

Dated: October 24, 1997.

L.M. Bynum,
Alternate OSD Federal Register Liaison
Officer, Department of Defense.

Defense Security Assistance Agency

July 24, 1997

In reply refer to: I-50620/97

Honorable Newt Gingrich,
Speaker of the House of Representatives,
Washington, D.C. 20515-6501

Dear Mr. Speaker: Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 97-28, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance (LOA) to the United Arab Emirates for defense articles and services estimated to cost \$90 million. Soon after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

Thomas G. Rhame,
Lieutenant General, USA, Director.

Attachments, Same Ltr to:

- House Committee on International Relations
- Senate Committee on Appropriations
- Senate Committee on Foreign Relations
- House Committee on National Security
- Senate Committee on Armed Services
- House Committee on Appropriations

Transmittal No. 97-28

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

(i) *Prospective Purchaser:* United Arab Emirates.

(ii) *Total Estimated Value:*

Major Defense Equipment* ..	\$36 million.
Other	54 million.
Total	90 million.

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

(iii) *Description of Articles or Services Offered:* Twenty-four RGM-84G-4 HARPOON missiles with containers, maintenance training and equipment, spare and repair parts, training, shipboard equipment, support and test equipment, publications, U.S. Government and contractor technical assistance and other related elements of logistics support.

- (iv) *Military Department:* Navy (AAH)
- (v) *Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid:* none
- (vi) *Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold:* See Annex attached.
- (vii) *Date Report Delivered to Congress:* July 24, 1997.

Policy Justification

United Arab Emirates—HARPOON Missiles

The Government of the United Arab Emirates (UAE) has requested the purchase of 24 RGM-84G-4 HARPOON missiles with containers, maintenance training and equipment, spare and repair parts, training,

shipboard equipment, support and test equipment, publications, U.S. Government and contractor technical assistance and other related elements of logistics support. The estimated cost is \$90 million.

This sale is consistent with the stated U.S. policy of assisting friendly nations to provide for their own defense by allowing the transfer of reasonable amounts of defense articles and services. The platform for these anti-ship missiles will be the two Kortenaer class frigates being obtained by the UAE from the Netherlands.

The United Arab Emirates will have no difficulty absorbing these missiles into its inventory for use in the defense of its coastline and surrounding islands.

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

The prime contractor will be McDonnell Douglas Aerospace, Saint Louis, Missouri. There are no offset agreements proposed to be entered into in connection with this potential sale.

Implementation of this sale may require the assignment of three to five contractor representatives to support this program for two years.

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

Transmittal No. 97-28

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

Annex—Item No. vi

(v) *Sensitivity of Technology:*

1. The RGM-84G-4 HARPOON missile contains sensitive technology and has the following classified components, including applicable technical and equipment documentation and manuals:

- a. Radar seeker.
- b. Missile characteristics and performance data.

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

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

[FR Doc. 97-28688 Filed 10-29-97; 8:45 am]

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DEPARTMENT OF DEFENSE

Office of the Secretary

[Transmittal No. 97-26]

36(b)(1) Arms Sales Notification

AGENCY: Department of Defense, Defense Security Assistance Agency.

ACTION: Notice.

SUMMARY: The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of P.L. 104-164 dated 21 July 1996.

FOR FURTHER INFORMATION CONTACT: Ms. J. Hurd, DSAA/COMPT/CPD, (703) 604-6575.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 97-26, with attached transmittal, policy justification, and sensitivity of technology.

Dated: October 24, 1997.

L.M. Bynum,
Alternate OSD Federal Register Liaison
Officer, Department of Defense.

Defense Security Assistance Agency

July 24, 1997

In reply refer to: I-50410/97

Honorable Newt Gingrich,
Speaker of the House of Representatives,
Washington, DC 20515-6501.

Dear Mr. Speaker: Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 97-26, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance (LOA) to the Taipei Economic and Cultural Representative Office in the United States for defense articles and services estimated to cost \$479 million. Soon after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

Thomas G. Rhame,
Lieutenant General, USA, Director.

Attachments

Same ltr to:

- House Committee on International Relations
- Senate Committee on Appropriations
- Senate Committee on Foreign Relations
- House Committee on National Security
- Senate Committee on Armed Services
- House Committee on Appropriations

Transmittal No. 97-26

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

(i) *Prospective Purchase:* Taipei Economic and Cultural Representative Office in the United States (TECRO).

(ii) *Total Estimated Value:*

Major Defense Equipment * ..	\$341 million.
Other	138 million.

Total 479 million.

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

(iii) *Description of Articles or Services Offered:* Twenty-one AH-1W Super Cobra helicopters, spare and repair parts,

engineering technical assistance, support and test equipment, training, publications contractor engineering technical and logistics support services, and other related elements of logistics support.

(iv) *Military Department: Navy (SCP, Amendment 6).*

(v) *Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None.*

(vi) *Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Annex attached.*

(vii) *Date Report Delivered to Congress: July 24, 1997.*

Policy Justification

Taipei Economic and Cultural Representative Office (TECRO) in the United States—AH-1W Super Cobra Helicopters

The Taipei Economic and Cultural Representative Office (TECRO) in the United States has requested the purchase of 21 AH-1W Super Cobra helicopters, spare and repair parts, engineering technical assistance, support and test equipment, training, publications, contractor engineering technical and logistics support services, and other related elements of logistics support. The estimated cost is \$479 million.

This sale is consistent with United States law and policy, as expressed in Public Law 96-8.

The recipient will use these helicopters primarily to conduct military exercises for purpose of self-defense and military preparedness. The recipient will have no difficulty absorbing these additional helicopters into its armed forces.

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

The prime contractor will be the Bell Helicopter, Fort Worth, Texas. There are no offset agreements proposed to be entered into in connection with this potential sale.

Implementation of this sale will not require the assignment of any additional U.S. Government personnel or contractor representatives in-country.

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

Transmittal No. 97-26

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

Annex—Item No. vi

(vi) *Sensitivity of Technology:*

1. The AH-1W Super Cobra Helicopter and associated systems, including operations manuals and maintenance publications, are unclassified. The following components are classified:

a. The AN/APR-44(V)1 radar warning system hardware is unclassified. After software (parametric threat data) is incorporated into the system, it is then classified Secret. Publications and personnel training related to this equipment are classified Confidential.

b. The AN/APR-39 Radar Signal Detecting Set is Confidential when it is loaded and classified threat warning parameters.

2. If a technologically advanced adversary were to obtain knowledge of the specific

hardware in this sale, the information could be used to develop countermeasures which might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

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

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DEPARTMENT OF DEFENSE

Office of the Secretary

TRICARE/CHAMPUS; FY98 DRG Updates

AGENCY: Office of the Secretary, DoD.

ACTION: Notice of DRG revised rates.

SUMMARY: This notice provides the updated adjusted standardized amounts, DRG relative weights, outlier thresholds, and beneficiary cost-share per diem rates to be used for FY98 under the TRICARE/CHAMPUS DRG-based payment system. It also describes the changes made to the TRICARE/CHAMPUS DRG-based payment system in order to conform to changes made to the Medicare Prospective Payment System (PPS).

EFFECTIVE DATES: The rates and weights and Medicare PPS changes which affect the TRICARE/CHAMPUS DRG-based payment system contained in this notice are effective for admissions occurring on or after October 1, 1997.

ADDRESSES: TRICARE Support Office (TSO), Program Development Branch, Aurora, CO 80045-6900.

FOR FURTHER INFORMATION CONTACT: Marty Maxey, Program Development Branch, TSO, telephone (303) 361-1227.

To obtain copies of this document, see the ADDRESSES section above. Questions regarding payment of specific claims under the TRICARE/CHAMPUS DRG-Based payment system should be addressed to the appropriate TRICARE/CHAMPUS contractor.

SUPPLEMENTARY INFORMATION: The final rule published on September 1, 1987 (52 FR 32992) set forth the basic procedures used under the TRICARE/CHAMPUS DRG-based payment system. This was subsequently amended by final rules published August 31, 1988 (53 FR 33461), October 21, 1988 (53 FR 41331), December 16, 1988 (53 FR 50515), May 30, 1990 (55 FR 21863), and October 22, 1990 (55 FR 42560).

An explicit tenet of these final rules, and one based on the statute authorizing the use of DRGs by TRICARE/CHAMPUS, is that the TRICARE/CHAMPUS DRG-based payment system is modeled on the Medicare PPS, and that, whenever practicable, the TRICARE/CHAMPUS system will follow the same rules that apply to the Medicare PPS. The Health Care Financing Administration (HCFA) publishes these changes annually in the **Federal Register** and discusses in detail the impact of the changes.

In addition, this notice updates the rates and weights in accordance with our previous final rules. The actual changes we are making, along with a description of their relationship to the Medicare PPS, are detailed below.

I. Medicare PPS Changes Which Affect the TRICARE/CHAMPUS DRG-Based Payment System

Following is a discussion of the changes HCFA has made to the Medicare PPS which affect the TRICARE/CHAMPUS DRG-based payment system

A. DRG Classifications

Under both the Medicare PPS and the TRICARE/CHAMPUS DRG-based payment system, cases are classified into the appropriate DRG by a Grouper program. The Grouper classifies each case into a DRG on the basis of the diagnosis and procedure codes and demographic information (that is, sex, age, and discharge status). The Grouper used for the TRICARE/CHAMPUS DRG-based payment system is the same as the current Medicare Grouper with two modifications. The TRICARE/CHAMPUS system has replaced Medicare DRG 435 with two age-based DRGs (900 and 901), and we have implemented thirty-four (34) neonatal DRGs in place of Medicare DRGs 385 through 390. Grouping for all other DRGs under the TRICARE/CHAMPUS system is identical to the Medicare PPS.

For FY98, HCFA will implement a number of classification changes, including surgical hierarchy changes, revisions to the Major Problem Diagnosis List, and refinements to the Complications and Comorbidities (CC) List. In addition, DRGs 214 and 215 (Back and Neck Procedures) will be replaced with five new DRGs (DRGs 496-500) and DRGs 221 and 222 will be replaced with three new DRGs (DRGs 501-503). The TRICARE/CHAMPUS Grouper will incorporate all changes made to the Medicare Grouper.