary Assembly headed by Rep. Douglas Bereuter of Nebraska, a member of the House International Relations Committee; U.S. Senator James Imhofe of Oklahoma, a member of the Senate Armed Services Committee; GEN Tommy Franks, Commander, U.S. Central Command; GEN John Hendrix, Commander U.S. Forces Command; MG John Ryneska, then Deputy Commander, U.S. XVIIIth Airborne Corps along with BG Ann Dunwoody, Commander, 1st COSCOM, U.S. XVIIIth Airborne Corps who supply our Support Battalion; MG Terry Juskowiak, G-4, U.S. Forces Command; MG Fredric Raymond, Deputy Commander, U.S. Army National Guard Bureau; BG William Caldwell, Assistant Division Commander, 25th Infantry Division (Light); Mr. Robert Krantz, MFO officer in charge, Bureau of Near Eastern Affairs, U.S. Department of State; COL Andrew Twomey, Commander 2nd Brigade, 25th Infantry Division (Light); Sergeant Major of the Army Jack Tilley; and a visit by cadets from the U.S. Military Academy.

Visits from both Receiving States help to strengthen ties with the MFO. The visitors included most notably MG el-Hakim and BG Arditi, who made use of our facilities to conduct talks and maintain their close coordination.

- Visits included groups of Egyptian officers from the War College, the Military Academy, the Naval Academy, the Military Technical Institute, two groups of officers from military units in Cairo, and three groups of officers from the Egyptian 2nd Army. In March, a group of IDF officers and soldiers who assist the MFO at the Taba and Nizzana border crossings in Israel visited North Camp to learn more about the MFO and our mission.
- We had the honor of hosting the IDF's International Liaison Course with officers from Australia, China, Colombia, Ecuador, France, Germany, Ghana, Great Britain, Hungary, India, Ireland, Israel, Italy, Jordan and Poland. We were also pleased to be able to host officer students in an Egyptian MOD-sponsored Peacekeeping Seminar from Cameroon, Finland, Gabon, Ghana, Kenya, Netherlands, Nigeria, Senegal, Somalia, South Africa, Tanzania, Tunisia, Uganda and Zimbabwe.

From Cairo we also hosted the Military Attache Association with attaches participating from Algeria, Argentina, Belgium, Brazil, Canada, China, Czech Republic, Germany, Greece, Hungary, Indonesia, Italy, Netherlands, Pakistan, Poland, Romania, Slovakia, Tanzania, and the United States.

Supporting State diplomatic missions in Egypt and Israel also maintained an active visit schedule to the Force. This included the Ambassadors accredited to Egypt from Australia, Canada, Germany, and Uruguay; and Ambassadors accredited to Israel from Australia, Colombia, Germany, Hungary and Uruguay. We also hosted the Colombian Consul in Egypt; the Australian and Colombian Consuls in Israel; and the German Military Attachés in both Israel and Egypt.

Peacekeeping colleagues from the UN who visited were MG Franco Ganguzza, UNTSO Chief of Staff, and LTC Walter Bruni, Chief, Observer Group Egypt, UNTSO.

Finally, reporters from the German ZDF television, the U.S. Washington Post and the Stars and Stripes newspaper visited the Force to be able to tell their readers and viewers about our unique organization.

OPERATIONS

INTRODUCTION

The 1979 Treaty of Peace between Egypt and Israel, its security Annex and its Protocol together mandate the MFO mission. The MFO in the field is a joint arms operation with civilian observer and support elements. It impartially verifies compliance with the security arrangements of the Treaty of Peace and uses its best efforts to prevent any violation of them, combining static and mobile means of observation by air, land and sea to execute its mission. The MFO mans thirteen Checkpoints (CPs) and seventeen Observation Posts (OPs) in Treaty Zone C, augmented by the CPU which covers the Strait of Tiran and its approaches. Checkpoints monitor traffic into and out of Zone C on all main roadways. OPs observe and report activity in, or near, Zone C. Static CPs and OPs are supplemented by Temporary Observation Posts (TOPs) manned by small detachments at remote locations. On average, nearly 50 TOPs are sent out per week. In addition, an average of over 100 weekly vehicle patrols (MOTs) help to maintain a high MFO visibility in Zone C. The Civilian Observer Unit operates in all four zones to conduct impartial periodic verifications of the implementation of the Treaty's security arrangements.

The MFO consists of four major components: the Headquarters in Rome, the two Director General's Representatives' Offices in Cairo and Tel Aviv, and the Force and Observers in the Sinai.

The Headquarters in Rome provides direction and supports the Force and Observers through its operations, logistical, information systems, legal, personnel, financial and other specialist staff. Many programs are centrally managed in Rome, including international civilian staff recruitment, troop rotations, accounting and external audits, participation and donor agreements and related financial arrangements, litigation and claims, and commercial insurance. The HQ staff supports the Director General in his responsibility for direction of the MFO and for determining the MFO's policies, programs and budgets.

The Director General's Representatives (DGRs), Mr. Joseph Englehardt in Cairo and Mr. Michael Sternberg in Tel Aviv, supported by their experienced staffs, represent the Director General to their respective host governments on policy matters and conduct liaison with the embassies of the MFO's Supporting States. Their offices support the Force in procurement, shipping and transportation,

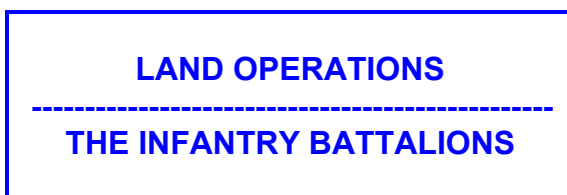
liaison, personnel movements and disbursements. They also provide other significant services such as coordinating and dealing with press interest in the MFO, and with customs, police, airport and other authorities on routine, day-to-day business.

The Force is a joint organization with army, air and naval components. It is comprised of military personnel from eleven countries: Australia, Canada, Colombia, Italy, Fiji Islands, France, Hungary, New Zealand, Norway, United States, and Uruguay. Its organization consists of

- ✓ Three Infantry Battalions;
- ✓ A Support Battalion including a multinational Transportation Section and a Rotary Wing Aviation Unit;
- ✓ The Coastal Patrol Unit;
- ✓ A Fixed Wing Aviation Unit;
- ✓ Branches for Operations, Support, Engineering, Communications and Information Systems, and Personnel;
- ✓ A Force Military Police Unit;
- ✓ A Flight Following Section; and
- ✓ Other multinational, civilian and military staff of the Force Commander.

In addition to maintaining coverage of Zone C, Force units conduct regular training in the military skills that are essential to operational effectiveness, including joint and combined training to improve inter-operability.

The 15-person Civilian Observer Unit is based at North Camp, led by a Chief seconded from the U.S. Department of State. Approximately half of the observers are also seconded from the Department of State. Other COU personnel are retired military officers recruited directly by the MFO. All COU members are U.S. nationals.



NORTHERN SECTOR

The Northern Sector of Zone C is monitored by the Second Battalion, Fijian Infantry Regiment. FIJIBATT is organized into three rifle companies and a HQ Battalion to fulfill its mission at six CPs, five OPs and at North Camp. The fixed sites are augmented by at least two daily MOTs and day and night TOPs. In particular, TOP F1-03 has become a key point due to its location near the IB adjoining areas under Palestinian administration in Gaza. Since September 2000 it has been manned around the clock. FIJIBATT monitors maritime and

naval activity from its sites on the Mediterranean Sea. On the southern boundary of its sector, FIJIBATT conducts patrols in cooperation with COLBATT. At North Camp, FIJIBATT maintains a Quick Reaction Force for use in emergencies, comprised of an infantry squad and a Headquarters element. FIJIBATT rotates approximately 85 soldiers every 3 months in maintaining its strength of 338.

FIJIBATT is an experienced unit and has continuously served with the MFO since 1982. Most members of the battalion have served several tours in the Sinai and in the United Nations Interim Force in Lebanon (UNIFIL). FIJIBATT's solid performance reflects many years of national and individual peacekeeping experience combined with the professionalism demonstrated by their winning the overall major unit award in the Force Skills competitions both in the fall and spring of FY 2001.

CENTRAL SECTOR

The Colombian Infantry Battalion Number 3 (COLBATT), composed of two rifle companies and a headquarters company, monitors the Central Sector of Zone C. COLBATT mans two CPs and five OPs providing 24 hours/seven days a week observation. COLBATT also mounts MOTs and day and night TOPs, and provides a guard force for the security of North Camp's gates and perimeter. Twenty-one personnel augment Force staff sections in various positions. COLBATT rotates approximately 90 personnel every 3 months in maintaining its strength of 358.

Personnel selected by the Colombian military to serve in COLBATT are well trained and most have combat experience. The level of professionalism of the battalion is confirmed by the high marks achieved during three Operational Readiness Inspections and three snap (unannounced) inspections during the FY. COLBATT, in MFO service since its inception, continues its fine service for peace and remains a vital element of the Force.

SOUTHERN SECTOR

The MFO mission in the Southern Sector of Zone C is performed by the U.S. Battalion (USBATT), based at South Camp. USBATT operates five CPs and seven OPs supplemented by vehicle patrols and day and night TOPs. The USBATT rotates all 529 soldiers as a unit every six months. The fiscal year started with the 2nd Battalion, 505th Parachute Infantry Regiment from the 82nd Airborne Division, in place until January 2001. In that month, Task Force 1-21, 1st Battalion, 21st Infantry Regiment from the 25th Infantry Division (Light) assumed the mission. Last July, the 2nd Battalion, 87th Infantry Regiment, 10th Mountain Division took over and will serve until January 2002.

Successive USBATTs have emphasized the opportunities in the Sinai to

validate their junior officer and NCO leadership skills both by executing the MFO mission with its remote site operations, and by conducting small unit and individual training culminating in the Expert Infantry Badge and Expert Field Medical Badge programs. With its location adjacent to the Gulf of Aqaba, the USBATT was able to conduct joint training and operations with the CPU to the benefit of both organizations. Like Colombia and Fiji, the United States has been a stalwart supporter of the MFO and has provided an infantry battalion to the MFO since 1982.

Tourism and economic development continue apace in the Southern Sector, the visible fruit of the peace. It requires active MFO and LAWIO cooperation to maintain mission requirements including force protection and security stand-offs in the midst of the changes taking place around us. Ensuring continued use of the Peacekeeper Range located off South Camp, so important to the USBATT training program, is a key example of this close coordination. I greatly appreciate the full support of Egypt in continuing to make this critical practice range available.

SEA AND AIR OPERATIONS

COASTAL PATROL UNIT

The CPU consists of three coastal patrol vessels, currently ITS Esploratore, ITS Sentinella and ITS Vedetta; a shore support element; and a marine detachment that deployed in January 2001 to enhance security at the CPU compound. Thanks to fewer crew on the new patrol boats, there has been no net change in contingent strength. In addition to CPU's 8 naval officers and 64 petty officers, sailors and marines, the Italian Contingent consists of a Senior Staff Officer serving as the Force Commander's naval advisor and Italian Contingent Representative in North Camp, and two officers who serve as liaison and medical officers in South Camp.

The third new patrol vessel, the ITS Vedetta, deployed in March. The Vedetta replaced the ITS Palma, the last of a class of wooden-hulled vessels based on a post-WWII minesweeper design. The ITS Palma and her sister ships had served with distinction in the MFO since 1982.

During FY 01, the CPU conducted 173 missions and 3273 hours on patrol to ensure freedom of navigation through the Strait of Tiran. Two ships of the new class were successfully dry-docked for periodic maintenance in Suez. Besides its primary mission, CPU takes part in joint/combined exercises with USBATT on maritime triangulation, observation and tracking, OP 3-11 re-supply, remote site evacuation, maritime search and

rescue drills and ship orientation tours.

In August the ITS Sentinella responded to a distress call from an Egyptian dive boat just south of Sinafir Island. The boat had lost power and steerage late at night during bad weather. Just as the dive boat began to break up, the crew of the ITS Sentinella was able to safely transfer the passengers and crew aboard and transport them into the Sharm el Sheik harbor. The CPU was commended both by MFO and the Italian Navy for this rescue under dangerous conditions.

On 24 March 2001 the cruise ship Arion, of Panamanian registry, while under way and maneuvering, collided with the CPU pier, slightly damaging two CPU vessels moored at the pier and seriously damaging the pier. This has required an interim mooring arrangement until the pier can be rebuilt. The MFO is claiming from the vessel's insurers for all its damages and costs due to this incident. Repair of the pier will be undertaken by Egyptian authorities.

FIXED WING AVIATION

The French Fixed Wing Aviation Unit (FWAU) flew 700 accident-free hours with its Twin Otter (DHC-6) aircraft. The Twin Otter continues to be our primary platform for bi-weekly COU aerial reconnaissance of our large mission area and is a critical asset. It is our principal means of transporting senior visitors, staff members and other passengers between North and South Camps, and senior MFO and liaison system leaders to meetings. As the situation in the region has become more unsettled this role has increased. This aircraft is also available for medical evacuations (medevacs), although none was performed during the past FY. The Twin Otter stays extremely reliable and superbly maintained with a 98.6% availability rate throughout the year. This operational readiness rate is a direct reflection of the professionalism and dedication of all members of the French FWAU.

ROTARY WING AVIATION

The Rotary Wing Aviation Unit (RWAU), provided by the Aviation Company of the U.S. Support Battalion (SPTBATT), continues to be a major workhorse of the Force. It performs COU reconnaissance and verification flights, command and control flights, visitor transportation, medevac, and re-supply and personnel rotation flights to remote locations within the Sinai.

The RWAU flew 2208 accident-free hours in FY 01. Personnel shortages have impacted on our ability to fully support the mission and meet training goals. While hard work from the Aviation Company's maintenance personnel resulted in an operational readiness rate averaging 71 percent, our final flying hour total was 662 hours below the annual flying hour program of 2,870 hours.

Major maintenance challenges during the past FY included tailboom and gearbox deficiencies. Each aircraft requires a tail boom X-ray examination every 75 flight hours. Difficulties in obtaining proper X-rays and interpretations of the X-rays have led to significantly reduced aircraft availability.

A priority mission of the RWAU is medevac support to MFO personnel. The MFO also provides medevac support in cases where there is a threat to life, limb or eyesight to the local population and tourists when requested by the LAWIO. The RWAU performed eight medevac missions consuming 20 flying hours during the past year, seven involving MFO personnel and one, last July, involving two Italian tourists who were seriously injured in a traffic accident.

Another critical mission is the aerial resupply of OP 3-11 on Tiran Island in the Strait of Tiran, the only viable method of support for this isolated OP. An average mission delivers seven to eight 1,000 lb. loads of food, water, equipment and fuel to the island and backhauls one or two slingloads to the staging area at OP 3-10. The UH-1H can easily carry over 2,000 lbs., but the high winds and extreme heat encountered in the southern Sinai desert often reduce the helicopters' load-carrying capacity and flight performance.

FLIGHT FOLLOWING

The Canadian Flight Following Section stationed at North Camp continues to support MFO and authorized visiting aviators. Close contact is maintained through the liaison systems with civilian and military aviation authorities. There are direct, daily contacts and periodic meetings with local civilian air traffic controllers at the El Arish and Sharm El Sheikh airports, and periodic meetings with the Civil Aviation Authority in Cairo. We similarly conduct periodic meetings on air traffic control in Israel in coordination with IDFLFRD.

Several Canadian personnel were sent to South Camp from 7 March to 14 May 2001 to assist the U.S. Aviation Detachment. The growth of civil air traffic at Sharm el Shiekh and consequent increased coordination requirements illustrate the challenges of economic development I have mentioned.

FORCE PROTECTION

The Force Commander and I have an obligation to balance execution of the mission with our responsibility for the safety of the soldiers entrusted to us and of our civilian component. The MFO has well-developed procedures to react in a graduated way to changes in the security situation around us. These involve measures that can be initiated sequentially or independently based on perceived or real threat indicators. They relate both to our operations in the Zones and

travel for duty or recreation outside the area of operations (AO). The Force Commander has placed an increased emphasis on enforcing these measures across all levels of the Force.

In making force protection decisions, we are supported with current information provided by regular contact with LAWIO, IDFLFRD, the U.S. Army and U.S. Department of State, other troop-contributing nations, and through my Representatives in Tel Aviv and Cairo. We assign force protection measures considered appropriate in light of current threat and risk assessments. MFO personnel are kept currently informed of threat levels and travel restrictions

To have the benefit of expertise from outside the MFO and to underscore our commitment to force protection, we continue to welcome an annual U.S. Army Joint Security Directorate Vulnerability Assessment, last conducted in September 2000. Their report of 20 November 2000 noted “no vulnerabilities” and offered 22 “observations” or advice on the Force’s protection posture. These observations have been examined by the MFO and those designated for follow-up have been incorporated into a force protection action plan. This plan is dynamic and regularly updated to identify, prioritize, and monitor progress on the measures undertaken to improve our force protection posture. The tragic events of 11 September forced a rescheduling of the planned September 2001 assessment.

I would like to thank both liaison systems for their essential and continued assistance in our force protection. Their efforts, along with those of the DGRs in both Cairo and Tel Aviv, help ensure that our force protection decisions are well supported by timely and accurate information.

OBSERVER OPERATIONS

The Civilian Observer Unit is the MFO’s primary tool to verify the security arrangements of the Treaty of Peace, and is the only arm of the MFO conducting verification of the Treaty Annex in all four Treaty zones. The Observers completed their 473rd reconnaissance and 442nd verification missions at the end of FY 2001. The professionalism and impartiality that the members of this unit display as they travel throughout the four zones are important in maintaining the confidence and trust that both Parties must have in the MFO. The interactions between the COU and both Parties’ liaison units continue to be excellent. I thank both Parties for this solid support.

The violence noted previously, affecting the northern part of the D zone in the vicinity of the international boundary, has required the unit to modify flight patterns for safety. I would like to thank the Canadian Forces for the loan of stabilized binoculars that allow the observers to conduct their missions from a

safer altitude.

TRAINING

Training is critical in an organization like the MFO with constant personnel rotation. During the past year, the Training Section conducted 16 Remote Site Commanders Courses, 14 Range Conducting Officers Courses, eight Duty Investigator courses, eight Operational Readiness Checks, two Force Skills Competitions and a number of exercises, Snap Inspections and three Site Assistance Visits. Over 1,700 drivers were trained and tested, and 13 Driver Trainer courses were conducted for the contingents.

The Force's programs remain focused on preparing and sustaining individual and unit skills directly related to operational performance, mission accomplishment, and safety. We seek a high, common operational standard across all elements of the Force. Training is designed in three broad areas: pre-deployment, the period prior to arrival in the AO; task specific and orientation training in the period immediately upon arrival in the AO; and lastly, skill maintenance and continuation training while operationally deployed. To achieve a multiplier effect, the Training Section "trains the trainers" within each contingent. The strong training emphasis seeks to offset the effects of frequent rotations of units and personnel on dissimilar tour lengths: 13 weeks (French aviators), 6 months (Australia, Canada, New Zealand, the U.S. Infantry Battalion), 8 months (Colombia) and 12 months (Fiji, Hungary, Italy, Norway, Uruguay, assigned U.S. staff members and the Support Battalion).

The Training Section consists of the Staff Officer Training (Canadian Major), the Training and Development Warrant Officer (Australian WO1), and the New Zealand Training and Advisory Team (NZZAT). The section is the principal element within the Force responsible for the training and evaluation program. As a side note I would like to express my appreciation to the New Zealand Government for its support and approval to conduct NZZAT rotations on a staggered schedule to provide greater continuity.

To assist pre-deployment preparations in troop-contributing countries, the MFO provides a Pre-Deployment Training Package (PDTP) which is constantly reviewed and updated. The package is available in a CD ROM format, in English and Spanish.

Since 1982 a very significant Force event is the twice-yearly Force Skills Competition. This brings the Force family together with the common purpose of competing in soldierly skills. The Force Commander and his staff have recently restructured the competition to place more emphasis on the critical skills at the core of the MFO's successful peacekeeping operations. Competition is in such

varied areas as detection and marking of land mines, map reading, marksmanship, first aid, recognition and reporting, and an obstacle course.

Finally, the Force training staff plays a major role coordinating such key events as the Force Safety Days, Force Protection Days and Mass Casualty Evacuation exercises. Training staff also participate in ERP-related training.

SAFETY

On-the-job safety continues to be of paramount concern. Our safety program is vigorous and remains focused on driving safety. We achieved a notable 50% decrease in severe accidents in the past FY, with only three driver-fault motor vehicle accidents attributed to excessive speed.

As our FY 02 began, however, we suffered the loss of a U.S. soldier in a fatal single vehicle accident. All of us are greatly saddened by this loss of a young life. We are carefully investigating the cause of the accident and are determined to redouble our accident-prevention efforts.

Historically the single greatest threat to our soldiers has been excessive speed for conditions. A contributing factor in many accidents is under-estimation of road dangers and complacency leading to inattention, loss of situational awareness, and potentially fatal miscalculations.

Our initiatives combine education and awareness programs, use of DriveRight devices that record speeds and other driving parameters and alert drivers exceeding speed restrictions, and increased command involvement at both the Force and Contingent levels. Our junior leadership has the greatest opportunity to impress on our soldiers the risks of the road and to promote behavior that reduces risk. Current vehicle safety initiatives include:

- Training and testing for specific vehicles, and in actual operational conditions of the Sinai;
- A snap inspection program to qualitatively evaluate drivers of all contingents without notice;
- An integrated hazardous conditions tracking system which consolidates all the information the Force receives on current road conditions and makes that available to deployed or deploying transport missions;
- A 'Key Leader Ride Along' policy to provide more direct leader involvement and supervision of drivers on missions;

- Improved road signage in coordination with LAWIO and Egyptian authorities, particularly on hazardous curves in the Taba and Nuweiba Canyon areas;
- A monthly Safety Newsletter emphasizing safety issues in an attractive, well constructed format;
- Use of data from DriveRight devices now installed on all Force vehicles to identify trends. Contingent commanders have access to this information for safety training. We also can identify individual violators and refer them to contingent commanders for corrective training. DriveRight data analysis is a routine element of vehicle accident investigation.

Occupational safety-related visits this year included:

- Inspection of weapons ranges by a representative of the U.S. Army Forces Command Operations Division;
- A U.S. Army ammunition specialist inspection of all ammunition stocks and storage facilities to ensure we met safety standards;
- A U.S. Army Safety Center team which spent a week providing MFO junior leadership with instruction on risk management and safety;
- Specialist assistance and training by a team from the U.S. Army's Center for Health Promotion and Preventive Medicine (CHPPM), detailed later in the section on Force Medicine.

**FORCE MILITARY
POLICE UNIT**

The Force Military Police unit (FMPU) is comprised of a core of Hungarian military and police personnel split between North and South Camps. They are augmented in their duties by a platoon of U.S. military police in South Camp and Fijian and Colombian military police personnel in North Camp. The FMPU is the primary tool for investigating incidents and traffic accidents in which Force personnel are involved and establishing their cause. The FMPU's skillful and objective analysis of traffic accidents makes a significant contribution to Force safety. They also perform occasional investigations of possible criminal misconduct or of breaches of discipline or good order by MFO personnel. As in prior years, the MFO has benefited from the FMPU's thorough and conscientious discharge of its duties.

LIAISON

I cannot over-emphasize the centrality of the liaison function to the success of the MFO. The close cooperation of LAWIO and IDFLFRD through the MFO remains a model of professional confidence-building. This work is all the more critical in the midst of the continuing tension and violence in the region, and assures a vital conduit for the exchange of information and views. These hard-working officers deserve our collective appreciation and thanks.

The MFO portion of the liaison network, under the Force Commander, resides in the Force Liaison Branch, under a Canadian Colonel as MFO's Chief of Liaison. The Branch includes officers from nine of the Participating States. Working out of both camps, MFO liaison officers maintain daily contacts with LAWIO and IDFLFRD offices in the AO and at all border crossing points to coordinate operational and logistical issues. Liaison officers, three civilian and one military, working in the DGR offices in Tel Aviv and Cairo expand the reach of the Branch. The CLN is in routine contact with IDFLFRD and LAWIO headquarters, and the Force Commander maintains frequent contact with both Parties' liaison Chiefs, as do my Representatives in Cairo and Tel Aviv on my behalf.

The Branch facilitates communication between LAWIO and IDFLFRD, and is the intermediary between the liaison systems and Force elements responsible for operations and logistics that require coordination. The Branch works closely with LAWIO to maintain amicable relations and to promote understanding of the MFO amongst the local population in the Sinai where we strive to be a good neighbor. Close cooperation is required, particularly in the South Sinai, to minimize any problems from conduct of the mission amidst the growth and development taking place around us. The pace of development continues to pose both opportunities and challenges to the MFO.

As noted previously, the sustained cooperation provided by LAWIO and IDFLFRD has made a great success of the move of our primary border crossing point from Rafah to el Awga/Nizzana. I am grateful for all their good work on our behalf.

COMMUNICATIONS AND INFORMATION SYSTEMS (CIS)

ERP, the key project in FY 01 for CIS as for many other MFO areas, will have a major impact on both the way in which information is managed within the MFO and the architecture and resources to support it. Our ERP system will be at the heart of the MFO's information systems strategy over the next five years. We intend to leverage SAP's core system in conjunction with other technologies to achieve "best practices" in the support of our mission. An ERP system enables users to share one common source of data and promotes more collaborative working processes.

The system comprises production, development and quality assurance environments, and was built and configured at the offices of our consultants. Prior to going "live", the servers were shipped to North Camp where they are now operational in the Force CIS Data Center. As part of the planned rotation of assets, many ERP users have new PC workstations to enable improved overall system performance. Our CIS staff is currently instituting practices for operating, optimizing and supporting the system.

The communications and network architecture across the MFO's operations in Israel, Egypt and at HQ has been substantially upgraded, primarily to support the data traffic generated by ERP. The increased bandwidth between locations also offers us voice connectivity in place of fixed telephone links. Our network is still not yet fully redundant and is vulnerable to a single failure at any one point. Work is in progress to address this issue and should be completed by the end of FY02.

Force operations in support of the MFO mission continued to rely heavily on the Signals Section of the CIS Branch. The present VHF radios and repeater system used by flight following to communicate with aircraft are 16 years old and are no longer supported by the manufacturer. After review of competing proposals, we selected an Egyptian distributor to install a Canadian-manufactured system. By year-end 2001, the new system consisting of VHF repeaters at six sites should be in service. We plan to replace our current VHF ground repeater system with a similar system from the same manufacturer to maintain effective communications with remote sites and local MFO activity and vehicle traffic. This will give us similar off-the-shelf systems with interchangeable components, lowering spare parts requirements and overall support costs. We expect to complete the ground repeater replacement in FY02.

Other FY01 communication projects included:

- Incorporation of the Cairo DGR's office in the MFO WAN (Wide Area Network) by high speed (E1) link;

- Installation of over 24 kilometers of fiber optic cable in North Camp to improve the reliability and performance of the LAN (Local Area Network). We were grateful for the assistance of “1 Line Troop” graciously offered by the Canadian Forces to undertake this project ;
- Replacement of phone equipment in the Cairo DGR office permitting full integration of the office with the two camps in the Sinai;
- Conclusion of a cooperative agreement with an Egyptian cellular provider to supply coverage at North Camp that allows the MFO the use of cellular phone lines in return for allowing the installation of a cellular antenna and associated equipment in North Camp; and
- Supply of cellular base stations to several remote sites as a result of the increasing availability of cellular coverage in the Sinai. This has proven to be a cost-effective and operationally sound back-up communications system.

The recent recruitment of senior staff both at the Force and Headquarters strengthens CIS capabilities and support of MFO operations. ERP adds to the CIS challenge, requiring more than ever that CIS employees provide timely and high quality technical and user support. The continuing standardization of our systems and communications environment will allow existing staff to be cross-trained in the necessary skills while we keep overall CIS staffing needs under review.

PERSONNEL SERVICES

The Personnel Services Branch in the Force provides administrative and personnel services for military personnel and MFO direct-hire civilian employees (DHCs), oversees the Force Exchange and MFO club systems, and administers both Force libraries, the Morale Support Program (MSP), and Force postal operations. The Branch has the lead role in implementing the Contract Hire Civilian (CHC) program, including recruitment and personnel administration. During the summer, human resources was the first major module of ERP to begin to “go live”. Implementation of ERP has been a time-demanding project involving close coordination between the Chief of Personnel in Rome, the Personnel Branch in the Force, and DGR offices in Tel Aviv and Cairo. For the first time, ERP will give senior management direct access to a complete personnel database that promises greater efficiency in administering our key asset, our people.

CONTRACT HIRE CIVILIAN (CHC) PROGRAM

Following the launch of the CHC Program just over a year ago and working with CARE Managerial Technical Services, we have successfully recruited and retained CHC personnel to fill twelve positions in the areas of finance, work order control, information systems, and asset management. The CHC program has diversified the traditional military and expatriate resources available to the MFO through recruitment in Egypt of selective white collar professional and technical personnel.

The DGR Cairo and his staff have worked with the Force to find qualified candidates and have made significant contributions through research, handling initial interviews, and coordinating appointment of successful candidates.

Working at North Camp presents challenges that not every newly appointed CHC has been willing to overcome. Retaining skilled personnel in a very competitive and sophisticated marketplace for talent will be a challenge, and MFO experience in some cases may only make the employee all the more attractive to other potential employers. Part of our response has been to review training and staff development opportunities, and offer external and offshore professional development on the same basis as for our DHC staff.

MORALE SUPPORT PROGRAM (MSP)

An active and varied MSP was again made possible by profits generated from sales to our military and civilian workforce in the Force Exchange and MFO club system. The MSP sponsored a number of excellent tours and outstanding sports activities, procured sports equipment for both North and South Camps, and improved sports equipment at the remote sites. The tours program subsidizes 65% of participant costs and provides Force members an attractive and economical opportunity to experience the magnificent cultural and historical attractions that the region has to offer. Destinations for the tours in FY 01 included Cairo, Port Said, Eilat, Be'ersheva, Masada, Sharm El-Sheik and Alexandria. As noted, the security situation in the last part of the FY has forced cutbacks in this program.

The sports programs on North and South Camps are very well supported, often 24 hours a day, and have included competitions in volleyball, softball, basketball, swimming, touch football, floor hockey, tennis and rugby. We have also provided for individual physical fitness programs including weight training, aerobics and cardiovascular activities. The MFO conducted two "tour de Sinai" bike tours, each with a maximum of ten teams of four to six riders who traveled in a controlled group over a two day period during daylight hours.

A smoke free/alcohol free club is being readied at North Camp. The area includes an enlarged Internet café, a take away food kiosk, a large screen TV area, and an area for indoor games.

The theater at North Camp has been renovated with both MSP and MFO funds to make seating more comfortable, enhance the audio/visual system and lay new carpet. The North Camp TV service has been upgraded from four to nine channels. We have added two Canadian channels (in English and French) provided by the Canadian Forces at no cost to the MFO, two Spanish language channels and a Command Information Channel to allow the Force to quickly disseminate important information. Our library has added DVD movies, which are released faster and cost less than videos, permitting us to expand our offering.

SUPPORT

It is a challenging and complex job to feed, house, equip and supply the Force at our two camps and 30 remote sites in the Sinai. This support requires a combined effort of all MFO locations. At the Force, under the Chief of Support (a U.S. Colonel), a team of civilian and military professionals oversees logistics. The team includes the U.S. Support Battalion, Direct Hire and Contract Hire Civilians, and the expatriate and Egyptian national personnel furnished by our support services contractor. The DGR offices support the Force in their respective markets with procurement, customs, transportation, disbursement and other logistics services. MFO Headquarters handles troop rotation contracting and insurance, and offers specialized staff support and direction for the logistics effort.

While the logistics system maintained its normal, active rhythm of work during the FY, for many logisticians the ERP project was the main priority. Materiel management, the largest ERP component, is the driver for much of the ERP process. It is in the area of supply that we anticipate the greatest material payback from the information and management tools the ERP will provide. We already achieved efficiencies when we adjusted some procedures to meet SAP standard processes. In FY02 we will focus on maximizing the benefits of ERP and capitalizing on the lessons we learn from its implementation.

SUPPORT BATTALION

The Support Battalion (SPTBATT), part of the U.S. Contingent, plays a central support role, providing a wide range of services to the Force. It is organized into a Headquarters and Headquarters Company, a Supply and Transportation Company, an Aviation Company, a Medical Company and an Explosive Ordnance Detachment. Its support to the Force encompasses dentistry, veterinary services, mortuary affairs, and postal service. SPTBATT aviators and drivers are part of the Force's daily presence in Zone C for observing and reporting any matters of Treaty significance. The SPTBATT is one of the most diverse and logistically capable units in the U. S. Army, with 65 different Military Occupational Specialties amongst its 309 personnel.

[Headquarters and Headquarters Company \(HHC\)](#). The HHC provides command and control, administrative and logistical support to the Battalion, as well as a senior MFO chaplain augmented by two Colombian and Fijian contingent

chaplains and a USBATT chaplain on South Camp. In addition, HHC provides an Army post office that handles official MFO mail and official and personal mail for the U.S. and Canadian contingents, processing 32,000 pieces of incoming and outgoing mail in FY 01.

[The Supply and Transportation Company](#) provides motor transport of food, water, fuel, and supplies and includes transportation squads from the New Zealand and Uruguay Contingents. This company is responsible for transporting all classes of supply from ports and supply points in Israel and Egypt to our two camps and then to the remote sites. The company completed 6,400 transportation missions, traveled more than 3 million kilometers, and delivered 7 million gallons (24,495,000 liters) of potable water and 553,886 gallons (2,096,459 liters) of fuel during the past year. On average, each driver in the company will drive the equivalent of two times around the world during a one-year tour in the Sinai, often under difficult road conditions.

[The Explosive Ordnance Detachment \(EOD\)](#) rapidly responds to unexploded ordnance (UXO) hazards. In FY01, EOD recorded over 120 incidents involving over 500 UXO's ranging from 20 MM anti-aircraft rounds to landmines. The detachment's mission includes teaching the hazards of explosives to new personnel, with special attention to site commanders, gate guards and members of the COU. EOD continually updates a Hazard Area Map, providing the MFO with data on known or suspected minefields and other UXO locations in Zone C.

[The Medical Company](#) provides medical treatment facilities at both North and South Camps for emergency and routine medical and dental care to all Force personnel, and refers or evacuates patients as required to higher levels of medical care. Services and specialties include Behavioral Science, Physical Therapy, Orthopedics, Laboratory, Pharmacy, X-Ray, EMT, Preventive Medicine and Dental services. The company's medical logistics section includes supply and medical equipment repair; the section maintained a demand satisfaction rate of 95-98%, and reduced the total number of medical supply lines from 719 to 418. U.S. Army personnel are augmented by doctors and dentists from five other contingents.

[The Aviation Company or RWAU](#), discussed previously, provides helicopter transportation for operations and logistics, and a limited depot level maintenance capability. Working closely with the aviation mechanics are aviation supply personnel and fuel handlers. The supply staff manage more than 4,000 lines of aviation parts, reporting a 100% location accuracy and 98% accountability accuracy.

SUPPLY & PURCHASING

Over the past year, improvements in inventory control, new local vendor sources, competitions, and changes in asset management have helped us do a better job of managing MFO resources. In FY 02, our work will be further enhanced by application of the best business practices built into our new ERP system.

Inventory reductions and management. Reduction of inventory holdings was a priority this year for Force Supply and Procurement Management (FSPM) staff. The Facilities Maintenance inventory was cut by 140 lines of stock, and critical items reduced by 30%. Food inventory was also reduced without impact on customer satisfaction or increase in out of stock items. This reduction was accompanied by high inventory accuracy. With more than 2,500 lines in stock, the Facilities Maintenance inventory had a location and quantity accuracy of 97.7% and 99.3% respectively. Better inventory management resulted in high customer satisfaction and kept the supply budget on track.

Increased use of local Suppliers and Manufacturers. Throughout the year the Force, working with DGR procurement staff, found new local vendors and products to improve choice and quality whilst reducing costs and reliance on off-shore products with their longer order-ship time. The Cairo and Tel Aviv buyers again demonstrated their initiative and resourcefulness by securing very competitive bids on items ranging from safety clothing to computers, and increasing blanket purchase agreements with local vendors by 10 percent. The major procurement effort in FY 01 was re-competition of more than \$3 million worth of food items. This work led to reduction of our off-shore procurement from \$2 million to approximately \$1.2 million annually, and potential savings in excess of \$300,000 that were offset by higher world beef prices owing to outbreaks of BSE and hoof and mouth disease.

Change in Asset Management Procedures. Responsibility for asset management was transferred from a military property book system to civilian management. This resulted in administrative efficiencies, a net reduction of personnel, and a commercially based system ready to transition to ERP.

Realignment of Supply Business Practices to meet ERP. Since January of 2001, purchasing and supply staff have been heavily involved in the ERP project. During ERP design, we started to standardize purchasing procedures, reviewed approval levels, and began to update our procurement regulations. Review of 20,000 MFO catalog items resulted in correction of many catalog redundancies and a reduction of data migrating to the ERP system. We similarly reviewed all equipment holdings.

Disbursements. The Cairo and Tel Aviv procurement and logistics staffs prepared for ERP while conducting the regular business of competitions, vendor and product development, expansion of use of multi-year blanket purchase

agreements and price checks. Local buyer understanding of the marketplace and the accumulated experience of this stable and loyal staff of professionals continue to deliver lower costs and a wider choice of products and services. In FY 01, our disbursements amounted to approximately \$13,588,000 in Egypt and approximately \$12,929,000 in Israel. These amounts include official MFO, MFO Force Exchange (FX) and morale support program spending, but exclude the considerable personal spending by MFO members in both countries on travel, tourism and other personal purchases.

MFO procurement spending reached many Participating and Donor States including Australia, Canada, Germany, Hungary, Japan, Switzerland and Uruguay, as well as Italy, both a Participating and the Headquarters State. Vehicle purchases, the net cost of aviation related procurement via the U.S. DOD, the support services contract and our U.S. national payroll continue to drive a significant level of net disbursements to U.S. sources, amounting to approximately \$9,730,000 in FY 01.

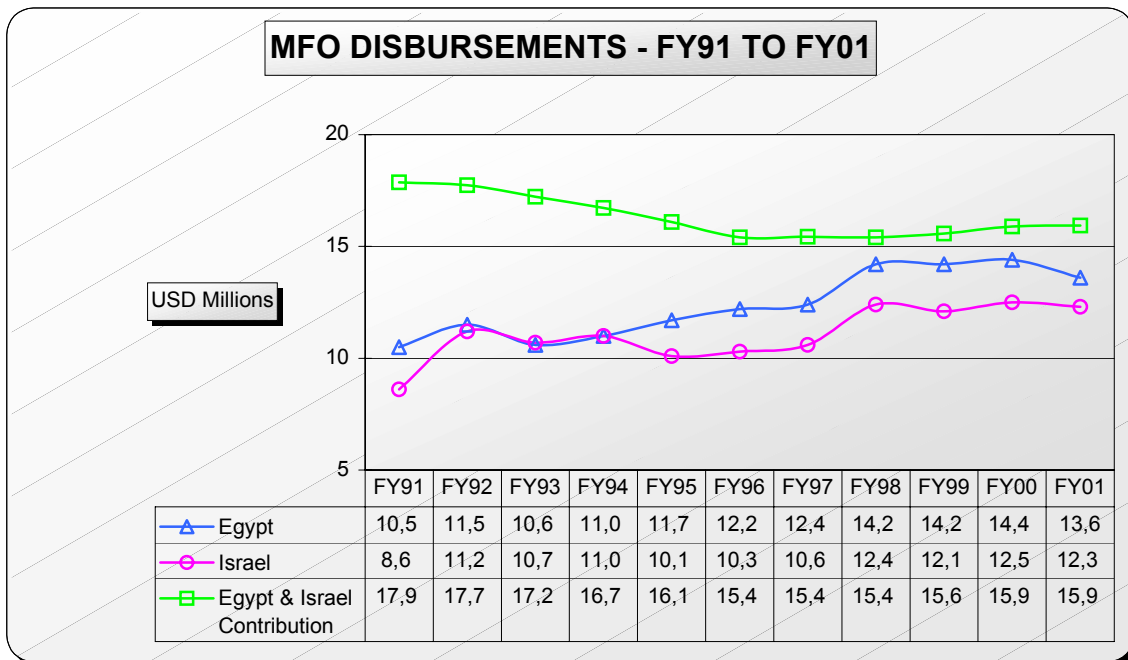


Table Three.

We are pleased that we continue to return a great deal of money to the economies of both Parties. In all cases, procurement is based on open competition of MFO-specified requirements. The dynamics of market forces—not political quotas—guide our specific decisions. Inevitably, changes in economic and marketplace conditions produce shifts of business back and forth over time.

AVIATION SUPPLY AND MAINTENANCE

The hard work of our aviation supply and maintenance personnel in cooperation with the U.S. Department of Defense (DOD) and its supporting civilian agencies produced improved readiness of the UH-1 fleet, and materially contributed to the accident-free safety record of the aircrews. We have an excellent professional relationship with the U.S. Army's Aviation and Missile Command (AMCOM) that has facilitated management of safety of flight and other maintenance issues and identified improved procedures. AMCOM has positioned three demilitarized UH-1 airframes at Fort Bragg, North Carolina, for use by the MFO. All serviceable components and repair parts from these airframes are available to us upon request. While we pay for shipping, the parts from these airframes are free. DOD also decided to pre-position at North Camp 24 lines of repair parts at no MFO cost until they are needed. Needless to say, we are very grateful for this sustained support of the MFO.

To stay on top of the workload and deal with certain repairs that are beyond our capability, we hosted a visiting depot level maintenance team from Fort Bragg. The team trained mechanics on helicopter maintenance skills and performed regularly scheduled helicopter services, saving the Aviation Company 120 hours of labor for each aircraft it completed. When required, we also make use of Israeli Aircraft Industries with which we contract for a variety of DOD-approved maintenance services. Through measures like these and the professionalism and accomplishments of our talented maintenance personnel, we fully expect to be able to support the venerable "Huey" to meet the MFO's rotary wing requirements until the aircraft is retired from service.

VEHICLE MAINTENANCE AND FLEET MANAGEMENT

For the fourth straight year the Force maintained a 97% availability rate for the vehicle fleet, reflecting the professionalism and technical skills of our vehicle

maintenance craftsmen and managers on the shop floor.

Vehicle maintenance initiatives included improved diagnostic procedures and additional training from manufacturers including in-shop instruction. We introduced a program of re-grooving our heavy truck tires which safely increases tire life by up to one-third. We subcontracted towing services in Israel and west of the Suez Canal to allow a faster response than recovery services dispatched from our camps, while keeping our mechanics on-site to do the work they were hired to perform.

New power units for refuse container transport were purchased and mated to cleaned and refurbished container handling mechanisms. All of the refurbishment work was performed in MFO shops, cutting approximately two-thirds off the originally estimated expense. I commend our staff for this money-saving initiative.

Fleet management remained focused on validating user requirements, fielding mission-appropriate vehicles, and rotating high mileage vehicles in the fleet with low mileage ones to evenly distribute use and to improve resale values as well as warranty benefits. We continue to renew our light vehicles approximately every 4 years, and resale of older equipment continued to provide some income to help offset vehicle purchasing costs. We maintained a vigilant watch on our warranty program which returned \$ 53,000 to the MFO in the past fiscal year.

Our fleet still primarily consists of vehicles purchased from General Motors Corporation and Isuzu. This selection reflects positive experience, favorable pricing and warranties, and assured local sources for spare parts. We continuously review other manufacturers and models for potential use.

The security of our vehicles is a continuing challenge. To help prevent vehicle thefts (we had two in FY01) we are utilizing a new model wheel clamp device to fully immobilize a vehicle when parked. Additionally, we have improved recognition and security of vehicle identification by placing tamper-proof orange MFO identification stickers on each plate and a sticker with the vehicle's license plate number on the windshield.

TRANSPORTATION

The Force Transportation Office (FTO) arranges surface and air transport for MFO personnel and materiel; its sections handle rotations, surface movements, travel and unaccompanied baggage.

Rotations. During FY 01 FTO successfully coordinated the movement of 60

inbound and outbound group rotations, comprising over 5000 MFO passengers into or out of the Sinai and 312 individual movements. The rotation section works closely with customs authorities, MFO liaison staff, and the FMPU so that troop and equipment movements are efficient and host country laws are respected.

Surface Section. This section successfully planned and coordinated the movement of general cargo, water, fuel and passengers, primarily through the SPTBATT Supply and Transportation Company. Contracted bus services carried 12000 MFO passengers within the region.

Travel Section. This section makes official travel arrangements for soldiers and civilians, including temporary duty, individual rotations, emergency leave, and repatriations. The use of competitive bidding among airlines and travel agencies reduced the cost of tickets for the MFO, while increasing the quality of service provided.

Unaccompanied Baggage Section. This section receives and ships over 300 personal effects shipments annually. It coordinated with liaison staff and host country customs officials to reduce the average time for MFO personnel to receive their shipments from 38 days to 21 in this FY, making personnel transitions easier.

The Rome HQ Chief of Personnel office negotiates contracts with scheduled commercial carriers for contingent troop rotations managed by the MFO. The situation after September 11 affects us just like all other customers of scheduled airlines. Several of our contract carrier partners have dropped or cut back on services we use, changed itineraries and connection points, and boosted fares to offset higher security and insurance costs. We expect continued challenges ahead in conducting rotations and containing costs.

CONTRACTS

MFO contracts represent more than one quarter of the MFO's annual budget and provide essential support services. The Force Contracts Manager supervises all MFO contracts except troop rotation contracts and HQ-related agreements administered in Rome. Force contracts for services, over 30 in number, range from aircraft maintenance and ship dry docking to refuse collection and disposal. Although Force contracts are mainly with Egyptian and Israeli companies, there is one notable exception - our contract with U.S.-based Holmes and Narver Services Inc (HNSI) that provides essential support services such as facilities maintenance and food service.

The most significant contract let last year was for the ERP System which was awarded to IBM Global Services Inc., Israel. IBM Learning Services was awarded the training contract for the ERP system. Both of these contracts are now drawing to a successful conclusion.

We have continued to build upon the Force's initiatives to implement performance based contracting. Our aim has been to use performance measures to focus attention on our requirements and to provide us with compensation if contractors fail to meet them. Additionally, we have performance bonds in all our contracts; we withhold 10% of all invoiced amounts for 6 months and make a full payment to the contractor only if the work done is satisfactory.

Last year, we introduced a Review and Analysis Program for the HNSI contract. The contractor now reports monthly on several performance indicators that monitor productivity and expenditure. The program has generated the data required for a 'Most Effective Organization (MEO) Review'. This analytical approach critically examines our work techniques and productivity to better balance tasks against resources.

This experience has been applied to other areas. We ensured that a slight increase in manning was properly justified at the recently upgraded wastewater treatment plant. We changed the delivery system for aviation fuel to contractor direct delivery to OP 3-10 thereby eliminating MFO's own fuel deliveries to the site and producing net savings.

For the HNSI contract, MEO review has been conducted jointly by the MFO and HNSI staff. The studies to date - laundry and custodial (cleaners) - should save the MFO in excess of \$60,000 per annum. FY 01 costs of the HNSI contract, which includes costs of the labor sub-contract between HNSI and Care Services of Cairo, have been reduced to some \$6.2M, representing a decrease of almost 40% over the past 10 years and substantial savings net of backfill.

During FY 02, we look forward to negotiations to extend the existing contract with HNSI for a further 3 years and to identify means of further reducing costs. Overall support contractor manning levels continue to decline, from 514 in FY 2000 to 502 at the end of FY 01. We see this trend continuing, with planned FY 02 reviews of staffing levels in the two dining facilities and in facilities maintenance. We appreciate very much and have benefited from the partnership approach we have fostered with HNSI management which, together with the management of support subcontractor Care Services, continue to offer their full cooperation.

SUPPORT CONTRACTOR COSTS - 1991 TO PRESENT DAY

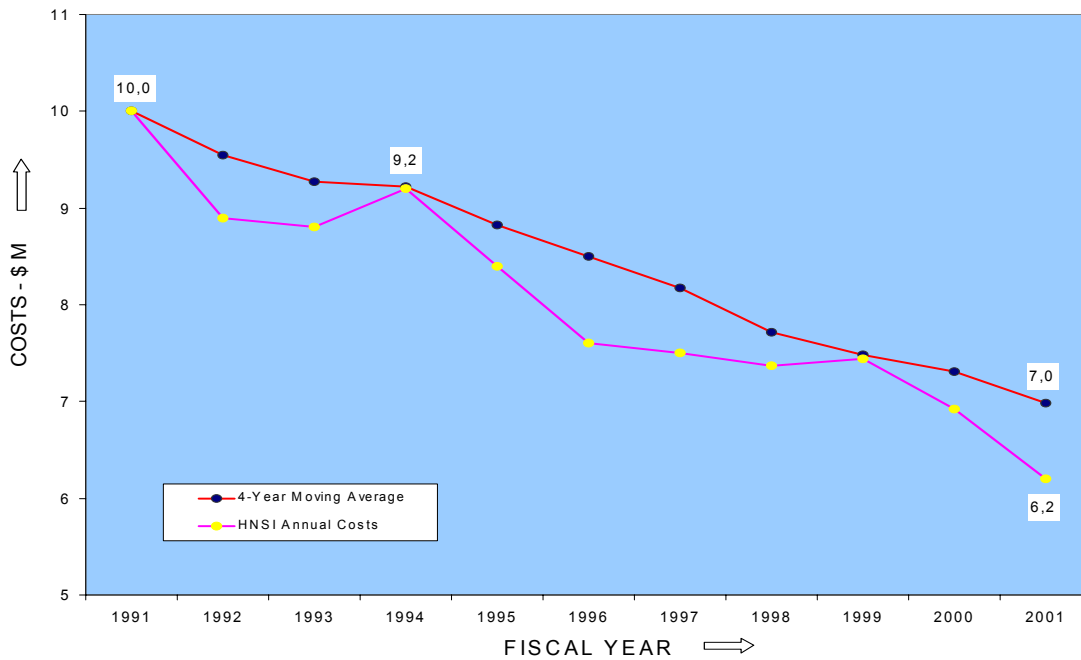


Table Four.

FOOD SERVICES

Feeding many different nationalities is a challenge: from South Pacific to European cuisine, soldiers and civilians serving in the MFO have a wide variety of food preferences. We continue to meet these preferences with well-balanced, nutritional meals in facilities that comply with high standards of sanitation and food safety. The dining facilities at both camps run by HNSI as part of the support contract continue to provide exceptional service.

The MFO's Food Service Officer has increased the amount of training and the number of inspections at remote sites. At these sites, where there is frequent turnover, soldiers who have minimal if any prior chef training have to handle food preparation for themselves. We train remote site commanders and their soldiers to provide a well balanced diet and to conform to proper sanitary and health practices. Our food service officer has developed a cookbook, with tested recipes, to promote variety in preparing meals. Aggressive site inspections ensure that the remote sites are following proper procedures for food preparation and storage. The Force food service office has developed a program to recognize outstanding performance, judging each remote site on food accountability and avoidance of wastage, sanitation, equipment serviceability, and originality of cuisine. All these measures help keep our soldiers healthy in a challenging physical environment.

MEDICAL

The overall health of Force personnel during fiscal year 2001 has been excellent. The number of medical emergency evacuations, referrals to host nation hospitals, and patient visits was consistent with past trends. Dental Services, Preventive Medicine, Physical Therapy, Mental Health and Veterinary Services continue to provide excellent care.

Medical Treatment Facility. Our medical care and treatment facilities in North and South Camps provide a very wide range of expert coverage for treatment of minor and sometimes major medical problems. In FY 2001 the Force medical teams had 5429 patient visits. North Camp accounted for 2307 of these and South Camp the remainder. There were 1750 physical therapy treatments. Our two dental clinics received 3200 patient visits. Force medical and transportation assets evacuated 9 soldiers and civilians by air and 19 soldiers and civilians by ground.

When illness or injury is beyond our local capability, the patient is referred to an external civilian hospital. During this fiscal year, we referred 281 MFO members to external medical facilities, a number consistent with the expected and historical referral rate. The Force Surgeon screens and approves each referral.

We experienced 18 medical repatriations and continue to work with national contingents to stress the need for sound pre-deployment medical and dental screening of their soldiers in order to decrease these numbers.

Medical Training. We worked to maintain and increase the medical capabilities and qualifications of our soldiers. Life saving medical courses were conducted at North and South Camps for medical personnel from all contingents, including the Emergency Medical Treatment (EMT) course, the First Responder course, and the U.S. Combat Lifesaver course for medical specialists. The medical training philosophy is that each medic in the MFO will receive at least one week of refresher medical training for every six months in the Sinai. A standardized curriculum in English and Spanish has been put into use successfully for the First Responders' course.

Such well-focused and well-attended training courses prepare us well for emergencies like a non-MFO accident that occurred in July 2001. A vehicle with three MFO soldiers was the first to arrive at a very serious accident involving two Italian tourists on the coastal highway along the Gulf of Aqaba. One of the tourists suffered a life threatening spinal injury requiring careful but quick action. Our soldiers responded with immediate first aid, stabilized the victims and coordinated medical evacuation by helicopter. We have recognized all three soldiers with MFO and Force certificates commending their life-saving actions.

Industrial hygiene training was conducted by preventive medicine service specialists from the U.S. Army's Center for Health Promotion and Preventive Medicine (CHPPM). Our Preventive Medicine personnel learned how to do environmental (air, water, and soil) samplings. The specialists also sampled the exhaust from our power plant generators; the air samples indicated that we are within health and safety standards regarding air quality.

Preventive Medicine. A primary line of defense against disease from food, water, and pests is a very active preventive medicine program. In 2001, the Preventive Medicine Team in the Force collected and analyzed over 1400 samples of drinking water and performed nearly 600 food service inspections. The Team conducted 15 comprehensive water analysis inspections aided by the CHPPM experts. CHPPM provided, free of charge, automated Wet Bulb Globe Temperature (WBGT) equipment at South Camp. This new system will provide WBGT readings 24 hours a day allowing better protection of soldiers from injury due to heat stress. We also cooperated in the past year with the U.S. Naval Medical Research Unit -3 from Cairo which surveyed for West Nile Fever, Sand fly fever, and the Sindbis Virus among soldiers at South Camp in January 2001. None of our soldiers tested positive for any of these diseases.

Veterinary Medicine. Our Veterinary section inspects all of our food supplies and our food suppliers to ensure health standards are met. During the FY, 118 such inspections were completed and over seven million pounds of food were examined. The Force Veterinarian recommended better rotation procedures of food items stored in the North Camp warehouse, reducing spoilage and expense. The Veterinarian also provided routine services to mascots at the remote sites.

Mental Health. The desert environment, the relative isolation of soldiers and civilians, and the absence of family and loved ones can induce stress. We opened a new Community Counseling Center on North Camp in April 2001 to provide counseling services for mental stress and alcohol and tobacco abuse. The Center had 245 appointments this FY, and over a thousand personnel attended its classes.

FORCE ENGINEERING OFFICE

The Force Engineering Office (FEO) Branch is responsible for real property maintenance at both camps and remote sites. The Branch is made up of military and civilian personnel from the United States, New Zealand, Australia, Canada, Fiji, UK, Uruguay and contractor personnel. Its mandate includes: construction; water production, supply and distribution; electrical power production and distribution; wastewater treatment; pest control; petroleum, oil and lubricants maintenance; unpaved road maintenance; fire protection and prevention; and the management of all the accommodations and furnishings of the Force. The Branch handled over 35,000 facilities work orders in FY 01.

Major projects in FY 2001 included:

North Camp:

- The Wastewater Treatment plant was upgraded and went to 24 hours a day/7 days a week operation on 22 July 2001. We are now treating 100% of our wastewater; we are no longer releasing effluent off the camp.
- The Main Dining Facility (MDF) at North Camp is having major repairs in the food preparation area including replacement of the deteriorated floor surface. We are adding new fume extraction hoods and fire suppression systems, and are replacing utility pipes serving the food preparation area.
- The Aviation Hanger roof has deteriorated and is being overlaid with new corrugated roof sheets to protect valuable aviation assets in the building.
- CP1-C, CP2-B and OP 2-7 were connected to local commercial electrical power, and we are at work improving the connection of OP 1-1. Conversion to commercial power at sites in the southern sector is saving us money, and we expect the same result in the north.
- FEO assisted the move from the Rafah to the El Awga/Nizzana border crossing by siting buildings outside CP1-C for the FMPU and inside the Egyptian terminal for LAWIO. It also upgraded the area around the new water supply point to be able to accept MFO water tankers.

South Camp:

- The electrical rewiring of the South Camp MDF was completed.

- Installation of internal bathrooms in the barrack accommodations and at the entrance to the MDF at South Camp has been completed.
- Work to temporarily relocate utilities and fencing at the CPU pier is under way to permit unrestricted access to the pier by the local contractor selected by Egypt to carry out the repairs after the accident discussed previously in this report.
- South Camp and OP 3-10 connections to commercial electrical power have been operating successfully for about a year. We continue to look for similar cost-saving opportunities to avoid generating our own power.
- We have begun the process of replacing the key filtering membranes of the desalination plant. They have worked well beyond their warranty period but now require substitution to ensure reliability. The replacements are to a more robust design that should produce a higher yield of potable water.
- A change from metal to CPVC and PVC water pipes was completed.

Force Protection:

- FEO is placing a protective blastwall at the northern perimeter of South Camp where local building has occurred close to the camp perimeter, and around the water pump house.
- Sandbag bunkers are being constructed at OP3-10, CPU and the field camp used by the Uruguayan engineering unit.
- FEO is fabricating concrete jersey barriers for use at remote sites.

The Camp Commandant now is within the FEO so that oversight of accommodations is meshed with that of facilities in general. A multi-year furniture replacement program is continuing. A cyclic inspection program has begun targeting remote sites and contingent and working accommodations to identify furniture deficiencies. Our furniture refurbishment program has proven very successful with good quality articles being returned to use at minimal expense.

The Force Engineering Unit is furnished by Uruguay. It keeps roads clear of sand and trafficable, constructs and maintains unpaved roads, and assists in force protection work like bunkers. The unit has been and remains essential to keeping road access to our remote sites in good repair.

FINANCE

FISCAL YEAR 2001

For the seventh straight fiscal year, the MFO maintained a budget of \$51 million, and we ended the FY within budget. These statements reflect a disciplined fiscal performance, but mask some of the pressures and challenges we faced during year. I will review these factors, and the inevitable variations of actual expenditure from budget planning. The budget process begins more than a year and a half before the end of the fiscal year being planned, and at this Trilateral Meeting we are measuring actual income and expenditure against estimates made in May 2000 when we sent our annual budget letters to the primary Funds-Contributing States (Egypt, Israel and the USA).

Revenue. Income for FY 2001 was budgeted at \$51,000,000. Actual income was slightly higher, at \$51,256,000. The variation is mostly attributable to better than budgeted interest income.

Our FY 01 revenue includes \$875,000 of interest income on bank deposits (the MFO does not invest in equities), most of which was generated by the MFO's two reserve funds: the Self-Insurance Fund (SIF) and the Capital Asset Replacement Fund (CARF). FY 01 interest income was \$225,000 higher than originally budgeted.

The principle of equal contributions by the Funds Contributing States has been maintained by modifying distribution of the FY00 surplus to reflect late payments in the previous year.

The following were the sources of our FY 01 revenue:

Contributions of:

Primary Funds-Contributing States	
Egypt:	\$15,923,000
Israel:	\$15,917,000
USA:	\$15,948,000
Donor States	
Germany:	\$255,000
Japan:	\$1,000,000
Switzerland:	\$138,000
Previous Year's Surplus:	\$1,200,000
Interest Income:	\$875,000
TOTAL REVENUE ALL SOURCES:	\$51,256,000

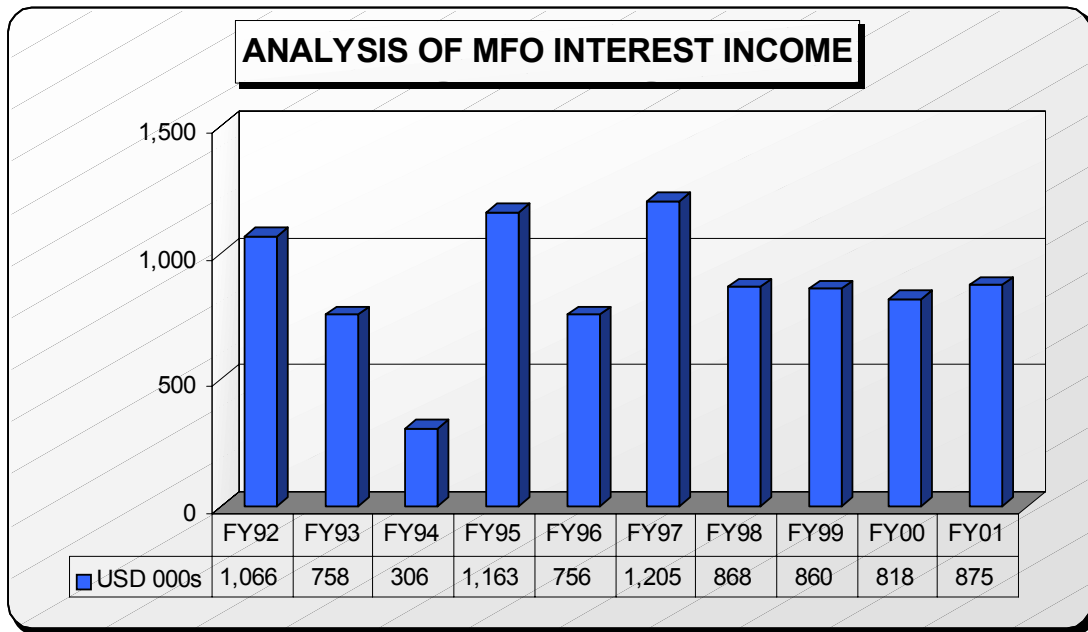


Table Five.

Donor States (Germany, Japan and Switzerland) maintained constant levels of financial contributions as compared to FY 00. I am grateful for their annual contribution, demonstrating continued commitment to the peace and to “burden-sharing” of the costs of its consolidation. As requested, the Japanese contribution continues to be earmarked for food and civilian employee salaries.

I also wish to thank the primary Funds Contributors for their generally timely efforts to meet monthly payment obligations. This is very important for the MFO, as the MFO is based on a “pay-as-you-go” philosophy, drawing money only as needed for each month’s forecasted expenses from the letters of credit and funding sources they make available to us.

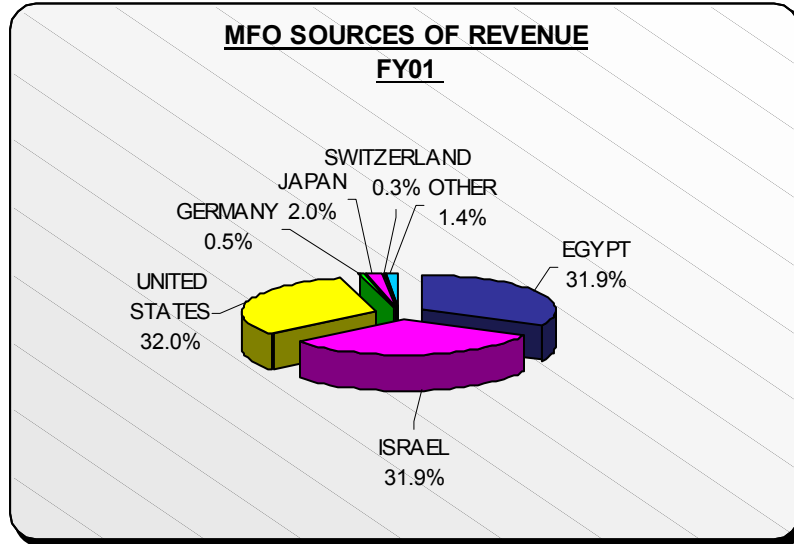


Table Six.

Expenditures. FY 01 expenditures, including all encumbrances (those items ordered but not received), were \$50,554,000, compared to last fiscal year’s expenditures of \$50,072,000. Given MFO total FY 01 revenue of \$51,256,000, this leaves a budget surplus of \$702,000 which will be applied against our gross funding requests from the three Funds Contributing States for FY 02.

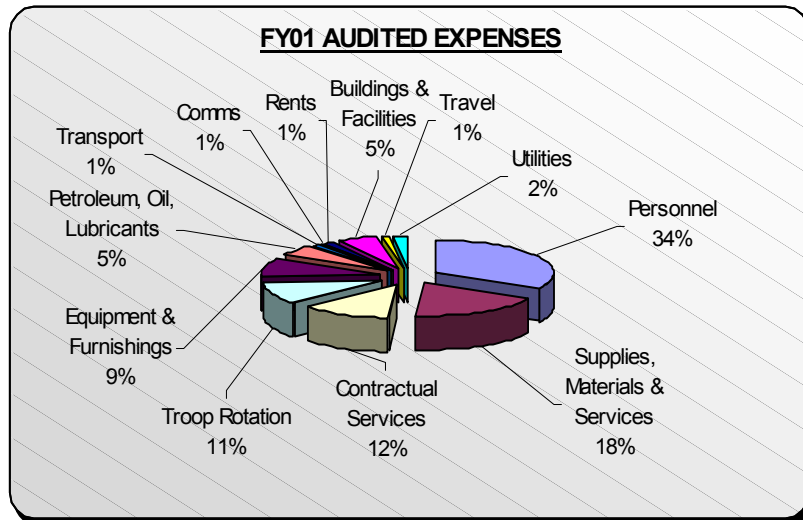


Table Seven.

Inflation. The impact of inflation on the MFO budget was mild in FY 01, ranging from 3.4% in the USA, to 2.2% in Egypt, 0.7% in Israel and 2.1% in Italy. Applying these rates to FY 01 total expenditures, the MFO experienced a \$1M inflationary impact in FY 01. This inflationary cost was more than offset by the continued strength of the U.S. dollar throughout the FY, benefitting the USD-based MFO budget. The US dollar rose by 20% against the Egyptian pound and 8% against the Israeli shekel but fell by 5% against the Italian lira.

Key Expenditure Variables Against Budget. Total FY01 expenditure was within 1% of budget. However, there were some differences between actual and budgeted expenditure in individual expense categories. Significant differences between fiscal performance and budget include:

- ✓ **Helicopters.** Problems experienced in previous years with the premature failure of major helicopter components did not recur during FY01 and maintenance costs were slightly below budget. A credit in excess of \$500,000 from the US Department of Defense brought net cost for the year to \$685,000 below the original budget. This credit related to a disputed charge from a previous financial year.
- ✓ **Petroleum prices.** We went \$276,000 or 11% over budget for petroleum products, reflecting a 17% price increase in locally bought diesel fuel. The impact of higher bulk fuel prices was reduced by savings in fuel consumption at South Camp following the introduction of commercial electrical power, thereby ending our reliance there on self generated electricity. This reduction in fuel consumption brought our actual gross fuel cost below that of last year.

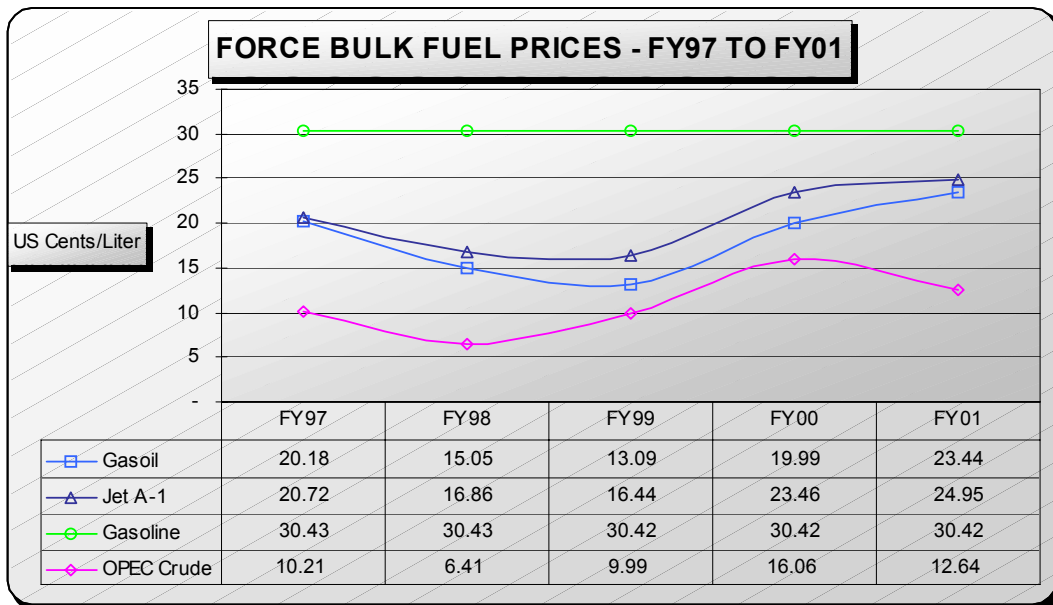


Table Eight.

- ✓ **Support Services Contract.** As discussed in the contracts portion of this report, we have achieved continuing savings in the HNSI support services contract, which was \$864,000 or 12% less than budgeted.
- ✓ **Communications.** Communications costs are \$261,000 or 46% under budget and lower than in FY 00 due to a substantial increase in the value of personal telephone call cost recovery. This increase reflected a higher rate of personal telephone usage due to increased line availability following the transfer of Internet traffic to a dedicated facility.
- ✓ **Equipment.** We went \$120,000 or 14% over our planned budget in order to replace the entire flight following system, as previously discussed. In our planning, we had hoped to avoid a total replacement of the system, and also had underestimated its cost.
- ✓ **Utility Costs.** These increased by \$129,000 or 15% compared to budget as a result of commercial power connections, as noted above.
- ✓ **Facilities.** We went over budget by 10% primarily due to the renovation of the North Camp dining facility.
- ✓ **Troop Rotation.** FY01 troop rotation costs were 26% higher than budgeted. This cost increase reflects a combination of higher costs invoiced by the US Department of Defense for US military rotations, commercial airline price increase and an under estimate of FY01 costs in the original budget.

ERP. Last year, we anticipated an expenditure of up to \$1.58 million from the Capital Asset Replacement Fund to retire older MFO financial and logistics databases and replace them with an integrated ERP system. ERP project expenses during FY 01 totaled \$1.02 million. The primary cost components were our contract with IBM Global Services, Israel, covering consultant facilities and services and software license fees; a contract with IBM Learning Services to provide training; computer hardware expenses; and miscellaneous project team travel and TDY expenses. Of the total FY expense on ERP, we were able to fund \$409,000 or 40% from regular operating funds. This reduced the anticipated draw down of the CARF to \$614,000 during the FY. While the ERP project is concluding, certain ERP project expenses are continuing into FY 02. We expect the total ERP project expense over both years will be slightly less than the total initially projected amount. To the extent feasible, I again intend to utilize regular operating funds in FY 02 to meet ERP project expenses before further drawing down the CARF.

Special Funds. The MFO maintains two special funds, as previously noted. At FY end, the SIF amounted to \$7.6 million against the targeted amount of \$6.15 million. Almost half of the additional SIF funds are attributed to unrealized gains in the value of our investments; the balance will be drawn down as investments mature. The CARF target was originally set at \$4.19 million; a reduction of up to \$1.58 million was anticipated due to the ERP project, but as explained the draw

down to date has been more limited, and at FY end the CARF stands at \$3.57 million. As stated, we will seek to minimize further ERP-related draw downs, and as possible in the future, undertake to build the CARF back up to its targeted level.

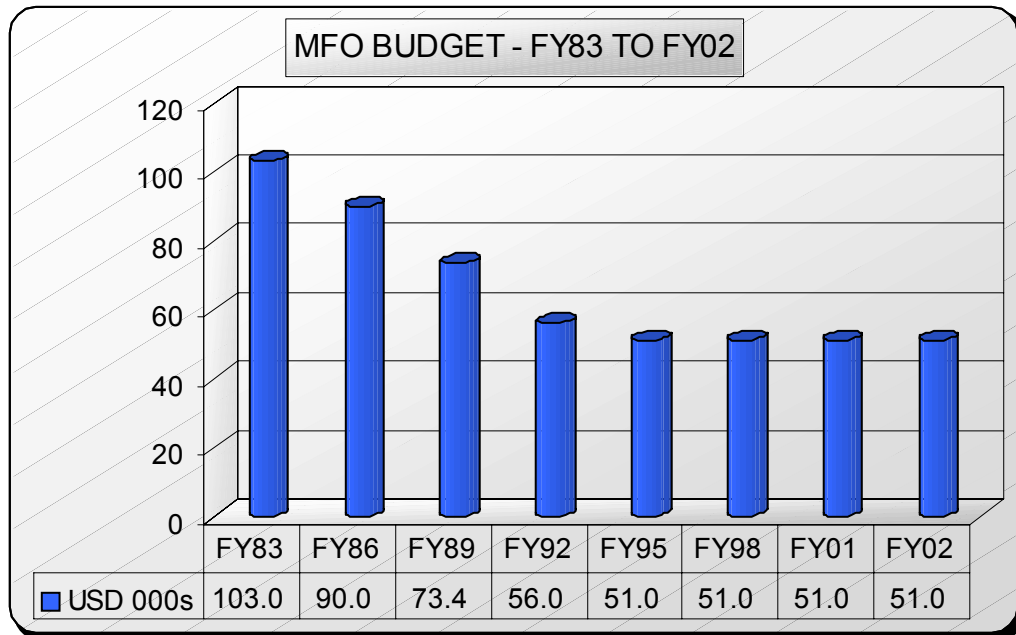
FY 01 Audit. The external auditor, Reconta Ernst & Young, audited the MFO's FY 01 financial statements in accordance with generally accepted auditing standards, as they have since FY 96, and they have issued as usual an unqualified audit opinion. This affirms that the accounts correctly represent the true financial position of the MFO. Implicit in any unqualified opinion on the financial statements is that no material defect was found in our internal controls. In addition, since 1995 the MFO has engaged a triennial special review of our internal controls, and the external auditor has simultaneously performed such an examination this FY. They have confirmed that the MFO maintains effective internal controls over financial reporting.

The introduction of an ERP enterprise system has prompted a change in the way MFO manages its procurement practices. Commencing in FY02, the organization's purchases will be recorded as goods are received or services are provided as opposed to recording them on the commitment date.

FISCAL YEAR 2002

The FY 02 budget is again set at \$51 million, the eighth year that our budget will hold firm. I am very pleased that the good work of so many talented people in the MFO has once again controlled our costs and offset inflation to permit this budget level to be sustained another year.

Table Nine.



Long-term Trends. I believe the FY 02 budget is realistic but there continue to be significant risks from external causes beyond MFO control. The long-term trend is towards higher expenditure, lower surplus levels, and incrementally greater contributions by the Funds Contributing States to meet the budget, despite our management initiatives. It is important each year to recall that the budget surplus is our only source of uncommitted funding for extraordinary contingencies, given the impossibility of obtaining additional funds in a timely manner from three countries with very different fiscal processes and calendars. That surplus in FY 01 represented only 1% of our budget, a thin line of defense against unforeseen spikes in expenditures.

This is also a shrinking margin over time, as depicted in the accompanying table that compares the gradual increase in our expenses with the decline in our surplus.

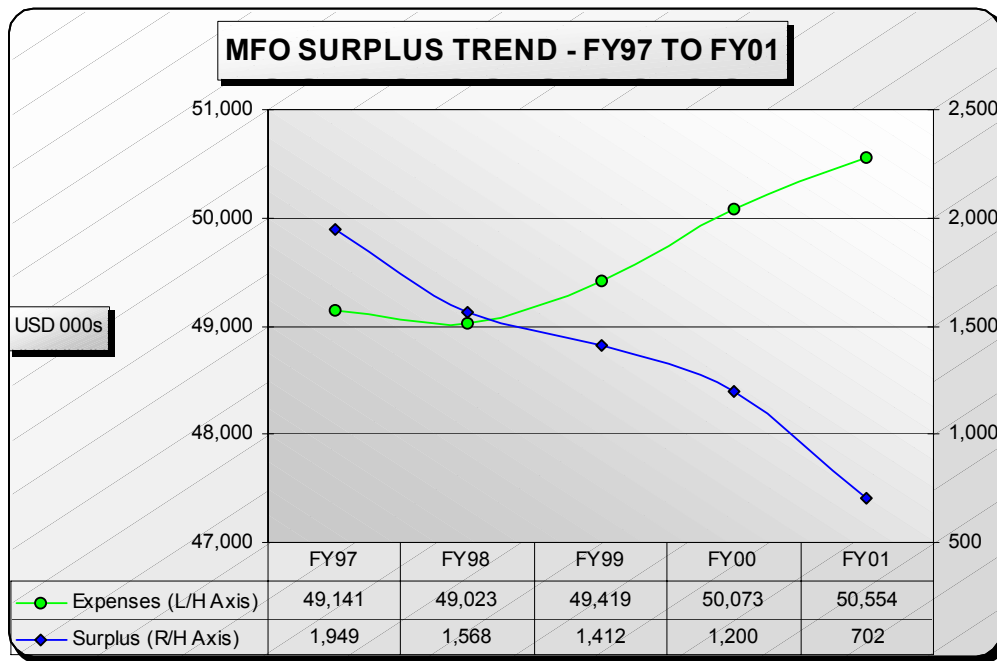


Table Ten.

FY 2002 Issues. While we are committed to maintaining a \$51 million budget for another year, we face potentially significant contingencies, and our performance rests on the stability of several external economic factors over which we have no control. As we begin FY 02 our concerns include:

- Stability of oil prices, a major potential budget variable. We can offset some of the impact of any future spike by savings elsewhere and conservation measures, but any spike will have

a significant impact on us. A threat from current events now joins the other economic, industry-specific and OPEC-related factors that can produce instability.

- Continued strength of the dollar, which has favored our USD-denominated finances. Current world events, the economic situation in the U.S., and the January 2002 roll-out of the Euro as a consumer currency are uncertain influences going forward.
- Helicopter maintenance costs and avoidance of spikes like those in FY 99. As we have an aging fleet, the incidence of safety of flight advisories, and related maintenance and fleet grounding decisions by the U.S. Army, are totally unpredictable and outside of MFO control. As discussed, realistic transition planning with the U.S. Government can only be in the context of our existing budgetary resources.
- The impact of the current world situation. The MFO will not be alone in experiencing direct and indirect effects, financially as well as operationally, from current events. Examples include the airline industry, where we are likely to see tariff increases that will raise our rotation and TDY expenses, the insurance program, which may be affected by increased premium charges for certain types of policies and even their unavailability, and uncertain financial markets.
- Continued impact of BES and hoof and mouth disease outbreaks that have reduced our approved sources and driven up meat prices. We hope to be able to expand our sources in FY 02.
- Impact on recruitment of regional problems. We face the same potential impact on our recruitment as the region faces on its tourism from a general apprehension related to current events. This may affect our future ability to attract or retain personnel, or the cost of doing so.
- I expect a further reduced FY 02 surplus, trending towards a minimal level we will seek to maintain for the reasons stated above. Inflation, even at low current levels, will continue to erode the results of our cost-cutting efforts.

While it is important to note the potential contingencies, at least the ones we can foresee, it is also important to record that we have dedicated and imaginative members of the MFO, military and civilian, who work hard to control and reduce our costs. We have consistently worked harder and smarter, generating savings that help to offset inflation and negative contingencies, and capitalize on positive ones. With ERP in our arsenal beginning this FY, I expect that we will continue to do so and am prudently confident that we will meet our FY 02 budget. The cooperation of both Parties in helping us control costs and avoid unnecessary expenditures, and the continued support of the Donors, remain critical assumptions for our success.

[FY 2002 Funding Request](#). For this FY 02, I request that the three principal Funds Contributing States make available the following amounts:

Egypt	\$16,015,346
Israel	\$16,015,346
United States	\$16,015,346

I thank them in advance for this contribution.

APPENDIX: MFO HELICOPTER REQUIREMENTS STUDY

At last year's Trilateral Meeting, having taken note that the UH-1 helicopter will be retired from the U.S. Army's active inventory, the MFO undertook to start planning for transition away from the UH-1 by reviewing our rotary wing aviation requirements.

The UH-1 is the only medium utility helicopter in the U.S. Army inventory and it has been a superb aircraft for MFO's requirements. We have depended on the UH-1 to perform the following missions:

- Day and night medevac readiness
- Remote site support
- COU recon and verification
- Search and rescue
- Command and control
- Support to the Egyptian and Israeli Liaison systems and senior visitors

Additionally, the UH-1 provides the only night flying capability in the MFO and the only practical way to resupply OP 3-11 on Tiran Island.

After analyzing mission needs and historical data, our review concluded that any replacement option must meet the following requirements:

- 1600 operational hours annually (net of training and maintenance hours)
- Maximum demand of six operational aircraft at any one time
- 24/7 capability at both North & South Camp
- Split operations—North Camp and South Camp
- All weather capability, all Sinai terrain and conditions
- Affordable within current MFO budget

The selected replacement aircraft must possess these minimum capabilities and characteristics:

- Range: 300 nautical miles
- Endurance: 2 hours or greater
- Speed: baseline 110 knots
- Cargo capacity:
 - ✓ 1000 lbs. internally or externally at +45 ° Centigrade
 - ✓ Six passengers
- Navigation: GPS capability and a redundant, straight-line navigation capability (ADF or VOR)
- Avionics: HF, UHF, and VHF/FM communications
- Medevac: Capable of carrying 4 litters

As the U.S. Army has no successor utility helicopter, it is currently studying two options to replace the UH-1. The first option is to replace the UH-1 with UH-60 Blackhawks. For a number of reasons this is not an ideal replacement aircraft and may result in higher costs and changes in our operational procedures. The Army is also considering contracting as an option and has taken steps to seek legislative authority to allow them to do this. We have asked that the Receiving States and the MFO be kept informed of the status of the Army's planning, and we will be discussing the options in greater detail during the rest of our Trilateral Meeting schedule this week.

I wish to underscore my great appreciation to the United States for its willingness to maintain this vital air lift role, and for its flexibility in identifying a workable alternative.

CONCLUSION

I would like to conclude by recalling the old maxim that all events in the Middle East are connected with one another. Now, as a result of the events of Sept. 11, all the events in the world are connected. However, the Treaty of Peace between Egypt and Israel is a symbol of hope for the world and a strong indication that peace can be achieved in other areas. President Sadat and Prime Minister Begin were true heroes of peace, and in the same spirit, the liaison system under the Treaty is the key to continuing to make the Peace Treaty work for the Parties.

I am proud of the hard work and accomplishments of the MFO, and the commitments of Force and Observer personnel, working far from home, in furthering peace in the region. They, too, are heroes of peace.