

Mr. KNOTT. Of the cost; yes.

Chairman PROXMIRE. When you sell it?

Mr. KNOTT. That is right.

Chairman PROXMIRE. Then you really saved how much? Can you make an estimate? So this would reduce—

Mr. KNOTT. About \$547 million.

Chairman PROXMIRE. If the Defense Department embarks upon a greatly expanded exchange-sale program, how much property will be removed from the excess category?

Mr. KNOTT. It is a little bit early to tell, because they have only recently embarked on a tighter program. We have recently issued a new regulation on exchange-sale which has not worked all one way. That is, we have not simply added to the list of items that would be subject to exchange-sale. We have actually taken some of the exchange-sale column and put them over into the donation column.

But, we continue to include, in the exchange-sale area, items such as vehicles and typewriters and that type of thing, which are in frequent use, and continue to be needed, so that they don't become available to the donation program.

I would imagine that it is going to result, however, in cutting down on the donation program. It is hard to estimate how much.

Chairman PROXMIRE. Does this mean that your utilization program will be denied this property through the technicality of definition of excess and exchange-sale?

Mr. KNOTT. I think that is a fair statement; yes, sir.

Chairman PROXMIRE. Do you favor changing the law so utilization will take precedence over exchange-sale?

Mr. KNOTT. I do not think so.

Chairman PROXMIRE. You do not?

Mr. KNOTT. No.

Chairman PROXMIRE. What does it cost GSA to prepare for sale and sell surplus personal property? DOD reports that it takes about 80 percent of the proceeds—79 percent.

Mr. KNOTT. Is that for sale, or is that for their utilization and sale?

Chairman PROXMIRE. For sale—

Mr. KNOTT. Only?

Chairman PROXMIRE. What does it cost GSA to prepare for sale and sell. DOD reports it takes 79 percent of the proceeds to do this.

Mr. KNOTT. I was asking whether their statement covered utilization and sale, or sale only. Certainly our costs for sale do not run 80 percent.

Chairman PROXMIRE. Preparation and sale.

Mr. KNOTT. It runs approximately 30 percent on sales.

Chairman PROXMIRE. Do you recommend that surplus real property not be donated to non-tax-supported donees?

Mr. KNOTT. Not be donated; yes.

Chairman PROXMIRE. Would you apply a kind of Morse formula? You know, Senator Morse has—

Mr. KNOTT. I know it well; yes, sir. Yes; I think that the Government should recover for property that it no longer needs. There are enough exceptions to the law now, specifically providing for discount for public health and education, airports, and other recognized public.