

are justified and warranted, and to apply the exchange allowance or proceeds derived from sale in whole or part payment for the replacement of required similar items.

In the exercise of the exchange/sale provisions, each contemplated transaction must be carefully evaluated in order to determine, in advance, whether the monetary return anticipated by the exchange/sale transaction warrants the administrative effort and associated costs which are incurred in the use of the exchange/sale provisions. This judgment can be determined to a large degree by the average gross monetary return realized through past competitive bid sales or exchanges of similar items.

Prior to executing an exchange/sale transaction, to the extent practicable and economical and within the time limits permitted to acquire the replacement property, the activity authorized to initiate the procurement will report to the appropriate General Services Administration (GSA) regional office that the property to be exchanged or sold is available for DOD and Federal civil agency utilization screening. Screening will be accomplished in accordance with GSA's established procedures. No attempt need be made to obtain utilization for that exchange/sale property which is eligible for replacement in accordance with established DOD/GSA replacement standards.

If during the utilization screening the property is requisitioned within the DOD, the property will be declared excess to the DOD component and transferred on a nonreimbursable basis to the requisitioner in accordance with the procedures for excess materiel. If the property is requisitioned by another Federal agency, it will be transferred with reimbursement and treated as an exchange/sale transaction. Reimbursement for these transactions will not be more than the estimated gross competitive bid value or exchange allowance. Exchange/sale property for which replacement is required will not be made available for donation screening.

Property which otherwise would be eligible for exchange/sale but for which no replacement is required, will not be classified as exchange/sale but rather, DOD excess/surplus, and any net proceeds derived from the sale of such property will be deposited to deposit fund account 97-6460.5191 rather than deposit fund account xx-6845.

The attention of all concerned should be invited to the fact that the exchange/sale authority is not applicable to the 30 Federal supply classification groups which are listed in subpart 101-46.4901 of enclosure 1 to DOD instruction 4160.1.

It should also be emphasized that it is mandatory that all (less cost of sale) proceeds derived through sale of exchange/sale property be utilized for the acquisition of similar replacement items of personal property within the fiscal year in which the sale was made or the fiscal year immediately following.

THOMAS D. MORRIS,

Assistant Secretary of Defense (Installations and Logistics).

FEBRUARY 23, 1968.

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

DEAR MR. MORRIS: On February 21, 1968, representatives of the Naval Air Systems Command and the Navy Office of Counsel visited this office to seek relief from certain requirements of the Federal property management regulations relative to exchange-sale of personal property. Specifically, they asked for an exception to subpart 101-46.4901, Federal supply classification group 16 and the airframe structural components portion of Federal supply classification group 15. Subpart 101-46.4901 concerns itself with FSC groups which are not eligible for handling under the provisions of the exchange/sale regulation.

The basis for the Navy request is that the Navy has acquired several Grumman TC-4C aircraft, commonly known as the Grumman Gulfstream, and has established a provisioning plan which calls for spare parts support to be provided by the manufacturer. This type of an arrangement, wherein a military department relies upon a manufacturer for spare parts support, makes it necessary for the military services to have the authority to turn in used spare parts and airframe structural components to the manufacturer for prompt replacement with new or remanufactured identical items.

In view of the Navy's statement that it would be hesitant to make the newly acquired Grumman aircraft operational until there was an assured arrangement