

DECEMBER 15, 1967.

HON. THOMAS D. MORRIS,
Assistant Secretary of Defense (Installation and Logistics),
Washington, D.C.

DEAR MR. MORRIS: On October 27, 1967, you advised us that the Department of Defense had determined it would be prudent to discontinue offering exchange/sale property to other Federal agencies and eligible donees prior to attempting the recoupment of funds or the establishment of credit by using the exchange/sale authority in section 201(c) of the Federal Property and Administrative Services Act of 1949, as amended, and regulations of the General Services Administration (41 CFR pt. 101-46). At the time your October 27 letter was transmitted, Mr. Paul H. Riley, Deputy Assistant Secretary of Defense (Material Requirements), conferred with the subcommittee staff. Mr. Riley was requested to update some statistics he had furnished the subcommittee during its hearings in August 1966. Those statistics consist of a breakout of exchange/sale type property sold by category, acquisition cost, and rate of return, for fiscal years 1965 and 1966. The list comprises 69 property categories. It appears on pages 58 and 59 of the printed hearings.

On November 17, your office sent us the statistics for fiscal year 1967. Study of the figures for the 3 fiscal years shows that for a large number of property categories, the percent of return has consistently been quite low.

Using the 69 categories of property in the DOD statistics, the Department of Health, Education, and Welfare has furnished the subcommittee a list of 31 property categories in greatest demand for the Federal donable property program. The HEW list breaks out the 10 most-wanted categories and arranges them in order of priority. The remaining 21 categories are merely described as greatly needed, and do not appear in any order based on priority.

We have scrutinized DOD's percent-of-return figures for the 31 categories in the HEW list. In all but five of the 31 categories, the percent of return is under 15 percent for all 3 years. In 14 categories, the percent is under 10 percent. Nine categories have never shown a percent of return over 5 percent. Attached is a copy of the HEW list, to which we have added the percentages of return for fiscal years 1965, 1966, and 1967.

A few of the 69 categories are, of course, ineligible for exchange/sale disposal under GSA regulations. Also, we recognize that any analysis based solely on the DOD statistics must be further qualified by such considerations as condition and high- or low-volume transactions. However, we feel that the figures there establish general guidelines as to the types of equipment for which a relatively small return can usually be expected in exchange/sale disposal.

As GSA's 1966 testimony before our subcommittee clearly implies, there would be no legal impediment to your Department's removing certain categories of items from the list of those for which it will seek exchange/sale disposal. We are requesting, therefore, that the Department study the 69 categories of property, and particularly the 31 listed in the attachment, with a view to excluding from immediate exchange/sale disposal those for which the anticipated return would be relatively low. This would mean, of course, that such property would receive prior screening for further Federal use and donation and thus appreciably improve the supply of DOD property for the donable property program.

In connection with exchange/sale disposals, it would appear feasible in most instances for the Department of Defense to compile, in addition to acquisition cost as now required by GSA regulations, figures on the proceeds or allowances obtained, from which statistics on the percentage of return could be calculated. This type of reporting has obviously been done by the Department of Defense with respect to the disposals which make up the statistics referred to above. The Department could then make regular reviews, category by category, on property being disposed of by exchange or sale, and remove or restore exchange/sale eligibility of categories depending on the degree of financial advantage to the Department.

We would appreciate your carefully considering these suggestions for some further alleviation of the problem of exchange/sale disposal vis-a-vis the disposal of property for further Federal use and donation. Please advise us at an early date of your conclusions and any action that may be taken.

Sincerely yours,

JOHN S. MONAGAN,
Chairman, Special Subcommittee on Donable Property.