CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

67062817

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

FIRST SESSION

MAY 16, 22, 27, 29, 30, 31, AND JUNE 1, 1967

Printed for the use of the Committee on Government Operations

GOVERNMENT DEPOSITORY
PROPERTY OF RUTGERS, THE STATE UNIVERSITY
COLLEGE OF SOUTH JERSEY LIBRARY
CAMDEN, N. J. 08102

OCT 4 1967

953883

. DOC.
4
74/7
94/6

U.S. GOVERNMENT PRINTING OFFICE
82-754 WASHINGTON : 1967

COMMITTEE ON GOVERNMENT OPERATIONS

WILLIAM L. DAWSON, Illinois, *Chairman*

CHET HOLIFIELD, California
JACK BROOKS, Texas
L. H. FOUNTAIN, North Carolina
PORTER HARDY, JR., Virginia
JOHN A. BLATNIK, Minnesota
ROBERT E. JONES, Alabama
EDWARD A. GARMATZ, Maryland
JOHN E. MOSS, California
DANTE B. FASCELL, Florida
HENRY S. REUSS, Wisconsin
JOHN S. MONAGAN, Connecticut
TORBERT H. MACDONALD, Massachusetts
J. EDWARD ROUSH, Indiana
WILLIAM S. MOORHEAD, Pennsylvania
CORNELIUS E. GALLAGHER, New Jersey
WILLIAM J. RANDALL, Missouri
BENJAMIN S. ROSENTHAL, New York
JIM WRIGHT, Texas
FERNAND J. ST GERMAIN, Rhode Island

FLORENCE P. DWYER, New Jersey
OGDEN R. REID, New York
FRANK HORTON, New York
DONALD RUMSFELD, Illinois
JOHN N. ERLENBORN, Illinois
JOHN W. WYDLER, New York
ROBERT DOLE, Kansas
CLARENCE J. BROWN, JR., Ohio
JACK EDWARDS, Alabama
GUY VANDER JAGT, Michigan
JOHN T. MYERS, Indiana
FLETCHER THOMPSON, Georgia
WILLIAM O. COWGER, Kentucky
MARGARET M. HECKLER, Massachusetts
GILBERT GUDE, Maryland

CHRISTINE RAY DAVIS, *Staff Director*
JAMES A. LANIGAN, *General Counsel*
MILES Q. ROMNEY, *Associate General Counsel*
J. P. CARLSON, *Minority Counsel*
WILLIAM H. COPENHAVER, *Minority Professional Staff*

SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY

JOHN S. MONAGAN, Connecticut, *Chairman*

FERNAND J. ST GERMAIN, Rhode Island
MARGARET M. HECKLER, Massachusetts

MILES Q. ROMNEY, *Counsel*
PETER S. BARASH, *Legal Assistant*
ANN E. MCLACHLAN, *Clerk*

CONTENTS

Page

Hearings held on—
May 16, 1967 1
May 22, 1967 37
May 27, 1967 75
May 29, 1967 ..... 107, 129
May 30, 1967 165
May 31, 1967 166
June 1, 1967 189

Statement of—
Adriaenssens, Joseph L., president, J. & M. Adriaenssens N.V., Antwerp, Belgium 175
DiGiorgio, Joseph D., Director, European Branch of International Division, General Accounting Office, Frankfurt, Germany; accompanied by Robert M. Gilroy, audit manager; Frank M. Mikus, audit manager; and Allen Moore, audit manager 76
Mikus, Frank M., audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany 184
Regan, Col. John, Assistant Deputy Military Liquidation Section, U.S. Embassy, Paris, France; accompanied by Col. William H. Tarver, Evreux Base commander; Capt. Robert W. Donley, Evreux Base civil engineer; Lt. Scott E. Larson, officer in charge, Military Liquidation Section, Evreux Base; and M. Sgt. George A. Huskins, noncommissioned officer in charge, Military Liquidation Section, Evreux Airbase 190
Sidman, Abraham, chief of merchandising, Military Liquidation Section, Foreign Excess Sales Office 209
Stolarow, Jerome H., Assistant Director, Defense Division, U.S. General Accounting Office; accompanied by Charles W. Kirby, Associate Director, Defense Division, U.S. General Accounting Office 25
Waters, Herbert J., Assistant Administrator for War on Hunger, Agency for International Development, Department of State, accompanied by Jack K. Woll, Director of Government Property Resources Division 3
Woll, Jack K., Director, Government Property Resources Division, Office of Procurement, Agency for International Development, Washington, D.C.; accompanied by Paul Scordas, officer in charge, European Office of Government Property Resources Division, Office of Procurement, Agency for International Development; and James A. Gibson, Hoboken/Antwerp marshaling site superintendent, Agency for International Development 93, 166
Zaretzky, Hyman S., director, supply management policy, Office of the Assistant Secretary of Defense (Installations and Logistics), accompanied by Joseph M. Heiser, brigadier general, U.S. Army, Assistant Deputy Chief of Staff for Logistics (Materiel Readiness), Department of the Army; Charles C. Case, brigadier general, U.S. Army, Chief, Supply and Maintenance Agency, U.S. Army European Command; John J. Kiely, Jr., colonel, U.S. Army, Communications Zone, U.S. Army, Europe; Frederick S. Wyle, Deputy ASD (Planning and North Atlantic Affairs) (ISA); John M. Mullen, OASD (ISA); Glenn E. Blitgen, OASD (ISA); Lester T. David, colonel, U.S. Air Force, OASD (I. & L.); and William W. Cave, Office of the Chief of Support Services, Department of the Army 37

Letters, statements, etc., submitted for the record—
Adriaenssens, Joseph L., president, J. & M. Adriaenssens N.V., Antwerp, Belgium:
Copy of certification of work performed 179
Example of shipping document 182
David, Col. Lester T., U.S. Air Force, OASD (I. & L.): Disposition excess and foreign excess personal property at Army property disposal activities in Europe, table 62
Heiser, Brig. Gen. Joseph M., Assistant Deputy Chief of Staff for Logistics (Materiel Readiness), Department of the Army:
Distribution of FRELOC theater excesses to MAP 73
Storage and logistics-related construction in Europe—Authorized and funded through fiscal year 1966 and fiscal year 1967, table 60
Nelson, Col. Robert K., commanding officer, U.S. Army General Depot, Kaiserslautern, Germany:
Briefing tour of Germersheim Depot activity, with charts 107
Briefing tour of Kaiserslautern General Depot, with charts 129
Regan, Col. John, Assistant Deputy, Military Liquidation Section, U.S. Embassy, Paris, France:
Cost analysis of related personal property sales to anticipated returns 215
Cost of custodial functions on noninterest bases 208
Interest bases, table 202
List of Installations turned over to MLS as of April 5, 1967 199
Organizational chart—Military Liquidation Section, U.S. Embassy, Paris, France 192
Recapitulation through July 31, 1967, of Military Liquidation Section sales, table 203
Sales negotiations-related personal property, as of June 30, 1967, table 204
Romney, Miles Q., counsel, Special Subcommittee on Donable Property, House Committee on Government Operations: Letter from Lawson B. Knott, Jr., Administrator, General Services Administration, to Hon. John S. Monagan dated May 26, 1967, regarding foreign excess property returned to the continental United States 57
Scordas, Paul, Officer in Charge, European Office of Government Property Resources Division, Office of Procurement, Agency for International Development:
Chart 1.—Acquisitions 97
Chart 2.—Inventory 98
Chart 3.—Undelivered orders 99
Chart 4.—Inventory frozen 100
Chart 5.—Production 101
Chart 6.—Shipments 101
Chart 7.—Revolving fund 102
Chart 8.—Financial status revolving fund 103
Sidman, Abraham, Chief of Merchandising, Military Liquidation Section, Foreign Excess Sales Office: FESO volume of sales in tonnage, fiscal year 1967 214
Stolarow, Jerome H., Assistant Director, Defense Division, U.S. General Accounting Office: Property Disposal Office action by Army and Air Force in France during FRELOC 34
Waters, Herbert J., Assistant Administrator for war on hunger, Agency for International Development, Department of State:
Backlog of orders for excess property 12
Section 608 material shipped to DOD 20
Shipments of excess property to Vietnam, table 15
Utilization of excess property, table 23
Woll, Jack K., Director, Government Property Resources Division, Office of Procurement, Agency for International Development:
AID contractor, Antwerp, Belgium, March 31, 1967, tables 167
Average 4-week period, Antwerp production 172
Zaretzky, Hyman S., Director, Supply Management Policy, Office of the Assistant Secretary of Defense: Material relocated (U.S. Army and U.S. Air Force), March 31, 1967, table 40

APPENDIXES

Appendix 1.—Total acquisition cost of removable related personal property (not including labor) for Phalsbourg, Airbase, France 221
Appendix 2.—Production at all EPRO marshaling sites 223
Appendix 3.—Copy of Antwerp contract 224
Appendix 4.—AID receiving reports and work orders 334
Appendix 5.—Terms of reference for U.S. Military Liquidation Section, American Embassy, Paris, France 355
Appendix 6.—Sales proceeds experience in connection with the sale of foreign excess property in France 362

CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

TUESDAY, MAY 16, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2203, Rayburn House Office Building, Hon. John S. Monagan presiding.

Present: Representatives John S. Monagan, Fernand J. St Germain, and Margaret M. Heckler.

Professional staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant; and William H. Copenhaver, minority staff.

Mr. MONAGAN. I will call the hearing to order.

Since 1965, the Special Subcommittee on Donable Property has been engaged in an active examination of the use of excess property in the U.S. foreign aid program. "Excess property" is, of course, any property under the control of any Federal agency which is not required for its needs and the discharge of its responsibilities. As excess, it is available for use by other Federal agencies.

The principal authority for the use of excess property in the U.S. foreign aid program is the Foreign Assistance Act of 1961, as amended. In enacting the Foreign Assistance Act of 1965, Congress added new language which directly called upon AID to utilize excess personal property whenever practicable in lieu of the procurement of new items for U.S. assisted projects and programs.

During the 89th Congress, the subcommittee undertook an extensive review of the use of excess property by our AID program in Latin America. That review resulted in House Report No. 1466, 89th Congress, entitled, "The Use of Excess Property by the U.S. Foreign Aid Program in Latin America." Significant improvements in the effectiveness of the program there have ensued.

The hearing today has been called to receive testimony on the opportunities and problems created by the generation of foreign excess property as a result of Operation FRELOC, the relocation of materiel necessitated by the pullback of NATO and the closing of U.S. military bases and related facilities in France. Our concern is focused on U.S.-owned personal property, now largely removed from France, which is or can reasonably be expected to become excess to the needs of the Department of Defense and thereby become available for use by AID

or other Federal agencies. The magnitude of this move and the opportunities available thereby to AID are clearly illustrated by the fact that some 800,000 short tons of supplies and equipment have been transported out of France, and by the fact that since March 1966, personal property having an acquisition value of one quarter billion dollars has been offered to AID for its possible use. The subcommittee's concern with efficiency and economy of Government operations warrants careful scrutiny of agency programs, procedures, and practices with respect to the availability, screening methods, accounting, storage, rehabilitation, and program utilization of these vast amounts of property.

Pursuant to the mandate of Congress, AID has utilized since 1960, excess property with an acquisition cost of $367 million. This property includes such items as passenger vehicles, road equipment, building construction machinery, diesel locomotives, and engine lathes. Most of it was generated by the Department of Defense.

This subcommittee has seen much substantiating evidence, that without the ready and efficient availability of excess property, AID would either have had to request substantially more funds or the economic assistance efforts of the U.S. foreign aid program would have been far less effective. It is incumbent on this subcommittee, therefore, to make a careful review of agency operations associated with the excessing and eventual utilization of U.S.-owned property generated by the closedown of U.S. bases and related facilities in France.

While our initial focus is on the use of this excess property by AID or other Federal agencies having operations abroad, we also want to develop information on the extent and nature of Operation FRELOC-generated personal property which has been shipped back to the United States. Eventually some of that returned property may be declared excess, and as such available for further Federal use within the United States. Moreover, if other Federal agencies should not have need for that property, it would, of course, become surplus property. The subcommittee's interest in the potential surplus status of that property lies in the fact that as surplus it would be subject to screening for disposal under the Federal donable property program authorized by section 203(j) of the Federal Property Act.

Our first witness this morning will be Mr. Herbert J. Waters of the Agency for International Development. Mr. Waters, has appeared before our subcommittee before. He recently became Assistant Administrator of Aid for the War on Hunger, but before that he was AID's Assistant Administrator for Material Resources. We are happy to have you before us again, Mr. Waters.

Mr. WATERS. Thank you, Mr. Chairman.

Mr. ST GERMAIN. At the outset, I would like to apologize to Mr. Waters and the subsequent witnesses who will testify because of a conflict.

I wanted to be here at the beginning, however, to greet you, Mr. Waters, to tell you how much we appreciate your testimony. I will take it with me and will be reading it at the other subcommittee. Should the occasion arise where I am needed, I will be in the other area.

Mr. WATERS. With me is Mr. Jack Woll, Director of the Government Property Resources Division connected with this program.

STATEMENT OF HERBERT J. WATERS, ASSISTANT ADMINISTRATOR FOR WAR ON HUNGER, AGENCY FOR INTERNATIONAL DEVELOPMENT, DEPARTMENT OF STATE, ACCOMPANIED BY JACK K. WOLL, DIRECTOR OF GOVERNMENT PROPERTY RESOURCES DIVISION

Mr. WATERS. Mr. Chairman, members of the committee, I want to thank you for the opportunity to discuss AID's utilization of excess property in support of our economic development programs throughout the world, with special emphasis on AID requests for acquisitions during the U.S. military movement from France.

We feel we are figuratively beating swords into plowshares, by making effective use for peaceful, civilian purposes of extensive equipment excess to military requirements—at considerable savings to the taxpayer.

We are making such savings by both substituting rehabilitated equipment for new procurement as well as stretching the effectiveness of appropriated economic assistance dollars in accomplishing development objectives.

Nearly 2 years have passed since I reviewed the status and operations of AID excess property programs before this committee. Then I was Assistant Administrator of AID for Material Resources, having responsibility for the excess property programs as well as the Agency's new procurement. While the Agency's functions under my direction have just recently been changed under a reorganization called for by the President in his foreign aid message to Congress in March, and I no longer have direct responsibility for the excess property program, it was my responsibility for the period you are reviewing and I appreciate this opportunity to account for my stewardship. Hereafter, in AID the excess property program will come under the direction of the Assistant Administrator for Administration, while I concentrate my attention on the many facets of our Government's war on hunger throughout the world.

Mr. MONAGAN. Mr. Waters, who is the Assistant Administrator?

Mr. WATERS. He is William O. Hall. He is presently away from the United States.

Mr. MONAGAN. Thank you.

Mr. WATERS. In order to more fully brief the new members of the committee, my statement includes some general background information about our programs reviewed in earlier hearings.

Since 1960, we have acquired over $360 million worth of U.S. Government-owned excess property to complement other available resources for the economic development of developing countries. This added resource has served to stretch available AID funds and permitted more effective accomplishment of economic development goals.

A few examples of utilization of this property in AID projects and programs are as follows: cots, water distributing equipment, blankets, clothing, et cetera, are now being used in the refugee program in South Vietnam; machine tools, woodworking equipment, and handtools in the vocational educational program in South Vietnam; medical supplies, cots, wheelchairs, et cetera, in the medical education program in South Vietnam; construction and roadbuilding equipment—bull-

dozers, graders, scrapers, vehicles—in various roadbuilding programs in Turkey; roadbuilding equipment—vehicles, bulldozers, machine tools, et cetera—for highway maintenance programs in Peru. Other projects and programs are receiving vitally needed items and equipment to further AID objectives in developing countries.

Since its inception, the program has been strongly supported by both the legislative and executive branches. The policy statement relative to optimum use of excess property in AID programs appearing in the Foreign Assistance Act of 1961 was further strengthened by revised (1965) language which states that "* * * excess personal property shall be utilized wherever practicable in lieu of the procurement of new items for U.S. assisted projects and programs." Former Administrator Bell's strong directive of April 13, 1964, and subsequent guidance relative to establishment of excess property units in USAID's abroad are prime examples of the continuing executive support accorded to our programs within AID. Each regional bureau has designated a regional excess property officer to coordinate and increase regional acquisition of excess property for utilization in AID programs.

We have received continued assistance, cooperation, and support of General Services Administration and Department of Defense personnel. The Army-AID-GSA Memorandum of Understanding of March 1962 relative to operation of the advance acquisition (sec. 608) program formalized the required joint actions under the domestic program.[1]

Our relationships with the domestic donable property program for State agencies have been consistently good. Since 1962, the relatively small group of excess property utilization officers in the three domestic AID excess property regional offices have maintained cordial and mutually cooperative relationships with representatives of the State agencies for surplus property.

In practice, the surplus donation program and our programs can and do work productively side by side. During the past year this mutual cooperation has expanded and matured. We have maintained direct communication with top State agency representatives, and we are not aware of any complaints regarding our operation of the program during this period.

ADVANCE ACQUISITION PROGRAM

Shipments of excess property and equipment acquired and processed under the advance acquisition program have about doubled each year since its inception. Section 608 of the Foreign Assistance Act of 1961 was designed to overcome the twin obstacles (short matching period and unknown degree of serviceability) to much fuller utilization of excess property by authorizing AID to acquire available excess property in advance of a specifically identified program requirement. Section 608 authorizes AID to—

(*a*) Repair or overhaul, preserve, store, pack, crate, and transport such property as the need arises, and

(*b*) Use $5 million from appropriate funds as a revolving fund to pay all costs related to these actions. This revolving fund is

[1] The document was supplied for the subcommittee files.

now healthy, having recovered from a partial depletion during the buildup of ready for issue inventory.

Available section 608 property is offered to our AID missions abroad periodically by catalogs. Domestic 608 excess catalogs are issued by AID-Washington; foreign excess catalogs by the appropriate overseas excess property regional office. Special offerings of section 608 property, directed to a selected group of missions, have proved very successful.

FOREIGN EXCESS

There has been increasing utilization of excess property generated overseas. During the first three quarters of fiscal year 1967, $62,669,367 (or 80 percent of the $78,189,417 requested by AID) was foreign excess, the balance (20 percent) being domestic excess. Until the establishment of effective foreign excess property regional offices and related "marshaling sites" in Frankfurt, Germany, and Tokyo, Japan, the primary source was domestic excess property rehabilitated under the initial Army-AID-GSA agreement.

Our European operation was started in June 1962, but very little was accomplished with the section 608 program until November 1964. Prior to November 1964 we had many and varied difficulties obtaining rehabilitation capacity. For approximately the first year operation we requested the service of the Department of Army to rehabilitate our equipment in their established facilities.

After a period of time we were informed that the Department of the Army was not able to assist AID in this matter as their facilities were overloaded with their own work. We then turned to the Air Force, who at that time had a contract with a commercial firm, Behernan-Demoen, in Antwerp, Belgium. The Air Force took our work on a subcontract basis, but after a relatively short period of time terminated their contract with this firm. Being subcontractors we also moved out when the Air Force moved. The Air Force then obtained a contract with an English concern, Henly's, in Western Super Mare, England. This contract was in operation for a little more than a year and it was also terminated. At that time we realized that we would have to obtain our own contractor.

In October 1964, the Air Force procurement region Europe negotiated and procured for AID a commercial contract with a firm in Antwerp, Belgium, which went into effect in November 1964. The Air Force performed all selection and negotiating services other than the signing of the contract. From that date on, our European operation has been successful. Our Antwerp contractor is the firm of J. & M. Adriaenssens, N.V., a large Belgian truck body manufacturer. Their production of AID work has risen steadily over the past months. At the present time, monthly production averages approximately $1 million to $1.6 million acquisition cost, depending upon the types of items which they work on during the month. During the month of March 1967, we obtained approximately 6,200 man-hours of work each week and we anticipate raising this weekly figure to 9,000 hours. This will give us approximately $2.5 million acquisition cost of production monthly.

The U.S. Air Force also came to our rescue in providing production capacity at the U.S. Naval Base in Rota, Spain, in 1963. This is under an interservice support agreement with the Air Force, which in turn

has an agreement with the Navy. Until the past year, this operation has been relatively small, but recently it has taken an upturn. We are obtaining approximately $500,000 acquisition cost of production monthly. Our last site in Europe is located at Camp Darby, Livorno, Italy. It is under an interservice support agreement with the U.S. Army and is small in scope. This agreement was entered into in 1966 and basically provides one main service and that is that property which we acquire in Italy does not have to be transported to Belgium or Spain for rehabilitation. This we have found to be quite economical. Our acquisitions from Italy have in the past been very small so we do not at the present time require large production capacity. If this should change in the future and we would require additional production capacity, we would have to obtain this additional capacity from commercial sources.

In fiscal year 1963, our European operation obtained excess property from U.S military generating points, for our advance acquisition program, totaling only $257,300 in original acquisition cost. In fiscal year 1964, we obtained $5,153,922 worth. In fiscal year 1965, it was $13,917,826, and in fiscal year 1966, $13,979,072. Through March 1967 we have requested from the military equipment worth $40,403,231 at acquisition cost. Of this $40.4 million worth of equipment of all kinds, approximately $12,146,069 in acquisition value is directly attributable to the movement of U.S troops from France. Also, two of our AID missions have requested, under the direct acquisition program equipment worth a total of $1,913,879 at acquisition cost from the U.S. military in France, which also is directly attributable to the movement of U.S. troops from France. The possibility exists that there have been other acquisitions by AID, under the direct acquisition program, but as yet we have not been informed. This information will be available during the first quarter of fiscal year 1968.

The method our European excess property regional office used to request transfer of the $12.1 million directly attributable to the U.S. movement from France is the same method that is utilized by all our offices. Equipment specialists (excess property utilization officers) visited the various bases in France and personally viewed and inspected all property in which we were interested. The reason for these personal inspections is to insure that AID does not acquire property which eventually will not be used in AID's projects and programs worldwide, and also to insure that the property acquired is generally in pretty good condition and can be rehabilitated without the necessity of spending large sums for the rehabilitation.

The perecentages breakdown—in terms of acquition cost—by types of equipment relating to the total $12.1 million acquisition cost figure is as follows: 65 percent consisted of military type vehicles: jeeps, 2½-ton trucks, 5-ton tractors and various size trailers; 5 percent consisted of commercial type vehicles: ½-ton and 1½-ton trucks, Ford, Chevrolet, and International Harvester; 15 percent engineer equipment: cement mixers, cranes, full track tractors, graders, et cetera; 5 percent consisted of medical equipment: beds, cabinets, dental and surgical instruments, et cetera; and 5 percent consisted of miscellaneous items: handtools, machine tools, kitchen equipment, electrical items, et cetera.

Also, we have claimed excess in the amount of $16,905,081 acquisition cost of military assistance program property located in France. This is not considered related to the movement of our troops from France. And finally, we have requested $11,352,081 worth of excess from the military from European countries other than France, which include but are not necessarily limited to England, Germany, Italy, and Spain.

Our goal for outshipments of property from our European operation to AID projects and programs for fiscal year 1967 was $16 million acquisition cost and through March 31, 1967, we have shipped $11,825,193. We feel our goal in this respect will be met and possibly exceeded. In all of fiscal year 1966 we outshipped from our European operation a total of $10,977,922. Through the first three quarters of this fiscal year, we have shipped more than we did in fiscal year 1966.

We anticipate that in the future additional large quantities of property will be excessed by the military in Europe and be made available to AID as well as other interested U.S. Government agencies.

Our operation in the Far East was started in November 1962 in Tokyo, Japan with the signing of an interservice support agreement with the U.S. Army to furnish services, including rehabilitation for excess property generated in Japan. In 1963 our shipments of 608 excess property totaled $76,653 acquisition cost. The program has grown to the point where this office shipped $8,358,442 in fiscal year 1966 and for the first three quarters of fiscal year 1967 shipments have totaled $7,544,867. We have since outgrown the capacity furnished by the military at the start of the program and now have commercial contractors in Yokohama, Japan; Inchon, Korea; and Naha, Okinawa.

Mr. MONAGAN. That is for rehabilitation?

Mr. WATERS. Yes. The majority of property shipped from this area is being utilized in Southeast Asia projects and programs.

SOUTHEAST ASIA

Special effort has been made to meet Southeast Asia requirements for excess property. The General Services Administration agreed to accord "special treatment" or priority to Southeast Asia requirements for domestic excess property. Special Vietnam prior screening procedures have been established for both domestic and foreign excess property available under the section 608 program. These procedures provide absolute priority to USAID/Vietnam during a 1 month prior screening period. Shipments of section 608 property to Vietnam during the first 9 months of fiscal year 1967 amounted to $14,143,348 (43 percent of total shipments). This is an $8.9 million increase over the shipments of $5.2 million (22 percent of total shipments) to Vietnam for the same period in fiscal year 1966.

LATIN AMERICA

This committee's continued interest in the increased utilization of excess property for the economic development of Latin American countries, expressed by special hearings and committee visits to representative Latin American countries, has begun to bear fruit. During this fiscal year, 16 new 607 determinations totaling approximately $13.7

million (acquisition cost) have been approved to various Latin American countries. In addition, $1,650,000 worth (acquisition cost) of property has been approved for specific in-country voluntary agency programs in Latin America under the sponsorship of the Summer Institute of Linguistics, Caritas, Community Development Foundation, Inc., and World Neighbors, Inc. Types of items and equipment ordered by those recipients include grinders, forming machines, wrenches, sterilizers, sleeping bags, clothing, generator sets, hydraulic jacks and roadbuilding equipment.

For the first three quarters of fiscal year 1967, Latin America has received $1,775,345 worth (acquisition cost) of 608 excess property. This is an increase of $202,000 over all of fiscal year 1966. We anticipate that considerable more property will be shipped to Latin America during the fourth quarter of this fiscal year. Also, Peru, in which the subcommittee has shown great interest, has expanded its acquisition of excess property under the 608 program during fiscal year 1967. Through the first three quarters of this fiscal year, Peru has obtained $469,679 worth of equipment, while during all of fiscal year 1966 only $76,972 worth (acquisition cost) was shipped to that country.

In order to further increase the effectiveness of the program in Latin America, we plan to establish an Excess Property Regional Office in Panama.

Mr. Chairman, in conclusion, we are proud of the progress which has been made in effective utilization of excess property not only in Latin America but in aid recipient countries generally. Due primarily to the advance acquisition program, we have gained increasingly general acceptance of excess property as a valuable resource. Naturally, with a unique, new, and rapidly expanding program requiring many technical decisions and coordination of military, and/or contractor operated rehabilitation facilities, various problems and difficulties arise. As the result of reports of poorly repaired equipment, a team headed by the Assistant Chief, Government Property Resources Division is now in the Far East reviewing contractor performance, rehabilitation standards, quality control, and final inspection before shipment. In order to manage this complex, expanding, worldwide program with maximum effectiveness, we have concluded that additional technical personnel and facilities will be necessary. We are gaining new satisfied customers and we look for continued moderate expansion, particularly in the utilization of foreign excess.

Thank you.

Mr. MONAGAN. Thank you very much, Mr. Waters. It is a very helpful, complete statement, and we are pleased to be brought up to date on the development of this program. I think it is extremely interesting.

Mr. Romney, do you have any questions?

Mr. ROMNEY. Mr. Waters, could you explain some of the factors which account for what appears to be a relatively small amount of acquisitions under the direct acquisition program—the $1.9 million in acquisition cost from the U.S. military in France?

Mr. WATERS. Mr. Romney, the entire direction of our program since the start of the 608 authority has indicated a growth in use of the 608 approach as contrasted to the previous use of the 607 or direct authority. We still have a fairly constant level of the 607 and direct program

authority, but we have not had the expansion of these programs as we have had in the 608.

Our own missions and the countries to which we are cooperating in providing equipment seem to prefer having us do the rehab for them rather than trying to do the rehab themselves. Sometimes this is due to the lack of good rehab facilities in the developing country. But we are trying to make maximum use of all authorities. But there does appear to be, when we look over the reports, of both the growth of the 608 and a slight tapering off of the 607 and direct authority, there seems to be a substantial shift.

Now, we did endeavor to keep our mission fully informed of the potential new opportunity that might arise in the activity in France. And the largest amount of the acquisition, however, was made for the 608 program.

Mr. ROMNEY. On page 4 of your statement, Mr. Waters, the bottom paragraph, you refer to the establishment of regional offices for excess property and related marshaling sites in Germany and Tokyo. Could you describe these related marshaling sites and explain why you use the word "related"?

Mr. WATERS. We established, picked the locations for our regional property offices where we felt we had the best communication center for access to information about the availability of excess property.

For example, Frankfurt is pretty well a communication center. However, in looking for rehab sites, we looked primarily at access to shipping facilities as well as repair facilities. And out of the one central office, regional office in Europe located at Frankfurt, there was the major marshaling site at Antwerp, and the smaller marshaling sites, rehab centers at Rota, Spain, and at Camp Darnby, Livorno, Italy.

Tokyo is our regional office, but the marshaling sites and rehab operations are where we could find the best rehab work to be done as well as shipping facilities and the cost for moving the equipment.

Our major center there is now Yokohama, plus supporting facilities in Okinawa and Korea on a smaller scale.

Mr. ROMNEY. Are these sites selected in conjunction with the military in any way?

Mr. WATERS. Only Rota, Spain, and Livorno, Italy. The rest of them are private contracts.

Mr. ROMNEY. The memorandum which was entered into between AID-Army-GSA, March 1962 applies to the domestic program, does it not?

Mr. WATERS. That is right.

Mr. ROMNEY. Is there any corresponding agreement with respect to the operations abroad, in any particular region?

Mr. WATERS. We do not have the same form of agreement. It is a triparty arrangement: GSA, partly under us, and with the military. We do have with the military overseas a memorandum agreement relating to the services they perform for us in specific instances such as the interservice agreement we are a party to in Rota, Spain, and Camp Darby, Livorno; plus an overall agreement on the transportation side of the program. We still use military services for transportation whenever possible.

Mr. ROMNEY. Mr. Waters, in the acquisition of these substantial quantities of excess property which are then brought to your rehabilitation centers, can you describe your procedures for ascertaining the continued justification in keeping property there which you have not been able to move? And what happens when you have to move this property?

Mr. WATERS. So far, we think our turnover has been very satisfactory. We, first, in the selection process, are trying to select articles or items we know are generally usable in our programs while not having a specific request for them. In many instances, we also have quantities and types that have been sent to us by missions. And much of the equipment in rehab is in effect on order.

If in fact we have property for which we do not have a use, or a use doesn't develop, why, we would excess it out and make it available for any other purpose.

Mr. BARASH. If I might interject. If I understood your testimony, Mr. Waters, you said that you had gathered from European sources approximately $40.4 million acquisition cost in excess property, and you state your goal for shipping out in fiscal 1967 is $16 million. Now, what has happened to the property represented by the difference between the $16 million and the $40 million?

Mr. WATERS. Mr. Barash, I said we requested the $40 million. There is quite a long pipeline in the movement of this before it gets to the rehab site.

So in effect when we have requested it, made a claim on it, and when it starts the process of moving, it may be several months before it even gets to the rehab site. So we are having a backlog of material that is going to be moved into the rehab site. We will have a pickup program early in 1968. But we do not have that $40 million on hand in our hands. It is still being moved to us from the military and from the military installations.

Mr. Woll informs me that actually at the site we have only received $17 million worth of this amount. So there is a pipeline both in time and in value of equipment that runs several months—even more than a full quarter—in having some of this moved. Much of it has to be moved even at the convenience of the military when they are handling the movement for us.

Much of the equipment that we requested, for example, on the transfer of material from France has been part of the process of moving to Germany and down from Germany to Antwerp.

Mr. BARASH. Thank you.

Mr. ROMNEY. How large a staff do you have at your Antwerp site?

Mr. WATERS. Actually at Antwerp it is a one-man staff. It is a contract operation with our one man being inspector and supervisor of this equipment. The personnel work is done by contract.

In our Frankfurt office in Germany, there are eight on the staff. This includes not only the officer in charge, but from there are the screeners who go out and locate property as well.

Mr. ROMNEY. And what about the sites at Rota and Livorno?

Mr. WATERS. Rota and Livorno, I think, are only—Mr. Woll has put me up to date. We have one man of our own who is stationed at Rota, but covers Rota and Liverno to inspect the operations at the two smaller sites.

Mr. ROMNEY. Is there a basis for your determining, in cases of large quantities of property being available, what you would take or request during the screening process?

Mr. WATERS. Yes. We try to watch the utilization and the types of things most in demand by our missions. We have encouraged our field missions, our technicians developing projects in the field, to give us as much advance guidance as possible: The types of equipment they would desire that would help them avoid the necessity for new procurement. This guidance is passed to the people doing the examination at bases and sites. Quantity, condition of the equipment, frequency of use are all factors to be considered.

Mr. ROMNEY. Are these requests from the missions coordinated through Washington, or are they made directly to your——

Mr. WATERS. Both ways. Dual copies go to Washington on a world-wide basis in Washington. There are Southeast Asia missions through which most of their activity is directly with the Tokyo regional office, and certainly Africa and the Middle East missions. Turkey and Pakistan do have extensive business with the mission in Europe.

Mr. ROMNEY. Much of the property which has been made available for possible use by AID, particularly in the European area recently, has been passed over. What opportunity would AID have to go back and perhaps recapture some of this which it found that it had later a need for?

Mr. WATERS. As long as it has not been sold or otherwise disposed of by the military, we could always go back. Our inspections of these bases is a continuing process. It is true that we are somewhat under time pressures on the movement out of France. We are continually examining the facilities in Germany. Much of the readjustment of equipment may lead us to additional excess out of Germany, now, and we will watch and follow that. However, we feel that all of the normal processes were followed even in the speeding up processes in France. We still make our requests, and the military would still go through all of their channels to see if there was a need for any other military unit for this equipment before it was made available to us.

Mr. ROMNEY. In Europe, in some of the bases and installations there is some property described as related personal property. We might think of it more as fixtures. And some effort is now being made, as we are informed, to dispose of this in France. But failing success in that, it would in some cases be removed.

I was wondering if Mr. Woll has any knowledge of the nature of some of this property that might be of use to AID, and whether AID has any plans with respect to that property?

Mr. WOLL. Yes, we do, Mr. Romney. Various missions have come to us for requests for household type items: fixtures and so forth; and we have acquired some. Now, the American School which is going to start operations in Antwerp has requested various type items like this, as well as school supplies and equipment. We have made arrangements to assist the Department of State in setting up this school in Antwerp.

As Mr. Waters has said, we have, and will continue to keep on top of everything that is generated in France as well as the other countries. And anything that we think we can use, we will request from the military.

Mr. MONAGAN. In other words, the discrepancy between what has been made available and offered to you and what you take is determined by the suitability of the equipment, and not by any inadequacy of the selective process or anything else? You take all that you think you can use?

Mr. WOLL. That is right, sir.

Mr. MONAGAN. There is quite a discrepancy, of course, between the amount available and what you have taken.

Mr. WOLL. Well, a great deal of this equipment that we understand was excess consists of military scrap and things such as that. We have no use for it. It just wouldn't pay for us to take it.

Mr. MONOGAN. That is the point I wanted to make clear.

Mr. ROMNEY. Mr. Waters, I was wondering if you could provide to the subcommittee some specific details by category of items, by numbers, by value, perhaps, of the worldwide backlog which the AID missions now have pending for the receipt of excess property? I would assume that you probably do not have it broken down in domestic and foreign excess. But whatever information you can provide——

Mr. WATERS. Is it the backlog of the requests?

Mr. ROMNEY. Yes.

Mr. WATERS. I will be glad to provide even further information as best we can break it down.

Mr. Woll informs me that we have a backlog in round figures of about $19.2 million in firm orders. There is a distinction between the firm orders that are funded documents waiting for equipment, and the so-called want lists which are general indications of the types of items that the mission would like to have. We will be glad to try to expound on this for the record in a detailed statement for you.

(Subsequently AID provided the following information:)

BACKLOG OF ORDERS

As of March 31, 1967, our worldwide backlog of mission orders for excess property available under section 608 but not yet shipped amounted to $19,217,578 (total acquisition cost) or 43 percent of the $44,926,375 total inventory held as of that date.

Of this total backlog, foreign excess accounted for $13,934,142 or 73 percent; the remaining $5,772,728 or 27 percent, being domestic excess.

This backlog represents a fair cross section of the current onhand inventory. In terms of total acquisition cost; motor vehicles, trailers, construction, and roadbuilding equipment items comprise approximately 60 percent of the backlog items. Tractors, machine tools, material handling equipment, and miscellaneous other small items constitute the balance of the backlog.

Mr. MONAGAN. Mr. Copenhaver?

Mr. COPENHAVER. Mr. Waters, allow me to explore a couple points for my own information.

As I understand it, you prepare catalogs of your needs for excess property, both domestically and in foreign theaters?

Mr. WATERS. The catalogs are on the property that we have acquired rather than our needs. They are provided to our missions and our technicians in our projects. So, in developing projects, they screen the availability of excess that they can use before requesting purchase of new equipment.

Mr. COPENHAVER. Therefore, this is separate from the want list which Mr. Romney just mentioned?

Mr. WATERS. Yes. I might say that the want lists are general indications. For example, if the country is going into a major highway program, they will say, "We are interested in all forms of highway equipment."

With this, we are able to break down with our technicians the types of equipment that will be useful in highway construction. We might not have a specific request for certain types of bulldozers or certain types of scrapers. But if there is a highway project coming up to be funded with loan funds, for example, we will have an alert to that effect; and we will try to make sure that in addition to our regular catalogs, if our excesss property regional offices are alerted, and if they have highway equipment they find, they notify that selected mission the availability of highway construction equipment.

Our loan programs now have standard language in the loans—development loans—that provides for examining the use of excess equipment before going to new procurement. It is difficult to measure this at times, because a good job of planning the use of excess results in a never showing up of new procurements.

A mission could order the new equipment and then cancel it out if it found excess available. We are trying to encourage the planning of programs around the excess in the first instance to avoid having to ask for new equipment.

Mr. COPENHAVER. I am anxious to obtain from you an explanation as to actually how the screening program was operated in relation to Operation FRELOC. Is it your understanding that all the property which was declared excess as a result of Operation FRELOC was sent by list back to a central inventory control point in the United States? Is this how it was done—for the military? How did AID get into the picture as far as learning about the excess property? Was it through AID operation in Washington here?

Mr. WATERS. I think Mr. Woll might be able to explain this.

Mr. WOLL. After lists of equipment have been made up by the military for theater screening, they are then sent here to the United States for CONUS screening. After that has been accomplished by the military, they make lists of equipment available to us that they did not have requirements for either in European area, the CONUS area or the worldwide area.

In other words, the lists that were supplied to us were those lists of items that were completely excess to the military requirement.

Mr. COPENHAVER. Now, these lists came to you here in AID, CONUS?

Mr. WOLL. No. After they were screened here in CONUS, they went back to the military in Europe who made them available to our excess property regional office in Frankfurt, Germany.

Mr. COPENHAVER. Now, how does your office in Frankfurt know your needs in Vietnam or Africa or Latin America?

Mr. WOLL. All requirement lists that are sent in by the various missions in the regions come into Washington; and also, if they do not go directly from the regions and the missions to our excess property regional offices, we send these lists to them.

Mr. COPENHAVER. Therefore, your office in Frankfurt would know of your want list for the entire world?

Mr. WOLL. Yes, sir.

Mr. WATERS. I may add on this from experience of watching the operations in Europe, or excess property offices, utilization officers are usually one step ahead, even if an individual installation is planning to excess something, they are right on their toes and usually know about this and are following the request made for clearance through the European theater and are waiting for the clearance to come back from CONUS to see whether they can get the property. So, they are following the clearance process, even after it has been cleared. We try to anticipate the clearance rather than just wait for the list.

Mr. COPENHAVER. Now, when your Frankfurt office gets the list of property from DOD that has been excessed by the military, do you use your screening officers who are located in Germany or in France to screen all this property, or do you bring in screening officers from Vietnam, Latin America or Africa, for example?

Mr. WOLL. For our own 608 program, Mr. Copenhaver, we use our own people.

Now, there have been AID technicians from missions and regions who have come into Europe and screened also.

Mr. COPENHAVER. But primarily, it is your screening officers who are located in Europe who screen for the other theaters, is that right?

Mr. WOLL. Yes.

Mr. COPENHAVER. Without seeking to take too much time of the committee, do you have any opinion as to how your screening operations compare to the screening operations of the military? And particularly, I ask this question: In your opinion, does the military now have the same high caliber operation onsite screening that AID has?

By way of background, there was a time when the military did not have sufficiently trained screening officers to actually go out and screen property in some cases which has been declared excess as AID had.

Do you have any opinion, now?

Mr. WATERS. We follow their procedures pretty well. But how they arrive at their decision on it, this is pretty difficult for me to judge.

Mr. COPENHAVER. All right. You indicated in your statement that there was a change of organization within AID concerning excess property programing. As I understand it, initially, the excess property program was tied in with your procurement program?

Mr. WATERS. Yes.

Mr. COPENHAVER. Now, it is to be changed, and the excess property program is to be placed under the assistant AID Administrator for Administration?

Mr. WATERS. Perhaps I did not make that clear enough. Part of the move in reorganization was to move all procurement operations of the agency under the Assistant Administrator for Administration under a new Office of Procurement. So, the relationship is still preserved and protected in the relationship to the new procurement.

Mr. Pat O'Leary, who was formerly an Associate Administrator of mine, is in the Office of Procurement. Mr. Woll will be operating under his direction.

He, in turn, will be operating under the Assistant Administrator for Administration. I mentioned him because that is the level of the presidential appointee provision of the program.

I want to assure you, however, that my own interest in this program will continue. I expect to move from a supplier in the program to a user in the program, because I see many opportunities for use of this

excess property in forwarding our war on hunger activity in agricultural development.

Mr. COPENHAVER. Do I understand that you mentioned that you used military transports for shipment of excess property to your other countries?

Mr. WATERS. In most instances.

Mr. COPENHAVER. In most instances?

Mr. WATERS. Yes.

Mr. COPENHAVER. With regard to the type of excess property which you have selected for shipment to Vietnam out of Operation FRELOC, do you have any breakdown of categories of equipment that you have shipped to Vietnam which you could supply the committee at the chairman's permission? Do you have any categories that you could supply for the record?

Mr. WATERS. You wanted just the breakdown—the breakdown from FRELOC, now, not the total amount of excess?

Mr. COPENHAVER. If you could do both.

(Subsequently AID provided the following document:)

MAY 23, 1967.

Mr. Jack K. Woll, Chief, PROC/GPR, AID/Washington.
P. H. Scordas, OIC, AID/EPRO-4, Frankfurt.
Shipment of Operation FRELOC source excess property to Vietnam.

SHIPMENTS TO VIETNAM

Description	Quantity	Unit acquisition cost	Total acquisition cost
Motor vehicles, trailers:			
Truck, utility, ¼-ton	583	$2,410	$1,405,030
Do	22	2,614	57,508
Truck, ambulance	2	4,514	9,028
Truck, wrecker	1	21,350	21,350
Truck, cargo	4	6,512	26,048
Do	6	5,883	35,298
Do	3	6,901	20,705
Do	1	2,096	2,096
Truck, tractor	1	7,040	7,040
Truck, wrecker	1	10,733	10,733
Truck, tractor	1	13,832	13,832
Truck, dump	1	10,873	10,873
Truck, pickup	1	7,690	7,690
Do	1	1,600	1,600
Trailer, water	1	1,311	1,311
Do	37	1,278	47,268
Tractors: Tractor, full tracked	1	1,032	1,032
Vehicular equipment components: Axle, rear	1	21,874	21,874
Construction, mining, excavating, and highway maintenance equipment:	1	2,337	2,337
Crane, shovel	3	27,634	82,902
Do	2	22,733	45,466
Roller, road	1	10,116	10,116
Do	1	7,496	7,496
Grader, road	1	16,357	16,357
Do	1	14,534	14,534
Mixer, concrete	1	3,752	3,752
Distributor, water	2	17,118	34,236
Do	1	14,065	14,065
Materials-handling equipment:			
Truck, forklift	1	3,596	3,596
Tractor, warehouse	1	2,026	2,026
Do	1	1,884	1,884
Trailer, warehouse	2	334	668
Firefighting equipment: Trailer, firefighting	1	22,404	22,404
Communication equipment:			
Telephones, dial, 1,325 each	(1)	11,925	11,925
Telephones, dial, 1,050 each	(1)	9,450	9,450
Telephones, dial, 750 each	(1)	6,750	6,750
Telephones, dial, 3,580 each	(1)	32,220	32,220
Telephones, dial, 541 each	(1)	4,869	4,869
Teletypewriter	4	2,100	8,640
Paper, teleprint	(1)	673	673

See footnotes at end of table, p. 18.

SHIPMENTS TO VIETNAM—Continued

Description	Quantity	Unit acquisition cost	Total acquisition cost
Electric power and distribution equipment:			
Generator	1	$4,782	$4,782
Do	2	2,444	4,888
Do	1	5,432	5,432
Do	3	3,305	9,915
Do	1	4,000	4,000
Do	1	5,289	5,289
Do	1	5,463	5,463
Do	1	4,750	4,750
Do	1	2,400	2,400
Do	1	2,750	2,750
Do			
Miscellaneous equipment:	1	3,271	3,271
Ice cream plant	1	483	483
Chair, dental	(1)	15,294	15,294
Insecticide (DDT)	(1)	5,985	5,985
Paint	(1)	22,560	22,560
Mattresses (1,270)	[2] 24	16	384
Cups, paper, water			
Total			2,134,326

ORDERED BUT NOT YET SHIPPED

Motor vehicles, trailers:	369	$2,410	$889,290
Truck, utility, ¼ ton	1	2,614	2,614
Do	33	2,080	68,640
Do	1	3,000	3,000
Truck, travelette	26	1,600	41,600
Truck, pickup	1	6,512	6,512
Truck, cargo	1	6,901	6,901
Do	2	15,566	31,132
Do	1	17,206	17,206
Truck, tank	1	7,667	7,667
Truck, dump	2	7,360	14,720
Do	2	13,018	26,036
Trucker, wrecker	1	3,853	3,853
Do	1	3,889	3,889
Truck, tractor	3	10,920	32,760
Truck, tractor, 5-ton	1	23,215	23,215
Truck, wrecker	1	20,423	20,423
Do	1	4,428	4,428
Truck, tank	4	7,132	28,528
Truck, cargo	10	6,708	67,080
Do	7	7,132	49,924
Do	5	4,514	22,570
Truck, ambulance	1	3,200	3,200
Do	5	2,186	10,930
Truck, S. & P	4	2,186	8,744
Do	1	7,352	7,352
Do	1	2,096	2,096
Do	6	3,000	18,000
Do	1	1,255	1,255
Truck, pickup	3	1,311	3,933
Do	1	1,600	1,600
Do	2	2,382	4,764
Truck, 1 ton	2	2,079	4,158
Do	1	2,024	2,024
Do	1	10,222	10,222
Truck, van	1	2,512	2,512
Auto, station wagon	2	3,736	7,472
Bus, 29 passenger	1	3,830	3,830
Do	1	15,183	15,183
Bus, 36 passenger	1	3,736	3,736
Bus, 29 passenger	1	3,938	3,938
Do	1	3,259	3,259
Do	1	3,922	3,922
Do	1	3,758	3,758
Trailer, semi	1	15,545	15,545
Do	1	2,187	2,187
Trailer	1	4,860	4,860
Trailer, semi	1	5,063	5,063
Do	3	945	2,835
Trailer, water	1	1,278	1,278
Do	1	2,000	2,000
Trailer, office			

See footnotes at end of table, p. 18.

ORDERED BUT NOT YET SHIPPED—Continued

Description	Quantity	Unit acquisition cost	Total acquisition cost
Tractors:			
Tractor, wheeled, ind	1	$2,881	$2,881
Tractor, wheeled	1	9,258	9,258
Vehicle equipment components:			
Miscellaneous automotive parts	(1)	68,898	68,898
Miscellaneous automotive parts and tools	(1)	2,641	2,641
Do	(1)	87,058	87,058
Engines:			
Engine, gas	1	633	633
Do	1	90	90
Do	2	100	200
Do	2	58	116
Do	3	96	288
Do	2	79	158
Woodworking, metalworking and special industry machinery:			
Press, arbor	1	616	616
Drill press	1	142	142
Lathe, woodworking	1	475	475
Do	1	607	607
Lathe, planer	1	71	71
Drilling, machine	1	10	10
Bending, machine	1	44	44
Welder, electric	1	2,297	2,297
Do	1	2,519	2,519
Welder, arc	1	3,540	3,540
Construction, mining, excavating and highway maintenance equipment:			
Crane, shovel	2	22,733	45,466
Crane	1	7,285	7,285
Crane, shovel	1	31,512	31,512
Crane	4	17,433	69,732
Crane, shovel	1	27,634	27,634
Mixer, concrete	1	1,492	1,492
Do	1	3,752	3,752
Block, tackle, 4 ton	1	337	367
Materials handling equipment:			
Truck, forklift	1	3,451	3,451
Do	1	6,588	6,588
Do	1	2,589	2,589
Do	1	4,893	4,893
Do	1	4,673	4,673
Do	1	4,813	4,813
Tractor, warehouse	1	2,015	2,015
Do	1	2,481	2,481
Do	1	2,026	2,026
Do	1	2,698	2,698
Conveyor, roller	5	75	375
Do	38	45	1,710
Do	6	100	600
Conveyor	10	75	750
Conveyor, roller, 131 each	(1)	8,646	8,646
Trailer, platform	1	340	340
Do	1	1,920	1,920
Tractor, warehouse	7	3,727	26,089
Fire fighting equipment: Truck, firefighting	1	8,335	8,335
Communication equipment: Cable, telephone	(1)	13,870	13,870
Electric power and distribution equipment:			
Generator	1	5,197	5,197
Do	1	3,266	3,266
Do	1	6,647	6,647
Generator, 5 kilowatts	4	1,172	4,688
Generator, 15 kilowatts	1	2,444	2,444
Generator, 30 kilowatts	2	5,024	10,048
Do	2	2,493	4,986
Generator, 10 kilowatts	3	1,549	4,647
Generator, 30 kilowatts	2	4,680	9,360
Generator, 15 kilowatts	2	2,444	4,888
Generator, 10 kilowatts	22	1,549	34,078
Medical and dental equipment:			
Miscellaneous medical equipment	(1)	64,222	64,222
Rubber sheets	(1)	724	714
Maintenance and repair shop equipment:			
Shop equipment set	1	16,762	16,762
Shop equipment	(1)	1,029	1,029
Do	(1)	219,202	129,202

See footnotes at end of table, p. 18.

ORDERED BUT NOT YET SHIPPED—Continued

Description	Quantity	Unit acquisition cost	Total acquisition cost
Handtools, measuring tools, hardware, and abrasives:			
Miscellaneous tools	(1)	$1,098	$1,098
Do	(1)	45,998	45,998
Do	(1)	87,058	87,058
Miscellaneous tools, spare parts, and hardware	(1)	477	477
Miscellaneous tools	4	9	36
Calipers	4	4	16
Gage	1	80	80
Surface plate	1	4	4
Level	1	401	401
Machine, metal brake	(1)	1,764	1,764
Miscellaneous tools	2	114	228
Die thread cutting	(1)	15,561	15,561
Miscellaneous hardware and tools	(1)	15,757	15,757
Do	(1)	5,037	5,037
Miscellaneous equipment:			
Photographic equipment	150	7	1,050
Cot, folding	(1)	4,516	4,516
Miscellaneous, metal bars	39	12	468
Cot, metal	(1)	1,725	1,725
Bakery equipment	4	280	1,120
Sprayer	1	7,520	7,520
Boat, alum			
Total			2,492,390

[1] 1 lot.
[2] Cartons.

Mr. WATERS. The biggest part of FRELOC were jeeps. We earmarked the jeeps that were available to Vietnam.

Mr. COPENHAVER. After you have a program for rehabilitation of equipment, this is then shipped to various countries for your on-going programs. Do you have any problems with regard to spare parts thereafter for the maintenance of this equipment? How do you go about obtaining spare parts for this equipment?

Mr. WATERS. Spare parts has always been a problem, not only for excess property, but for all equipment provided in developing areas of the world. There is too little attention paid by people acquiring equipment in developing countries to this question of maintenance and part support.

So we are aware of and constantly are trying to tighten our regulations procedures, whether for new procurement or excess property which would require that parts are included in the original order.

We do have, however, people in the excess property regional offices who are under instructions to take parts support into account in approving transfer of equipment. We have special procedures in trying to encourage parts support. We notify the original manufacturer of the equipment when equipment is being introduced into a new area in the hope that they can establish parts support themselves.

We do require our missions in the field, and this is particularly true in the Latin American area. They have set up a special procedure asking for excess property to be used in a program to set aside as funds to buy new parts to support the equipment. So, we are constantly concerned with this parts problem in trying to keep the equipment from not being fully utilized because of lack of parts. Whenever we find that a line of equipment or a type of equipment or parts are not available from the original manufacturer, we just discontinue using that equipment.

Mr. COPENHAVER. Have you found a situation existing whereby the military will declare excess pieces of equipment, and yet have in their depots, perhaps, excess quantities of spare parts for the equipment which they have not declared excess? And if so, do you seek to get the military to declare that excess, also? Or what do you proceed on?

Mr. WATERS. We go after parts as well as equipment, and it all depends. If the military is excessing out a certain line, if the excess is a result of phasing out a certain line of a year's model, that sometimes happens, then, we have more success in getting the old parts as well.

If it is individual pieces of equipment because of condition, but they are still making parts support for that line of equipment, they have use for these parts, we either have to turn to the manufacturer for parts, or turn to cannibalization of other pieces of equipment for parts, or just try to buy parts supports in the open market.

Mr. COPENHAVER. Finally, in regard to a question that Mr. Romney explored with you, do you have—do you maintain any inventory list of property which you have acquired through the excess property program stored at marshaling sites or other locations where you store equipment having been repaired which would show how long you have had this in inventory? For example, perhaps a crane which you have had in inventory for a year or 2 or 3 years which was either picked up by a want list?

Mr. WATERS. Yes. The turnover is rather rapid. We do keep the individual cards on the equipment. I think we could provide you with the average time held and the turnover of these items.

Mr. COPENHAVER. If in going through these lists you were to discover that you had a crane, for example, which you had in inventory for 2 or 3 years and you decided you probably would not have a want list requested for that piece of equipment, what would you do with it?

Mr. WATERS. We would turn it back to the military. In other words, if we didn't have use for it, we would turn it back to the military. Then, it would be their determination, whether they declared it surplus or used it in some other activity. But we do—we would not hold this unduly.

In the first place, Mr. Woll is a pretty good businessman operating this program. Every time we hold equipment very long without having use for it, it ups our cost because we are paying for the space we rent for these marshaling sites. We want to keep the equipment moving. So, we find that when we have dead items that are not being moved, we have to write it off as a bad investment and turn it back to the military. This results in our being rather careful in our screening to make sure we have items we can use.

Mr. COPENHAVER. Has the military obtained any large amount of equipment from AID in the last year or two which they had formerly declared excess?

Mr. WATERS. They have required some back from us when they have discovered a particular need for something we had. I don't know the quantity of that. Mr. Woll could probably give us more information.

Mr. COPENHAVER. If you could supply it.

(Subsequently, AID provided the following information:)

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.

Then, you would have a real question in the mind of user as to whether to obtain used equipment in excess or whether to buy new equipment. So, we found in a practical way, 15 percent has worked out pretty well with our customers. And we have been able to do a good break-even job and pick up more of the administrative cost of the program.

Mrs. HECKLER. Do you have a special group of individuals who have a responsibility for setting these prices or overseeing them?

Mr. WATERS. We run this price worldwide at 15 percent. We do a very careful review and keep monthly reports of our financial transactions that we relate to revolved funds.

If we make a decision to change, it would be a decision probably worldwide. We do feel that the uniformity of price offering so that the person can look at the acquisition value of the equipment and know what he can get it for is better than trying to have an individual price for each item.

Mrs. HECKLER. Well then, does your list state the acquisition value?

Mr. WATERS. That is right.

Mrs. HECKLER. So, this is immediately obvious to any purchaser?

Mr. WATERS. Yes.

Mrs. HECKLER. I have just one final question, Mr. Chairman. Obviously from the statement, the advance acquisition program seems to be the whole strength of the physical integrity of your program.

Mr. WATERS. Yes. For example, this year, out of some $31 million property moved in this advance acquisition program, we in effect show a profit of about $71,000. Well, that is trimming it fairly close. But we feel that we are able to break even. We are not trying to make money on the program. We are trying to do the best job we can do in trying to hold it at a break-even point. There will be little dips and little gains. But we are constantly watching the program to see if we can give an effective job within a given price range.

Mrs. HECKLER. You have discussed a few of your onsite screening processes, the excess property utilization officers and so forth. But in relationship to Vietnam, you talk about a special priority or screening procedure. Tell us something about that.

Mr. WATERS. Before we submit the property we have picked up to other missions in the field, before it goes in a general catalog, there is the advance notice of this to Vietnam. They have 1 month to decide whether they want that equipment. They have first crack on any of this equipment. We felt in view of the Government's general priority for meeting our obligations in Vietnam, we thought this was a correct way to proceed with this. However, if they don't ask for it within a month, then, it becomes available to circulate to all of our other missions.

Mrs. HECKLER. This means that they get the list a month early?

Mr. WATERS. Yes.

Mrs. HECKLER. You talked about $14 million in 1967 for Vietnam. And you said in relation to another question this is mainly for jeeps. Fourteen million dollars worth of jeeps?

Mr. WOLL. $14 million is the total equipment, and a good part came from the Japan center. Out of France in closing out FRELOC was primarily jeeps.

Mrs. HECKLER. What about the rest?

Mr. WATERS. It is a pretty broad range of items. It is probably the broadest range of any one place to which we had programs: vocational training equipment, medical equipment, refugee equipment. It is a pretty broad range.

Mrs. HECKLER. Let me ask you this: Why couldn't you use other property than jeeps from FRELOC?

Mr. WATERS. We have used others. The majority that came out of there—probably because the jeeps weren't readily available in the past. When they saw the jeeps, they claimed the jeeps. They have a real need for jeeps.

Mrs. HECKLER. That is all.

Mr. MONOGAN. Is it now expected that there will be other substantial excess property generated in Europe?

Mr. WATERS. We think so. We have to follow military development.

Mr. MONAGAN. Even though it may have been moved from France to Germany without a declaration, there may still be other declarations of excess?

Mr. WATERS. And other changes are going on continually that do generate this.

Mr. MONAGAN. There has been an increase as you have indicated in both Europe and in Asia in the declaration of excess. I assume that this is due first of all to the movement in France; and then secondly to the military activity in Southeast Asia; is that right?

Mr. WATERS. That is right.

Mr. MONAGAN. So, in the first case, after a period of time, the volume would tend to go down, and in the latter we hope with the reduction of military activity?

Mr. WATERS. I feel, Mr. Chairman, on a continuing nature, we would probably have a higher portion of our program overseas than domestic because we are now geared to have it.

One factor that I am pleased about in this program is the feeling that we made good in our intentions we expressed earlier to this committee and other committees to try to develop a program that would not interfere with the domestic donable program. When we started this, most of it was called for to be out of the domestic programs in the United States. We have got this new machinery to work overseas. As you see, a great percentage of our program is now coming from overseas sources. That lessens the pressure on equipment coming out of the United States.

Mr. MONAGAN. Is it true, also, without going too greatly into detail, that most of the excess that is generated in Southeast Asia is used in that area?

Mr. WATERS. Yes, I think that is true. Occasionally a particular item shows up that is needed someplace else.

Mr. MONAGAN. And is it moved from South Vietnam to Japan, and then back to South Vietnam, for example?

Mr. WATERS. I am told that there are some instances. But I think it is rather small. I think in that case I would anticipate some day a rather substantial program in South Vietnam when and if peaceful conditions are restored in the country. But as of this time, it is making poor use of the equipment in the country. There is very little of it moved from there into Japan.

Mr. MONAGAN. Where does the Japanese center get its equipment?

Mr. WATERS. A lot of it is out of Japan and Korea, a lot out of Okinawa.

Mr. MONAGAN. With relation to sections 607 and 608, you have indicated, in response to questions by Mrs. Heckler and elsewhere, that section 608 gradually seems to be taking precedent. Is that, would you say, because section 607 is very difficult to administer; because the detailed job of following the property all over the world on the part of the mission that are perhaps more than one can expect the missions to do?

Mr. WATERS. I think that is true. If the mission has a great deal of experience with excess property, if it has good technicians and they know that a country has its own good shops, they may feel that they can claim equipment and supervise this repair.

Some of the unfortunate experiences earlier, however, in 607 were the result of eager beavers wanting to order a lot of equipment and not being able to put the equipment in an operable condition. So, it gave a black eye to the U.S. image. It didn't make an effective program. The tendency has been to turn to the 608 portion except where there has been a great deal of experience in a pretty sophisticated administrative machinery—a country further along on the road to development.

Mr. MONAGAN. We have had furnished before a table showing the utilization of excess property by AID, and starting in 1960, and I think that you might furnish us with a table bringing those statistics up to date.

Mr. WATERS. I would be happy to bring that up to date showing you the various types of programs.

Mr. MONAGAN. Actually, you have the figure in your statement. I think the details would be helpful.

(The document follows:)

UTILIZATION OF EXCESS PROPERTY

[Original acquisition cost in millions of dollars]

Fiscal year	Advance acquisition			Direct acquisition			Non-AID-financed			Total		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
1960				12.5	3.6	16.1	6.4		6.4	18.9	3.6	22.5
1961				9.8	11.5	21.3	37.8		37.8	47.6	11.5	59.1
1962				14.2	23.3	37.5	19.3		19.3	33.5	23.3	56.8
1963	.9	.1	1.0	10.6	14.6	25.2	7.5		7.5	19.0	14.7	33.7
1964	6.9	2.3	9.2	7.9	19.0	26.9	10.3	15.0	25.3	25.1	36.3	61.4
1965	8.9	9.9	18.8	6.6	10.1	16.7	1.5	.4	1.9	17.0	20.4	37.4
1966	15.7	19.3	35.0	1.7	21.3	23.0	1.3	2.5	3.8	18.7	43.1	61.8
1st half 1967	9.6	13.2	22.8	.2	9.0	9.2	.3	2.0	2.3	10.1	24.2	34.3
Grand total	42.0	44.8	86.8	63.5	112.4	175.9	84.4	19.9	104.3	189.9	177.1	367.0

Mr. MONAGAN. Do you have any further questions?

Mr. BARASH. Mr. Waters, this subcommittee is not only interested in how AID picks up excess property available as a result of FRELOC, but how other agencies do as well. I am curious to know, do you have competition from other Federal agencies having operations abroad on this property?

Mr. WATERS. We have had some. We have encouraged the State Department's administrative people to look at the potential that might come out: office equipment, desks, things of that kind. I don't know how effective they have been in finding what they have wanted, but we have offered our facilities, and they have used our offices in some of our locations to try to help locate what might be useful to them.

As to my knowledge so far, that is the only one that I directly ran into that is trying to claim excess overseas. We have been the channel of help as part of our program to work with the voluntary agencies of this country that are operating abroad—the registered American volunteer agencies operating overseas who are authorized under the act to participate in these programs.

It took a while to develop the procedures for them to do so, but from the overseas aspect of this, they are now participating in groups in the various services. And they are carrying on many of the programs that are really an effective supplement to government development activity at the village level ahead, and are making rather good use of this equipment themselves paying the cost of the 15 percent surcharge on the equipment.

Mr. BARASH. I believe you testified that most of the property that was picked up by AID as a result of FRELOC was screened in France; is that correct?

Mr. WATERS. Yes, this is correct.

Mr. BARASH. What percentage, if any, of the property screened in France was not shipped directly from France to your rehab sites?

Mr. WATERS. I think about 5 percent of it came from Germany after the move from France, and back to Germany or from other sites.

Mr. BARASH. But the 95 percent went directly?

Mr. WATERS. Of course we are continually maintaining this search for equipment for inspection in Germany.

Mr. BARASH. Once the property was selected by AID in France, how long did it take to get from France to the rehab site ordinarily?

Mr. WATERS. I am informed by Mr. Woll that it varied between 60 and 120 days for the movement.

Mr. BARASH. That is all.

Mr. ROMNEY. Mr. Waters, when property that you have acquired under the advance acquisition program appears dead, as you put it, and you have to dispose of it, would you classify this technically as being foreign excess property; that is, excess at that point to the needs of AID?

Mr. WATERS. If we had acquired it from a foreign base, yes.

Mr. ROMNEY. Are you familiar with the foreign affairs manual, volume 6, subchapter 233 which relates to the disposal of personal property abroad? This is part of the uniform State-AID-USIA regulations.

Mr. WATERS. Yes, I am fairly familiar with that.

Mr. ROMNEY. And of course the disposal of foreign excess property under this regulation. My question, then, is this: In the disposal of property acquired under the advance acquisition program because it is not needed, do you follow this uniform regulation, or is there some other procedure?

Mr. WATERS. I think Mr. Woll should answer this.

Mr. WOLL. Mr. Romney, we have a procedure of our own in this respect. Whenever we acquire property that we find we do not have a use for after a period of time, rather than dispose of it through our chan-

nels—in other words, sell it as surplus—we turn it back to the military. We feel that we could be criticized unduly for acquiring the property which eventually we don't have a use for and trying to make money on the sale of the property.

So, we turn it back to the military who in turn disposes of it, and they keep the funds, we do not.

Mr. WATERS. I might add, Mr. Romney, that the pattern of the State-AID-USIA regulation applies basically to our own generation. I don't think it was intended to cover construction equipment, but rather office equipment.

Mr. WOLL. I said that the military keeps the money. I don't know whether that is true or not. But AID does not get the money.

Mr. MONAGAN. Thank you very much, Mr. Waters and Mr. Woll.

Mr. WATERS. Thank you.

Mr. WOLL. Thank you.

Mr. MONAGAN. Our next witness is Mr. Jerome H. Stolarow, Assistant Director, Defense Division, U.S. General Accounting Office. We appreciate your coming and shall be happy to hear you.

STATEMENT OF JEROME H. STOLAROW, ASSISTANT DIRECTOR, DEFENSE DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY CHARLES W. KIRBY, ASSOCIATE DIRECTOR, DEFENSE DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. STOLAROW. I have with me, Mr. Chairman, Mr. Charles W. Kirby, Associate Director.

Mr. MONAGAN. Do you have a prepared statement which you would like to proceed with?

Mr. STOLAROW. Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the work that the General Accounting Office has recently completed in Europe, in connection with Operation FRELOC, as well as our plans for additional audit efforts in this area.

During the fall of 1966, it became evident to us that many of the committees and subcommittees of the Congress would be interested in the events occurring in Europe as a result of President De Gaulle's decision that all foreign military forces must leave France. In order to be able to provide interested members and committees with information regarding Operation FRELOC, we undertook a broad survey covering military supply matters, disposition of surplus material, disposition of real property and related personal property, and new construction requirements arising from the movement of supplies and personnel. The results of the survey are contained in our classified report, copies of which have been furnished to the committee.

The U.S. Government operated and maintained in France, a complex military establishment consisting of several major headquarters activities, depot complexes and Air Force bases. Utilization of French territory provided ports of entry for supplies arriving from the United States, storage areas for war reserve materiel and peacetime operating stocks, a pipeline for the main supply of bulk petroleum, oil, and lubricants, storage for petroleum war reserves, and an extensive communication system. France was strategically important because these facilities were somewhat removed from the geographi-

cal areas where an initial attack could be expected in the event of hostilities in Europe and, over the years, the United States invested about $565 million for physical facilities in France, exclusive of the amounts contributed through the NATO infrastructure program. At March 31, 1966, the Army and Air Force had about 660,000 short tons of mission stocks in France, as well as about 150,000 tons of post, camp, and station stocks such as desks, chairs, typewriters and similar items.

We were informally advised that, at the direction of the President of the United States, the military services were required to vacate most of the installations, and to move all of the operating stocks from France by April, 1967. Some activities in France are still open to support dependents who were permitted to remain until the end of the school years. As of March 31, 1967, about 6,000 tons of post, camp, and station stocks remained at these locations, and will be moved or otherwise disposed of during the next several months.

As you can realize, the movement of over 800,000 tons of material was a formidable task, and we believe the military services should be commended for the completion of the relocation by the April deadline. With respect to the real property, only a relatively small number of the installations have actually been turned over to the French Government or to the lessors at this time. A group, known as the Military Liquidation Section, has been established as an integral part of the American Embassy in Paris, to maintain control of the real property until the French Government assumes jurisdiction.

Also, the Military Liquidation Section has been given the responsibility for negotiating, with the French Government, the sales prices for installed equipment that the French have indicated they wish to have remain in place at certain locations. At those locations where the French have expressed no interest, the military services generally followed the policy of removing equipment for which there was a foreseeable need. Other equipment was either to be left in place or disposed of, whichever appeared to be the most economical course of action under the circumstances.

Because of the rapid movements of material during the several months preceding April 1, 1967, our audit efforts in the area of excess, surplus, and potential donable property were generally limited to obtaining available statistical data and some information on the procedures utilized by the services to screen excess property.

The procedures followed by the services generally called for screening of all excess personal property, both within the theater and by the national inventory control points in the United States. We do know that the military assistance and AID programs obtained supplies and equipment from the services during the move, but we have not yet evaluated the screening procedures to determine if all possible material was transferred to those programs, or to other military commands in other parts of the world.

The data that we were able to obtain prior to April 1, 1967, indicated that during the 12 months ended March 31, 1967, about 72,000 tons of Army excess mission stock was moved from France, and about 10,000 tons was disposed of in France. In addition, about 48,000 tons of Army post, camp, and station stocks were disposed of in France during the same period. Data on Air Force excesses and disposals were not readily available at the time of our survey.

We are currently engaged in a detailed review of the whole area of disposals, surplus property, and redistribution of assets resulting from Operation FRELOC. The objectives of our review are to (1) determine specific types and quantities of material disposed of, (2) determine where the disposals took place, and the recipients, and (3) evaluate the propriety of the disposal actions by reviewing the adequacy of screening procedures utilized to ascertain if other Government agencies had a need for the material. We hope to complete this review by August 31, and to have a report available sometime in September.

With respect to the question of the adequacy of AID's procedures for screening, transporting, rehabilitating and putting into program use excess property made available to it as a result of FRELOC, we do have some work underway in Europe touching on this matter. However, within the time available to prepare our testimony on this subject, we do not have sufficient information here in Washington to discuss the matter adequately.

Our work in this matter covers all excess personal property being generated in Europe and is not limited just to FRELOC. It deals with (1) transportation of property to and from marshaling sites at Antwerp, Belgium; Livorno, Italy; Rota, Spain; (2) AID's functions in contracting for rehabilitation of excess property; (3) the use by AID of this property whether as a supplement to their usual program or whether it is being used in lieu of procuring new equipment; and (4) the utilization of excess property by the recipient country.

In connection with the subject of excess and surplus material, we believe there is one matter that should be brought to your attention at this time; namely, the Army's policy of retaining certain stocks that are in excess of their operating and war reserve requirements. Under the provisions of Army regulations, oversea commanders are permitted to retain in their inventories quantities of stocks equal to an 18-month supply over and above all computed operating and war reserve requirements. This situation comes about when, for example, computed requirements of an overseas command for a particular item decrease below the quantity of stocks already on hand. Instead of the oversea command reporting this material back to the inventory control point in the United States for possible redistribution, the excess stocks, up to an 18-month supply, are classified as economic retention stock and remain under the control of the oversea command for possible future needs. As a result, the inventory control point in the United States may be procuring the same item to meet the urgent requirements of other Army commands, other services, or the military assistance programs.

On April 10, 1967, we issued a report to the Congress on the availability of selected stocks of the U.S. Army in Europe for requirements of other commands, wherein we stated that repair parts and electronic components which exceeded requirements in Europe were not redistributed to meet urgent needs in other areas because of weaknesses in the Army's inventory reporting procedures and practices.

In our report, we suggested that all existing stocks of items that exceed current operating and reserve requirements should be routinely reported to the appropriate national inventory control points so that the availability of such stocks could be considered in arriving at de-

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.

post, camp, and station stocks were disposed of. How were they disposed of, and under what regulations?

Mr. STOLAROW. As I have indicated in the statement, we haven't gotten very deeply into this; but I would venture to say that we do have a little information on some of the disposals. For example, certain items were disposed of in France by the use of invitation for bids, and we have a listing of some of these items.

Mr. MONAGAN. Well, it is conceivable, for example, that some of this might be used in the AID program, and I just wonder if you know, what the policy consideration was and what the regulation was that determined that this should be sold at public sale.

Mr. STOLAROW. No, I don't know offhand, sir. I would assume that the AID people did have an opportunity to obtain that property before it was sold. This is the normal procedure. When it is turned over to a property disposal office, the AID people do have an opportunity to screen it.

Mr. MONAGAN. Mr. Woll, do you know anything about this?

Mr. WOLL. I am sorry, sir, I wasn't paying too much attention to what was said. I was reading the opening statement.

Mr. MONAGAN. There were certain stocks that were disposed of in France, and I was trying to determine how the disposition was made, and whether or not AID had an opportunity to acquire the property before sale.

Mr. WOLL. If the property were excess to military needs, sir, I would say that AID had an opportunity before any final disposal action as far as sale was concerned to obtain this property.

Mr. MONAGAN. And other Federal agencies as well. So that although you don't know specifically, this apparently was an action that took place after the screening and offering the property to the Federal agencies?

Mr. STOLAROW. Yes.

Mr. MONAGAN. You speak about your work covering excess personal property being generated in Europe and not just limited to FRELOC. Would there be a substantial amount generated other than through FRELOC? And where would that be principally?

Mr. STOLAROW. Well, there is excess property being generated in the military services at any location where they do store material. This comes about through changes in requirements or changes in technology, whereby certain items become obsolete.

Mr. MONAGAN. This would be in Germany and in Spain?

Mr. STOLAROW. Yes. For Army stocks in Germany and at the air bases and naval bases throughout Europe.

Mr. MONAGAN. You refer to your work involving the utilization of excess property by the recipient country. Just what do you have in mind there, specifically?

Mr. STOLAROW. I would like to ask Mr. Berngartt who is from our International Division, which is responsible for this work, to answer that, if I might, please.

Mr. BERNGARTT. At present, we have people over in Europe who are going to the various recipient countries and checking on the equipment as to the condition that they found the equipment after it has been rehabilitated and ascertaining what use the recipient countries are making of the equipment.

Mr. MONAGAN. In other words, this is property that has been taken by AID and then turned over under the AID program to a recipient country?

Mr. BERNGARTT. That is right, sir.

Mr. MONAGAN. And it is limited to the AID program, or perhaps military assistance?

Mr. BERNGARTT. I am not aware of the work that we are doing under the military assistance program. I am aware that we are doing some under the AID program.

Mr. MONAGAN. Do you know of any specific examples that are being followed up and what country or countries would be involved?

Mr. BERNGARTT. I know they are doing some work in Turkey, for instance.

Mr. MONAGAN. Most of the property generated in Europe would be used in the Middle East, wouldn't it? Do you know that?

Mr. BERNGARTT. No.

Mr. MONAGAN. Mr. Woll?

Mr. WOLL. For the AID program, most of the property would be utilized in the Middle East and Africa.

Mr. MONAGAN. Mrs. Heckler, I know that you have some other demands on your time. Would you like to ask some questions, now?

Mrs. HECKLER. Well, Mr. Chairman, I would just like to say that I was impressed with the statement that this gentleman made. I think, Mr. Stolarow, that you have outlined some of the areas of inquiry that were on my mind. The fact that you have undertaken this procedure of review, in the sense stated, helps to define the problems that we all face in looking at this whole program.

I will await your response and your review. Apparently you feel that you have not had enough time to go into the Army inventory procedures.

Mr. STOLAROW. That is correct. In general, what was involved was a rapid movement on which most of the military people were involved with the prime purpose being to move the stocks and maintain control of them; that is, to move them out of France to other locations to comply with General De Gaulle's decision. And we didn't feel that we could get in the middle of this type of operation at that time. But now that the move is substantially over, we feel that we would like to go back and see what was done and how it was handled and call to the attention of the Department of Defense and the Congress any area that we think needs improvement.

Mr. MONAGAN. Well, there isn't much we can do about it now as far as improving it, I guess?

Mr. STOLAROW. Except we may run into similar situations in the future.

Mrs. HECKLER. Have you had problems with this before? You intimate that in this report.

Mr. STOLAROW. Yes. Inventory controls have been a continuing problem throughout the Department of Defense for a long time. And of course when you move large amounts of stock, this compounds your problem in determining where it is and what the condition of it is, and we wanted to take a look at this right away so that if there were certain areas that could be corrected immediately, we could call them to the attention of the military services.

Mrs. HECKLER. I have no further questions.

Mr. BARASH. Mr. Stolarow, within the limitations of security, can you discuss where some of this property is being stored and under what conditions?

Mr. STOLAROW. The bulk of the property is being stored in Germany, and some in the United Kingdom. Because of the shortages of adequate storage space at the present time, some storage is outdoors. And of course some of the material that is outdoors should probably be under a roof. The Army does have plans for construction of storage space, and they are going ahead with this.

Mr. BARASH. Is it possible for you to estimate at this time how long it may be before the items standing outside that should be under cover, will be under cover?

Mr. STOLAROW. No, I wouldn't be able to estimate that.

Mr. BARASH. That is all, Mr. Chairman.

Mr. MONAGAN. And is it fair to say that the great majority of these items that have been declared excess, or have been moved, would normally have continued to be used in the regular military program?

Mr. STOLAROW. To a certain extent, yes, sir. The services did readjust their stockage objectives within certain limitations, realizing that they would be short of storage space in Germany. They did reduce some stockage objectives and declared some items excess which they normally would have done had not Operation FRELOC been enforced upon them.

Mr. MONAGAN. There was both a move from France of equipment, and also a movement from France as I recall 18,000 personnel, plus dependents, totaling about 39,000. I don't suppose that you have any distinction between the availability of stocks due to the one item as against the other?

Mr. STOLAROW. I am not sure I follow your question.

Mr. MONAGAN. Well, we had to move. We were faced with the necessity of moving equipment out. We also had a reduction in force; presumably in both instances there was some property that was declared excess?

Mr. STOLAROW. I think that the reduction in force in Europe as a result of FRELOC was relatively minor.

Mr. MONAGAN. It was 18,000 according to Secretary McNamara.

Mr. KIRBY. Were these foreign nationals?

Mr. MONAGAN. No, these are personnel that were brought back to the United States with their dependents as a result of the move from France.

Mr. STOLAROW. Some were brought back. Some were transferred to Germany or the United Kingdom or other locations in Europe. In general, we did not have any tactical military forces in France outside of Air Force squadrons.

Mr. MONAGAN. But at any rate, it is impossible to distinguish between those two elements insofar as you are concerned?

Mr. STOLAROW. That is correct.

Mr. MONAGAN. Mr. Copenhaver?

Mr. COPENHAVER. You indicated in your statement that the military in declaring property excess screened it probably at the ICP point within the European command and then back to the NICP points in the United States. Did you find that the property which was declared excess in Germany in order to make room to bring in property from

France was also screened through the same process, put through the ICP point in Europe and then the NICP points in CONUS?

Mr. STOLAROW. We haven't gotten into detail on that, but I believe the procedures required a central screening within Europe of excesses, whether they were located in Germany or in France through the headquarters of the communication zone. They did have an inventory control point in France. They are responsible for theater stock control. So no matter where it was, whether it was in France or in Germany, it should have been screened at a central point for the requirements in Europe.

Mr. COPENHAVER. You may recall my questions of Mr. Waters, and I wonder whether you have formulated any opinion as to whether the military now has available skilled screening officers who actually are assigned to go and screen property declared excess?

Mr. STOLAROW. I have not come into contact with any individuals or any procedures of that type. My knowledge of the screening procedures is that it is pretty much on the basis of documentation. In other words, they have inventory records which would indicate the type of item and the condition it is in. And periodically as requirements are recomputed, it becomes evident that certain quantities of stocks are excess to their needs. These are then reported through standard procedures for screening within the Department of Defense and then to other Government agencies.

I am not familiar with any procedures whereby the military actually sends people out to look at property for screening purposes as you have discussed.

Mr. COPENHAVER. Does GAO intend to look into this facet of the matter when you perform your other surveys?

Mr. STOLAROW. As to whether the——

Mr. COPENHAVER. The actual procedures used by DOD.

Mr. STOLAROW. Yes; we are.

Mr. COPENHAVER. The reason why I asked this is because as you know they have on-the-spot screening officers trained. From information in past hearings it has been brought out that perhaps the military does not have the same skilled officers who can make on-the-site inspections.

Mr. STOLAROW. I might say that there are people in depots that are continually reviewing the condition of the equipment that is in those depots, not particularly for the purpose of screening it for excess.

Mr. MONAGAN. Wouldn't it be true that you are really talking about two different functions?

Mr. STOLAROW. Yes, sir.

Mr. MONAGAN. Defense is going to determine whether it is excess or not, and then that is their function. Then AID would have their function of deciding what is suitable from this excess.

Mr. COPENHAVER. My point was this: Let's say that the Army command in Europe declared the property excess. Well, if other Army commands may have another need for it or the Air Force or Navy, the question is: Do they have officers available to screen for their purposes?

Mr. STOLAROW. The information is circulated to the other commands and to other services which would indicate the condition of the equipment which is determined by inspectors in the warehouse.

Mr. COPENHAVER. Of this property which was generated excess under Operation FRELOC did any of that become available to the property program back in CONUS?

Mr. STOLAROW. I don't know.

Mr. COPENHAVER. You mentioned in your report that you planned to look into the operations of the Military Liquidation Service and their negotiating procedures. Does GAO have any plans to look into negotiations with regard to the residual value of installations which the French do not have any intention of acquiring in a usable form?

Mr. KIRBY. Yes. You mean once it is turned over to the State Department for negotiations?

Mr. COPENHAVER. When property is declared excess by the military, does the military assistance program get first crack at that property prior to AID?

Mr. STOLAROW. Yes.

Mr. COPENHAVER. Do you intend to examine into that phase of the program to see whether the property acquired through the Military Assistance program is such that they actually need or require it? Do you follow my way of thinking?

Mr. STOLAROW. Yes. That would be covered in our review; yes, sir.

Mr. COPENHAVER. With regard to your classified report, you mentioned that this is—this is an unclassified page that I am reading from. You indicate that with regard to material moved out of France that there was returned to the United States 7,000 tons for MAP. I am curious what type of property would be returned to the United States for the MAP program.

Mr. STOLAROW. I am not certain at this time. We do not have any details on this matter at this time. This is one of the things that we are looking into in our continuing review and that is what type of material was moved and who got it.

Mr. COPENHAVER. Finally Mr. Chairman, after property is screened by the Military in Europe, and has been declared excess, it is screened by NICP's in CONUS. I imagine that this goes to Battle Creek, Mich.?

Mr. STOLAROW. It would first go to the National Inventory Control Point which is responsible for the management of that particular item. It would first be determined if the Army had a need for it. If it was then determined to be excess to the Army's needs, the information would be forwarded to Battle Creek where it would then be circulated to other Government agencies—first, within the Department of Defense, and then through other Government agencies.

Mr. COPENHAVER. I understand.

Mr. STOLAROW. I might say that the inventory control points throughout the United States which have worldwide management responsibilities periodically do submit requirements to Battle Creek. These would not come from the overseas command directly to Battle Creek, but from the Inventory Control Point here in the United States. Then, Battle Creek would match this against available assets and try to effect transfer.

Mr. COPENHAVER. Perhaps a further study along these lines——

Mr. STOLAROW. We have a review currently underway. It has been underway for sometime, looking into the adequacies of the procedures being utilized in this matching process.

Mr. COPENHAVER. And that would be directed particularly to FRELOC, will it not, as well as others?

Mr. STOLAROW. No. This is an overall-type review.

Mr. COPENHAVER. Is there anyway whereby you could single out the property declared excess through FRELOC?

Mr. STOLAROW. I don't know at this time whether it would be feasible to pick out those particular items that were forwarded from Europe during the FRELOC period for examination.

Mr. MONAGAN. Why don't you check it and let us know and we can put it into the record one way or another.

Mr. STOLAROW. Yes.

(The following information was subsequently received from the GAO:)

Our inquiry at the Defense Logistics Services Center, Battle Creek, Mich., shows that the Center (1) does not have information readily available showing the disposition of excess in that FRELOC transactions and other transactions are commingled, and (2) plans to have information concerning FRELOC transactions by the latter part of June 1967.

Mr. MONAGAN. Mr. Stolarow, in addition to the 18,000 personnel I mentioned before, it has been announced that there will be 35,000 more taken out of NATO. Do you know enough about the situation to know whether that presages the generation of a substantial amount of excess?

Mr. STOLAROW. No, sir. But that is one of the points we hope to cover in one of our reviews which will start this summer.

Mr. MONAGAN. Now, we will put into the record if there is no objection these two tables that are unclassified that you have already furnished us showing the material moved from France and the material transferred to property disposal activity.

(The information follows:)

PROPERTY DISPOSAL OFFICE ACTION BY ARMY AND AIR FORCE IN FRANCE DURING FRELOC

The Army maintained four Property Disposal Offices (PDO) in France where significant quantities of materiel and post, camp, and station materiel were disposed of by sales as useable equipment or as scrap. In addition, significant quantities of MAP excess property were disposed of by sales of this property in place at French military installations. Since the Army is the executive agent for property disposal in France and conducts all property disposal sales in France, the Air Force after screening for redistribution either reported excesses generated at bases in France to the Army's Foreign Excess Sales Office in Paris or transferred the excesses to its Redistribution and Marketing Center at Mainz-Kastel in Germany. We were informed by both USAREUR and USAFE personnel there has been no significant increase in PDO activities in France as a result of FRELOC. The following tabulation lists PDO materiel receipts in France for fiscal year 1966, and the receipts during the FRELOC period commencing on April 1, 1966 through January 31, 1967.

MATERIEL TRANSFERRED TO PROPERTY DISPOSAL ACTIVITIES

[In thousands]

	Returned by MAP	Army	Air Force	Total
Fiscal year 1966	$219,000	$31,400	$18,300	$268,700
4th quarter, fiscal year 1966	80,600	8,300	5,600	94,500
1st quarter, fiscal year 1967	18,200	5,200	8,300	31,700
2d quarter, fiscal year 1967	36,800	8,300	4,100	49,200
January 1967	7,900	1,900	(1)	9,800
Total, Apr. 1, 1966, to Jan. 31, 1967	143,500	23,700	18,000	185,200

[1] Not available at date of preparation of this report.

The following schedule summarizes Army redistribution and transfers to other federal agencies, primarily AID, from PDO activities in France during the FRELOC period:

ARMY REDISTRIBUTION OF PDO RECEIPTS IN FRANCE

[In thousands]

	Total receipts	Redistribution within DOD	To other Federal agencies	Total redistribution
Fiscal year 1965	$234,500	(1)	(1)	(1)
Fiscal year 1966	250,400	$1,640	$6,300	$7,940
4th quarter, fiscal year 1966	88,900	600	770	1,370
1st quarter, fiscal year 1967	23,400	500	5,320	5,820
2d quarter, fiscal year 1967	45,100	390	13,680	14,070
January 1967	9,800	90	1,310	1,400
Total	167,200	1,580	21,080	22,660

[1] Not available.

Air Force data on redistribution of excess is available only in total for all bases in Europe including France. Transfers to AID, however, are identified by the country of origin. This information for the FRELOC period is summarized as follows:

AIR FORCE TRANSFERS TO AID

[In thousands]

	From France	Air Force total
Fiscal year 1965	$70	$2,300
Fiscal year 1966	660	4,770
4th quarter, fiscal year 1966	70	950
1st quarter, fiscal year 1967	350	2,290
2d quarter, fiscal year 1967	540	5,590
Total FRELOC available (since Mar. 31, 1966)	960	8,830

Mr. MONAGAN. I would just like to conclude by asking you if you would explain just what this Army policy is that you speak about that led to the retention of excessive stocks? In other words, they have their current and war requirements, and then they have an additional reserve. Apparently this is a sort of supplemental reserve, is that it?

Mr. STOLAROW. In essence, the way we look at it is that it is excess material. It is over and above any authorized stockage objectives within the theater. It is material that exceeds their current operating stock levels; that is, stock levels they maintain for day-to-day operations, plus their war reserve requirements. And as I indicated in the statement, periodically, requirements do change. The need for a certain type of repair part would drop, say, because the end items have been transferred to another command or another theater. The stock on hand then exceeds the computed requirements. Under Army regulations, the overseas commander does have an option of retaining that in his inventory.

Mr. MONAGAN. Is there any limitation on that option?

Mr. STOLAROW. The Army regulations say that he can retain up to an 18-month supply.

I might say that we have recently been advised by the Department of Defense that some attempts are going to be made within the next

year to get reporting data back from the overseas commands to the Inventory Control Point so that they will have more information.

Mr. MONAGAN. Do you have any more questions?

Thank you very much.

We will recess until May 22 at 10:30 a.m. in this room.

(Whereupon, at 12 p.m., the committee was adjourned, to reconvene at 10:30 a.m., May 22, 1967.)

CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

MONDAY, MAY 22, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The special subcommittee met, pursuant to adjournment, at 10:30 a.m., in room 2203, Rayburn House Office Building, Hon. John S. Monagan (chairman of the subcommittee) presiding.

Present: Representatives John S. Monagan and Margaret M. Heckler.

Professional staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant; and William Copenhaver, minority staff.

Mr. MONAGAN. The hearing will come to order. As I understand now, Mr. Zaretzky, who is the Director of Supply Management Policy, Office of the Assistant Secretary of Defense for Installations and Logistics, will offer the testimony and then the other gentlemen who are here will be available for questioning. Is that right?

Mr. ZARETZKY. Yes, sir.

Mr. MONAGAN. You have a statement, Mr. Zaretzky. You may proceed.

STATEMENT OF HYMAN S. ZARETZKY, DIRECTOR, SUPPLY MANAGEMENT POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS), ACCOMPANIED BY JOSEPH M. HEISER, BRIGADIER GENERAL, U.S. ARMY, ASSISTANT DEPUTY CHIEF OF STAFF FOR LOGISTICS (MATERIEL READINESS), DEPARTMENT OF THE ARMY; CHARLES C. CASE, BRIGADIER GENERAL, U.S. ARMY, CHIEF, SUPPLY AND MAINTENANCE AGENCY, U.S. ARMY EUROPEAN COMMAND; JOHN J. KIELY, JR., COLONEL, U.S. ARMY, COMMUNICATIONS ZONE, U.S. ARMY, EUROPE; FREDERICK S. WYLE, DEPUTY ASD (PLANNING AND NORTH ATLANTIC AFFAIRS) (ISA); JOHN M. MULLEN, OASD (ISA); GLENN E. BLITGEN, OASD (ISA); LESTER T. DAVID, COLONEL, U.S. AIR FORCE, OASD (I. & L.); AND WILLIAM W. CAVE, OFFICE OF THE CHIEF OF SUPPORT SERVICES, DEPARTMENT OF THE ARMY

Mr. ZARETZKY. May I introduce my colleagues? On my right is Gen. Joseph M. Heiser, who is here in Washington, as Assistant Dep-

uty Chief of Staff for Logistics in the Department of the Army; General Case is the Chief of the Supply and Maintenance Agency in Europe; and Colonel Kiely is from what we call COMZ, or the Communications Zone in Europe.

Mr. MONAGAN. May I ask in each case you explain just a bit more what their functions or responsibilities are? Maybe each of them can briefly put that in the record.

General HEISER. Yes, sir. I appreciate the opportunity. I am Assistant Deputy Chief of Staff for Logistics, covering materiel readiness. Included in materiel readiness are the Directorates of Supply and of Maintenance. It is our responsibility to supervise policy and procedure at the Department of the Army level, covering functions involved in supply and maintenance, which includes responsibilities pertaining to property disposal.

Mr. MONAGAN. Thank you. General Case?

General CASE. I am the Chief of the Supply and Maintenance Agency of COMZ in Europe. I act in a dual capacity. I act as principal staff officer to the commanding general of the Communications Zone for the wholesale supply and maintenance functions in support of the Army in Europe; and I operate the Supply and Maintenance Agency, which is the operating agency through which all the depots and maintenance shops in Europe are controlled, which procures all the materiel needed in support of the Army in Europe and maintains it and which has the mission, in addition, of procuring subsistence offshore for the forces in Europe.

Mr. MONAGAN. Thank you.

Colonel KIELY. Until April 1, I was Chief of Installations and Services Division in COMZ Headquarters. As such, I was responsible for their retail supply support, the support facilities for both the military and their dependents, and for such things as the construction program and property disposal activities as they occurred in France.

Since April 1 I remained behind with the group that was continuing the closeout of the U.S. Army in France and I am now with that group as the Installations and Services Division Chief.

Mr. MONAGAN. Do you have concern with any new construction that may be required elsewhere as a result of the move from France?

Colonel KIELY. Only in the beginning, sir. I do not have any now. It has moved with the headquarters, and there is a new organization formed there to take care of that.

Mr. MONAGAN. Would that be under General Heiser?

General HEISER. May I address this, sir? Actually, we did not come with a specific DA representative on construction.

Mr. MONAGAN. I do not know that we are particularly interested in it, but merely for informational purposes.

General HEISER. All right, sir. I can address the overall function of construction which is involved.

Mr. MONAGAN. Fine; thank you.

Mr. ZARETZKY. Mr. Chairman and members of the committee, thank you for the opportunity to review with you the disposition of Department of Defense supplies and equipment necessitated by the closing of U.S. facilities in France.

The committee chairman's letter to Secretary McNamara, dated May 11, 1967, requested that we respond to a number of questions related to this move. In the course of this statement, I will address questions posed in that letter.

For all practical purposes, the relocation of materiel held in France has been completed. Of the 813,000 tons on hand on April 1, 1966, all but 6,000 tons have been consumed or removed. The materiel still in France is required for support of U.S. personnel and their dependents remaining in France until the end of the current school year.

Because we wished to ease personal hardships as much as possible, arrangements were made for 6,000 U.S. personnel, a large number of them either students, teachers, or administrators at dependent schools, to remain in France, with the approval of that Government, until the end of June. This total includes a small number of U.S. personnel required to remain in France for longer periods in order to complete property disposal actions and perform certain needed tasks in connection with SHAPE activities.

Disposition of materiel: Discounting the 6,000 tons of property just mentioned, FRELOC involved the relocation of approximately 807,000 tons. The preponderance, 722,297 tons, was held by the Army. The Air Force had 84,279 tons and Navy only 196 tons.

Mr. ZARETZKY. Yes. The Navy materiel, which consisted of housekeeping type items, was located near Marseilles and shipped to Gaeta, Italy, home of the 6th Fleet.

The combined tonnage of the Army and Air Force have been treated as follows: 388,294 tons were moved to Germany; 146,518 tons were moved to United Kingdom; 86,000 tons have been returned to the United States as excess to theater requirements; 9,753 tons were moved to Italy; and 6,528 tons were moved to Benelux.

These relocation actions account for 637,093 tons of the 807,000 tons in France on April 1, 1966. In addition to these bulk moves, approximately 100,000 tons of property were consumed through attrition during the FRELOC period. These 100,000 tons of property were applied to requisitions generated by the U.S. force elements in Germany as well as the forces still in France. I will speak further to this point in a moment.

It can be determined from the foregoing, and I think this is a key point, that slightly less than 70,000 tons of property, or 8.5 percent, held in France became available for reutilization purposes or ultimate disposal action.

Attached to my statement for inclusion in the record are detailed tabulations showing the disposition of Army and Air Force materiel.

Mr. MONAGAN. That may be made a part of the record at this point.

(The tabulations referred to follow:)

MATERIEL RELOCATED, MAR. 31, 1967

U.S. ARMY

	Vital stocks		MAP		Excesses		Post, camp and station property	Nonappropriated property and supply	Miscellaneous	Total
	General supply	Ammunition	General supply	Ammunition	General supply	Ammunition				
United Kingdom	52,763	60,169					2,676	21		115,629
Federal Republic of Germany	215,497	61,422			106		70,139	142	9,377	356,683
Italy	5,403	128	1,200				1,314			8,045
Benelux	3,296						962	10	2	4,270
Conus				7,000	27,894	44,548	232			79,674
Attrition, disposal, other	78,188	22,413			7,990	1,597	43,083	90	4,585	157,996
Total	355,145	144,182	1,200	7,000	35,990	46,145	118,406	263	13,964	722,297

U.S. AIR FORCE

	Vital stocks		Post, camp and station property	Nonappropriated property and supply	Miscellaneous	Total
	General supply	Ammunition				
United Kingdom	24,258.0	3,993.4	2,347.2	155.7	134.7	30,889.0
Federal Republic of Germany	21,186.2	3,824.6	4,859.6	325.0	1,416.4	31,611.8
Italy	1,204.4	253.6	190.8	46.7	12.4	1,707.9
Benelux	1,756.7	6.0	262.7	1.4	231.7	2,258.5
Conus	5,901.6	655.1	32.8	105.2	79.1	6,773.8
Attrition, disposal, other	5,713.6	655.7	667.8	183.5	818.3	11,038.9
Total	63,020.5	9,388.4	8,360.9	817.5	2,692.6	84,279.9

DETERMINATION OF FOREIGN EXCESS

Mr. ZARETZKY. All items were reviewed in the theater against firm retention rules (to be discussed in greater detail later), and those not required in Europe were reviewed by the Inventory Control Points in the United States on an expedited basis for determination of worldwide Department of Defense requirements, which include requirements for the military assistance programs. Any items excess to DOD worldwide requirements were released for disposal action promptly.

FRELOC ACTIONS

Four major actions in particular helped us avoid a storage crisis. One of these was completely fortuitous; the other three were carefully planned and executed.

For over a year prior to the De Gaulle announcement, stocks in France had been gradually declining for operational reasons having no relationship to the political situation. If the De Gaulle decision had come a year earlier, the relocation requirement would have been much higher than that which confronted us on April 1, 1966.

The second was not accidental. Beginning immediately after the De Gaulle announcement, the computer at the Army Supply and Maintenance Agency located at the Headquarters Communications Zone, which we call COMZ, was reprogramed to alter the sequence of its

search for assets to satisfy daily requisitions. Instead of searching for stock in the depots in Germany closest to the requisitioner, the computer was directed to search first in outlying depots in France, second in the large rollup depots of Ingrandes and Nancy, and finally at depots in the Federal Republic of Germany. This action, which succeeded far beyond our expectation, illustrates how a policy of management, once determined, can be executed routinely, effortlessly, and unfailingly by means of electronic computers. Instead of drawing down depot stocks in France by a predicted 14,000 tons, through issues against customer requisitions, we actually rid ourselves of nearly 100,000 tons in this fashion. In addition, we permitted the depots in Germany a respite from the drudgery of daily issues so they could concentrate their energies and manpower on receiving interdepot shipments from France. The many shipping depots in France, on the other hand, did almost no receiving of new material and thus were able to cope with customer requisitions as well as interdepot transfers. Thus, double handling was avoided, and congestion in German depots minimized.

The third measure that permitted the Army to execute FRELOC without a storage space crisis was the magnificent program executed by the depots in Germany to improve space utilization. Promptly after announcement by the French, the depots at Nahbollenbach, Miesau, Pirmasens, Einsiedlerhof and Kaiserslautern began rewarehousing operations designed to make space. Greater vertical utilization, improvisation of sheds, elimination of honeycombing, relocation of nonstorage activities from warehouses, and greater use of outside space were the principal devices used.

The fourth action, reduction of retention levels in Europe, increased the tonnage of materiel available for return to the United States, if required. Prior to FRELOC, the Army in Europe was authorized to retain up to 18 months worth of supplies of secondary items, in addition to peacetime stockage objectives and mobilization reserves. The reason for permitting retention stocks is, of course, to preclude paying cross-haul fees for items which are not required currently but will likely be needed in their current location in the reasonably near future.

As a result of FRELOC, theater retention criteria were reduced to 6 months, to promote the return of some items and thereby increase available storage space in Germany.

DISPOSAL CONTROL

One threat in the FRELOC operation was that, in meeting a short relocation deadline date, a large volume of U.S.-owned property would be dumped in property disposal yards, with only small financial return to the U.S. Treasury. The Army was determined to minimize this loss of assets. A computer-assisted program was designed to rescreen stocks before declaring them as surplus. This program included 14 specific checks to insure that property which could be used beneficially by the United States was not sent to the surplus yards. High-dollar-value items were isolated for manual review by commodity managers. In addition to these precautions, depot commanders were enjoined to personally scrutinize disposal yards to recover items, the disposal of which appeared to satisfy technical criteria but not the demands of commonsense. A small percentage, but nevertheless a significant quantity, of valuable property was restored

to supply inventories through this approach. Finally, roving teams of practiced supply experts were dispatched to visit all disposal yards on a biweekly basis, with a license to question any disposal action that appeared not to meet the test of commonsense. They recovered over $600,000 worth of property that had survived all previous precautions.

SURPLUS SALES

Of the total supplies remaining after beneficial transfer or use by the Department of Defense, approximately 69,000 tons were available for utilization by other Federal agencies or disposal. A major portion of this tonnage was in unique military materiel such as ammunition, combat-type equipment, combat vehicles and supporting spares. Less than one-half of the 69,000 tons was made up of property of possible utilization by other agencies or programs. This materiel was listed and offered for utilization screening. All items desired were shipped, and the balance reported to the Foreign Excess Sales Office for sale.

Army and Air Force surplus property sold in France during this period should not be identified exclusively as FRELOC generated, since generation of surplus is an ongoing routine. However, the total acquisition value of surplus materiel sold in France in fiscal year 1966 amounted to $29,892,609. And in the first half of fiscal year 1967 the acquisition value of property sold was $15.5 million. Usable surplus personal property generated after January 1967 was shipped to Germany in order to assure adequate time for effective disposal action.

MILITARY LIQUIDATION SECTION

The Military Liquidation Section was established on January 27, 1967, under the American Embassy in France. The accountability of Air Force and Army property remaining in France after April 1 has been transferred to the MLS for appropriate action. The Military Liquidation Section is responsible for sale of this materiel, in addition to the related personal property still at bases not yet transferred to the French Government. The remaining personal property is not required by the Department of Defense.

We now estimate that the annual budgetary savings as a result of the relocation primarily to bases in Germany and the United Kingdom will be at least $50 million to $60 million. Importantly, the annual foreign exchange savings will be between $110 million and $120 million.

These major economies would mean little if the relocation had significantly decreased our combat readiness. But this is not the case. Combat effectiveness in fulfillment of NATO commitments has been maintained. In some instances, such as changes in the logistics net and in warehousing of military equipment and supplies, there will be significant modernization gains. Headquarters organizations have been streamlined.

In April 1966 there were in France 32,000 U.S. military personnel and civilian employees, their 38,000 dependents, and 15,000 foreign nationals employed by the Department of Defense—a total of 85,000 personnel.

The relocation has permitted us to save 16,000 military personnel billets in France and 2,000 more in Germany. Accompanying dependents account for 19,000 additional people returning to the United

States from France and 2,000 family members returning from Germany—a total reduction of 39,000 in the number of U.S. personnel in Europe. Further, in contrast to the 15,000 foreign nationals employed by the U.S. Armed Forces in France, only 4,000 will be hired in other countries to replace them. The reduction of personnel associated with U.S. military operations in Europe will therefore total approximately 50,000.

In closing, I should like to say that, for all practical purposes, the relocation has been completed. Its accomplishment is a great credit to our military officers and men, and our civilian employees. The task is done, and it has been done expeditiously and efficiently.

Thank you.

Mr. MONAGAN. Thank you very much, Mr. Zaretzky. Mr. Romney?

Mr. ROMNEY. Thank you, Mr. Chairman.

I refer to the tables at the back of your statement, Mr. Zaretzky, the table of U.S. Air Force and U.S. Army materiel relocated, under the heading "Attrition, Disposal, Other" for the Air Force and the same heading for the Army Materiel Command. You have grouped the stocks together. What information have you or can you supply as to the type of items disposed of and the items specifically transferred to AID or MAP?

Mr. ZARETZKY. I might try to answer this in a general way and then possibly one of my colleagues here could be more specific on an item basis.

If we look at the Army chart and our total under "Attrition, disposal, other," we total 157,000 tons. This is the area where the 100,000 tons that I referred to in my statement was attrited by actual usage. Therefore, the remainder is what we consider in the disposal and "other" area .

Colonel KIELY. The part that I can address directly is the "Post, camp and station" property. In the Army, you see, it shows 43,083 tons under "Attrition, disposal, and other." Part of this property was turned over to units as part of their post, camp, and station support, and it, in turn, went with them to their new locations.

Of the total amount that we were disposing of through property disposal channels, this amounted to around 35,000 tons. The types of items were just about every type of item that we may have been using in Europe which, by condition or otherwise, was no longer worth the transportation to Germany or some other place. This would include desks, chairs, tools, and equipment; it would include messhall property, recreational type property. A big bulk of this was engineering supplies. It would include such things as sand and gravel, such things as railroad track, and buildings that were not worth taking down and reerecting somewhere else which we would process through property disposal channels.

In terms of what we gave to AID, through their total acquisitions they picked up some commercial vehicles that might once have been used in our motor pools. Vehicle parts that were declared excess when they were processed through the Supply and Maintenance Agency; engineer equipment; such things as compressors, generators, cranes, tractors, asphalt plants, and the like. They picked up medical equipment such as X-ray machines, dental chairs, and things of this sort. They picked up kitchen equipment, clothing, and tools of all types. This, generally, is the kind of items that we are talking about.

Mr. MONAGAN. Is there an indication of what amount went to AID out of the Army total of 157,996 tons? Do you have that information?

Colonel KIELY. I can give it to you directly, sir, by tonnage. I do have some figures in terms of FRELOC and the acquisition value, which is the way we account for property in PDO. During the period of August through the end of March we gave a total of $12 million in acquisition cost to the AID.

Mr. ROMNEY. Could you comment on the general condition of most of this equipment that was disposed of, Colonel?

Colonel KIELY. During the FRELOC operation we went to extensive pains to make certain that the least would get into property disposal operations. We circulated to the Navy, to the Air Force, and to the State Department so they had an opportunity to examine the property before it was put into property disposal sales through our Foreign Excess Sales Office. The State Department, for instance, appointed a respresentative who practically lived with us over a period of about 5 months. He would take the demands that would come through Embassy channels or State Department channels throughout Europe, the Middle East and Africa, and would then screen the lists that were going into property disposal and make their claims for them. AID was quite active in working directly with us. So as a result, we did not get this big flow into property disposal.

Mr. ROMNEY. Colonel, you are speaking for the Army, of course.

Mr. MONAGAN. Excuse me. I am not exactly clear what you mean by that. Do you mean because AID picked up this property that you were not compelled to sell it? Is that it?

Colonel KIELY. Yes, sir. It reduced our inventory. This leads to the second part—and I am sorry about this—that most of the things that were put into PDO were in very poor condition and a big percentage of it was reduced to scrap and sold through scrap sales.

Mr. MONAGAN. But, of course, it was disposed of, what went to AID. But you were thinking of disposal in a particular sense when you made that statement, I take it.

Colonel KIELY. AID, sir, gets only that property which becomes a candidate for property disposal sales.

Mr. MONAGAN. Yes.

Colonel KIELY. It has to have been screened through the supply and maintenance channels and any other military claimants before they have an opportunity to pick it up.

General HEISER. May I assist here? I think the definition may be causing us problems. In the logistics business in the services, when we talk of property disposal we are talking about the actual operation that Colonel Kiely is talking about. After we have gone through the supply management generation of excess, which means that the service that has it in the location in which it is found does not need it there, the item is then processed and screened for utilization within the services; then to Federal agencies outside the services. When we talk property disposal, it is only when we actually put it in our property disposal yards for sale to non-Government agencies, commercial ventures, and so forth.

Mr. ROMNEY. Just to clarify the terminology, when you refer to "excess," you, of course, do not refer to excess in terms of the statute, which defines foreign excess property as that property which is no longer needed by the holding agency?

General HEISER. That is correct.

Mr. ROMNEY. But, instead, as excess to a location or to a theater?

General HEISER. That is correct. That is exactly it.

Mr. CAVE. Foreign excess is the term that is generally synonymous with surplus. Surplus is the term used in the United States. Excess can be anything. It has to be clarified as to what kind of excess it is. It can be either station excess, command excess, Army excess, DOD excess, there are many different kinds of excess.

General HEISER. May I suggest that we submit for the record the definition for the pertinent terms so that the record is clear on it.

Mr. MONAGAN. I think you have cleared it up sufficiently without need for any further comment or documentation.

Mr. ROMNEY. Colonel, you were addressing yourself to the chart for the Army materiel. I was wondering if we have the corresponding information for the Air Force chart.

Mr. ZARETZKY. I have no Air Force man with me today, but I worked with the Air Force on this and can address the same thing for that category.

In the Air Force there is a little bit different situation. They moved a large part of their materiel with the units, as they moved out of France. So most of the post, camp, and station type materiel that the Air Force had went right with the units that flew out either to the United Kingdom or to Germany. You will note that the tonnage in the Air Force is only 667 tons. Most of this had been attrited out with the units. Very little excess was generated by the Air Force.

Mr. ROMNEY. Would this be the explanation for the difference in the breakdown between the two charts? In the case of the Army chart, you divide them into "vital stocks," "MAP" and "excesses;" whereas the Air Force chart does not have that three-way breakdown.

Mr. ZARETZKY. That is right. There is no "excess" column for the Air Force chart for that reason.

Mr. ROMNEY. I would like to make reference to page 5 of your statement, Mr. Zaretzky, in which you discuss the retention level of stocks in Europe.

In the last paragraph of that section of your statement you state that the theater retention criteria were reduced to 6 months to promote return of some items and thereby increase available storage space in Germany. We have understood that in December of 1966 this retention level was readjusted to a 12-month supply. Can you comment on whether this 6 months' criterion is the current criterion or whether it was only temporary?

General CASE. We are authorized to retain up to 18 months. When we went into FRELOC we reduced this to 6 months for the reasons Mr. Zaretzky has given. When all the FRELOC actions had been taken with respect to excess we restored on a selective basis the retention level on some items to 12 months. We did this as being within our authority within the 18 months' retention authority, and because it makes economic commonsense not to have items flowing in both directions across the Atlantic within a reasonably short period of each other.

Mr. ROMNEY. Would it be possible for you here to give us a general idea of the items that were selected for a 12 months' retention level?

General CASE. The nature of the items is that they have a repetitive usage in the theater. They are bread-and-butter items that we know we are going to need, although we may not know exactly what quan-

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,

or the equipment itself is reduced and moved elsewhere, the requirement for the support involved is changed. Now, rather than move it immediately, if there is a peacetime requirement, a continuing requirement for this kind of item, as General Case and Mr. Zaretzky have indicated, there is a judgment decision made as to whether or not this item should be retained in the theater. This is within the theater prerogative, as indicated by General Case. This doesn't mean they would do it arbitrarily. It should be done only after consideration of many factors.

Now, the GAO raised the point very well that when these retention levels are overseas, it is possible that the National Inventory Control Points, who manage the supplies nationally across the entire Army, should recognize these supplies as over and above the authorization of the theaters and that, therefore, they should be considered in determining against a gross requirement that which is the net requirement for procurement, or whatever action is appropriate.

Now, sir, they are definitely correct and we concur with this. Involved in this are the problems which have existed in the past, though, with the automatic data processing equipment then available. These NICP's are now becoming more and more able to handle a large volume of items. We are talking, as you well recognize, in terms of hundreds of thousands of items. Now, when we were doing this, more or less, on manual or EAM-type equipment, it was really difficult to do this worldwide in all of these ways. Now, sir, we are getting to the state of the art where we are getting better able to handle this. We are still at a point of making some kind of a selection in order to manage well what we can manage rather than trying to approach the whole gross problem that may at certain points still be unmanageable.

What we are doing today, sir, is that on a quarterly basis the overseas commands are reporting what they have in the way of certain assets on their books. This includes some approximately 20,000 items that are in depot stocks and some lesser amount of items that are below the depot stock at what we call the general support level or the direct support level, which is in the field army. These are not today picked up on the balance files of the National Inventory Control Points but they are reported quarterly, and they are or should be considered in every buy that is indicated necessary at the National Inventory Control Point.

Now, to take this a step further, sir, in accordance with OSD guidance, in accordance with what the Army wants to do, and really in accordance with what the GAO wants us to do because it is efficient and economical, we have procedures that are right now being prepared which extend the pickup of these secondary items—and that is mostly what we are talking about, secondary items, repair parts, things like that—on a selective basis to begin with. As we gain a capability, more and more are going to be added, are going to be picked up on the balance files of the National Inventory Control Points so that they will know not only what is in retention levels but they will also know even what they have on hand against their authorizations.

So then a determination can be made at the national level: What is the most efficient, economical thing to do with the overall assets available in the light of the total requirement?

So that what I am saying is that we have room for improvement, we are improving day by day, and I think there is no question about the objectives of all parties concerned, including the GAO.

Mr. MONAGAN. Thank you.

Mr. ROMNEY. Just to follow through on this reference to the GAO report, General, the report is entitled "Review of Availability of Selected Stocks of the U.S. Army in Europe for Requirements of Other Commands, Department of the Army," dated April 1967. On page 2 the Comptroller General refers to "permissive overstockage inventories," and his comment about that type of inventory is that, "The Department of Defense did not concur with the finding of the GAO that permissive overstockage inventory should be reported to the Inventory Control Points in the United States."

You spoke a minute ago about the small items which you were picking up, secondary items.

General HEISER. Secondary items, yes.

Mr. ROMNEY. Can you tell me what the permissive overstockage inventories might be in relation to these other small items you were referring to?

General HEISER. The items we were referring to up until now on retention levels are actually addressed at the depot level stockage. In other words, in the depots under General Case, he has an authorized level and then he may have this 18 months' retention level on those items that are consumed only during peacetime, or items that are in the mobilization reserve.

Now, as I recall, the terminology of permissive overstockage with which there was some disagreement with the GAO, pertains not to the depot stocks that are in the depots under General Case and COMZ but pertains to permissive overstockage which is in the hands of the field army, in this case 7th Army. If 7th Army, rather the units in the 7th Army, if their requirements change—and, of course, this means a change downward—to make something excess to their requirements, they usually still have a requirement for using some of this. Rather than turning it in as excess to the depot and then having to rerequisition this almost the very next day when they have another requirement, they are authorized permissive overstockage. This means that they are authorized to retain in the category I am talking about no more than 1 year's stock over and above their normal daily usage. They would then draw this down rather than turn it in, in order to keep from having all this back and forth movement.

Now, with reference to the GAO, and the comments of OSD and the Department of the Army, the point is that the GAO was recommending that this permissive overstockage in the field army be reported to the National Inventory Control Points here in CONUS for their overall visibility and management.

Now, sir, the disagreement is not so vital a disagreement as it may sound. Our position has been, that permissive overtstockage, which is actually designed on an authority in line with the economics determined to be appropriate, and has been done on a deliberate economic basis, should be retained in the Army but should not be reported to the National Inventory Control Points, but that General Case's organization, which is an inventory control center for all of Europe, and the same would apply to other theaters, should have a visibility, cognizance, and an ability to manage these permissive overstockages in the

field army and that this then would be taken into account on any of the requisitions that General Case would place on a National Inventory Control Point. In other words, what we are saying is, we are not disregarding what is in the field army, but keep that management at the overseas theater inventory control point and let the National Inventory Control Points deal with the overseas theater inventory control point rather than having the field army units report this authorized material to the National Inventory Control Point back home. Meaning, if I may elaborate just 1 more second, if a particular unit in the 7th Army in Europe has a permissive overstockage of a certain item, let's say brake lining, General Case has an authorized requisitioning objective upon which he orders. If he knows there is a permissive overstockage of brake lining, within 7th Army then, using judgment at that level, they will not order the normal amount of brake lining, but they would recognize there is a permissive overstockage down here which is available for redistribution, and so forth. So it is this kind of judgment we recommend be used rather than, as the GAO recommended, having these units in the field army report to CONUS National Inventory Control Points. As you know, one of the primary reasons for the Inventory Control Point in each theater is to manage those stocks in the theater.

Excuse me, but that is it.

Mr. ROMNEY. Mr. Zaretzky, I would like to turn again to page 5 of your statement in which you comment on the storage and warehousing improvements which resulted from the movement of the FRELOC-generated materiel. You described some of these improvement techniques.

My question is: Does this not indicate that the storage prior to these improvements was a needed improvement item?

General CASE. May I take that? To some extent what you say is true. However, when you have lots of space and space is not a particular problem, you can sometimes operate more efficiently if you do not pack your stuff in quite as snugly. Also, as to some of the things that were done, such as improvisation of sheds while we got the stuff under cover, it is not an efficient way to operate because it is hard to get into material with materials-handling equipment and retrieve it when you need it for issue. So it is not just an improvement. We did get better vertical utilization, we did take some nonstorage activities out of storage buildings where we could find other space for them, and in this sense what you say is true, we improved our utilization. We had not done it before because we didn't have a critical space problem.

General HEISER. May I bring out one other point? Rewarehousing for its own sake can be an expensive thing. Now, I think it is well to recognize, sir, that the stocks we had in France except for the support of the people in France, were actually there for a different purpose than peacetime support, and so they were actually located back there for emergency requirements. So that while we may have had some storage space in Germany that we utilized when FRELOC went into effect, up until the decisions pertaining to FRELOC were made it would not have been necessary or appropriate to move that material into the depots in Germany. So I think this is a consideration as well, sir.

Mr. ROMNEY. Mr. Chairman, again on this terminology problem, I wonder if it could be explained to us what honeycombing means.

General CASE. Honeycombing is a condition that arises in a warehouse in the case of normal operations where you get little patches of vacant space in various parts of the warehouse, none of which are very usable because they are too small and scattered to be used for the input of a large shipment.

This happens when you issue down one stack and then you get a new shipment in and you have to put it somewhere else in the warehouse. You are left with little residual patches of space all over your warehouse. When you get in a bind on space, you consolidate your stocks so that you put your short lots on the aisle and make up large reservoirs of space out of your little pools.

Mr. ROMNEY. When were the determinations made to relocate the personnel that had previously been stationed in France? This is in reference to Mr. Zaretzky's statement, that there were large numbers of personnel and dependents relocated.

Mr. ZARETZKY. This was a continuous operation. Right at the beginning it was decided that certain jobs would be transferred to Germany without the people that were doing the work in France.

Also, the people in France were generally support-type people, not combat types. When we consolidated the various agencies, administrative headquarters, and different installations, the additional work was fed right into a going organization which already had the administrative overhead, financial structure, and so on. Therefore, not all the people in France were required in Germany. This was a continuing thing. As we moved the material and as we decided where certain units would go, the number of people in France were reduced.

Mr. ROMNEY. Wasn't it necessary to determine what might be excess in line with your determining what these personnel might require? That is, in line with your excessing, the determination of where these people would go.

Mr. ZARETZKY. Are you now talking about the materiel to support these people?

Mr. ROMNEY. Yes.

Mr. ZARETZKY. Yes, of course. One of the reasons why a good deal of the housekeeping equipment did not move out at the beginning was that we had to continue to support the people that remained in France. Even the 6,000 tons that remain now are just that kind of equipment. One of the reasons for a trip that I made to Europe, I guess it was last July, was to see how we could get that materiel out as fast as possible.

It was apparent that you could not take the hospital beds out when we had the dependents and children still going to school, nor could we take out all of the school equipment while they were going to school.

Mr. ROMNEY. Your reference on page 7, Mr. Zaretzky, to the military liquidation picture prompts my next question.

When were the guidelines issued for the Military Liquidation Section activity? Can you comment on these guidelines?

Mr. ZARETZKY. I wanted to include in my statement a copy of their charter but it is classified. I tried to have it declassified and the originator could not go along with me. There are certain things within this charter that need to remain classified. It does refer to some of the things that you are interested in.

If you want a copy of this, you are certainly welcome to it, but not for the record.

Mr. MONAGAN. Please furnish us a copy. Also there might be a conference between you and the staff and see whether we may want to put some of that in the record, or what disposition might be made of it.

Mr. ZARETZKY. Yes, sir.

Mr. ROMNEY. Is the Foreign Excess Sales Office still operating?

Mr. ZARETZKY. As an integral part of the MLS. They were transferred to the Military Liquidation Section. This was done on the 27th of January 1967.

Mr. MONAGAN. I would like to ask a few questions.

I think it is very interesting to realize that about 8.5 percent of the total property involved is what we are really talking about here, the balance being munitions and things of that sort. Is that true?

Mr. ZARETZKY. That is true.

Mr. MONAGAN. You speak on page 2 of a breakdown of the tonnage that was moved. Have you any estimate or do you know what the cost of that operation has been?

Mr. ZARETZKY. We are now compiling these costs. There is a DOD directive or instruction which spells out exactly how to cost this. Our controller is now compiling these data. It will be very interesting to see what it actually did cost for all of the move, payment of people, and so on.

Mr. MONAGAN. Have you any idea when that will be available?

Mr. ZARETZKY. I checked. I thought you would ask this, and I checked on this Friday, but they cannot commit themselves. It ought to be soon.

Mr. MONAGAN. That is not surprising.

Mr. ZARETZKY. It ought to be soon.

Mr. MONAGAN. It is a continuing operation so that I suppose you would have to pick an arbitrary time and determine that up to then.

Mr. ZARETZKY. Yes, sir, that is right.

Mr. MONAGAN. Naturally, not only the amount of tonnage but the cost of removal are interesting to all of us. No one questions that it has been a very difficult problem for the Department of Defense; and, so far as we know, it has been carried out effectively. We are not in a position to raise any questions about that but we do feel that a lot of these questions are pertinent for the Congress because there might be similar situations at some other time.[1]

You have spoken of the 100,000 tons of property that were consumed during attrition. That is through normal use?

Mr. ZARETZKY. Yes, sir.

Mr. MONAGAN. Is that a reasonably normal figure, would you say? Is it higher or how does it compare with what would be the normal attrition?

General CASE. Actually, there is no normal attrition in this sense. By attrition here we mean that property which we would have issued from a depot in Germany but which was issued instead from a depot in France against a requirement in Germany.

Of course, this is an abnormal thing.

General HEISER. This goes back to what I said earlier, where we had stocks in France that, except for a small amount of support of

[1] See p. 63, below.

the people in France, were designed for emergency purposes, not for daily filling of Germany's requirements.

Mr. MONAGAN. The actual property allocated to the support-type personnel would be pretty limited, in relation to total tonnage and value, would it not?

General CASE. Yes, sir.

Mr. MONAGAN. We talked about beds and household equipment and that sort of thing, and automobiles, to some extent?

Mr. ZARETZKY. It might be automobiles.

Mr. MONAGAN. My other question related to the value of the 70,000 tons of property, 8.5 percent, which became available for reutilization purposes or ultimate disposal action. Do you have that figure?

Mr. ZARETZKY. I believe we have some figures on that. Our general rule of thumb is that our equipment is valued at about $1 a pound. It usually works out that way, surprisingly.

General CASE. In France the value of the mission stocks that went to PDO was $20 million.

Mr. MONAGAN. Acquisition value?

Mr. ZARETZKY. Yes. The estimate is $33 million.

Mr. MONAGAN. Of the 70,000 tons, how much was sold? Do you have that figure? By that I mean public sale, disposed of in that way.

Mr. ZARETZKY. I had in my statement a figure of how much was sold through December of last year. Here I believe I stated that we sold $15.5 million worth in the first half of this fiscal year. That is, July to December.

Mr. MONAGAN. Was that at public sale?

Mr. ZARETZKY. That is right. Invitation for bid.

Mr. MONAGAN. Is there any way of telling how much of that was scrap and how much was——

Mr. ZARETZKY. Well, generally our scrap percentage of our total runs somewhere above 60 percent and our last report we submitted to the Congress showed it was 61 percent last year.

Mr. MONAGAN. What I have in mind is whether a procedure was followed that would guarantee that items that might be used by AID or other Government agencies would be preserved prior to their disposition.

Mr. ZARETZKY. Yes, sir.

Mr. MONAGAN. That was done in this instance?

Mr. ZARETZKY. Yes, sir. Every single item was listed and shown, made available, to other U.S. Government agencies for their possible utilization. In fact, they sat right with us as we developed the listings.

Mr. MONAGAN. The 86,000 tons that have been returned to the United States as excess to theater requirements, do you know whether there has been any determination that any of that is excess to DOD requirements subsequent to its removal here?

Mr. ZARETZKY. The first time we find that we brought something back that is no longer required, there will be a letter going out saying, "How come?"

My answer is no.

General HEISER. For the Department of the Army, may I say that the objective and the intent, sir, was to bring nothing back here except that for which we had valid requirements. So while there may have been something returned by mistake, we don't know about it.

Mr. MONAGAN. Do you have some questions?

Mrs. HECKLER. I would like to know something, General, about this National Inventory Control Point and how you refer to this and also to the computerization. I would like to know a little bit about the operation of the overseas Inventory Control Point. How specialized is the computerization?

General HEISER. May I start out by saying, of course, it varies to some extent, depending on the National Inventory Control Point that we talk about.

Mrs. HECKLER. Is there just one?

General HEISER. No, ma'am. We have seven in the Army, and actually across the entire spectrum of supply it really depends on how you count them. There are around 23 which include those Inventory Control Points that are outside the Army, such as the Defense Supply Agency and so forth.

Speaking to the Army National Inventory Control Points——

Mrs. HECKLER. Is there one headquarters for the whole operation?

General HEISER. Yes, ma'am. The Army Materiel Command under General Besson is actually responsible for what we call wholesale materiel management. He reports as a major commander direct to the Chief of Staff of the Army.

Mrs. HECKLER. Is this all computerized?

General HEISLER. Yes, ma'am. Computerized. As you propably know better than I, the degree of computerization depends upon what place you are talking about. We do not have, unfortunately, a completely standardized system. That is the way it is. Generally, these National Inventory Control Points had their origin with the technical services that existed under the chiefs of technical services up until 1962. One of the reasons why the logistical structures of the technical services were abolished and the new organizational structure under the Department of Army, and Army Materiel Command was approved, was the probtory Control Points. We can go across the spectrum. We go from one NICP that has rather rudimentary type equipment which has not a great deal of capability, to another organization which has a more advanced state of the art both in software, or the program of the equipment, as well as the hardware itself.

We now have a definite improvement program which will end up in a standardization of procedures and equipment so that what happens at one place will happen at them all. This gives us a better management control over what we are doing.

Mrs. HECKLER. Of the 388,000 tons of equipment moved to Germany, this move presumably was determined by use of the overseas Inventory Control Point and their screening and supply lists?

General HEISER. May I outline this briefly?

We put out directives which said that we would follow the normal procedures for excessing and for generation of surplus. The only thing we did do to the procedures was to attempt to increase the speed with which we could go through the screening process. What happened was that General Case, and I will turn this over to him for his own part of this, and his organization had to come up with what was excess to their requirements in the light of the latest requirements that we knew of in Europe. At this point he declared this excess to each of the NICP's in accordance with standard procedures. The National Inventory Control Points in CONUS then referred this internally to each

of the commodity managers having responsibility for that particular kind of item. The manager in turn then looked at his total requirements and his net requirement to see if anything was being procured or would have to be procured, and he then determined if he had a requirement for the item. If he had no requirement for it, it was then referred to Defense Logistics Service Center, of which General Case once was the commander. This is the Defense agency which screens for requirements of all the services.

If DLSC knew of a requirement, they so informed our people who took proper action for the distribution of the materiel. If there was no requirement known at DLSC, then the NICP here in CONUS would report back to Europe to General Case's organization that there was no requirement here.

If you would like, General Case could tell you how they went about doing further screening within Europe in order to be sure that, as was indicated earlier, we would make the maximum use of the item for its original intended purpose rather than putting it into a property disposal yard and selling it for scrap or something else and not getting the value out of it.

Mrs. HECKLER. It seems to me that on page 6 of the statement in the first sentence, there is some question raised about the significance or the performance of the initial screening process; is that right?

Mr. ZARETZKY. Yes, ma'am. I have never yet been to a disposal yard that I have not seen something that I would like to have, and wonder, how in the world did that ever get there? In fact, the first place I went to in Europe last January was the first disposal yard I could find. There was an open box of what we call blind rivets. They are used in the repair of aircraft. They looked brand new, so I took a handful and put them in my pocket. I asked wherever I went, "How come we dispose of these things which we buy every day?" The people I asked embarrassed me very quickly. They looked at the handful of rivets and said, "There are seven sizes in your hand. This is the reason they were disposed of. They got mixed up somewhere."

It is sometimes easy when you go to a disposal yard to find things that should not have gotten there. I would like General Case to take over and explain why he then set this program in motion to make sure that nothing slipped through the cracks, so to speak.

General CASE. I did it for just the reason you mentioned. I, too, often find things in disposal yards that horrify me. I know that we will be buying these same items somewhere in the world soon. We put 14 checks into the computer, and if the items survived these checks they went through the process that General Heiser mentioned. Then I released these items, and this left me with 34,000 items still excess which the NICP did not want. So I released 5,000 of these on a test basis. I found that in 92 percent of the cases the computer was right. The item was excess. A visual check and examination showed that there was an 8-percent error. This arose because, maybe the price on the computer was wrong, maybe a decimal point was in the wrong place, maybe the unit issue had been changed, or for some other reason.

We then followed through the operation so that we could catch the 2 percent. I then sent teams into the depots and their major criterion was commonsense. Maybe on a purely mathematical calculation you could say, this was not demanded three times in the last year and

therefore we don't have a requirement for it; therefore it is excess; even the National Inventory Control Point had no requirement for it. But commonsense told you that it was not a good idea to leave it in France to be disposed of at 8 cents on the dollar. So we took it out of the property disposal yard.

AID had a crack at some of this material, too. I might say in their behalf, they were very alert. They were very aggressive and I think they protected the taxpayer's interest very well in recovery. When you saw them in our yards they were after the best stuff; and some of the stuff they got was very good.

Mr. MONAGAN. Could we suspend here? There are a few more questions. I think that the best thing would be to reconvene at about 1:30, if that is convenient.

Mrs. HECKLER. Just one more question?

Mr. MONAGAN. All right.

Mrs. HECKLER. Mr. Zaretzky, you have talked about budgetary savings of $50 million to $60 million, by virtue of this relocation. You do not consider the cost of the move, and so forth?

Mr. ZARETZKY. That is right.

Mrs. HECKLER. You do not have that?

Mr. ZARETZKY. Yes, ma'am.

Mrs. HECKLER. This you estimate to be future savings, granted this year which would be reduced by virtue of the relocation costs?

Mr. ZARETZKY. We say annual savings.

Mrs. HECKLER. Not this year?

Mr. ZARETZKY. Right.

Mrs. HECKLER. Then you discussed on page 6 the significant modernization gains. Do you mean that to include any gains by better use of the computer or screening processes, and tighter inventory controls over material; is that what you meant?

Mr. ZARETZKY. Yes, ma'am. Actually we are now going to have in one place a computer system, whereas we had it in two places in France. It is now in Zweibrucken and it is, in fact, on a train, which is a real step forward, and it works well.

Mr. MONAGAN. Thank you, gentlemen. We will suspend, then until 1:30.

(Whereupon, at 11:55 a.m., the subcommittee adjourned to 1:30 p.m. of the same day.)

AFTERNOON SESSION

Mr. MONAGAN. The hearing will come to order.

I believe Mr. Romney has two more questions.

Mr. ROMNEY. Mr. Zaretzky, I would like to return to the utilization of your storage and warehouse facilities that you refer to on page 5 of the statement, and ask this: Do these improvements which you discuss here represent permanent improvements or do you anticipate that you would return to some of the prior methods of storage after the immediate needs of the FRELOC relocation have been met?

Mr. ZARETZKY. I believe—as General Case explained a little while earlier—some of the things that were done here were done because of FRELOC, but they should have been done in the past had we had the time and ability to do it.

Those things that were aimed at improving space utilization were part of a continuing operation within the Army. The improvement of space utilization is a continuing program in Defense.

Mr. ROMNEY. Does this mean that the plans which you have for other storage prior to the need created by Operation FRELOC have then been altered to provide for less, or fewer, facilities for storage than otherwise would have been the case?

Mr. ZARETZKY. That is correct.

Mr. ROMNEY. Mr. Zaretzky, I think we had indicated earlier an interest in a special situation which sometimes exists in the Defense Department's overseas activities, and in which the needs for property which has become excess to the Department overseas are then reevaluated in the United States—the property having been brought back to the United States for reevaluation. We are advised that in some cases this property, when it is returned to the United States, has been declared excess and made available to other Federal agencies, and on at least one occasion to eligible donees under the Federal donable property program.

Could you comment on the instances in which this type of action has occurred; and also on the criteria or the factors which go into determining when this method of disposal should be employed?

Mr. ZARETZKY. Yes, Mr. Romney.

As a general rule, no items are brought back if the items are not required by the Department of Defense. However, there are a number of occasions that come to mind—and they may not be all—where we did specifically bring things back for donation to NASA, the Smithsonian Institution, and the National Science Foundation. I think it was back in 1958 that we brought back some material from Newfoundland, and this was for specific use by NASA and AEC.

We brought back some material from Turkey and Italy, I believe, which was required by NASA, again, and I think by the National Science Foundation. This was related to a certain missile that was deployed at that time in those areas.

I think in 1964 we brought a few things back from Europe—here, again, by specific request of NASA, the Smithsonian, and others like that.

Colonel David just advised me it was the phasedown of the Redstone missile when we brought some materiel back.

Mr. MONAGAN. To this extent the response that you gave to my question is inaccurate; is that so?

Mr. ZARETZKY. I was thinking of GSA picking something up and then a donation, in response to your question.

Mr. MONAGAN. This would be almost the same thing. I think it would have to be technically done that way?

Mr. ZARETZKY. Yes, sir.

Mr. ROMNEY. How do the agencies which have used this property become aware that it is available at these overseas bases?

Mr. ZARETZKY. Programs such as the Redstone phaseout or Jupiter phaseout are well advertised prior to the phaseout, and the other agencies who are interested are quick to let us know that they have an interest in that materiel.

Mr. MONAGAN. You seemed to be defensive when I asked you about it, as if there were some reflection on the Defense Department, because

you had property that became excess and was used—it is true that I referred specifically to property that was brought back to the United States, so there could be some difference in that, too.

Mr. ZARETZKY. That is right.

Mr. MONAGAN. But even that could become excess for reasons that you couldn't have foreseen. And then the fact that that went to other Government agencies would seem to be a helpful thing rather than the contrary?

Mr. ZARETZKY. Yes, sir. One reason that I gave a quick answer earlier was that under the regulations it is not brought back specifically for this reason. However, it is very possible that some of the materiel that comes back in time may become excess to all our needs and be available. However, a large portion of this was ammunition, and obviously this would not be that type of item.

Mr. ROMNEY. Mr. Chairman, the General Services Administration has provided us informally with a list of this property which they, in collaboration with the Defense Department, have worked out in the return of the property to the United States. If you wish, we can insert it in the record at this point.

Mr. MONAGAN. Without objection, it will be inserted.

(Subsequently, the GSA provided the information by formal letter. The letter and its attachments follow:)

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., May 26, 1967.

Hon. JOHN S. MONAGAN,
Chairman, Special Subcommittee on Donable Property, Committee on Government Operations, House of Representatives, Washington, D.C.

DEAR MR. MONAGAN: Thank you for your letter of May 17 requesting information concerning Department of Defense personal property which was returned to the United States from overseas locations during the past several years for further Federal use or donation.

We are enclosing a summary sheet entitled "Foreign Excess Property Returned to the Continental United States" which reflects information we were able to gather from readily accessible files on hand. At the request of Mr. Miles Romney of your staff, this summary information was given to him by phone on May 19, 1967.

Also enclosed are detail sheets in support of the summary sheet which provide available information on the nature of the property returned, and the amounts of property which were transferred to each of the participating Federal agencies. In the case of the construction equipment returned from Newfoundland and Greenland, the identities of the individual donees are not immediately available.

We hope this information is helpful.

Sincerely yours,

LAWSON B. KNOTT, Jr., *Administrator.*

FOREIGN EXCESS PROPERTY RETURNED TO CONTINENTAL UNITED STATES

In cooperation and coordination with the Department of Defense, arrangements were made for the return to continental United States of large dollar value excess items located in overseas areas.

During the years 1958–62, the Corps of Engineers released $5 million of construction material located in Greenland. General Services Administration arranged for this property to be returned to Norfolk, Va., where it was offered for further utilization and resulted in a number of transfers to various Federal agencies. The residue was made available for donation to educational institutions. During this same period, other construction items in the amount of $154,000 were returned to Norfolk from Newfoundland and transferred to Federal agencies.

In 1963, equipment from the JUPITER missile was returned from Turkey to Mobile, Ala.; $6.4 million of the items returned were transferred to NASA and $13.6 million to NSF, AEC, and the Office of Naval Research.

In 1964, equipment in the amount of $10.4 million from the Redstone weapons system was returned from several locations in Europe to the continental United States. Transfers of this equipment were made to NASA; Smithsonian Institution; Bureau of Indian Affairs; Geological Survey and Land Management in the Department of Interior; Forest Service, Department of Agriculture; Office of Naval Research, Naval Propellant Plant, Naval Ammunition Depot, Department of Navy; National Science Foundation; and National Institutes of Health.

Smithsonian Institution also acquired some items from the Corporal system in the amount of $20,300.

All dollar figures are original acquisition costs.

In cooperation and coordination with the Department of Defense, arrangements were made for the return to continental United States of large dollar value excess items located in overseas areas.

Location	Acquisition cost	Description	Transferee agency
1958-60			
Newfoundland	$28,488	Trucks, Mack	AID.
Do	126,132	Scrapers, Caterpillar	Keelong, Taiwan.
Greenland	4,200,000	Pumps, tractors, and graders	AID for use in Greece, Brazil, and Korea
1963			
Turkey	[1] $20,000,000	"Jupiter" missile support equipment	$6,400,000 NASA, $13,600,000 (AEC) (NSF) (NAVY, ONR).
1964			
Germany	$7,282	Redstone weapon system support equipment.	Smithsonian.
European area	2,401,068	do	NASA, Las Cruces, N. Mex.
Do	5,892,279	do	Smithsonian.
Do	37,500	do	Geological Survey, Department of the Interior, Flagstaff, Ariz.
Do	24,590	do	Department of the Navy.
Do	304,276	do	AEC.
Do	180,030	do	NASA.
Do	3,344	do	National Institutes of Health.
Do	197,776	do	Bureau of Indian Affairs, Department of the Interior.
Do	21,343	do	Forest Service, Department of Agriculture.
Do	136,792	do	Land Office, Colorado, Department of the Interior.
Do	50,000	do	U.S. Geological Survey, Department of the Interior.
Do	78,632	do	Land Office, Wyoming, Department of the Interior.
Do	209,667	do	OCAMA, Air Force.
Do	629,334	do	O.N.R. Navy.
Do	30,000	do	NSF.
Do	60,000	do	Naval Test Station, China Lake.
Do	120,000	do	Navy, Indian Head, Md.
Do	30,000	do	Navy, Ammunition Depot.
Do	20,300	"Corporal" missile support equipment.	Smithsonian.

[1] Approximately.

Note: Residue of approximately $800,000 donated to eligible institutions.

Mr. ROMNEY. One further question. On page 4 of your statement you refer to the reprograming of the inventories and the job that was done by the computer attached to the Army Supply and Maintenance Agency of COMZ.

It is my understanding that COMZ has now been relocated?

Mr. ZARETZKY. That is right.

Mr. ROMNEY. Now, does the relocated COMZ have the same capability and does it perform that same function?

Mr. ZARETZKY. Yes, sir.

Mr. ROMNEY. There has been no change despite the relocation?

Mr. ZARETZKY. One of the commentaries on this move is that we did not lose control for a moment of our stocks in Europe, despite this tremendous movement.

Mr. ROMNEY. I think it would be helpful for the record if one of the witnesses might comment, Mr. Chairman, on the distinction between wholesale and retail supply functions. This is a specialized term which may not be completely understood except as explained by the people who use it in their special competence.

Would someone distinguish between the common understanding of those terms and your specialized use of them?

Mr. ZARETZKY. Let me try for all of Defense, and then if you want detail with respect to Army, they could elaborate.

Wholesale inventory is that inventory which the Inventory Control Point—the manager—has on his books and is stored in what he considers his depots. In the continental United States, for example, in the Army the Inventory Control Point is aware of every item that is stored within the depots in the continental United States. This is wholesale inventory.

When those items are requisitioned by a post camp or station, for example, Fort Dix, that inventory goes on the Fort Dix records. When Fort Dix issues something to a user, this is the retail inventory that he issues to the consumer, and he replenishes his stock from the wholesale inventory in the depots that are under the cognizance of the Inventory Control Point.

This is true also in the Air Force, the Navy, and the Marines. It is the same way.

Mr. MONAGAN. Mr. Zaretzky, you spoke on page 3 of stocks in France that had been gradually declining for operational reasons. Is that a technological matter, or what were you referring to there?

General CASE. There had been some limited drawdown of the stocks in France for over a year before De Gaulle's announcement. A major part of that drawdown had to do with our combat vehicle fleet; vehicles were taken out of depot stocks in France, where they had been stocked against reserve requirements, and issued to the 7th Army. In turn, vehicles were withdrawn from the 7th Army and brought back into depot stocks, usually in Germany, where they could be either washed out of the system if they were too old, or rebuilt and put in reserve stocks.

We did this so that all our vehicles—those in use, those in the hands of troops, and those in the depot system—would age and accumulate mileage at an even rate so that when the vehicle finally became obsolete we did not have some brand new obsolete vehicles, and other vehicles that had a high amount of mileage on them.

Mr. MONAGAN. That had no relation to the political situation?

General CASE. It had no relation to the political situation.

Mr. MONAGAN. Although you were moving from one country to another?

General CASE. In addition to that, as some items became more critical owing to competition with Southeast Asia, we were required to take items out of the reserves in France for current needs and requisition replacements which didn't arrive during the period.

Mr. MONAGAN. I don't know that I actually asked this question, but it involved—I think I asked about construction of other facilities in-

volved in the move to Germany would be the construction of some storage facilities. Is that so?

Mr. ZARETZKY. Yes, sir.

Mr. MONAGAN. And do you have any estimate of what the cost of that construction will be?

Mr. ZARETZKY. General Heiser, would you like to take that?

General HEISER. Mr. Chairman, I have some figures that I can quote. Authorized and funded through fiscal year 1966 and fiscal year 1967 there is a total of approximately $10 million that is involved in storage facilities, and a part of this also is involved in those things pertinent to storage, such as the headquarters that General Case has, the SMA headquarters, which supervises all storage.

Now, I can get a breakout for you of this.

Mr. MONAGAN. Can you furnish it?

General HEISER. We can submit it for the record; yes, sir.

(The following information was subsequently submitted for the record:)

Storage and logistics-related construction in Europe—Authorized and funded through fiscal year 1966 and fiscal year 1967

	Programed
Storage facilities, Germany	$6,931,000
Ammunition Renovation Shop, Miesau	360,000
Facilities required by the relocation of Hqs, U.S. Army Communications Zone to Worms, Germany and the Supply and Maintenance Agency to Zweibrucken	1,545,000
Storage facilities, United Kingdom	706,000
Total	9,542,000

Mr. MONAGAN. Is there a separation between NATO and the facilities that you are talking about? These are simply storage for equipment, but then the NATO headquarters in that move would not be within your jurisdiction or concern?

General CASE. No.

Mr. MONAGAN. And who would be concerned with that, Mr. Zaretzky?

Mr. ZARETZKY. Our International Security Affairs Office in OSD can answer those questions. I have Mr. Mullen from that Office, if you have any specific questions you wish to direct.

Mr. MONAGAN. I would like to just have that, if you have that figure on the cost of transfer of the headquarters.

Mr. MULLEN. I would have to provide the figures on the headquarters itself, and in terms of SHAPE headquarters and NATO headquarters. But it is in the range of $12 million.

Mr. MONAGAN. Would there be any further storage facilities and personal property involved relating to NATO of any substantial degree, as distinguished from what we have talked about here?

Mr. MULLEN. No, sir.

Mr. COPENHAVER. Would the chairman just yield for a second on that?

Mr. MONAGAN. Go ahead. You ask all the questions you want.

Mr. COPENHAVER. In regard to that, Mr. Zaretzky, is it not correct, though, that we are keeping a record of all the costs that are being incurred by the United States to move out of France, in that we seek to approach NATO to request that they will contribute partially to the cost of our moving out, even though we are talking about U.S.-owned

property as opposed to NATO-owned property? Would you agree with that?

Mr. ZARETZKY. That is right.

Mr. COPENHAVER. In that regard, there may be some NATO-financed costs for this?

Mr. MONAGAN. There is in theory, but in fact there has been a lag.

General HEISER. This is what they call "infrastructure."

Mr. COPENHAVER. That is right. Shall I go ahead?

Mr. MONAGAN. Please do.

Mr. COPENHAVER. Mr. Zaretzky, in connection with the Army you had screened all Army equipment and all GSA equipment above a certain figure, and this is property located in France. Now, at the same time I understand that over a hundred thousand tons of property located in Germany had to be made excess—was declared excess to make room for the property coming in from France. Would that be a correct statement?

Mr. ZARETZKY. I am not sure about the figure, but the philosophy is right.

Mr. COPENHAVER. Similarly, perhaps, some in the United Kingdom?

Mr. ZARETZKY. Nothing in the United Kingdom.

Mr. COPENHAVER. Was the property that was declared excess in Germany screened through the identical procedures—by the Army—as was the property in France?

Mr. ZARETZKY. That is correct.

Mr. COPENHAVER. Do you have a breakdown of that property which was declared excess? How much of that was disposed of according to different channels, for example, disposed of as surplus and picked up by AID or sent back to CONUS? Could you perhaps supply that figure for the record?

Mr. ZARETZKY. I am sure we could.

Mr. COPENHAVER. Like you have done it in your statement, with the amount, for example, disposed of as surplus and the dollar value. That would be very helpful.

Mr. ZARETZKY. It is available.

Mr. COPENHAVER. I forgot, frankly—did you say that you could have a breakdown on broad categories of the type of equipment from France disposed of as surplus? Is that possible—a broad categorical breakdown?

Mr. ZARETZKY. If you mean ammunition, for example, versus trucks and other items, I am certain that can be provided.

Mr. COPENHAVER. In that case, if you could do that for Germany, too, it would be quite helpful.

General HEISER. We will try to do this, but—you see, if we break it down we could probably break it down by class—but I would like to be sure, sir, that we work with you, because it may be difficult to break it down within the class, for example, parts away from vehicles and that sort of thing.

Mr. COPENHAVER. Actually I am just seeking a broad categorical breakdown.

In this regard, I wonder if you also could supply for the committee—with the Chairman's permission—a breakdown, shall we say, for fiscal year 1966, and maybe through January 1, 1967, or March 31—whatever you can—of the total surplus property disposed of in France and the United Kingdom, and here is what I am getting at. I want to see

whether in fact there was perhaps a significant increase in surplus property disposals out of Germany as a result of that which we pulled in from France, if you are following what I am trying to say. Because perhaps we haven't saved a great deal if we have pulled out of France but disposed out the back door in Germany.

If you have some kind of historical comparison, the year before the pull-out and the year of the pull-out, you could give me a good historical comparison. Is that possible?

Mr. ZARETZKY. Let me ask.

Colonel DAVID. When you say "surplus," are you talking about that property which we sold?

Mr. COPENHAVER. I mean both types. That declared excess to the theater, shall we say, and to the command.

In other words, I am trying to cut down your work if I can, so perhaps if I could hold it down to that screened back to the inventory control points in CONUS, if you wish.

Colonel DAVID. The most accurate information we can give you is that property which we have sold in those two countries during that period of time.

Mr. COPENHAVER. All right. If you can give me that comparison of the surplus disposals, the sales——

Colonel DAVID. The sales; right.

Mr. COPENHAVER. That would be helpful, Mr. Chairman, I believe.

(The following information was subsequently furnished by the Office of the Assistant Secretary of Defense (Installations and Logistics) :)

DISPOSITION OF EXCESS AND FOREIGN EXCESS PERSONAL PROPERTY AT ARMY PROPERTY DISPOSAL ACTIVITIES IN EUROPE[1]

[Acquisition cost in millions of dollars]

	4th quarter, fiscal year 1966		1st quarter, fiscal year 1967		2d quarter, fiscal year 1967		3d quarter, fiscal year 1967	
	France	Germany	France	Germany	France	Germany	France	Germany
Expended to scrap	68.5	9.6	13.5	8.3	20.6	13.9	16.3	9.2
Utilized by other Federal agencies	.8	1.8	5.3	1.3	15.6	7.0	2.9	5.6

[1] Excludes sales (other than scrap). (For sales figures, see following:)

SALES OF U.S. ARMY AND AIR FORCE FOREIGN EXCESS PERSONAL PROPERTY IN FRANCE AND GERMANY FISCAL YEAR 1966 AND FIRST HALF OF FISCAL YEAR 1967

[Acquisition cost in thousands of dollars]

	Fiscal year 1966	1st half, fiscal year 1967
France:		
U.S. Army material	$23,697	$11,916
U.S. Air Force material	6,196	3,608
Total	29,893	15,524
Germany:		
U.S. Army material	37,800	16,500
U.S. Air Force material	10,327	6,100
Total	48,127	22,600

The following information is furnished concerning types of DOD personal property sold by invitation for bid (IFB): Commercial-type motor vehicles (trucks, sedans); construction equipment; laundry and drycleaning equipment; telephone switchboards (French make); household and kitchen equipment; plumbing, heating, and sanitation equipment.

Prior to sale, all property was made available to the Agency for International Development (AID) and other Federal agencies. The major portion of the material finally sold was in poor and/or unserviceable condition.

Mr. COPENHAVER. Mr. Zaretzky, in response to a question Mrs. Heckler asked you, you indicated in your statement that there would be an annual saving of $50 million or $60 million a year.

Without in any sense being critical of the military or DOD, is it not a fact, though, that because of the move out of France it will cost us many millions of dollars, not to mention the property which we will have to leave in France and that we may not really get any saving out of the French move for perhaps 5 or 10 years.

Mr. ZARETZKY. As I indicated earlier, I do not have the actual costs of the move, and I think the chairman indicated that certainly there is that tradeoff, and this must be considered when we look at the net saving, in the number of years it would take.

Mr. MONAGAN. Mr. Zaretzky, will you furnish that information about cost of removal when you do receive it? I don't believe I specifically asked you to do it.

Mr. ZARETZKY. We certainly will.

(Subsequently, the Office of the Assistant Secretary of Defense (Installations and Logistics) supplied the following information:)

As of May 31, 1967, approximately $100 million had been expended for the relocation of United States and NATO forces, materiel, and facilities out of France.

Mr. COPENHAVER. I raise that point again because, although I think it is very good to show the savings, somehow it comes out wrong that we show a profit out of being kicked out of France with our billion or more dollars' loss that we have had to incur in there. That goes to the point I wanted to pin down.

In regard to a position that Mr. Romney was discussing with you, am I correct that, after the excess property was screened through the entire DOD, the remainder was partially picked up by the MAP program and AID, and that probably most of the balance of the property was then sold as surplus in France? Would that be a fair statement?

Mr. ZARETZKY. I think first we must get clear that MAP is part of the Defense requirements.

Mr. COPENHAVER. I recognize that point. Intra-DOD, you might say, and after that it went to AID primarily, and the remainder of the balance would be sold as surplus in France. Is that a correct statement?

Mr. ZARETZKY. That is right.

Mr. COPENHAVER. Do the current laws and regulations prevent any of that property, prior to being sold as surplus in France, to be screened through the donable property program?

Mr. ZARETZKY. I believe the law——

Mr. COPENHAVER. I am sorry. The domestic donable property program.

Mr. ZARETZKY. As far as I know, the domestic donable property program does not screen overseas excess.

Mr. COPENHAVER. I wanted to explore this with you.

First of all, was GSA or HEW invited to participate in, or to screen such property?

Mr. ZARETZKY. Yes, sir. I personally checked with GSA, and asked them to accompany me on the last trip—two trips before— to do just that. They have a man in residence in Wiesbaden who I got together with, and we went through some of the items that they could possibly be interested in. Generally speaking they are not interested in picking up used furniture, for example, and bringing it home, or for that matter, used tools. And so they practically said nil to any of the items that we offered.

Mr. COPENHAVER. Were they talking about furniture or tools which GSA may believe the other Federal agencies would want, or which the potential recipients of donable property might want?

Mr. ZARETZKY. My contact with the donation program obviously is through GSA.

Mr. COPENHAVER. And therefore they made no mention in that regard of what they wanted.

We are dealing with $25 or $30 million worth of property here. I wanted to check it out.

If they—or HEW—had indicated that they wanted certain items of property, then you would have shipped them back to CONUS? Is that correct? For their program?

Mr. ZARETZKY. Are you saying if GSA indicated a need, would we ship it back for GSA?

Mr. COPENHAVER. For the domestic donable property program.

Mr. ZARETZKY. That is an assumption we never got to. They never indicated such a need.

Mr. COPENHAVER. I am just curious—if they had, who would have paid the cost of transportation?

Mr. ZARETZKY. I don't know.

Mr. MONAGAN. There is a legal question, I think, as to whether the domestic program can apply to foreign excess or not.

Mr. COPENHAVER. The reason I asked, I have looked into it somewhat—I don't have the statute or regulation before me—but as I interpret it—perhaps incorrectly—so long as it is not brought back to go into competitive commercial channels in competition with private businesses, it could be brought back.

In other words, if it is brought back to be sold against a private business sale in the open market, the answer would be "No," but to be brought back for the donable property program there is a possibility of that, and those agencies have a better avenue——

Mr. MONAGAN. It is hypothetical as far as these gentlemen are concerned.

Mr. COPENHAVER. I won't pursue that any more.

Mr. Zaretzky, is it not correct that France does do business with Communist nations—with both Red China and North Vietnam, and has sold equipment and property to these countries?

Mr. ZARETZKY. I am not aware of this.

Mr. COPENHAVER. Would either of your other associates be aware of that?

The reason I raise this point is—what checks does the Army impose upon purchasers of this equipment—some of which I understand is military equipment, ammunition, and what-have-you. What check

have we installed to prevent French buyers from turning around and selling this equipment to the North Vietnamese or to the Red Chinese?

Mr. ZARETZKY. We have a real simple check. Anything of a military type is demilitarized. This means, if this is ammunition, it is taken apart for its content, under our jurisdiction; and if it is a gun, for example, it is cut into many, many pieces so it can never be a gun again. I think this is about as good a check as we might need.

Mr. COPENHAVER. As I understand, you plan to supply—if you possibly can—the categories of property which had been sold as surplus in France.

You indicated to the chairman this morning that about 60 percent of that is scrap. I take it that what you just said about cutting up a rifle, this then would be scrap equipment.

And you will show a categorical breakdown of these sales, will you not; so I can get a picture as to what may have gone out as a whole item and what was scrap?

Mr. ZARETZKY. The breakout indicates what is scrap—the tonnage that is scrap—of the total.

Mr. COPENHAVER. Now, as I understand it, when an item is declared excess and it comes back to the NICP point in CONUS, a particular item will show, will it not, the condition. Is that correct—the condition of the item?

Mr. ZARETZKY. That is right.

Mr. COPENHAVER. So perhaps there is a requirement in CONUS—or perhaps in a different theater—for a crane, let's say, and this particular type of crane is declared excess. It is indicated that it is a used crane, and has X number of hours of use on it.

Now, the command that needs a crane—do they have any authority to say, we don't want to pick up that crane because it is used, with X number of hours on it, and will therefore buy a new crane?

Mr. ZARETZKY. Are you speaking within Defense?

Mr. COPENHAVER. Yes.

Mr. ZARETZKY. Within Defense an item, such as a crane, is checked completely and in great detail as to the exact condition of the particular item that is being considered for return.

I have copies of the type of detail we go through. The other day at the hearings there was some talk about the fact that AID seemed to have some real good inspectors, and the implication was that the military did not.

Mr. COPENHAVER. That was my question.

Mr. ZARETZKY. Let me assure you that every item is looked at very carefully by a trained technician, and everything wrong with the vehicle is indicated. We have a checklist that is called a Special Form DD–1361. This even indicates if we have a taillight on the vehicle or if it doesn't have certain equipment on it; what the original cost was; how long it would take to repair it; how many man-hours; the cost of man-hours; and whether it is worthwhile shipping home; and it estimates the cost to ship it home.

All of these things are considered by the inventory manager at home, as to whether it should or should not be brought home. Sometimes an item is brought home because that item may be in a critical shortage category and is needed at whatever the cost to repair it.

Mr. COPENHAVER. Let me elaborate. My question to AID the other day was not that you don't have skilled inventory managers, shall we

say, in a depot in Germany. My point was that the procedure that is followed in DOD in a theater apart from Germany, for example, let's say that Vietnam needs this crane. And on the report it shows it in fairly decent condition, without too much cost to repair it, but it has 3,000 or 4,000 hours on it and is a couple of years old and what-have-you.

Now, does the control officer, the acquisition officer in Vietnam or back on CONUS who is acquiring for Vietnam, have the authority to say, well, we don't want to pick up that crane because it has been used x number of hours. We want to buy a new one.

Or are they forced to acquire that crane?

Mr. ZARETZKY. Let's try to put this in its perspective. The inventory manager is just that. The inventory manager computes requirements; buys the item if necessary; he is the purchaser. The man in the field who needs something makes his requirement known to him. Therefore, there is one man who makes that decision.

Mr. COPENHAVER. Right. So what happens?

Mr. ZARETZKY. The inventory manager then, if he has a requirement for a crane, which is in good condition and will meet the requirement, ships it to the requisitioner. He has no choice.

Mr. COPENHAVER. I am not trying to get too detailed or take your time.

Are there not times when there may be need for requirements, for on-the-spot inspection or screening by the inventory control manager in the location seeking to acquire the piece of property?

General HEISER. May I attempt to assist in this regard, sir? These inspections worldwide in the Army are made on a standardized inspection basis, and so the inspection is made of the crane, let's say, in Germany, that is excess. It is based on a standard for inspecting cranes. This then establishes the condition of that crane, and as Mr. Zaretzky has indicated, the inventory manager does recognize that the basis upon which this is established is a condition of serviceable, or unserviceable but repairable. Then he takes the appropriate action.

Now, if we assume for the moment it is a crane that is serviceable in Germany and required in Vietnam, the inventory manager knows the requirement in Vietnam. Vietnam only goes to him for their requirement. He then orders that crane, if it happens to be the appropriate thing to do, from Germany to Vietnam.

I think there is one other thing I would like to mention. The only constraint, you may say, that the inventory manager has is that where it is practical, we have what we call a standardization program. As you know, cranes can come in many makes and models. In order to reduce the amount of parts required to support so many makes and models, we try to standardize cranes in certain geographical areas, but outside of that the man in Vietnam expects that he will get a serviceable crane, and therefore that is what he gets. Of course, if we don't do it properly, at times there may be a complaint that what he got wasn't in the condition it was supposed to be. This is the normal thing.

Mr. COPENHAVER. Cranes are just an example.

I want to know the procedure used on this matter. With regard to the military assistance program, in the report by the GAO they indicated that about 7,000 short tons of equipment moved out of France was sent back to the United States, as I interpret it, for the military assist-

ance program. This may be inaccurate, but if that is the case, why? I am curious.

Mr. ZARETZKY. It may be inaccurate.

From which GAO report are you quoting?

Mr. COPENHAVER. This was the classified one. Do you have a copy of that available?

Mr. ZARETZKY. No.

Mr. COPENHAVER. Well, I will not pursue that right now.

Mr. MONAGAN. Is this related to that question? Mr. St Germain has a few questions. I didn't realize it.

Mr. ST GERMAIN. If we could get back to a couple of items mentioned since I arrived at the scene—you mentioned, I think, that it was GSA, for instance, that was not interested in used tools and furniture, because of the cost involved in shipping and the value here domestically.

By the same token, I am wondering about this—the used tools and furniture wouldn't be too expensive to transport, let's say, from France to Germany. Now, were the used tools and furniture sent to Germany from France first, prior to exhausting the supply of new tools and furniture?

Mr. ZARETZKY. Yes, sir. This was one of the reasons I went to Europe— to see just what was happening to housekeeping-type materiel. Not only did we do that first, but I assured that the Air Force, for example, looked very carefully at all of the Army materiel declared excess within France to make certain that every one of the items they might require they would get, and the reverse was done also. There is a record of how much they picked up, one from the other.

Mr. ST GERMAIN. I think you could understand and appreciate and realize that when you went to requisition you always aim for a new item, no matter what it might be. You tried to get the new rather than something that had been used before. It is a very human thing to do as a practical matter.

I think we can agree that the economical thing to do is to first dispose of that which is used, and then the new is available and probably wouldn't be refused by other agencies for use.

But according to what you say, they first saw to it that distribution was made—especially in the line of furniture—of the used.

Mr. ZARETZKY. Absolutely.

Mr. ST GERMAIN. As far as tools are concerned, that surprises me because in most instances—depending on the type of tools—a used tool most of the time is as valuable as a new tool. It is not like a piece of furniture that gets banged around.

Mr. ZARETZKY. I am not referring to machine tools, nor am I referring to the type of tools that we in Defense buy and manage. I am only referring to those tools that GSA buys and stores and supplies to us. These are handtools, wrenches, pliers, screwdrivers and that sort of thing.

Military-type tools are the ones we manage. They are handled the same, and they are repaired and reissued as required.

Mr. ST GERMAIN. With respect to equipment, let's not restrict ourselves to a crane, but bulldozers and backhoes, et cetera, are involved.

The general stated that—I think you said a worldwide standard?

General HEISER. Yes, sir.

Mr. St Germain. Is any consideration given to the type of work which the backhoe, the crane or the bulldozer might be required to do, and as such, doesn't that sort of go against the grain of a set standard or criteria?

In other words, as we know, a backhoe, for instance, ordinarily—even though it be in good repair—the value of the backhoe is computed on the basis of the number of hours it has been in actual operation. And there are some operations that can be performed by a backhoe that has been in operation for a great many hours, whereas in other instances requirements would be more stringent. I am wondering if you have a scale there also within the criteria that you mentioned?

General Heiser. Mr. St Germain, there is a graduated scale for the economic repair limits within which we will repair an item. However, recognizing that we are comparing ourselves on a basis of readiness for an emergency, which is our mission, we do not have a graduated scale, sir, within which we will claim an item to be serviceable. As a result—it is either serviceable or it is not serviceable, because as you well recognize, sir, this a worldwide situation—we have to be prepared to fight under any circumstances, and so there is a standard of serviceability that is not graduated, sir.

The thing that is graduated is the economic repair limits within which we operate.

Mr. St Germain. The thought occurred to me, if you had equipment in France, and there were requirements in Germany or in Italy, you are not there operating under fighting conditions as we are in Vietnam. Many of these pieces of equipment are being used in what you might call regular domestic work at this time, and we hope for many years to come in these areas, and that is why I wondered about this.

General Heiser. There is local judgment used in the local area, sir. For example, at the post, camp, or station—many times you will find them using equipment just as you were talking about, sir. However, when we are talking about standard equipment issued to troops, this is based upon a standard of serviceability. It is constant, sir.

Mr. St Germain. Once again, when you say "issued to troops," this implies troops no matter where they may be, but it doesn't recognize what they are doing.

General Heiser. Tactical units required to be ready to act in emergencies, such as the 7th Army in Europe, would be the kind I am talking about.

Mr. St Germain. When an item of Department of Defense equipment is declared excess and is turned over to AID or disposed of to AID, do the excess parts for that particular piece of equipment go along also?

General Heiser. This is a mixed answer, if you don't mind.

If the end item happens to be an end item on the tail end of a situation where it is the last of a kind, as opposed to being washed out because it is not economically reparable, and there are no requirements for repair parts other places in DOD, then the repair parts will logically be excess to our needs.

However, sir, this is mostly the abnormal situation. Normally, sir, for the equipment that is disposed of through the DOD, or the equipment made available to AID—usually it is found that there will be

no repair parts to accompany the end item because we often have additional requirements within the service for these repair parts, and therefore they would not be declared excess or surplus.

Mr. ST GERMAIN. How long does AID have from the time an item is declared excess until they can make a request for that particular item of excess property?

Mr. ZARETZKY. Thirty days.

Mr. ST GERMAIN. Mr. Zaretzky, in your testimony on page 4—which I read in the plane coming in this morning—you have one statement here: "In addition we permitted the depots in Germany"—this intrigued me at 10,000 feet—"it was a respite from the drudgery of daily issues." I wonder if you might like to explain that one. Whoever helped to write this was waxing poetic or something of the sort.

Mr. ZARETZKY. General Case is from Europe, and he is the man that ought to explain.

General CASE. It was not unusual during the FRELOC period to go into a depot in Germany and find the entire shipping and receiving departments all working in the receiving department. In France you could see just the opposite. The entire shipping and receiving department were all working in the shipping departments.

We had a good many shippers in France, and only a few receivers in Germany, so we were able to take the French depots and give them a mission they were unaccustomed to, and that is daily issues. And in addition they could keep up with their interdepot transfer to Germany, whereas the depots in Germany could concentrate their energies on receiving the massive interdepot transfers and didn't have to be diverted by making these many little loose issue shipments to their customers.

Mr. ST GERMAIN. In other words, this was sort of a fringe benefit, a morale booster?

General CASE. And it avoided double handling. We saved over a million dollars.

Mr. ST GERMAIN. On the following page, page 5, the first full paragraph I think is interesting:

> Greater vertical utilization, improvisation of sheds, elimination of honeycombing, relocation of nonstorage activities from warehouses and greater use of outside space were the principal devices used.

Would this be another benefit that was derived from the ingenuity applied? With the same amount of space and a good amount of ingenuity we avoided extra expenditures? Is that what your point was for warehousing facilities? Did we learn something from this for the future?

General CASE. I think so, yes. But I think we may be misinterpreting this just a little bit.

Some of the things we did were expedient. Some of the things we did kept us—enable us to take care of our property in the short term by improvising sheds, for example, but this would not be a good idea in the long term because they are inefficient to operate out of, and the property will deteriorate faster in these improvised shelters than it would if it was in proper storage inside.

Some of it was, perhaps not exactly improvement, but it did serve us very well in the short term when we were faced with the space crisis.

Mr. ST GERMAIN. I have nothing further.

Mr. MONAGAN. Mr. Zaretzky, was any property given away of this total?

Mr. ZARETZKY. Given away?

Mr. MONAGAN. Yes.

Mr. ZARETZKY. In France?

Mr. MONAGAN. Or any place. Primarily in France.

Mr. ZARETZKY. I don't know of any property that was given away.

Mr. MONAGAN. Is there any legal provision or agreement whereby the French have some kind of option to acquire any of this property?

Mr. ZARETZKY. No, sir. I have a legal paper on this. We checked that immediately, and they have no right to prior or first refusal—some sort of word like that.

Mr. MONAGAN. That is the point. There was a rumor that they had the right to pick up this property, and they were expecting to get it at excessively low prices and things like that.

Mr. ZARETZKY. No, sir. We checked that immediately when this happened.

Mr. MONAGAN. Then furnish that opinion for the record. That may be inserted at this point.

(The following information was supplied by the Department of Defense:)

An agreement on the procedures to be followed in the disposal by U.S. military forces in France of their excess property was executed between the Government of France, as represented by its chief of the Central Liaison Mission for Assistance to the Allied Armies, and the Government of the United States, as represented by the commanding general, U.S. Army Communications Zone Europe, on January 30, 1954, and amended on February 10, 1959. This agreement is currently in effect. It does not provide for any option or right of first refusal in the French to acquire any of the property.

Mr. MONAGAN. Now, you talk about the budgetary savings as a result of the relocation being $50 to $60 million annually. That comes from the fact that you have fewer people there, isn't that so?

Mr. ZARETZKY. Yes, sir. Fewer depots to operate.

Mr. MONAGAN. If you wanted to have a really outstanding savings on that basis, you could pull everybody out?

Mr. ZARETZKY. Absolutely.

Mr. MONAGAN. I don't think it is any great point. I mean, it is arithmetic.

Mr. ST. GERMAIN. It would be terrible if there hadn't been a saving, Mr. Chairman.

Mr. MONAGAN. The same would apply to foreign exchange savings. You are basing this calculation, I gather, on the 18,000-odd troops and an additional number of dependents that were taken out of France. That doesn't include the 35,000 that are coming out of NATO in addition to this?

Mr. ZARETZKY. It does not.

Mr. MONAGAN. But those are combat troops, the 35,000 troops, whereas these are support troops?

Mr. ZARETZKY. That is right.

Mr. MONAGAN. Of course, we are not going into the political questions that are involved here, but there would be a great many opinions as to why this happened, and the desirability of these further cuts in NATO, but it is not our function to investigate those or talk about them,

Mr. ST GERMAIN. If I could just follow up one question you asked about whether or not there was a right of first refusal in effect. I imagine much of this land we were using was leased——

Mr. MONAGAN. This is personal property we have been talking about.

Mr. ST GERMAIN. I am aware of that. But going on just one step further, real estate in many instances, I would imagine, was leased.

Mr. ZARETZKY. That is right.

Mr. ST GERMAIN. Now, if there were buildings erected on this leased land, would some of these leases provide that buildings would remain behind if they were of a permanent nature, and become the property of the lessor?

Mr. ZARETZKY. Each base that we acquired, whether it was the lessor or whether we built things on these properties, had specific agreements. One of the questions we asked was similar to yours—we asked for every agreement that we had with the French regarding the bases we occupied. We had to sort these out to determine exactly what arrangements we had at each of the various bases.

Some of the bases were exactly as you described. If a permanent or semipermanent building was erected, it remained on the property. If a temporary building was erected, it could be removed. In some cases the agreement stated that the base would be left as we found it, which is a pretty tough thing to do when you have already erected some concrete runways, for example.

These are the things our Military Liquidation Section is now coping with in its negotiations with the French.

Mr. ST GERMAIN. Will there be an estimate at the conclusion of this of what this type of lease costs us as a result of actually breaking the lease, the conclusion of the lease for a shorter term than originally anticipated?

Mr. ZARETZKY. There are a number of GAO men now sitting with our MLS men, physically, in Paris, checking these things.

Mr. MONAGAN. That could get complicated when you are amortizing a capital investment over a 10- or 20-year period, and then have the lease broken off halfway through.

Mr. ZARETZKY. That is right.

Mr. MONAGAN. It appears that they are working on the answer.

Will that be a GAO report or a Defense Department report?

Mr. ZARETZKY. It will be a GAO report.

Mr. MONAGAN. So they would be the people to get it from if counsel will make a note of that.

Mrs. Heckler?

Mrs. HECKLER. Following that line of questioning, is it possible that we would have to return some property in France to its original state? Could this generate more personal property which could become excess?

Mr. ZARETZKY. It could, and I think you are referring now to related personal property such as radiators, light fixtures and the like.

Mrs. HECKLER. That is correct.

Mr. ZARETZKY. One of the things we are attempting to do is to sell these light fixtures and other related personal property as is, where is, to the highest bidder. This gets difficult sometimes because the French had not indicated an interest in the particular building and they suddenly realized that we intended to sell the fixtures and things that make it an operating building right out from under them. This is,

again, part of the negotiations. The French would like to buy some of this material in place so that the building is still a usable building.

We have complete inventories of every single item on each base, including the wiring, the poles that hold the wiring up, and so on.

Mrs. HECKLER. You mentioned something this morning in passing on the value—something like getting 8 cents on the dollar. Didn't you use that figure?

Mr. ZARETZKY. Someone did.

Mrs. HECKLER. What was that in reference to?

Mr. ZARETZKY. That is the figure that the sales people were able to generate, based on acquisition cost—8 cents on the dollar, which compares favorably to what they get here.

Mrs. HECKLER. It referred to surplus property, which would mean that no Federal agency chose to use it. Is that what you meant?

Mr. ZARETZKY. After the Federal agencies have skimmed it through. A good deal of it is scrap.

Mrs. HECKLER. I can't comprehend the fact that you have reduced your military personnel by 18,000 or more, and yet you have found it possible to utilize over 600,000 tons of materiel. Does this mean that the bases in Germany and other countries in Europe, who received this materiel, will then decrease their present buying orders? Is that the type of arrangement that you envision?

Mr. ZARETZKY. No, madam.

Mrs. HECKLER. Is it for stock?

Mr. ZARETZKY. That is right; within the authorized levels of peacetime operation and mobilization reserve.

The materiel that was in the depots in France was the materiel held in Europe for our combat troops in Europe. Obviously the support-type troops also had support-type materiel that went along with them, but the heavy materiel, the ammunition, the guns, the tanks, and that sort of thing, are still required in Europe.

General CASE. It might help you understand a little better if I explained to you that, taken either by tons or dollar value, 75 percent of the inventory is either reserve or for special wartime projects, so that the great bulk of your inventory is not operating stock.

Mrs. HECKLER. I see.

General HEISER. This is based upon a judgment decision as to how long it would take us to resupply the theater in time of war.

Mrs. HECKLER. I didn't realize that this was the nature of the property held. This makes a tremendous difference.

Mr. BARASH. I have one question. Are you able to project at all how much additional property might become excess to DOD's needs as a result of FRELOC?

Mr. ZARETZKY. We see no additional excessing because of FRELOC.

General HEISER. Except the possibility of personal property becoming available as we get rid of the additional real estate.

Mr. BARASH. But, of the amount already moved out of France, you don't anticipate that any additional amounts of property will become excess to your needs?

General CASE. Well, yes. Property becomes excess every day. Every time the computer makes a calculation of your theater's supply position, items flow into excess. But your question was, because of FRELOC?

Mr. BARASH. Exactly.

Mr. ZARETZKY. That is over with, as far as command stocks are concerned, and I would expect only insignificant quantities insofar as related personal property is concerned.

Mr. COPENHAVER. Mr. Zaretzky, as I understand it, the MLS is in charge of disposing not only of the related personal property but are they also in charge of disposing of the actual real property which the French have indicated some interest in buying as a total, as a whole. Is that correct?

Mr. ZARETZKY. That is right.

Mr. COPENHAVER. In that regard, is there any possibility of developing any leverage by us in order to encourage France to negotiate within some degree of reasonable period of time on the residual value of the other property? Do you envision——

Mr. ZARETZKY. You are now in the realm of politics within the MLS.

Mr. COPENHAVER. I will not pursue that further.

Since the MLS is negotiating on some real property, have you established a pretty good working relationship between the two groups, or has the Embassy?

Mr. ZARETZKY. It is the Embassy. The MLS is part of the American Embassy, as of the 27th of January.

Mr. COPENHAVER. Therefore when MLS is negotiating on that part, they are under the Embassy's control?

Mr. ZARETZKY. Yes, sir. They are part of the Embassy.

Mr. COPENHAVER. One final question. With regard to the MAP program we talked about earlier, is it possible you could supply some figures as to the distribution to MAP of property that was under our FRELOC? Is this possible?

Mr. MONAGAN. What was that question?

Mr. COPENHAVER. Try to determine the amount, and perhaps the categories of property to the MAP program as a part of Operation FRELOC.

General HEISER. By classes of supply?

(The following was subsequently supplied for the record:)

DISTRIBUTION OF FRELOC THEATER EXCESSES TO MAP

MAP recipients, primarily Greece and Turkey, received approximately 25,000 tons of materiel valued at $68 million acquisition cost. Of this materiel, 530 tons was ammunition. The balance consisted of about 6,000 cargo trucks, trailers, and wheeled/tracked vehicles rendered obsolete by modernization programs. These items had been maintained with a minimum expenditure for care and preservation and were offered to MAP in "as is-where is" condition.

Mr. MONAGAN. Is there anything further, gentlemen?

Thank you very much.

The hearing is adjourned.

(Whereupon, at 2:40 p.m., the subcommittee was adjourned.)

CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

SATURDAY, MAY 27, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Frankfurt, Germany.

The subcommittee met at 2 p.m. in the annex to the American Consulate General AID Building, Hon. John S. Monagan (subcommittee chairman) presiding.

Subcommittee members present: Hon. John S. Monagan (chairman) and Hon. Margaret M. Heckler.

Subcommittee staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant.

Also present: Joseph DiGiorgio, Director, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Robert M. Gilroy, audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Frank M. Mikus, audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Allen Moore, audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Jack K. Woll, Director, Government Property Resources Division, Office of Procurement, Agency for International Development, Washington, D.C.; Paul Scordas, officer in charge, European Office of Government Property Resources Division, Office of Procurement, Agency for International Development; and Col. John Pfeiffer, Headquarters, USAREUR, escort officer.

Mr. MONAGAN. The hearing will come to order.

The Special Subcommittee on Donable Property is primarily concerned with the Federal donable property program authorized by section 203(j) of the Federal Property Act of 1949. In addition, since 1965, this subcommittee has been engaged in an active examination of the use of excess Federal property in the U.S. foreign aid program. We have seen much evidence to suggest that without the ready and efficient availability of excess property, AID would either have had to request substantially more funds from the Congress or the economic assistance efforts of the U.S. foreign aid program would have been far less effective.

The generation of vast amounts of excess property by the Department of Defense as a result of Operation FRELOC in Europe has great significance to the U.S. aid program and, in addition, has possible im-

82-554—67——6

portance in relation to the Federal donable property program in the United States. Therefore, in April of this year I discussed the interest of our subcommittee in this subject matter with the Chairman of the Foreign Operations and Government Information subcommittee of the House Committee on Government Operations. That subcommittee is now inquiring into costs to the United States resulting from the U.S.–NATO withdrawal from France. An agreement was reached between the subcommittees with respect to our subcommittee's working cooperatively with the Foreign Operations and Government Information Subcommittee. Pursuant to this intersubcommittee agreement, which Chairman Dawson of the Full Government Operations Committee has approved, the Special Subcommittee on Donable Property has embarked upon the inquiry which brings us here. Specifically the interest of our subcommittee centers on U.S.-owned personal property, removed or to be removed from France, which is or will become excess to the needs of the Department of Defense.

The successful utilization of the FRELOC-generated property in our foreign aid program, as well as the possibility of the use of some of this in the United States in the donable property program, is dependent, of course, on the adequacy of (1) screening procedures by which the property becomes excess and is disposed of; (2) storing; (3) the efficiency of inventory control; (4) the manner and expense of rehabilitation; and (5) the prices which this property may bring to the Government if sold as foreign excess. These, then, are the matters on which this subcommittee study will concentrate and to which our interrogation and inspection activities will be directed.

Now, Mr. DiGiorgio, you have an introductory statement, have you, sir?

STATEMENT OF JOSEPH DiGIORGIO, DIRECTOR, EUROPEAN BRANCH OF INTERNATIONAL DIVISION, GENERAL ACCOUNTING OFFICE, FRANKFURT, GERMANY; ACCOMPANIED BY ROBERT M. GILROY, AUDIT MANAGER; FRANK M. MIKUS, AUDIT MANAGER; AND ALLEN MOORE, AUDIT MANAGER

Mr. DiGiorgio. I have a brief, informal, introductory statement. I thought possibly, as we didn't have the benefit of this statement before—all we had was your opening statement at the hearing in Washington, D.C., and Mr. Woll's statement—I thought our best approach to assist you would be to expand on the contribution made by Mr. Stolarow and Mr. Berngart of our Defense Division and International Division, respectively, during your initial hearings.

As I understood it from the questions that were posed to Mr. Berngart, your interest was in the actual acquisition of property by AID recipient countries and the extent to which the property was utilized.

Mr. Monagan. What is your full name, please, and what is your position and what is your function?

Mr. DiGiorgio. My name is Joseph DiGiorgio. I am Director of the European Branch of the International Division of the General Accounting Office. The men that we have with us today are those most closely associated with your area of interest. Mr. Mikus has been concerned in two projects, one being the commodity import

program in Turkey. One of his interests was to concern himself as to the extent to which excess property has been obtained as a substitution for new procurement, and also to ascertain the extent to which there was control over custody and use of this property. He is also engaged in the portion of our work pertaining to the review of the rehabilitation operations under the various AID contracts at Rota in Spain, Leghorn in Italy, and Antwerp in Belgium.

Our concern is with the total operation starting from the point of acquisition by AID's European office to the point of disposition of the rehabilitated equipment by sale to recipient countries, and we have concerned ourselves with the contracts let to the rehabilitation center contractors.

Mr. Moore returned just yesterday. He was in Turkey to follow through as to the actual use to which the property was put. I have not had a chance to talk to him yet.

Mr. Gilroy has been associated with the FRELOC operation from last September to the current date.

We have a split functional responsibility here. Mr. Gilroy has been involved in the work resulting in the report to the Foreign Affairs Committee on NATO infrastructure, and he is also largely responsible for the report we submitted to the Comptroller General on March 31, 1967.[1]

From that point to the current date we have done several things both here and in Europe and in Washington to better define the areas in which we will do work.

Mr. MONAGAN. Is this a portion of the activities you are involved in here or is this all you are involved in here?

Mr. DIGIORGIO. No, this is a very small part of our total operation. To give you a picture of our total operation in Europe, geographically we run from the Azores south to north Africa, north to Iceland, and east to Pakistan. In terms of functions and responsibilities we have two primary areas in which we conduct our work, one either by direction from Washington and the operating group associated with defense activities, or the International Division or the Civil Division. For example, FAA is one we have taken on for the Civil Division; and for Defense our work can include work in supply and even through the readiness of the troops in Europe as they are affected by the supplies. The International Division is concerned with Public Law 480 and AID operations and the military assistance program. For brevity of definition, our operations consist usually of a program, the administration of that program, and the effectiveness and utilization of the equipment obtained from the program. I think that would be the briefest definition I could give of the total extent of our responsibilities.

We have been asked to do work for the State Department group of our International Division, various reviews, and some balance-of-payments problems that have been worrying the office for some time and for which we have difficulty in finding a solution.

If you like at this point I can call on either the men that are principally engaged in the AID operations or on Mr. Gilroy, who has been engaged in work in connection with FRELOC.

[1] A later revision of this report is dated May 1967.

Mr. MONAGAN. First I will ask counsel, do you have any questions?

Mr. ROMNEY. I have a broad question I might ask pertaining to assignments which apparently have been approved for the further GAO study which you stated would be ready by the end of August.

Mr. DIGIORGIO. This is just one. There have been approved for further review two which we have currently underway. One of the two currently underway is MLS and also one dealing with a review of the disposal actions relating to FRELOC.

Mr. ROMNEY. May I ask you to comment on the purpose of your making these studies with respect to FRELOC, and I would like you to address yourself to this question in addition: Is FRELOC unique, and if the purpose of the GAO's inquiry relates to a unique happening, is the purpose perhaps in this regard academic?

Mr. DIGIORGIO. We have tusseled with this from the start, as you can imagine, going back to September. Our concern is not with the fact it is unique in terms of the function involved in moving this property, but in terms of the time in which it has to be done. Also, as we all know, and it is trite to say so, but haste does make waste, and my personal feeling is they have had too much to do in a short time to do it without problems. The outgrowth of these activities, which are normal, is something that goes on daily and routinely. The custody and accounting of the property is daily and routine, and the storage of the property is daily and routine, but in FRELOC each was an expedited action and required a high degree of coordination as to the best use of the equipment in France, and this is where it is unique, essentially, not in any other terms, and I think the assignments we are currently undertaking are really not to review a new area of activity but to determine the extent to which what has occurred up to now may not have been correct and may have resulted in the retention of equipment that should not have been retained in the European theater but rather redistributed to other theaters; to others like AID or MAP, or sold.

Mr. MONAGAN. How about the question of whether it might have resulted in the disposal of property that might otherwise have been utilized?

Mr. DIGIORGIO. This is part of the work we are doing. We are concerned with dispositions that have occurred in the past and that will occur. Our concern will be with how the military determines it should be disposed of. In other words, we are in the process now of trying to establish the criteria for giving an item at a base or perhaps as excess to PDO, and the values received for this property are traditionally very low. We are aware of that. Our concern will be not only with the value assigned to it but with the actual factors that are considered, and one of our prime concerns, which I mentioned before, is to understand whether or not all factors that should be considered in setting a fair value are considered or are considered thoroughly prior to a sale. Our ability in this area is limited. In the MLS sales this can be a long protracted activity even after the signing of a contract document.

Mr. MONAGAN. Have most of the sales of the excess property been completed by now?

Mr. DIGIORGIO. I think they have moved physically most of the stock. There is much in terms of asset value that remains.

Mr. MONAGAN. But not in France?

Mr. DiGiorgio. There is still some that can be disposed of through the property disposal office of PDO. Physically in France you will have some pending sale that has been moved to the property disposal office of PDO.

Does this answer your question?

Mr. Romney. Yes. I thought I would ask Mr. Gilroy about the problems his study has encountered in trying to obtain information with respect to the operations and the results of the operations of MLS and FESO.

Mr. Monagan. Do you have any questions of Mr. DiGiorgio?

Mrs. Heckler. Yes. I would like Mr. DiGiorgio to explain about the asset value that still remains in France. Do you mean in the sense of property that has not physically been disposed of?

Mr. DiGiorgio. Basically the property seems to break down into three categories: Installations or property in which the French have indicated an interest——

Mrs. Heckler. You mean fixtures?

Mr. DiGiorgio. Fixtures and related property physically attached to the facilities that may have a disposal value elsewhere.

Mrs. Heckler. But you feel almost all the physical property that was unattached has been removed?

Mr. DiGiorgio. That is my understanding, yes.

Mr. Gilroy. I think sometimes in your questions when we talk about stock moved out of France, COMZ operates more or less like a national inventory control point and they control over $2 billion of stock. A lot of the theater reserve stock was in France and some of the peacetime operating stock was in France. They had to move it out and they declared a lot excess that had not been declared excess before. Basically in the supply function you have a peacetime operating level of 5 months at COMZ. They also had permissive overstockage for economic retention that they could hold for 18 months. They decided to reduce that from 18 months to 6 months and declare all the excess back to CONUS. They did this and redistributed it to other users around the world or the remainder was scheduled for disposal. Rather than going into disposal, the military decided if it was an active item they could raise the economic retention to 12 months or back to 18 months. This action of reducing the economic retention level to 6 months created a lot of excesses. Sometimes when they went back to CONUS they never did get an answer back on disposition, and in those instances they shipped the stock to Kaiserslautern. I have a list of all those items sent to Kaiserslautern.

This is more or less on the mission stock. On the nonmission stock there would be post, camp, and station property. We had quite a few Army bases and Air Force bases in France. Some were reserve Air Force bases that were physically set up to receive incoming additional support in time of war. They had to relocate these and the Air Force never got permission to completely relocate all their bases in France. They got tentative permission to relocate two—Chevelston and Sculthorpe. Recently they got permission to use Greenan Common.

Mr. Monagan. For the sake of the record, would you please indicate whenever any of this information is classified.

Mr. Gilroy. They do have a lot of supplies stored here. The type of supplies they store could border on classified information since it is a war reserve. It possibly could be classified information. The DOD

officials have told our officers in Washington recently they are not in a hurry to make a decision as to these dispersed operating bases. They have a lot of supplies stored there. The Air Force merged some bases in the United States and in Germany.

Mr. MONAGAN. Would that include any of the 35,000?

Mr. GILROY. No; this was prior to that time. Since that time we read in the papers they will reduce 96 planes or four squadrons pulled out of Europe and one brigade that will be pulled out in addition to the FRELOC exercise. You can see where FRELOC created a lot of excesses, particularly in residential- and office-type equipment. Some of it was in very poor shape. Residential furniture has been moved to Germany.

Mrs. HECKLER. All residential furniture has been moved to Germany?

Mr. GILROY. Yes, as far as we know. We have not checked it in detail. During our FRELOC review we tried to cover all areas at FRELOC. We are now in the process of reviewing that and also the new facilities and construction which would result from FRELOC.

On MLS operations, in trying to anticipate what your subcommittee would be interested in, we thought property located in France which the French have not expressed an interest to buy might be of some particular interest. The military component commands in Europe have a detailed inventory of this property which they passed to the liquidation office in Paris. They are in the process of making an economic cost analysis to determine whether it is best to sell it as is, where is, or remove it for sale, or to include it in a realty claim that we will put in later.

We do know that they have asked DOD to move out any property of which there is a shortage in Defense. To the best of my knowledge, they have not made an attempt to go to other agencies, and I understand they will have someone from MLS meet this week with this committee at either Nancy or Evreux, and I asked Colonel Grimes to have Colonel Regan, Assistant Deputy Chief of MLS, to bring copies of related personal property for which the French have not expressed an interest to buy to show you the type of property involved.[1]

Mr. MONAGAN. With reference to the items the Air Force and the Army have listed, is that movable personal property?

M. GILROY. Yes. In fact, that is a better definition than related personal property. They used to call it related real property, then related personal property, and it actually comes down to a definition of movable property. The agreement between the French and the United States says any movable property may be moved from France in the event we move out. We have in some instances torn out walls and removed copper wiring and restored the walls as they were before we removed the wiring. At one time there was what we called the scorched earth policy of removing everything; then that was modified to only removing the things for which there was a real need. This was further modified in that anything the French have indicated a desire to buy we would not remove. They are in the process of taking an inventory because since March 31 some people have come in and removed some things they need.

[1] An example of the kinds of property involved is the inventory of related personal property for the former airbase at Phalsbourg, France, printed as app. 1, infra.

Mr. MONAGAN. Our own people?

Mr. GILROY. Yes, sir.

Mr. MONAGAN. Where is this listing of personal property?

Mr. GILROY. The Military Liquidation Section in Paris will have one and also the Army Logistics Command should have a listing of all related personal property.

Mr. MONAGAN. I am not talking about the related property. I am talking about movable personal property that I understood you to say the Air Force and the Army had listed that is in France but has not been removed yet.

Mr. GILROY. Yes; they made an inventory of all personal property which is movable.

Mr. MONAGAN. Technically we are supposed to be looking at movable personal property which could be used by other agencies, including AID, and not really real estate because that is in another subcommittee.

Mr. GILROY. That is what I am talking about, other than what we call real estate. If there is any particular area you want me to expand on I shall be happy to.

Mr. DIGIORGIO. Perhaps you might want to talk a little bit about the method of disposal as it moves from excess to disposal.

Mr. GILROY. There is quite a similarity between the Air Force and the Army, with the Army having the most excess at this time. During FRELOC, particularly, they reduced it down to zero dollar criterion. That means they would have to go back to NICP and ask if there was any need for it. Any items they had in their inventory they went back and asked NICP to give them permission to go to disposal. After this exercise back to NICP, they checked to see if the Air Force had need for it. When the determination was made that there was no need for this property, it would be ready for disposal.

Before it goes to disposal sale, AID has an opportunity to inspect this property and if they want it they so notify the Army.

There were two sales agencies here when we were in France. There was a foreign excess sales office in Paris and the Army was the sales agent in France, but FESO would do the selling. They would ask for bids and sell the materiel.

The Air Force is the sales agent here in Germany and the Air Force goes through a similar screening procedure. They turn it over to the redistribution and marketing centers. Where you have COMZ, each Air Force station in Europe goes back to CONUS. At one time there was one at Chateauroux, so they would get their instructions and when it went to R. & M. it would be reported to the sales office outside of Weisbaden, Mainz-Kastel.

Mr. BARASH. You said something about the Army coming back to the bases where France had not indicated an interest and removing personal property. Do you know of any instance where property the French have indicated an interest in that could be used elsewhere is sitting there pending the French making up their minds?

Mr. GILROY. That is a very pointed question. We are testing this out. We know at one time the Department of Defense team was going through with a critical item list and said whether the French wanted it or not they would take it. Some items we have not removed because we felt they could bring a better price by leaving them than by taking out an ingredient. But we intend to make a test to see if there is a real

need for some of the items. I do not know if you know of the progress made to date at MLS. Didn't General Case and Colonel Kiely come in and mention the progress they had made to date?

Mrs. HECKLER. Not really.

Mr. GILROY. There are some items the French are very anxious to get hold of. They have sold so far the Toul-Rosiere Air Force Base. That is an operating base. That is, they sold all the movable property on this base. They also sold a hospital outside of Nancy, the Jeanne d'Arc Hospital. This was sold completely. And we understand they have sold four bases—Laon, Etain, Chaumont, and Chateauroux—as a package.

One of the problems we are having is they will not let us see any computations they make for negotiation prior to a sale in trying to compute replacement value and what we are going to say our negotiation objectives are.

Mr. BARASH. Which Chateauroux is this?

Mr. GILROY. This is more or less a complex.

Mr. BARASH. Do you know how much they sold that for?

Mr. GILROY. On Toul-Rosiere they got $795,000. On the Jeanne d'Arc Hospital outside of Nancy they got $465,000.

Mr. ROMNEY. We are talking now about the movable property?

Mr. GILROY. Yes.

Mrs. HECKLER. Are you saying they sold all the property for those figures or just the movable property?

Mr. GILROY. Just the movable property: According to the agreement, we are supposed to see if we can negotiate and decide on residual property at some later date.

Mr. MONAGAN. That is what MLS is doing, among other things?

Mr. GILROY. They are supposed to furnish input data on residual value.

Mr. DIGIORGIO. MLS has no responsibility for negotiating residual value.

Mr. MONAGAN. The attempt will be to place a value on the remaining term of the leases and that will be done under the State Department acting directly through the Ambassador?

Mr. DIGIORGIO. That is correct.

Mr. MONAGAN. Is there a treaty or agreement under which France would agree to pay whatever was determined to be a fair price?

Mr. DIGIORGIO. I think there are six agreements involved and the terms are either specific or not specific as to residual value.

Mr. MONAGAN. Do they go back to the time the base was established?

Mr. DIGIORGIO. Yes.

Mr. GILROY. Under NATO we have separate agreements. The bilateral agreements between the United States and France, all it says in the agreement is we will try to find a way to negotiate residual value or some kind of value.

Mr. MONAGAN. Has there been any contact with the French on this?

Mr. GILROY. I talked to Ambassador Bohlen last week, and he said he had not, and I asked if there was a target date, and he said to date he had not set a target date.

Mrs. HECKLER. What is your authority in this area? You have commented on the fact you will not be given access to information on

which to make a determination of value prior to the actual sale or agreement. Are you bound by law not to have this access? Is this a limitation on GAO in general?

Mr. GILROY. I think it can be. It is more or less executive privilege. This is all planning information, and they say we cannot look at the data, because this will be executive action. For instance, in the sales agreement for the Jeanne d'Arc Hospital they entered into a fixed agreement. Colonel Hoover for the United States and a representative from the French Government had signed a sales agreement for this hospital. They said they agreed on the price of $465,000. This is final; the input data will not change here. But the formal contract has not been signed as yet. So we cannot see the input data on that yet.

On Toul-Rosiere the contract has been signed, and we can look at that. But we are not able to take a look at the data they are accumulating. Each time we have to wait until a contract is signed. Since April 25, when they entered into the sales agreement for Jeanne d'Arc Hospital, the four bases have been sold, and we have not got the data on Jeanne d'Arc Hospital to compare yet.

Mr. MONAGAN. In essence it is the executive branch saying they have the privilege of not revealing this information, isn't that it?

Mr. DIGIORGIO. To put it simply, there is an operational prerogative. Essentially, until they have had an opportunity to exercise their judgment they will not let anyone review any of the facts gathered as the basis for exercising this prerogative. That may be reasonable in an on going job, but it is not in this case, in our opinion, because the observations we might have made are lost to them. This is what gives FRELOC the essence of uniqueness.

Mrs. HECKLER. What do you mean by the executive branch? Do you mean the military?

Mr. GILROY. It can be the military or the State Department.

Mr. MONAGAN. Any executive department.

Mrs. HECKLER. The GAO is considered a part of the executive branch, is it not?

Mr. DIGIORGIO. No.

Mr. MONAGAN. It is an arm of the Congress.

Mr. BARASH. Will you go into the reasonableness of the contract price at which these properties were sold?

Mr. DIGIORGIO. We wanted to go into what we thought the price should be that would be attained.

Mr. BARASH. Do you know whether they have a formula?

Mr. DIGIORGIO. We have requested that and we have some of it but not sufficient. This has been slow in coming.

Mr. ROMNEY. I do not know whether Mr. Gilroy completed what he started out to say.

Mr. GILROY. We had gone through the process of determining what property was excess to the needs of the military and were down to MLS operations as such. I think I had exhausted the background. The one area I did want to stress was that some of this property may not be offered to other agencies, the movable property the French do not intend to buy. The important thing is the economic analysis they will make. They may leave it to be negotiated with the residual value of the realty. We do not expect to get a proper return for the real prop-

erty left in France. So the French may come in with what we might call a negative plan and say they will return it to farmland and it will cost more to return it to farmland. NATO expects the same thing.

There is another thing. Almost all the air bases except Chateauroux were funded with United States and NATO funding. Take a runway, the NATO criteria might say 14 inches of concrete and the U.S. criteria might say 18 inches. NATO pays for 14 inches and we pay for 4. They might say a generator does not meet their criteria.

Mr. MONAGAN. Does NATO receive any funds from the sales?

Mr. GILROY. No. They have not tried to sell but NATO has put out a memorandum to its member nations that if they have need to take it and they say they will put in a claim against France. They have not determined what kind of claim it will be. It is our understanding a man in the State Department is trying to establish a basis for a claim against France. They do not know what basis they will pursue. In some of these bases, since we have an interest and NATO has an interest, we should perhaps have the same type plan.

Another thing is if NATO gets a settlement for this runway we talked about where we paid for 4 inches, if NATO gets $10,000, NATO would owe $2,500 to the United States and the other $7,500 would be split among the 14 members. NATO told me last Tuesday they don't know how they will handle these claims. But this is on realty rather than removable property.

Mr. ROMNEY. On the removable property, aren't the FESO and MLS people sometimes working at cross purposes?

Mr. GILROY. I don't think I understand the question "at cross purposes."

Mr. ROMNEY. FESO's objective is to sell.

Mr. GILROY. Yes.

Mr. ROMNEY. And MLS's objective is not necessarily to sell right now but to take a broader view of the disposal. My question is whether you have had any indication that those responsible for the FESO operation are not able to carry out what they think their job is?

Mr. GILROY. I think there is one important area, and that is that FESO is holding back selling or attempting to sell that property that the French have not indicated an interest in. FESO is now a part of MLS since we moved out of France. They are holding back at all these installations. This economic cost analysis is being made, and in this regard FESO is holding back. On the other hand, FESO is continuing to sell any property that remained in France after we moved out that is virtually scrap.

The Air Force tried to get everything out that was excess by November 1 because they thought it would take 5 months to process the sale, and that meant it would take until March 31. Then the Army had a bigger problem because they had more supplies to move and in December, after discussions with the French, they found out they could shorten this 5 months to 75 days, which gave them to January 15 to move the excesses out.

Mrs. HECKLER. Is the most economical way to dispose of the moveable property which can be detached from the real estate to sell it to France?

Mr. GILROY. I don't know. If we could examine the data we could come up with a determination of whether it was a good price or not. Initially the French came up with a figure of $220,000 for Toul-Rosiere, which was ridiculous. When they finally came to negotiation the United States set a low of $865,000. It is a horse trading business. They say we will give $400,000 and we say $865,000 and we finally reached $795,000. We don't know if that is a good price or not.

Mr. MONAGAN. Of course you do not have much of a market for secondhand air bases, either.

Mr. DIGIORGIO. You are trying to get the price that would represent the cost of dismantling it and moving it out.

Mr. MONAGAN. I think maybe in view of the fact that we have other witnesses here, and in view of the time situation, we will ask each to give a statement, and when they have finished we can all pitch in with any questions we have.

Mr. DIGIORGIO. Mr. Mikus, why don't you give us a short summary of what our interest has been in rehabilitation.

Mr. MIKUS. My name is Frank Mikus. I am audit manager of the European Branch of the International Division of the General Accounting Office. We are reviewing the excess property activities of AID here in Europe. We started by looking at the negotiations for the contracts, for rehabilitation at the three locations—Antwerp, Belgium; Rota, Spain; and Leghorn, Italy. After that we took a look at their screening processes. From that we followed the materiel into the rehabilitation centers, and we have looked into the area of how they cost out the rehabilitation of the property and the controls and administration of the contracts themselves. From that we followed it down to the countries and we went to Turkey, and while in Turkey what we did was identify the equipment to see that it was being used, and we looked into what condition the property was when it arrived in the country.

We looked at the commodity import program in Turkey and the utilization of excess equipment rather than new equipment. We picked two loans, a highway loan of $18 million and an irrigation loan of $5 million, and all the equipment acquired under these two loans was new equipment, so we screened the catalogs to see if there was excess property available, and we identified some that was available. We went to the project manager and determined the time the excess property was available. In one case the loan would have been reduced by $895,000 had they used excess property in lieu of new property. We believe they could have reduced the other loan by $544,000 had they bought excess property rather than new property.

Then we have the arguments as to why they don't use excess property. One argument was they didn't have the knowledge, and in the case of the highway loan they felt the excess equipment was too old and not proper for their purposes.

Mr. MONAGAN. In that case we were merely loaning and there was a Turkish company doing the construction?

Mr. MIKUS. No, sir; these were agencies of the Turkish Government.

Mr. MONAGAN. But they wanted new equipment?

Mr. MIKUS. That is right. In one case we found they had frozen—I think it was the highway loan——

Mr. DIGIORGIO. They had reserved some stock. There are a number of problems involved in the coordination of a program in a country with the available excess stock and we are trying to develop a method or scheme for better coordination of the program with a recipient country.

Mr. MONAGAN. That condition would have to appear in the original loan agreement, I guess, and I believe it does appear, doesn't it?

Mr. MIKUS. We had a problem with the highway loan and the irrigation loan. I believe the highway loan specifically stated that to the extent they used excess property the loan would be reduced. In the other case it was silent but we think it could have been reduced.

Mr. MONAGAN. Did we have the right to require the use of excess property?

Mr. MIKUS. The mission goes down the list and tries to indicate that you should use excess property but it has to be mutually acceptable. The Turkish Government in this case would have to agree.

Mr. WOLL. If I might say something in this respect, I was in Turkey recently and talked with mission personnel and people on the Turkish side, and in relation to the highway loan it is their opinion that inasmuch as the property that was available was older property than they were planning on getting rid of when they got the new equipment, they did not think it would be feasible or advantageous to obtain the older property.

Mr. MIKUS. We did go to several dealers who handled this property and asked if repair parts were available and they said equipment of that age was still being serviced by that firm, so we felt the equipment was usable in that case.

Mr. MONAGAN. Does that complete your statement?

Mr. MIKUS. Yes.

Mr. DIGIORGIO. Mr. Moore, I think, can explain the immediate objectives in going to Turkey, the condition in which the property had been received and the current use being made of the property.

Mr. MOORE. My name is Allen Moore. I am an audit manager in the European Branch of the International Division, General Accounting Office.

The main objective was to determine the condition of the equipment repaired under the section 608 program (program for advance requisition of property as authorized by section 608 of the Foreign Assistance Act of 1961 as amended) and whether or not there was accountability by both the AID mission and the Government of Turkey and whether or not it was being effectively utilized. We found in general that the procedures that were supposed to be in effect both by the AID mission and the Government of Turkey were not being carried out to control the utilization and to identify the condition of the equipment when it was received. I don't know whether we want to go into any details as to what we found.

Mr. MONAGAN. I think you might give one example.

Mr. MOORE. We found a great many instances where AID is not aware of the arrival of the equipment. In other words, they do not have accountability. For approximately 30 percent of the items we checked

we found the equipment had not been received in good operating condition as was represented by the AID excess property office here.

Mr. MIKUS. Excuse me. The mission and the Government of Turkey have established procedures under which when materiel arrives a report will be made to AID, but the Government of Turkey has not been furnishing this information.

Mr. MOORE. Initially, its receipt in the country; secondly, inspection of the equipment to determine if it is operational; and third, whether it is being utilized in the country. We found these were lacking both in reporting by the Government of Turkey and AID's responsibility as to accountability of the equipment and to insure it was being properly utilized.

Mr. MONAGAN. You said 30 percent of the items were not in as good condition as was represented?

Mr. MOORE. For that we tested, that is correct.

Mr. MONAGAN. Do you mean the deficiencies existed at the time the equipment was sent to Turkey?

Mr. DIGIORGIO. I think we had better be more specific about that. I don't know that the procedure is such that we can attribute the cause of the defects in the equipment to the rehab contractor or to the actions taken by the Turkish people at the time of receipt. Have you fixed that responsibility?

Mr. MOORE. With one or two exceptions—for example, in one case the receipient, the Government of Turkey agency, picked up the equipment and drove it to Ankara and when it reached Ankara he found the equipment had a cracked block. We can't say it was due to improper deprocessing to get it ready to move or not. If he had not put in water it could have caused that cracked block.

Mrs. HECKLER. But you said in 30 percent of the cases?

Mr. MOORE. In 30 percent of the cases we examined we found major defects and we thought it was the responsibility of the contractor.

Mr. MONAGAN. In other words, AID had turned them over to a contractor to repair this defect?

Mr. MOORE. That is right.

Mr. MONAGAN. And if the contractor had operated properly the defect would have been repaired?

Mr. MOORE. That is what we believe.

Mr. MONAGAN. And AID had turned that responsibility over to the contractor?

Mr. MOORE. That is correct, except AID has the responsibility on the completion of the rehabilitation to determine it was properly done.

Mr. MONAGAN. How many contractors are involved in this work?

Mr. MOORE. There are two commercial contracts, one at Rota, Spain, and one at Antwerp, Belgium, and the Army is doing it at Leghorn.

Mr. MONAGAN. You say this is 30 percent of a certain total. What would that total be in any standard you can use for measurement, acquisition value or number of items?

Mr. MOORE. Number of items. When I say 30 percent, that was 30 percent of a selected sample.

Mr. DIGIORGIO. He just came in from Turkey yesterday.

Mr. MOORE. We examined 49 items physically that had been tested by the user upon receipt. Of the 49 we found 25 items had minor deficiencies which did not render them inoperable. Fourteen items had

major deficiencies serious enough that they could not be operated. Fourteen of the 49 is the percent I was quoting.

Mr. MIKUS. Mr. Chairman, would you like some idea how we arrived at that percent?

Mr. MONAGAN. I think it is a very important point and could affect the validity of the whole program. If your excess property is not going to be usable or if it is going to be defective, it is better not to do anything at all with it rather than have it break down after it is received.

Mr. MOORE. I don't think this affects the validity of the program. I believe it is the quality control within the sites that is causing this.

Mr. MONAGAN. Quality control where?

Mr. MOORE. At the rehab centers.

Mr. MONAGAN. In other words, you are saying it could be improved, is that it?

Mr. MOORE. Correct.

Mr. MONAGAN. But certainly in this sample if 14 out of 49 items—I assume they are more or less the same size—if they could not be operated I don't know how you could say that.

Mr. MIKUS. The 49 is just a sample.

Mr. DIGIORGIO. I don't know if that is really representative of all repairs and whether it could be corrected by quality control or whether the percent of deficiency could make it uneconomical. Why don't you talk of the percentage first?

Mr. BARASH. Are you talking now about an investigation based on post-FRELOC?

Mr. MOORE. No. Some of this is post-FRELOC.

Mr. DIGIORGIO. We had undertaken this before we got into FRELOC at all.

Mr. MONAGAN. It does involve excess property?

Mr. DIGIORGIO. A large part they are now handling is the result of FRELOC but I don't know if that has anything to do with the conditions we found.

Mr. BARASH. Then it could not be based on the additional influx of items?

Mr. MONAGAN. It is still excess property that is used in the AID program?

Mr. DIGIORGIO. That is correct.

Mr. MONAGAN. So that we have an interest in it whether or not it was created by FRELOC.

Mr. MOORE. I can explain how we got down to this 49. We started out making a selection of the property shipped to Turkey since June of 1966 up to April of 1967 which amounted to a total of 180 items. If any of you have been to Turkey you know it is hard to get around the country. We selected three areas—Izmir, Istanbul, and Ankara. We tried to cover all the users within the three cities and the surrounding vicinity. We finally examined, I believe it was 80 pieces all told, physically. Approximately 24 had not been picked up yet from customs by the recipients.

Mrs. HECKLER. Different kinds of items?

Mr. MOORE. All types.

Mrs. HECKLER. Assorted?

Mr. MOORE. Yes. Seven of the items had been received by the recipient country but had not been tested as yet; 49, 7, and 24 should total the 80. So the 49 are the pieces we examined that had been tested.

Mr. DIGIORGIO. How do you get from the 180 to 80?

Mr. MOORE. Sixty of the items were received by an agency of the Government of Turkey similar to GSA that orders the equipment for allocation to the various municipalities. These 60 pieces were someplace in Turkey but we could not identify them. That brings us down to 120, and subtracting the 40 we could not get to leaves 80. So our sample was fairly small but it covered a wide variety of government agencies and municipalities.

Mr. MIKUS. How did you determine that they were in an inoperable condition?

Mr. MOORE. In some cases we could actually see, for example, the cracked block. When I said 14 had major deficiencies, it could be a small bearing, but it had to be repaired or replaced before it would be operable.

Mr. MIKUS. I think one of the principal things we found in this area was lack of communication from the Turkish Government to the mission. Some of the users had no instructions as to whom they should report to if they received a piece of equipment that was not operable. That is one area we are working on, and this may indicate a need for better quality control or better inspection at the port of receipt. In my personal opinion I would not want to criticize the entire program based on this one test.

Mr. MONAGAN. Has any comparable experience been found anyplace in the world in this program that you know of?

Mr. DIGIORGIO. I think it has been something we have not undertaken in depth before. We have had indications that items received were not being used. In some cases it may be due to the inability of the people receiving it to use it.

Mrs. HECKLER. You never investigated this before?

Mr. DIGIORGIO. No; we have not.

Mrs. HECKLER. Isn't it strange that so many items could not be located?

Mr. DIGIORGIO. A part of our probe was to determine the extent to which there was accountability. We don't know, and nobody else seems to know, where it is. I understand there is some procedure underway that would insure knowledge of where they are.

Mr. MIKUS. I was there 2 weeks ago and based on my discussions with the mission staff and others I think the mission is moving in the right direction to get procedures established so that we would know where the equipment is. In this case, of course, you have to have the cooperation of the host country. I think our sample here does not show conclusively but it points up a need for a feedback. Some of the defects may have occurred in transit. When you identify the problems, then you can go into investigating what is the cause.

Mr. MONAGAN. If it is still vague to the extent whether it was caused in transit or after its receipt by the Government of Turkey, it leaves a hole as to whether the contractor is responsible. We don't want to put the bee on an agency or a contractor unless we are pretty sure to what extent they are responsible.

Mr. MIKUS. This is the area we are working on now.

Mr. MONAGAN. Of course this is not direct evidence, this is secondary evidence, and I think we will have to be very cautious as to the conclusions we could draw. When do you expect your report to be completed?

Mr. MIKUS. Right now we will look to see what we have accomplished to date.

Mr. MONAGAN. Is it weeks or months?

Mr. DIGIORGIO. It would probably take us to the end of June to get a draft out of this office.

Mr. MONAGAN. You see my point.

Mr. DIGIORGIO. We are all concerned with the same thing, I believe. AID is concerned with optimum use and so are we.

Mr. MONAGAN. On Turkey I can imagine there are some problems on use and attitude and so on.

Mr. MIKUS. I would say on the use side of it they do have a problem with some of the people disenchanted with the program because the equipment they received was in bad shape.

Mr. MONAGAN. I think it would be a mistake to take an example of 40 bulldozers that broke down.

Mrs. HECKLER. But if you can't locate 60 pieces, how do you know whom you are benefiting?

Mr. DIGIORGIO. That bothers us too. We have had some suspicions but we don't have any facts to prove it.

Mr. MOORE. I might say we found no indication of any misuse or diversions. This is strictly a case of inaccurate recordkeeping on the part of the Government of Turkey.

Mrs. HECKLER. You mean AID does not have information as to what comes in at a port?

Mr. MOORE. AID does not get information as to who winds up with the piece of equipment.

Mrs. HECKLER. But AID gets information as to what has arrived?

Mr. MOORE. No. They know it was shipped.

Mr. MIKUS. There are methods established but you have to appreciate the fact that some of these countries are not as sophisticated as we are.

Mrs. HECKLER. Does AID have the personnel to check equipment coming in a country before it is actually used?

Mr. MIKUS. Their responsibility is to determine the condition when it arrives in the country.

Mrs. HECKLER. Do they have information that equipment has been received?

Mr. MIKUS. After the fact.

Mr. DIGIORGIO. They do not know about it until they determine it has been there for a long period of time.

Mrs. HECKLER. Do they know when equipment is en route?

Mr. MIKUS. There is a 6-month utilization report that has to be submitted by the recipient that is not being submitted.

Mr. MONAGAN. Do you want to mention the matter of the limitation on the amount that can be spent for rehabilitation?

Mr. DIGIORGIO. The 15 percent?

Mr. MONAGAN. Yes.

Mr. DiGiorgio. One of the problems that might come up in determining the cause of the items not being fully operable on receipt is that they were not properly checked upon receipt from the contractor, or this may be due to the limitation on the amount paid to the contractor. If an estimate is made that is limited to 15 percent of the cost, it may be the contractor will arbitrarily take it to 100 hours of repair work and if it gets rolling he may not go further. So it may not be a matter of quality control but a question of the price dictated by AID.

Mr. Mikus. Fifteen percent is not a limitation on any particular item. I think Mr. Woll will agree with me that sometimes in trying to preserve this revolving fund they are working from they will try to accumulate 15 percent of the acquisition cost, but if a contractor says they need 200 hours and it is 20 percent, they will go up to 20 percent. In the desire to preserve this $5 million fund, there may be a tendency to perhaps short-cut or bring pressure on the contractor to keep down the hours he spends.

Mr. Woll. If I can explain this, each piece of equipment is set up on a work order when it comes to the contractor's shop. It is tested out and the number of hours and number of parts needed are agreed to. If for some reason after the completion of this number of hours and this number of parts needed for the item it is found the item is not in serviceable condition, the work order is amended and additional hours and/or parts are added. So the 15-percent limitation has no basis in fact at all. We have gone as high as 30 or 40 percent of the acquisition cost if we have found it needed and worthwhile. On the other hand, we acquire many items that require no rehabilitation whatsoever, so in many instances we can exceed the 15 percent and make up the difference on items that do not require the full 15 percent. We call it an average service charge.

Mr. Romney. Could you comment on the adequacy of storage in Germany of property that has been removed from France? This would break down between the Air Force and the Army and also perhaps between mission stocks and property that has become excess and property not yet in the process. This is a long question but I hope we can get a short answer to some of these.

Mr. DiGiorgio. A short answer to a long question? Let me say this. The question of storage is one we are concerned with in two ways. One is that the storage that does exist in Germany is not being fully utilized; and the second is that new storage space must be found. Some property moved out of France may be held in open space and may deteriorate. We may not need new construction if better utilization is made of the storage space that now exists.

Mr. Gilroy. There are items today that are stored outside in Germany that are deteriorating from not having proper storage. We can't give you quantities. In our FRELOC report we did estimate, based on Army estimates, that there would be a given amount lost each year because of deterioration. We are now attempting to go across the board in the Army and Air Force and find out what they will build and find out why and find out what they have available in warehouse space. We can see no reason why, if the Air Force has warehouses that are not completely utilized, why the Army could not utilize it and take the stock that is outside and put it in that storage space. We don't

know if that space is available. Say you have an item you really need and you have 18 months' supply and you only need 5 months' supply. In effect what you have is the economic retention of what is above your needs taking up space that should be taken by items stored outside. We have only really approached this in the last week.

Mr. ROMNEY. When an item is declared excess, is any different storage handling made of that item?

Mr. GILROY. Not when it is declared. When it comes through they may ship it somewhere else. When it comes to disposal it would go to a disposal yard and be in a different storage area.

Mr. MONAGAN. So far as the screening and identification of property, in your observation AID has been active in that field?

Mr. GILROY. Yes, sir.

Mr. MONAGAN. And has done a good job in following it up so far as you know?

Mr. GILROY. When you say "followup" do you mean do they earmark an item as to whether they have moved it in a certain time frame?

Mr. MONAGAN. Whether they have been active in following it up.

Mr. MIKUS. Our observation is that to the extent the property is made available to AID they do make their screening and selection, and we understand in the Air Force there is some lack of getting the information. AID makes the inspection at PDO yards.

Mr. BARASH. Getting back to MLS, did I understand you to say earlier that no time limitation has been placed on MLS in disposing of these items? You have not been advised by MLS itself or any other source that there is a time limitation?

Mr. DIGIORGIO. There has been a period established in discussions. It is not firm to my knowledge.

Mr. GILROY. We have directed this question to Brigadier General Harvey, Deputy Chief of MLS, and he says his only time frame is as expeditiously as possible. We asked if it was 90 or 120 days and he said he could not tell us, that they would do it as fast as they can. They have moved faster than they thought they would on the initial sales. In the case of the sale of Toul-Rosiere, the French were moving squadrons out of Germany and they needed it, and they were very anxious to get the Jeanne d'Arc Hospital, but where their interest is not as keen it may take longer to negotiate a sale.

Mr. BARASH. Can you distinguish between mission stocks and post, camp, and station stocks?

Mr. GILROY. Mission stocks are needed to resupply the operating troops. Post, camp, and station stocks can be like desks and chairs.

Mr. BARASH. We were told of the total amount of some 800,000 tons involved in FRELOC, that only about 8 percent was sold.

Mr. DIGIORGIO. You mean in France?

Mr. BARASH. Yes. Have you had occasion to check that?

Mr. DIGIORGIO. I think the figures you quote are right. I think they are in our survey report.

Mr. BARASH. This was the testimony of Mr. Zaretzky.

Mr. DIGIORGIO. I don't think we have come up with what percentage of the total 800,000 tons was sold.

Mr. MONAGAN. Offhand it does not seem outrageous to you?

Mr. DIGIORGIO. No, sir.

Mr. MONAGAN. You are in the process of checking the amounts that were excess as a result of this in 1967 and comparing that with 1966 and 1965?

Mr. GILROY. Yes.

Mrs. HECKLER. You keep referring to the sale of property the French were not interested in. Was part of the agreement that we would give them the right of first refusal or something like that?

Mr. GILROY. Sometime in September or October of last year the United States asked the French to come in and make an expression of interest. They were slow. Finally in January they said this was a list of things they were interested in. The United States asked them, "What part will you buy?" They said they wanted everything in Toul-Rosiere and everything in Jeanne d'Arc Hospital. The United States asked if there was not an interest would they advertise to private enterprise in France. In January they started advertising these locations to industry. Most of the industries in France are located in the northern part of Paris and the French have been trying to relocate them. If the French had this property they could turn it over to them. In Nancy there are hundreds and hundreds of buildings and 300 kilometers of road and the French did come up with an offer of something like $30,000 for certain parts of the movable property.

Mr. MONAGAN. We do not have title to the realty, do we?

Mr. GILROY. No.

Mr. MONAGAN. Thank you, gentlemen.

Mr. Woll, will you proceed?

STATEMENT OF JACK K. WOLL, DIRECTOR, GOVERNMENT PROPERTY RESOURCES DIVISION, OFFICE OF PROCUREMENT, AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, D.C.; ACCOMPANIED BY PAUL SCORDAS, OFFICER IN CHARGE, EUROPEAN OFFICE OF GOVERNMENT PROPERTY RESOURCES DIVISION, OFFICE OF PROCUREMENT, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WOLL. I will give you a general rundown of our operations.

First of all, Mr. Chairman, I would like to welcome you and the subcommittee members to AID's Excess Property Regional Office No. 4 in Frankfurt. We are sincerely glad you are here.

A few of the things I have heard by GAO are quite disconcerting, but to give you a general outline of our operations here similar to the statement made by Mr. Herbert J. Waters——

Mr. MONAGAN. Let me say first of all that I assume some of the things they have said are new to you and some of them may very well be not in the final statement. This is all raw material. I think all of us appreciate what the situation is and would have to take it for what it is worth and be very careful about founding any committee conclusions on it. But however it is done, you will have a right to file a statement or give testimony and indicate where you think the facts or figures are wrong, so the Agency will certainly be protected to that extent.

Mr. WOLL. Thank you very much.

Mr. DiGiorgio. May I say the statements were given in the spirit of the objective of our work.

Mr. Woll. To say the least, I am amazed. But to go back to where I was, when Mr. Herbert J. Waters, Assistant Administrator for the War on Hunger, testified before your subcommittee on May 16—and I accompanied him at that time—in substance he said this operation started over here in 1962 regarding the advance acquisition program, and in the early days we had hoped we could gain assistance from the military for rehabilitation work, but after a period of time we found they were very preoccupied with their own mission and we then turned to the Air Force, who had a contract with an organization called Behernan & Demoen in Antwerp, Belgium. The Air Force was kind enough to take us on as a subcontractor or partner, and we started to put property in this contract shop. After a relatively short period of time the Air Force terminated their contract and obtained a contract with a British firm called Henley's. When the Air Force moved out of Antwerp we, as a subcontractor, had to move with them and this was expensive for us to move the property from Germany and France to Antwerp and then to England. After about a year the Air Force terminated their contract with Henley's and we realized at that time we had to have our own contractor, that we could not tie ourselves to the Air Force because they were entering into contracts and then terminating them.

In 1963 the Air Force had an arrangement with a commercial contractor in Rota, Spain, which was a prime contractor to the Navy. The Navy allowed us to ride on the Air Force contract, which made us a subsubcontractor partner. This arrangement is still in operation and the operation in Rota has grown to a fair size operation. I think it is something like half a million dollars a month.

Mr. Monagan. Is that the amount spent for rehabilitation?

Mr. Woll. No, this is the acquisition value.

In February of 1966 we obtained an agreement with the Army at Camp Darby-Livorno-Leghorn. This agreement specified that the Army would rehabilitate some of our property for us. It is a very small operation and basically it serves one purpose and that is that property we acquire in Italy does not have to be transported to Rota, Spain, or to Antwerp, Belgium, and we do not have that transportation cost. This was an economical move and resulted in a saving as far as we were concerned, and the operation is going but not very well and that is because we just fill the peaks and valleys of the military's production.

Our main contract is with J. & M. Adriaenssens, which went into effect in November of 1964. Originally we anticipated inputting in this operation $100,000 to $200,000—this is actual dollars—for repair and rehabilitation. In 2½ years it has risen to a $1,250,000 contract and until now we thought we had a very good contract.

Mr. Monagan. What period does that cover?

Mr. Woll. The $1,250,000 covers the period November 1966 to November 1967.

Mrs. Heckler. That is just for rehabilitation?

Mr. Woll. Rehabilitation and storage.

Mrs. Heckler. What is the acquisition value of the property involved?

Mr. WOLL. This is actual dollars. If we figure an overall 12 percent it would be eight times that. This contract also covers some transportation but basically it is for rehabilitation and storage.

Mrs. HECKLER. Does the 15 percent we talked about earlier include storage cost?

Mr. WOLL. Yes. That includes everything except port handling and ocean transportation to the recipient. Our European operation has grown from November 1964, when we signed our first contract, to the point today it is our largest single operation worldwide.[1]

To give you a few statistics on that, property which we acquired in fiscal 1964, the total was $1.1 million; for fiscal 1965 it was $12.9 million; for fiscal 1966 it was $18.1 million; and for the first three-quarters of fiscal 1967 we have requested approximately $41 million, of which quite a bit has not as yet been received at our marshaling site. We differentiate between receiving and requesting. In the past there have been times when we have requested or issued a transfer document to the military for a certain item they had declared excess, and subsequently they have realized they had a need for it themselves and they have kept it. For in some cases where we have issued a document covering a large number of items, by the time we receive them they are short. So we only consider property is ours when we have received it.

On shipments, in fiscal year 1964 we shipped out $300,000 acquisition cost; in fiscal 1965, $7.6 million; in fiscal 1966, approximately $13 million; and for the first three-quarters of fiscal 1967 we have shipped out approximately $12 million. Our program goal for all of 1967 is $16 million. We have every expectation of meeting it and will probably exceed this figure.

I believe during GAO's brief talk here they brought up the 15-percent surcharge, and I made a statement in regard to this. I believe it would be helpful for all concerned if I go into this a little further at this time.

We do not charge anything at all for the property itself. This 15-percent surcharge is necessary for us to recoup our expenses for our revolving fund. As I explained, in many instances we spend 20, 25, 30, or 40 percent, depending on what is necessary to spend in order to put a piece of equipment in operation. In other instances we pick up items like clothing, metals, beds, cots, which only involve packing and such as that, and maybe it only costs 3 or 4 percent, so that with what we make on items like that and what we lose on items we go to 30 or 40 percent on, we think we can live on the 15 percent average.

Mr. MONAGAN. The fund charges an amount plus the 15 percent; is that it?

Mr. WOLL. No, sir. The fund does not charge any amount. The 15 percent is the total charge.

Mr. MONAGAN. There is no reimbursement from AID?

Mr. WOLL. The recipients reimburse the fund.

Mr. MONAGAN. That is 15 percent of acquisition cost?

Mr. WOLL. Yes.

Mr. MONAGAN. So that could be high?

[1] For cumulative production figures at all EPRO 4 marshaling sites, see app. 2, infra.

Mr. WOLL. I wouldn't think it would be high. It would be low, sir.

Mr. MONAGAN. But it is not based on the amount that is reimbursed?

Mr. WOLL. No.

Mr. MONAGAN. How would you determine that with reference to acquisition cost of an item? Let us take a truck used in the irrigation or roadbuilding project in Turkey.

Mr. WOLL. We like to believe once an item has been rehabilitated to our standards that it has 70 percent of new life in it.

Mr. MONAGAN. So that is what you charge AID or the contractor or the Government?

Mr. WOLL. No. We only charge 15 percent.

Mr. MONAGAN. You say there is a reimbursement in the program itself. The Government of Turkey will have to pay for this truck?

Mr. WOLL. It depends on the type of equipment and the program.

Mr. MONAGAN. But how do you determine what they will have to pay for that item of equipment?

Mr. WOLL. Actually if it is a project loan the piece of equipment—let us say it is a truck that cost $10,000. The recipient would pay to 15-percent surcharge, which would be $1,500, but if the item was listed in the project as a $10,000 item, they would be charged 15 percent and the loan would be reduced by $8,500.

Mr. MONAGAN. So there would not be a reimbursement for the current value of the item?

Mr. WOLL. No, sir.

Mr. MONAGAN. Did you have a statement?

Mr. SCORDAS. Yes. I am Paul Scordas, officer in charge of the Excess Property Regional Office No. 4 of AID.

It is with a great deal of pleasure that we welcome you and thank you for the opportunity of telling you how we are implementing the wishes of the Congress and the President of the United States in the utilization of excess property.

This office covers all of Europe, North Africa, the Middle East, and England in the disposition of property declared excess by the military. The military declares this property excess utilizing various lists. These are from the military assistance program. This is a list put out by the redistribution center in Mainz.

Mr. MONAGAN. I think we will receive these for the files.

Mr. SCORDAS. We screen the lists put out by the military. We also examine the property, select the best and the property suitable for AID worldwide, and then we transport it to our three marshaling sites—Antwerp, Belgium; Rota, Spain; and Leghorn, Italy.

The amount of property we have acquired over the past quarters—you can see the trend is high. These two peaks are the result of Project FRELOC. During the second quarter of fiscal year 1967 we requested from the military $27 million of property.

Mr. MONAGAN. Will we have a copy of this?

Mr. SCORDAS. Yes, sir; I have copies of these charts for you.

Mr. MONAGAN. How many of them are there?

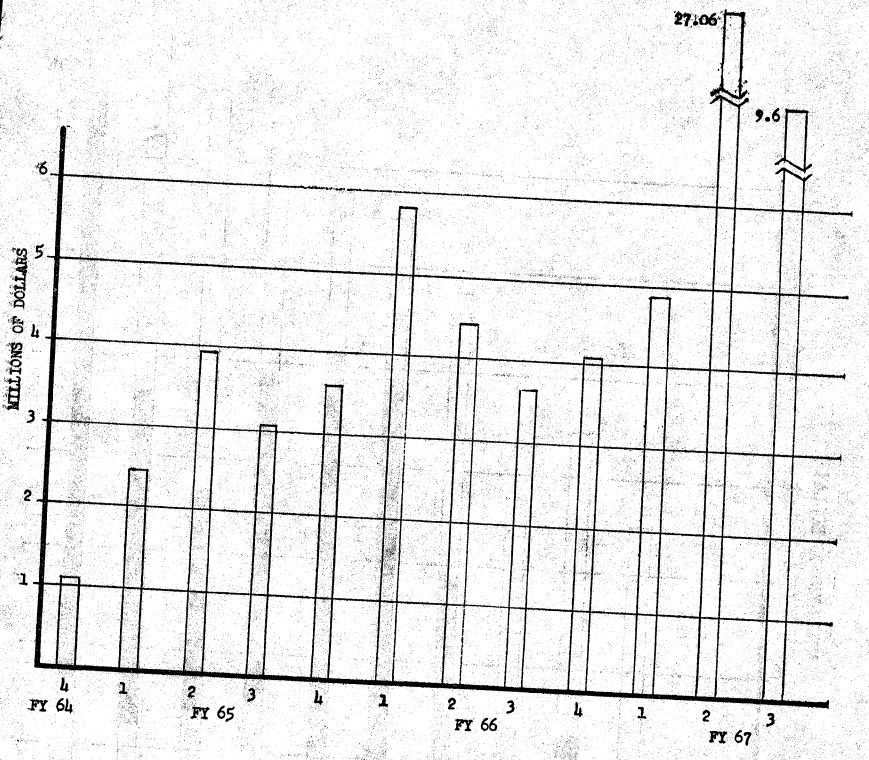
Mr. SCORDAS. There are eight, sir.

Mr. MONAGAN. I think this kind of thing is quite important because it shows the relationship of FRELOC to the other statistics, so we will receive those for the record.

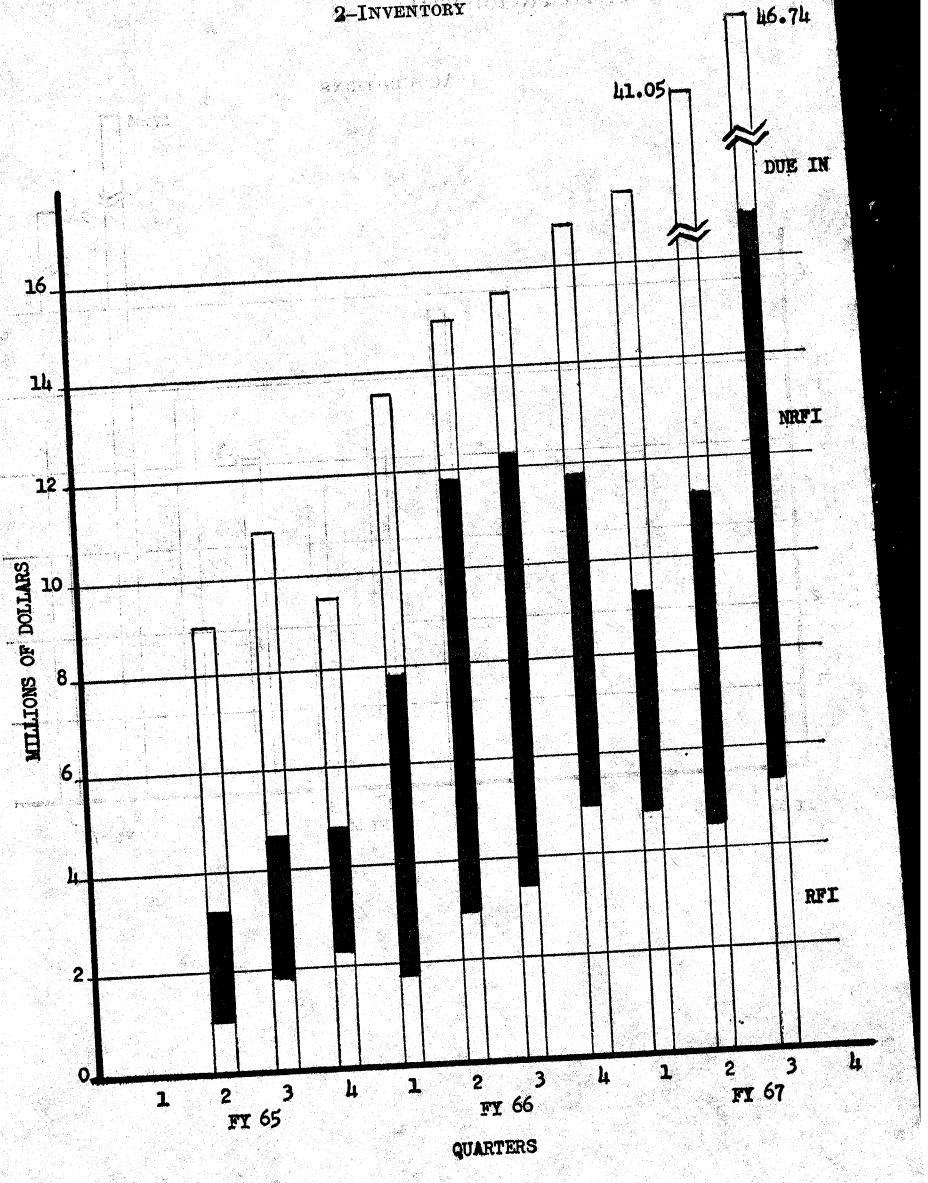
Mr. SCORDAS. Very well, sir.

(The charts referred to follow:)

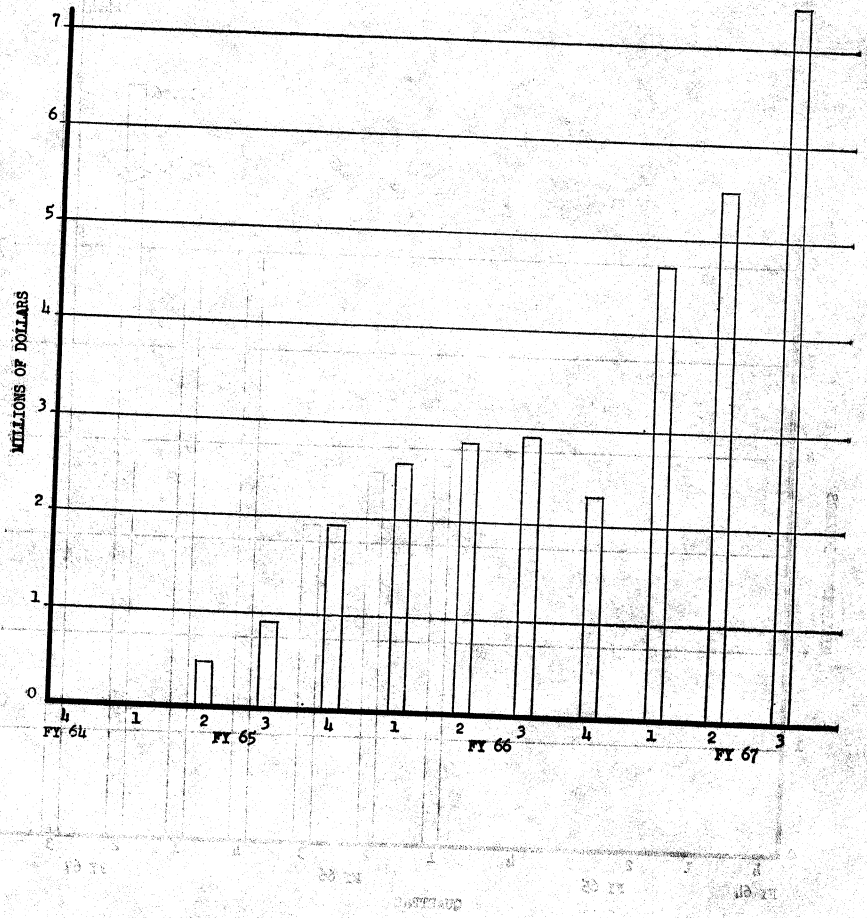
1–ACQUISITIONS



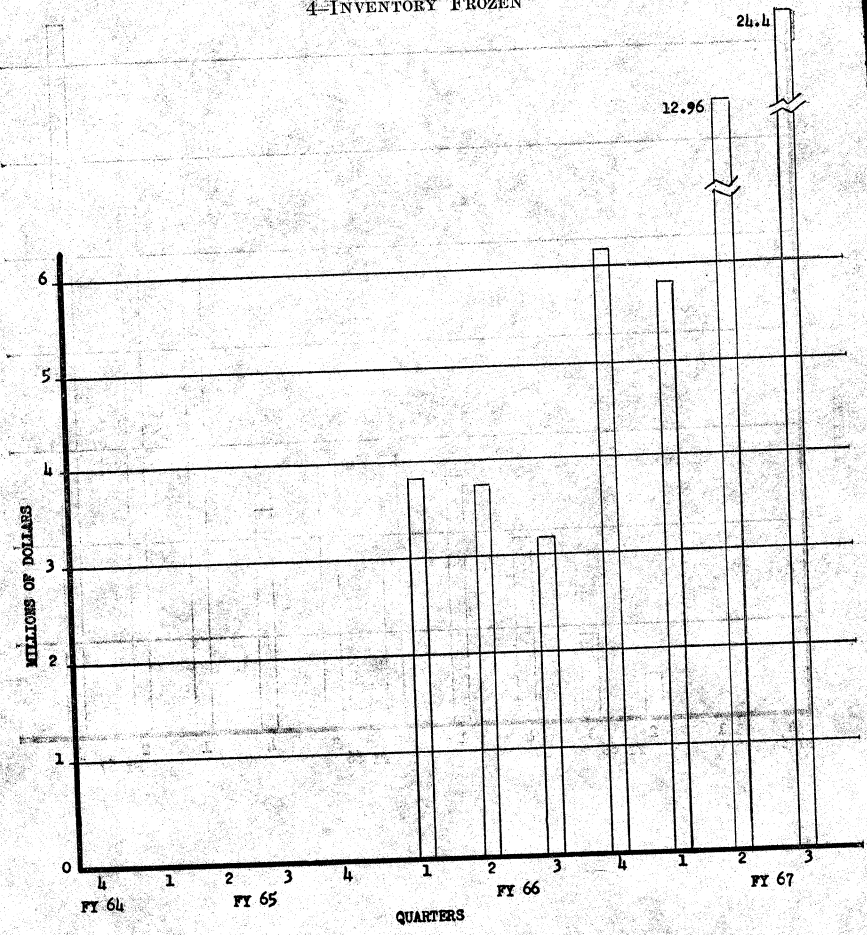
2-INVENTORY


46.74
41.05
DUE IN
NRFI
RFI
MILLIONS OF DOLLARS
0
2
4
6
8
10
12
14
16
1 2 3 4 1 2 3 4 1 2 3 4
FY 65
FY 66
FY 67
QUARTERS

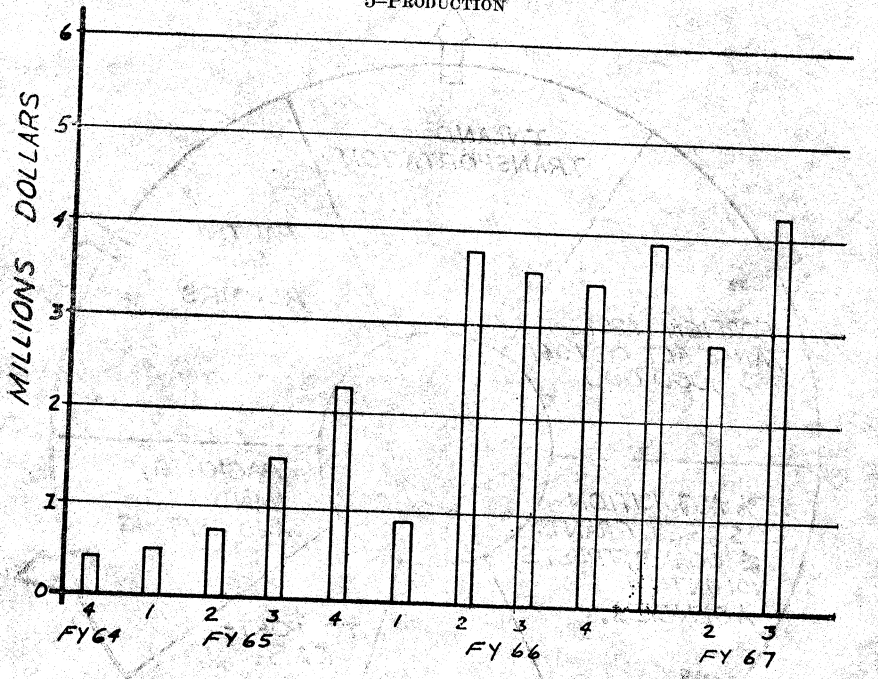
3–UNDELIVERED ORDERS



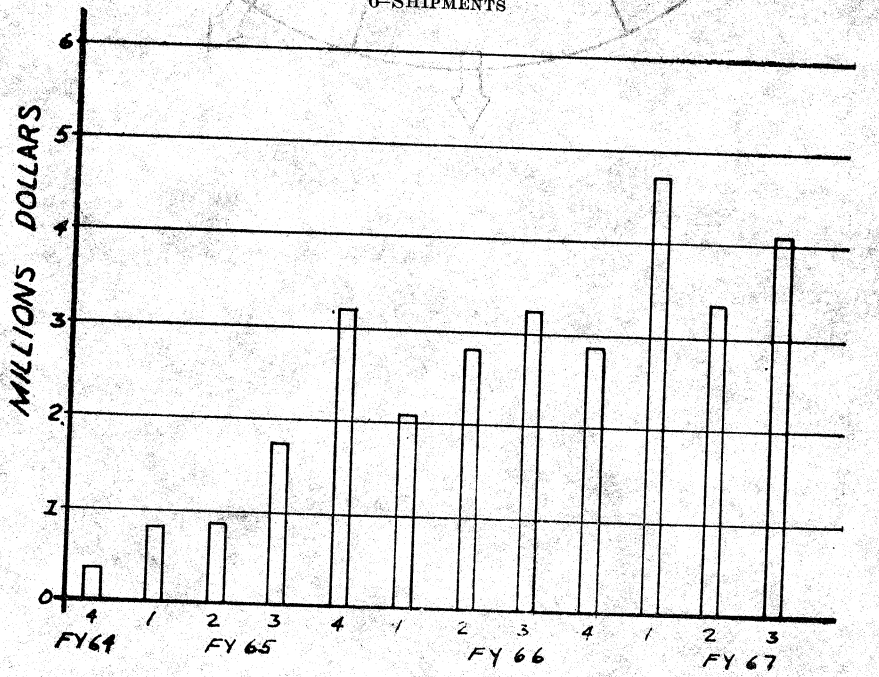
4–Inventory Frozen



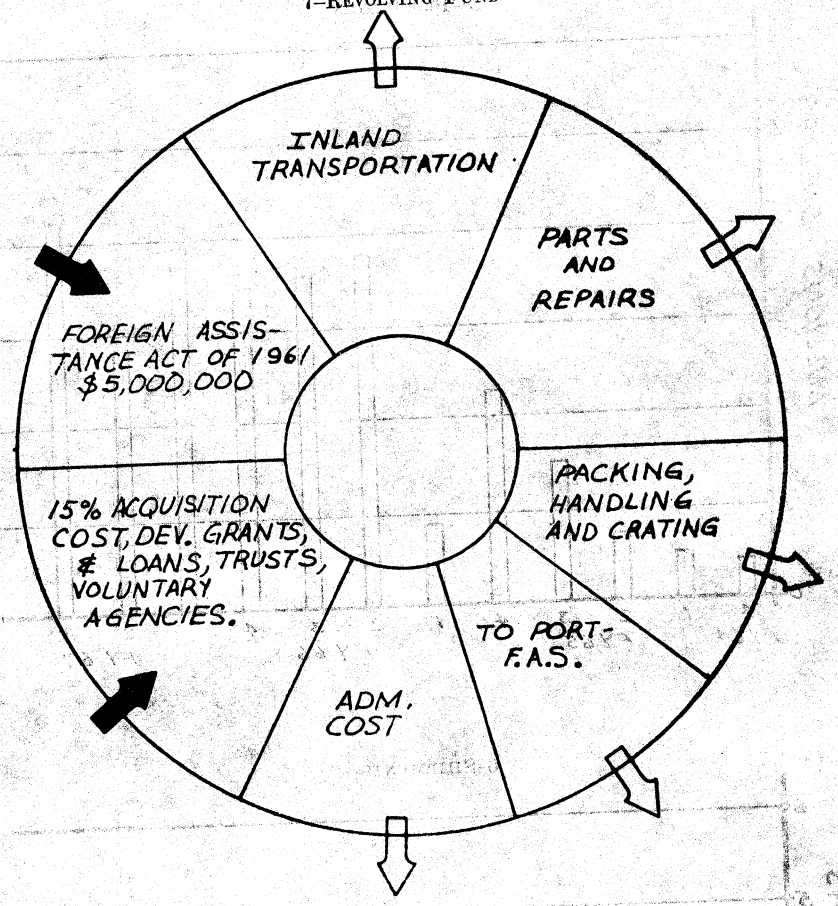
5–PRODUCTION



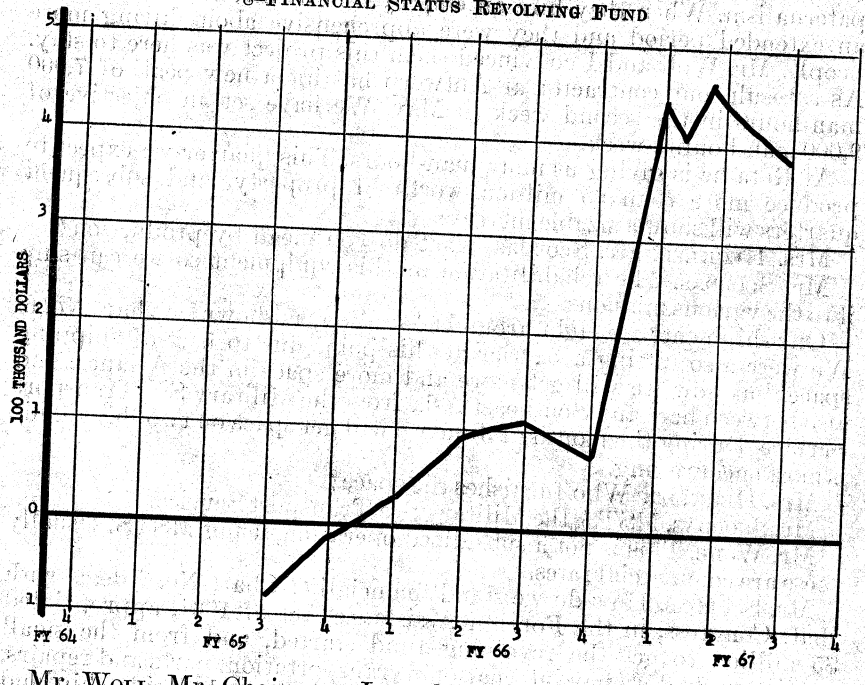
6–SHIPMENTS



7–REVOLVING FUND



8–FINANCIAL STATUS REVOLVING FUND



Mr. WOLL. Mr. Chairman, I would like to bring out that all that $27 million and the $9.6 million on chart No. 1 is not directly attributable to FRELOC but to the overall request for acquisitions.

Mr. SCORDAS. It was compounded by FRELOC. At this time it is dropping off in the summer and dry months, and it picks up in the fall. This dip is attributable to investigative processes. It slowed everybody up.

Our inventory at this time is shown on chart No. 2. In our marshaling sites we have about $17.8 million and $28 million are due in. These are items we have requested from the military to turn over to us. Some of it is on ships, some on rails, some on barges, and some are on the way to our marshaling sites. This $5.3 million is ready for issue, and this $12.5 million is the backlog we have at the marshaling sites that is not ready for issue but is to be reworked.

The demand for excess property is increasing very rapidly. This is attributable to the policies generated by Mr. Woll's office, and also it is required that we screen our services prior to placing new procurement to see if it is available. As you can see, chart No. 3 shows that the demands are going up rapidly. At this time we have $7.4 million.

The items that are earmarked for the various missions worldwide—and we do not have firm purchase orders on them—have gone up to a figure of $24 million. This is chart No. 4. These are items we have told the missions are available or will be available and they have asked us to earmark them for their projects in lieu of new procurement or in connection with other projects that they have.

Chart No. 5 shows that production is at this time a little over $4 million a quarter. We were hitting a resistance point at $4 million for a period due to the fact the contractors we have in Europe practice

paternalism. When they hire an employee he is hired for life or for an extended period and they were apprehensive about hiring more people. Mr. Woll and I convinced them this project was here to stay. As a result, our contractor at Antwerp has hit a new peak of 7,000 man-hours in the second week in May. We have set an objective of 9,000 man-hours a week.

At Rota he is giving us more man-hours. This quarter we expect to produce more than $5 million worth of property, and subsequent quarters will show a sizable increase.

Mrs. HECKLER. Mr. Scordas, what do you mean by production?

Mr. SCORDAS. The rehabilitation of this equipment so we can ship it to the various missions.

Our shipments are right around $4 million, as shown on chart No. 6. We were also hitting a barrier at this point due to lack of shipping space, but now we will get more and more space in the Atlantic and also between here and Southeast Asia from the Military Sea Transport Service. During the month of June we will get space on two ships. This is most encouraging.

Mrs. HECKLER. Who furnishes the space?

Mr. SCORDAS. MSTS, the Military Sea Transport Service.

Mr. WOLL. This is not a subsidized operation, using MSTS. Usually these are commercial rates.

Mr. SCORDAS. How do we stand financially? Chart No. 7 deals with that. Congress, in the Foreign Assistance Act of 1961, appropriated $5 million to get the revolving fund started, and from the small portion we had we pay international transportation, parts and repairs, handling and crating, and then we move it free alongside ship and from there the recipient country pays the costs. Recent legislation permitted administrative costs to include travel and supplies to be paid out of this revolving fund, and then it is reimbursed by the 15 percent of acquisition cost which comes from the development grants and development loans.

Financially, on chart No. 8 it is shown how this particular office stands. These are in thousands of dollars, again in quarters. We were in the red and during the fourth quarter of fiscal year 1965 we came out of the red and into the black up to about $400,000. At this time we are dipping down for several reasons. First, we are starting an investment in these items. We are investing in equipment with rehabilitation, parts, and repairs. We feel, again, that with the increase in production and the increase in shipments we will probably maintain a level along in here rather than increasing the fund to any extent.

I also have some photographs of some of the equipment we have rehabilitated. You are certainly welcome to look at them.

Mrs. HECKLER. What percentage of the property that you get requires rehabilitation?

Mr. WOLL. Seventy percent.

Mr. SCORDAS. I would say more than that. I would say 90 percent requires rehabilitation and the other 10 percent does not. This is the rule of thumb.

Mr. MONAGAN. What is the status of the $5 million fund, in brief?

Mr. WOLL. In brief, sir, we show a profit for the first three quarters of this year of $71,896.99.

Mr. MONAGAN. You are doing better than paying your expenses?

Mr. WOLL. That is right. From the inception of the program we show a profit of $932,470.58.

Mr. MONAGAN. But this is really only a rehabilitation fund, is it not?

Mr. WOLL. Rehabilitation and storage.

Mr. MONAGAN. Rehabilitation and storage but the idea of the capital aspect of, let us say, the $10,000 truck, that means somebody is getting that truck for a payment of only 15 percent, $1,500 out of $10,000, whereas if it were not for this program the Government of Turkey would have to pay back to AID all the development loan or whatever it is plus interest?

Mr. WOLL. That is right, and if development grant funds are used, without a doubt, AID would have to come to Congress for more money.

Mr. MONAGAN. Where it is an out-and-out grant?

Mr. WOLL. Yes, sir.

Mr. MONAGAN. We are saying that our own Government is saving money there, but from the other aspect it seems to me there could be cases where there is quite a windfall.

Mr. WOLL. We don't like to call it savings or a windfall. We like to think of it as a way of stretching AID-appropriated dollars in achieving our objectives.

Mr. MONAGAN. I understand that, but you see, the American taxpayer has paid for the item in the first place when it was put in the military program, so it isn't as if it is coming free of any obligation whatsoever.

Mr. WOLL. Yes, sir.

Mr. MONAGAN. So it might be advisable in some cases to have some recoupment rather than deduct from the loan the amount which you say is done.

Mr. SCORDAS. Mr. Chairman, the potential of this program looks exceptionally good. We feel as long as the military relocates and modernizes and reorganizes property will be available to AID.

Mr. MONAGAN. You indicated there was some reduction in the volume being generated.

Mr. SCORDAS. Yes, sir. I feel—this is my personal opinion—that we will have another peak in the fall and this coming winter, in the second and third quarters. The military had to move out of France and it is possible they did not declare excess all the items they had on hand that were excess.

Mr. WOLL. Mr. Chairman, the committee knows that in the last 4 or 5 years the Department of Defense has excessed $4 to $6 billion annually. With the appropriations going up each year I would think the excessing of property would increase rather than decrease.

Mr. MONAGAN. Of course, that works both ways. You probably have more beds and mattresses but you have less electronic equipment and things like that.

Mr. WOLL. There really does not seem to be any end to the excess property situation. I know most everybody in it, in private industry, as well as in Government since World War II and there doesn't seem to be any end to it.

Mr. MONAGAN. I think this is very useful in making some recoupment.

Mrs. HECKLER. May I ask a question, Mr. Chairman?

Mr. MONAGAN. Certainly.

Mrs. HECKLER. Is your procedure now to place reliance on the contract rehabilitation firms or do you have any inspection procedures after the work is completed?

Mr. SCORDAS. Yes, we inspect the items. We have a combination of our inspectors and the contractor's inspectors.

Mr. MONAGAN. We can go into that question when we are in Antwerp. I certainly think we should.

Mr. WOLL. We are putting another American as an inspector at this plant.

Mrs. HECKLER. It seems a little more control would be advisable.

Mr. MONAGAN. Thank you very much, gentlemen. We appreciate your assistance.

We will receive the photographs for the file.

(Thereupon, at 4:45 p.m. on Saturday, May 27, 1967, the hearing was adjourned.)

CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

MONDAY, MAY 29, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY,
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Germersheim, Germany.

The subcommittee met at 9:45 a.m. in the Office of the Depot Commander, U.S. Army Depot, Germersheim, Germany, Hon. John S. Monagan (subcommittee chairman) presiding.

Subcommittee members present: Hon. John S. Monagan and Hon. Margaret M. Heckler.

Subcommittee staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant.

Also present: Col. Robert K. Nelson, commanding officer, USAGDK; Mr. I. Levinson, special assistant, Supply and Maintenance Agency, Communications Zone; Col. William Pencak, I. & S. Communications Zone; Brig. Gen. Frank B. Clay, C/S, Communications Zone; Lt. Col. P. M. Principalli, commanding officer, USADAG; Maj. James J. Lancaster, commanding officer, 7th Maintenance Battalion, NARG; Mr. Felix Piantanida, C/STD, USADAG; Mr. Robert M. Gilroy, audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Mr. Jack K. Woll, Director, Government Property Resources Division, Office of Procurement, Agency for International Development, Washington, D.C.; and Col. John Pfeiffer, Headquarters, USAREUR, escort officer.

BRIEFING BY COL. ROBERT K. NELSON

Colonel NELSON. It is indeed a pleasure to welcome you to the Germersheim Depot activity. This depot activity is a subordinate element of the Kaiserslautern General Depot. It was established orginally in 1951 as an ordnance vehicle storage park for the purpose of handling World War II vehicles that became surplus in the European theater, and has served in that mission up until we moved from France. At the present time it is being converted into a general depot.

CHART NO. 1—MISSION

The mission of the depot is shown on this chart here. We have a storage and issue mission of both reserve and peactime operating stocks.

We provide direct and general support maintenance to designated elements of the USAREUR Augmentation Readiness Group.

And we act as a transfer point under the cooperative logistics program.

CHART NO. 2—TONS IN STORAGE

This chart reflects the tons in storage at the depot with 30 June 1966 as the base point and brought up to date as of 26 May 1967.

Mr. MONAGAN. What was the date the movement started?

Colonel NELSON. Actually the movement from France started in April. You will see this in the next chart that I will show you. We have used in this one our year end tonnage. In Germersheim they received a relatively small amount the first 3 months. The bulk of our tonnage came in the period October, November, and December.

As you can see, the big increase has come in ground forces equipment. This was the equipment that was formerly the Engineer Commodity Group's equipment. This consisted principally of bridging, though there is some tonnage of heavy construction equipment included.

CHART NO. 3—STATUS OF STOCKS

This next chart shows the status of our stocks. It is a significant one because it shows a change in our stock status in shifting from an ordnance vehicle storage park to a general depot configuration. A significant part in this shows the major increase in our serviceable tonnage. We have reduced the number of major items of equipment. These are such items as tractors that have been reduced after the serviceability of these items has been increased.

Mr. MONAGAN. What is the legend "Unserviceable"?

Colonel NELSON. These are items that are not ready for issue. They require overhaul or rebuilding or have exceeded their serviceable life. It is used equipment, sir, that would require repair before it could be reissued for combat serviceability.

Mr. MONAGAN. The major portion for fiscal year 1966 is in that category.

Colonel NELSON. Yes, sir. Sir, this was the principal issue and turn-in point for all the combat vehicles for the 7th Army, so as you modernized the 7th Army we received back from the 7th Army the old vehicles. So as we issue a good vehicle we get back an unserviceable one.

Mr. MONAGAN. These figures are numbers of items, is that right?

Colonel NELSON. Yes, number of major items of equipment.

Mr. MONAGAN. So your total is actually smaller?

Colonel NELSON. Yes, sir.

Mr. MONAGAN. But your percent of serviceable is almost the same as unserviceable.

Colonel NELSON. The third item in the legend below is "Disposition instructions received." This indicates that we have received disposition instructions on 3,000 items. This may be directing us to ship the item back to CONUS or to a rebuild plant or to the property disposal activity.

Mrs. HECKLER. Would the orders be from the NICP?

Colonel NELSON. That is correct. All our instructions come from the commodity agency here in Europe.

Mrs. HECKLER. How is it you have received disposition instructions on a very, very small percentage?

Colonel NELSON. This is a continuing process. Equipment is coming in all the time and we prepare the necessary forms and the supply agency reviews the items. If they have authority in the field they will give us disposition instructions. If not, the forms are transferred back for decision by the commodity manager in CONUS.

Mr. MONAGAN. But your normal position in peacetime would be to have a large amount on hand and a relatively small amount going out, wouldn't it?

Colonel NELSON. In what respect, sir?

Mr. MONAGAN. Mrs. Heckler asked why there was such a small amount that was allocated. Normally you are storing materiel for emergency use?

Colonel NELSON. Yes, sir.

Mr. MONAGAN. So it is not necessarily a bad thing to have a large amount on hand and a small amount going out.

Mrs. HECKLER. This is unserviceable?

Colonel NELSON. Yes.

Mr. LEVINSON. These things are held in "as is" condition until they are screened and the determination made as to whether or not we should repair them for disposal. There must be established a definite need for this specific item before it is put in serviceable condition.

Mr. MONAGAN. In this summary as of June 30, 1966, the majority of those items are those which were normally a part of this installation?

Colonel NELSON. Yes, sir.

Mr. MONAGAN. And as of May 26, 1967, was most of the increase due to the FRELOC movement?

Colonel NELSON. No, sir.

Mr. MONAGAN. Can you separate that?

Colonel NELSON. We are talking about the total number of items? This chart is in tonnage.

Mr. MONAGAN. In either category.

Colonel NELSON. From France we received essentially serviceable property. The majority of the disposition instructions had been issued to the French depots as pertains to this type of equipment, disposing of it before it was shipped. So our receipt has been primarily in the serviceable property.

Mr. Levinson, do you know of any shipped in from the French depots for rebuild?

Mr. LEVINSON. I have no doubt there was some.

Mr. MONAGAN. In the serviceable category how can you divide it as between what came from FRELOC?

Colonel NELSON. I think the next chart will clarify that.

Mr. MONAGAN. Both in tonnage and number of items?

Colonel NELSON. Yes, sir I have a tonnage chart which will give you a pretty good feel on that, sir.

Mrs. HECKLER. Is this typical of the operation that you keep on hand that much materiel that is not serviceable?

Colonel NELSON. Well, our mission here is to hold this materiel until we receive shipping instructions from the commodity manager. As to what our level is, Mr. Levinson do you have that?

Mr. LEVINSON. Of course the vast majority is held against contingencies, specific war plans, and emergencies of various types. In the latter category it is being held against contingencies on a worldwide basis, and until we are given a release or have an immediate requirement in the theater it is held in that unserviceable condition. Many of them are obsolete equipment so far as the military is concerned and it is simply a case of generating requirements elsewhere.

Mr. MONAGAN. Unserviceable is not a very adequate description, is it? It really means excess to the use as far as the Defense Department is concerned?

Mr. LEVINSON. I think every one of these would require reprocessing, sir. That is what we call unserviceable.

Mr. MONAGAN. The implication of unserviceable to me would be that it would be scrap. Is any of it completely beyond redemption?

Colonel NELSON. We occasionally get some in, in that category, but it is an extremely small amount. Normally if it is essentially junk or scrap the disposition instructions have been received by the supporting unit to get that property ready for disposal by sale.

Mr. MONAGAN. You say the FRELOC stock was taken out?

Colonel NELSON. Yes, sir.

Mrs. HECKLER. What is the timelag between the time you indicate you have this unserviceable equipment and the time NICP might decide to give you orders on it? Could this be a long time? Could it be years?

Colonel NELSON. Well, it would vary by types and pieces of equipment and whether or not there is a requirement for this particular equipment in the continental United States. To give you a good example, we are receiving now from the 7th Army unserviceable armored personnel carriers. These are being received and as they are received we are preparing them for movement back to CONUS for rebuild. In other cases we find a longer period of time. The M–38 ¼-ton vehicles took a longer period of time.

Mrs. HECKLER. In fiscal year 1966 the majority of your items were unserviceable?

Colonel NELSON. That is correct.

Mrs. HECKLER. But in 1967 you have cut this down significantly?

Colonel NELSON. That is correct.

Mr. GILROY. Do you have a breakdown of what happened between 1966 and 1967 where you went down in unserviceables, and also do you have a general idea where they went?

Colonel NELSON. The bulk of the vehicles have moved out of here essentially to one or two or three sources on the unserviceables. The military assistance program picked up a large number of armored personnel carriers and a large number of M–38 ¼-ton vehicles. The number that went to property disposal and was subsequently picked up by the Agency for International Development was relatively small. And we have sent some back to the continental United States for rebuild, and some were sent to the area theater rebuild facilities.

Mr. MONAGAN. Most of it was used by the military in one way or another?

Colonel NELSON. A great deal was picked up by the military assistance program.

Mr. MONAGAN. For what countries, do you know?

Colonel NELSON. Primarily Greece and Turkey.

CHART NO. 4—RECEIPTS BY SOURCE DAG S/TONS

This chart shows our receipts in tons by source. It shows the average monthly tonnage for fiscal year 1965 and the first 9 months of fiscal year 1966, and the monthly tonnage from April through June of fiscal year 1966 and for fiscal year 1967 to April. This represents shipments in from France, primarily. The yellow part shows returns from posts, camps, and stations. The green shows our CONUS inbound receipts. As you will see, the bulk of our storage has come in as a result of interdepot transfers from FRELOC.

Mr. MONAGAN. What would be coming in from CONUS?

Colonel NELSON. Vehicles, principally.

CHART NO. 5—SHIPMENTS BY DESTINATION DAG S/TONS

During this same period of time, the blue portion of the bar on this chart represents shipments to the military assistance program. The red are interdepot transfers. The yellow portion represents shipments to posts, camps, and stations; and the green represents shipments made back to the continental United States.

Mr. MONAGAN. What about shipments to AID?

Colonel NELSON. AID shipments are reflected in our property disposal activity and are not reflected on this chart, sir. In discussing our property disposal activity I would prefer to defer that until this afternoon when we talk at Kaiserslautern, because this is the home of the records of all our property disposal activities within the complex.

Mr. MONAGAN. What is "S/ton"?

Colonel NELSON. Short tons, sir.

Mr. MONAGAN. So that in January there was something like 5,000 tons?

Colonel NELSON. In January we shipped about——

Mr. MONAGAN. In 1966 I was looking at. There is some amount of that almost every month.

Colonel NELSON. A little bit of that is moving almost every month.

Mrs. HECKLER. Why is there such a dropoff?

Colonel NELSON. In what regard?

Mrs. HECKLER. Well, July, August, and September.

Colonel NELSON. Well, we moved out large shipments back to CONUS. This was as a result of the efforts of General Kyser and the people in the agency in obtaining prompt instructions from CONUS. So we released all of these early and this then dropped off, and we were running a little bit less than normal because many of our French depots were shipping directly to customers and giving preference to shipments to customers from the French depots rather than double handling the materiel.

Mr. MONAGAN. Did any of these CONUS shipments go to Vietnam?

Colonel NELSON. Not directly. These were returned to CONUS to go through a rebuild facility and the ultimate disposition is extremely difficult for us to determine here.

Mr. BARASH. Do you have any surplus materiel here at this depot?

Colonel NELSON. You are talking about property disposal?

Mr. BARASH. Yes.

Colonel NELSON. Material in property disposal, yes. But we do not know at the installation level what the stratification of our stocks is.

We do not know if it is peacetime or reserve stock or for the theater. It is just materiel that we store.

Mr. BARASH. How is it designated? Is it designated as surplus?

Colonel NELSON. On the stocks that we have here I have to defer this question to Mr. Levinson because we do not know the exact and precise stratification.

Mr. LEVINSON. In the determination of the strata for which stock is being held, we need so much for mobilization reserve but it is immaterial to say how many are being held for this purpose because we can place this in accordance with the dictates of demand. On a theater-wide basis we do screen our assets and show some are being held for reserve and some for peacetime issue and so much may be on hand for theater excess. A report goes back to the national inventory control point and it is either returned to the continental United States or if they say to dispose of it locally it is sent to the property disposal agency and in that case AID, for example, can screen it.

Mrs. HECKLER. When you say you do not know the stratification of the stock, do you know the identity of the stock?

Colonel NELSON. We know the condition of our stock, whether it is in category "A" or for issue or whether it is unserviceable.

Mrs. HECKLER. Do you know what precise type of stock it is?

Colonel NELSON. We know actually everything that we have here. We know everything that we have but we do not know its ultimate use, and the same pertains to our activity in Kaiserslautern.

Colonel PFEIFFER. They know where it is and what it is. They do not know its ultimate use.

CHART NO. 6—PERSONNEL STRENGTH DAG

Colonel NELSON. This chart shows our personnel strength. To operate the activity we employ a mixed labor force, the largest segment of which are German nationals. We also have our labor service and the military. The number of personnel shown here are far less than the number required to operate this installation as a general depot.

CHART NO. 7—CONSTRUCTION, PHASE I

This next chart is on construction. As a result of FRELOC and with the decision to increase the depot activity here to a general depot, construction was required and this is broken into phases. The first phase is under active construction now. We have four sheds. These sheds were taken down in France and reconstructed here in Germersheim. The construction was started the first of November and we should gain occupancy of all of these in a few days.

We have eight refrigerators for the storage of dry cell batteries. These have been in operation since early in March.

We have nine warehouses under commercial contract and the contract is progressing ahead of schedule. These are located in this general area here [indicating] and as we tour the activity today you will see the construction work.

In addition we are obtaining 12,000 square yards of concrete hardstand for this location here.

Mr. MONAGAN. On this construction, that does not include any of the transportation or cost of dismantling?

Colonel NELSON. In the cost of the refrigerators they include that as a cost.

Colonel PENCAK. That is figured in the overall project cost; yes, sir.

CHART NO. 8—CONSTRUCTION, PHASES II AND III

Colonel NELSON. In phase II of the 1967 program, which has been approved, there are six warehouses and an additional 43,000 square yards of hardstand. The six warehouses are shown in the red portion.

Phase III, the last phase, is in the fiscal year 1968 program for the administrative and support facilities, and this is broken down into three elements: The depot support; the troop support; and finally additional storage.

Mr. MONAGAN. What is the first, second, and third?

Colonel NELSON. This [indicating] is for depot support. Certain support facilities are required, such as maintenance and storage facilities, to support the stocks that will be stored here.

Mr. MONAGAN. But when you say first, second, and third, what does that mean?

Colonel NELSON. There are three increments of phase III, sir. Then when we have an increase in troop population, we will have to support the troop population.

And, most importantly, is the additional storage required.

Mr. MONAGAN. Would that represent a net increase? In other words, would not this to some extent be spending here what you originally spent in France?

Colonel NELSON. I did not understand that, sir.

Mr. MONAGAN. Well, what you are doing here is storing equipment that was stored in France before. You had to have troops there at that time, so essentially you are spending the same dollars in a different place, are you not?

Colonel NELSON. This is something different. You spend a million dollars for your troop maintenance——

Mr. MONAGAN. In France, and you are spending a million dollars here, so this aspect is not costing any more, or is it?

Colonel PFEIFFER. This is the classic example of what we hedged at saying was a saving. There was a certain amount of S. & M.A. that was spent in France that will be spent locally, but Colonel Nelson is a depot commander here and we had a depot commander in France, so to that extent there will be one depot commander where there were two before.

Mrs. HECKLER. The construction cost, would have to be duplicated and the final cost would depend on what we could trade off or get for property in France. Is that correct?

Colonel PENCAK. To a certain extent that is right.

Mrs. HECKLER. But the real cost depends on how we negotiate the sale of the real property?

Mr. MONAGAN. You are comparing pears and grapefruit. You won't get anything back at all for these items here.

Mrs. HECKLER. This whole thing, then, would be the direct cost?

Colonel NELSON. This is all military construction of facilities. No pay of personnel or pay of troops is involved.

Mrs. HECKLER. But wouldn't there be some offset when you sell something to France?

General CLAY. Some very interesting things have developed.

Mr. BARASH. What factors went into the determination of how much you would build in additional facilities as a result of FRELOC? Is this only because of the property moved out of France?

Mr. MONAGAN. That is a good question. I was going to ask it at the end and will ask it here if anyone can answer, and that is: How much of the decision to make a general depot out of this is due to FRELOC and how much is due to any other factors that may exist?

General CLAY. It is 100 percent due to FRELOC. We made quite a study of it in justifying these three phases.

Colonel PFEIFFER. It might be well to point out in France before FRELOC western France was in a standby area but eastern France was a very active depot. There wasn't capacity in Germany to take all that load and as a consequence FRELOC directly brought the requirement for something to take up that activity which had been handled in eastern France before. It wasn't a question of storage as much as issue capability and something of this sort.

Colonel NELSON. Sir, that concludes my presentation. To orient you on the map, you flew in here (indicating). This is our current troop support area in here. We have six controlled humidity warehouses here. There are additional warehouses in here. These are controlled humidity facilities that belong to the U.S. Army European Augmentation Readiness Group. Our major storage pads are in here in the new shed construction.

This [indicating] is property that is shared and controlled by the Federal Government of Germany. They have a small organization here in Germersheim and use this in one of their storage activities. These along here are operating facilities. We are limited in here as far as our own plant facilities. Prior to FRELOC it was essentially open air vehicle storage.

Mr. MONAGAN. As a result of your increased requirements you will have, of course, increased personnel?

Colonel NELSON. Yes, sir.

Mr. MONAGAN. Will they be on the proportion that was previously indicated? That is, the major share of it would be in local employees?

Colonel NELSON. Actually, the details are not real firm as to the actual breakout as between local or labor service or U.S. military. We are getting into a hard-to-hire ceiling, and it will be extremely difficult to hire local people. Germersheim is a city of about 9,000 people. It is an agricultural community and it is difficult to attract people off the farms to perform the jobs we have here. So our ultimate configuration is built on utilizing a mixed work force of labor services, which are third country displaced persons; the U.S. military; and national locals, with supervisory civilian personnel.

Mr. MONAGAN. What would you estimate your annual cost increase will be because of this added responsibility?

Colonel NELSON. I do not have that figure broken out. I can get that figure this afternoon, sir.

Mr. MONAGAN. I realize there are many contingencies involved.

Colonel NELSON. Yes, sir.

Mrs. HECKLER. What type of equipment do you intend to store in the new facilities?

Colonel NELSON. I hate to duck this, but perhaps General Clay could answer that.

General CLAY. This is a time-consuming proposition. Initially you will have the same type of things he has here now, and over several years we will see a change in the configuration so that they are all true general facilities.

Mrs. HECKLER. Including ammunition?

General CLAY. No, ammunition and medical supplies are separate and distinct.

Mrs. HECKLER. You do not store ammunition at this depot; is that correct?

General CLAY. Neither ammunition nor medical supplies. The idea is not to put all our eggs in one basket.

Mr. MONAGAN. You don't have any POL either, do you?

Colonel NELSON. No, sir.

Mr. ROMNEY. Could you describe your inventory system at this base? How do you maintain it?

Colonel NELSON. I have to answer the question two ways. I do not maintain the official records of what I have in stock. This is maintained by the supply and maintenance agency at COMZ. We do maintain at the local level an unofficial stock record count which is strictly for wartime contingency operations, so if we were to lose the computer we could effect issues locally. Inventories are conducted on a cyclical basis for general commodities. For your special management items they are inventoried semiannually. We get a regular cyclical form from the supply and maintenance agency and they instruct us to inventory the general commodities. We then inventory the items and report back our physical count on the ground to them. This is used to update their master data file.

Mr. ROMNEY. Could you give us some figures as of a certain time as to the number of materiel release orders you have received that you cannot fill because somewhere there has been a lapse?

Colonel NELSON. This is a very poor installation to discuss this. I would prefer discussing this this afternoon at Kaiserslautern. First of all, here at Germersheim, since it is essentially concerned with vehicular activities, they get relatively few release orders every month. So your rates are very erratic. It is not that we don't have the item but it is not in the code we were directed to ship. ButI would like to reserve this and discuss it with you at Kaiserslautern this afternoon.

Mr. ROMNEY. Do you make performance reports to the Kaiserslautern installation?

Colonel NELSON. From Germersheim they report to me every month. I in turn report, as far as the performance of the supply maintenance activity, to General Kyser every month. In some of our operations it is every 2 weeks. So they are abreast of things going on.

Mr. LEVINSON. May I interject that all the depots in Europe, as to warehouse denials, are exemplary. Very rarely do they exceed 2 percent. A denial is caused not by reason of not having the item ordered shipped, but rather it does not pass a condition test.

Mr. MONAGAN. One question that I know will come up—I don't know if this is the place to ask it or not—but as we come in we see all this

equipment out in the open and the obvious question is, is this the way in which it was stored in France and is this the way it will be stored and how much of it will be stored under cover as a result of your construction program?

Colonel NELSON. On our wheel vehicles this is the normal method of storage, it was the normal method of storage in France, and they will not be stored under cover when our construction program is completed.

Mr. MONAGAN. In other words, all the vehicles being rained on in today's heavy rain will continue to be rained on?

Colonel NELSON. Yes. What we do when we receive this equipment, we preserve it for long term storage. This means draining the fuel tanks, fogging the fuel systems, placing special preservative oils in the engines, removing the batteries, and then it is moved out in the storage location. We then periodically check on it as a part of our regular cyclical inspection. We sample these items on an annual basis depending on when they were preserved and we examine the components to see how they are holding up. If there is any deterioration it is moved to a more extensive care facility to bring it back up to the desired condition of that equipment for issue.

Mr. MONAGAN. And that preparation or preservation has been done with reference to the jeeps that are here, for example?

Colonel NELSON. Yes, sir.

Mr. MONAGAN. Is there any equipment here, apart from the type you have mentioned, that is not being stored in the way it would and should be stored as a normal matter?

Colonel NELSON. You will see certain examples of equipment, as we go around the depot today, that should be in warehouses or in shed-type storage. We are currently moving equipment inside that we had no place to put except outside and covered with tarps. They are now being moved to our shed-type storage to give them maximum protection that we have available.

Mr. MONAGAN. What would be a good example?

Colonel NELSON. Cargo nets. We have some assemblies of various types that perhaps should be under shed storage.

Mr. MONAGAN. Do you have a priority as related to those items?

Colonel NELSON. Yes; and we have a priority of moving what we have outside that should go first in the inside storage.

Mr. MONAGAN. Can you make any estimate, either as to number of items or tonnage, with relation to the whole of these items that are not being properly stored?

Colonel NELSON. Actually at the present time we have from 4,000 to 5,000 tons sitting on the ground that should be in shed-type storage, as a minimum. One thing the supply and maintenance agency has done in directing the movement of stock to Germersheim, they have avoided moving stocks in here that require warehouse storage. These were not moved in the dislocation. So that our problem here is a little different than at Kaiserslautern, for example. I think you will see a good many items at Kaiserslautern that are stored outside.

Mr. BARASH. Based on your projected construction schedule, how quickly will the 4,000 or 5,000 tons be under proper cover? Can you estimate when that will be?

Colonel NELSON. Well, all 4,000 to 5,000 tons in the next 3 to 4 months will go into these four sheds.

Mr. BARASH. But you plan additional warehouses?

Colonel NELSON. On the warehouses we do not have a firm occupancy date from the engineers. We will say it looks reasonably sure they will meet the October 5 date on this and then supplies will be directed to this installation after that date. A good example is our refrigerators. They were re-erected after they came out of France. After they were re-erected and tested and we advised the Supply and Maintenance Agency, they started diverting batteries to us for storage. They were then able to move stocks that would otherwise have gone to other storage. It is a coordinated effort between the installation on completion date and the Supply and Maintenance Agency.

Mrs. HECKLER. Is it possible for you to estimate how much deterioration there will be due to this open storage?

Colonel NELSON. Well, the problem in storing materiel in outside storage is that they must be preserved for outside storage. That requires additional processing to withstand outside storage. So we pay in terms of manpower and effort on this end after we receive the item.

Mr. MONAGAN. Colonel, you were not able to make an estimate of cost as to the future, but looking at the personnel chart you have had an increase of roughly 100 since January 1967. Do you foresee further increases, and if so, to what extent?

Colonel NELSON. Our total increase when this becomes a full-scale operating general depot, with all our construction completed and with the automatic data processing, will require from 1,450 to 1,500 people to staff this location.

Mr. MONAGAN. The local nationals have gone up in that period.

Colonel NELSON. Mr. Chairman, actually this bar should be at the same level. Labor service has gone up.

Mr. MONAGAN. Labor service didn't exist in May. What is it, by the way?

Colonel NELSON. This is essentially displaced people from behind the Iron Curtain who came in at the end of World War II and were put in quasi-military units. They were Poles, Lithuanians, Hungarians, and so on. They have been here since 1946 and 1947. These people actually were stationed in France and were moved out of France and we have them billeted in Karlsruhe.

Mr. MONAGAN. Is there a further supply available?

Colonel NELSON. The supply gets limited. We were supposed to get 155. Of the 155, about 112 or 115 finally showed up and by the time we got through with the German permits and so forth, we were down to 104. We are trying to recruit additional personnel. When you lose one of your labor service people the possibility of replacement is very difficult because these people are getting on in years.

Mr. MONAGAN. The likelihood would be that of the 600 additional required most would have to be military?

Colonel NELSON. Not most. We would like to increase our military by 230 or 235 with something like 250 U.S. military and a few Department of the Army civilians and the balance of the 1,500 would be in the local national category, and this will be a very hard recruitment program to get these people.

Mr. MONAGAN. Is there any possibility of bringing help in, or is it practical, from other European countries?

Colonel NELSON. One of the problems, if you analyze our work force, is that while we classify them as local nationals, many of these people look at their basic country—we have French, Italian, Portuguese—many, many nationalities. But to import, for example, from Spain

would mean we would have to supply them housing. This is necessary to get a work permit. We can't house our own people right now in the manner we would like to on the installation. Then there is the question of recruiting them, bringing them in, and then you have the problem of the language barrier and you have to do some training of these people in the German language or hire people in supervisory positions who are bilingual or trilingual.

Mr. MONAGAN. Do you see any slackening in the German economy?

Colonel NELSON. Yes, and it is not as prevalent in Germersheim as in the Kaiserslautern area. In the Kaiserslautern area we have gone from a very, very tight labor situation to one that is loose. We have about 150 job openings in the entire Kaiserslautern area. We have about 3,000 unemployed. One of the difficulties is, we can find common labor very easily, but if you start looking for skills, the harder the skills the more difficult it is to employ them. Also, we have difficulty in clerical positions because most of these people have to be bilingual. We have difficulty in mechanical type positions. So Germersheim will have a real tough problem. We probably will have to run special classes to attract people at a later date.

General CLAY. Some of the higher skilled people from France are willing to come to Germany but the German Government says that it is only in the event the positions cannot be filled by a local German national that they will be permitted to come to Germany.

Mrs. HECKLER. Would the French who are unemployed by reason of this move be willing to come here?

Colonel NELSON. We have gotten a few but these, again, are in the professional skills where the U.S. Government has invested a considerable amount of money in this individual for 10 or 15 years. Particularly in the management engineering work we were able to pick up about six or seven out of all France. We have actually sent our employees to schools and we do this on a continuing basis, trying to upgrade the man's knowledge and ability and job accomplishment for future promotion in the jobs in the depots.

Mr. MONAGAN. Thank you, Colonel. We shall adjourn this phase of the hearing.

(The following documents were submitted for the record.)

(The following charts were used by Col. Robert K. Nelson during his presentation at U.S. Army Depot Activity Germersheim.)

1. MISSION

Receive, store, maintain in storage, issue, reserve, and peacetime operating stocks.

Provide direct and general support maintenance to designated elements USAREUR Augmentation Readiness Group.

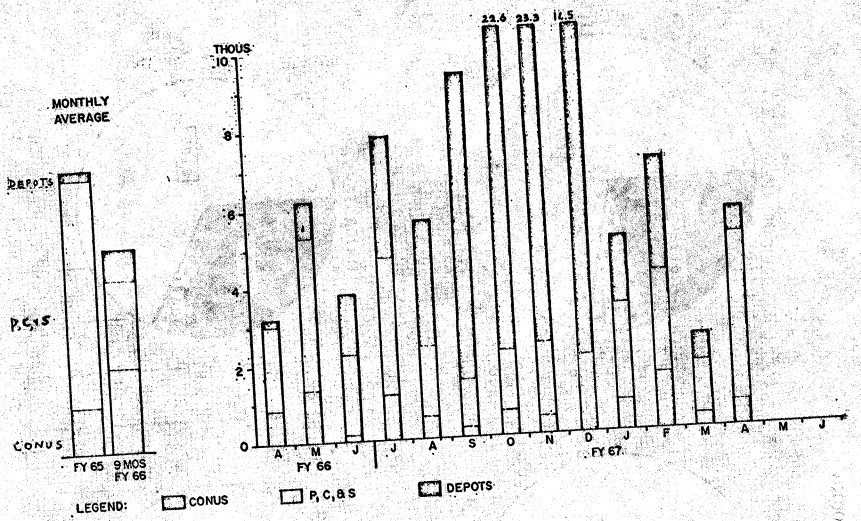
Act as transfer point under cooperative logistics program.

2. TONS IN STORAGE

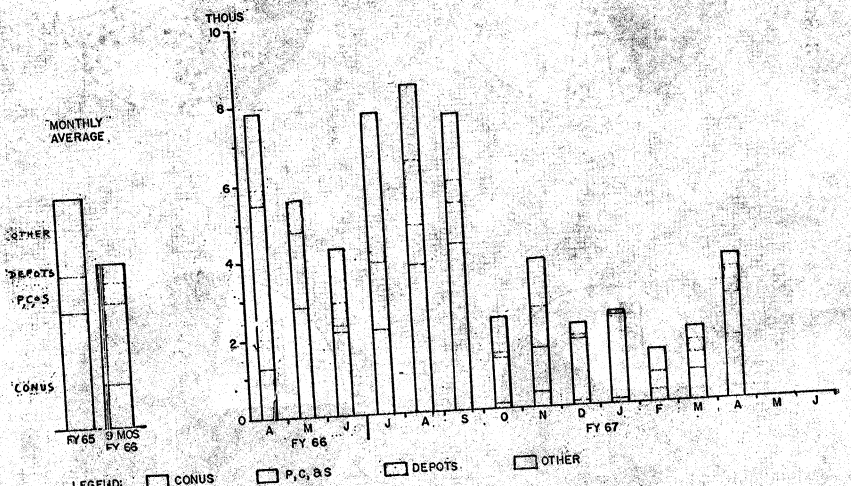
Materiel category	On hand as of—	
	June 30, 1966	May 26, 1967
Tank automotive	38,000	51,280
Weapons and fire control	15,000	12,930
Missile	500	350
Ground forces	6,000	51,720
Electronics		150
Total	59,500	116,430

3–STATUS OF STOCKS

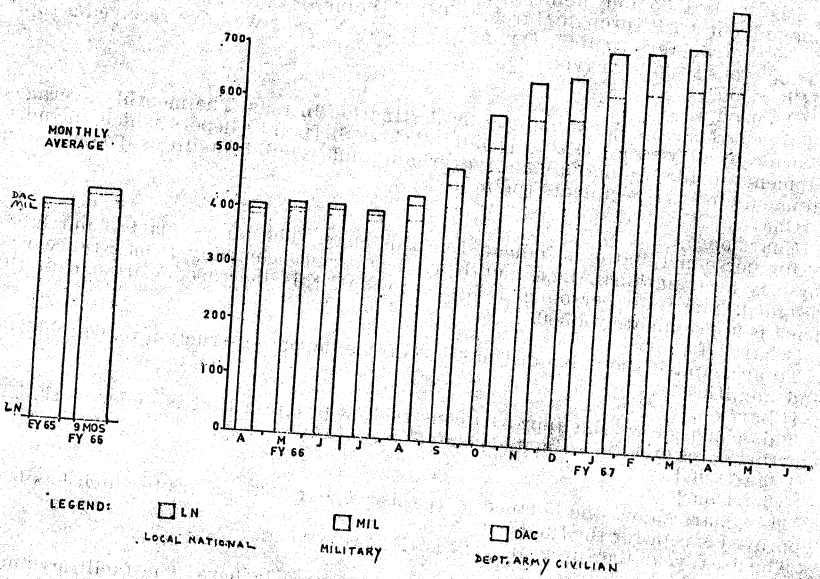
4–RECEIPTS FOR SOURCE DAG. S/TONS



5–SHIPMENTS BY DESTINATION DAG, S/TONS



6–PERSONNEL STRENGTH DAG



7. CONSTRUCTION

Phase I	Start	Complete
4 sheds (160,000 square feet)	Nov. 1	Apr. 28, 1967
8 reefers with shed (28,000 cubic feet)	Nov. 1	Mar. 10, 1967
9 warehouses (360,000 square feet)	Dec. 5	Oct. 5, 1967
Hardstand (12,000 square yards)		Do.
Total cost, $2,100,000		

8. CONSTRUCTION

Phase II, fiscal year 1967:
6 warehouses: 240,000 square feet.
Hardstand: 43,000 square yards.
Total cost: $2.5 million.
Phase III, fiscal year 1968:
Administrative and support facilities:
Total cost $6.8 million.
First: $3.577 million (depot support).
Second: $1.792 million (troop support).
Third: $1.451 million (storage—5 warehouses).

Hon. John S. Monagan and Hon. Margaret M. Heckler, welcome to Germersheim Depot.

The depot was originally established in 1951 as an ordnance vehicle storage park for the purpose of handling World War II vehicles that became surplus in the European theater.

[Chart on.]

The mission of the depot is shown on this chart.

[Chart off.]

[Chart on.]

This chart shows the tons in storage by materiel category as of June 30 and March 31.

[Chart off.]

[Chart on.]

This chart shows the receipts in tons by source. The average monthly tonnage for fiscal year 1965 and the first nine months of fiscal year 1966 and the monthly tonnage from April through March. CONUS [point] P.C. & S. returns [point] and interdepot transfers [point]. During the FRELOC year we have received a total of 74,000 tons from the French depots.

[Chart off.]

[Chart on.]

This chart shows the shipments by destination in tons. The monthly averages of prior fiscal years, CONUS [point] P.C. & S. [point] depots which included shipments made to maintenance overhaul and rebuild facilities [point] and shipments to MAP recipients [point].

[Chart off.]

[Chart on.]

Our personnel status is indicated on this chart. The largest part of our labor force is local national. Last month a labor service company from France was assigned. The total personnel required to staff this increased workload at the depot is approximately 1,500.

[Chart off.]

To accomplish the expanded mission of the depot construction of warehouses and facilities.

[Chart on.]

This chart shows the approved construction program that is under work. The starting dates and the estimated completion dates.

[Chart off.]

[Chart on.]

This chart shows the balance of the fiscal year 1967 program which has been approved except for the funds.

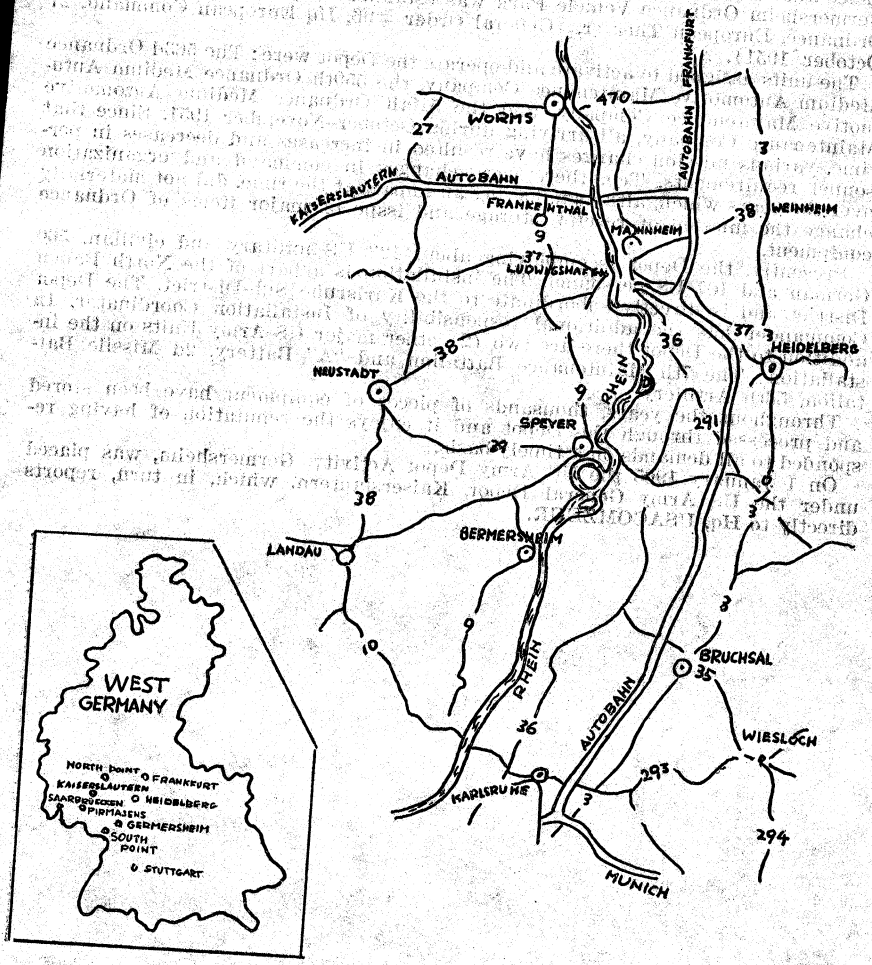
The fiscal year 1968 program is at DOD for approval.

[Chart off.]

This is the layout of the depot you are located in here. The facilities under construction are shown in blue. These sheds being erected here [point] were dismantled in France. The refrigerated storage facility was also taken down in France and reerected here. The balance of the fiscal year 1967 program is indicated by the red hasher. The fiscal year 1968 program is shown in red.

BROCHURE ON U.S. ARMY DEPOT ACTIVITY, GERMERSHEIM, MAY 26, 1967

LOCATION MAP



82-554—67——9

HISTORY

In the early summer of 1951, the Chief of Ordnance, European Theater, was required to establish a vehicle park for the purpose of handling World War II vehicles that became surplus in the European Theater.

It was decided that an old German training ground, used as an emergency air field during World War II, located in Germersheim, Germany, on the west bank of the Rhine River would be used to establish this activity. This terrain, covering approximately 396 acres, would provide storage for about 18,000 vehicles and sufficient space for maintenance shops. On the 18th of October 1951, Germersheim Ordnance Vehicle Park was established by order of the Chief of Ordnance, European Theater. (General Order #96, Hq European Command, 27 October 1951).

The units assigned to activate and operate the Depot were: The 563d Ordnance Medium Automotive Maintenance Company, the 559th Ordnance Medium Automotive Maintenance Company, and the 519th Ordnance Medium Automotive Maintenance Company, all arriving during October–November 1951. Since that time, various mission changes have resulted in increases and decreases in personnel requirements. Too, there were changes in command and organization over the years which, although, having an impact at the time, did not materially change the mission of receipt, storage and issue of major items of Ordnance equipment.

Presently, the Depot is employing about 123 US military and civilian, 560 German and 107 LS personnel. The installation is a part of the North Baden District and is directly subordinate to the Karlsruhe Sub-District. The Depot Commander has the additional responsibility of Installation Coordinator. In addition to the Depot there are two (2) other major US Army Units on the installation: The 7th Maintenance Battalion and "A" Battery, 2d Missile Battalion, 56th Artillery.

Throughout the years, thousands of pieces of equipment have been stored and processed through the Depot and it enjoys the reputation of having responded to all demands on a timely basis.

On 1 January 1965 the US Army Depot Activity, Germersheim, was placed under the US Army General Depot, Kaiserslautern, which, in turn, reports directly to Hq, USACOMZEUR.

CHART OF DISTANCES

[In miles]

	Bremerhaven	Frankfurt	Germersheim	Giessen	Heidelberg	Kaiserslautern	Karlsruhe	North Point	Mannheim	Munich	Nuernberg	Orleans	Pirmasens	Rheinau	Saarbruecken	Stuttgart	Wuerzburg	Verdun	Idar-Oberstein	Worms	Zweibruecken
South Point	394	104	25	140	51	53	13	82	56	189	178	354	36	61	74	60	140	159	84	63	53
Bremerhaven		297	410	261	350	368	385	373	348	499	399	571	289	348	386	414	336	413	363	342	393
Frankfurt	297		76	37	52	73	88	71	51	227	135	401	94	51	114	116	71	196	80	44	101
Germersheim	410	76		113	33	45	124	62	24	201	135	368	41	29	79	72	152	163	84	34	56
Giessen	261	37	113		89	109	37	109	88	252	160	427	130	88	151	153	96	222	117	81	138
Heidelberg	350	52	33	89		46	49	53	11	201	152	377	57	11	88	64	92	172	85	25	71
Kaiserslautern	368	73	45	109	46			29	35	225	195	331	21	40	42	96	132	126	39	34	29
Karlsruhe	385	88	25	124	35	49		84	43	176	165	367	41	43	78	47	127	163	88	56	55
North Point	373	71	62	109	53	29	84		45	254	193	360	50	71	117	129	155	48	31	14	68
Mannheim	348	51	24	88	11	35	43	45		209	160	366	56	5	76	103	161	48	14	63	23
Munich	499	227	201	252	201	225	176	254	209		102	542	217	209	255	137	339	265	223	232	102
Nuernberg	399	135	401	160	152	195	165	193	160	102		519	192	160	229	67	314	210	162	206	161
Orleans	571	401	368	427	377	331	367	360	366	542	519		327	371	289	412	205	340	365	312	107
Pirmasens	389	94	41	130	57	21	41	50	56	217	192	327		61	37	88	463	122	60	55	48
Rheinau	348	51	29	88	11	40	43	71	5	209	160	519	61		81	77	149	166	79	19	63
Saarbruecken	386	114	79	151	88	42	78	117	76	255	229	289	37	81		125	98	84	50	76	
Stuttgart	414	116	72	153	64	96	47	117	72	137	119	412	88	77	125		174	209	135	86	
Wuerzburg	336	71	152	96	92	132	127	129	103	163	67	463	149	98	174	104		258	146	98	
Verdun	413	196	163	222	117	88	72	79	151	88	42	78	71	76	255	229	37	81	125	174	84	209	258	135	160	107	
Idar-Oberstein	363	80	84	117	85	88	56	31	14	63	23	102	161	98	104	209	135	146	73	48	
Worms	342	44	34	81	25	34	56	58	63	232	206	312	14	68	23	102	161	107	48	63	
Zweibruecken	393	101	56	138	71	29	55	58	63	232	206	312	14	68	23	102	161	107	48	63	

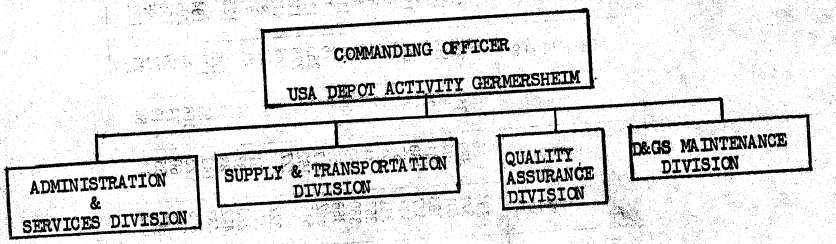
MISSION

Receive, store, maintain in storage, issue reserve and peacetime operating stocks.

Provide direct and general support maintenance to designated elements USAREUR Augmentation Readiness Group.

Act as transfer point under cooperative logistics program.

ORGANIZATIONAL CHART



PERSONNEL, MAY 26, 1967

	Authorization	Assigned	Planning TDA, general depot concept
OFF	4	5	19
EM	69	109	246
DAC	13	21	33
LN	323	561	1,016
LSU	155	104	155
Total	564	[1] 800	1,469

[1] Includes temporary overauthorization.

FUND REQUIREMENT

Budget program:
2200 central supply:
Fiscal year 1966 1,506,400
Fiscal year 1967 ..... [1] 2,425,000

[1] No unfinanced requirement.

FACILITIES

Acreage: 365.
Acquisition: $2,408,000.
Total covered:
Gross: 31.
Net available: 9.
Net occupancy: 9.
Percent occupancy: 100.
Improved:
Gross: 3.
Net available: 1.
Net occupancy: 1.
Percent occupancy: 100.
Unimproved:
Available: 6,945.
Net occupancy: 6,062.
Percent occupancy: 87.

OPERATIONAL DATA, MAY 26, 1967

	S/tons	Lines
1. Annual workload program:		
Receiving	96,908	51,681
Shipping	70,979	29,009
C. & P. cyclical	178,034	31,425
C. & P. processing	70,289	7,050
Other storage	85,159	1,228
2. Stocks:		
Number of line items stored	2,011	
Tons stored	116,429	

(Thereupon, at 10:40 a.m. on Monday, May 29, 1967, the briefing session was concluded and the subcommittee proceeded to tour the depot grounds. Colonel Nelson accompanied the subcommittee throughout the tour. Major Lancaster conducted the tour of the controlled humidity storage warehouse.

(During the course of the tour large quantities of pierced steel planking were observed. The question was asked if all of it was needed. Colonel Nelson replied they could use as much as they could get but they could not afford to send someone to France to get it.

(Among other things observed were unserviceable axles awaiting instructions as to disposition, and bridging materiel that came from France. The inspection tour was concluded at 11:10 a.m.)

CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

MONDAY, MAY 29, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Kaiserslautern, Germany.

The subcommittee met at 1:30 p.m. in the Office of the Depot Commander, U.S. Army General Depot, Kaiserslautern, Germany, Hon. John S. Monagan (subcommittee chairman) presiding.

Subcommittee members present: Hon. John S. Monagan (chairman), and Hon. Margaret M. Heckler.

Subcommittee staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant.

Also present: Col. Robert K. Nelson, commanding officer, USAGDK; Mr. I. Levinson, special assistant, Supply and Maintenance Agency, Communications Zone; Col. William Pencak, I. & S., Communications Zone; Brig. Gen. Frank D. Clay, C/S, Communications Zone; Mr. James O'Boyle, comptroller, USAGD, Kaiserslautern; Mr. Gerald Manning, Deputy Director of Administration and Services, USAGD, Kaiserslautern; Mr. Adolph Mezzapell, deputy director of supply and transportation, USAGD, Kaiserslautern; Mr. Robert Harkins, deputy director of maintenance, USAGD, Kaiserslautern; Mr. James Matthews, program director, USAGD, Kaiserslautern; Mr. Robert M. Gilroy, audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Mr. Jack K. Woll, director, Government Property Resources Division, Office of Procurement, Agency for International Development, Washington, D.C.; and Col. John Pfeiffer, Headquarters, USAREUR, escort officer.

BRIEFING BY COL. ROBERT K. NELSON

Colonel NELSON. Mr. Chairman, it is indeed a pleasure to welcome you to the Kaiserslautern General Depot.

Kaiserslautern was established originally as the Rhine Engineer Depot in 1951. In 1958 it was converted as a general depot, and since that time it has been responsible for the storage, issue, and maintenance of classes II and IV supplies and equipment formerly belonging to all of the technical services with the exception of medical.

CHART NO. 1.—PRINCIPAL MISSIONS

The principal missions of the depot are outlined on this chart. We have a peacetime mission to receive, store, maintain in storage, and ship general supplies and repair parts as directed.

We receive and store reserve and special project stocks.

We receive and deliver supplies destined for military units of nations participating in the cooperative logistics program, both here and at Germersheim.

We receive, store, and ship radiological waste and toxic chemicals.

We perform depot maintenance of equipment as directed.

We provide direct and general support maintenance to the USAREUR Augmentation Readiness Group and ET–A sites.

And generally we are charged with the responsibility of maintenance of all U.S.-owned rail equipment in the area.

CHART NO. 2—DEPOT INSTALLATIONS

Actually, Kaiserslautern General Depot is a depot complex, as you can see on this chart. We have the Rhine Ordnance Barracks where we store pipeline stocks and this, again, was established as a result of FRELOC.

We have a static storage site at North Point where we store reserve bridging.

We have pipeline materiel stored here at Uhlerborn.

At Waldorf we have pipeline materiel stored, and we also have some at Germersheim which you saw this morning.

We have a rail maintenance activity at Rheinau and Rheingonheim, where we store pipeline stocks.

At South Point we store reserve stocks of bridging.

And finally, we have the depot activity at Germersheim, which you visited this morning.

AERIAL PHOTOGRAPH—KAISERSLAUTERN GENERAL DEPOT

Next is an aerial photograph of the activities at Kaiserslautern. Our northern boundary is the Saarbrucken-to-Mannheim autobahn. The east end of the southern boundary is Highway 37. The city of Kaiserslautern is our western boundary. The area covers about 737 acres.

AERIAL PHOTOGRAPH—RHINE ORDNANCE BARRACKS

Next we have an aerial photograph of our storage site at Rhine Ordnance Barracks. These are pipeline stocks along with the necessary supporting equipment in here. We have about 14,000 tons of materiel stored at the Rhine Ordnance Barracks.

AERIAL PHOTOGRAPH—UHLERBORN

This is an aerial photograph of Uhlerborn. We share this facility with the 7th Army. This, again, was opened up as a result of FRELOC. We have about 14,000 tons of pipeline stored at Uhlerborn.

AERIAL PHOTOGRAPH—RHEINAU

This is an aerial photograph of Rheinau. We have two small maintenance facilities where we perform railway field maintenance, primarily on diesel locomotives.

AERIAL PHOTOGRAPH—SOUTH POINT

This next chart is an aerial photograph of South Point. Parked along the drives are trucks placed in long-term storage configuration.

AERIAL PHOTOGRAPH—GERMERSHEIM

Next is an aerial photograph of Germersheim, which was taken pre-FRELOC. I think that is one of the most dramatic examples we can show you of the change in that installation as a result of FRELOC.

CHART NO. 3—ORGANIZATIONAL CHART

To accomplish our mission we are organized in this fashion. My staff here serves in the dual role as an operator as it pertains to Kaiserlautern General Depot and as staff as it relates to the Germersheim activity. These are supporting functions which support the entire depot clear across the board.

CHART NO. 4—TONS IN STORAGE BY MATERIEL CATEGORY AS OF MARCH 31, 1967

The next chart shows the stratification of our stocks by materiel category. This column reflects the storage at Germersheim and this column reflects the storage at Kaiserslautern. The bottom line reflects the tonnage we had in storage as of June 30, 1966, and it reflects the significant increase that has taken place particularly in view of FRELOC.

CHART NO. 5—RECEIPTS BY SOURCE, SHORT TONS

This next chart shows our receiving activity here at Kaiserslautern, using the same format as we saw this morning at Germersheim. It shows our monthly averages for fiscal year 1965 and for the first 9 months of fiscal year 1966, and monthly for the period April through March. The red portion of the bars represents tonnage shipped to us from the French depots. The yellow portion represents unit returns from posts, camps, and stations here in Germany. And the green portion represents CONUS in-bound receipts.

CHART NO. 6—RECEIPTS BY SOURCE—LINE ITEMS

This chart reflects our activity receiving-wise in terms of line items. Our two big peaks in August and again in February were the result of shipments of small repair parts shipped from France.

CHART NO. 7—REQUISITION AND SUPPLY FLOW

This next chart shows how we fit into the requisition and supply flow system here in Europe. When a unit requests an item, the requisition flows progressively to the rear until it can be satisfied. The COMZ stock control division in Zweibrucken places a materiel release order on the depot, directing the shipment of the item to the customer. If it exists within the 7th Army system, they direct the 7th Army general support storage location to ship that item to the customer. This is in effect a 7th Army depot. If it does not exist within the 7th Army system, that is reported to the stock control division in Zweibrucken, who directs a COMZ depot to ship it either back to the 7th Army storage activity or he can go back to the unit in terms of high priority. If the item is not within the theater storage it is referred to an appropriate control point and they then direct a CONUS depot to ship back to the theater.

CHART NO. 8—MILSTRIP SHIPPING PROCESSING TIMES

This next chart shows the standard milstrip shipping processing times and the section we are primarily interested in is that part under the depot. Under high priority requisitions the times shown there are in hours. From the time we receive the order from the stocking division until we have it out the front gate we have 16 hours, and this is 16 clock hours 365 days a year. The times shown here are in days. These are calendar days on positions 7 and 8, respectively.

CHART NO. 9—SHIPMENT PROCESSING

The next chart shows how we process these requisitions internally. A materiel release order is transceived from the stock control division in Zweibrucken. The first day is spent processing this in our data processing division. It is necessary to do this because the COMZ stock control division does not maintain special location of these items. So we must match the two together. We print out the shipping document, which goes to our storage division, who is allotted 2 days to locate, pick, pack, and prepare the item for shipment. About 40 percent of our line items move out through the Army Post Office. However, this amounts to less than 1 percent of the total tonnage that we ship. Our tonnage items are moved out through our transportation division, who are allowed 2 days. About 75 to 80 percent of our total tonnage moves to the customer by the Military Highway 37 Transportation Group, which is another COMZ unit.

The rail portion shown here is ordinarily outsize cargo tanks, tractors, bulldozers, as well as shipments being moved to a location not serviced by the Highway 37 Transportation Group, for instance, Antwerp and Amsterdam.

CHART NO. 10—SHIPMENT BY DESTINATION

This next chart shows our shipping activity by destination. The blue portion of the bar represents shipments of the military assistance program. The red portion represents shipments to other depots or

rebuild plants. The yellow portion represents shipments to posts, camps, and stations, primarily elements of the 7th Army. And the green portion represents shipments made to CONUS.

In the case of Kaiserslautern, we have included in our green portion the shipments that we have made to Southeast Asia. We have shipped about 20,000 tons out of Kaiserslautern to Southeast Asia. The largest three items are pierced steel planking, tentage, and pipeline materiels. There have been other items but in lesser amounts.

CHART NO. 11—SHIPMENTS BY DESTINATION LINE ITEMS

The next chart represents the line item shipping activity by destination, and this gets real important. As you can see, the bulk of our activity is oriented toward our customer in terms of customer orders. You will see we reached two high peak months but have been running 30,000 to 40,000 customer orders every month.

CHART NO. 12—ON TIME SHIPMENTS

The question came up this morning concerning our materiel release denials. This chart shows our ability to satisfy the customer within the milstrip time frame shown on the previous chart. We fell down a little during the month of August but, as you recall, this was the result of a combination of both heavy receiving workloads and heavy shipping workloads occurring simultaneously, so we didn't meet the schedule, but we are getting up to about where we were pre-FRELOC.

CHART NO. 13—STORAGE DENIALS

The next chart shows our warehouse refusals. We have seen little change in our warehouse refusals or denials since FRELOC.

I might add one point here, sir. FRELOC was a controlled movement of supplies. As the decision was made to ship an item or a commodity a release order was actually issued by the supply agency directing the storage agency to ship it. At the same time they issued the release order they provided to receiving depot an advice of receipt coming in so we knew ahead of time what was coming in. So it was controlled both in terms of items and quantities.

Does this answer the question we had this morning, sir, on materiel release denials and warehouse refusals?

Mr. BARASH. Perhaps the only additional factor would be whether they were grouped in any particular group of items or item?

Colonel NELSON. No. We run this continuously internally to try to find out if it is a class of item or if one storekeeper is making more errors than others. We have the item but it is not in the condition as prescribed on the shipping document. We may have it in "E" and they say to ship an "A" item, which we cannot do, of course. We may not have all the quantity that we are supposed to have according to their records. They may give us a materiel release order for 100 items and we may have only 90 in stock so we ship the 90 and have a denial for the 10. Then there are others that are plain goofs. We can't find it. They say we have it and we check and can't locate it. But we haven't seen any single pattern of warehouse refusals and I think this is an indicator that our system was pretty good.

Mr. ROMNEY. Colonel, are you saying this percentage represented by the graph represents denials of individual items?

Colonel NELSON. This is a percentage which represents a denial of a customer order whether it is for a part of the order or a denial of the full requisition. Every item a storekeeper cannot find goes to our inventory investigation section and these people are at the depot every day running down denials.

Mr. ROMNEY. Is this after the estimator comes in and asks you to make reconciliation?

Colonel NELSON. No; this is after we say we cannot fill the order.

Mr. ROMNEY. And they can ask for a recount on a denial?

Colonel NELSON. Yes; but we investigate it before we ever report it. The people in the Inventory Investigation Section are professionals that do nothing but this and as a result are intimately familiar with the storage activities throughout the depot. They can tell pretty well by looking at the Federal stock number where is the best place to look for it if it is not in its principal storage location.

Mr. BARASH. If you did not have this reconciliation, what percentage would it be in the denial rate?

Colonel NELSON. Very little.

Mr. MEZZAPELL. I think if we didn't have the investigation it would be about 30 percent.

Colonel NELSON. It would be increased by about 30 percent if we did not have our own inventory investigation of the denial before we reported it.

Mr. MONAGAN. That is from 1.5?

Colonel NELSON. To about two. This rate is far above what we shoot for, but when compared to CONUS storage activities we are favorable.

Mr. LEVINSON. They average about 2 percent. Let me say this is the worst picture among our depots in Europe.

Colonel NELSON. But we have more problems too.

Mrs. HECKLER. What is the average at your other depots?

Mr. LEVINSON. We are averaging about three-fourths of 1 percent for the theater.

Colonel NELSON. If you are dealing in class I troop issue this is the thing that causes considerable change in your denials. If we had a large troop issue class I mission, our denials would be reduced percentagewise.

Mr. LEVINSON. The interesting thing about this chart, if you look at the extreme left you will see the progress made.

Mr. MONAGAN. This is practically no denials.

Colonel NELSON. It is low. It is not as low as we would like.

Mr. MONAGAN. Of 100 percent, 1.5 percent is 1½ denials out of 100 requests.

Colonel NELSON. That is right.

Mr. MONAGAN. Could this mean you are overstocked, that you are never supposed to be out of any item that anybody demands?

Colonel NELSON. The COMZ objective is one-half of 1 percent.

Mr. LEVINSON. And their concern is the time to satisfy the customer. The customer may need it today and takes little comfort from the fact that our overall denials are low.

Mr. MONAGAN. Here is what I am saying. Perhaps to supply so many demands you would need a supermarket. I might need a toothache

remedy right away but if it was talcum powder I could wait. Does that enter into it at all? Have you reviewed the stock to see those things that are held for demand but don't move?

Colonel NELSON. I have no feel of what we have without activity.

Mr. MONAGAN. And it could be you are achieving a low rate on denials at an exorbitant cost of inventory.

Colonel PFEIFFER. If you come in the COMZ system asking for something we are supposed to stock, you have six chances in 10 of getting it.

Mr. MONAGAN. This then is not a proportion of all potential demands but only of all projected demands?

Colonel PFEIFFER. No sir. Four chances in 10 we don't have it.

Colonel NELSON. Storage denial is in effect the measure of effectiveness of how well a commander is doing his job.

You asked a question on our customers. Shown in each area next to the city is the number of customers. In Kaiserslautern we support 70 customers. It is also a great bulk point.

Mrs. HECKLER. What kind of customers?

Colonel NELSON. From the Army Postal Unit to the 440 Signal Armored Unit. The customers are pretty well reflected by the troop strength in Germany. The number of customers and the density in each geographical area is almost identical. These items we store are consumed by all people in the area.

CHART NO. 14—REQUISITION AND SUPPLY FLOW—COOPERATIVE LOGISTIC CUSTOMERS

Let me talk a moment about the logistic customers and I will talk about the Federal Republic of Germany because it is the biggest customer. Their stock control center is located at Neuenahr. Requisitions are transceived to the COMZ Stock Control Division at Zweibrucken, who directs a COMZ depot to ship the materiel to one of three delivery points where the materiel is physically turned over to the Federal Republic of Germany. They have four air force officers there and they sign for the property and arrange for the transportation to the German depot. If the item is not in the theater storage, we direct a CONUS depot to ship the materiel to a delivery point here in Germany.

CHART NO. 15—FRG SUPPLY GROUPS AND U.S. DELIVERY POINTS

There are three delivery points in the Federal Republic of Germany supporting the three German supply groups—Bremerhaven, Kaiserslautern, and Germersheim. The major part of all the support business within the Federal Republic of Germany comes from these two installations, Kaiserslautern and Germersheim.

Mr. MONAGAN. Do you have figures on purchases in fiscal year 1966?

Colonel NELSON. We do not have the purchases. We have the number of tons we turn over to them. We do not have any of the billing information here.

Mr. MONAGAN. You don't have any concern with that?

Colonel NELSON. No, sir.

Mr. MONAGAN. What was the tonnage?

Colonel NELSON. We average about 100 to 200 tons a month. It very rarely exceeds 200 tons. Isn't that about right?

Mr. MEZZAPELL. Yes.

Mr. MONAGAN. I think the whole question of the purchases is important for many reasons. If there were any significant figures it would be helpful to have them.

Colonel NELSON. It is relatively small, sir.

Mr. MONAGAN. Why would you have four German Air Force officers?

Colonel NELSON. Because we ship to the air force.

Mr. MONAGAN. What kind of supplies?

Colonel NELSON. They are responsible for the missile system in Germany. They don't organize precisely the way we do and that is the reason for it.

CHART NO. 16—TYPICAL ITEMS OVERHAULED AT KGD

This chart shows the typical items overhauled here at Kaiserslautern. Most of these are overhauled and repaired in small quantities, most of which is old equipment in terms of physical age. Much of it is commercial manufacture and procurement.

CHART NO. 17—OVERHAUL—GDK ITEMS

The next chart shows our progress in maintenance. The blue line is the program line. The red bars indicate we failed to meet our program, and the solid red line represents our accumulative accomplishments so far this year.

There are a couple of explanations on this chart. Last spring we were hit heavily by reason of drawdowns on personnel to fill requirements for Southeast Asia. Some of our maintenance personnel were drawn from maintenance operations to support our supply operations, and also we have repair part problems.

Mrs. HECKLER. Did you say you failed to be able to overhaul items to meet needs in Southeast Asia?

Colonel NELSON. No, our military personnel were withdrawn to meet requirements in Southeast Asia. We lost some of our mechanical skills as well as diverting people from maintenance to supply operations to meet demands.

CHART NO. 18—RAILWAY ITEMS OWNED BY THE UNITED STATES

The next chart shows the railway items owned by the United States. The Rheinau Rail Maintenance Agency schedules and supervises all maintenance of U.S.-owned rail stock in the theater. These railway stocks are located in Italy and Germany. The freight equipment is the largest portion of it. Most of this consists of your heavy flatcars and the largest segment of our freight equipment is in POL tankers. Only 168 of the total quantity shown are items of U.S. manufacture. The rest is DM procured, deutsche mark procured.

Mr. MONAGAN. Why do you say this is DM procured?

Colonel NELSON. This was at the end of World War II. These were bought by the German Government for U.S. use and we have the full use of these up until the time they are ready to go back for final disposal and the German Government has the option of picking them up rather than going through regular channels.

Mr. MONAGAN. Some of it is getting pretty well along in age?

Colonel NELSON. Yes, sir.

Mr. MONAGAN. The replacements we would have to buy?

Colonel NELSON. The replacements we would have to buy out of U.S. money. We have to pay for maintenance and overhaul and upkeep. In rail equipment we must meet the German or French standards otherwise they will not pull the car, so we must keep them up.

Mrs. HECKLER. Do they inspect this equipment frequently?

Colonel NELSON. Yes. This item is scheduled for rebuild or overhaul at the end of 15,000 kilometers or so much time, and it has to be run through and tested before we can operate it.

Mr. MONAGAN. Were we able to utilize this in our movement from France?

Colonel NELSON. The bulk of this is POL tankers.

Mr. MONAGAN. What about the flatcars?

Colonel NELSON. They are primarily tied up. The bulk came out of the 37 group, which is a highway group. Here, again, it is a question of the dollar tradeoff, where do you run that car.

CHART NO. 19—FOREIGN EXCESS PERSONAL PROPERTY INVENTORY

This chart shows our foreign excess personal property inventory. I think the significance of this chart is to show the steady decline in inventory since last April to date. The conclusion I draw from this is that there was a heck of a lot of property dumped in property disposal, at least as far as that under my control was concerned.

Mr. MONAGAN. That does not include property that is disposed of otherwise than by sale?

Colonel NELSON. No.

Mr. MONAGAN. AID property is not included?

Colonel NELSON. It is excluded. This falls under the category of redistribution.

Mr. MONAGAN. This is $5 million worth of property in the month of April acquisition cost?

Colonel NELSON. That is the acquisition cost, sir.

Mr. MONAGAN. How much of it is sold as scrap, would you say?

Colonel NELSON. Gerry, do you have any figures on that?

Mr. MANNING. No, sir.

Mr. MONAGAN. Let me ask you this: Take the month of January in 1967. You committed about $5 million worth. How much do you get for that?

Colonel NELSON. What we usually term committed is that we prepare the necessary lists of materiel, submit it to Kastel or the Air Force. All this says is that this is out someplace in the bid cycle.

Mr. MONAGAN. Do you have any experience of what is returned?

Colonel NELSON. We have been running between 5 and 6 or 7 percent this year of acquisition value on usable property.

Mr. MONAGAN. Is this property screened by other Government agencies and AID prior to its designation for this program?

Colonel NELSON. Yes, sir.

Mr. MONAGAN. So this is property they don't want?

Colonel NELSON. Actually, the way it works is that this property is screened for other governmental agencies before it is actually put in property disposal channels. Once we get a directive to ship an item

from here for disposal, we run an internal screening ourselves to determine if it is a new item, or is it an item that we don't think, in our judgment, should go to property disposal. We then will query the supply agency and ask them to check. Sometimes they will come back and say "Yes," it should go to property disposal. Occasionally we will find there is an error in the mission or in the decisionmaking. Once we get a release order directing the shipment of this item to property disposal, then AID screens it for their requirements, but they don't get it until it gets in the PDO channel.

Mr. ROMNEY. Will you back up and explain the screening processes to show whether all of these items that were excess were actually screened by DLSC to provide an opportunity for other Federal agencies to pick up the excess if they had a requirement? Or did you just go by existing regulations which require you to send back to DLSC a listing of those items which are in excess of an estimated line item value of $5,000? There can be many items going in your disposal yards that AID has an opportunity to look at but other Government agencies do not.

Colonel NELSON. They may find the item is in NPDO, and they can withdraw it.

Mr. LEVINSON. In the course of FRELOC the process was more severe. For example, theater excesses were reported without regard to dollar value. There were two exceptions, with regard to materiel managed by DSA and GSA where there was a limit of $6 and $25, but other items were reported back for worldwide screening in the United States. We understand the Army inventory control points reported them, and they went to DLSC.

Colonel PFEIFFER. There is a related FRELOC figure there. If you ask did we ship things that wound up in property disposal to Germany and then junked them, the answer is "Yes." We were uncertain at first whether France would allow us to work PDO yards after the magical date of April 1, so we shipped things to Germany. When it appeared France would go along beyond April 1, we reversed that. There is a period in time we did it because we thought the French would cut us off the first of April.

Mr. ROMNEY. With regard to this chart, "Foreign Excess Personal Property Inventory," the segment in red which is not committed, does that include materiel that might have been committed at one time and lapsed back?

Colonel NELSON. It is essentially materiel that is in the process of the necessary listing which will go to Kastel. There may be instances where an item had been put on the bid list, and when the bids were opened you didn't find the buyer. This would have to come back and be picked up. We do get some of this occasionally, but the bulk is essentially our own working process, so to speak, going up to the Air Force for invitations to bid.

CHART NO. 20—PERSONNEL STRENGTH GDK

This next chart shows our personnel strength at Kaiserslautern, local nationals, military, labor service, and civilian.

Mr. MONAGAN. Will there be any increase here comparable to that at Germersheim because of FRELOC?

Colonel NELSON. No, sir. There will be an increase but it will not be comparable.

CHART NO. 21—FINANCIAL MANAGEMENT, FISCAL YEAR 1967 REQUIREMENTS

On the financial requirements, this is strictly appropriated money. It takes about $15 million to operate exclusive of military pay. If we had military pay we would add $3 to $3.5 million on top of that.

Our supplies are included in this. Our contract portion represents almost all our railway maintenance activity. We do very little contracting except for that.

You asked the question this morning as to what the cost was at Germersheim now and what it will be when it becomes a full general depot. I think Mr. O'Boyle can answer that.

Mr. O'BOYLE. At 900 we compute it at $4.5 million and at 1,400 we compute it at $6.5 million.

Colonel NELSON. What do you figure per individual on military pay?

Mr. O'BOYLE. It would average about $5,000 a person.

Colonel NELSON. And with a staffing of roughly 250 people?

Mr. O'BOYLE. It would be $1,250,000.

CHART NO. 22—DEPOT LAYOUT

Colonel. NELSON. This is the depot layout. Here is where we had lunch. You are currently located here in the headquarters building. Our central warehousing area is here. We have a good rail net and a good road net, although the warehouses leave a lot to be desired. They are all street-level warehouses and quite small.

This is our maintenance facility, and we store in all these outside areas. Many of them are nothing but little niches cut out under the trees. We use a lot of outside storage here. The largest pad is right here. This morning we had about 25,000 to 30,000 tons stored outside that should be stored inside.

Mrs. HECKLER. Is this due to FRELOC?

Colonel NELSON. We were short of storage space to start with.

General CLAY. What is your percentage of occupancy?

Colonel NELSON. 91 percent. 85 percent is the normal.

Mrs. HECKLER. Will you have a building program?

Colonel NELSON. We have submitted one for 165,000 square feet of storage space.

Mrs. HECKLER. Why don't you consider having some of this materiel go to Germersheim?

Colonel NELSON. We would be very happy because it would reduce the amount of storage on the streets. Of course a lot of this will probably move down there because of attrition or the commodity managers will have incoming shipments in there and eventually you will come to a hard core to balance out your stock. But the first choice is to redirect incoming shipments from CONUS so you just have to handle it once.

Mrs. HECKLER. Do you expect to be short indefinitely?

Colonel NELSON. We were short before and if we receive 165,000 square feet this will cut a part of our backlog of what we have outside.

Mrs. HECKLER. Is there a point of inefficiency by reason of having this depot overloaded so that perhaps you should consider another location?

Colonel NELSON. When you see we have to take up half the street and this is the only hardstand we have, you start to get inefficient. If you are running 90 to 91 percent occupancy you are inefficient because you have to handle materiel two or three times to store it or ship it out. So the answer is "Yes," we have a certain amount of inefficiency right now because of materiel stored in an inefficient configuration.

General CLAY. Another problem is the concentration.

Colonel NELSON. And your risks are quite high both from enemy loss and other losses which result from concentration.

Mrs. HECKLER. Is there any alternative to it?

General CLAY. The alternative is more construction and dispersion. We are making a study on that.

Mr. MONAGAN. Have you made any separation of the cost of FRELOC with reference to Kaiserslautern?

Colonel NELSON. Yes, sir. The FRELOC portion we have accounted for.

Mr. MANNING. I think the FRELOC portion was around $3 million, what we considered as FRELOC.

Mr. MONAGAN. What did you consider as FRELOC?

Mr. MANNING. What we used generally is the tonnage we received from France and then we used our cost per ton.

Mr. MONAGAN. Cost of what per ton?

Mr. MANNING. Cost of handling.

Mr. MONAGAN. You mean your overall cost of handling on other items as well?

Mr. MANNING. Yes, sir.

Mr. MONAGAN. And you applied a proportionate share to this on a tonnage basis?

Mr. MANNING. Yes, sir; what came out of France.

Mrs. HECKLER. That had no relation to the acquisition value?

Mr. MANNING. No.

Mr. MONAGAN. I didn't ask him the value. I asked the cost of moving it. Does that include salaries?

Mr. MANNING. Yes. The reporting, though, to higher headquarters was not done in this fashion. In other words, if you had a body on board whether it was handling FRELOC or not FRELOC we did not report that body. We only reported FRELOC when they were handling FRELOC only.

Mr. MONAGAN. So you may have left out a lot of bodies?

Colonel PFEIFFER. This $15 per ton includes all the things. The additive cost is what Mr. Manning is talking about.

Mr. MONAGAN. Is the reason you did this because of the detail involved in estimating it in another manner?

Mr. MANNING. Yes. It would be practically impossible to do it any other way because you can't say one box was FRELOC and the other box was not FRELOC.

General CLAY. I think I saw a recent chart of the total cost of FRELOC to the Army and I think it was $40 million which was far less than was anticipated.[1]

Mr. MONAGAN. The total cost by some authorities is estimated at $100 million.

General CLAY. That probably includes other services.

Mr. LEVINSON. And construction of new facilities.

Mr. MONAGAN. I think it is supposed to include everything.

Colonel NELSON. This concludes our presentation today unless there are questions.

Mr. ROMNEY. Colonel, you said COMZ would not know the location of a given item.

Colonel NELSON. They only know by depot. For example, they know cups and saucers are stored at C–22. I have 235,000 actual storage locations. But they don't know which pigeonhole I have cups and saucers in; and that is why I must match my records to find the exact location. These things are continually changing. For example, you have a stock location and as soon as the location is emptied I may have new stock coming in. As soon as that one location is empty we kill that location so far as the storage location for that. The next day I might have another shipment that goes in that same location. We may have a single item in as many as four or five storage locations because we get more and more and could not put them all together. We try to keep down the number of multiple storage locations and we try to consolidate our storage locations into one or two principal storage locations.

Mr. ROMNEY. One other question: When you ship the materiel back to the United States for repair there, how do you determine whether it is economical to repair it back in the United States?

Colonel NELSON. Each major item of equipment that comes in, we prepare form 523 which outlines the estimated man-hours required and the dollar value of this labor along with the repair parts to repair that item. That is shown on the form based on published criteria. This goes to the commodity manager at SMA. In the case of ordnance we prepare form 471–7 which again outlines the cost to restore the item to serviceable condition. So it is based on an actual physical inspection of the item. It is not a decision made at the top of your head or the seat of your pants.

Mr. ROMNEY. Does there have to be a decision made for this back in the States before you send it back?

Colonel NELSON. Definitely.

Mr. ROMNEY. In the case of FRELOC was the same criteria held to?

Colonel NELSON. Of course, one of the things that has caused additional equipment going back to the States has been the activity in Southeast Asia and the requirements of CONUS are more than they were prior to the intensive staffing and manning of Southeast Asia. Some of these items may go through CONUS on the way to Southeast Asia.

Mrs. HECKLER. I suppose there is no way you can estimate the value. You estimate the tonnage and that is about it?

[1] The Department of the Army subsequently advised that as of Apr. 30, 1967, total Army costs of approximately $55 million have been reported to the Department of the Army in accordance with special instructions for the accumulation of costs for the withdrawal of U.S. and NATO forces from France.

Colonel NELSON. We ran an old one of about $400 million across the board, between $400 and $500 million.

Mr. LEVINSON. This is your increase?

Colonel NELSON. No; this is our total inventory.

Mrs. HECKLER. Did you say $400 or $500 million?

Colonel NELSON. Between $400 and $500 million.

Mr. O'BOYLE. That is page 14 of the brochure.

Colonel NELSON. That is our best estimate.

General CLAY. The original estimate of the tonnage to be shipped out of France was based on value and it came out very close.

Mr. LEVINSON. This was not applied to any one depot.

Mrs. HECKLER. So the figure of $400 to $500 million includes FRELOC?

Colonel NELSON. Yes, plus receipts from CONUS.

Mrs. HECKLER. Would it be possible to separate CONUS?

Colonel NELSON. We could. We have never approached it that way. This is a figure we normally wouldn't deal with here internally and we never tried to keep track of it.

Mrs. HECKLER. Was it physically possible for you to accept a good deal of materiel from CONUS at the same time you were accepting materiel from FRELOC?

Colonel NELSON. We had no choice. However, shipments destined for France were diverted to Kaiserslautern.

General CLAY. I heard that same story as to Nahbollenbach.

Colonel PFEIFFER. I think it is fair to point out we did have a moratorium until we were in some position to handle them. We were not doing ordinary business plus FRELOC.

Colonel NELSON. This concludes our briefing.

General CLAY. Is there an unanswered question?

Mr. MONAGAN. I don't think so. If we do have one, we will be glad to let you know.

Thank you.

(The following charts were used by Col. Robert K. Nelson during his presentation at Kaiserslautern General Depot:)

1. PRINCIPAL MISSIONS

Receive, store, maintain in-storage, and ship general supplies and repair parts as directed.

Receive and store reserve and special project stocks.

Receive and deliver supplies destined for military units of nations participating in the cooperative logistics program.

Receive, store, and ship radiological waste and toxic chemicals.

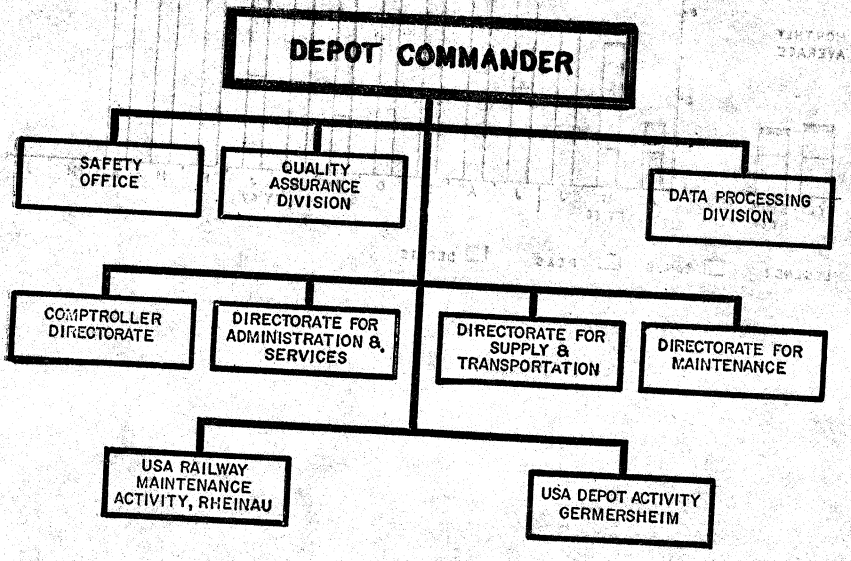
Perform depot maintenance of equipment as directed.

Provide direct and general support maintenance to USAREUR Augmentation Readiness Group and ET–A sites.

Maintain U.S.-owned rail equipment.

2–Depot Installations

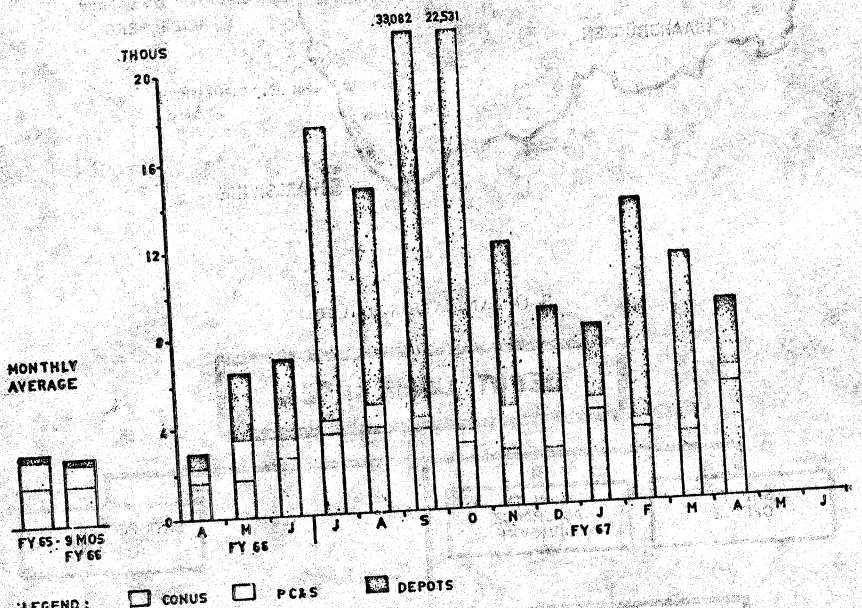
3–Organizational Chart



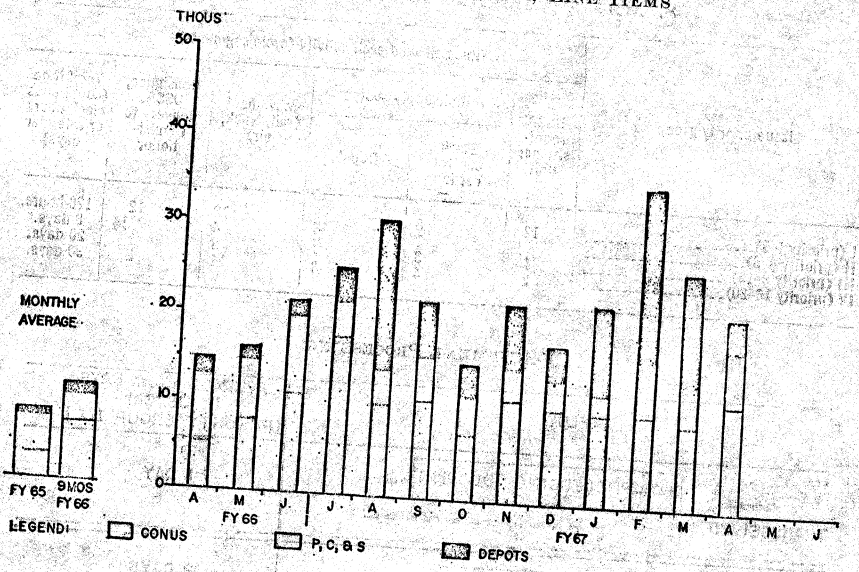
4. TONS IN STORAGE BY MATERIEL CATEGORY, AS OF MAR. 31, 1967

Materiel category	USADAG	USAGDK	Total
Ground forces	50,453	91,266	141,719
Tank automotive	49,161	24,464	73,625
Weapons and fire control	13,067	4,860	17,927
POL allied products	0	7,614	7,614
Missile materiel	345	6,268	6,613
Industrial supplies	0	4,792	4,792
Miscellaneous	700	3,587	4,287
Clothing and textile materiel	0	2,960	2,960
Electronics materiel	2	1,620	1,622
Ammunition and other	0	861	861
General supplies	0	547	547
Total	113,728	148,839	262,567
As of June 30, 1966	58,868	69,894	128,762

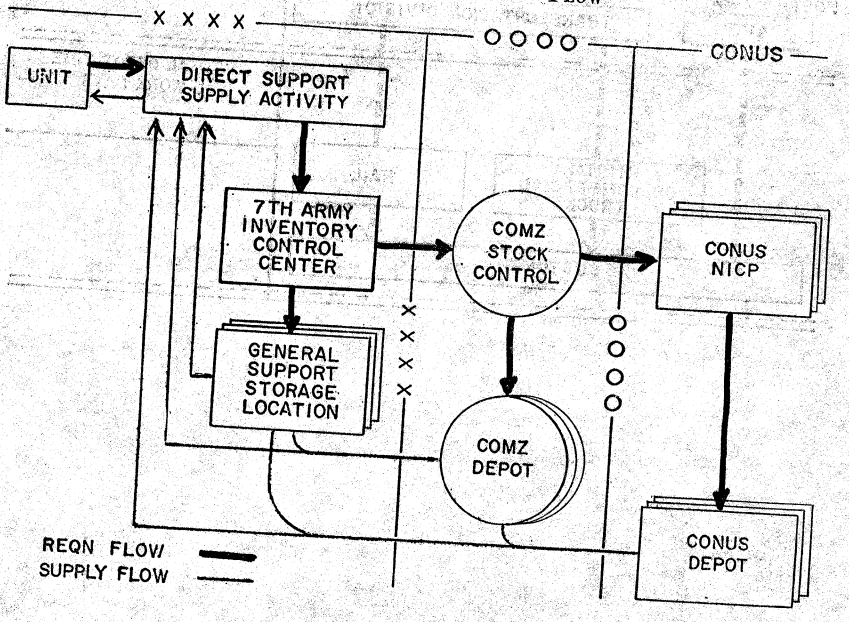
5–RECEIPTS BY SOURCE GDK, S/TONS



6–Receipts by Source GDK, Line Items



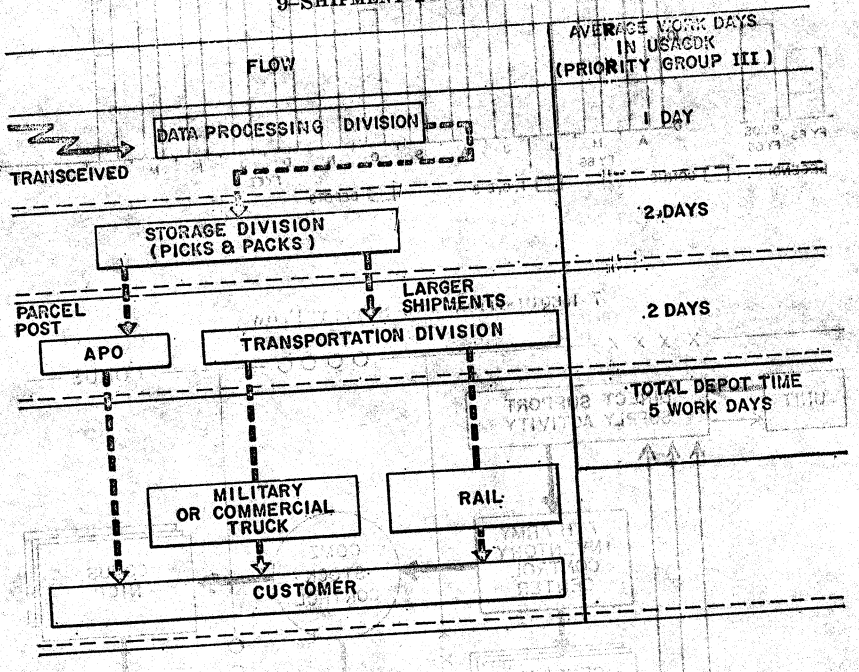
7–Requisition and Supply Flow



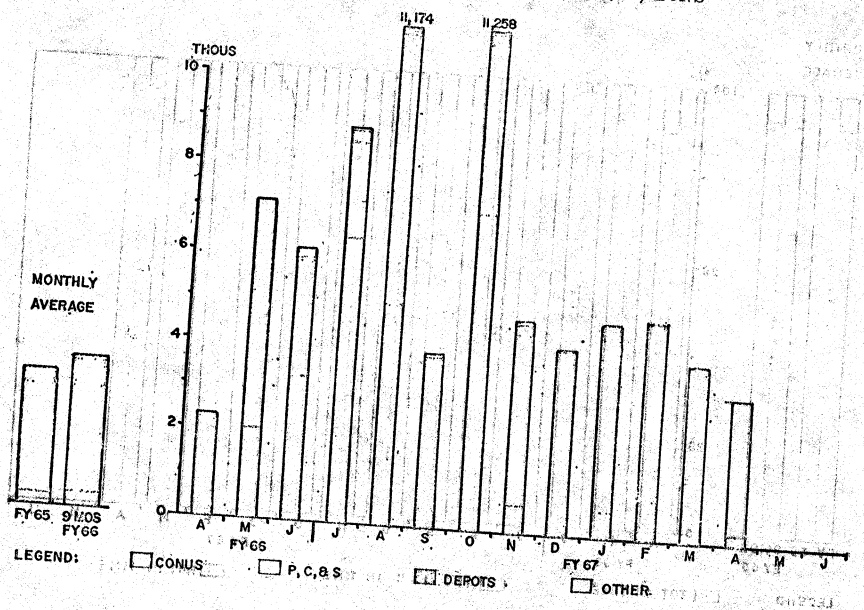
8. MILSTRIP SHIPPING PROCESSING TIMES

Issue priority group	Times allowed each activity (cycle segments)					
	DSSA requisitioner unit	Initial supply source		Movement (rail, truck, air)	Consignee, DSSA, delivery to requisitioner	Total time (continuous clock hours or calendar days)
		Stock control Verdun	Depot			
I (priority 1–3)	12	8	16	72	12	120 hours.
II (priority 4–8)	½	1	2	4	½	8 days.
III (priority 9–15)	1	3	7	8	1	20 days.
IV (priority 16–20)	2	4	8	14	2	30 days.

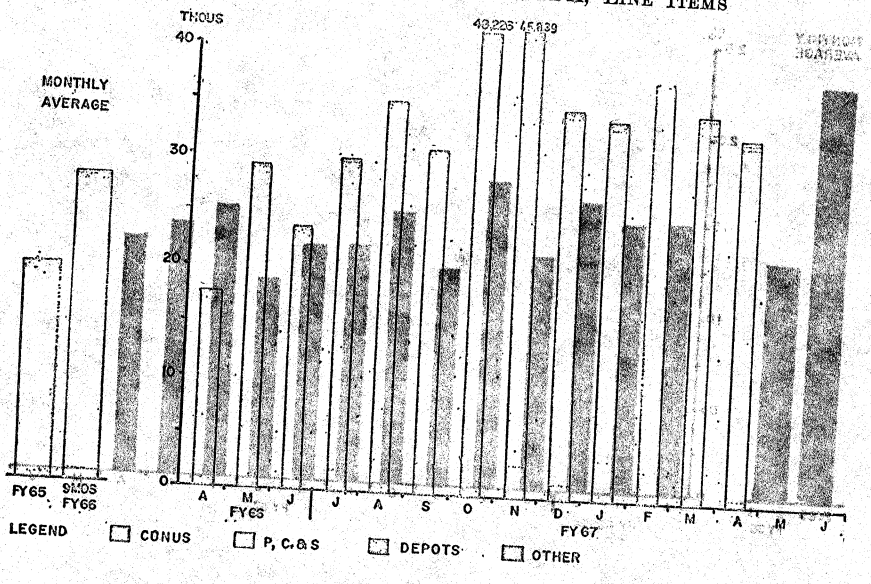
9. SHIPMENT PROCESSING



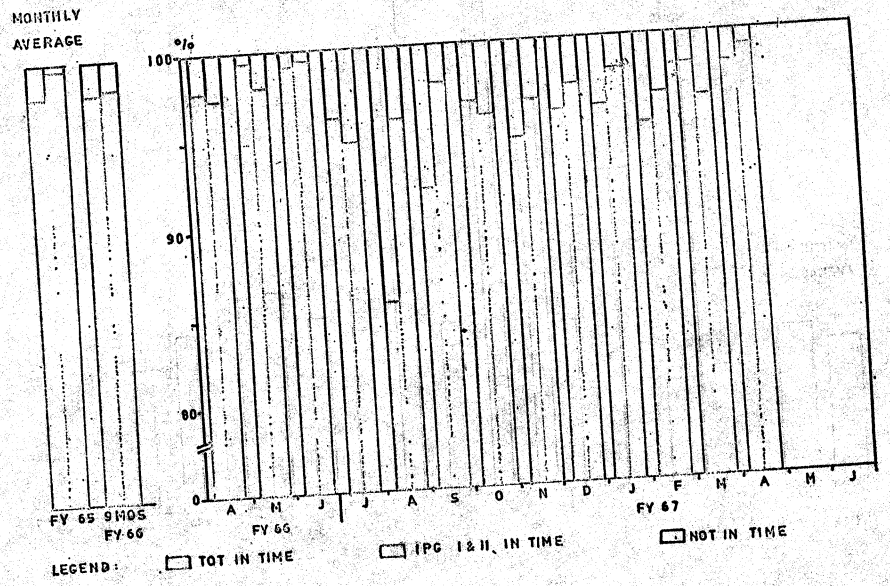
10–Shipments by Destination GDK, S/Tons



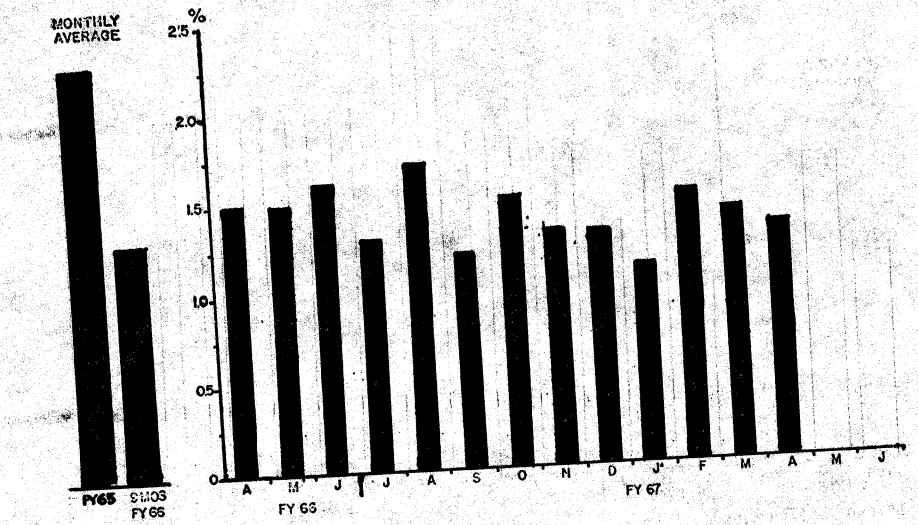
11–Shipments by Destination GDK, Line Items



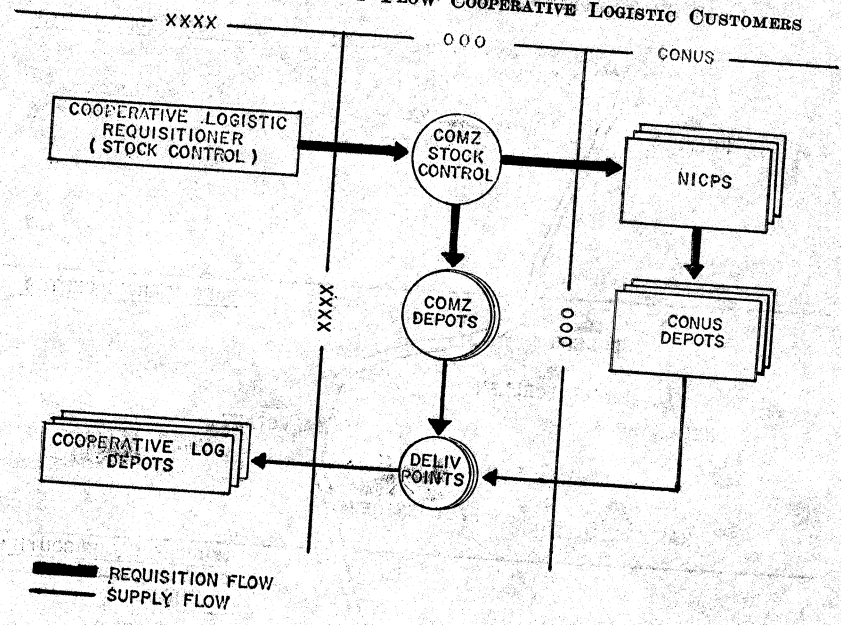
12–On Time Shipments GDK



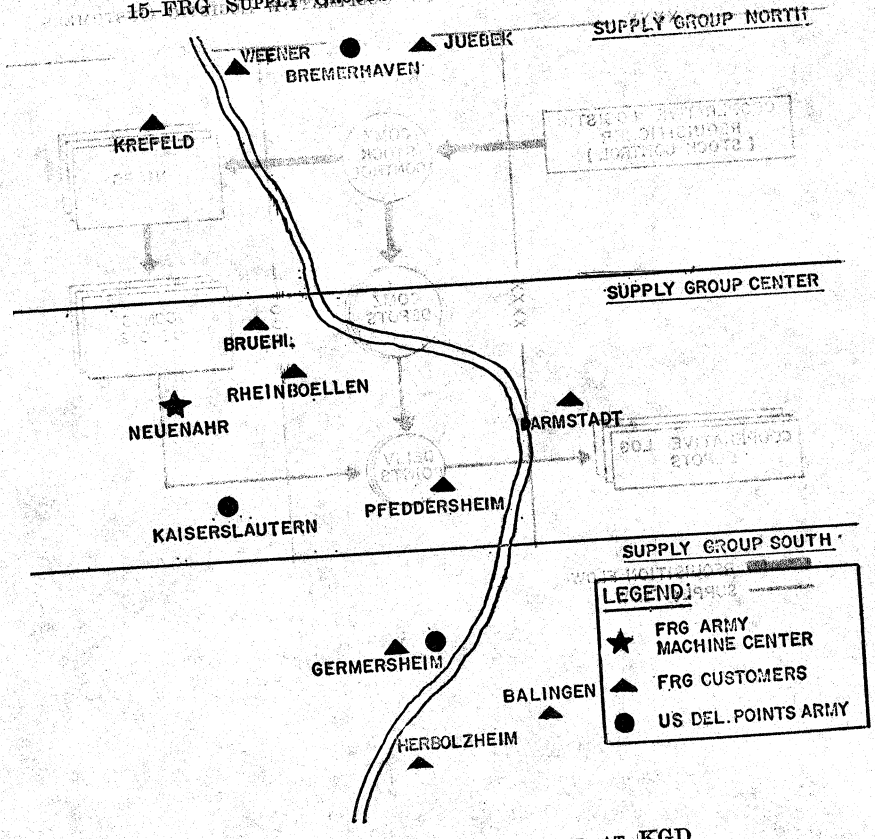
13–Storage Denials GDK



14–Requisition and Supply Flow Cooperative Logistic Customers



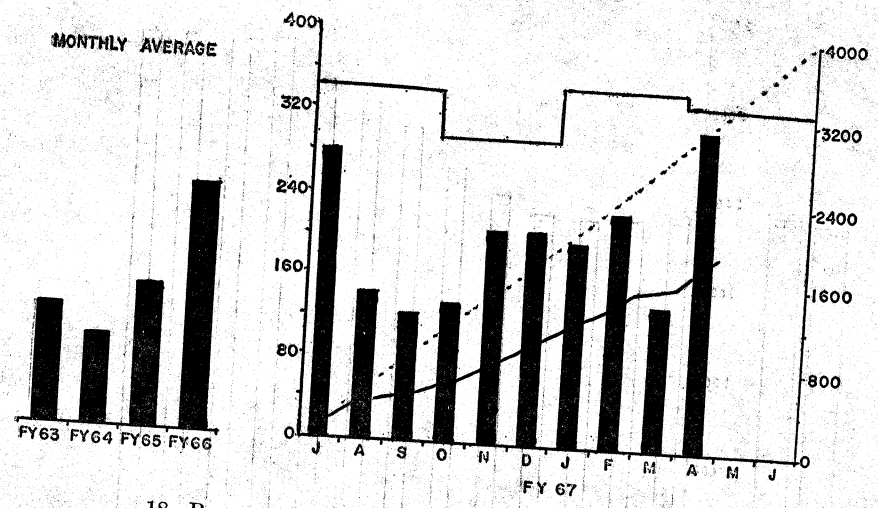
15–FRG Supply Groups and U.S. Delivery Points



16. Typical Items Overhauled at KGD

Air compressors
Air conditioners
Asphalt equipment
Concrete equipment
Earthmoving equipment
Electrical generators
Firefighting equipment
Gas generators
High speed entrenchers
Mine detectors
Mobile bridging
Mobile shops
Pipeline equipment
Printing presses
Quarrying equipment
Searchlights
Tactical bridging
Tellurometers
Theodolites
Water purification units

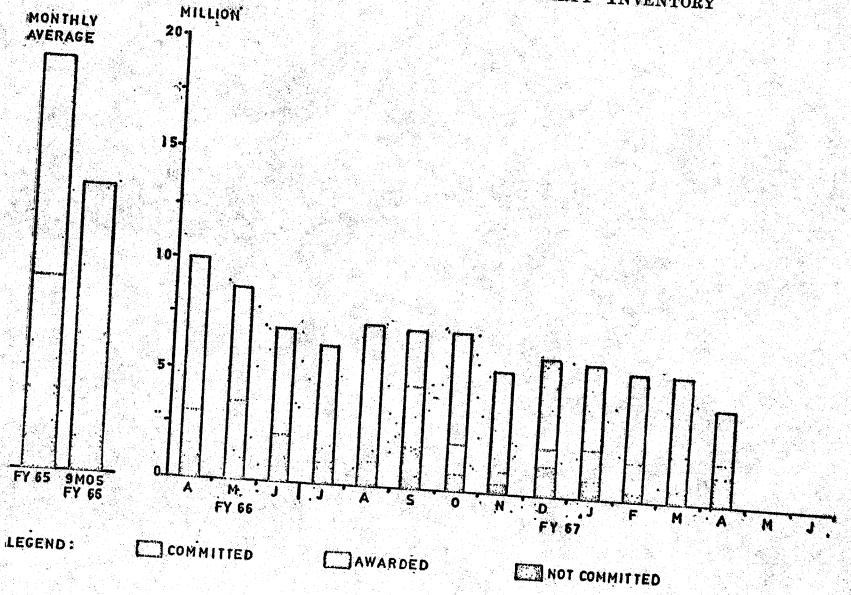
17–Overhaul—GDK Items



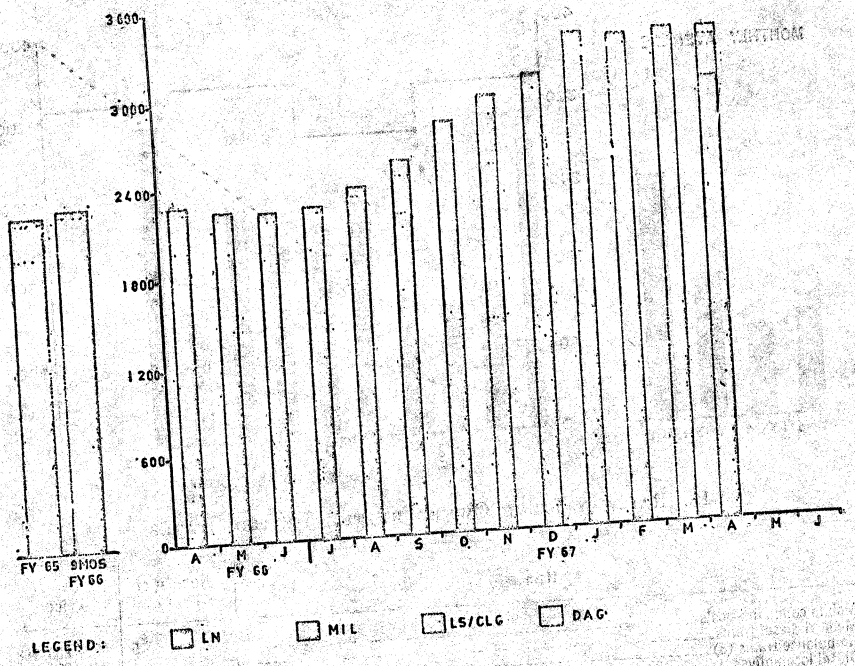
18. Railway Items Owned by the United States

Item	Number of pieces	Value
Mobile command posts	5	803, 998
Medical diesel trains	4	897, 140
Ambulance trains (8)	87	4, 589, 898
Diesel locomotives	35	2, 671, 790
Freight equipment	1, 431	9, 391, 026
Passenger equipment	122	5, 630, 034
Total	1, 684	23, 983, 889

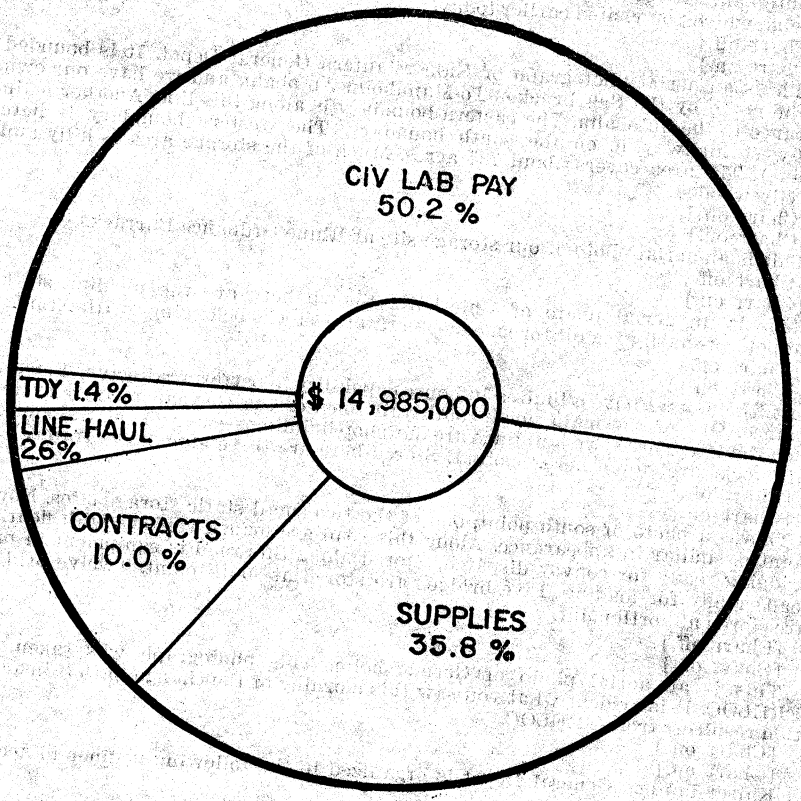
19–Foreign Excess Personal Property Inventory



20—PERSONNEL STRENGTH GDK



21–FINANCIAL MANAGEMENT FY 67 REQUIREMENTS



TOTAL AFP $	14,985,000
DIR OBLIG	10,908,000
FUNDED REIMB	205,000
CONS CRED	3,411,500
AUTOM REIMB	460,500

Hon. John S. Monagan and Hon. Margaret M. Heckler, Welcome to Kaiserslautern General Depot.

This briefing is unclassified. However, all of the personnel in the room are cleared for secret.

The depot was originally established in 1951 as the Rhine Engineer Depot. It was redesigned as a general depot in 1958. Since then we have been responsible for the storage, issue, and maintenance of class II and IV supplies and equipment formerly belonging to all of the technical services except medical.

[Chart on.]

Kaiserslautern General Depot is a depot complex consisting of the installations shown on this chart.

Rhine Ordnance Barracks: We have stored pipeline stocks.

Northpoint: A static storage site where we store reserve bridging.

Uhlerborn: Pipeline material.

Waldorf: Pipeline material.

Our rail maintenance activity at Rheinau and Rheingonheim: Pipeline stocks.

Southpoint: Reserve stocks of bridging, and finally the depot activity at Germersheim, which you visited earlier today.

[Chart off.]

[Chart on.]

This is an aerial photograph of Kaiserslautern General Depot. It is bounded on the north by the Saarbrucken-To-Mannheim Autobahn and we have our own entrance to the autobahn. The eastern boundary is along this line. Another main east-west highway is on the south boundary. The western boundary is here (point). The area covers about 737 acres. Much of the storage area is hilly and heavily wooded.

[Chart off.]

[Chart on.]

This is an aerial photo of our storage site at Rhine Ordnance Barracks.

[Chart off.]

[Chart on.]

This is an aerial photo of Uhlerborn. Shown here are the pipeline stocks and pol (primarily fog oil for smoke generators) stocks belonging to 7th Army.

[Chart off.]

[Chart on.]

At Rheinau we have a limited in-house capability to perform railway field maintenance. One of the main north-south rail lines of the German railway system is on the left. These two buildings are our shop buildings—some of the U.S.-owned rail stocks are stored here. (point). Stored here are three ambulance trains.

[Chart off.]

[Chart on.]

This is a photo of south point, one of the two small static storage sites. North point is similar in appearance. Along this road are loaded vehicles with floating bridging ready for convoy dispatch. Stored along this road is equipment in unit loads ready for loading. Five bridges are stored at south point. Twelve bridges are stored at north point.

[Chart off.]

[Chart on.]

This is an aerial photo of Germersheim. This photograph was taken pre FRELOC. It is evident what you saw this morning of the change in that installation resulting from FRELOC.

[Chart off.]

[Chart on.]

Kaiserslautern General Depot is organized in the following manner to accomplish its mission.

[Chart off.]

[Chart on.]

This chart shows the stratification of our stocks by materiel category as of March 31 at Germersheim and here at Kaiserslautern.

[Chart off.]

[Chart on.]

This chart shows our receipts by source, the monthly averages for fiscal year 1965 and for the first 9 months of fiscal year 1966, and monthly for the period April through March. The red portion of the bars represent tonnage shipped to us from the French depots; yellow—unit returns from posts, camps, and stations here in Germany; and the green portion are CONUS inbound receipts.

[Chart off.]

[Chart on.]

This chart shows our receipts by source by line items.

[Chart off.]

[Chart on.]

This chart shows the requisition and supply flow here in the theater from the requisitions being initiated by the unit. The requisitions flow successively to the rear until a supply source can be located to meet its demands. COMZ Stock Control Division in Zweibrucken places material release orders on the depot directing the shipment of the item to the customer.

[Chart off.]

[Chart on.]

This chart shows the milstrip shipping processing times. Outlined in red is that segment which we are concerned with here at the depot.

[Chart off.]

[Chart on.]

The next chart shows the shipment processing flow and the times which we allocate for processing an issue priority group III requisition here at the depot. We are allotted 7 calendar days or five work days to process this requisition. A material release order is transceived from the stock control division in Zweibrucken. The first day is spent processing this in our Data Processing Division. We allocate 2 days for storage division to locate, pick pack, and prepare the item for shipment. About 40 percent of our line items are shipped to the customer through the Army post office. This, however, is less than 1 percent of the tonnage on our out-bound shipments. Pre FRELOC approximately 75 percent of our tonnage was moved by military truck.

[Chart off.]

[Chart on.]

This next chart shows our shipping activity by destination. The blue portion of the bar represents shipments of the military assistance program; the red portion, shipments to other depots or rebuild plants; the yellow portion, shipments to posts, camps, and stations; primarily elements of 7th Army; and the green portion reflects shipments made to CONUS. Included in the green portion of the bar are those shipments that we have made to Southeast Asia.

[Chart off.]

[Chart on.]

The next chart shows the line item shipping activity by destination.

[Chart off.]

[Chart on.]

This chart shows our shipping effectiveness. The effectiveness dropped during the month of August as a result of a combination of both heavy receiving work load and a heavy shipping workload occurring simultaneously. We have made a steady improvement in our effectiveness since that period.

[Chart off.]

[Chart on.]

Although our in-bound tonnage increased materially, we have been able to process and locate the material and we have seen little appreciable change in our storage denial rate during the entire period.

[Chart off.]

[Chart on.]

In support of the Federal Republic of Germany Army, there is no difference in the handling of the logistics requisitions from that used for U.S. customers. Their stock control center is located at Neuenahr. Requisitions are transceived to COMZ Stock Control Division at Zweibrucken who directs a COMZ depot to ship the material to one of three delivery points where the material is turned over to the Federal Republic of Germany at that installation, and they make all arrangements for the future movement of the supplies to the Federal Republic of Germany depot. In the event that the item is not in stock within the theater, requisitions are extracted to an appropriate CONUS national inventory control point who directs a CONUS depot to ship the material to a delivery point here in Germany.

[Chart off.]

[Chart on.]

There are three delivery points here in the Federal Republic of Germany supporting the three German supply group—Bremerhaven, Kaiserslautern, and Germersheim.

[Chart off.]

[Chart on.]

Our overhaul program consists of a wide variety of items, each in small numbers. Shown here are the type of items which we overhaul.

[Chart off.]

[Chart on.]

This chart shows our overhaul program, the monthly average for prior fiscal year; the blue line is the program line, the red bars indicate that we have fallen short of our program and the solid red line is accumulative accomplishments so far this year.

[Chart off.]

[Chart on.]

The Rheinau Rail Maintenance Agency schedules and supervises all maintenance of U.S. owned rail stock in the theater. These railway stocks are now located in Italy and Germany. Of the total quantity shown, only 168 of these items are of U.S. manufacture.

[Chart off.]
[Chart on.]
During the period of FRELOC, there has been a slight decrease in the dollar value of our inventory of materiel in property disposal.
[Chart off.]
[Chart on.]
Our personnel status is indicated on this chart. We have a mixed labor force, the largest part being local national. About 40 percent of our local nationals have worked for U.S. forces for over 10 years. Military personnel are assigned to three T.O. & E. companies, two TD companies, and two T.O. & E. detachments. The balance of our work force consists of one labor service company and a German civilian labor group, additionally, we are authorized 44 Department of the Army civilians.
[Chart off.]
[Chart on.]
The financial requirements to operate the depot are shown on this chart.
[Chart off.]
[Chart on.]
We have an excellent data processing capability. Our maintenance shop is excellent and modern. We have a good rail net and rail unloading facility. The layout of our road net is good. Most of our other facilities and the depot supply operations need modernizing. Many of our roads and essentially all of our storage pads are not surfaced. Much of our storage area is niches in the woods. We have submitted a number of improvement projects to overcome our weaknesses in facilities.

BROCHURE ON U.S. ARMY GENERAL DEPOT, KAISERSLAUTERN

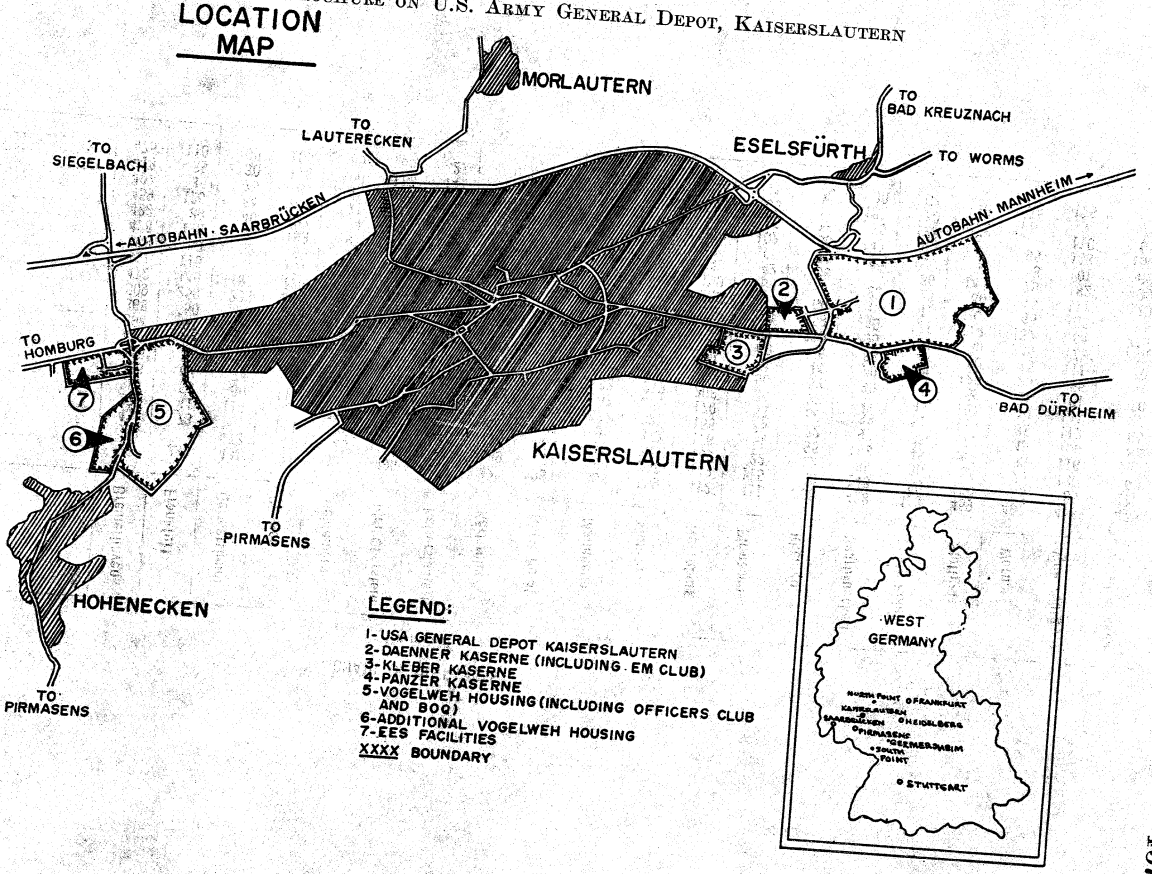


CHART OF DISTANCES

[In miles]

	Bremerhaven	Frankfurt	Germersheim	Giessen	Heidelberg	Idar-Oberstein	Kaiserslautern	Karlsruhe	North Point	Mannheim	Munich	Nuernberg	Pirmasens	Rheinau	Saarbruecken	South Point	Stuttgart	Worms	Wuerzburg	Zweibruecken
Bremerhaven		333	431	271	387	496	445	422	394	368	509	412	411	368	428	413	459	407	418	475
Frankfurt	333		73	41	66	67	91	89	61	50	258	149	115	50	148	80	126	35	85	110
Germersheim	431	73		114	30	74	45	28	66	22	233	185	22	22	86	30	84	75	130	60
Giessen	271	41	114		112	156	127	203	84	95	372	176	151	95	168	45	167	85	116	155
Heidelberg	387	66	30	112		65	29	34	56	22	221	155	75	22	97	38	71	45	100	85
Idar-Oberstein	496	67	74	156	65		29	70	90	57	221	170	53	50	38	61	110	85	65	
Kaiserslautern	445	91	45	127	50	29		90	29	32	57	221	170	85	40	107	67	110	117	
Karlsruhe	422	89	28	203	34	70	90		83	32	205	122	50	32	141	101	90	56	101	70
North Point	394	61	66	84	56	29	29	83		44	276	211	51	44	70	54	120	61	55	54
Mannheim	368	50	22	95	22	57	32	32	44		230	159	60	5	88	32	74	80	15	70
Munich	509	258	233	372	221	221	219	205	296	276	230	124	257	220	150	235	173	290		
Nuernberg	412	149	185	176	155	170	208	122	205	211	159	124	220	60	42	15	111	70		
Pirmasens	411	115	22	151	75	53	24	50	60	257	220		60	88	32	47	102	65	165	15
Rheinau	368	50	22	95	22	50	32	32	44	5	230	159	60	88	32	80	15	111	70	
Saarbruecken	428	148	86	168	97	38	61	45	74	23	214	131	102	42	88	147	75	182	30	
South Point	413	80	30	45	38	61	45	9	74	23	214	131	102	42	88	147	75	182	30	
Stuttgart	459	126	84	167	71	110	107	56	120	80	150	119	102	80	147	75	182	30		
Worms	407	35	75	85	45	85	85	61	20	15	235	187	65	15	75	58	95	110	65	
Wuerzburg	418	85	130	116	100	85	65	117	141	101	111	173	64	165	111	80	147	58	95	110	65	
Zweibruecken	475	110	60	155	85	65	175	27	70	54	62	290	245	15	70	54	70	290	245	15	70	54	70	290	245	15	70	54	70

HISTORY

The U.S. Army General Depot, Kaiserslautern, the largest U.S. Depot in Germany, was established in 1951 as the Rhine Engineer Depot and assigned to the Engineer Division, Hq, U.S. Army Europe with the mission of providing general engineer supplies and spare parts.

Construction of the Depot was started in May 1951 and was completed in April 1953. The Depot was constructed in an area, which during the middle ages contained a large lake where Emperor Frederick "Barbarossa" fished.

In July 1956, the Depot was transferred from Hq. U.S. Army Europe, and was assigned to the U.S. Army Communications Zone, Europe and in July 1958 was reorganized as a General Depot, with the mission of providing engineer, ordnance and chemical support.

The U.S. Army General Depot, Kaiserslautern on 1 April 1959 absorbed the responsibilities for the U.S. Army Ordnance Depot, Mannheim. The facility was renamed the U.S. Army Sub-Depot, Mannheim and was phased out on 31 December 1959.

On 1 January 1965, the U.S. Army Depot Activity, Germersheim was transferred from ARMIC to the U.S. Army General Depot, Kaiserslautern.

DAENNER KASERNE

The troop units of the General Depot, the 6th Maintenance Battalion, another USACOMZEUR unit and the 43d Heavy Maintenance Company, a Seventh Army unit are housed in Daenner Kaserne. This Kaserne is located just west of the Depot on Mannheimerstrasse. It was constructed in 1938 under the 3d Reich, and was named for the late Lt. General Daenner of the German Army. After its construction and dedication, it was the home of the 2d Battalion, 18th Infantry Regiment, German Army. After World War II the area was placed under control of the French Government by allied agreement. French troops were moved into Daenner Kaserne, and the name was changed to Verdun Kaserne. In June 1951, the name of the Kaserne was changed back to Daenner Kaserne and American Troops were moved into the Kaserne this time.

MISSION

Receive, store, maintain in-storage, and ship general supplies and repair parts as directed.

Receive and store reserve and special project stocks.

Receive and deliver supplies destined for military units of nations participating in the cooperative logistics program.

Receive, store, and ship radiological waste and toxic chemicals.

Perform direct and general support maintenance when the user lacks the capability or capacity on ET–A sites of the U.S. Army Strategic Communications Command Europe (STRATCOM) on generators, air conditioners, and dehumidifiers.

Provide direct and general support maintenance in support of the 1st, 2nd, 3rd, 6th, 7th, and 8th Bn of the UARG for Combat and Artillery vehicles, Tactical and Support vehicles, and Special Purpose Equipment.

Maintain U.S. owned rail equipment.

Provide administrative and logistic support to the U.S. Army Augmentation Readiness Group.

Provide logistical support to the 37th Transportation Group.

Produce daily reports on trailer activity based upon punched card input provided by the 37th Transportation Group.

PERSONNEL, MAR. 31, 1967

	Assigned		Attached		Total	
	Auth	Act	Auth	Act	Auth	Act
Officers/warrant officers	56	37	0	0	56	37
Enlisted men	1,216	1,609	0	0	1,216	1,609
Total military	1,272	1,646	0	0	1,272	1,646
DAC/CWS	56/1	83/1	0	0	56/1	83/1
LN	1,701	2,015	0	0	1,701	2,015
LS/CLG	243/183	87/203	0	0	243/183	87/203
Total personnel	3,456	4,035	0	0	3,456	4,035
U.S. dependents	703					

PERSONNEL BY LOCATION (ACTUAL)

Location	Assigned			Attached			Total		
	Military	Civilian	Total	Military	Civilian	Total	Military	Civilian	Total
U.S. Army general depot, Kaiserslautern	1,474	1,794	3,268	0	0	0	1,474	1,794	3,268
U.S. Army depot activity, Germersheim	106	627	733	0	0	0	106	627	733
U.S. Army railway maintenance activity, Rheinau	59	32	91	0	0	0	59	32	91
North Point	0	20	20	0	0	0	0	20	20
South Point	0	19	19	0	0	0	0	19	19

FUNDS

Appropriation and budget program	Fiscal year 1966	Fiscal year 1967 available
Operating and maintenance, Army:		
2000 Operating forces	$85,400	$125,000
2200 Central supply activity	8,110,500	[1] 11,057,000
2300 Major overhaul and maintenance	2,982,000	2,822,000
2900 Equipment, general support, and maintenance company	0	600,000
Total O. & M. A., depot	11,177,900	14,604,000

[1] Does not include automatic reimbursable orders received in support of UARG, funds for logistical support of 37th Transportation Group, and unfunded stock fund dues-in for Eastern France.

FACILITIES

	Kaiserslautern	Germersheim	North Point	South Point	Rheinau	Rheingonheim	Uhlerborn	ROB	Total
Acreage	736.82	365	122	126	23	8	52	5	1,438
Acquired value	13,633,100	2,408,000	357,500	441,000	632,300	34,400	478,000	25,000	18,009,300
O. & M.A. investment value	674,578				112,143				786,721
Capital equity value	$21,107,622.76								$21,107,622.76
Family housing [1]									

[1] The U.S. Army General Depot and its activities are supported by the U.S. Army Area Command. A total of 1,871 family housing units are located in the Kaiserslautern area.

STORAGE SPACE UTILIZATION AS OF MAR. 31, 1967

[In thousand square feet]

	Covered				Open improved				Open unimproved			
	Gross	Net available	Net occupied	Percent occupied	Gross	Net available	Net occupied	Percent occupied	Available	Occupied	Percent occupied
1. Kaiserslautern (including Hq. Act)	805	373	329	88	303	133	113	85	2,566	1,627	63
2. North point	7	0	0		227	162	162	100	17	17	100
3. South Point	6	0	0		145	80	65	81	93	80	86
4. Germersheim	138	9	9	100	5	1	1	100	10,104	5,810	58
5. Rheingoenheim									110	11	19
6. Uhlerborn									124	82	60
7. Walldorf											
8. ROB	5	5	5	100					150	137	61

OPERATIONAL DATA FISCAL YEAR 1966 AND 1967

1. WORKLOAD ACCOMPLISHMENT (AVERAGE PER MONTH)

Fiscal year	Kaiserslautern				Germersheim			
	Short tons		Lines		Short tons		Lines	
	1966	1967	1966	1967	1966	1967	1966	1967
Receiving	3,601	15,682	12,323	24,422	5,004	10,836	2,253	1,982
Shipping	3,769	6,433	26,521	37,071	4,634	4,141	1,955	1,386
C. & P. cyclical	17,445	25,564	5,494	8,593	6,561	22,740	925	3,976
C. & P. processing	2,472	2,220	1,354	1,800	2,169	1,598	202	313

2. STOCKS

Fiscal year	Kaiserslautern		Germersheim	
	1966 (June 30)	1967 (Mar. 31)	1966 (June 30)	1967 (Mar. 31)
Line items stored	101,736	123,261	914	1,714
Tons stored	69,894	148,839	58,868	113,728
Value of stocks	$150,000,000	$320,000,000	$128,700,000	$250,000,000

3. MAJOR OVERHAUL AND MAINTENANCE

	Workload quantity	Fund availability
Overhaul	4,264	$2,419,500
Modification	-----	11,900
Repair	-----	129,000
Inspection and test	-----	33,900
Support maintenance	-----	221,000
Capital equipment	-----	6,700
Total, P-2300	-----	2,822,000

MORALE AND WELFARE

Principal service area of Kaiserslautern is Vogelweh—a huge housing and shopping complex with a real estate value of more than $48,000,000. Vogelweh is situated two miles west of the city limits on Parisher Strasse. From the autobahn, Vogelweh is reached directly by exiting at the Kaiserslautern Mitte exit.

In 1951, during a period referred to by the Germans as an "economic miracle", workers labored night and day to build this community on the site of a bird refuge. Vogelweh is now known widely as "Little America" because it has the largest congregation of U.S. personnel in Europe.

Vogelweh, Mannheimer Str., Blutacker and Flieger Str., Housing Areas contain a total of 1871 family units, the larger share of the USAACOM's Palatinate District's family housing units; a high school, junior high and two elementary schools; a chapel; NCO and EM clubs; the Officers and Civilians Open Mess; Service Club; and all exchange, postal and banking facilities. The Post Exchange is one of the largest in Europe; the automotive repair garage is the largest, and the commissary is second only to Frankfurt in sales volume.

Additional facilities available at the shopping center include—

Tailor Shop
Barber and Beauty Shops
Florist
Class IV Package Store
German postal and telephone services
Separate Beverage Shop
Stars & Stripes Bookstore and Newsstand
Snack Bar
U.S. Post Office

PANZER KASERNE

Palatinate District Headquarters itself is located at Panzer Kaserne, five miles east of the city center on Mannheimer Landstrasse.

This picturesque post houses such offices as the area legal assistance office, civilian personnel office, finance, principle staff sections of the district, and the tranportation motor pool and Equipment Maintenance Center. Units stationed here include the U.S. Army Garrison, 45th Finance Section, the 15th Base Post Office and the U.S. Army Signal Service Unit, Kaiserslautern.

Limited facilities on Panzer Kaserne include a snack bar, Post Exchange annex, NCO club annex, a barber shop, and EES pickup points for laundry and dry cleaning. Nearby, and considered a part of the kaserne, are a fire station and the central Army Post Office.

KLEBER KASERNE

Approximately half way between the city and Panzer Kaserne on Mannheimer Landstrasse is Kleber Kaserne. One of the larger troop unit installations, Kleber is the site of a medical dispensary and dental clinics; Army Education Center; El Rhino NCO Club, a theater, EM Open Mess, Quartermaster Clothing Sales Store, major troop units, the USAREUR Pictorial Center, PX and Snack Bar, and EES pickup points.

DAENNER KASERNE

Across Mannheimer Landstrasse from Kleber Kaserne is the home of the General Depot Kaiserslautern, at Daenner Kaserne. This installation is primarily a troop barracks area, but it is the location of an NCO Club, an EM Club and a small barber shop.

KAPAUN BARRACKS

On a hill above Vogelweh at the top of Kansas Street is Kapaun Barracks with its troop units and limited facilities. With Vogelweh at the foot of the hill only about a ten minute walk away, the Kaserne has only a snack bar, Army Education Center and EES pickup facilities for laundry and cleaning, plus a small PX.

RHINE ORDNANCE BARRACKS

Between the Kaiserslautern Mitte autobahn access pattern and the Vogelweh center site is the Rhine Ordnance Barracks. Like Kapaun this installation is near enough to the major shopping and recreational center so that only limited snack bar, NCO club annex, PX and EES pickup point facilities are needed.

EINSIEDLERHOF

Two or three miles further west past Vogelweh, at the town of Einsiedlerhof, are the U.S. Army Medical Depot, Einsiedlerhof, the Palatinate District Engineers, and the Stars & Stripes distribution point for the area. The medical depot maintains a theater, NCO club annex, a snack bar, a barber shop and EES pickup point facilities.

KAISERSLAUTERN ROD AND GUN CLUB

A new Rod and Gun club is located just west of Pulaski Barracks and south of Einsiedlerhof in a wooded area. The clubhouse offers warm friendliness, excellent food and beverages, exchanges of outdoor sports information and experiences, and a pleasant view of the area. In the basement an indoor range allows for competition and practice firing. Three skeet ranges are in operation, and each year some of the top competition in Europe is held here.

WEIERHOF

Facilities in the Weierhof-North Point-Kirchheimbolanden area include all EES installations except an automotive repair garage. There is a theater, a gymnasium and other Special Services facilities, clubs and chapels, and a housing area with 94 units. The complex of installations is spread out in an area about half way between Kaiserslautern and Mainz.

LANDSTUHL

One of the largest U.S. military hospitals in Europe is located at Landstuhl, an easy 15 minute drive from Vogelweh. Besides the 2d General Hospital, other units of the 9th Hospital Center stationed here include laboratory detachments, a field hospital and many other medical units. These comprise the Landstuhl Army Medical Center.

All normal EES facilities, clubs and other recreational facilities, and chapel services are found in this area just 12 miles west of Vogelweh. There is an elementary school, and there are 192 units of enlisted quarters and 143 officers family units in the housing area. Other Landstuhl based personnel live in Vogelweh.

(Thereupon, at 2:30 p.m. the hearing was concluded and the subcommittee was taken on a tour of the depot grounds.)

CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

TUESDAY, MAY 30, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,

Nancy, France.

The subcommittee arrived at Nancy, France, at 9:50 a.m. and made an inspection tour of the Nancy Depot, followed by a tour of the Jeanne d'Arc Hospital (between Nancy and Toul), which inspection tours were concluded at 12:30 p.m.

Subcommittee members present: Hon. John S. Monagan (chairman), and Hon. Margaret M. Heckler.

Subcommittee staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant.

Also present: Brig. Gen. Charles C. Case, U.S. Army, Chief, Supply and Maintenance Agency, European Command; Col. John J. Kiely, Jr., U.S. Army, Headquarters, France Support Group, Orleans, France; Col. H. R. Jones, commanding officer, France Support Group, Verdun, France; Lt. Col. Barney Lawrence, deputy commanding officer, France Support Group, Verdun, France; Mr. George Handy, administrative assistant, Military Liquidation Section, Verdun, France; Mr. Robert M. Gilroy, audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Mr. Jack K. Woll, Director, Government Property Resources Division, Office of Procurement, Agency for International Development, Washington, D.C., and Col. James F. Dunn, Jr., USEUCOM (J–4), escort officer.

Casteau, Belgium.

The subcommittee arrived at Chieves, Belgium, at 2:15 p.m. and proceeded by car to the Supreme Headquarters Allied Powers Europe, Casteau, Belgium, where Hon. John S. Monagan (subcommittee chairman) and Hon. Margaret M. Heckler conferred informally with Gen. Lyman L. Lemnitzer, Supreme Commander, SHAPE, until departure at 4:10 p.m. for Brussels.

WEDNESDAY, MAY 31, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Antwerp, Belgium.

The subcommittee met at 9:50 a.m. at the Hoboken/Antwerp Plant No. 1 of J. & M. Adriaenssens N.V./AID, Hon. John S. Monagan (subcommittee chairman) presiding.

Subcommittee members present: Hon. John S. Monagan (chairman), and Hon. Margaret M. Heckler.

Subcommittee staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant.

Also present: Jack K. Woll, Director, Government Property Resources Division, Office of Procurement, Agency for International Development, Washington, D.C.; Paul Scordas, officer in charge, European Office of Government Property Resources Division, Office of Procurement, Agency for International Development; James A. Gibson, Hoboken/Antwerp marshaling site superintendent, Agency for International Development; Frank M. Mikus, audit manager, European Branch of International Division, General Accounting Office, Frankfurt, Germany; Joseph L. Adriaenssens, president, J. & M. Adriaenssens N.V., Antwerp Belgium; Hon. Charles Thomas, U.S. consul general, Antwerp, Belgium; and Col. James F. Dunn, Jr., USEUCOM (J–4), escort officer.

Mr. MONAGAN. The hearing will come to order. Mr. Woll, I think what you want to do is explain briefly what your agency is doing here. You may proceed.

STATEMENT OF JACK K. WOLL, DIRECTOR, GOVERNMENT PROPERTY RESOURCES DIVISION, OFFICE OF PROCUREMENT, AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, D.C.; ACCOMPANIED BY PAUL SCORDAS, OFFICER IN CHARGE, EUROPEAN OFFICE OF GOVERNMENT PROPERTY RESOURCES DIVISION, OFFICE OF PROCUREMENT, AGENCY FOR INTERNATIONAL DEVELOPMENT; AND JAMES A. GIBSON, HOBOKEN/ANTWERP MARSHALING SITE SUPERINTENDENT, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WOLL. Mr. Chairman and members of the committee, it is an honor and a pleasure to have you visit the Agency for International Development's Antwerp marshaling site. This is where we rehabilitate U.S. Government-owned excess property that we have acquired primarily from military sources for reutilization by the U.S. Government in our foreign aid program.

We started this operation in November of 1964, when we were unable to obtain rehabilitation capacity from the U.S. military. This contract went into operation in November of 1964 and through March of this year this installation has received $28,756,000 in acquisition cost, of which $18,887,000 has been rehabilitated. Of this $18.8 million we have outshipped for use in AID's projects and program around the world $17,776,000.

Mr. MONAGAN. Where is the other $10 million?
Mr. WOLL. It is here in stock being worked on.
Mr. MONAGAN. It is in process?
Mr. WOLL. Yes, that is right.
(Subsequently, AID furnished the following information:)

AID Contractor, Antwerp, Belgium, Mar. 31, 1967

Inventory:	
RFI	$3,586,000
NRFI	7,255,000
Total	$10,841,000
Received to date	28,756,000
Shipped to date	17,776,000
Production to date	18,887,000

Production:
Fiscal year 1966: 698,000 per month; 7,703,000 per annum.
Fiscal year 1967: 894,000 per month; 8,047,000, 9 months.
Shipments:
Fiscal year 1966: 598,000 per month; 7,174,000 per annum.
Fiscal year 1967: 1,030,000 per month; 9,272,000, 9 months.
Cost per hour: 3.32 skilled; 2.82 semiskilled.
Average hours per month: 26,000.
Average costs per month: 141,000.

EQUIPMENT NOT READY FOR ISSUE, MAR. 31, 1967

Type of equipment	Total acquisition value	Total percent of NRFI inventory
Military vehicles	$4,685,055	64.58
Construction equipment	841,540	11.60
Commercial vehicles	501,221	6.91
Trailers, all types	498,990	6.88
Materials handling equipment	105,578	1.46
Machine and shop tools	87,202	1.20
Engines, accessories and major components	84,400	1.46
Firefighting equipment	43,106	.59
Miscellaneous	407,910	5.62
Total	7,255,000	100.00

Payments to AID contractor, Antwerp, Belgium

Fiscal year 1965:	
November–December	11,575.00
January	23,520.27
February–March	44,129.19
April	47,162.79
May	42,010.42
June	58,842.04
Total	227,239.70
Fiscal year 1966:	
July–September	116,697.70
October	94,273.44
November	67,711.47
December	78,926.74
January	80,306.76
February	35,337.75
March	65,353.49
April	105,008.28
May	90,367.08
June	114,757.61
Total	848,740.32

Payments to AID contractor, Antwerp, Belgium—Continued

Fiscal 1967:	
July	77, 427, 89
August	50, 033. 47
September	91, 885. 37
October	117, 507 .45
November	102, 070. 79
December	176, 953. 22
February	137, 945. 50
March	166, 978. 96
April	120, 479. 53
Total	1, 041, 282. 18

Mr. WOLL. Originally, when we signed our first contract here, the skilled labor rate was $2.85 an hour. From November of 1964 costs have risen so that we now have a skilled labor rate of $3.32 an hour. We are getting to the point actually of—well, we just can't go very much higher and still maintain the integrity of our revolving fund. When I say that I am referring to the 15-percent average surcharge.

Mr. MONAGAN. Does this wage rate include fringe benefits?

Mr. WOLL. This is the direct wage rate.

Mr. MONAGAN. And there are fringe benefits on top of that?

Mr. WOLL. Oh, yes.

Mr. SCORDAS. Not on top of that. It is included.

Mr. WOLL. It is included.

Mr. MONAGAN. I mean things like their Blue Cross, paid vacations and so on, the fringe benefits.

Mr. WOLL. It is included in the average hourly rate.

Mrs. HECKLER. How does that compare with the domestic labor rate?

Mr. WOLL. It is considerably lower. In our domestic operations the Army is our agent and we use their contractors and our average rate in the States runs from $5 to $10 an hour. This includes overhead, management and everything.

Mrs. HECKLER. Why did you choose to have a rehabilitation center in Belgium?

Mr. WOLL. For various reasons. No. 1, this city is a port city and it is extremely advantageous to be able to rehabilitate the property and not have to pay for long hauls to another port. No. 2, there is a sufficiency in this country of skilled mechanics, which we need. And No. 3, this country is susceptible to barter. This contract is under the barter arrangement to preclude the outflow of gold and assist the balance-of-payments situation.

We found through the Commodity Credit Corporation that the countries of Germany and France were not susceptible to barter. So our only eligible places in Europe would have been Spain, Italy, or the Benelux countries, and as far as Spain and Italy were concerned we already had an operation going in Spain and very little property is generated there; so if we had to take property from Germany and take it to Spain it actually would have cost quite a bit. This, generally, is why we settled on this country and this city.

As of March 31 our weekly hourly total was approximately 6,200 hours a week. Our program goal for this operation here will be 9,000 hours per week. We hope with this goal of 9,000 hours per week that our average monthly production will run $2.5 million acquisition cost.

This will give us a total output yearly of $30 million, which we feel is a very sizable operation.

We have been in the past very well satisfied with the quality of work performed here. The contractor has gone out of his way to do everything he could to make this a successful contract, and I feel he has taken a good deal of pride in being a contractor for the U.S. Government.

This particular plant here we call plant No. 1, and the type of work that we do in this plant is the rehabilitation of gasoline-engine-driven equipment. Plant No. 2, which I hope you will see later on today, is located down by the docks, and this is where we do the heavier equipment, diesel-engine-driven equipment and roadbuilding equipment, tractors, graders, and so forth.

Right at the present time we obtained approximately 1,100 jeeps. The chairman and members of the committee saw a good many jeeps at Germersheim. We obtained 1,100 jeeps from there not long ago and we have a production line running at our plant No. 2. Rather than doing the work here and pulling all these jeeps up here, we felt it would be cheaper to do it at one installation and thereby cut down on the cost involved. Is that right, Paul?

Mr. SCORDAS. Right.

Mr. WOLL. Mr. Chairman, I think this is a brief general rundown. I will be glad to answer any questions.

Mr. ROMNEY. Do you have a copy of the Adriaenssens contract that AID has entered into?

Mr. WOLL. This is the contract [handing document to Mr. Romney].

Mr. ROMNEY. Is this the entire contract?

Mr. WOLL. Are all the amendments in it, Paul?

Mr. SCORDAS. Yes.

Mr. ROMNEY. Can we have a copy of that?

Mr. MONAGAN. We will receive a copy for the file and such portions as may be pertinent may be made a part of the record at the appropriate point.[1]

Mr. WOLL. Very good, sir. May I supply this contract and the amendments when we return to Washington?

Mr. MONAGAN. Of course.

Mr. ROMNEY. Do you have a copy of the latest catalog of excess property?

Mr. SCORDAS. I have them in Frankfurt.

Mr. ROMNEY. Does the catalog indicate the location of the property so that the property in this plant would show up in the catalog?[2]

Mr. SCORDAS. Yes, sir.

Mr. ROMNEY. Do you have a copy of a recent work order that has been completed?

Mr. WOLL. Yes, we have old and new ones.

Mr. ROMNEY. Mr. Chairman, I would like to suggest that we might take some examples from the work orders and then ask to see individual pieces of equipment that are to be shipped out, and pick out two or three of different categories and then have an opportunity to look at them physically.

---

[1] The contract with amendments is printed as app. 3, infra.

[2] A copy of Foreign Excess Property Catalog No. 6, Mar. 31, 1967, from EPRO 4 (Frankfurt, Germany), was received for the files.

Mr. WOLL. We might take a few jeeps, cats, road graders, and trucks.

Mr. ROMNEY. My thought was to take a couple of work orders and at random see if they are here.

Mr. SCORDAS. The work orders will be with the items in the shops. (Examples of work orders and related documents are found in app. 4, infra.)

Mr. ROMNEY. Mr. Woll, when an item of equipment is accepted by AID at a depot, your representative makes a preliminary inspection of the property, does he not?

Mr. WOLL. Yes, sir.

Mr. ROMNEY. And when the item is sent to the rehabilitation center, what inspection is made at that point of the equipment?

Mr. WOLL. A receiving inspection is made when property first arrives at the marshaling site to ascertain if the property has been damaged since the first inspection at the holding activity when we issued a request for it. Subsequent to that another inspection is made to determine the actual amount of repair that is required to put this item in a serviceable condition. This will list hours, it will list repair parts that are required, and it will list the specific work that is to be performed.

Mr. ROMNEY. If it appears that the work to be performed on this vehicle would exceed the norm, what decisions are made in such circumstances?

Mr. WOLL. It just depends, Mr. Romney. If this item has been committed for a high-priority AID project such as Saigon, we will go ahead and repair the item regardless of cost, whether it exceeds the 15 percent or goes up to 40 percent. If this item has been committed for a high-priority program, whatever amount is necessary we spend. If we are just building up a stock in hopes of a future order and we find our original offer is low and that it will take considerably more money, we probably cannibalize the item and use the parts to repair other items of equipment.

Mr. ROMNEY. Will you explain how the commitment with regard to Vietnam works? Is it not true that a mission project officer or a country representative might come to this base to see what they wish to acquire? In the case of Vietnam does a commitment occur with respect to a piece of property before the property arrives here?

Mr. WOLL. In some instances, yes. I will explain this. We have given Vietnam the top priority of all other AID projects and programs worldwide. Normally we will only commit a piece of property if it has been received at the marshaling site. This is due to the fact that in the past when we have requested property from the military and other U.S. Government agencies we have made commitments and then we have found the military and other Government agencies refused to give up the property. When I say "refuse," they have other need for it and they keep it rather than turn it over to us. So several years ago we made a decision we will only accept a firm order on property we actually have in our possession.

With Vietnam we have given them first priority on everything. When we issue a transfer document to the military or other Government agency, we anticipate we will get the property after a period of time. As I mentioned, sometimes we don't. But we take a copy of each of these transfer items and twice a month we bundle them up and send

them to Saigon. Saigon has 30 days to screen each of these documents and then they tell us they want 50 or 100 of them or all or some of them. We immediately tell Saigon this is only a temporary measure because the possibility exists we will not get all these items, but we will get most of them. Then as the items come in we earmark them for Saigon and consider it a commitment and begin work on it immediately. Our schedule is based on the firm commitments we have made.

Mr. ROMNEY. In the course of the rehabilitation of an item it might be discovered that far more work is required than originally appeared to be the case. What consultation is necessary upon that discovery and what decisions are made in a typical situation?

Mr. WOLL. Well, No. 1, when a piece of property comes in here it is inspected to ascertain if it has been cannibalized since we received an order for it and whether it has been damaged. Then an inspection is made by the contractor's staff as well as our marshaling site superintendent. Each item of repair that is required for this item is listed on a work order with the time that it is supposed to take. After this work order has been negotiated by our marshaling site superintendent and the contractor's personnel they start to work on the property. If during this process it is found that something else comes to light that requires more rehabilitation than we thought, our marshaling site superintendent has the authority to determine whether we should go forward with this, and the criterion for going forward with rehabilitation is if a firm commitment has been made in the past.

Mr. ROMNEY. This is not an economic criterion. If the work requires an additional amount of money that would make the item perhaps twice as expensive for you to process than was estimated before, you would still carry it through if you had the commitment?

Mr. WOLL. Yes, sir.

Mr. ROMNEY. Does this happen in every case?

Mr. WOLL. No, sir. It better not happen in every case. If it does our inspection and the contractor's inspection of the item prior to the start of the work is not right, and it just better not happen in every case.

Mr. ROMNEY. Do you have an idea of how many times it is necessary to make a subsequent addition to the work order?

Mr. WOLL. Al, could you give us an estimate?

Mr. GIBSON. Roughly 20 to 25 percent. At the same time some of our work orders run under the estimate.

Mr. ROMNEY. And in each case before a work order is amended is there a physical inspection made by the AID representative to determine whether it is feasible to proceed?

Mr. WOLL. Yes, sir.

Mr. ROMNEY. In cases where you do not have a prior commitment?

Mr. WOLL. Yes, sir.

Mr. ROMNEY. In each case?

Mr. WOLL. Yes, sir.

Mr. ROMNEY. In terms of actual number of items, does this not impose a considerable workload on the AID representative? In effect, then, you have three inspections of every item: (1) The brief inspection upon arrival to see if the item has been cannibalized or damaged in shipment; (2) the inspection to determine what work is to be done; and (3) in 20 or 25 percent of the cases an inspection or examination to determine what should be done with respect to possible amended work orders?

Mr. WOLL. That is right.

Mr. ROMNEY. How many people do you have to do all these inspections?

Mr. WOLL. We have one AID representative here, and we certainly are understaffed. We anticipate in the very near future to have another AID man stationed at Antwerp. We have already made arrangements and this man is being processed in the States.

To carry on further with your question, Mr. Romney, when a piece of property is completely rehabilitated our AID man also inspects some. Naturally he cannot inspect all with his other duties and responsibilities here, but this is a responsibility of the contractor. The contractor certifies that the work has been done and that the property is in serviceable condition. At the beginning when we first started and production was not as high, the input was not as high. I issued instructions to the previous marshaling site superintendent that he was to inspect each and every item. Now we can't do that. The work has grown too much.

Mr. ROMNEY. Do you do any spot checking of the work done by the contractor?

Mr. WOLL. Yes.

Mr. ROMNEY. On what basis?

Mr. WOLL. Al, how do you go about it?

Mr. GIBSON. Prior to the painting or final inspection I go out with the contractor's representatives and do the inspection with them. This includes going out on the road, roadchecking it, and testing it thoroughly. We bring it in and check the hoses, fan belts, check to see if the air cleaner has been cleaned, the oil has been changed, and this sort of thing, and this is done on a spot-check basis, like checking a generator unit to see that it is carrying the load, that the cycle is right.

Mr. ROMNEY. You are talking now about a complete inspection of a selected item made on a random or scientific selection basis from certified rehabilitated pieces of equipment?

Mr. GIBSON. That is true. And every time you go through to check, you check the work in process while it is being repaired, what they are doing to it.

Mr. ROMNEY. In terms of actual items you have received and that have been rehabilitated and certified, could you supply us with the number of items and the amount of time on a given item, for example, a jeep or a piece of road building equipment or a piece of electrical equipment?

Mr. WOLL. We will supply that information to you, sir.

(Subsequently, AID supplied the following information:)

AVERAGE FOUR-WEEK PERIOD, ANTWERP PRODUCTION

A. Commercial vehicles all types: 14.
B. ¼-ton vehicles: 100.
C. 2½- and 5-ton military vehicles all types: 96.
D. Construction equipment all types: 6.
E. Generators and compressors: 12.
F. Trailers all types: 4.
G. Fork lifts: 2.
H. Machine tools and miscellaneous: 14.

The average inspection times in hours for the following items are—

	Preinspection	In process	Final	Total
¼-ton truck	½	½	1	2
2½-ton truck	½	½	1	2
Forklift	½	½	½	1¼
Generator	½	½	½	1⅝
Tractor	1½	1	1	4½
		2		

Mr. GIBSON. It is difficult to pull it out of the top of your head because as you go through the shop you don't look at each piece of equipment and say you have put so much time on this or this. You train yourself to check many things as you go through, the same as when you go through an area to pick up something for our program. You don't put it down in hours and minutes.

Mr. WOLL. We can come up with a formula for this.

Mr. ROMNEY. In the acquisition of spare parts for the rehabilitation work, how are these charged into the cost of the work?

Mr. GIBSON. If we have cannibalized parts that are listed as AID-furnished parts, whether they are cannibalized out of other equipment or parts we have in our own shop, or if it is a case of the contractor purchasing it, we have a bill for every part that is purchased.

Mr. WOLL. When we acquire spare parts from the military through excess sources, each of these parts has an acquisition value. This acquisition value is charged dollarwise to the repair of the capital item, but there isn't any spending of moneys on it. It is noted on the work order that one generator has been taken from lot 50 and put on lot 70, and that price is charged to it. This does not increase our total rehabilitation cost because actually we paid nothing for this generator to start with, but it is so listed on the work order. In other words, inasmuch as we receive an excess part for nothing we do not charge ourselves anything for this. It is a matter of record that a generator that costs $17.50 went into the repair of this item.

Mr. ROMNEY. Does this affect your computation of 15-percent average?

Mr. WOLL. No, sir.

Mr. ROMNEY. It does not?

Mr. WOLL. No, sir.

Mr. ROMNEY. When the contractor acquires spare parts, how are these billed? Does the contractor bill the purchase price to him or does he add an administrative cost to that?

Mr. WOLL. There is an administrative cost of 11 percent over and above the purchase price of a part. This is set up in the contract. Originally it was 12 percent and then it was negotiated downward 1 percent. This is for the use of the contractor's purchasing department procurement people.

Mr. ROMNEY. How do you determine the reasonableness of this factor, and are there other administrative costs which are a part of the contractor's charges in addition?

Mr. WOLL. Not in addition to the average rates. The only one concession that has been made to the contractor is the additional cost for the procurement of parts. This was in our original contract at 12 percent and negotiated downward to 11 percent, as I mentioned before.

Mr. ROMNEY. In the rehabilitation at Rota do you acquire spare parts using a similar administrative charge?

Mr. WOLL. I will have to ask Mr. Scordas. Do we pay any procurement charge through the Navy or Air Force or the contractor at Rota? Is that in the interservice support agreement?

Mr. SCORDAS. We pay no service charges at Rota for parts. That is all included in the overhead.

Mr. ROMNEY. Mr. Woll, are the administrative charges for the offices of AID now being reflected in the cost of rehabilitation?

Mr. WOLL. All of our field offices, all of our personnel salaries, are reflected against the revolving fund. I believe 80 to 84 percent of the Washington staff is also paid out of the revolving fund. It is not 100 percent. I believe it is 80 to 84 percent of all our expenses out of Washington that is paid out of the revolving fund.

Mr. MONAGAN. You can get that information more accurately.

Mr. WOLL. Yes, I can get that.

(Subsequently, AID's Government Property Resources Division furnished the following information:)

Number Washington staff	16
Number not paid from revolving fund	4
Percentage paid from revolving fund	75
Number worldwide personnel (including Washington)	57
Number not paid from revolving fund	4
Percentage paid from revolving fund	93

Mr. MONAGAN. I think we should note for the record the decorations here—the cartoons. That seems to be Mr. Waters on the top and Mr. Woll on the right and is that Mr. Adriaenssens on the left? And President Johnson outnumbers King Baudouin 2 to 1.

Is this a picture of the signing of the contract?

Mr. WOLL. Yes, it was signed at the consul general's office.

Mr. MONAGAN. I would like to ask a few questions about the contract itself. Is this a fixed-sum contract?

Mr. WOLL. It is a fixed-price, indefinite-quantity contract.

Mr. MONAGAN. And what is the unit?

Mr. WOLL. Dollars.

Mr. MONAGAN. I mean, fixed price per what?

Mr. WOLL. Per input per year. We have a minimum guarantee this year for $1,250,000.

Mr. MONAGAN. That is acquisition cost?

Mr. WOLL. No, that is dollar cost. This is what we guarantee the contractor we will input in here for work.

Mr. MONAGAN. Work to that amount?

Mr. WOLL. Yes.

Mr. MONAGAN. But what is the unit of payment that is in the contract?

Mr. WOLL. Are you referring to the hourly rate?

Mr. MONAGAN. I am trying to find out what the measurement is in the contract.

Mr. WOLL. It is an hourly rate for labor plus a storage rate for outside and inside storage.

Mr. MONAGAN. We agree to furnish work to the amount of blank dollars?

Mr. WOLL. Yes.

Mr. MONAGAN. How many dollars?

Mr. WOLL. $1,250,000, covering the period November 1966 to November 1967.

Mr. MONAGAN. What does the company agree to do?
Mr. WOLL. They agree to perform these services.
Mr. MONAGAN. For what return?
Mr. WOLL. For the $1,250,000.
Mr. MONAGAN. I know, but how is it calculated?
Mr. WOLL. I think I get what you are driving at. We have a minimum of $1,250,000 and a maximum of $25 million net. We agree to input to him the minimum and he agrees if we input more, up to $25 million worth of property, that he will perform the work.
Mr. MONAGAN. What I want to find out—let us take a specific example. If you put in a truck, what does he agree to do?
Mr. WOLL. He agrees to rehabilitate it to the standards we have set out to him.
Mr. MONAGAN. You are not telling me what the obligation of the contractor is.
Mr. WOLL. The contractor agrees to furnish capacity, equipment, people in the form of capacity, and man-hours to do the work.
Mr. MONAGAN. But how do you measure it? Is it by a unit? What is the standard in the contract?
I guess we will just have to look at the contract.
What period does this contract cover?
Mr. WOLL. It covers 1 year, sir, with an option to extend for 2 additional years.
Mr. MONAGAN. Are these contracts the result of a bidding process?
Mr. WOLL. Yes.
Mr. MONAGAN. How many bidders were there on this contract?
Mr. WOLL. There were four.
Mr. MONAGAN. I would like to ask Mr. Adriaenssens to give us a little background on the company itself, briefly.

STATEMENT OF JOSEPH L. ADRIAENSSENS, PRESIDENT, J. & M. ADRIAENSSENS N.V., ANTWERP, BELGIUM

Mr. ADRIAENSSENS. Our company is 40 or 45 years. We have done work for NATO 20 years ago and had a very good name and people were coming to us because we had never had a refusal from NATO.
Mr. MONAGAN. We are not questioning your performance. We just want to know something about the company.
Mr. ADRIAENSSENS. The company does all sorts of work like dump bodies.
Mr. MONAGAN. Do you do any other type of work like you are doing for the U.S. Government for other companies or governments?
Mr. ADRIAENSSENS. We have had a contract with the Belgium Government for repair, but no more. It is all new now.
Mr. MONAGAN. What proportion of your business would your contract with the U.S. Government be?
Mr. ADRIAENSSENS. About 40 percent; and the other, 60 percent.
Mr. MONAGAN. I wonder if you understood my question. This contract with the U.S. Government, is that 40 percent of your business?
Mr. ADRIAENSSENS. Of our business, yes.
Mr. MONAGAN. My other question had to do with the hourly rate. That is connected with what I was asking before.

You mentioned, Mr. Woll, $30 million in acquisition cost yearly; is that right?

Mr. WOLL. This is what we hope to attain in production out of this one installation.

Mr. MONAGAN. Do you use any other means of measuring that volume? We all know acquisition cost can be an inaccurate measurement because of the age of the equipment and things like that. Is there any other unit of measurement you use in that connection?

Mr. WOLL. Taking today's prices into consideration, I would say as a minimum this figure on the new market today would be at least $45 million; in other words, an additional 50 percent.

Mr. MONAGAN. If the average age of the equipment is 6 or 10 years, it would modify that figure very substantially?

Mr. WOLL. Yes, sir. We like to think that property that is rehabilitated here and in all our other marshaling sites, after rehabilitation, has 70 percent of life left in it.

Mr. MONAGAN. And 70 percent acquisition cost in its current value?

Mr. WOLL. Yes.

Mr. MONAGAN. Well, I would like to think it, too.

In reference to these 1,100 jeeps, what motivated you to obtain 1,100 jeeps so far as demand is concerned?

Mr. WOLL. Our AID mission in Saigon had requested jeeps from us for the past 2 years. All other AID programs and projects worldwide also required jeeps. So when we were able to acquire this windfall of jeeps from the military we grabbed hold of them.

Mr. MONAGAN. Where are they now?

Mr. WOLL. I think 500 or 600 have been shipped out to Saigon already or to other recipients, and the balance are here being rehabilitated.

Mr. MONAGAN. But at least 50 percent have already been shipped?

Mr. WOLL. Is that right, Al?

Mr. GIBSON. Yes; they have already been shipped.

Mr. MONAGAN. You spoke also of the method used of barter in order to prevent dollar payments on this contract.

Mr. WOLL. Yes, sir.

Mr. MONAGAN. Just what is that arrangement?

Mr. WOLL. Well, when we enter into a barter arrangement we make an agreement with the Commodity Credit Corporation of the Department of Agriculture to supply surplus agricultural commodities to a dealer in these commodities for a certain amount of money, in this case $1,250,000. These agricultural surpluses are turned over to him. He in turn reimburses our contractor here to the tune of $1,250,000. In the meantime he takes that $1,250,000 in agricultural surpluses and sells them on the world market, so the U.S. Government in this way does not actually spend any dollars outside the United States.

Mr. MONAGAN. What happens, if anything, between the Commodity Credit Corporation and AID? Is there any recoupment there?

Mr. WOLL. Yes; we pay the Commodity Credit Corporation $1,250,000.

Mr. MONAGAN. Do you know what the unit of payment is with reference to per bushel, whether it is the acquisition cost?

Mr. WOLL. No, sir. I can find out for you.

Mr. MONAGAN. Well, that is a little far afield, I think.

Mrs. Heckler, have you any questions?

Mrs. HECKLER. Yes, I do, Mr. Chairman.

Mr. Woll, in the beginning of your statement you said primarily the source of the equipment for AID is military. Are there other sources other than that?

Mr. WOLL. Yes. Overseas it is exclusively military but in the States it is any and all other Government agencies who have obtained property that they no longer have any use for.

Mrs. HECKLER. You also mentioned that at certain times you have changed your ordering procedure because you did not make a firm commitment due to the fact the property had been taken back by the military.

Mr. WOLL. Yes, ma'am.

Mrs. HECKLER. Is it possible for the military to keep property committed to this base for their own needs and has this happened?

Mr. WOLL. Yes, it has.

Mrs. HECKLER. They then have a right to reacquire?

Mr. WOLL. Yes; according to the Foreign Assistance Act of 1961 as amended there is section 605 which permits not only the military but any Government agency to obtain property from other Government agencies if they require it.

Mrs. HECKLER. At any time until you take physical possession can they reacquire it?

Mr. WOLL. Yes, ma'am.

Mrs. HECKLER. You talked about $28 million-odd acquisition value of property this year.

Mr. WOLL. This is from the inception of the contract in November of 1964 through March of this year, $28,756,000.

Mrs. HECKLER. And you shipped out $17 million?

Mr. WOLL. $17,776,000.

Mrs. HECKLER. So roughly $10 million is in process out of $28 million, which is almost one-third?

Mr. WOLL. Yes. ma'am.

Mrs. HECKLER. Is that a high figure?

Mr. WOLL. No. As a matter of fact, I would say we have received $10 million acquisition value of equipment in here during the past 4 months.

Mrs. HECKLER. Where is the bulk of the property AID receives generated? Is it generated in Europe?

Mr. WOLL. This year it has been Europe but in the past years, going back to 1964, it was the Far East because we had a better operation in the Far East in those days than now.

Mrs. HECKLER. What do you foresee as the future pattern?

Mr. WOLL. Well, depending upon the situation in Vietnam I would think if this situation resolved itself that the Far East would be the much larger——

Mrs. HECKLER. Source of property?

Mr. WOLL. Source of property, yes.

Mrs. HECKLER. When you receive property from the Far East it is transported to Germany?

Mr. WOLL. No. We have facilities in Japan, Korea, and Okinawa and the property we would acquire from Vietnam would move there. The possibility exists we will even start a rehab center in Vietnam.

Mrs. HECKLER. Considering the contract agreement you have with Mr. Adriaenssens, should the source change radically, do you have an escape clause in your contract that would allow you to be absolved of your contractual obligations?

Mr. WOLL. Our legal counsel tells us we can terminate the contract at any time.

Mrs. HECKLER. Is there any penalty for termination?

Mr. WOLL. No. But from what I have seen over the past 4 years in Europe there is no doubt we will meet our minimum input.

Mrs. HECKLER. There is no doubt you will not meet it or no doubt you will meet it?

Mr. WOLL. There is no doubt we will meet it.

Mrs. HECKLER. Are you satisfied with the quality of the work?

Mr. WOLL. We have been up to date. I have not as yet learned the origination of the various items which the GAO related to us last Saturday in Frankfurt. I don't know whether they emanated from this site or the Rota site or our stateside sites.

Mrs. HECKLER. How do you determine the quality of the work? Is a spot inspection the sole method?

Mr. WOLL. No; I think really the main criterion is if we do not have complaints from our recipients.

Mrs. HECKLER. Do you have the names of all the recipients?

Mr. WOLL. Each country, yes.

Mrs. HECKLER. Each what?

Mr. WOLL. Each country.

Mrs. HECKLER. Do you have the names of the recipients within the countries?

Mr. WOLL. Not in every instance. In some recipient countries they have an organization that acquires the property and then distributes it to others in the country. In such case we do not know the ultimate end user.

Mrs. HECKLER. Do you have a list of all the recipients which is available? Is this something you file in Washington?

Mr. WOLL. In Washington or in our regional excess property offices. We could get this. It would be quite a job. If you are interested in our going back to the inception of the program we can get it.

Mrs. HECKLER. I am wondering how you can judge the performance of the items if the recipients are unknown in a reference sense.

Mr. WOLL. The way the AID agency is constituted we only hear if an item of property is bad. The property goes in a recipient country and the AID agency in the recipient country would keep records of when the property was received, how long it was used, and the amount spent on maintenance and repair. This would not be our responsibility here the way our agency is constituted.

Mrs. HECKLER. According to the GAO meeting that we had the other day, I think Mr. Moore said he could not locate 60 out of 180 items.

Mr. WOLL. Yes, ma'am.

Mrs. HECKLER. Is there any way this procedure could be tightened so that a more accurate recipient identity could be established?

Mr. WOLL. Yes, ma'am.

Mrs. HECKLER. How do you suggest this be done?

Mr. WOLL. This would have to be handled within the AID mission. I would recommend that the excess property program in each AID mission be controlled or be a part of the Office of Procurement, Government Property Resources Division.

Mrs. HECKLER. I would like to know about the certification that Mr. Adriaenssens makes. What is the extent of his certification?

Mr. WOLL. He certifies that the work which has been lined up in the work order, or set up in the work order, has been performed. He certifies that the parts that have been ordered and are needed for this particular operation have been used; and he certifies to the serviceability of the item.

Mrs. HECKLER. For how long a period does he certify as to the serviceability of the item?

Mr. WOLL. There is no particular time. It would be practically impossible to give a guarantee or a warranty on this. I think that is what you have in mind.

Mrs. HECKLER. Yes.

Mr. WOLL. The conditions and countries in which this property could be used are such that no new manufacturer would give a warranty or a guarantee on it.

Mrs. HECKLER. Mr. Chairman, would it be possible to have a copy of a certification put in the record?

Mr. MONAGAN. Certainly. It may be inserted at this point.

(The document follows:)

Adriaenssens N.V.
A.I.D.
Polostraat 59—Hoboken
Noorderlaan 95—Antwerp

"I hereby certify that I did on the _____ day of 196—, complete work on _____

The Contractor certifies that there have been no variations and/or deviations from specifications cited in the contract or other related contract terms, except those approved by the Contracting Officer or his authorized representative."

Shop Leadman_____
Production Chief_____
Quality Control_____

Mrs. HECKLER. On the administrative cost, the 11 percent you talked about, I assume that is included in the 15 percent for the revolving fund?

Mr. WOLL. Yes, ma'am.

Mrs. HECKLER. You also talked about the fact that the initial contract covers the cost of rehabilitation and storage.

Mr. WOLL. That is right.

Mrs. HECKLER. What is the average period of storage you use in this program? How long do you store equipment?

Mr. WOLL. As long as is necessary. I would think that the average age of the equipment which has been stored here normally runs 4 to 7 months. Would you say that is about right, Al?

Mr. GIBSON. Is that completed items or in process?

Mr. WOLL. Both.

Mr. GIBSON. About 4 to 7.

Mrs. HECKLER. Four to 7 months?

Mr. GIBSON. Yes.

Mrs. HECKLER. You mentioned that some of the jeeps have gone to Saigon. What percentage of the property you have acquired this year would you estimate has been used in Vietnam?

Mr. WOLL. How much have you shipped out to Saigon this year?

Mr. SCORDAS. I have that.

Mrs. HECKLER. Is it a large percentage this year?

Mr. WOLL. It is higher this year than it was in past years. The two largest recipients of our property from Europe have been Vietnam and Turkey. Jordan, Tunisia and Nigeria have come in also.

Mrs. HECKLER. You have how many marshaling sites?

Mr. WOLL. We have three in Europe.

Mrs. HECKLER. Is there a marshaling site superintendent at each place?

Mr. WOLL. No. Our operation in Italy is so small that at the present time it would not pay for us to have a marshaling site superintendent there. Mr. Scordas checks it from time to time.

Mrs. HECKLER. How do you do the inspection in Italy, then?

Mr. WOLL. We have an Army inspector.

Mrs. HECKLER. An Army inspector assigned to this?

Mr. WOLL. Yes.

Mrs. HECKLER. What percentage of the items have been complained about as far as falling into disrepair?

Mr. WOLL. Worldwide? Since I returned to Washington in 1964 I would say less than one-half of 1 percent.

Mrs. HECKLER. Less than one-half of 1 percent?

Mr. WOLL. Yes, ma'am.

Mrs. HECKLER. What is your procedure following a complaint? Do you try to repair the item or do you write it off?

Mr. WOLL. No. We insist that a recipient immediately inspect the property as soon as it arrives in the country. This is the only valid way you can determine if we have been negligent in our rehabilitation process. In many instances we have found that property has been damaged in transportation or has sat in a customs yard for 6 months or a year or has been cannibalized or deteriorates in a customs yard. If we receive a complaint we immediately check the work order to see if what the recipient complains about was actually repaired. If he says the brakes were no good, we check to see if new brakes were supplied. If they were not we will send out new brake linings or refund that amount of money to the recipient. We think we give a better form of guarantee—which it isn't—than a manufacturer does.

Mrs. HECKLER. I think you said the other day you are not always informed when articles have arrived.

Mr. WOLL. When I speak of the recipient I am talking of the AID mission in the country which controls or is supposed to control all the items in that country.

Mrs. HECKLER. If the AID mission has not been informed of the arrival of equipment in the country, is there any way to tighten this up?

Mr. WOLL. Apparently, from what the GAO said last Saturday, there must be a breakdown between Turkey and our office. But the USAID is informed of every shipment from our worldwide marshaling sites. They have the name of the vessel, the estimated time of departure, and the estimated time of arrival.

Mrs. HECKLER. How does the AID mission check on the arrival?

Mr. MONAGAN. That is a problem for AID and for us if we want to go into it. He can't tell us about their procedure.

Mr. WOLL. This is their responsibility.

Mrs. HECKLER. This is the AID mission responsibility?

Mr. WOLL. Yes, ma'am. Maybe the shipping documents are not forwarded to the right person.

Mr. MONAGAN. We can either request from them their procedure or we can ask somebody from AID to come in and tell us about their procedure.

Mrs. HECKLER. I think a further investigation in this area could tighten it up.

Mr. MONAGAN. It could very well do so.

Mr. MIKUS. May I say something off the record?

(Discussion off the record.)

Mr. WOLL. If I could submit this for the record. This is a copy of a shipping document which goes out to the consignee as well as to the mission. It lists the name of the vessel, the estimated time of departure from here, and the estimated time of arrival in Turkey.

Mr. MONAGAN. That will be made a part of the record at this point.

(The document follows:)

SHIPPING CONTAINER TALLY 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50

REQUISITION AND INVOICE/SHIPPING DOCUMENT

SHEET NO. 1 | NO. OF SHEETS 2 | 5. REQUISITION DATE | 6. REQUISITION NO. 67 - 371

1. FROM EPRO/F MARSHALLING SITE ANTWERP

2. TO Municipality of Saphane- Kutahya
Saphane Belediyesi
Istanbul- Turkey

7. DATE MATERIEL REQUIRED | 8. PRIORITY

9. AUTHORITY OR PURPOSE MDD 608 PROGRAM

10. SIGNATURE

11. DATE SHIPPED | 11a. VOUCHER NUMBER AND DATE | b. VOUCHER NUMBER AND DATE

3. SHIP TO - MARK FOR
SAPHANE BELEDIYESI
Municipality of Saphane
Kutahya - Turkey
Loan 277-H- 066 L.O. 66-381

12. MODE OF SHIPMENT | 14. BILL OF LADING NUMBER

15. AIR MOVEMENT DESIGNATOR OR PORT REFERENCE NUMBER

M/V BODRUM
ETD 2/23/67 ETA 3/3/67

4. ACCOUNTING AND FUNDING DATA

Appropriation 72e11x4103, Allotment 253-62-298-00-57-73 Acquisit. Billing

ITEM NO. a	FEDERAL STOCK NUMBER, DESCRIPTION, AND CODING OF MATERIEL AND/OR SERVICES b	SUF. ISSUE c	QUANTITY REQUESTED d	QUANTITY SUPPLY ACTION e	TYPE CONTAINER f	CONTAINER NOS. g	UNIT PRICE h	TOTAL COST i
1	FSN 2320-752-9452- Truck Pick up -Ser.FIOJOH-58417 L.188 W.80 H.70 Wgt 3644 Cube 609 with batteries, spare wheel and tire A-4626	1	1	1	ve	1	$ 1,600	$ 240

16. TRANSPORTATION VIA MATS OR MSTS CHARGEABLE TO

17. SPECIAL HANDLING

18. RECAPITULATION OF SHIPMENT	TOTAL CONTAINERS	TYPE CONTAINER	DESCRIPTION	TOTAL WEIGHT	TOTAL CUBE
ISSUED BY	1	ve	truck	3644	609
CHECKED BY					
PACKED BY					
	1	←	TOTAL →	3644	609

19. RECEIPT

	DATE	BY
CONTAINERS RECEIVED EXCEPT AS NOTED		
QUANTITIES RECEIVED EXCEPT AS NOTED		
POSTED		

SHEET TOTAL $ 1,600
GRAND TOTAL $ 1,600
20. RECEIVER'S VOUCHER NO.

DD FORM 1 MAR 59 1149 REPLACES EDITION OF 1 MAY 58 WHICH MAY BE USED

51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

SHIPPING CONTAINER TALLY 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50

REQUISITION AND INVOICE/SHIPPING DOCUMENT (CONTINUATION SHEET)

SHEET NO. | OF SHEETS: 2 | 2

REQUISITION NUMBER: 67- 371

ITEM NO. a	FEDERAL STOCK NUMBER, DESCRIPTION, AND CODING OF MATERIEL AND/OR SERVICES b	U/I c	QUANTITY REQUESTED d	SUPPLY ACTION e	M.S.C. CONDEMNATION NO. f	UNIT PRICE h	TOTAL COST i
	Shipping Instructions						
	Schenker & Co has been designated as the authorized freight forwarder by the buyer						
	Shipment will be made by Turkish Flag Vessels						
	Port handling and ocean transportation will be handled by Schenker & Co.						
	EPRO/4 Antwerp responsibility of handling will cease after timely FAS delivery to						
	Port of Antwerp						
	Documentation						
	Issue Order number 67-371 abd USAID Authorization Loan 277-H-066 L.C. 66-381 will be shown						
	on all shipping documents.						
	Payment						
	Inland transportation to FAS Port of Antwerp will be paid through the AID/EPRO Area Controller						
	c/o American Consulate General, Frankfurt, Appropriation 72X4590, Allotment 292-31-099-52-69-00						
	Port handling and ocean transportation charges will be paid by the buyer						
	Distribution of documents						
	AID/EPRO Antwerp will arrange the distribution of pertinent shipping documents, initiating						
	the date of shipment, identity of vessel and ETA, as follows:						
	1. One copy of each shipping document to the Director MR/OPR, Washington						
	2. Five copies of each shipping document to AID/EPRO Frankfurt						
	3. Eight copies of each document to: ~~MILITARY~~ USAID, Excess Property Officer						
	Office of Supply Management, American Embassy, Ankara, Turkey						
	Documentation required by the buyer will be furnished by Schenker & Co.						
						SHEET TOTAL	

DD FORM 1 MAR 59 1149c

S/S 1 2 3 4 5 5 5 6 7 8 9 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

REPLACES EDITION OF 1 MAY 58 WHICH MAY BE USED

STATEMENT OF FRANK M. MIKUS, AUDIT MANAGER, EUROPEAN BRANCH OF INTERNATIONAL DIVISION, GENERAL ACCOUNTING OFFICE, FRANKFURT, GERMANY

Mr. MIKUS. A copy does go to the AID mission, and they are aware this is being shipped to Turkey and it comes in a customs warehouse. At that point, it is up to the Turkish official to get it out of customs. It might go to a specific department, such as the highway department, or be assigned to DMO, which is similar to our GSA. They are supposed to notify the mission they have it out of customs and where it has gone to. This is where the breakdown is. The Government of Turkey is not furnishing this information to the mission.

Mr. MONAGAN. According to this, this is furnished directly to the mission.

Mr. MIKUS. Yes, but when the highway department picks up the equipment the mission does not know. This is the breakdown. Then they are supposed to have 6-month status reports on the utilization which are not received.

Mrs. HECKLER. What reports does the receiving country file at the time they take it out of customs?

Mr. MIKUS. There are local forms. The way the Turkish Government works, in excess property there is no customs. There is a 5 percent handling charge and then they have to pay storage. It is up to the user of the equipment to pay the customs people.

Mrs. HECKLER. In addition to paying the charges, what about a report of acceptance? Isn't there some paperwork involved which the recipient should execute?

Mr. MIKUS. Yes, there is a form A.

Mrs. HECKLER. But the mission is not informed?

Mr. MIKUS. That is where the breakdown is.

Mr. MONAGAN. The breakdown being that the mission does not check up on either the receipt or nonreceipt of this form A?

Mr. MIKUS. Yes. To my knowledge Mr. Gren is establishing what he calls an arrival system for excess property and his primary concern is not to let property stay in a customs warehouse for any length of time. He would probably have someone go to the customs warehouse and see if the property is still lying around there.

Mr. MONAGAN. Are there any auditors attached to the mission to make end-use checks?

Mr. MIKUS. There is a Mr. Intepe with AID who spends 100 percent of his time, practically, going out in the hinterlands and looking at the equipment and how it is being used and we have copies of his reports.

Mr. MONAGAN. Is that an adequate staff to do this work?

Mr. MIKUS. He works 7 days a week.

Mr. MONAGAN. That does not answer the question.

Mr. MIKUS. It would be hard for me to evaluate, sir.

Mr. WOLL. If I may clarify that point a little bit, Mr. Intepe is not an end-use auditor. He is connected with the Office of Commodity Import. But the mission does have end-use auditors, as is customary, and they do go out and make a selection of property around the country and make an inspection.

Mr. MIKUS. He works for AID, doesn't he?

Mr. WOLL. Yes, but he is in the Office of Commodity Import.

Mr. MONAGAN. We will make it a point to look into that.

Mrs. HECKLER. I think this is the kind of weakness which must be remedied. It would require more personnel to tighten it up to insure that the right people get the equipment and also that the equipment will be used. It is a question of who is receiving the equipment, who is receiving the enrichment of the U.S. Government and whether or not it is the people the Government wants to help.

Mr. WOLL. I don't know if that was a question.

Mrs. HECKLER. No, that was a statement. That is all, Mr. Chairman.

Mr. MONAGAN. Any further questions?

Mr. BARASH. Mr. Woll, do any of your rehab sites guarantee the performance of the equipment that they repair?

Mr. WOLL. When you use the term "guarantee," there is no actual written guarantee but, as I mentioned before, if a complaint comes in and it is a valid complaint we try to rectify it and we always have.

Mr. BARASH. Then you would have to assume that cost rather than the contractor?

Mr. WOLL. Yes.

Mr. BARASH. And at none of your rehab sites will the contractor assume responsibility for that?

Mr. WOLL. This particular contractor has used his own funds to my knowledge. I know there was a complaint that came in from Tunisia and he sent his own mechanic at his expense and repaired that piece of equipment.

Mrs. HECKLER. This contractor?

Mr. WOLL. Yes.

Mr. BARASH. You stated that where there is a request for a high-priority project you will repair the piece of equipment at any cost, but what is your BER—beyond economic repair—rate for non-high-priority projects?

Mr. WOLL. Here or worldwide?

Mr. BARASH. Both if you have it.

Mr. WOLL. How much of your BER is not on firm orders?

Mr. GIBSON. Very little, less than one-half of 1 percent.

Mr. WOLL. I would go so far as to say our worldwide average would be less than 5 percent, Mr. Barash, on an acquisition value basis.

Mr. BARASH. That is all, Mr. Chairman.

Mr. MONAGAN. Mr. Woll, briefly, after looking this contract over, I think I get an outline of the basis on which it is formed. There is a minimum undertaking by the U.S. Government to order supplies or services of $200,000.

Mr. WOLL. This was the original amount. It has been amended upward. This was the original contract signed in November 1964.

Mr. MONAGAN. And at that time the maximum was estimated to be $1.5 million.

Mr. WOLL. Yes, sir.

Mr. MONAGAN. But that was not acquisition value?

Mr. WOLL. No, sir.

Mr. MONAGAN. That was in terms of payment for services?

Mr. WOLL. Yes, sir.

Mr. MONAGAN. And in return for that the contractor agreed to do certain specified services but that is calculated on an hourly labor rate?

Mr. WOLL. Yes, sir.

Mr. MONAGAN. And that is in the contract?

Mr. WOLL. Yes, sir.

Mr. MONAGAN. I could not understand why this variation in the hourly rate was so important, but the contract is based on this hourly rate.

Mr. WOLL. That is right.

Mr. MONAGAN. Does that include the profit or whatever you want to call it?

Mr. WOLL. Yes, sir; it does.

Mr. MONAGAN. Do we have any breakdown of that $2.85 or whatever it is?

Mr. WOLL. This is a point that the GAO has raised in relation to the contract. I was under the impression that when this contract was procured for us by the Air Force in Europe acting as our agent, that the financial capability——

Mr. SCORDAS. Price analysis.

Mr. WOLL (continuing). Price analysis was made at that time, sir.

Mr. MONAGAN. But you don't know. In other words, it is not entirely accurate to state this as labor; I guess it is direct labor. You get the impression it is what you pay the labor per hour, but actually it includes your overhead and profit and everything else?

Mr. WOLL. That is right, with the exception of material.

Mr. MONAGAN. Is any study of this being made at the present time?

Mr. MIKUS. We tried to get a price breakdown which we can't find. We have attempted to make an analysis of financial records here but it isn't possible. The internal auditors from Athens attempted the same thing but there is considerable difficulty in doing this.

Mr. MONAGAN. Of course, the method of calculation of the hours would be important because that is the multiplying factor, and the efficiency and so forth would be tied to that. I think it would be helpful if you would look into the method by which this was calculated.

Mr. WOLL. Yes, sir.

(Subsequently, AID supplied the following information:)

Concerning the question of a breakdown of the hourly rates, the following are the elements:

a. The base pay of the employee which is established by Belgian law, by trade: Skilled—$1.20; semi-skilled—$1.12.

b. The fringe benefits established by Belgian law include employee compensation, retirement, health and accident insurance, severance pay (6 months), sick and annual leave. Benefits equal 52% of base pay.

c. Overhead, to accomplish the contract includes foreman, fiscal, inspection, receiving and documentation, and contract administration.

d. General and administrative expenses which include, tools, heat, lights, water, building maintenance, taxes, fixtures, and also profit.

Mr. ROMNEY. With reference to the document received for the record "Requisition and Invoice/Shipping Document," this particular copy has certain blank spaces. I wonder why these spaces are not filled in?

Mr. WOLL. You will see under the name of the vessel you have the shipping date. This is the estimated time of departure from Antwerp is given and the estimated time of arrival in Turkey is given.

Mr. ROMNEY. But the item in the form says "Date shipped." We have the ETD and ETA but we do not have the voucher numbers in these spaces and do not have the date the materiel is required.

Mr. WOLL. We have never found it necessary to put that date.

Mr. MONAGAN. Maybe you ought to get a new form.

Mr. WOLL. This is a military form we have been using.

Mr. ROMNEY. There is no need for the bill of lading number?

Mr. WOLL. No, sir.

Mr. ROMNEY. Or the voucher number?

Mr. WOLL. No, sir; or at least we have not found a need to date.

Mr. MONAGAN. Wouldn't that help to follow up this property to determine whether or not delivery had been made and obviate some of the difficulty at the other end, this identification and use?

Mr. WOLL. It probably would, but the same criteria would have to be used. The AID mission would have to check with the shipping company in the country to which the property was going to ascertain the date of receipt in the country.

Mr. MIKUS. May I interject something on the bill of lading? We looked at Mr. Gren's accounting system and the key piece of information for him is the bill of lading.

Mrs. HECKLER. Who is Mr. Gren?

Mr. MIKUS. He is the AID mission's controller in Turkey.

Mr. WOLL. In answer to Congresswoman's Heckler's question as to how much property has been shipped out of this installation to Vietnam, from July 1, 1966, to May 6 of this year, $4,165,255.

Mr. MONAGAN. In acquisition cost?

Mr. WOLL. Yes, sir; in acquisition cost. And our total outshipments from all of our European operations through March 31 were $11.8 million.

Mr. ROMNEY. One final question, Mr. Woll. Mr. Waters, at our prior hearings, stated he anticipated the weekly man-hour rate by your contractor's operation here might reach 9,000 hours?

Mr. WOLL. Yes.

Mr. ROMNEY. Will this involve an amendment to your present contract?

Mr. WOLL. No, sir.

Mr. ROMNEY. Does it represent an expansion of the contractor's present capability?

Mr. WOLL. Only in terms of hiring additional employees by the contractor. His capability would be expanded with more people, but his facilities are capable of producing this production.

Mr. ROMNEY. That is all, Mr. Chairman.

Mr. MONAGAN. The hearing is adjourned.

(Thereupon, at 11:30 a.m., the hearing was concluded and the subcommittee proceeded to visit the premises of plant No. 1, the Hoboken/Antwerp plant, of J. & M. Adriaenssens N.V.; also one of the company's warehouses. Following lunch, the subcommittee proceeded to visit the dock area at Antwerp and plant No. 2 of the company, known as the Hansa plant, which inspections were concluded at 4 p.m.)

82-554—67——13

CONTROL AND USE OF EXCESS PROPERTY AND RELATED FOREIGN ASSISTANCE PROBLEMS FOLLOWING U.S. MILITARY EXCLUSION FROM FRANCE—1966–67

THURSDAY, JUNE 1, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Evreux, France.

The subcommittee met at 11 a.m. in the office of the base commander, Evreux Air Force Base, Hon. John S. Monagan (subcommittee chairman) presiding.

Subcommittee members present: Hon. John S. Monagan (chairman), and Hon. Margaret M. Heckler.

Subcommittee staff members present: Miles Q. Romney, counsel; Peter S. Barash, legal assistant.

Also present: Col. William H. Tarver, Evreux base commander; Col. John Regan, Air Force, assistant deputy, Military Liquidation Section, U.S. Embassy, Paris; Brig. Gen. Frank B. Clay, Chief of Staff, U.S. Army Communications Zone; Capt. Robert W. Donley, Evreux base civil engineers; Lt. Scott E. Larson, Evreux Air Base, Military Liquidation Section, officer in charge; M. Sgt. George A. Huskins, noncommissioned officer in charge, Military Liquidation Section, Evreux Air Base; Mr. Abraham Sidman, Chief of Merchandising, Foreign Excess Sales Office, Military Liquidation Section; Mr. Jack K. Woll, Director, Government Property Resources Division, Office of Procurement, Agency for International Development, Washington, D.C.; Mr. Paul Scordas, officer in charge, European Office of Government Property Resources Division, Office of Procurement, Agency for International Development; Mr. Robert M. Gilroy, audit manager, European branch of International Division, General Accounting Office, Frankfurt, Germany; and Col. James F. Dunn, Jr., USEUCOM (J–4), escort officer.

Colonel REGAN. Mr. Congressman, I will introduce my people, if I may, and tell you what our responsibility is.

Mr. MONAGAN. Yes. We will open the hearing now. Please identify yourself.

STATEMENT OF COL. JOHN REGAN, ASSISTANT DEPUTY, MILITARY LIQUIDATION SECTION, U.S. EMBASSY, PARIS, FRANCE; ACCOMPANIED BY COL. WILLIAM H. TARVER, EVREUX BASE COMMANDER; CAPT. ROBERT W. DONLEY, EVREUX BASE CIVIL ENGINEER; LT. SCOTT E. LARSON, OFFICER IN CHARGE, MILITARY LIQUIDATION SECTION, EVREUX BASE; AND M. SGT. GEORGE A. HUSKINS, NONCOMMISSIONED OFFICER IN CHARGE, MILITARY LIQUIDATION SECTION, EVREUX AIRBASE

Colonel REGAN. I am Col. John Regan, the assistant deputy, Military Liquidation Section, for the Air Force. You know General Clay, sir, already. This is Mr. Sidman, chief of Merchandising, from the Foreign Excess Sales Office.

This is Colonel Tarver, our base commander here, representing USAFE Headquarters.

Lieutenant Larson is the Military Liquidation Section officer in charge at Evreux.

This is Captain Donley, a civil engineer with USAFE working for Colonel Tarver.

This is Sergeant Huskins of the Military Liquidation Section here at the Evreux Air Base.

Sir, we had planned today to take you on a trip around the facility, this being a base that has been turned over to the Military Liquidation Section. We had planned to take you through specific buildings that have been closed and have been locked with the idea we will either sell the U.S. related property on this base to the French Government or dispose of it through the Foreign Excess Sales Office or remove items from here and take the items out.

Mr. MONAGAN. We are interested in the organization and operation of the Military Liquidation Section and also of the Foreign Excess Sales Office. We are less interested in looking at buildings. We probably would like to see just one or two as examples, but they are mostly empty, are they not?

Colonel REGAN. They are, sir. The ones we would show you would mostly be empty.

Mr. MONAGAN. We have about reached our quota of empty buildings. I would like to ask you, Colonel, to give us a summary of the operations of MLS and its organization, where it stands in the governmental chart of administration and its relation to the Foreign Excess Sales Office, and when you have done that we will have questions. If you feel someone else should answer, any particular point, we shall be happy to have them do so.

Colonel REGAN. The Military Liquidation Section was established last February 24 to be in business by the first of March. It was established as an agency under the U.S. Embassy in Paris to get political guidance from the Embassy and military guidance from USCINCEUR, and directive No. 60–17 of March 4, 1967, issued by the Headquarters, United States European Command, established the terms of reference for the Military Liquidation Section.

The Military Liquidation Section is a joint organization commanded by the major general, U.S. Army, Gen. R. C. Kyser, who wears two hats. He is commander of the communications zone in Ger-

many, and chief of this Military Liquidation Section. He used to be commander at Orleans before it closed on 1 April. So he knew the French situation very well and was the logical officer to place in MLS.

He has as his deputy chief, Brig. Gen. R. J. Harvey. General Harvey has two assistant deputies: I am Col. John Regan, his assistant Air Force deputy; and Col. L. M. Hoover is his assistant Army deputy.

We are organized, sir, as any military organization. I did not bring an organizational chart with me. Unfortunately, it is being used by Congressman Holifield today.

Mr. MONAGAN. We want a chart. We don't need it at this moment but we want one furnished for the record.

Colonel REGAN. Very well, sir.

(An organizational chart was furnished as follows:)

MILITARY LIQUIDATION SECTION
U.S. EMBASSY, PARIS

OFFICE OF THE CHIEF 5187/RL9
- MG R.C. KYSER, CHIEF, 102, 5105/RL5
- BG R.J. HARVEY, D/CHIEF, 104A, 5102/RL9
- COL L.M. HOOVER, ASST D/CH, 103, 5107/RL5
- COL J.M. REGAN, ASST D/CH, 105, 5105/RL5
- LT J.J. BELL, ADMIN ASST, 104B, 5108

LIAISON OFFICE
- CDR M. KELLY, CHIEF, 106A, 5134
- MR J. EDWARDS, INTR REL O, 108, 5107
- MR J. VOPATEK, FCLM, INV, 8500
- EXT 34379
- 34306

INFORMATION & RECEPTION OFFICE 5176/1177
- MAJ P. FUCHS, CHIEF, 251
- MRS F. DAVID, RECEPT, LOBBY 5133

LEGAL/CLAIMS OFFICE
- LTC T. LAKES, CHIEF, 126, 5121/0
- CPT R. LETENDRE, CLAIMS O, 109, BLDG D 8262
- CPT R. DAHLINGER, AJA, 109, 5162
- CPT H. SHURE, LEGAL O, 109, 5126
- MR R. IVORY, ATTY, 111, BLDG D 8275
- MR W. THOMAS, 111, 5166
- MR G. BAHAMONDE, DEP/LEG O, 126, 5120

FOREIGN EXCESS SALES OFFICE PM182
- MR R. MUELLER, CHIEF, MB, PM152
- MR L. RICHMOND, SALES CONT, MB, PM156
- MR A. SIDMAN, MDSEO, MB, PM182
- MR F. CORREGARD, INSP SVRS O, MB

MANAGEMENT SERVICES OFFICE
- MR P. McDONALD, CHIEF, 255, 5170
- MR C. CHESTNUT, BUD PROG, 271, 5159/29
- MR B. BONNER, BUD ANAL, 257, 5137
- MR E. TURNER, ADMIN O, 271, 5159
- MR D. FLESCHNER, PROG ANN, 256, 5178

ADMINISTRATION & SERVICES OFC. 5133/24
- MR J. MARANGELLA, CHIEF, 113, 5133/24
- CPT J. GLASSEL, ADMIN O, MB, PM181
- MR G. DILS, COMMO O, 101, 5165/8
- CPT R. HAZNARD, MED O, 210, 5125
- CPT R. ACOSTA, 210, 5158
- LTC P. LUCKING, TRANS O, 130, 5151
- MR J. BARTIN, SECURITY O, 208, 5168
- CPT G. KASSERSHOT, SUPPLY/ADMIN O, 213, 5165
- LT C. MARTIN, NURSE, 213, 5163
- CWO I. CORTEN, PERS O, 117

INSTALLATIONS OFFICE
- MR H. HELLER, CHIEF, 204, 5150/4
- MR A. SHAPIRO, RGE ENG, 213, 5153/5
- MR C. HALL, HOUSING, 201, 5149
- MR W. SMITH, REAL EST, 203, 5151/46
- MR M. MESTELE, REAL EST, 203, 3146
- MR A. MONICI, REAL EST, 202, 5151
- MR V. ROUX, REAL EST, 202, 5151

PROCUREMENT OFFICE PM157
- MR S. GIUNTA, CHIEF, MB

FINANCE & ACCOUNTING OFFICE PM40/
- MR C. FUNKE, FIN O, MB, PM37

FIELD OPERATIONS OFFICE
- MAJ C. TURNER, CHIEF, 260, 5172/93
- CPT J. SERUR, LOG O, 260, 5172/93

FAFLO
- MR C. GREGORY, CHIEF ADMIN, MB, PM22/
- MR F. WHITE, OPNS BR, MB, PM17
- MR J. OLSON, CONTR REV, MB, PM78
- MR W. KENNEDY, PM74

COORDINATING OFFICE 5145/1
- LTC S. CARRIG, CHIEF, 125, 5145/1
- LTC M. PETERSON, STAFF O, 124, 5109/38
- LTC J. AGRESTA, STAFF O, 124, 5109/38
- MR W. CHRISTIE, MAINT ENG, 124

WESTERN BRANCH
- MR H. RIZZO, CHIEF, INGRANDES
- MR C. SMITH, FES
- MR W. RIPLEY, REAL EST

CENTRAL BRANCH ORLEANS
- MR V. MORGANT, CHIEF
- MR D. BABIN, FES
- MRS R. MEYER, REAL EST

EASTERN BRANCH VERDUN
- MAJ E. HEMME, CHIEF
- MR G. LAVOY, ADMIN O
- MR L. VAN VARICK, FES REAL EST

AS OF 20 MAR 1967

Colonel REGAN. We are broken down into the Foreign Excess Sales Office, which Mr. Sidman will brief you on.

We have a field operations office. We have broken France into three sectors, the western, eastern, and central sectors. We have small detachments at each area responsible for all these facilities that now belong to the Military Liquidation Section.

We have an installation office that takes care of all our records on Army and Air Force installations the Military Liquidation Section has taken over and does all our engineering work.

We have a security office responsible for all the guards at the various locations, not including Evreux at the present time but all the various bases we have.

We have an administrative shop which does regular administration; and a management office that takes care of our budget and financial problems.

We have an information and reception office that takes care of our visitors and furnishes information.

We have a coordinating office that coordinates our activities and works daily with the French on coordinating matters.

And we have a liaison office that works with French-speaking personnel and does translation of correspondence.

I want to make a correction about the coordinating office.

It coordinates activities in the service but does not deal with the French.

UMD calls for 507 in the Military Liquidation Section. Our current strength is slightly under 400. We thought we would have 507 by the 1st of July. However, we will never reach this peak strength because we have frozen our hiring. We have found we do not really need all this strength and we feel we do not need to fill these vacancies, so we will not reach our 507.

Under the terms of reference our mission is:

The Military Liquidation Section is responsible for the disposition of matters of military interest, including the disposition of property, remaining after the relocation of U.S. military forces from France.

This is either by negotiated sale or sales through the Foreign Excess Sales Office, or removing items to where they are required by the component commanders of the Army, Air Force, or other commanders.

Our functions and responsibilities are limited to those which are directly related to the liquidation of U.S. military interests as a result of the military withdrawal from France, and the functions include the following:

Acceptance of custodial responsibility, including control, ownership, security, protection and accountability for U.S. installations and facilities, including all real, personal and related personal property contained therein, on "A" date.

And I will explain what "A" date is. "A" date is described as follows:

The date on which operations at a base or installation have terminated, all stocks, supplies and troops (except for the custodial force) have been withdrawn and all personal and related personal property for which there is a U.S. requirement has been removed.

We came into business on the 1st of March. Prior to the 1st of April MLS had taken over all the U.S. facilities in France from the component commanders, USAREUR and USAFE, with the exception of 32 real properties that belonged to the Petroleum Distribution Command

and one Air Force property which is the Suippes Gunnery Range. We have taken all of those over and as of now we own all in France except the 33 I have told you about.

Mr. MONAGAN. How many are there?

Colonel REGAN. There are a total of 311 installations.

Mr. MONAGAN. When you say you own them you mean?

Colonel REGAN. We have custody of them and are responsible for guarding them.

We are in a peculiar situation at this base. The decision was made by European Command Headquarters at Evreux would stay in operation through the 15th of June for two purposes: (1) To be the logistic base for the removal of items that we had to move by air from France, high-value items for EUCOM and some for SHAFE. The second purpose was to support the Paris Air Show. Colonel Tarver, as the Evreux Air Base Commander, has retained——

Colonel TARVER. I have only 120 military but 220 total personnel, including local nationals.

Mr. MONAGAN. Are these included in the 400?

Colonel REGAN. No, sir; they are not included. That figure is a little false. I will go back to the figure of total personnel. MLS took Evreux over on the 24th of March as belonging to the Military Liquidation Section, and I released to Colonel Tarver on a hand receipt 19 buildings so he could operate here using the 19 buildings, and USAFE is responsible for all the costs of electricity, water, sanitation, et cetera. Colonel Tarver on June 15 will start to fold his operations here and will be completely out by the end of June and be in a caretaker status by the 1st of July. We will have from 15 to 18 personnel, mostly guards, 14 guards. These will be turned over to Lieutenant Larson to keep this base in fair condition, keep it guarded until we either sell the base or dispose of the related personal property on the base.

Back to the total number of people. I said we had slightly under 400 for the Military Liquidation Section. This is MLS proper. Recently we had to pick up 600 local nationals and 22 more military to take care of Army installations because we have taken these Army installations over from what was called the French support group, the Army group that takes care of dependents remaining here until the end of the school year. The French Government agreed we could keep the schools open. These dependents are still here and will be here until the termination of the school year. Once these dependents have departed the French support group will still have items to remove from their bases, and when we take over the 1st of July we will have to guard these facilities.

Mr. ROMNEY. You mentioned the French support group?

Colonel REGAN. Yes. It used to be the communications zone personnel but when the communications zone folded the 1st of April they left behind a French support group.

Mr. ROMNEY. You don't mean French nationls, but that is a geographical description?

Mr. ROMNEY. You don't mean French nationals, but that is a geographical description.

Getting back to the functions of the Military Liquidation Section, another function is described as follows: