

The studies of which I have been informed on show that our costs in-house are lower if we examine out-of-pocket expenses only, but that commercial costs are lower if we take into account all the indirect costs such as interest and depreciation. It was a sort of borderline case.

Chairman PROXMIRE. It doesn't sound borderline to me. Why not take into account all costs? After all, you have all costs.

Representative CURTIS. A-76 says you are supposed to.

Mr. MORRIS. The real issue here is from a policy point of view whether the Navy should be in the dairy business.

Chairman PROXMIRE. It looks like a pretty easy one to answer.

Mr. MORRIS. Congress—

Chairman PROXMIRE. It milks the taxpayer plenty.

Mr. MORRIS. Congress answered by prohibiting us from going out of the business in the military construction authorization bill this year. The President's message spoke eloquently to that action.

Chairman PROXMIRE. There is no health reason.

Mr. MORRIS. No, sir; none that I know of.

Chairman PROXMIRE. Since the President challenged the action of the Congress on this issue, is the executive branch going to refer the matter to the Attorney General for an opinion as to whether the separation of powers has been violated?

Mr. MORRIS. There are no plans to do this, sir.

DOD PROGRAM OF EXCHANGE-SALE IMPACT ON UTILIZATION AND DONATION PROGRAMS

Chairman PROXMIRE. I would like to ask a question on behalf of Mrs. Griffiths. She certainly has done a splendid job this morning, but she had to leave. She says, "The schools in my State have need for typewriters, other office machines, trucks, cars, machines of many kinds. Getting these as surplus helps the budget of State and local governments, which lose so much tax base to the Federal Government, and especially the DOD. I understand that the DOD has or is about to embark on a large-scale exchange-sale program which will virtually dry up the donable program. The other Federal agencies will lose also, since this property never becomes excess in the technical sense. What is the status of your program and what is the rationale?"

Mr. MORRIS. Sir, the regulations of the executive branch provide that where a new typewriter or other piece of equipment is needed and a used one is in the possession of the buying agency and has a value from a trade-in point of view, that that trade-in shall be made.

EXPECT SAVINGS OF \$10-\$20 MILLION A YEAR

We did suspend several years ago the full operation of this exchange sale procedure. We have recently determined that it is prudent to institute that procedure, just as GSA has been practicing it for some years for budgetary reasons. This will save us, as I recall, from \$10 to \$20 million a year, and we think that that is an important increment of savings at this time.

EFFECT OF CONTRACTOR-HELD EQUIPMENT ON TAX BASE

Chairman PROXMIRE. Congressman Curtis raised this point I thought very well the other day, expressing his concern on the effect