Mr. ROMNEY. Would this piece of paper try to set out guidelines for determinations by field offices as to what should and should not be disposed of by exchange/sale?

Colonel DAVID. It would not be to field activities as we commonly talk about them. It would be the inventory managers, the people who have exchange/sale property in their warehouses under a wholesale-type operation, not down at the level whereby an individual wants to trade in a typewriter on a new one. This is the inventory manager who may have hundreds of items that he wants to dispose of by exchange/sale.

Mr. ROMNEY. This then brings me to the point that is emphasized in Secretary Morris' memorandum to the service departments and DSA on March 27, 1968. In it, he said that each exchange/sale transaction would be carefully evaluated to see whether the expected return would warrant the administrative effort and associated costs involved.

Now, among the departments and DSA, taking them one by one, if you can, who, and at what level makes the determinations as to whether a given item would not warrant the effort and cost involved in exchange/sale disposal?

Colonel DAVID. In order to explain this, I think I should break it into two parts, Mr. Romney.

If it is at the inventory manager level—let me give you an example, and this is an actual example. The Army had a requirement for the replacement of approximately 3,000 ¾-ton trucks. And it was determined that they could trade these 3,000 ¾-ton trucks in on a new vehicle and obtain approximately $495 apiece. As a result of this transaction, which would save considerable numbers of dollars, Mr. Morris, Assistant Secretary for Installations and Logistics approached the Secretary of Defense, and in this particular case authority was granted to exchange/sale these 3,000 vehicles for approximately $495 each. Subsequently, there was a situation whereby another 1,000 ¾-ton trucks which needed replacement, and this time the highest trade-in allowance offered was $75 per vehicle. This to us was considered scrap value, and in this particular case we declared the vehicles as surplus, and turned them in to the Property Disposal Office and did not execute an exchange/sale transaction because we did not feel that it would warrant the time, effort, and cost to move the vehicles and subsequently make them available to a contractor.

In the case of the retail level where an individual has a requirement, say, for 15 or 20 calculators on a particular base, he will discuss this matter with his procurement officer, who in turn will go out and make an inspection of the typewriters or calculators or whatever this may be, office machine equipment, and if it is determined that the trade-in allowance for all of the pieces of equipment is a reasonable trade-in allowance, then he will go ahead and execute a trade transaction or exchange transaction. He does this after he obtains in most cases three bids, or if he has had past experience, he will use his own judgment as to whether or not it is a reasonable trade-in or exchange allowance. If, however, there are three or four of the office machine equipments which are in pretty unserviceable condition and possibly are of no value to the contractor, in that case, he most likely would go ahead and withhold those three or four or whatever it may be, turning those into the PDO as surplus and exchange just the remaining portion of the equipment that is available.