SECTION 608 MATERIAL TO DOD

One-half fiscal year 1967.

Advance domestic	$16,236	Advance foreign	$467,839
Defense Construction Supply Center, Columbus, Ohio (electric motors)	14,160	Department of Navy, 2 each lox plants, total acquisition cost	462,830
Defense General Supply Center, Richmond, Va. ($880, pry bars; $1,196, cot adapters)	2,076	SACASC-2, Texas acquisition cost	5,009

No activity for fiscal year 1966 and fiscal year 1965.

Mr. WATERS. If I may add one comment to this. On the domestic side of this, if we had property which did not move which we found we did not have a need for that we anticipated we might have, we would return it to GSA. The GSA is our transfer point in the United States, back to the GSA. If the GSA found no other governmental user, it would be declared excess to our needs.

Mr. COPENHAVER. Thank you.

Mrs. HECKLER. I have a few questions.

I first of all wondered what type of facilities you have for warehousing, and how do you arrange this? Do you pay for the warehousing of these items?

Mr. WATERS. It is primarily open storage so far as the marshaling sites are concerned. Particularly, we have a fast turnover. We have some closed warehousing space for small items. But for construction equipment and things of that kind, it is primarily open storage. It is space we are renting in most instances.

Mrs. HECKLER. In other words, you just don't keep this material at the military site free of charge? It is necessary to separate it?

Mr. WATERS. That is right. It is moved out.

In looking for a rehab center, we have to look at a place where we can get rehab facilities and potential storage space and shipping movements in all one locality so we don't have a lot of movement going back and forth.

Mrs. HECKLER. I am interested in knowing a little more about your pricing structure. When you acquire items, obviously in certain cases you have to spend a certain amount to rehabilitate these same items. How do you finally arrive at a price or value?

Mr. WATERS. We went through great struggles on this in trying to set up a program to arrive at a fair basis. We discussed individually priced items, but we arrived at a figure of 15 percent of the original acquisition cost. So, when we offer property to our missions in support of a program or to volunteer agencies, we are offering it at 15 percent of the original acquisition value. That means that we have to handle our cost, rehab within that 15 percent, to preserve the integrity of our revolving fund. It doesn't mean that every item is repaired within that 15 percent. Some items go up, and some items we do better on, and are less. But we have to maintain that average to come out.

That is also a strong factor on reenforcing the careful selection of equipment. If you were having an open-end repair job, you might have selectors go out and find almost any piece of equipment and finally put more in the rehabbing than the equipment would be worth.