standing there may have been some question in the committee's mind with respect to the military service activities in this connection. I have not been officially informed of this, but would like to inform you that, if there is a problem we and GSA will work this out and correct whatever the problem seems to be.

Another high point in the statement is to inform you that by this time next year we will be in a better position to come before you and tell you precisely the value of the exchange/sale program to the Department of Defense. We will during the year collect the actual sales proceeds that we require when we sell property or we will be able to document and aggregate for you the total value of the exchanges that we do receive when we trade in property. And this will, I think, strengthen the whole reporting system. And attached to my statement, Mr. Chairman, are two tables, one which shows the donation program by recipient beginning with fiscal year 1964 and on through the 9 months of the fiscal year 1968, which is as far as we have the figures to date.

The other table on the donation program shows the total program fiscal year 1964 through, again, the first 9 months of 1968 showing the total donation program, the value of the exchange/sale type property that was donated, the value of the exchange/sale type property that was sold, and then the total usable property that was sold by the Department of Defense in those years.

I am prepared to answer your questions.

(The statement follows:)

PREPARED STATEMENT OF PAUL H. RILEY, DEPUTY ASSISTANT SECRETARY OF DEFENSE (SUPPLY AND SERVICES)

Mr. Chairman and members of the committee, I am appearing here today in response to the chairman's letter of July 3, addressed to the Secretary of Defense, which expressed a need for current information and status regarding the Department of Defense exchange/sale program, with particular emphasis on two specific points:

1. Status of implementing instructions relative to the new DOD exchange/sale policy.
2. Circumstances and dialog surrounding the recent partial exemption granted to DOD from observing the restrictions on Federal supply classification groups 15 and 16 imposed through GSA's list of 30 property categories ineligible for exchange/sale disposal.

As the committee is aware, section 201(c) of the Federal Property and Administrative Services Act of 1949, as amended, provides exchange/sale authority to Federal agencies, and the Federal property management regulations (FPMR) issued by GSA implements in detail the manner in which this authority can and cannot be used by Federal agencies. Although the use of this authority is permissive, the principal reason for the authority is to allow Federal agencies to exchange or sell Federal property that requires replacement and to apply the exchange allowance or proceeds from sale toward the acquisition of a new and similar replacement item.

On March 21, 1966, the FPMR was revised by GSA; among other changes, the number of categories ineligible for exchange/sale was increased from seven to 30 and the eligible categories were reduced from 69 to 41.

A revision of DOD instruction 4160.1, dated August 10, 1966, subject: "Nonexcess Personal Property To Be Sold or Exchanged for Replacement Purposes," was issued to establish uniform policy and procedure throughout the DOD for compliance with the revised FPMR.

On September 27, 1966, the DOD acceded to the request of the chairmen of the Senate and House Government Operations Committees to defer implementation of the DOD instruction until the second session of the 89th Congress had had an opportunity to act upon Senate bill 2610. As you know, S. 2610 failed of enactment.