ble property program. Through this program, the Government may donate to qualified educational, public health, and civil defense organizations personal property which the Government no longer needs.

Perhaps 95 percent of the Federal surplus property allocated under the Federal donable property program is generated by the Department of Defense. Until recently, it was the policy of the Defense Department that property eligible for exchange or sale under section 201(c) be given a prior screening, first for transfer as excess to other Federal agencies on a nonreimbursable basis, and second, for transfer as surplus for donation.

In March 1966, the General Services Administration issued revised regulations on the disposal of personal property by exchange or sale. The regulations became effective on July 1, 1966.

The GSA regulations did not require the Department of Defense to change its basic exchange/sale policy. However, in August 1966, the Department advised that it was making such a change and that the prior screening for further Federal use and donation was no longer to be required within the Department. Shortly thereafter, the subcommittee held hearings on this matter. During the hearings, the Department agreed to keep the subcommittee informed as to developments that might take place and to furnish copies of additional implementing instructions from the military departments and the Defense Supply Agency.

In October 1966, the Government Operations Committee treated the subject of exchange/sale disposals at length in its report entitled, "Evaluation of the Donable Surplus Property Program" (H. Rept. No. 2319, 89th Cong). One recommendation in this report called on the Department of Defense to hold its revised policy in abeyance until the Federal agencies concerned could furnish an analysis of the relative merits of disposal of Federal property by exchange/sale, by transfer to other Federal agencies for further Federal use, or by donation. The Department did in fact defer putting the change into effect. On October 27, 1967, however, the Assistant Secretary of Defense advised the chairman of the full Committee on Government Operations of DOD's determination that it would be prudent to discontinue offering exchange/sale property to other Federal agencies and eligible donees prior to attempting recoupment of funds or establishment of credit through the exchange/sale authority.

At this point, the subcommittee began to explore with DOD means whereby the impact of the revised policy on the donable property program could be limited, and the committee staff and the Deputy Assistant Secretary of Defense (Supply and Services) conferred on certain possible approaches to DOD implementation of the new policy. The subcommittee requested the Department of HEW and DOD to gather comparative data on the economies of exchange/sale and other disposal methods.

On December 15, 1967, the subcommittee formally requested the Department of Defense to consider certain suggestions regarding possible elimination from exchange/sale disposal of some items showing a low rate of return in prior disposals. The letter also suggested that DOD compile figures on proceeds and allowances resulting from exchange/sale transactions so that the rate of return on original acquisition cost for various categories of property could be accurately computed.

In a letter to the subcommittee dated January 31, 1968, the Department of Defense stated it was going to require careful evaluation of each contemplated exchange/sale transaction so as to determine in advance whether the return expected would warrant the administrative effort and related cost involved. The subcommittee also learned informally that a DOD instruction to the service departments and the Defense Supply Agency was being prepared in the Office of the Assistant Secretary of Defense (Installations and Logistics). That instruction was issued in a two-page memorandum to the Army, Navy, Air Force, and DSA dated March 27, 1968. The stated purpose of the memorandum was to "clarify certain misunderstandings which appeared to exist concerning the purpose and intent of DOD implementation of FPMR 101–46 as prescribed in DOD instruction 4160.1 dated August 10, 1966." The memorandum specifically required a case-by-case evaluation of proposed exchange/sale transactions to determine whether the return would justify the administrative effort and related costs involved. It suggested that to a large degree this could be ascertained through the average gross monetary return realized through past competitive sales or exchanges of similar items.

Until 3 weeks ago, the March 27 memorandum was the latest document the subcommittee had received concerning DOD implementation of its exchange/