

tity during what time period. Hardware would be a good example.

Mr. ZARETZKY. May I add to that? In our business a keg of nails, for example, might amount to so many numbers of nails and if, based on our computation, they should only have half a keg of nails for peacetime and wartime reserve, it makes good sense to keep the keg of nails and not send half of it back. This is the basis for this authority to retain certain items beyond peacetime and mobilization reserve scientific computation of requirement.

General CASE. Some of the items on which the retention level was restored were blankets, office supplies, and clothing and equipment, on the theory we always are going to need them. Just because they are temporarily beyond our requirement, it doesn't make sense to ship them back and then reorder them.

Mr. MONAGAN. You undoubtedly are aware of the point that has been raised by the GAO with reference to this practice and, as I understand it, the basis of their criticism was that not only was there regular stocks and a reserve which involved military contingencies but also an additional reserve on top of that. This is perhaps simplifying it, but that is the way I understood it.

Mr. ZARETZKY. Yes, sir.

Mr. MONAGAN. We were very much interested in that point.

Mr. ZARETZKY. Mobilization reserve items are a distinctive type of item. Not every item is kept in mobilization reserve. The items that General Case mentioned are generally not the kind of items that are kept in a mobilization reserve. Usually mobilization reserve includes combat type items. Therefore, the items that we are talking about that are generally retained in excess of this mobilization reserve and peacetime requirement are, as he pointed out, the bread-and-butter type items that are not usually assigned as a mobilization reserve type item. It is a different type of item.

Mr. MONAGAN. He mentioned blankets, I think, as one item. Is that an example of what you are talking about?

General CASE. That was an item on which we had retention. However, it should be pointed out that with respect to those items on which we maintain a mobilization reserve we have no safety level. So we operate in our reserves. Of course, we do not replenish to this retention level but if our requirements change and throw us into a long stock position, we retain the material, if it looks like it is going to be needed in the foreseeable future up to a certain period. We are authorized 18 months. We selected some items to 12 months.

Mr. MONAGAN. I was interested in what you said.

General CASE. We did this after we had completely divested ourselves of all excesses occurring during the FRELOC period. So this is just something that will prevail in the future as further long stocks develop.

General HEISER. Sir, I was going to address the GAO reference that you made.

Mr. MONAGAN. Yes.

General HEISER. The GAO report, with which I am familiar, sir, did find, and the Army did concur with the GAO, that we were not managing this property as well as we would like. The problem involved the fact, as mentioned and explained earlier that if you already have something on hand in an overseas theater and the change in requirement occurs because of the density of the equipment or troop changes,