

Included in our summary statement are our comments on GSA's role in the management of general mobilization reserve items discussed on pages 479 and 480 of the Transcript of Hearings conducted on July 2, 1968. As a matter of general information, most of the items we manage are commercial in nature and are generally available from commercial sources. For this reason we anticipate that relatively few items will require the stockage of additional levels of inventory to meet mobilization requirements. For those few items which do qualify, we plan to finance these added levels from our general supply fund which also finances our operating inventories. Since a mechanism now exists whereby we currently stock and finance other contingency reserves within our system, we expect to expand this method of management to any additional inventories, which in our judgment, need to be placed in a reserve category for mobilization purposes.

As you may know, the Business and Defense Services Administration (BDSA) by delegation 3, May 8, 1963, authorizes GSA to use DO ratings identified as K-1 on contracts and delivery orders to meet procurement of stock against military requirements. Use of these priority ratings under the Defense Materials System provides GSA with a capability of preempting nonmilitary production for rapid expansion to meet the supply needs of military activities in major emergencies or in the event of war.

If there are any other subjects on which you may need further clarification or comment, we would be pleased to provide them.

Sincerely,

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

Enclosure.

THE ROLE OF GENERAL SERVICES ADMINISTRATION IN SUPPORT OF THE DEPARTMENT OF DEFENSE

DEVELOPMENT OF A NATIONAL SUPPLY SYSTEM

Since its establishment, GSA has cooperated with the Department of Defense in arriving at areas of understanding aimed toward development of a national supply system. Our primary objective has been the elimination of avoidable overlap and duplication of procurement and supply functions throughout the Federal Government.

In the early stages of these negotiations with DOD, interagency procurement assignments were agreed upon whereby GSA would perform single agency procurements for various commodities such as office furniture and furnishings, military family and quarters furniture and furnishings, and similar common-user items. At the same time, items which the military inventory control points did not elect to manage within their wholesale systems were offered to GSA for military supply support either through our depot system or through our Federal supply schedule program. Since this was an elective process, the order of magnitude of item referrals to GSA was relatively small.

During 1963, a memorandum of understanding was entered into between GSA and DOD which provided for GSA assumption of responsibility for the procurement and management of the bulk of paint and handtool commodities managed at that time by the Defense Supply Agency. Concurrently, provisions were made whereby DSA retained responsibility for a selected number of functions associated with management of these Federal supply classes, such as standardization, cataloging, procurement of overseas Army and Air Force decentralized items, and procurement of military service weapon system related items managed by them in these classes. As a result of these arrangements, GSA assumed management responsibility for about 33,000 items with an inventory value of \$65.4 million.

As reliance on GSA for supply support to the military services increased, added emphasis was placed on expanding the national supply system concept. In this context, our discussions with DOD officials were directed toward establishment of Government-wide common support vested in a single agency for individual commodity classes—GSA or DOD. To achieve this, compatible procedures and systems were developed whereby the supply management capabilities of each agency would be fitted together to form a coordinated supply system for the Federal Government. To this end, another basic agreement between DOD and