

of carrying (holding) cost are given in the GSA Handbook, The Economic Order Quantity Principle and Applications. The handbook is identified under Federal Stock Number 7610-543-6765 in the GSA Stock Catalog, Part I, and may be ordered in the same manner as other items in the catalog.

(b) The economic retention limit at a user stocking activity can best be determined by the item manager (for centrally managed or agency managed items) on the basis of overall Government requirements and planned procurement. Since stocks in long supply at a user stocking activity are less likely to find utilization outlets, the retention limit at these activities should be relatively small. Generally the economic retention limit at a user stocking activity should be computed in the same manner as in paragraph (a) of this section and then reduced by 70 percent.

§ 101-27.304-2 *Factor affecting the economic retention limit.*

(a) The economic retention limit may be increased where:

(1) The item is of special manufacture and relates to an end item of equipment which is expected to be in use beyond the economic retention time limit; or

(2) Costs incident to holding an additional quantity are insignificant and obsolescence and deterioration of an item are unlikely.

(b) The economic retention limit should be reduced under the following conditions:

(1) The related end item of equipment is being phased out or an interchangeable item is available; or

(2) The item has limited storage life, is likely to become obsolete, or the age and condition of the item does not justify the full retention limit.

§ 101-27.305 *Disposition of long supply.*

Where efforts to reduce the inventory below the economic retention limit have been unsuccessful, appropriate disposition should be effected in accordance with Subpart 101-43.3 of this chapter. Any remaining inventory which is within the economic retention limit shall be retained. However, the item shall be reviewed at least annually and efforts made to reduce the long supply inventory in accordance with § 101-27.303.

Mr. HUGHES. This will enable civilian agencies to effect savings like those the Department of Defense has achieved through its facility at Battle Creek, Mich. However, a fully coordinated system will not develop as rapidly as we had hoped because of different procedures and different degrees of mechanization of supply records among the civilian agencies.

Chairman PROXMIRE. I understand the GAO has told us they do not think full use has been made of the DLSC at Battle Creek in this respect. (See app. 1, p. 397.)

Mr. HUGHES. I am not familiar with the comment. I thought that there was general agreement between GAO and the Department of Defense on the progress that was being made. I am not familiar with the comment you mentioned.

Chairman PROXMIRE. You go ahead. We will come back to that.

Mr. HUGHES. All right, sir.

With respect to short-shelf-life items of supply, we have responded favorably to the requests for our views on S. 1717 and H.R. 645 which were introduced by Chairman Proxmire and Mrs. Griffiths to insure utilization of medical materials and supplies before they reach the end of their useful life. We believe this legislation, together with the actions which the GSA and the Department of Defense have reported to you, should provide the means to reduce to a minimum losses from the deterioration of stocks which have limited shelf life. (See p. 270.)