

words, we are not only storing the tools, but training the people who will have to use the tools.

Mr. BROOKS. Have we been able to lease a good many of the tools?

Mr. HARLAN. I don't do much of this. The military leases the tools. They have control of what goes in and what goes out of the reserve. They will frequently instruct us to ship a tool to a manufacturer. We do very little leasing directly. Once in a great while they will ask us to make a leasing arrangement, in which case we lease on the basis of rental value established by the Office of Emergency Planning.

Now on the stockpile disposals, as I pointed out a minute ago, there are about \$3.2 billion worth of excess materials in the stockpile. We are currently selling about 50 different commodities, valued at about \$1.5 billion. We need congressional authorization to begin the disposal of the balance of it, some \$1.7 billion. Since 1965 we have sold \$2.8 billion worth of stockpile excesses, and our top year was in 1966 when we sold just over a billion dollars of stockpile excesses alone. This fiscal year we expect to do somewhere in the neighborhood of \$200 million. Our costs for these disposals we estimate at about 4 percent of the proceeds.

It is interesting to note that it fluctuates up and down, but generally speaking, what we get for these stockpile excesses is almost exactly what we paid for them. In other words, we gain on some, lose on others, and it tends to come out a Mexican standoff.

Mr. BROOKS. That doesn't sound so good. Many items have gone up in price. They should be making money.

Mr. HARLAN. Many have gone down, too. Rubber, for example. We are losing several million dollars a year on the rubber disposal because natural rubber has been so heavily replaced by synthetics. It is worth about half what we paid for it.

Mr. BROOKS. Can't you sell some to the tire manufacturers?

Mr. HARLAN. Yes. As a matter of fact, we move a good bit of it directly to sellers of tires to the military. We have an arrangement whereby they are required to buy the natural rubber requirements from the stockpile. It is a tough job to sell this material, and it is getting worse all the time because they now have a synthetic rubber which completely duplicates the molecule of natural rubber, and so it is easier to handle. The way they make it now, they make it specially so it can go right into manufacturing without special processing, whereas the natural rubber has to be cut up, and every single pound of our rubber is frozen solid as the top of this table, and it stays this way; it freezes and stays this way, so when the rubber goes into production it has to be put into a hot room, warmed up, melted down, and then cut up into receivable sizes.

Mr. BROOKS. Mr. Harlan, on your reserve equipment, I understand that the Defense Department maintains a service facility in Memphis that keeps an inventory of this equipment. How does that interface with your operations?

Mr. HARLAN. Each one of the military departments has its own reserve of machine tools. This reserve of machine tools has really been established by the Office of Emergency Planning for defense-supporting activities in the event of an emergency, and is authorized under the National Industrial Reserve Act.