

cisions regarding procurements, redistributions, and disposals. In its reply to our report, the Army stated that:

As a general rule, stocks issued to and owned by tactical forces should not be considered as available for redistribution to satisfy worldwide requirements unless reported as excess in accordance with existing Army regulations.

In our opinion, the Army's policies in regard to retention of material can lead to overprocurements, additional storage costs, and possible shortages in one command while another command has an overstockage. Also, other Government agencies such as AID and MAP could possibly make use of such material if it were made available.

Our preliminary data indicate that some portion of the new construction being planned by the Army, at a cost of about \$100 million, in Europe, will be for storage of inventories falling into the economic retention category.

In closing, I should like to point out that our initial survey, the results of which are contained in the report already transmitted to you, were for the purposes of obtaining general background information and for identifying those areas which appeared to require further audit effort. In this connection, we recently initiated four detailed reviews in Europe, including the review of disposal activities previously discussed. The other three are:

1. Review of stock control procedures.
2. Survey of the procedures and practices of the Military Liquidation Section.
3. Survey of need for new construction in Europe.

The general objectives of the four reviews are outlined in the attachment to this statement. We plan, at a later time, to review FRELOC cost data and the requirements area.

This concludes my prepared statement. I shall be happy to answer any questions that you may have at this time.

Mr. MONAGAN. Thank you, Mr. Stolarow.

First of all, I want to say that I am interested in the activities that you project here, and are now engaged in because I think they are extremely important, and it is encouraging to know that you are making studies along the lines that you have indicated.

Also, I feel that your statement about future construction, and also about the retention of materiel in excess quantities are vitally important, too, and we will look forward to the results of this study which you indicate will be coming in August.

Now, with regard to classification, you have furnished us with certain material, some of which is classified and some of which is unclassified. Of course, the unclassified, we can put into the record at this point.¹

Mr. MONAGAN. What is the basis of the designation of the other material?

Mr. STOLAROW. We accept the classifications placed on this material by the Department of Defense.

Mr. MONAGAN. I see. That is not your designation?

Mr. STOLAROW. No, sir.

Mr. MONAGAN. Now, you refer to 10,000 tons of excess mission stock was disposed of in France. And you say around 48,000 tons of Army

¹ The report, dated April 1967 and a revision dated May 1967 are classified and are in the subcommittee files. Certain unclassified portions are printed below at p. 34.