ASSISTANT SECRETARY OF DEFENSE,
*Washington, D. C., January 31, 1968.*

Hon. JOHN S. MONAGAN,
*Chairman, Special Subcommittee on Donable Property, Committee on Government Operations, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your letter of December 15, 1967, requesting our consideration of certain suggestions regarding the possible removal of some categories of items from the list of those currently eligible for exchange/sale disposal. At the time we received your letter we were in the process of re-evaluating the exchange/sale program to determine what, if any, further changes should be made at this time. One conclusion reached coincides with your suggestion that whenever the anticipated return from the exchange/sale procedure is relatively low, it might be more advantageous for DOD to declare the property excess and make it available for further Federal use and, if not so utilized, to the Federal donable property program, prior to sale.

Accordingly, we have decided to instruct the military departments and Defense Supply Agency (DSA) to carefully evaluate each contemplated exchange/sale transaction and determine in advance whether the monetary return anticipated by the exchange/sale transaction warrants the administrative effort and associated cost involved. Therefore, under this procedure it will not be necessary for the DOD to deviate from the 41 categories listed in the FPMR, thus retaining standardization and continuity throughout all Federal agencies.

Although your analysis indicates that there are 14 categories wherein less than 10 percent of the acquisition cost has been realized from sales, it must be understood that the exchange/sale property sold during the years indicated (fiscal years 1965, 1966, and 1967) was that exchange/sale property which survived all utilization and donation screening. For the most part, exchange/sale property that survives the complete screening-transfer-donation cycle is not very desirable, and therefore would not command a high rate of return from sale. Furthermore, the statistics referred to represent only those proceeds received as a result of sale, and not any exchange allowances. In the future we will be maintaining both exchange and sale return; therefore, a more realistic evaluation of the exchange/sale program can be made.

Recently we have been receiving numerous letters from eligible donee groups expressing concern over the donation program "drying up" as a result of DOD implementation of the exchange/sale authority. I wish to assure you that this is not the case. In fiscal year 1967, over $205 million of DOD surplus property was donated to the 50 State agencies for health, education, and civil defense purposes. Of this amount, less than $18 million was exchange/sale type property. In this regard, it should be clearly understood that we are referring to DOD exchange/sale property which is not excess or surplus but property for which replacement is required. In view of the recent revision of DOD policy to conform with the FPMR on exchange/sale, it is premature to attempt to determine accurately the impact the change will have on the donation program. It is, however, our opinion that the overall effect will be minimal.

Sincerely,

THOMAS D. MORRIS,
*Assistant Secretary of Defense (Installations and Logistics).*

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ASSISTANT SECRETARY OF DEFENSE,
*Washington, D.C., March 27, 1968.*

Memorandum for the Assistant Secretary of the Army (Installation and Logistics); Assistant Secretary of the Navy (Installation and Logistics); Assistant Secretary of the Air Force (Installation and Logistics); Director, Defense Supply Agency.

Subject: Exchange/sale.

Federal Property Management Regulation (FPMR) part 101–46 provides the Governmentwide authority for, and sets forth the limitations on exchange/sale of personal property. The purpose of this memorandum is to clarify certain misunderstandings which appear 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, subject: "Nonexcess personal property to be sold or exchanged for replacement purposes."

The primary purpose of the exchange/sale authority is to provide a means for the sale or exchange of certain nonexcess personal property when such actions