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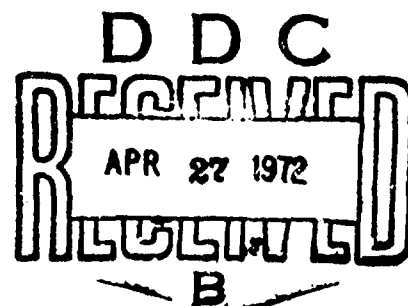
Report on DoD PERSONAL PROPERTY DISPOSAL ORGANIZATION

October 1971



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DEPARTMENT OF DEFENSE
LOGISTICS SYSTEMS POLICY COMMITTEE
TASK GROUP 2-71



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13. ABSTRACT A DoD-directed, full scale study to determine whether it is feasible and appropriate to centralize or consolidate the personal property function within the Department of Defense. Three specific objectives of this Study were: (1) to evaluate the effectiveness of the current organization for the disposal of personal property within the DoD; (2) To identify areas in which restructuring of organizations and or organizational relationships would result in quantifiable and other advantages to the DoD; and (3) To recommend (a) an optimum organizational structure for the DoD personal property disposal program, and (b) a plan for the implementation of any recommended organizational changes. This Report contains the findings, analyses, conclusions, and recommendations of the Study and a proposed implementation plan.			

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FOREWORD

In a Memorandum dated 11 January 1971, the Assistant Secretary of Defense (Installations and Logistics) requested that the Logistics Systems Policy Committee (LSPC) initiate a "... full scale study to determine whether it is feasible and appropriate to centralize or consolidate the personal property disposal function within the Department of Defense." On 27 February 1971 the LSPC requested the Analysis Staff of the Defense Supply Agency to undertake this Study. Study planning established three specific objectives:

- *** To evaluate the effectiveness of the current organization for the disposal of personal property within the DoD.
- *** To identify areas in which restructuring of organizations and/or organizational relationships would result in quantifiable and other advantages to the DoD.
- *** To recommend (a) an optimum organizational structure for the DoD personal property disposal program; and (b) a plan for the implementation of any recommended organizational changes.

The Study commenced with Service and Agency headquarters level briefings, continued with on-site research at a large number of disposal staff activities within the CONUS and overseas, and concluded with comprehensive analyses leading to recommendations and a proposed implementation plan.

This Report contains the findings, analyses, conclusions, and recommendations of the Study and a proposed implementation plan.



D. L. SALLEE
Colonel, USA
Chairman
LSPC Task Group 2-71

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CHAPTER I

INTRODUCTION

A. BASIS FOR THE STUDY

In May 1970, the Assistant Secretary of Defense (Installations and Logistics) (ASD(I&L)) requested a joint Military Service, General Services Administration (GSA), and Defense Supply Agency (DSA) study to review the disposal program to recommend streamlined utilization and disposal procedures. A result of the ASD(I&L) request was a 3 August 1970 Memorandum from the Director, DSA, forwarding 36 recommendations which had been developed by the joint task group.

The last of the "36 Proposals" recommended that a "long range study be conducted jointly by DoD and GSA with the objective that world-wide Federal Government utilization and disposal functions be performed by a single Government Agency under both peace and war time conditions." The ASD(I&L) made such a proposal to the Administrator of GSA in a letter dated 25 September 1970: "I would also suggest for consideration that GSA assume for the Department of Defense all property disposal and sales functions . . . Significant savings, not presently quantifiable without additional study, are foreseen if this action were to be undertaken." Follow-on discussions between the ASD(I&L) and the Administrator, GSA, and their respective staffs culminated in a November 9, 1970 letter from the Administrator, GSA, stating, in part: ". . . we do not feel that the organizational and functional transfers of the magnitude suggested in your letter are appropriate at this time . . ."

On 1 December 1970, the ASD(I&L) responded to the GSA Administrator's comments in a letter stating:

"With regard to Proposal 36 . . . I agree that such a transfer might well be too drastic and I therefore believe we must seek other means to improve and streamline our organization for disposing of surplus materiel.

"I intend to convene an internal DoD study of the disposal program to determine the feasibility of further centralizing utilization and disposal operations in the DoD . . ."

Subsequently, the ASD(I&L) requested the Logistics Systems Policy Committee (LSPC) to establish a Task Group to conduct a study of the organization for disposal within the Department of Defense (DoD). LSPC Task Order 2-71 (see Appendix A), approved by the LSPC Chairman on 27 February 1971 and by the Task Group Chairman on 1 March 1971, calls for a study to determine the optimum organizational structure for the DoD disposal program in both the Continental United States (CONUS) and overseas. The scope of the study includes all functions associated with the disposition of DoD excess and surplus personal property, including certain disposal efforts not currently considered part of the basic DoD program and not covered by the DoD Disposal Manual, DoD 4160.21-M, the disposition of excess and surplus Government-owned property in the hands of contractors, and the disposition of excess and surplus Corps of Engineers Civil Works materiel. In addition, the Task Group was specifically directed to consider the relative advantages and disadvantages of accomplishing all Federal Government utilization screening prior to the transfer of excess materiel from the supply system to Property Disposal Officers (PDOs).

The disposal program has historically been the subject of detailed studies seeking to establish an optimum configuration. A number of the more significant studies which were reviewed as part of the Task Group research are: The Reports of Project 26 on the management and disposal of surplus and foreign excess property (Part I of December 1962 covering CONUS, and Part II of September 1963 covering overseas); the June 1964 Task Group Report on Centralized Utilization and Marketing of Foreign Excess Property; the December 1966 report of the special DoD-wide audit of reimbursable property disposal expenses prepared by the Deputy OSD Comptroller for Internal Audit; and, the December 1967 DSA Headquarters-DLSC Report on the Defense Surplus Sales Organization.

B. STUDY OBJECTIVES

The Task Group charter establishes the Study as a review and analysis of disposal organization. The Study Plan (see Appendix B) expands the overall purpose with three specific objectives:

- *** To evaluate the effectiveness of the current organization for the disposal of personal property within the DoD.
- *** To identify areas in which restructuring of organizations and/or organizational relationships would result in quantifiable and other advantages to the DoD.

*** To recommend (a) an optimum organizational structure for the DoD personal property disposal program; and (b) a plan for the implementation of any recommended organizational changes.

C. SCOPE OF THE STUDY

The Task Group, in light of the objectives set forth above, recognized the distinction between an organizational study and a total systems study. A total systems analysis would concern itself with identifying a program definition and goals, and then determining what must be done to achieve those goals, by whom, and how. On the other hand, an organizational study has a narrower scope, and is concerned primarily with determining who should be responsible for performing a function as currently defined and as currently being done. The Task Group, therefore, concerned itself primarily with the organizational and working relationships among elements of the property disposal structure and the relationships between the elements of that structure and organizations external to that structure.

In the area of procedures, interest was limited to processes which would affect, or have an effect on, organizational relationships. Therefore, the Task Group made no special effort to examine the detailed processes by which DoD personal property is removed from the system. However, field research did reveal a number of procedural deficiencies and these are commented on even where they do not have a relationship to the optimum organizational structure.

Further, in light of the prescribed scope, the Task Group did not conduct a disposal distribution system study specifically aimed at determining the optimum number and locations of property disposal activities. At the same time, the Study does recognize, and identify, organizational arrangements which are most likely to have an effect on the numbers and locations of property disposal activities.

D. THE STUDY TEAM

The Study was accomplished by a full-time Task Group of five personnel, under the overall supervision of the Chief, Analysis Division, Plans, Programs and Systems Directorate, Headquarters, Defense Supply Agency, who served as Chairman of Task Group 2-71. The full-time Task Group consisted of three members of the Analysis Division (one of whom served as Team Director), plus two augmentees, one from the Central Naval Property Disposal Office of the Naval Supply Systems Command and one from the Disposal Division, Technical and Logistics Services Directorate of Headquarters DSA.

E. STUDY APPROACH

The Study commenced with briefings by the following elements of the DoD which are engaged in disposal operations:

*** Each Military Service.

*** The Defense Supply Agency, as an operator of property disposal activities and as the administrator of the DoD program.

*** The Defense Contract Administration Services, as the primary activity concerned with the disposition of excess contractor inventory-- i.e., excess Government property in the hands of contractors.

*** The Office of the Chief of Engineers, Department of the Army, concerned with the disposition of personal property which becomes excess to the Civil Works program.

Field research was then conducted at over 70 DoD activities in CONUS and overseas, plus several non-DoD activities (i.e., a GSA Regional Office and several contractor plants). During the course of the research effort the Task Group visited 11 CONUS and 13 overseas property disposal holding activities, nine consolidated sales offices, six contract administration activities, eight inventory control points, and many headquarters organizations. A listing of activities visited is contained in Appendix C.

Early examination of the total property disposal spectrum showed a multitude of existing reports for collecting data on workload, program accomplishments, and costs. The Task Group relied on these existing reporting systems, and established no special data collection program. There were, unfortunately, several instances in which these reporting systems failed, and data which should have been available was not. These instances are noted in appropriate portions of the Report.

F. NATURE OF THE DISPOSAL PROGRAM

1. Program Definition. The total DoD personal property disposal program can be identified as follows:

a. The Basic Program. "The basic program" is that portion of the effort located at DoD installations worldwide. It consists of actions taken to dispose of property in the possession of DoD

activities and on LoD installations. The property can consist of serviceable materiel declared excess by an inventory control point, locally-procured items declared excess by an installation supply officer, unserviceable items beyond economical repair, or scrap materials of various kinds. "The basic program" is governed by standard policies published in DoD Directive 4160.21, "DoD Personal Property Disposal Program," and by standard procedures published in DoD 4160.21-M, "Defense Disposal Manual" (popularly known as the "Fat Book"-- it is 1 3/4 inches thick). For CONUS, the basic program portion of the total effort is administered by the Defense Supply Agency.

b. The Disposal Program for Excess Contractor Property.

Government-owned property which is excess to the requirements of a contract and is still in the hands of the contractor is a second element of the total program. These excesses can generate at the regular conclusion of a contract, as a result of contract termination, or as a continuing process during the course of a contract as individual phases are completed. The property can consist of Government-furnished equipment and materiel or contractor-furnished/procured items which revert to Government ownership. The Government is responsible for the disposition of this property, and arrangements for such action are generally part of the standard contract clauses. The basic guidance for handling Government-owned contractor excesses is contained in Section XXIV of the Armed Services Procurement Regulations (ASPR), whether the contracts are being administered by the Defense Contract Administration Services (DCAS) or by the contract administration organization of one of the Military Departments.

c. The Disposal Program for Corps of Engineers, Civil Works Property. A third element of the program is the disposition of property which is excess to the Corps of Engineers Civil Works program. The distinctive characteristics of this materiel are: (1) the property is generally not on a DoD installation and is, in fact, frequently located in areas which are remote from DoD installations, and (2) the property is purchased with direct Congressional appropriations. Disposition of Corps of Engineers, Civil Works items is governed by appropriate Corps of Engineers directives, although the basic guidance is similar to that in the Defense Disposal Manual.

d. Magnitude of the Program Segments. The following statistics are indicative of the relative magnitude of the three program segments and illustrate the overwhelming dominance of the basic program:

<u>Program Segment</u>	<u>Fiscal Year 1970 Excess & Surplus Generations</u>	<u>Percent of Total</u>
The Basic Program	\$7.274 Billion	90.6%
Government-owned		
Contractor Property	0.750 "	9.3
Corps of Engineers,		
Civil Works Property	0.004 "	0.1
Total	\$8.028 Billion	100.0%

2. Exclusions from the Defense Disposal Manual

Excess contractor inventory and Corps of Engineers Civil Works property are excluded from the provisions of the Defense Disposal Manual. However, since each of these areas has specific disposal guidance and identifiable associated manpower, the two areas were reviewed during the course of the Study.

Defense Atomic Support Agency/Atomic Energy Commission controlled items and items related to nuclear weapons and cryptologic material are also excluded from provisions of the Defense Disposal Manual. Preliminary research established that these items are disposed of through these special channels only so long as the items retain distinctive characteristics requiring special handling, and that the items are turned over to conventional disposal channels when the special characteristics are no longer present. For example, excess cryptologic material is processed by cryptologic personnel to remove any security classification and to remove or destroy any identification of the material with the cryptologic program; the material is then turned over to regular disposal channels for final disposition from the DoD system. Based on this preliminary evaluation, the Task Group determined that additional research was not required for these categories of material.

3. Program Implementation. The DoD disposal program is implemented through a number of individual, separate systems:

a. Basic System in CONUS

The basic system is the responsibility of the individual Military Services and of DSA. The 190 existing Property Disposal Offices (PDOs) within CONUS are assigned to the four Services and DSA; however, there is a significant amount of integrated effort within the basic program. As a result of action taken in 1964 and 1965, each PDO is assigned a geographic area of interest, with the responsibility for disposing of the excess property generating

at DoD (and some non-DoD) activities within the area. For example, the PDO at the Philadelphia Naval Shipyard is responsible for providing disposal support to 92 activities in the Philadelphia Metropolitan area, southeastern Pennsylvania, and southern New Jersey. Similarly, the PDO at the Defense Construction Supply Center (DCSC) has the support responsibility for approximately 100 satellite activities in Ohio, West Virginia, and portions of Pennsylvania. Within a geographical area, the PDO is located at the major excess generating activity.

DSA has been designated the administrator of the basic system by the DSA charter, DoD Directive 5105.22. In certain areas the administrator has broad responsibilities; in other areas the role is limited. For example, DSA is responsible for issuing changes to the Defense Disposal Manual, but only after these have been coordinated with the Military Services and with ASD(I&L), and DSA must coordinate on any Military Service proposals to establish or disestablish PDOs in CONUS. On the other hand, DSA has broad responsibilities in the sales area and, through DLSC, operates offices for the sale of surplus property in CONUS, the Defense Surplus Sales Offices (DSSOs).

b. Basic System Overseas. The basic system also operates overseas, but the organizational structure differs from that applicable to CONUS. As in CONUS, holding activities are operated by the individual Military Services, except that: (1) the sales function, which has been consolidated by country or area, is also operated by a Military Service rather than by an arm of DSA; (2) geographical responsibilities have been assigned by the individual Services, and DSA has no responsibility or authority to coordinate changes to these areas or to insure that the geographical support patterns are optimum; and, (3) a Military Service has been assigned the responsibility of operating an excess screening function within each theater.

c. Excess Contractor Inventory. Like the basic system, the disposition of excess contractor inventory is accomplished by virtually every DoD component: each of the Military Departments and DCAS is responsible for the disposition of excess inventory for the contracts which it administers. The extent of integration in this area is determined by the extent to which the actual contract administration function has been integrated. DCAS subordinate offices are assigned contract administration, and its accompanying excess contractor inventory disposition, responsibilities on a geographical basis. These and the plant assignment responsibilities made under the other DoD systems have no particular relationship to the PDOs' areas of interest.

d. Civil Works Property. Civil Works property represents one disposal area in which a single DoD component, the Corps of Engineers, is involved. Again, responsibility for property disposal is organized geographically; however, the geographic alignment is in accordance with the basic organization of the Corps of Engineers, Civil Works program.

4. Utilization - Donation - Sale

The "Disposal Program" and "disposal operations" begin after property accountability has been transferred to a property disposal officer. The Program then consists of three separately identifiable, but related, efforts:

*** Utilization - Actions to have excess materiel used by Federal Government activities, both within and outside the DoD;

*** Donation - Actions to have materiel used by other authorized recipients, which include state and local government agencies, and service and educational activities and institutions; and finally,

*** Sale - Action to dispose of materiel after it is determined that an authorized user cannot be located.

The Defense Disposal Manual clearly establishes that disposition action will be taken in the priority sequence indicated; that is, first priority is given to utilization of excess property within the Federal Government; failing that, materiel is made available for donation; and, only when these efforts are unsuccessful is materiel offered for sale.

G. REPORT ORGANIZATION

The findings, analyses, conclusions, and recommendations of the Study are presented in the following Chapters:

- Chapter II discusses the organization of "the basic disposal program" within CONUS;
- Chapter III discusses the overseas organization for disposal in the European and Pacific Theaters;
- Chapter IV discusses DoD organizations for the disposition of excess contractor inventory; and,

- Chapter V discusses the organization for the disposition of Corps of Engineers Civil Works program excess property.
- Chapter VI discusses (1) the use of bidders lists in the sale of surplus property; (2) the concept of utilization screening for DoD property; and, (3) the special funding arrangements which apply to the disposal program.
- Chapter VII contains a summary of the findings and conclusions of the preceding five chapters, and synthesizes these into a single set of recommendations for the property disposal program; this Chapter also presents a time-phased plan for the implementation of the recommendations.

CHAPTER II
THE BASIC PROGRAM IN CONUS

A. INTRODUCTION

1. Scope

This Chapter deals with the disposal program within the 48 contiguous states. The program and program support is discussed for all levels including the Property Disposal Officer (PDO), the Defense Surplus Sales Office (DSSO), the Defense Logistics Services Center (DLSC), the Military Service Headquarters and intermediate level staffs, and the Defense Supply Agency (DSA) Headquarters organizations.

The program includes ten sales offices and approximately 190 property disposal offices manned by about 4,900 civilian and military personnel. The program in the continental United States (CONUS) is heavily civilian, with only about 225 military. During Fiscal Year 1970 the acquisition cost of excess property transferred within the Department of Defense (DoD) and to other Federal agencies was \$1.029 billion while the acquisition cost of donated property was \$218.2 million. The Military Services and DSA sold usable property in CONUS with an acquisition cost of \$975.4 million with a return of \$43.8 million.

2. Background

The present organization of sales offices and holding activities has evolved over the past 12 years as part of the movement toward common support. Prior to 1960 there were over 300 sales offices/holding activities located throughout CONUS under the cognizance of the Military Departments. Each activity was staffed with a PDO and contracting and merchandising personnel; it held excess and surplus property, produced its own sales catalogs, sold its own property, and administered and controlled its own sales contracts. In early 1959, DoD directed attention to improving the total disposal program by initiating a study to consider the feasibility of consolidating the surplus sales functions of the Military Services. The result of this study was a split of the holding function from the sales function and the establishment of 35 Consolidated Surplus Sales Offices (CSSOs) operated by the Military Services; this was further reduced to 34 CSSOs in 1961.

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In January 1962 DSA, as part of its mission to provide common services for DoD, was assigned the operational control of CSSOs, which then became Defense Surplus Sales Offices (DSSOs) under the supervision of DLSC. During the same year DSA established four regional offices for administering the sales program under the direction of DLSC. During 1963 and 1964, the DSSOs were reduced from 34 to 18. In 1965, the DSSO structure was again reduced from 18 to 12 and the four regional offices were eliminated. In 1968 the 12 DSSOs were further reduced to the present level of 10.

In conjunction with its establishment in 1961, one of the functional areas assigned to DSA by DoD Directive 5105.22 was the administration of the DoD excess and surplus disposal program. Included in the DoD Directive is the specific responsibility to administer a consolidated holding activity program within CONUS, with authority to determine the disposal activities required and resolve differences. In 1964 the Secretary of Defense assigned DSA the responsibility of chairing a task group to develop a plan for reducing the number of CONUS holding activities by consolidation, satellization, or elimination. At the time the task group was established there were 315 disposal holding activities. As a result of the task group efforts, 70 holding activities were eliminated. Today there are approximately 190 CONUS holding activities as a result of continuous interservice and intraservice consolidation, and base closures. Additional consolidations are taking place which will further reduce the number of PDOs. Some consolidations previously planned by DSA were held in abeyance because of the Southeast Asia (SEA) buildup. As the phase-out of SEA continues, these consolidations will be made.

B. THE DISPOSAL PROGRAM

1. Organization

a. Property Disposal Offices (PDOs)

The 190 PDOs within CONUS are assigned to the Military Services and the Defense Supply Agency as follows (the Navy figure includes two Marine Corps Air Stations manned by Navy personnel):

Army	- 68
Navy	- 39
Air Force	- 70
Marine Corps	- 7
DSA	- 6
Total	190

The PDO is an organizational entity of the installation on which it is located and receives administrative and logistic support through normal Service channels. However, technical guidance for the disposal function can come from the Service headquarters disposal staffs directly to the PDO or through staff PDOs at various levels. Sales technical advice comes from the DSSO in the geographical area in which the PDO is located. The primary policy guidance for the disposal program is provided by OASD(I&L) through the program administrator, JSA.

Organization of the PDOs varies somewhat within and among the Services, but they do have a great degree of similarity. A representative PDO organization is shown in Figure II-1, and each of the PDOs visited has a similar organization structure, although the number and names of the suborganizational units varied. The storage unit is responsible for the physical handling of materiel, the records and report unit for the accountability of the materiel and the reporting associated with the program, and the merchandising unit for sales lotting and assisting the DSSO in conducting sales.

REPRESENTATIVE PDO ORGANIZATION

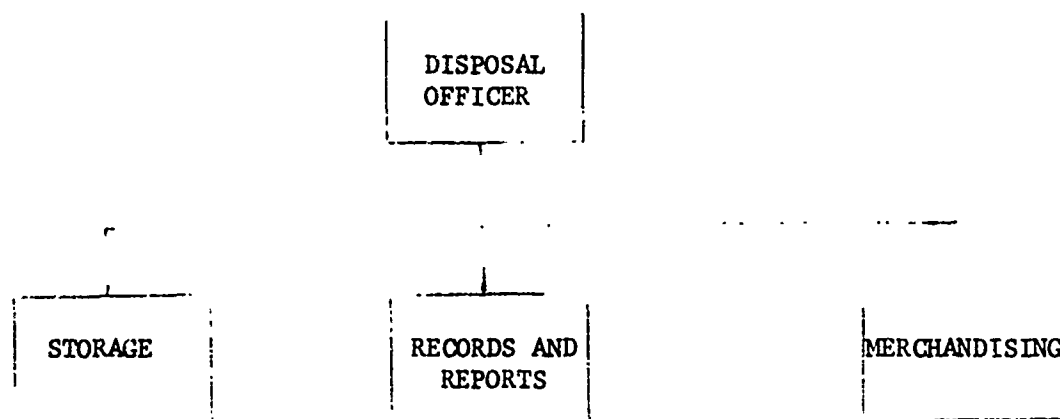
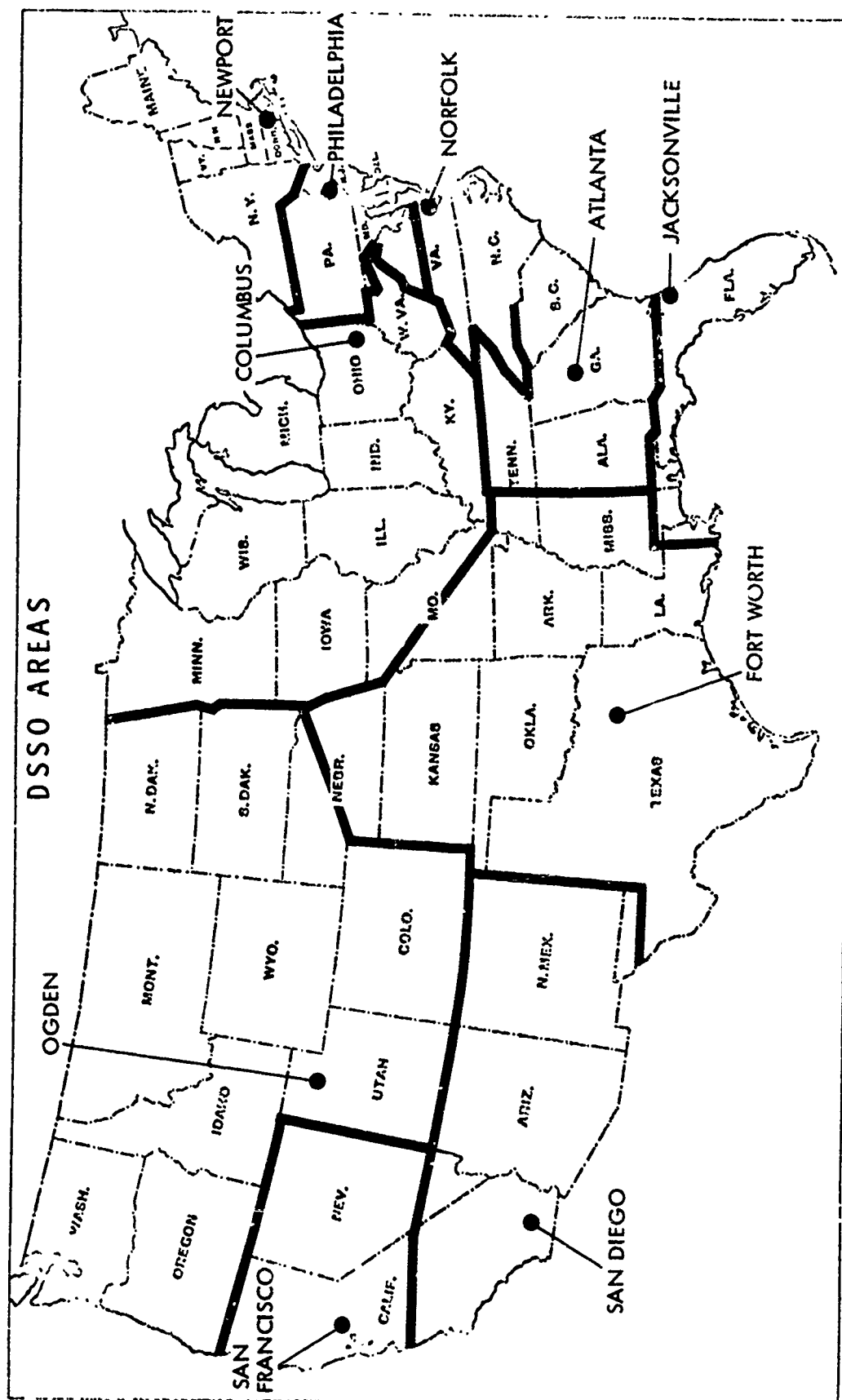


Figure II-1



The PDO structure provides for complete interservicing of the DoD disposal function within CONUS. Prior to the consolidation of the PDOs, cross-servicing was sporadic and, as a result, much cross-hauling of materiel took place.

b. Defense Surplus Sales Office (DSSO)

The DSSOs administer the sale of surplus personal property reported by the Military Services, Defense agencies, and certain other Federal activities within their assigned geographic area, in accordance with operational and technical control provided by the Director of Marketing, DLSC, Battle Creek, Michigan. Ten DSSOs, (all within the continental United States) are located at: Atlanta, Columbus, Fort Worth, Jacksonville, Newport, Norfolk, Oakland, Ogden, Philadelphia, and San Diego. The geographical areas of responsibility of these DSSOs are shown in Figure II-2.

The DSSO is a field activity of DLSC and is responsible for conducting sales of surplus property including merchandising, cataloging, sales, contracting, accounting for proceeds, and issuing refunds. The DSSO has an administrative staff and two operating divisions, Sales Contracting and Merchandising, as shown in Figure II-3.

STANDARD DSSO ORGANIZATION

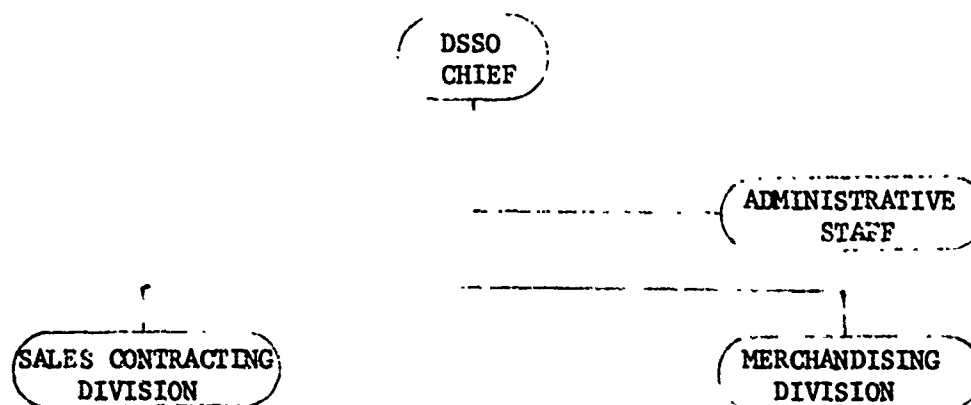


Figure II-3

c. DLSC

Aside from its responsibilities to supervise the DSSO organization, DLSC performs a number of functions which spread across the entire disposal process.

In the utilization portion, DLSC performs a mechanized screen of excess assets reported by the PDOs against inventory control point (ICP) requirements reported under the PLUS Program. In addition, DLSC publishes and makes worldwide distribution of catalogs containing CONUS and Pacific Command excess items (the latter are based on submissions from PURA, which is discussed in Chapter III).

In the sales process, the Defense Surplus Bidders Control Office of DLSC maintains a list of those interested in buying surplus property. In addition, DLSC provides market research assistance for the DSS and other DoD sales activities, and is the central source for legal advice and assistance to the DSSOs.

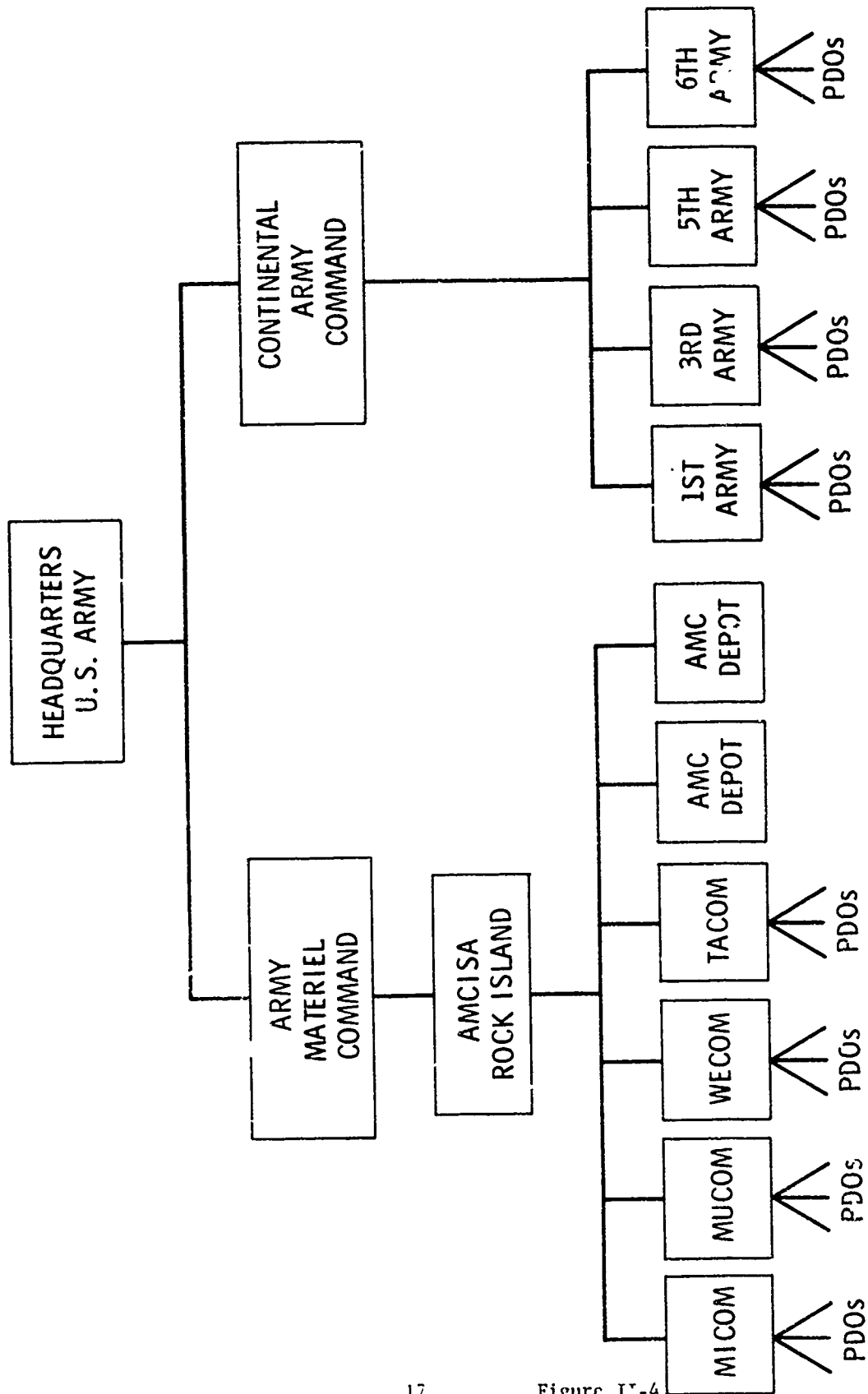
Reimbursement of disposal expenses is also accomplished by DLSC.

d. Army

The administration of the Army personal property disposal program is the responsibility of the Office of Support Services, Deputy Chief of Staff for Logistics, Department of the Army Headquarters, which is responsible for developing and providing primary direction and guidance for the Army property disposal system. This office is staffed with two military and six civilians (the latter funded by disposal funds) who are assigned full-time responsibilities in the area of property disposal. Their functions include staff and technical supervision over the disposition of excess, surplus, foreign excess and exchange/sale property; developing DA property disposal policies, plans, procedures, and methods; analyzing command budgets; and, conducting staff surveillance/technical assistance visits.

Staff supervision is exercised through staff level PDOs at both Headquarters, Continental Army Command (CONARC) and Headquarters, Army Materiel Command (AMC). The Army has 68 property disposal holding activities in CONUS. Of these, 39 are under the direction of AMC and 27 are under CONARC. In addition, there is one each in the Military Traffic Management and Terminal Service and the U.S. Army Strategic Communication Command (STRATCOM). A skeleton chart of the Army organization for property disposal is shown in Figure II-4.

DISPOSAL ORGANIZATION - ARMY



As shown in the Figure, CONARC exercises staff supervision over the disposal operation of its activities through staff PDOs at the numbered Army headquarters.

Staff supervision over AMC activities is exercised by the Director of Installations and Services at AMC Headquarters. This office assists in the preparation of program guidance, prepares program data, performs staff visits, evaluates effectiveness of disposal policy and controls and coordinates the Department of the Army programs on donation of uniforms and other condemned or obsolete property. Actual staff supervision over disposal operations within AMC is exercised by the AMC Installations and Services Agency (AMCISA), located at Rock Island, Illinois. The Director of AMCISA exercises staff supervision over property disposal activities: (1) through staff PDOs located at subordinate commodity commands (such as the Weapons and Munitions Commands) who in turn supervise PDOs at operating locations within their respective commands; and (2) direct to PDOs located at AMC depots. The disposal function at AMCISA was manned by three people on a full-time basis at the beginning of the study. During the course of the study, one person was transferred to AMCISA from the disposal staff at AMC Headquarters.

In addition to the disposal staffs described above, the U.S. Army Corps of Engineers is responsible for the administration of the Civil Works property disposal program described in Chapter V.

d. Navy

Administration of the Navy Property Disposal Program is vested in the Utilization and Disposal Branch of the Naval Supply Systems Command (NAVSUP). The individual PDOs within the Navy are under the command of, and derive their logistic and administrative support through their Naval command channels -- Bureaus, Hardware Systems Commands, or Fleet-type Commands. Figure II-5 depicts the Navy Disposal Organization. NAVSUP administers the Navy Utilization Program for the interservicing of releasable supply systems stocks and administers and manages the Navy's personal property disposal function. This office provides policy guidance in the form of directives and conducts field liaison visits to Navy disposal activities.

The Navy has 39 property disposal holding activities in CONUS. The headquarters staff for property disposal at NAVSUP consists of 12 full-time personnel. These personnel develop Navy Department policies and procedures for the disposal function, insure implementation of DoD disposal policy and procedures, establish and promulgate financial policy for the Navy program, recommend changes to the

DISPOSAL ORGANIZATION - NAVY

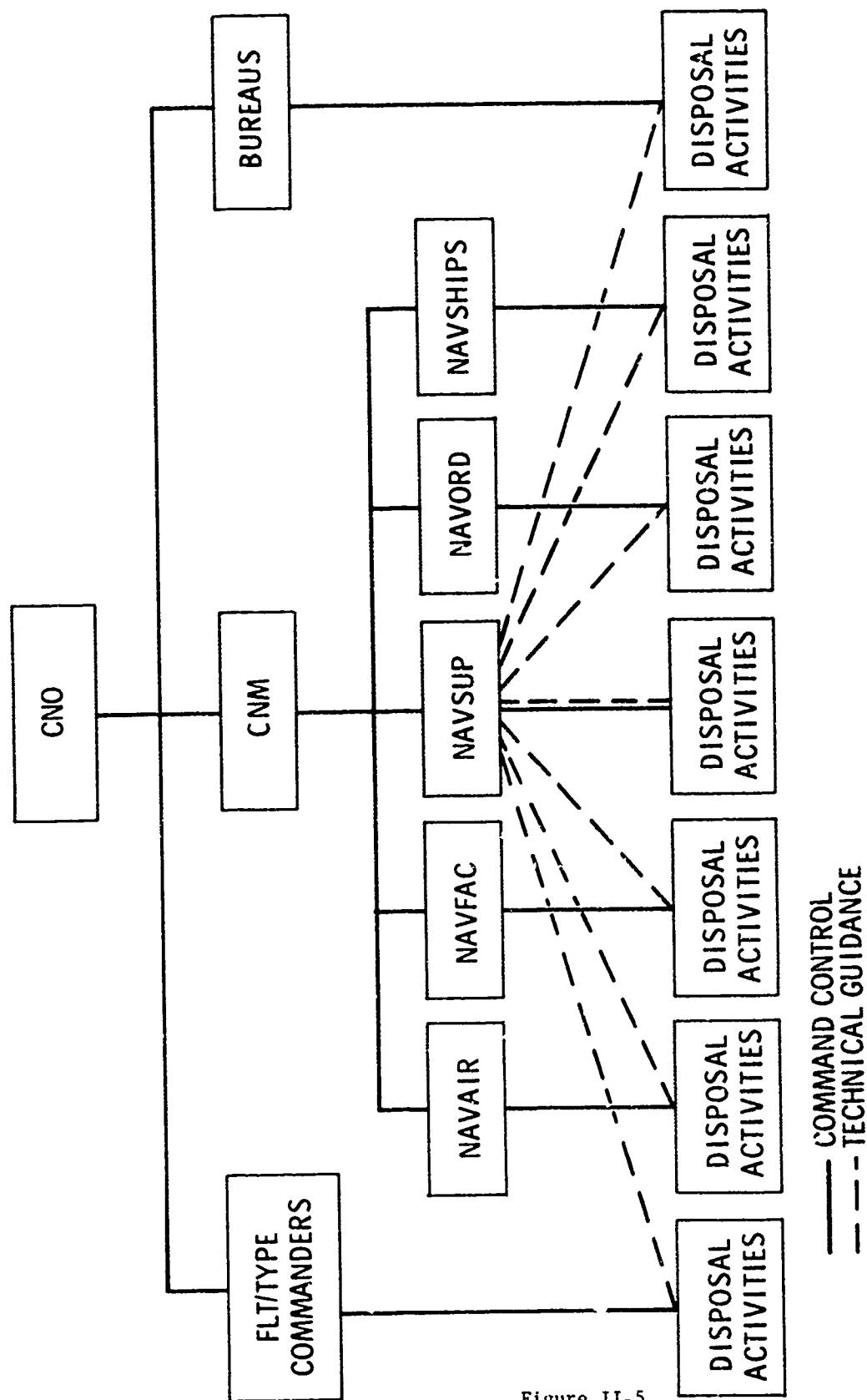


Figure II-5

DoD disposal manual, make field liaison, surveillance and technical assistance visits to the Navy holding activities, and assist the Navy Inspector General in the review of the disposal function at the field activities. All NAVSUP disposal headquarters personnel are funded by proceeds from sales.

In addition to the disposal staff in NAVSUP Headquarters, both the Naval Air Systems Command (NAVAIR) and the Naval Ordnance Systems Command (NAVORD) have personnel associated with the disposal function and funded with disposal funds.

At NAVAIR Headquarters there are seven disposal-funded personnel in the Material Utilization Section, Inventory Management Branch of the Material Management Division. These personnel, however, are not involved in the management of disposal operations at disposal activities, but rather they are involved for the most part with policy and procedures leading up to the disposal of excess. Personnel at the headquarters are involved in review of contractor excess listings, determination of items to be reclaimed from aircraft and complete aircraft engines prior to disposal, reclamation of ground support equipment prior to disposal, review of budgetary information from all activities under NAVAIR using disposal funds, and review of bids for contractor excesses being advertised by the NAVAIR Plant Clearance Officers (PCOs). Additionally, there is one person full-time at the Naval Air Systems Command Representative Office in Norfolk and approximately 1½ man-years at the Representative's office in San Diego who are disposal funded. These people at Norfolk and San Diego are involved only in the clearance of contractor excesses from plants under Navy cognizance.

The NAVORD disposal staff functions in much the same manner as the NAVAIR staff; however, the NAVORD staff also reviews the operation of the PDOs at NAVORD activities in a manner similar to the review conducted of the same activities by NAVSUP.

f. Air Force

The General Support Branch, General Support and Services Division, Director of Supplies and Services, Headquarters United States Air Force, initiates policy determination and procedural development of the personal property disposal program within the Air Force. This office is staffed with three civilians on a full-time basis, two professionals and one clerical. The two professionals are funded with disposal funds, the clerical is not. Although these personnel are considered full-time disposal personnel, about 20% of their time is spent in nondisposal-related matters. Responsibilities include

assisting in the development and establishment of DoD policy and procedures; establishing basic Air Force policy; and furnishing the Commander, Air Force Logistics Command (AFLC) with public laws, directives, and regulations that pertain to Air Force disposal operations. The Air Force operates 70 property disposal holding activities in CONUS.

AFLC promulgates operating policies, procedures, techniques, and standards through Air Force directives to effect world-wide implementation of the policies and procedures established by Air Force Headquarters. Figure II-6 illustrates the relationships within the Air Force for disposal policy and procedure. The Utilization and Disposal Division of the Directorate of Materiel Requirements at AFLC Headquarters manages Air Force-wide participation in the Defense Utilization, Disposal and Retail Logistics Support program. It has a personnel ceiling of 19 people with 21 assigned. It was estimated that personnel spend approximately 65% of their time on utilization of supply systems stocks in accordance with DoD 4140.34-M, "Defense Utilization Manual," and 35% of their time on disposal matters.

The AFLC disposal organization develops policies and establishes general operating requirements for utilization or disposal of contractor inventory, for purging the supply system of excess personal property, for redistribution of Air Force and MAP excess property, and for the donation or marketing of surplus, foreign excess, and MAP disposable property. It manages the materiel reclamation program and maintains staff surveillance of Air Force-wide utilization and disposition program accomplishments.

The technical guidance and staff surveillance of Air Force bases in CONUS and overseas is provided through the Air Materiel Areas (AMAs). In addition to their responsibility for air bases in CONUS, the AMAs are responsible for overseas areas as indicated below:

WRAMA - Robins AFB, Georgia	- Europe
SAAMA - Kelly AFB, Texas	- Southern Hemisphere
OOAMA - Hill AFB, Utah	- Alaska
SMAMA - McClellan AFB, California	- PACOM

In addition to the visits made by the AMAs to overseas activities, headquarters AFLC personnel make surveillance and assistance visits to the overseas disposal activities.

DISPOSAL ORGANIZATION - AIR FORCE

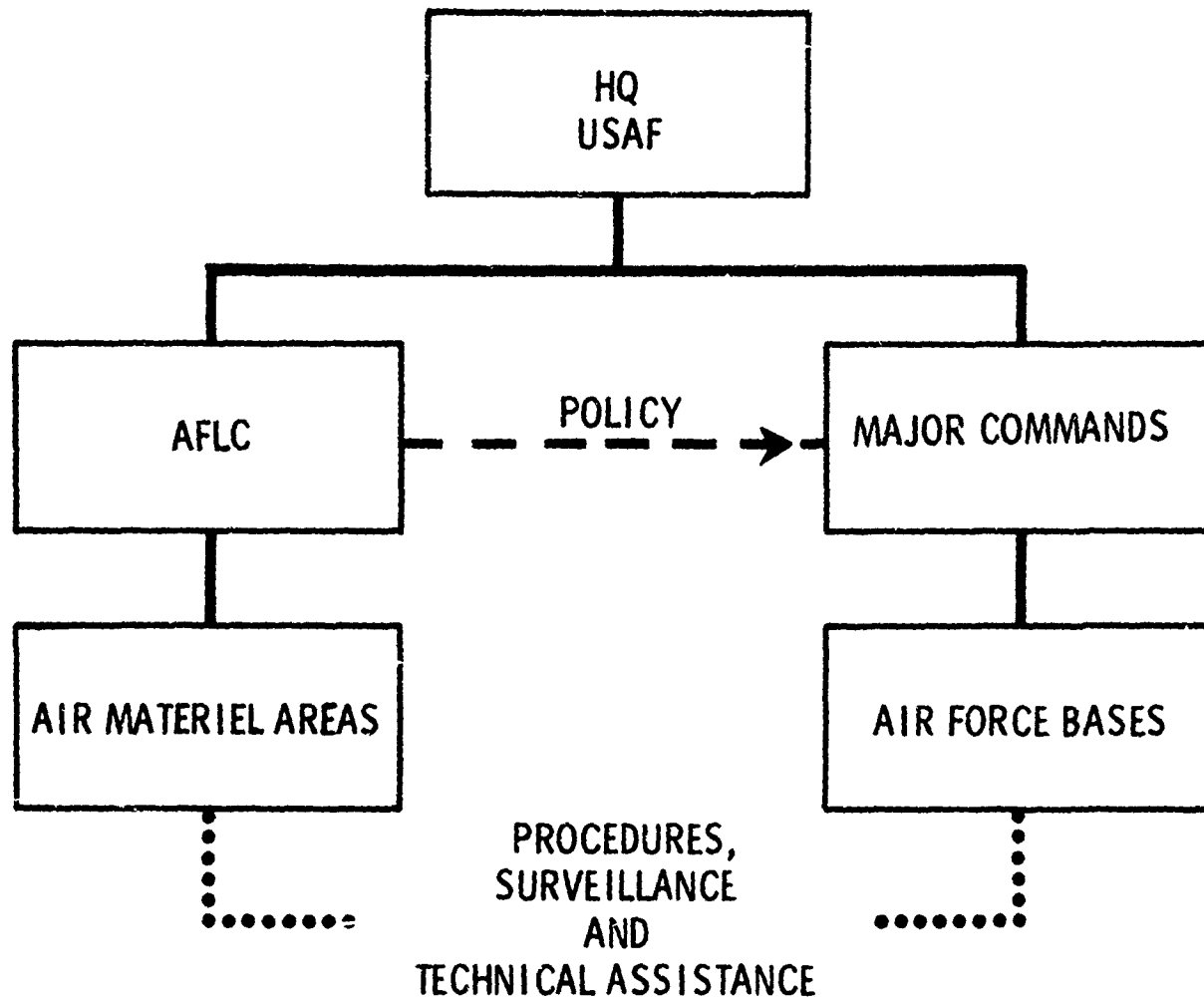


Figure II-6

g. Marine Corps

Responsibility for the administration of the Marine Corps disposal program is in the Property Utilization and Disposal Office under the Director of Material Utilization in Headquarters, U.S. Marine Corps. There are four persons in the Headquarters office, although only two manyears of effort are expended on the disposal function. None of the disposal personnel in this office is funded with disposal funds. The Marine Corps operates seven activities manned by approximately 139 people. There are no intermediate disposal staffs between the Headquarters and the disposal activities. Figure II-7 illustrates the Marine Corps property disposal organization.

The Utilization and Disposal Office has the responsibility to administer and coordinate the Defense Utilization Program for the Marine Corps; develop and recommend policy and procedural changes pertaining to the utilization and disposal programs to DoD and DSA; develop and implement policy, procedures, and instructions peculiar to the Marine Corps utilization and disposal programs; assure compliance with DoD instructions; and provide technical assistance.

h. Defense Supply Agency

DSA has three separate and distinct responsibilities in relation to the disposal program: one is as administrator of the DoD Disposal Program; the second is the operation of the surplus sales function; and the third as controller over disposal operations within DSA itself. The Directorate of Technical and Logistics Services is responsible for all DSA disposal functions except those under the Defense Contract Administration Services. The Disposal Division administers the Defense Surplus Property Disposal Program; develops DoD policies; and prescribes systems, techniques, and procedures for the disposal of excess, surplus, and foreign excess property through utilization, transfer, donation, sale, abandonment, or destruction. The Disposal Division is manned by 16 civilians on a full-time basis. In addition, about 2 manyears of effort is expended in this area by personnel of the Utilization Division.

There are two separate field organizations for disposal within DSA: the DSA Property Disposal Offices located at DSA Supply Centers and Depots, and DLSC and its DSSOs whose functions have already been described.

The organization alignment at the Defense Supply Centers and Depots places the disposal responsibility under the Directorate of Installation Services and in turn within the Property Disposal Division. Only six DSA organizations have holding activities:

DISPOSAL ORGANIZATION - US MARINE CORPS

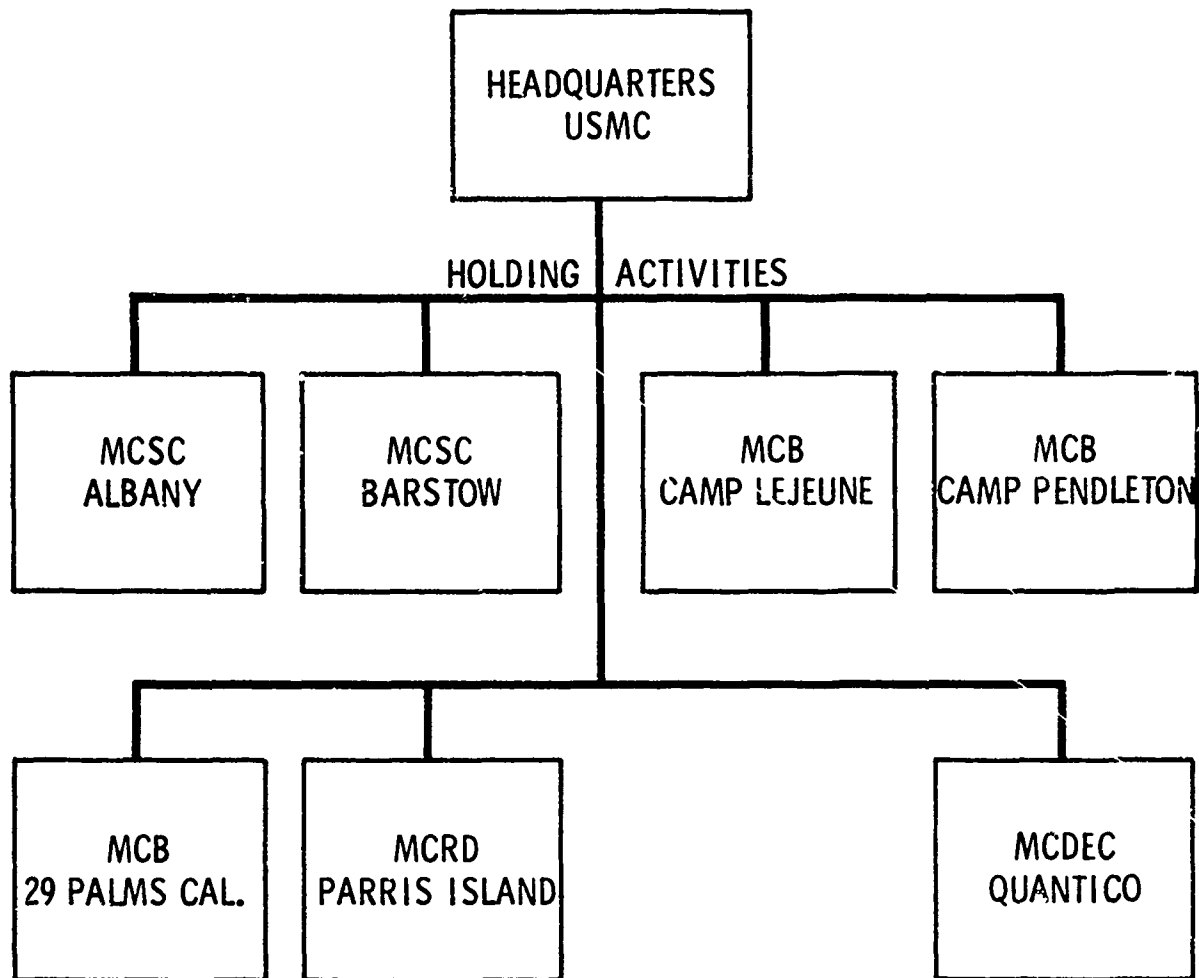


Figure II-7

DISPOSAL ORGANIZATION - DSA

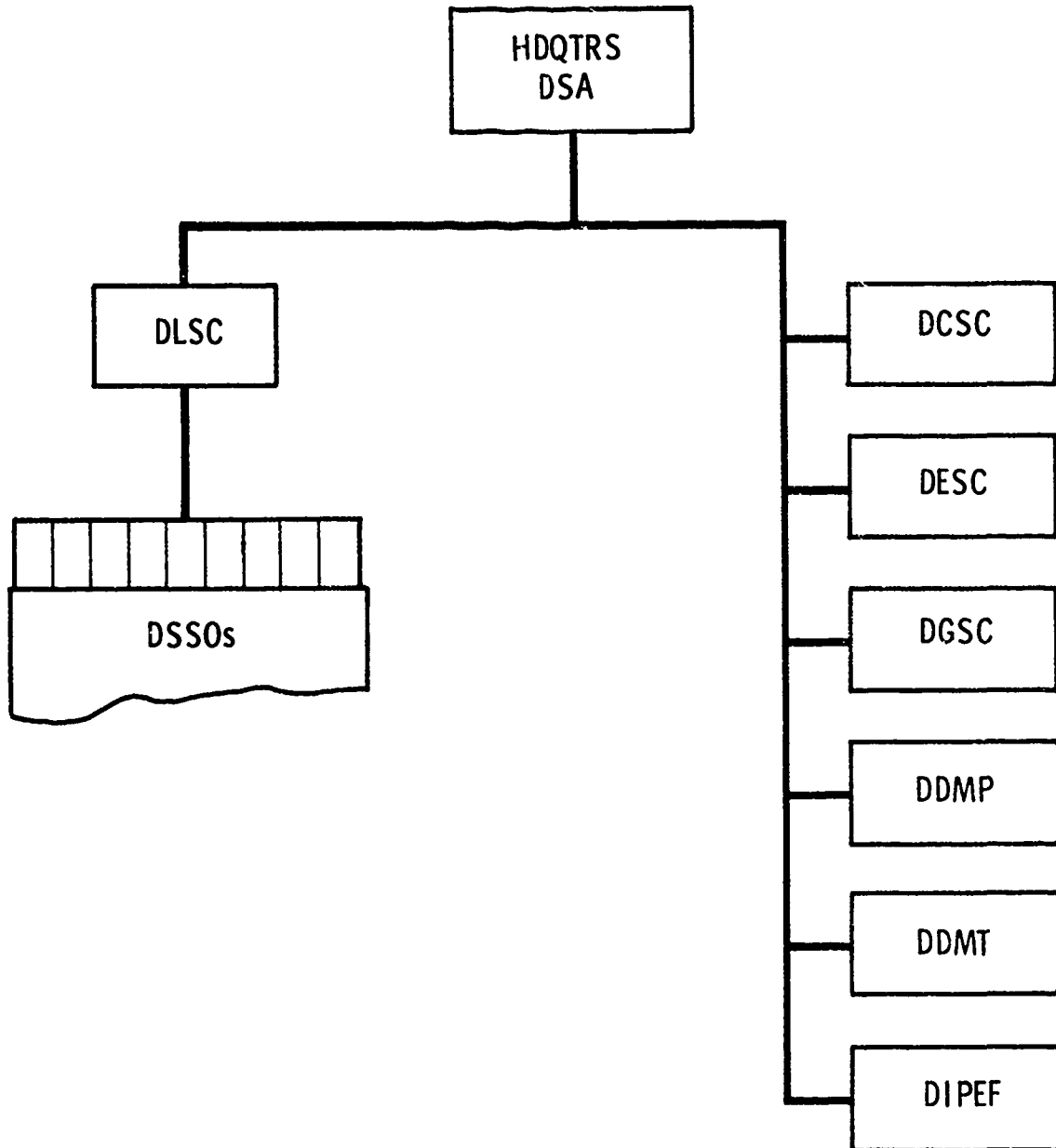


Figure II-8

Defense Construction Supply Center
Defense Electronics Supply Center
Defense General Supply Center
Defense Depot Mechanicsburg
Defense Depot Memphis
Defense Industrial Plant Equipment Facility
(Atchison Caves)

The remaining Centers and Depots are satellites and as such are not configured or manned with Property Disposal Divisions or Property Disposal Offices. Figure II-8 shows the DSA disposal organization.

2. Manpower

a. Total Strength. The manpower figures shown in Table II-1 indicate the manning of the disposal organization throughout DoD as described in Paragraph 1. The figures were extracted from data presented to the Task Group by personnel of the Military Services/Headquarters DSA. The grade structure within the disposal organization varies within and among the Services and is established by the component to which the disposal function is assigned.

b. Training

Formal courses in property disposal are taught as part of the Defense Management Education and Training Program. These courses provide instruction at varying levels within the field of disposal management and operations.

Several advanced disposal management courses are conducted at the Army Logistics Management Center (ALMC), Fort Lee. These provide for a full range of discussion of current DoD disposal program policies, procedures, and objectives.

A basic course in property disposal, including a metal sorting clinic, is taught at the Army Quartermaster School at Fort Lee and at Lowry Air Force Base. The curriculum at these schools, while similar, is not coordinated by the Services as are the advanced courses at ALMC.

3. Basic Description of the Disposal Process. At the activities visited, basic disposal processes are similar, regardless of the parent organization. A few minor procedural differences exist, although the process is basically as prescribed by the Defense Disposal Manual, DoD 4160.21-M. A brief outline of this basic process follows.

Table II-1
CONUS DISPOSAL MANPOWER ^{1/}

	Military		Civilian	Total
	Off	Enl		
<u>ARMY</u>				
Headquarters	2		6	8
AMC Hqs			6	6
Staff PDOs			6	6
CONARC Hqs			1	1
Staff PDOs			4	4
PDOs		5	1,271	1,276
<u>NAVY</u>				
Headquarters				
NAVSUP	1		12	13
NAVAIR			7	7
NAVORD			2	2
PDOs	4		1,140	1,144
<u>AIR FORCE</u>				
Headquarters			2	2
AFLC Hqs			8	8
Staff PDOs (Major Commands)		1	7	8
PDOs	2	201	1,360	1,563
<u>MARINE CORPS</u>				
Headquarters			2	2
PDOs	2		189	191
<u>DEFENSE SUPPLY AGENCY</u>				
Headquarters			18	18 ^{2/}
DLSC			78	78
DSSOs			268	268
PDOs			270	270
TOTALS	11	207	4,657	4,875

^{1/} Headquarters (both Service and intermediate level) data includes personnel engaged full-time with the disposal program, manyear equivalents for personnel involved with disposal only part-time, and all personnel whose salaries are reimbursed from proceeds from sales. PDO level data includes only personnel engaged in disposal activities on a full-time basis.

^{2/} This includes total manning of Disposal Division, plus an estimated two manyears of effort by Utilization Division personnel in connection with the utilization of Declared Excess materiel.

a. Excess Determination. ICP-controlled property which is determined to be Potential Excess is processed by the ICP in accordance with DoD 4140.34-M, "Defense Utilization Manual." Upon determination that the property is Declared Excess, the ICP directs transfer to a PDO. Excess materiel generated by industrial activities, bases, camps, stations and end users is also turned in to the PDO for processing.

b. PDO Receipt. As excess materiel is received by the property disposal activity, a determination is made as to whether the materiel is scrap or usable. A further breakdown of metal scrap is made by type of metal to insure maximum return from sale. Usable property is further sorted into reportable and nonreportable property in accordance with the criteria established in the Defense Disposal Manual. Reportable property is reported to DLSC. Scrap materiel may be processed immediately for sale, although in practice the sale is not effected until a sufficient quantity of a particular form of scrap has been generated to make the sale economical.

c. Utilization and Donation Screen. Materiel reported to DLSC undergoes screening by eligible organizations. During the first 30 days the materiel is mechanically screened by DLSC against requirements previously registered with DLSC by the ICPs. In addition, a catalog is produced and distributed to DoD activities for manual screening. After the DoD screen, the materiel listing is sent to each GSA Region which publishes a catalog which is distributed to Federal activities (including DoD) within the Region. At the end of this screen, there is a 15-day period during which eligible activities (e.g., state agencies, or schools) are authorized to screen this materiel -- now classified as "surplus property" -- at the PDO.

d. PDO Preparation for Sale. After all screening periods for utilization and donation have expired, the materiel becomes eligible for sale. Materiel is lotted by the PDO into commodity groups (e.g., plumbing supplies, electrical supplies) and reported to the DSSO for sale.

e. DSSO Sales

The Property Lists received by the DSSO are reviewed to ensure that items are completely and accurately described. When a sufficient number of items accumulates, a photo-ready copy of the sales catalog is prepared and forwarded to DLSC for printing and mailing to the bidders list. The sales catalog specifies the location of the materiel and the dates it will be available for inspection by the prospective bidders.

When the holding activity or the DSSO determines that interest in a particular item is slight, the item may be sold using local sales procedures. The essence of this procedure is that only brief descriptions are required, a limited number of flyers or catalogs are sent out, and the sale takes place at the holding activity under the direction of a DSSO sales contracting officer. The local sales procedures could take the form of local spot bid sale, local auction sale, or local retail sale store.

4. Demilitarization and Reclamation

Within the Military Services the processes of demilitarization and reclamation are chargeable to the proceeds from sales. Demilitarization is the process of destroying the military offensive or defensive characteristics of an item prior to sale so that it may no longer be used for its intended purpose. Reclamation is the process of removing required components and materiel from excess or surplus property. As a result of reclamation, serviceable and economically repairable items are returned to the supply activity and the residue is processed as disposable property.

At smaller activities, where demilitarization is being performed by PDO personnel, charges for the demilitarization process are not always separately identified. At the larger activities, especially those whose prime function is demilitarization, the charges are generally identified and allocated to disposal funds. The demilitarization of ammunition is generally not performed by PDO personnel because of its highly critical nature. The PDO signs for the ammunition, which is never received as ammunition, but is later received as the residue of the demilitarization process. The process of demilitarization is, however, charged to the disposal fund. Little control is exercised by the PDO over the expenditure of disposal funds for demilitarization.

In some instances, reclamation takes place before equipment is turned into the PDO. The charge for this reclamation is levied against disposal funds with little or no control exercised by the PDO in the expenditure of funds.

5. Support Arrangements

In general, the facilities utilized by the PDOs in CONUS are the property of the Service to which the PDO is assigned and no charge is levied for space rental as such. Some of the PDOs have prefabricated steel buildings which have been erected using disposal funds and these are, therefore, the property of the PDO. A few special purpose structures at some sites were also erected with disposal funds.

Most of the activities visited existed as any other unit of the organization; that is, the disposal organization is considered to be a part of the total organization and no host-tenant or other support agreement is established. In instances where consolidation has taken place in the past, and one Service is operating an on-site storage location on the installation of another, some Interservice Support Agreements (ISSAs) exist; these involve a transfer of funds from the disposal activity to the host installation. For example, the PDO at the Philadelphia Naval Shipyard has an ISSA with Frankford Arsenal for operations at the Arsenal, and the PDO at Kelly Air Force Base has an ISSA with Fort Sam Houston for disposal space at the Fort.

Even though the PDOs are not tenants, they are charged for the support received. Where expenses are readily identifiable and separable (such as civilian pay, travel, transportation services, maintenance, and operation of material handling equipment), the PDOs are charged directly for the support received. When the charge is not as readily identifiable (such as ADPE, utilities, and security), PDOs are charged on a pro-rata basis, as are the other units on the installation.

6. Management/Statistical Reporting

Statistical reporting is accomplished by the use of the DD Form 1143, "Report of Excess and Surplus Materiel at Disposal Activities," Figure II-9. The "1143 Report" provides captions for 80 data entries and is to be prepared by each designated field activity of the Military Services and Defense agencies which have accountability for excess and surplus property. The reports are submitted quarterly and forwarded through normal channels to the DoD component headquarters which submit consolidated reports to DLSC. Concurrently with this submission, one copy of each consolidated report is furnished to the OASD(Comptroller) and to each of the other Military Departments/DSA.

In lieu of the DD Form 1143, Air Force field activities submit AF Form 362, "Excess and Surplus Inventory Data," which includes DD Form 1143-type data, plus additional management and statistical data for internal Air Force use. AFLC, which is responsible for submitting the consolidated Air Force report, extracts the information from the Air Force Form 362 and prepares and submits the consolidated Air Force DD Form 1143.

REPORT OF EXCESS AND SURPLUS MATERIEL AT DISPOSAL ACTIVITIES (DD FORM 1143)

REPORT OF EXCESS & SURPLUS MATERIEL AT DISPOSAL ACTIVITIES		LOCATION (X) ☐ DOMESTIC ☐ FOREIGN		REPORT CONTROL SYMBOL PERIOD ENDING	
TO:		FROM (Reporting Activity)			
LINE	Section 1 AVAILABILITY, UTILIZATION & DISPOSAL	INVENTORY VALUE (Dollars Only)			
1	INVENTORY ON HAND, BEGINNING OF PERIOD	\$			
2	ADJUSTMENTS - GAIN (+) OR LOSS (-)				
3	GENERATIONS - TOTAL (Lines 4 plus 5)				
4	- ICP-CONTROLLED MATERIEL				
5	- OTHER				
6	TOTAL AVAILABLE FOR UTILIZATION OR DISPOSAL (Sum of lines 1, 2 and 3)				
7	UTILIZATION - TOTAL (Sum of lines 8, 9, 10 and 16)				
8	- DOD INTRASERVICE REUTILIZATION				
9	- DOD INTERSERVICE, TOTAL (Lines 10 thru 14)				
10	- TRANSFERRED TO ARMY				
11	- TRANSFERRED TO NAVY				
12	- TRANSFERRED TO MARINE CORPS				
13	- TRANSFERRED TO AIR FORCE				
14	- TRANSFERRED TO OTHER DOD AGENCIES				
15	- MILITARY ASSISTANCE PROGRAM				
16	- OTHER FEDERAL AGENCIES				
17	DONATIONS - TOTAL (Lines 18 thru 22)				
18	- HEALTH AND EDUCATION (DHEW)				
19	- PUBLIC AIRPORTS				
20	- SPECIAL INTEREST EDUCATIONAL ACTIVITIES				
21	- PUBLIC BODIES (incl disaster relief)				
22	- OTHER AUTHORIZED DONEES				
23	SALES OF PROPERTY OTHER THAN SCRAP				
24	EXPENDED TO SCRAP				
25	ABANDONED OR DESTROYED				
26	- DISPOSITIONS, (Specify in Remarks)				
27	INVENTORY ON HAND, END OF PERIOD - TOTAL (Lines 28 plus 29)				
28	- EXCESS				
29	- SURPLUS (incl foreign excess)				
30	MEMO MATERIEL HELD FOR RECLAMATION & DEMILITARIZATION				
31	MEMO MATERIEL ON HAND REPORTED TO SALES OFFICE				
32	MEMO SURPLUS MATERIEL SOLD BUT NOT RELEASED TO PURCHASER				
Section 2. PROCEEDS FROM UTILIZATION & DISPOSAL OPERATIONS					
LINE	SOURCE	(Dollars Only)			PERCENT OF RETURN
		INVENTORY VALUE a	GROSS PROCEEDS b		
33	REIMBURSABLE TRANSFERS TO MAP	\$	\$		%
34	REIMBURSABLE TRANSFERS TO OTHER FEDERAL AGENCIES				
35	SALES OF PROPERTY OTHER THAN SCRAP				
36	SALES OF SCRAP AND WASTE - TOTAL (Lines 37 thru 39)				
37	- FERROUS SCRAP				
38	- NON-FERROUS METALLIC SCRAP				
39	- OTHER SCRAP AND WASTE				
40	OTHER DISPOSALS (Specify in Remarks)				
41	TOTAL				

DD FORM 1143
NOV 63

REPLACES EDITION OF 1 NOV 58 WHICH IS OBSOLETE

Figure II-9 (front)

Figure II-9 (back)

C. ANALYSIS

1. Introduction

The purpose of this study is "to determine whether it is feasible and appropriate to centralize or consolidate the total utilization and disposal function within the Department of Defense." This Section discusses the severability of the Program from its current organizational connections, the feasibility of integration, alternative possibilities for organizational integration, and the relative advantages and disadvantages of each alternative.

Field research established that a large portion of the demilitarization and reclamation functions (e.g., of ammunition and of aircraft parts, respectively) are accomplished by people who are not assigned to the PDO, that both these functions require skills generally not available within the PDO, and that neither is a full-time mission. These functions are generally being accomplished by organizations and individuals whose primary effort is not devoted to demilitarization or reclamation, and who spend only a small portion of their total effort on these tasks. Task Group analysis indicated that this should continue to be the case and that, where demilitarization or reclamation has the characteristics of requiring non-PDO skills and of being part-time only, they should continue to be performed by activities other than the PDO. Therefore, the following analysis of the feasibility and desirability of integrating disposal does not contemplate the transfer of these functions to the property disposal organization where they are now being accomplished by people outside the PDO.

2. Severability of the Program

The Military Service and DSA organizations for disposal have been described briefly in Paragraph B.1., above, and are shown in Figures II-3 through II-7. As illustrated, there is a separate, identifiable organization within each Service and DSA which is responsible for the development of disposal policy and procedures and for the operation of the program, and there are separate, identifiable lines of communication within the program.

Procedures used by each of the property disposal organizations are similar. In each case, the disposal process begins after another logistics element has determined that a quantity of materiel is excess and has transferred it to the PDO, and this process ends only after the materiel has been eliminated from the DoD by utilization, donation, sale, abandonment, or destruction.

Funding of the disposal program is also separated, with property disposal expenses reimbursed from the proceeds from sales under an arrangement established by Congress in 1960.

In combination, these facts indicate that the basic disposal program as it currently exists within the DoD is separately identifiable, and is severable from other logistics programs and organizations.

3. Feasibility of Integration

Field research at CONUS activities established that there is already a substantial degree of integration within the property disposal function at many levels. At the Property Disposal Officer level, for example, there is total integration. The 1964 study of the program assigned disposal responsibility for all DoD activities within a defined geographical area to one DoD activity within that area; thus, some of the materiel being disposed of by a PDO has been turned in by installations belonging to other DoD components. While the 1964 study did not result in the actual integration of any activities, it did result in the complete integration of the function itself at the operating level.

DSA Headquarters has been tasked by DoD Directive 5105.22 with the responsibility to "administer the DoD Excess, Surplus and Foreign Excess Personal Property Program in CONUS and Overseas in accordance with DoD policy." Included in the DSA Charter is the responsibility to:

- a. Develop, review and prescribe techniques, systems and procedures for preparation and disposal of excess and surplus personal property.
- b. In cooperation with the Military Departments, develop and establish workload, performance and cost standards for all CONUS activities that are reimbursed from surplus sales proceeds.
- c. Maintain a reporting system for DoD worldwide excess and surplus personal property.
- d. Direct, manage and operate Defense Surplus Sales Offices.
- e. Administer a consolidated holding activity program.

These functions, in effect, integrate the sale, reporting, and policy coordination aspects of the disposal program under DSA Headquarters.

Training for the disposal operations is also integrated within the DoD. Formal courses in property disposal are a part of the Defense Management Education and Training Program and are taught to students of all DoD activities using a common curriculum.

Sales of excess and surplus personal property are conducted by the DSSOs who provide services to the PDOs in the area of merchandising, sales cataloging, contracting, sales, and accounting for proceeds for sales.

In view of the extensive amount of integration which already exists, and the fact that operations are already fully integrated, it is evident that full integration of the disposal program is feasible.

4. Organizational Alternatives

a. Introduction. We have discussed the fact that the disposal program is separable and that it is already operationally integrated. In order to explore the organization for disposal which will function most effectively, several organizational alternatives have been developed. Although many alternatives were considered by the Task Group during preliminary analysis, only those alternatives considered viable are discussed in the following paragraphs.

b. Integrated Management

The basic concept of this alternative calls for the establishment of a single manager for disposal operations in CONUS. The internal organization and functions of each individual PDO would continue as they are today. This single manager would have full control over the disposal operation at every CONUS holding activity.

There are three basic ways in which this program could be integrated: under a new separate agency, under DSA, or under one of the Military Services. Evaluation of the desirability of establishing a separate agency for this function developed the conclusion that the disposal program does not warrant this action -- total program manning within CONUS is under 5,000 people, and the establishment of the separate overhead structure which a separate agency would require can not be justified by either the magnitude or uniqueness of this operation.

The next step is to review the Military Service/DSA organization and functions as presently constituted. Since DoD Directive 5105.22 has already assigned DSA the responsibility to administer the DoD Excess, Surplus and Personal Property Disposal Program in

CONUS, the DSA is a logical activity to look towards in establishing a single manager. If DSA is not chosen as the single manager, many of the functions which are already integrated under DSA would have to be transferred to the organization chosen as the single manager. This would include the marketing and utilization functions at DLSC and the sales function at the DSSOs. Because of this, and because of the responsibility already vested in DSA for the program, the management of the DoD disposal program should be vested in the Defense Supply Agency should a single manager be deemed appropriate. For the balance of the discussion on this alternative, the single manager will be considered to be DSA.

The overall management of the DoD Disposal Program under this alternative would cause the disposal holding activities to become field activities of DSA.

With the addition of approximately 185 field activities under the operational control of DSA, the structure of the organization for disposal was explored. Since 190 activities reporting to a single headquarters for operating guidance, personnel support, and field assistance appears to be excessive, there is a need for some intermediate level of management. The DSA, through DLSC and its ten DSSOs, has already divided the country into geographical areas for the sale of surplus materiel. Field research at the PDOs showed that of all the people with whom the PDO interfaces for guidance (e.g., Service headquarters, intermediate headquarters, staff PDOs, DSSOs, DSA headquarters), the DSSO is the office with which they have the most contact. This guidance, however, is solely in the area of sales and marketing, and not in the area of disposal operations. Nine of the ten DSSO chiefs were Property Disposal Officers prior to assuming their present duty and therefore are not unfamiliar with the operation of the disposal function. Assuming that intermediate management levels within DSA are required, and since the regional concept for DSSOs is already established, it is appropriate that this intermediate management level be established at the DSSOs. It is significant to note that this concept is already being applied by the Air Force in Europe through its European Sales Offices, as outlined in Chapter III.

Figure II-10 depicts the organization of the single manager for disposal under DSA. This organization would result in an average of 19 PDOs reporting through each DSSO to DSA Headquarters, a span of control which is quite reasonable and workable. Management of the disposal and sales operations would be the responsibility of DSA Headquarters, and this would entail moving those personnel who are involved with the management of the DSSOs from DLSC to DSA.

DSA SINGLE MANAGER CONCEPT

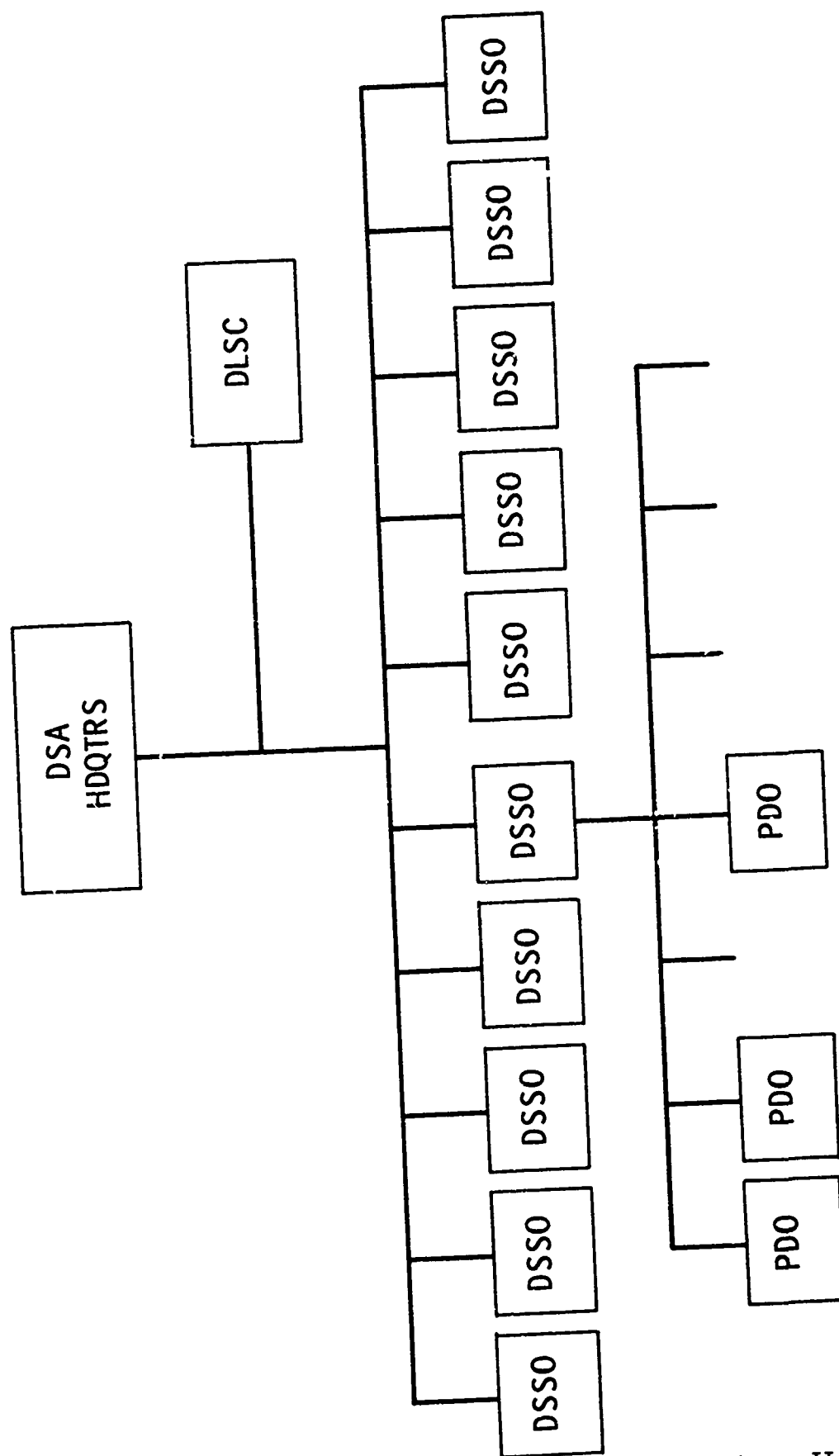


Figure II-10

c. Integrated Accounting

The basic concept of this alternative is that the stock control function of the PDOs would be consolidated.

At the present time, the stock control function for excess and surplus materiel is being accomplished at each individual PDO. The stock control procedures vary both within and among the Services/agencies, but only within the broad guidelines provided in the Defense Disposal Manual. Some of the activities visited have highly sophisticated, computer-assisted accountability operations, while others are maintaining manual records. The basic type of information was similar for all however. There is no knowledge of what items are in the disposal category throughout CONUS or even within a particular Service/agency disposal system. This knowledge is available only at each PDO.

This alternative proposes that the accountable records presently being maintained by the individual PDOs be consolidated at the DSSOs. This would result in the PDO becoming, in effect, a remote storage site for excess personal property, with all transaction processing through the stock control function at the DSSO. While a large portion of the record keeping function would pass from the PDO to the DSSO, it would still be necessary for the PDO to maintain a locator file for the materiel. Under this concept, the PDO would continue to receive and store the materiel in the same fashion as he does today and, upon completion of the screening period, he would still perform the sales lotting and merchandising functions required under the present concept of operations.

With the records centralized at each DSSO, reporting presently being performed by each holding activity would also be centralized at the DSSO. The DSSO would have greater asset visibility and thereby would be in a better position to plan its sales. By knowing what materiel is nearing the end of the screening cycle, the DSSO could program sales within commodity groups to include several PDOs in the area. This could result in fewer duplicate sales of similar materiel in succession in the same geographical area. Since the buyers express interest in bidding on Government excess by commodity group, and since the catalogs are produced in this same manner, it would allow potential bidders an opportunity to inspect the materiel at several holding activities during the same time period. Repeated trips to the same general areas by buyers for the same type of materiel could be minimized resulting in increased interest in doing business with the Government.

By having all of the record keeping functions centralized at the DSSOs, the surveillance of the record keeping function would be reduced. This would reduce the frequency and duration of the field visits to the PDOs in this area.

d. Integrated Management and Integrated Accounting. This alternative is a combination of the two preceding alternatives. Under the integrated manager for disposal, accounting for property would be accomplished on an integrated basis at the DSSOs.

e. Increased DSA Authority

Under this alternative there would be no organizational change; however, increased authority would be received by DSA within the functional areas already assigned.

While this alternative appears reasonable it is not considered viable. It would continue (and, in fact, intensify) the current split between authority and responsibility -- between the person in "control" of the program and the person with the resources for operation of the program. DoD Directive 5105.22 already assigns DSA the responsibility for administering the Defense disposal program, and DSA is unable to exercise the full potential of this authorization because of this split responsibility. Increasing the DSA authority would serve no useful purpose. There will be no further discussion of this alternative when the impact areas are explored in the next paragraph.

f. Increased OSD Involvement. Under this alternative the responsibility for the administration of the disposal program would be transferred from DSA Headquarters to the Office of the Assistant Secretary of Defense (I&L). There would be no organizational changes within the Military Services although there would be changes within DSA -- that portion of the Disposal Division of DSA Headquarters which is involved with the administration of the DoD program would become an organizational element of OASD(I&L) with a direct, unbroken chain to OSD. However, it would still be necessary for DSA to maintain a staff disposal function within its headquarters organization for the management of the DSA property disposal holding activities as well as of the sales and reimbursement programs through DLSC and the DSSOs. This would, in effect, increase the OASD(I&L) staff by the number of people they would absorb from DSA Headquarters but would shorten the lines of communication and eliminate administrative layers between the policy coordinators, DSA, and the policy setters, OASD(I&L).

g. Status Quo

The basic premise to this alternative is that the disposal program as presently constituted does not undergo any change.

In the next section the alternatives will be evaluated against certain factors that will be impacted. The alternatives to be discussed are:

Integrated Management
Integrated Accounting
Integrated Management and Integrated Accounting
Increased OSD Involvement
Status Quo

5. Evaluation of Alternatives

a. Introduction

In this paragraph the factors impacted by each of the previous alternatives will be discussed in detail:

- (1) Manpower Requirements.
- (2) Communication of Policy.
- (3) Equipment Utilization.
- (4) Utilization of Common Skills.
- (5) Facility Utilization.
- (6) Training.
- (7) Personnel Management.
- (8) Workload Input Control/Scheduling.
- (9) Surveillance/TDY.
- (10) Consolidation of PDO Structure.
- (11) Program Effectiveness.
- (12) Cost of Change.

b. Total Manpower Requirements

(1) PDO Level

Under either Integrated Management or Increased OSD Involvement, there is no change in the manpower requirements at the PDO level. Under these alternatives the PDO will continue to function as he does today.

With the alternatives of Integrated Accounting or Integrated Management and Integrated Accounting, personnel at the holding activities involved in the records and reporting function would be transferred to the DSSO within their geographical area. Figures obtained from field research were used to determine the number of personnel involved in the stock control function. (Since most of the activities visited were large, the sample is believed to be biased on the conservative side, and does not contain as many personnel in the stock control function as is truly the case for CONUS PDOs -- larger activities can capitalize on the economies of scale and have a greater tendency toward mechanization, both of which would decrease the number of personnel required for a function such as this.) These figures were extrapolated to compute the total number of people involved in this move CONUS-wide. As an average at the PDOs visited during field research, 20% of the personnel were assigned to the stock control or stock records functions. About three-quarters of this 20% were involved in the purely records and reporting functions of stock record postings, receipt document reconciliation, and posting of issues and sales. Within the Military Departments/DSA there are approximately 4,650 personnel assigned to the CONUS PDOs (see Table II-1). Using the following computation:

$$20\% \times 75\% \times 4,650 = 697.5,$$

approximately 700 personnel would be involved in this change. By centralizing the accounting function at the DSSOs the moves would be minimized within a geographical area.

The Air Force organization for disposal in Europe is similar to these alternatives -- the Air Force Sales Offices in Europe have the consolidated records keeping function for all of the Air Force holding activities in Europe. By consolidating this function they were able to accomplish it with about 30% of the personnel formerly involved at the PDO level. Using this experience as the basis for computation, the ten DSSOs could be expected to perform the records keeping function with a total of 209 people:

$$697 \text{ people} \times 30\% = 209 \text{ people.}$$

The total personnel savings through the consolidation of the accounting function would be:

Total personnel at PDO level	4,650
% involved in accounting function	20%
% of time in pure stock records	75%
$4,650 \times 20\% \times 75\% = 697$	
$697 \times 30\% = 209.1$ personnel required	
$697 - 209 = 488$ potential savings	
Average Salary = \$7,000/Yr	
Potential Savings = \$3.42 million	

These savings are annual savings.

(2) Headquarters and Intermediate Staff Level

The first and third alternatives, Integrated Management, and Integrated Management and Integrated Accounting, would provide the most significant savings in the elimination of the staffs at the headquarters and intermediate staff levels of the Military Services. Under those two alternatives, the Services would no longer have any responsibility for the disposal program and would, therefore, have no reason to retain any disposal staff.

The Services/DSA at the headquarters and intermediate level staffs had 85 people on board at the beginning of the study engaged in supervision of the disposal program:

	<u>Headquarters</u>	<u>Intermediate</u>	<u>Total</u>
Army	8	17	25
Navy	22	-	22
Air Force	2	16	18
Marine Corps	2	-	2
DSA	18	-	18
	<u>52</u>	<u>33</u>	<u>85</u>

These personnel were involved in establishing individual service policy in compliance with DoD 4160.21-M, collecting management and statistical data, reviewing (in varying degrees) budget submissions, performing field liaison and technical assistance visits to disposal holding activities, coordinating changes to DoD 4160.21-M, and other staff-type functions.

In determining the number of people required by the integrated manager to perform the functions outlined above the ratio of staff personnel to operating personnel for each Service was determined:

	<u>Staff</u>	<u>PDO</u>	<u>Ratio</u>
Army	25	1,276	51.1
Navy	22	1,144	52.3
Air Force	18	1,563	86.8
Marine Corps	2	191	95.5
DSA	3 ^{1/}	270	90.0
	<u>70</u>	<u>4,444</u>	

1/ Although 18 personnel are assigned to disposal functions in DSA Headquarters, only three are involved in the operations of the DSA disposal program. The remaining personnel are assigned to manage the total DoD disposal program and the integrated sales program.

Since DSA has been established in this discussion as the potential integrated manager, the DSA staffing ratio was used to determine the total number of staff personnel required in the integrated manager organization. This ratio produces a total manning figure for the disposal staff of 49 personnel which would result in savings of 21 personnel at the headquarters and intermediate staff level. At an average salary of \$12,000, the annual savings would be \$252,000 at the headquarters and intermediate staff level. Our discussion in Paragraph 4.b. above establishes that administration and management of the 190 PDOs should be exercised through ten regional organizations centered on the DSSOs. Based on this, 30 of these 49 spaces should be authorized to the DSSOs, with the balance of the personnel retained at DSA Headquarters.

With the Integrated Accounting alternative, where only the records keeping is consolidated, the reduction of effort at the headquarters and intermediate level would be minimal. The Military Services would still be responsible for the management of the disposal holding activities and therefore would still be establishing policy, collecting management and statistical data, and performing field visits. In effect the DSA staff would become an additional layer to the already highly structured disposal operation in DoD.

The alternatives involving Increased DSA Authority and Increased OSD Involvement would have virtually no manpower impact, although a slight manpower increase (one person) at DSA Headquarters might be required as a result of the organization realignment which would have to be made.

c. Communication of Policy

The smaller the number of echelons through which policy must be communicated, the faster the policy can be transmitted, the fewer the number of people who would get involved in interpretation and analysis, and the fewer the number of implementing directives which would be published. Under the present organization, policy change which is recommended by DSA Headquarters as part of its basic mission must pass upward to OASD(I&L) for approval and dissemination. If the policy results in a change to the Defense Disposal Manual (which it normally does), DSA must then publish a change to the Manual which must first be coordinated with all the Services. The Services must then change any of their internal disposal directives which may be altered as a result of this policy change. Field research indicates that this process of changing the Disposal Manual takes six months on the average, but can take much longer. For example, of the last three changes to the disposal manual, one change took six months, one took eight months, and another took 21 months. This time does not include the additional actions and time consuming efforts by each of the Services to alter their directives to implement the change.

Because of this lack of timeliness in making changes, interim directives are published, to be used until the change can be incorporated into the Disposal Manual. These interim directives must also be disseminated through the Service channels and are also interpreted at each level.

Under either of the Integrated Management alternatives, responsibility for publication and implementation of the Defense Disposal Manual would be assigned to a single organization. This would eliminate the requirement to coordinate proposed changes to the Manual with the Military Services, thus expediting the publication of these changes and greatly reducing the need to publish interim directives. In addition, since policy would be promulgated to the DSA property disposal offices only, it would be possible to develop the Defense Disposal Manual in sufficient detail so that no further implementing or amplifying directives would be required. This would somewhat increase the size of the Manual, but the total amount of detail published in this area would be reduced by about 80%.

Under the remaining alternatives, policy guidance and its implementation would still pass through Military Service channels and organizational levels, as the Services would continue to be responsible for the operation of disposal activities.

d. Equipment Utilization

Under the Integrated Management alternatives (both the first and third alternatives), there is a potential for increased utilization of equipment between PDOs. When equipments such as shears, balers, or cable strippers are no longer required by one PDO they could be transferred to another PDO which has a matching requirement. This is particularly significant in view of the legislative restriction which prevents the procurement of this equipment which is peculiar to disposal yard operations. The integrated manager would be in a position to have knowledge of all of the equipment assets and requirements of the CONUS disposal operation. By matching excesses and requirements the integrated manager could reduce the procurement of equipment which is already available in the disposal operation.

However, under Integrated Management with the PDOs as tenants, there would be a decrease in joint utilization of common equipment. Common equipment such as forklifts, cranes, and trucks which are in use at the PDO and the rest of the installation could not be transferred as freely between functions. Forklifts which were leased by the PDO from the host installation on an Interservice Support Agreement (ISSA) could not liberally be pulled back by the installation commander for use in another area. Additional forklifts would not be quite as readily available to the PDO when required. Field research however, did not indicate that this would be too great a problem, since most of the PDOs are operating with a fixed requirement for this type equipment. Since the equipment usage by the PDO is reimbursed to the installation, the equipment use today takes on the appearance of an ISSA. Under an integrated manager, however, this "leasing" agreement would become more formal and possibly less flexible.

Since the Military Services are supporting the disposal function today, the installation commanders have equipment in support of the disposal function within their vehicle allowance. The fact that the disposal operation would be under an integrated manager should not reduce the installation vehicle allowance, assuming that equipment support of the disposal operation would still be a requirement of the installation commander under the terms of the ISSA. There should be no reason for the PDO to involve himself in equipment acquisition to any degree greater than at the present time where he is involved in the procurement and ownership of specialized equipment only for the disposal function. That specialized equipment which has been purchased in the past with disposal funds for the disposal operation would transfer to the ownership of the integrated manager.

Remaining alternatives would have no effect on equipment utilization.

e. Utilization of Common Skills

Under the present operation of the disposal function at an installation, the installation commander is able to provide additional personnel to the disposal function under conditions of increased workload. This is due primarily to the fact that the disposal operation is normally found as a segment of the supply operation and skills such as warehousemen and forklift operators are common to both operations. Field research indicates that while this flexibility exists, very little borrowing or lending of personnel by the PDO actually occurs. For example, at one activity no labor had been borrowed for the two years preceding the Task Group visit, and at another the total amount of borrowed labor was estimated as less than one-tenth of a man-year.

Under the Integrated Management alternatives, the transfer of common skills would still be possible, although more formal negotiations would be required between the host and the tenant within the confines of the host-tenant agreement. It is likely that because of the PDO becoming an independent tenant on the installation the cross-utilization of skills would be somewhat inhibited.

This does not include borrowed labor in categories such as crane operators, burners, and riggers who are provided with reimbursement on an as-required basis. These personnel would still be required and would have to be considered when negotiating the ISSAs.

With an integrated manager for disposal there is opportunity for the manager to utilize personnel between PDOs as workload fluctuates between PDOs. Because of geography, however, this type of cross-utilization would be unlikely and unnecessary as long as skills are available on the host installation.

The remaining alternatives would have no effect on this area.

f. Facility Utilization

At the present time, the disposal function is generally located within the supply organization of an installation. This gives the supply officer the flexibility to expand and contract his disposal operation within existing facilities, and provides an opportunity for excellent utilization of total base facilities. Field research indicates that such expansion and contraction does occur to meet the workload in each area. For example, at one activity visited the supply officer rewarehoused his materiel in stock to "liberate" two warehouses for the use of the PDO because of expansion in the disposal workload.

Under all of the alternatives except those with an integrated manager this flexibility would still exist, since the warehousing function would be retained by the Services and therefore the total facilities assets would be under the control of the installation commander/supply officer.

Under an integrated manager some of this flexibility would be lost. Requests for additional space for the PDO or requests to use space assigned to the PDO as a result of an interservice support agreement would become more formal. In addition, the installation commander/supply officer would be more reluctant to conduct a rewarehousing operation within his area to accommodate the needs of a disposal operation which is not part of his functional responsibility. While this may result in a loss of flexibility to the installation commander/supply officer, it would provide the PDO with more integrity of his space.

g. Training

The training program for disposal operations within the DoD is already integrated to a great extent, and none of the alternatives would have any major effect on this area. However, under either of the two Integrated Management alternatives, the integrated manager would become the technical advisor for the curriculum being taught at all schools, and this would coordinate the curriculum for the courses now taught separately at Fort Lee and Lowry Air Force Base. Funding for the training courses would become the responsibility of the integrated manager in lieu of the Military Services.

Under the remaining alternatives, where the Services would retain some or all of the property disposal functions, there would continue to be a coordinated effort to supervise the curriculum of these DoD-wide courses, and all DoD components would continue to receive their training through the established courses.

h. Personnel Management

Under the Integrated Management alternatives, there would be an opportunity to establish a uniform grade structure for all PDOs. In addition, the broader base of the PDO structure would increase promotional opportunities within the disposal field, and should result in a more stable work force, which would improve skill levels and reduce training costs. Integration of the disposal function would also enhance the development of a career development program. The disposal employees would be able to move from smaller to larger PDOs with increased responsibility, and from the PDOs into the DSSO operation. The training program could be adapted to provide for this career development among the employees.

On the other hand, integration would inhibit local promotional opportunities for personnel of the PDO seeking employment in functional areas outside disposal. The employees of the disposal activity as a DSA activity may not be included in the area of consideration on a particular installation since they are not part of the local civilian workforce.

i. Workload Input Control/Scheduling. Within the present organizational concept of disposal, with the PDO normally a part of the supply operation, the supply officer is able to control the input to the PDO of that excess materiel which is coming from stock. The input of materiel which is being turned in to the PDO from other "customers" is scheduled by the PDO. Under the Integrated Management alternatives there would be a reduction in the capability of the PDO to control property input from stock excesses. However, this degradation would be slight. Under the remaining alternatives there would be no effect on workload input control.

j. Surveillance/TDY

The surveillance and technical assistance visits performed by the Military Departments/DSA provide (1) a means of evaluating the performance of the disposal activities, (2) a means of inspection to insure compliance with existing directives, and (3) an opportunity for an interchange of new information and techniques from higher levels and among PDOs. This surveillance is an essential element of the operation of this, or any, program. Under the Integrated Management alternatives, the surveillance role of DSA would be greatly increased, with a more than compensating reduction of this function in each of the Services. Under the remaining alternatives this surveillance role by the program administrator would also be increased; however, there would not be a resultant decrease in the surveillance function in the Military Services.

Under either Integrated Management proposals there is an opportunity for surveillance of all DoD activities by a common surveillance team. While geography might prohibit one team from performing the surveillance of all CONUS activities, teams under the direction of a single office could accomplish this task. This office would be more able to make comparisons and measure performance of the PDOs because of its knowledge of the total PDO structure.

Today, holding activities of different Services, while in geographic proximity to each other, are being visited by teams from their own Service. A single manager could reduce the total TDY cost of the surveillance function by visiting all activities in an area with a single group.

k. Consolidation of PDO Structure

From time to time changes in the total CONUS-wide PDO structure have taken place, with PDOs eliminated by a Service, or consolidated by DSA with PDOs of another Service. The areas of responsibility for PDOs are also changed from time to time as a result of these consolidations. DoD Directive 5105.22 assigns the Director, DSA, the responsibility ". . .to determine the disposal activities required . . ." within CONUS, while DoD Directive 4160.21 requires the Secretaries of the Military Departments to ". . . assure that . . . establishment of activities other than those located overseas is coordinated with the Director, DSA."

Under the present organization the DSA must coordinate with the Services involved to effect a consolidation, and the resulting process for change involves extensive negotiations and is often time-consuming. For a Service to establish or disestablish a PDO, he must have the approval of DSA; this, in effect, gives DSA veto power over activities, and the resources of those activities, which are not under the command of the Director of DSA.

Under the Integrated Management alternatives, changes to the PDO structure or to their areas of responsibility would be accomplished most easily. The remaining alternatives would have no effect on this.

l. Program Effectiveness

In the context of the disposal area, program effectiveness can be measured in terms of the utilization and donation rates, and improved program effectiveness would appear as higher percentages of property transferred as a result of utilization or donation screening.

The Integrated Accounting alternatives provide a potential for improved program effectiveness due to the greater asset visibility and control which they would provide. Both DoD and GSA screeners would be able to more effectively screen assets from records held at only ten activities instead of the 190 activities under the present concept. More utilization could occur as a result of this ability to screen centrally within a geographical area.

Of the alternatives proposed, Integrated Accounting would cause the greatest amount of turbulence in the program since stock control clerks from the various PDOs would be displaced to the DSSOs. Some of these people probably would not move, which would result in the need to recruit and train personnel to carry out this function.

The initial impact on program effectiveness would probably be greatest during the period of the program changeover to centralized accounting, although the total impact will be slight. The remaining alternatives do not result in the movement of personnel from one place to another to accomplish the same or similar functions.

m. Cost of Change

The cost of change is computed solely as the cost to transfer personnel or recruit personnel under the first two alternatives. While some costs may be incurred in the alternative to Increase OSD Involvement, these are considered minimal.

Under the Integrated Accounting alternatives, there would be a requirement to transfer approximately 210 people from the PDOs to the DSSOs for the maintenance of stock records. Most of these moves would take place within the geographical area for which the DSSO is responsible. Since the number of personnel required to perform the stock record function is appreciably lower than the number available for transfer, the positions should be filled without any additional recruitment actions and no cost for recruitment was considered in the cost of change.

Most of the clerical personnel involved in this function would not displace themselves geographically to fill this level position. Moves from the PDO to the DSSO in the same metropolitan area (such as from DCSC Columbus to DSSO Columbus and from the PDO at Philadelphia Naval Shipyard to the DSSO at Philadelphia) would be very likely to occur. Because of these minimal moves, the total cost of this change should not exceed \$50,000.

In addition to these clerical moves resulting from the Integrated Accounting alternatives, there would be a move of one person from DLSC to DSA Headquarters as a result of either of the Integrated Management alternatives. This one-time cost should not exceed \$2,500.

6. Summary Analysis

a. Introduction

Analysis of the disposal program indicates that it is an identifiable effort which occurs at a natural breakpoint in the logistics process -- the point at which materiel is transferred to the PDO. Further, this analysis shows that there is now a large degree of integration throughout the program and its operations are, in fact, already integrated.

The preceding discussion of impact areas is reviewed here to provide a summary of the advantages and disadvantages of each of the alternatives considered.

b. Integrated Management

This alternative will result in a saving of 21 spaces and \$252,000 annually due to reductions in the number of people required at staff level throughout the DoD. Lines of communication will be greatly reduced and simplified, thus reducing the time, effort, and cost involved in changing disposal policies and procedures, and in changing the PDO structure itself. Small advantages will be realized in the areas of equipment utilization, training, and personnel management generally, and costs of surveillance will decrease.

On the other hand, small disadvantages will accrue from a decreased flexibility in the use of common skills (primarily in the storage and warehousing area), a decreased flexibility in the use of storage facilities, and a decreased capability in the area of workload input control and scheduling. Costs of personnel movement associated with this alternative is estimated at about \$2,500.

c. Integrated Accounting

This alternative will produce a saving of 488 spaces and \$3.4 million annually due to the reduction in the requirement for accounting/record keeping personnel. Initially, program effectiveness can be expected to drop somewhat due to the turbulence associated with the change, but eventual increased utilization and donation will more than offset this brief initial drop.

This alternative will result in a slight increase in staff surveillance costs, and a decrease in the ability to utilize common skills -- in this case in the area of stock record accounting. Actual costs because of personnel movement are estimated at about \$50,000.

None of the other advantages or disadvantages of the preceding alternative apply.

d. Integrated Management and Integrated Accounting

This alternative is a combination of the first two, and its effects are basically a combination of those just discussed. It will result in the greatest manpower savings, estimated at 509 spaces and \$3.6 million annually. As under the Integrated Management alternative, lines of communication will improve greatly, and the ability to change

the PDO structure itself will be significantly enhanced. Small advantages will also be realized in the areas of equipment utilization, training, and personnel management. The costs of surveillance will decrease compared to the present, which is a significant improvement over the preceding alternative which envisions a slight increase in the cost of surveillance.

Small disadvantages will accrue from decreased personnel and facility flexibility, and the loss of control in the area of workload input. The impact of this alternative on program effectiveness is the same as the preceding alternative -- an initial decrease followed by a more than compensating increase. As with the preceding alternative, actual costs of this change are estimated at about \$52,500.

e. Increased OSD Involvement. This alternative will result in an additional requirement for one space, at an estimated annual cost of \$20,000. It will result in a slight improvement in the area of communications, and virtually no impact in other areas.

D. CONCLUSIONS

1. Although the responsibility for administering the DoD Personal Property Disposal Program in CONUS in accordance with DoD policy is assigned to the Director, DSA, the ability of DSA to effectively carry out this responsibility is diminished because of the lack of control over the operation of the function at all levels.

2. The disposal program begins after materiel has been declared excess by a responsible military agent. From that point on, the program is identifiable and is capable of being separated from other logistics programs.

3. The disposal program has been moving toward integration since 1961, and is integrated to a large extent under DSA; in fact, the operations of the program at the disposal activity and sales office levels are already fully integrated.

4. Significant dollar savings can be achieved through the consolidation of the accounting function, and such consolidation can be accomplished with or without total integration of the disposal operation.

5. Reorganization of the disposal function can produce savings for DoD. Of the alternatives analyzed, maximum benefits will be achieved by integrating disposal management and the accounting for property which has been identified as excess.

CHAPTER III

OVERSEAS UTILIZATION AND DISPOSAL

A. INTRODUCTION

This Chapter discusses utilization and disposal in the European and Pacific Theaters. Two factors govern the discussion:

- ** First, at least partially as a result of the differences in geography, the two theaters are different organizationally, and there is no single organizational pattern common to both; and,
- ** Second, the process for the screening and utilization of local supply system stocks before they are declared excess is interwoven with a portion of the excess screening cycle within the Pacific theater; a similar screen is planned for implementation in the European theater.

This discussion therefore also includes the process for the utilization of local excesses or "long supply" items before they are actually declared excess.

This Chapter separately describes the organization and processes for long supply utilization and excess disposition within the European and Pacific Theaters, followed by a single analysis which interrelates the findings for the two geographical areas and leads to a single set of conclusions for overseas utilization and disposal.

B. EUROPEAN THEA

1. Introduction

The review of disposal organization and related utilization organization and processes in the European Command (EUCOM) quickly and emphatically demonstrates the large magnitude of Air Force involvement, because the responsibility of the Redistribution and Marketing (R&M) Centers for utilization and sales within the disposal program, and of the Materiel Asset Redistribution Center Europe (MARCE) for the pre-disposal utilization effort, are both under the management control of Headquarters, U.S. Air Force Europe (USAFE).

This review further establishes the predominance of Army and Air Force involvement when compared to the role of the Navy, and the relatively minor participation of the Commander-in-Chief European Command (CINCEUCOM) staff in the day-to-day operation and control of the programs. EUCOM Headquarters has a separate staff coordinator for the "utilization" and "disposal" areas. These coordinators indicated that their contacts with the operating agencies in the Army and Air Force are "occasional" and "sporadic," and that their primary interest and effort is with MAP disposal and the utilization of MAP excesses.

In view of the relative predominance of the activities, the sequence of organizational presentation for the European theater will be Air Force, Army, and Navy.

2. Organization

a. Air Force

(1) Overall Responsibility

Headquarters, USAFE is assigned a major role for the redistribution and marketing of excess personal property in Europe, including responsibility for:

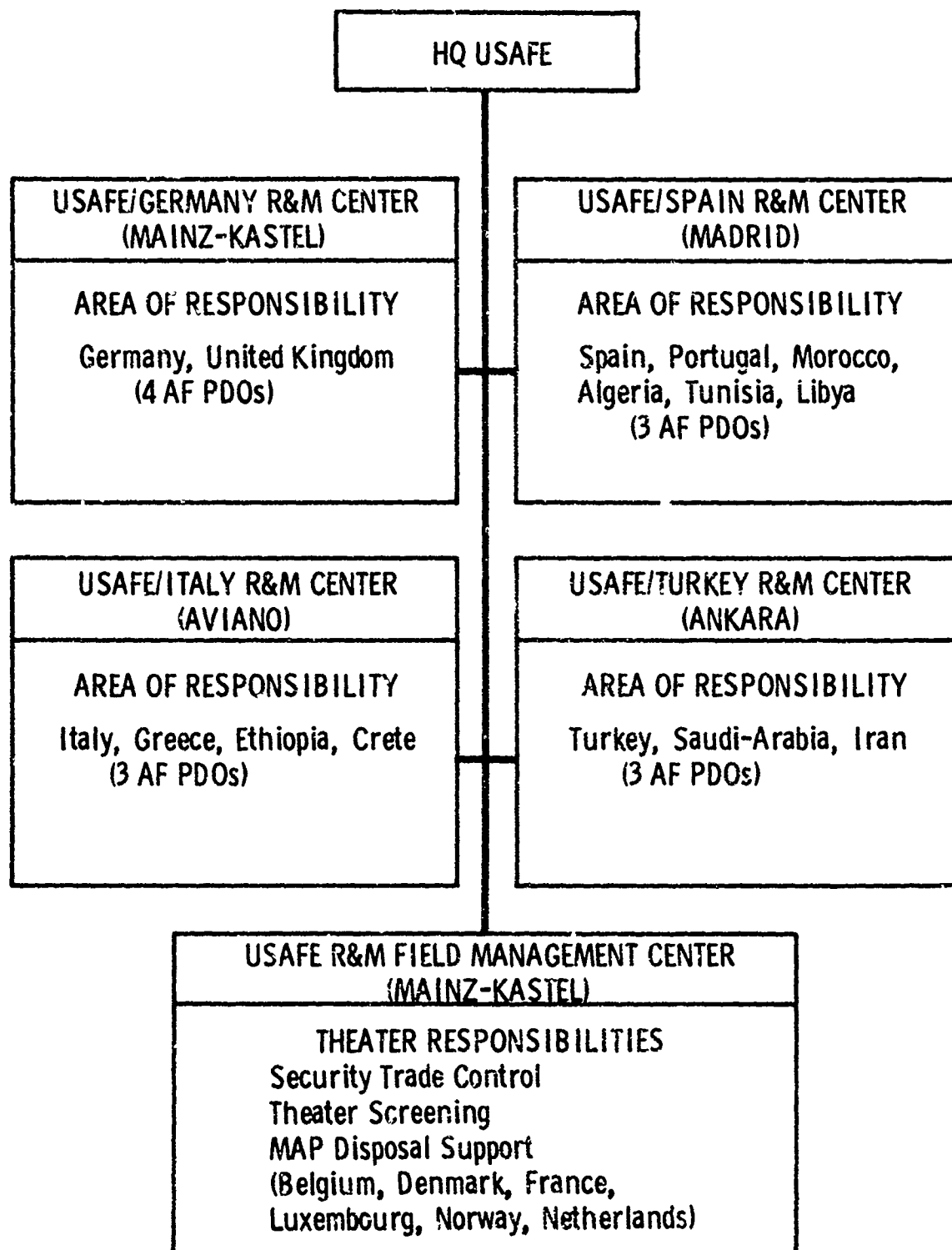
(a) Staff supervision over USAFE property disposal activities.

(b) Redistribution of MAP excess and sale of DoD excess property generated within EUCOM, including security trade controls over sales within the EUCOM and MEAFSA (Middle East, Africa south of the Sahara, and Southern Asia) areas.

(c) Disposal support, as required, to U.S. organizations in the MEAFSA area.

To accomplish this mission, a Headquarters organization staffed by four people has been established to provide management control. The field organization consists of five R&M Centers, four serving as focal points for excess property redistribution and disposal operations within a major geographical area, and the fifth Center for MAP property and certain theater-wide functions. Each of the four geographically-oriented R&M Centers has responsibility for the management control of Air Force Property Disposal Offices (PDOs) located within its geographical area of responsibility, as well as for performing sales functions for the PDOs of the other Services located within the same area. The overall organization structure and geographic responsibility for disposal is portrayed in Figure III-1.

USAFE PROPERTY DISPOSAL ORGANIZATION



Personnel data for the five R&M Centers and the associated USAF property disposal organizations is shown in Table III-1.

Table III-1

USAFE DISPOSAL MANNING

Location	DAFC ^{1/}	MIL ^{2/}	LN ^{3/}
HQ USAFE	1	-	3
Germany Center (Mainz-Kastel)	3	-	36
Molesworth PDO	1	2	36
Ramstein PDO	-	1	16
Bitburg PDO	-	1	14
Kastel PDO	-	2	18
MAP Center (Mainz-Kastel)	2	4	24
Paris Office	2	-	4
Spain Center (Madrid)	2	3	10
Torrejon PDO	-	2	5
Moron PDO	-	-	2
Zaragoza PDO	-	2	1
Italy Center (Aviano)	2	-	10
Aviano PDO	-	1	4
Brindisi PDO	-	1	2
Athens PDO	1	5 ^{4/}	8
Turkey Center (Ankara)	2	2	10
Balgat PDO	-	2	2
Karamursel PDO	-	2	3
Incirlik PDO	1	1	4
Total	17 ^{5/}	31	212

Source: Field Research

^{1/}Department of the Air Force civilians.

^{2/}All military are enlisted personnel.

^{3/}Local Nationals.

^{4/}High numbers/percentages due to nonavailability in area of qualified Local Nationals capable of communicating and willing to accept the offered wages.

^{5/}Usually organization chief and/or contracting officer.

While the current organizational structure is as shown in Figure III-1, the original R&M Center alignment prior to 1968 consisted of six R&M Centers-- the additional Center located in the United Kingdom-- and plans now call for a reduction to three Centers. The future Center alignment will consist of two geographical Centers (a Central Region and an Eastern Region), plus the MAP Center with theater-wide responsibilities. The Central Region, with the R&M Center at Mainz, will include Germany, the United Kingdom, Italy, and Spain. The Eastern Region, with the Center in Athens, will include Greece, Turkey, Saudi-Arabia, Crete, Iran, and Ethiopia.

(2) R&M Centers (General - Geographical)

Figure III-2 shows the organizational pattern for a typical R&M Center. Each of the four geographical R&M Centers is responsible for the implementation of theater policies and procedures; development and promulgation of operating procedures in consonance with country agreements and regulations; maintaining centralized property records; conducting and consummating consolidated sales; exercising area surveillance over R&M satellite activities; and, rendering disposal assistance to Military Assistance Advisory Groups and U.S. diplomatic missions located within the assigned area of responsibility.

The R&M Center Germany, except for size, is typical of the Centers assigned an area responsibility. As shown in Figure III-2, this Center has 39 people authorized; 37 of these are assigned, and are located within the organization as follows:

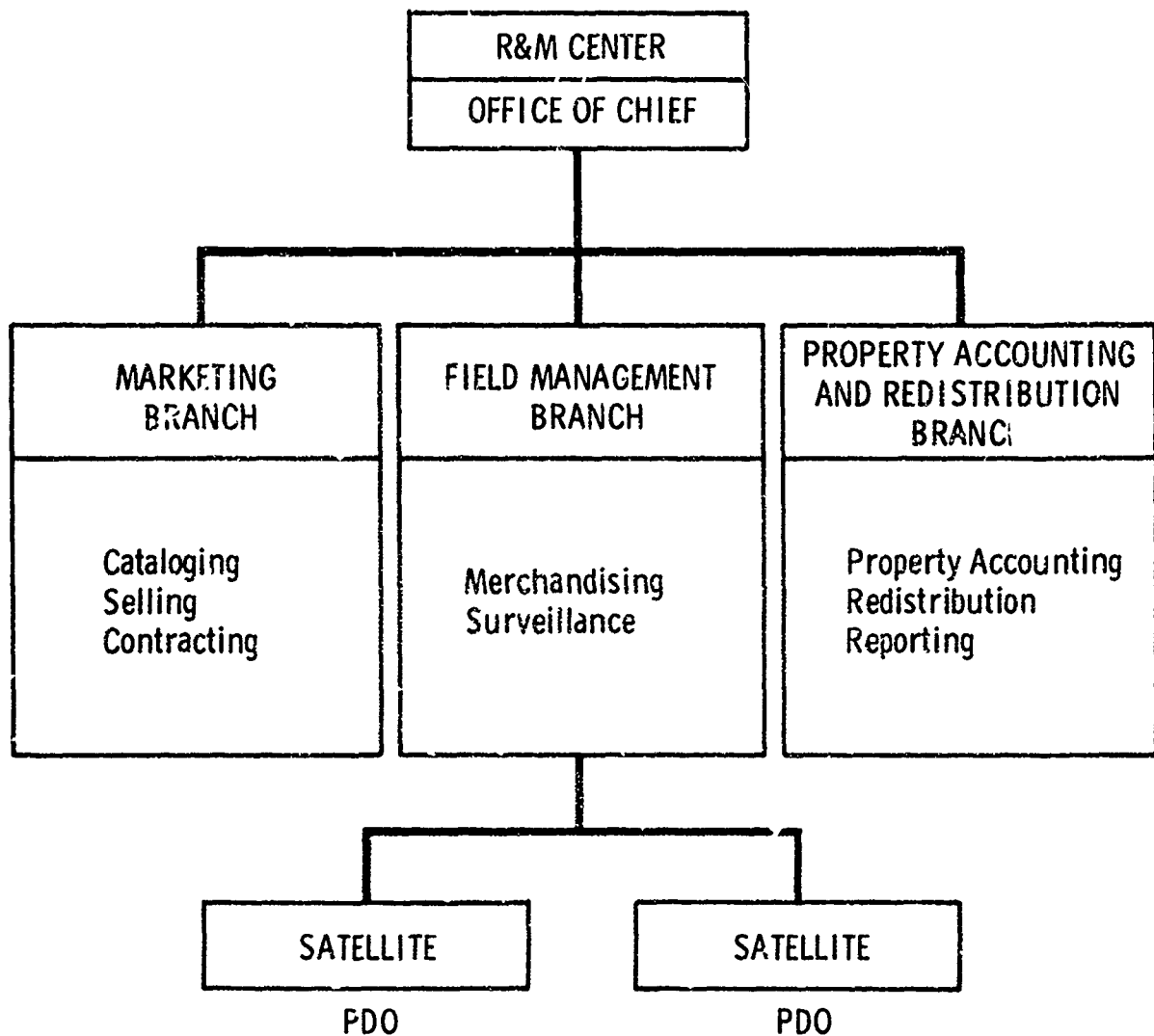
Office of the Chief	-	3
Marketing Branch	-	22
Field Management Branch	-	5
Property Accounting and Redistribution Branch	-	7

The R&M Center Germany, as shown in Table III-1, has four Air Force Property Disposal Office (PDO) satellites: Molesworth in the United Kingdom, and Ramstein, Bitburg, and Mainz-Kastel in Germany. The eight U.S. Army Holding Activities in Germany report materiel for sale to this Center.

The following factors are of particular significance to current and future disposal support:

(a) Air Force Theater Personnel Control. This is exercised by USAFE Headquarters, whose R&M Branch may initiate action for permanent or temporary realignments of personnel; an example of a temporary realignment was the move of several individuals from

TYPICAL USAF
REDISTRIBUTION & MARKETING CENTER



activities in the United Kingdom and Germany to Turkey to assist in a PDO close-out. Realigning the R&M Centers is also a responsibility of the USAFE R&M Branch, and the reduction from four to two Centers is an example of a major, permanent organizational modification and personnel realignment.

(b) Regional Personnel Control. The Chief of each R&M Center may arrange for temporary personnel realignments between activities within his area of responsibility.

(c) Location. The R&M Centers are management and administrative type organizations. The success of their sales effort is dependent on their ability to communicate with potential buyers. Therefore, the Center Chiefs indicate a need to be close to a major international airport/transportation/commercial center, and each Center is now so located.

(3) R&M Field Management Center (MAP and Theater Screening)

This R&M Center is, as its title indicates, oriented toward theater-wide responsibilities, rather than having a regional mission as is the case with the other Centers. From an organizational standpoint, two major factors need emphasis:

First, the organization's role is oriented primarily toward MAP excesses and foreign sales. Most of the organization-- the U.S. MAP Office, Paris, the MAP Support Branch, and the Security Trade Control Branch-- deals extensively with segments of foreign governments, the MAAGs and U.S. Embassies; their role is unique to operations in an overseas, foreign country environment.

Second, the final organizational sub-unit, the Theater Screening Branch, will have its theater-wide screening role significantly reduced after MARCE assumes responsibility for pre-disposal theater-wide utilization screenings (discussed in Paragraph 4 below).

The specific functions of each of the organizational elements of this Center are as follows:

Security Trade Control Branch: coordinating actions with other U.S. Government agencies to preclude diversion of foreign excess property to unauthorized consignees or destinations, including maintaining the USEUCOM Consolidated List of Cleared Bidders.

MAP Support Branch: disposition through sale of MAP excess property located in Belgium, Denmark, France, Luxembourg,

Netherlands, and Norway; because of the volume and complexities involved, a U.S. MAP Office, Paris, has been established to handle receipt, control, and sale of the property located in France.

Theater Screening Branch: implementing theater excess property reporting, screening, and redistribution policies and procedures, including publishing excess property listings for theater screening.

(4) Property Disposal Offices (PDOs)

Air Force PDOs are organized and staffed in a similar pattern, generally as follows:

PDO Office - One M/Sgt as PDO, one LN as Assistant PDO, and one LN as Clerk-Typist.

Document Control Branch - One to four LNs based on the workload.

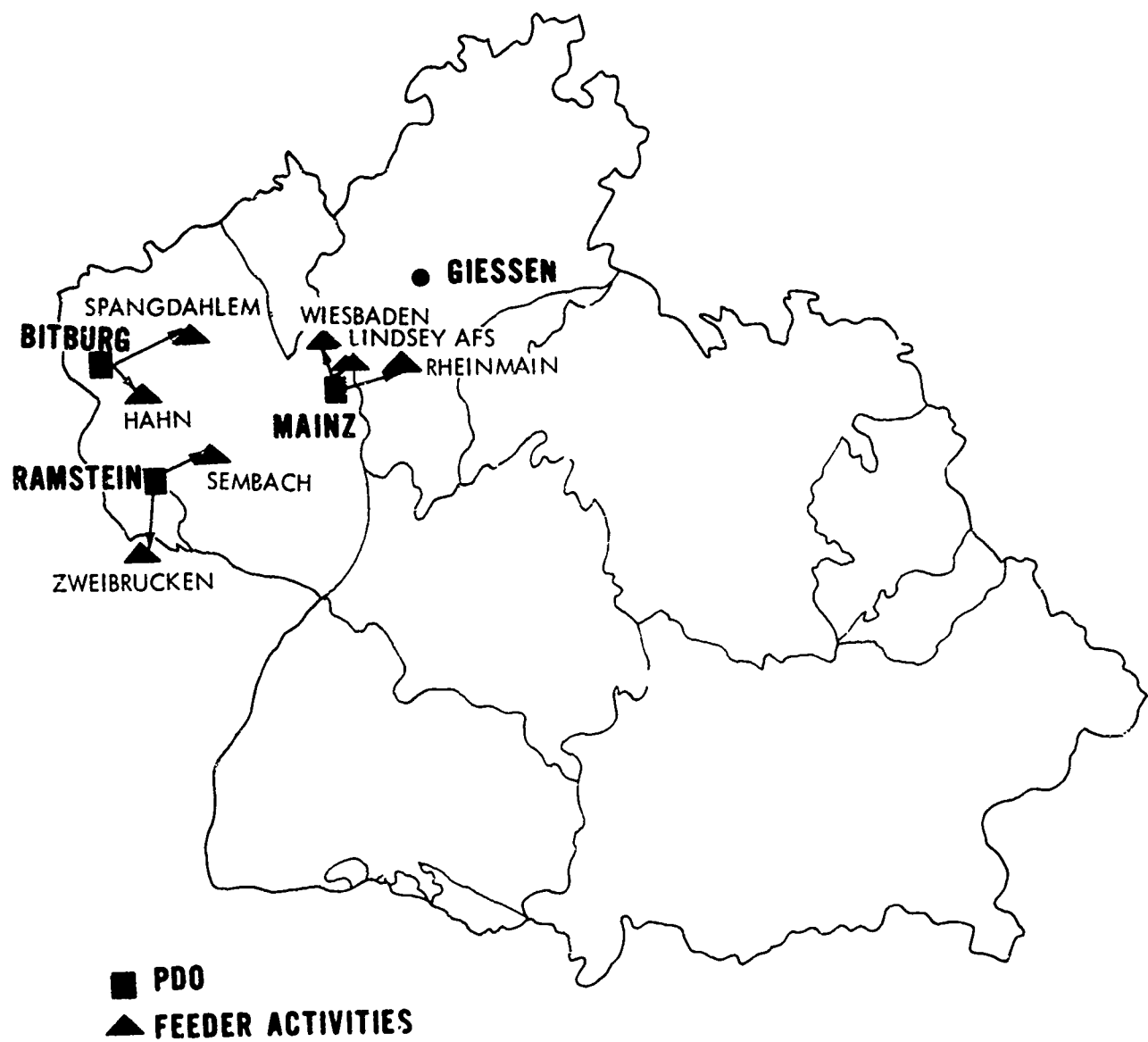
Materiel Processing Branch - Two to ten LNs based on the workload.

Storage - Warehousing - Scrap Yard - Three to 16 LNs based on the workload.

On occasion up to four additional enlisted personnel are used in place of local nationals; this is the case primarily in Greece and Turkey where it is difficult to obtain LNs.

Each of the thirteen Air Force PDOs receives materiel from one or more Air Force installations in the area, generally more than one; Figure III-3 shows the Air Force PDOs in Germany and their associated "feeder activities." Air Force PDOs in countries in which the other Services have very little strength (e.g., Greece, Turkey) receive and report materiel from those Services. In addition, Army activities in Germany turn-in property to Air Force PDOs and vice-versa; however, it must be emphasized that this is done on an exception basis only, and that the system identifies a disposal activity of his own Service as the intended recipient for each activity's excess property.

USAFE PROPERTY DISPOSAL ACTIVITIES



b. Army

(1) Overall Responsibility

U.S. Army European disposal operations are under the management control of two headquarters organizations: Headquarters, U.S. Army Europe (USAREUR) located at Heidelberg, and Headquarters, U.S. Theater Army Support Command (TASCOM) located at Worms. The USAREUR disposal staff consists of one departmental civilian while the TASCOM disposal staff is composed of two departmental civilians and three LNs. These staffs provide technical guidance and command supervision to 11 Army Holding Activities (property disposal offices) located in Europe and one in Africa. A majority of these Holding Activities have one or more associated property "Collecting Points." These "collecting points" are activities manned and controlled by the PDO which are responsible for receiving property turned in by Army units. These are, in effect, in-transit points for excess property, since any property received is shipped to the PDO. The overall Army disposal organization of EUCOM, including identification of the number of Collecting points assigned to each Holding Activity, is shown in Figure III-4. The geographical location of the Holding Activities and Collecting Points is shown in Figure III-5.

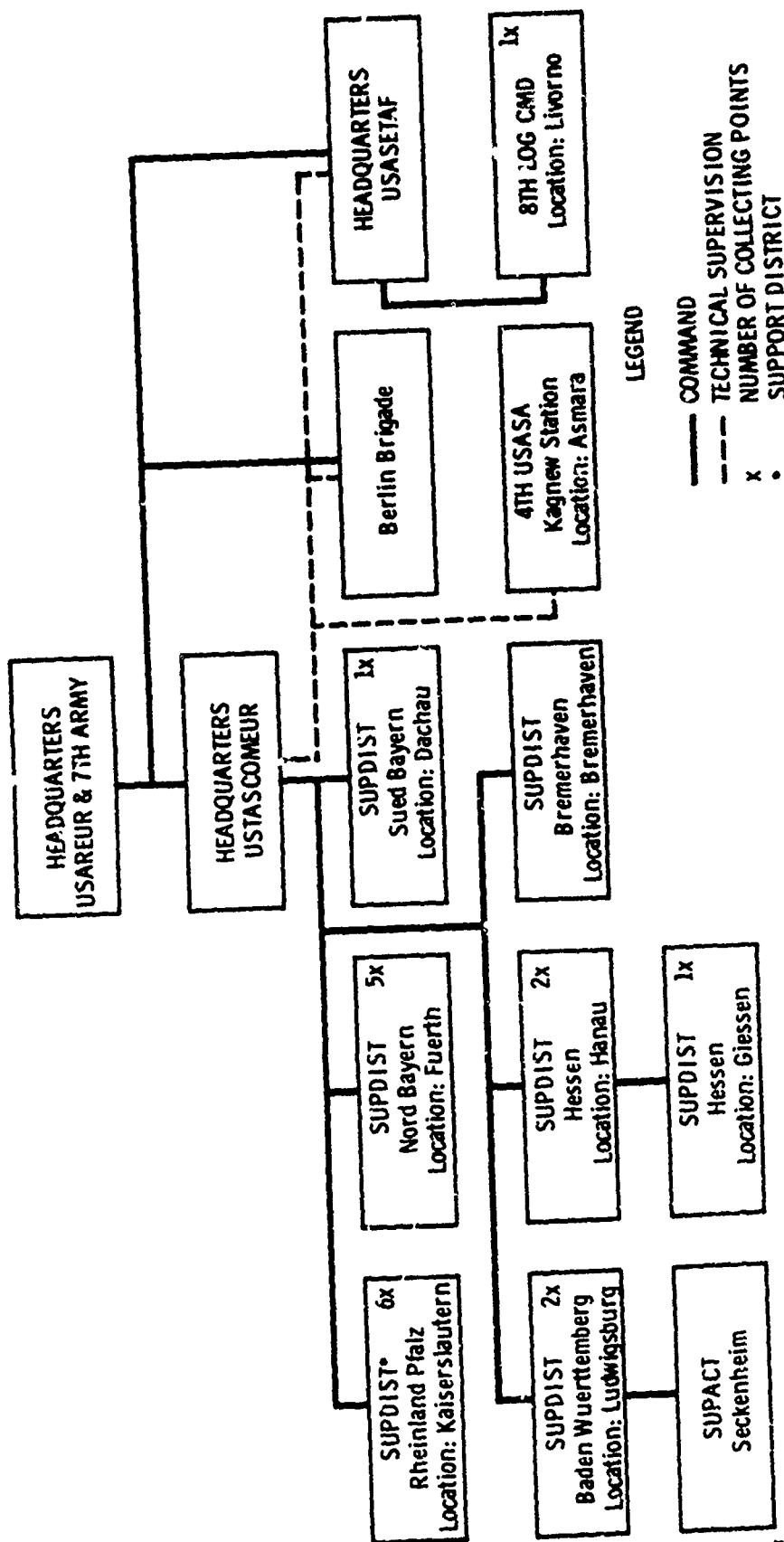
The Army disposal organization is composed of PDOs only-- it contains no sales offices. The 11 holding activities in Europe, each of which is under the command of the Support District in which it is located, report property to an Air Force R&M Center for sales purposes. Kagnew, in Ethiopia reports to the Army Security Agency, Virginia; because of its location, it is authorized to conduct its own sales.

Army disposal organization staffing is shown in Table III-2.

(2) Property Disposal Organization (PDO). The organization of a typical District PDO is shown in Figure III-6. As an indication of the manning of an Army PDO, the Property Disposal Division of the Rheinland Pfalz District-- the largest and most active in USAREUR-- was manned as follows:

Office of the Chief	- 6
Contract and Sales Office	- 3
Control Branch	-17
Storage Operations Branch	-47
Collecting Points: Germersheim	-14
Pirmasens	- 8
Miesau	- 3
Baumholder	-18
Bad Kreuznach	- 8

USAREUR PROPERTY DISPOSAL ORGANIZATION



USAREUR PROPERTY DISPOSAL ACTIVITIES

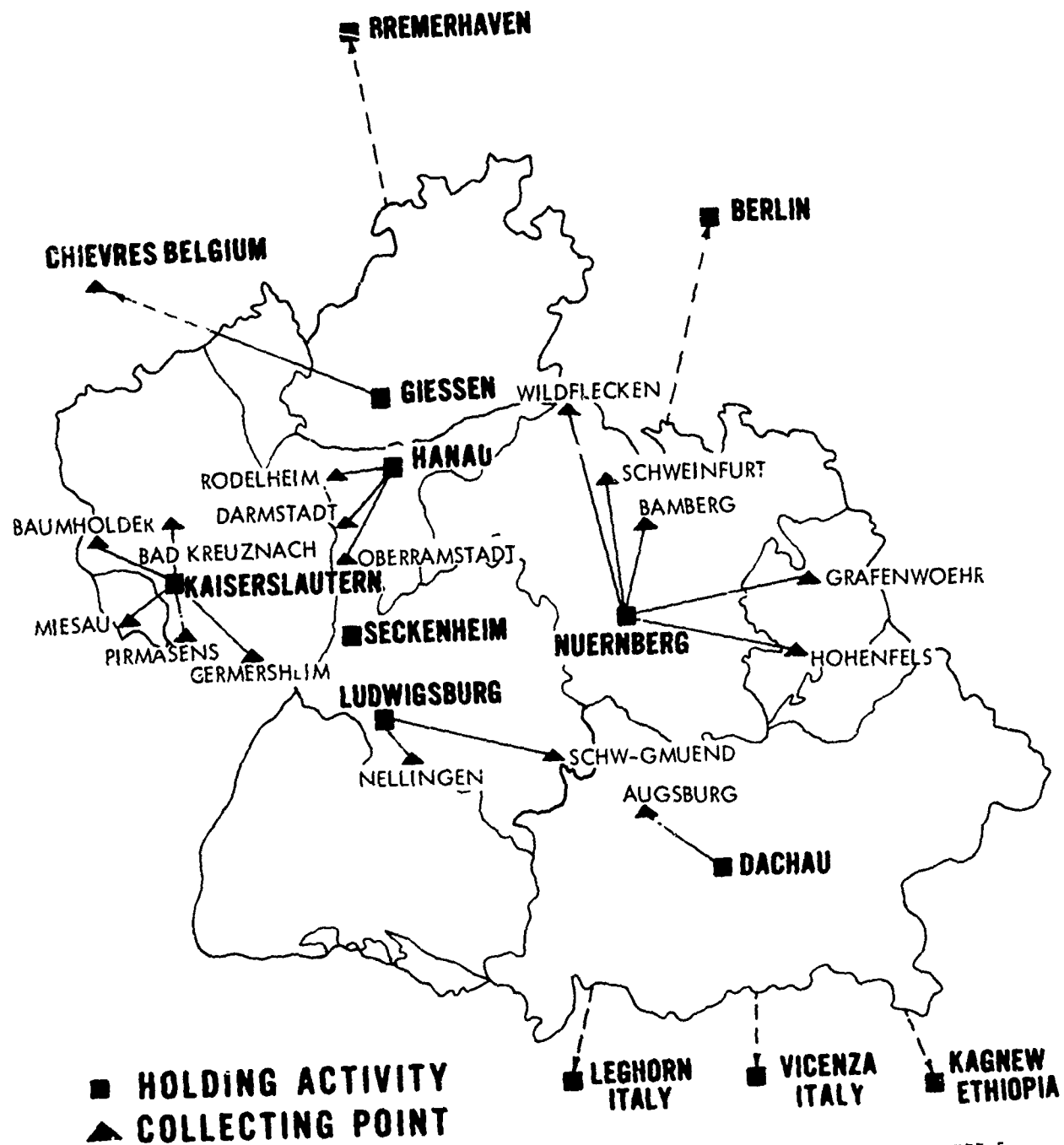


Figure III-5

Table III-2

USAREUR DISPOSAL MANNING
(30 June 1971)

Activity	Officers ^{1/}	EM ^{1/}	DAC	LN	Total
Baden Wuerttemberg	2	5	-	42	49
Bremerhaven	1 ^{2/}	-	-	5	6
Hessen	1	3	2	47	53
Nord Bayern	2	4	-	25	31
Rheinland Pfalz	-	1	2	94 ^{3/}	97 ^{3/}
Sued Bayern	1	1	-	13	15
Berlin	-	1	1	5	7
8th Logistical Cmd	-	6	1	8	15
Kagnew Station	1 ^{2/}	1	-	1	3
Total	8	22	6	240	276

Source: Field Research

^{1/}The number depends on District and the ability to hire LNs; trend is to minimize use of military personnel for disposal; many man-hours used for functions other than disposal; valuable because of their familiarity with supply programs related to disposal and because of familiarity with the materiel being received, screened, and sold.

^{2/}Specifically designated as part-time jobs.

^{3/}Excludes 25 temporary LN overhires.

USAREUR - TYPICAL DISTRICT PDO

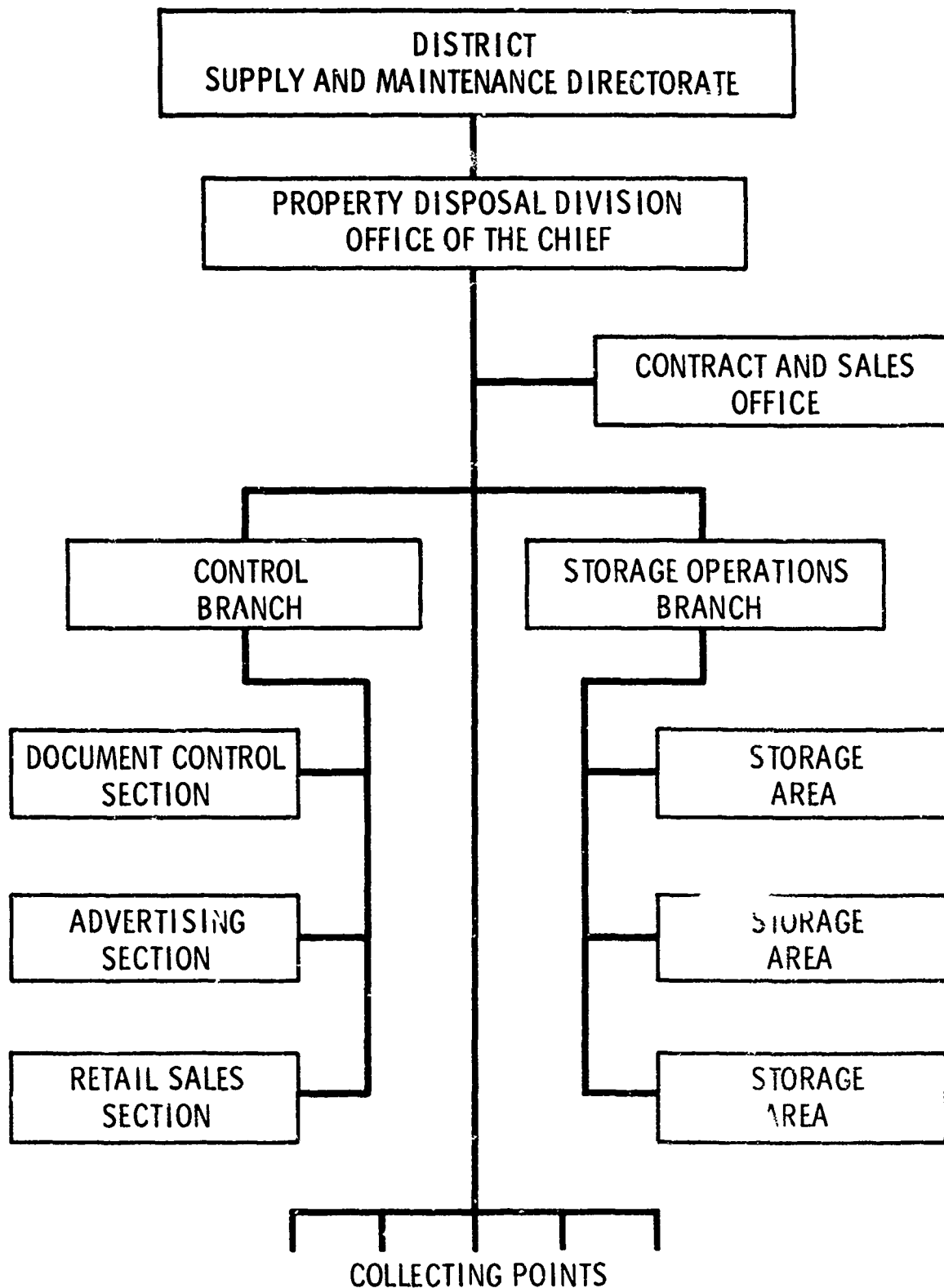


Figure III-6

c. Navy

The Commander in Chief, U.S. Naval Forces, Europe (CINCUSNAVEUR), London, provides command guidance, including disposal direction, to Naval activities in the European area. Technical guidance/direction is provided to the Naval disposal activities by the Naval Supply Systems Command, Washington, D.C. Only three U.S. Navy activities in Europe have Property Disposal Organizations with a significant disposal volume: the Naval Support Activity Naples, Italy; the Naval Station Rota, Spain; and the Naval Training Center, Morocco. Staffing for the three activities is as follows:

	<u>NSA Naples</u>	<u>NS Rota</u>	<u>NTC Morocco</u>
Military	1 $\frac{1}{2}$	-	1
LN's	5	8	3

1/Collateral duty.

It is significant to note that the PDO at NS Rota and the Assistant PDO at NSA Naples are both local nationals.

The Naples PDO receives turn-ins from the Naval Air Station Naples, the NATO Base, the U.S. Naval Hospital, the American Schools, the Avellilo Communications Stations, the NSA, the NSA Annex at Gaeta, and from SIXTH Fleet units.

3. Support Arrangements

Since Air Force disposal activities are centrally managed and each PDO reports directly to an R&M Center, they are considered tenants of the installations on which they are located. As a result, "USAF Host-Tenant Support Agreements" (AF Form 149) or interservice support agreements are established for their support. Army property disposal activities, though independent by chain of command from the installations on which they are located, do not have formal tenancy agreements in effect. Navy disposal activities are relatively small, and are merely considered another element of the local organization.

In spite of the differences in organizational arrangement, the means of support are similar. In each case support effort which is readily identifiable is charged to the reimbursable disposal fund, while support efforts which are more difficult to identify or separate (generally the minor charges) are excluded from charge. Among the support charges made to reimbursable funds are:

Civil Engineering Services
Communications
Contract Maintenance
Contract Services
Equipment
Leased Space
Local Nationals Pay

Office Equipment
Pay of U.S. Civilians
Purchased Utilities
Supplies
TDY
Transportation

In some cases, areas of high potential cost are not being charged; examples include comptroller support, printing and publication services, and communications services. Generally, these costs are excluded because of the difficulty of separately identifying the specific amounts applicable to the disposal operation.

4. Utilization of Supply System Assets (MARCE)

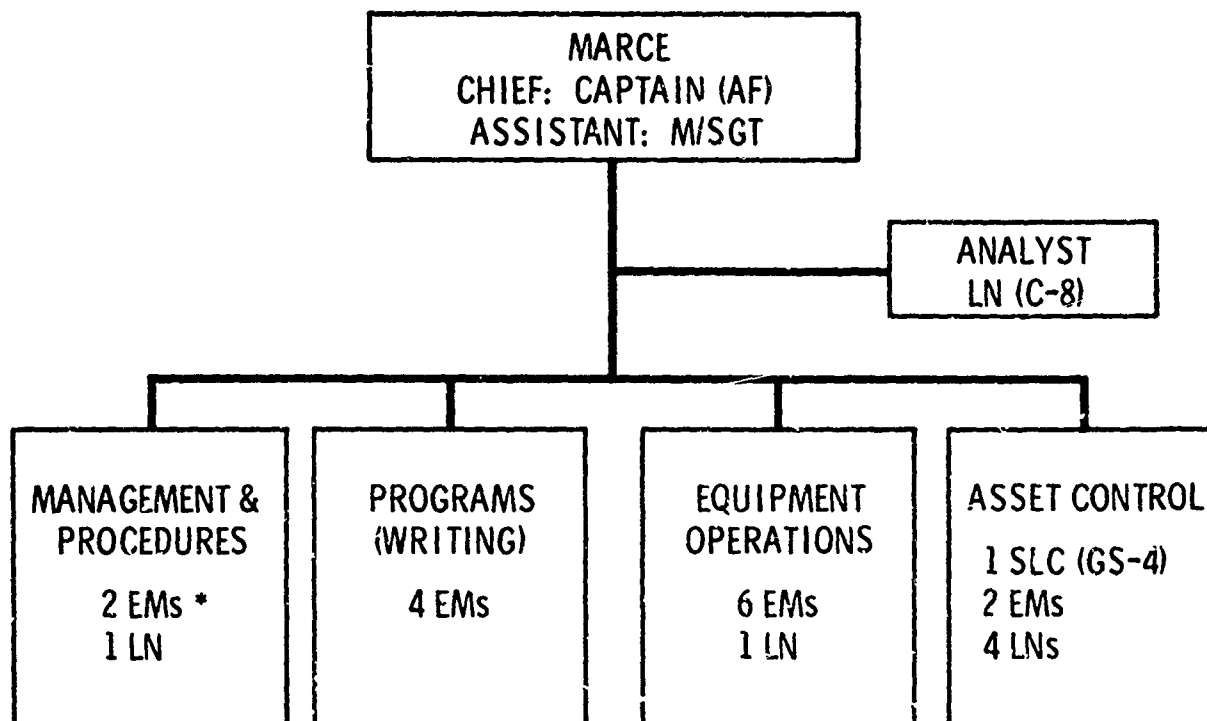
a. Background. Within the European Theater, the Materiel Asset Redistribution Center Europe (MARCE) provides the system for interservice utilization of Military Service supply system excesses within Western Europe, North Africa, and the Middle East. By DoD Directive 4140.34, "DoD Personal Property Utilization Program," the Secretary of the Air Force is "to operate on behalf of, and in accordance with policies issued by the ASD(I&L), a program for the centralized screening of DoD-owned assets in the European Theater and report the status thereof in accordance with DoD 4140.34-M," (Defense Utilization Manual). MARCE began operation on 1 July 1967, and is presently located at Lindsay Air Force Station, West Germany.

b. Organization

MARCE is responsible for providing "a centralized inter and intra Service excess asset screening and redistribution program within the European Theater." The MARCE organization is located within the Command Equipment Management Office, Support Services Division, Materiel Directorate, Headquarters, U.S. Air Force Europe (USAFE). MARCE is organized and staffed as shown in Figure III-7.

MARCE is conducting intra and interservice screening of requirements against reported excesses for 36 Air Force and 17 Navy activities, each reporting directly to MARCE. In addition, MARCE is performing interservice screening for the Army, based on a single input from the U.S. Army Materiel Command, Europe. Army input occurs after the Materiel Command Inventory Control Center has reviewed Army European Theater (intraservice) needs and determined that there is an Army theater excess.

MARCE ORGANIZATION



* 1 ARMY AND 1 NAVY EM ASSIGNED FOR LIAISON.

RECAP (15 JULY 1971)

PERSONNEL	AUTHORIZED	ASSIGNED
OFFICERS	1	1
ENLISTED 1/	20	15
DAF CIV	1	1
LN CIV	8	7
TOTAL	30	24

SOURCE: FIELD RESEARCH

1/ STAFFING EFFORT UNDERWAY IN PREPARATION FOR MARCE
PROGRAM EXPANSION SCHEDULED FOR 1 JANUARY 1972.

Figure III-7

c. Guidance. MARCE's basic policy and procedural guidance is provided by DoD 4140.34-M, Chapter 9, "Centralized Screening of Air Force, Army, and Navy owned Excess Assets in the European Theater." Detailed system operating procedures are provided in USAFEM 67-3, "Procedures for Centralized Screening of Air Force, Army, and Navy Owned Excess Assets in the European Theater (Materiel Asset Redistribution Center Europe (MARCE))." USAFEM 67-3 was jointly developed.

d. Procedures

The basic MARCE concept of operation is that each participant determines and reports its excesses and requirements to MARCE. MARCE screens requirements against excesses and issues Redistribution Orders (RDOs) directing shipment to requiring activities. At the end of the screening cycle undistributed excesses are "released" to the holding activity for turn-in to disposal activities.

Approximately 34 Air Force supply accounts plus two maintenance contractors, and 17 Naval activities participate directly in the MARCE program. Only one Army activity, U.S. Army Materiel Command Europe (MARCOMEUR), participates directly with MARCE; this arrangement is discussed in greater detail in subparagraph e below.

The following excess property is reportable to MARCE; (1) materiel condition codes A and B (Serviceable) regardless of line item value; (2) Army, Navy, and Air Force items not reportable to an inventory manager for disposition instructions; (3) all excess DSA and GSA property prior to reporting to the inventory manager; (4) excess property released by inventory managers for disposition; and, (5) other items as directed by theater Military Service Commands.

The following items are exempt from reporting to MARCE: (1) unserviceable items; (2) ammunition and missile materiel; (3) clothing sales/clothing and small stores items; (4) bulk petroleum, oil, and lubricants; (5) nonappropriated fund items; (6) medical items; (7) obsolete and noncataloged items; (8) items with locally assigned stock numbers; (9) vehicles and other similar end items; (10) subsistence; and, (11) MAP excesses.

Navy and Air Force Service-peculiar items are screened for a 90-day period, while Army-peculiar items are excluded from screening since MATCOMEUR accomplishes this function for Army units within the theater. Other items are screened for 180 days. Items surviving the screening cycle are "released" back to the owning activities for further reporting to DSA, GSA, or through the disposal system.

Service activities submit priority 02-20 requisitions (funded or unfunded) to MARCE. Requisitions are screened against reported excesses and either filled, killed, or passed to the appropriate supply source. At an activity's request, unfunded requisitions (not filled) can be retained for repeated screening. Status is provided within 24 hours of receipt.

Shipments directed by MARCE are made from the source of supply closest to the requisitioning activity. A suspense record is established for each RDO issued, and is retained within the MARCE computer until shipments are confirmed or denied.

e. Army Participation in MARCE

The MATCOMEUR Theater Inventory Control Center (ICC) at Zweibruecken maintains accountable records for Army storage and maintenance activities throughout the theater. Requirements/requisitions are received from the activities and, as the MATCOMEUR ICC-controlled assets are reviewed against theater requirements, item excesses are determined. MATCOMEUR ICC is responsible for an intra-Army utilization screen prior to reporting the materiel to MARCE as excess, acting as the sole contact point for the almost 1,200 Army units in the theater.

The Army procedure results in a concurrent screening by the CONUS ICP and MARCE.

f. MARCE Changes

The present MARCE system will be markedly changed on 1 January 1972 to resemble the system used in the Pacific Theater (see Paragraph C. 4 below). At that time, Service-held assets will be concurrently screened by theater activities, CONUS ICPs, and DLSC. Upon release from this screening, property will pass to property disposal activities for local screening and sale.

This program will include a "variable holding cycle." Items which, over time, have shown no theater redistribution potential will be released for disposal after DLSC and inventory manager screening; a recent survey covering a two-year period indicates 70% of all line items fall into this category. Those items which have high theater redistribution histories will be retained in the MARCE file until attrited out.

In addition, a DoD Joint Service Manual will be developed to insure increased uniformity and participation in the MARCE program, and there will be joint Service manning of a liaison, surveillance, and field assistance team.

5. Utilization and Donation Process for Excess Property

a. Introduction

After completion of appropriate theater screening actions, and receipt of disposition instructions from the CONUS ICP for centrally-managed items, materiel is declared excess and transferred to the property disposal organization for further processing.

This paragraph discusses actions taken in the further processing of this excess property.

b. Guidance. All Services utilize DoD 4160.21-M as basic guidance in their day-to-day disposal operations. Each Service has further implementing directives to conform to overseas theater peculiarities.

c. Property Receiving and Accounting

Property receiving practices for all Services in Europe are basically identical to those followed by CONUS activities. This means that property turned into Air Force property holding activities (R&M Center satellites) by any Service must be accompanied by an Air Force Form 695, rather than the DD Form 1348-1 used by other DoD components. Procedures for inspection and warehousing generally follow those used by CONUS PDOs.

Army and Navy accounting practices also basically follow those used in CONUS, but Air Force differs markedly. For Air Force activities, the turn-in documents are forwarded to the Property Control and Redistribution Branch of the applicable R&M Center, for centralized (on an area basis) accounting and control. The PDO at Molesworth, England, is the only exception to these centralized accounting procedures-- it currently maintains its own accountable records, but will transfer this function to the Germany R&M Center during Fiscal Year 1972.

d. DoD Utilization Reporting and Screening

(1) Introduction. There are two types of reporting/screening involving overseas excess property: DLSC screening in accordance with DoD 4160.21-M, and theater screening in accordance with Service directives.

(2) Reporting for DLSC Screening. Air Force R&M Centers report property on a test manual form which allows the reporting of up to ten mixed-class items of property. Army activities normally

report to DLSC via AUTODIN, although the SF 120, "Report of Excess Personal Property," is used when detailed descriptions are required.

(3) Reporting for Theater Screening. Theater screening requires reporting to the Theater Screening Branch (TSB) of the Air Force R&M Field Management Center. Criteria for reporting are established by, and vary with, each individual Service. For example, Army theater screening criteria have a minimum line item value for reporting of \$500, while the Air Force criterion is basically \$200. However, Army requirements for theater screening has been discontinued since February 1971, at which time Headquarters USAREUR waived the requirement for formal theater screening and substituted a local area screening for a maximum of ten days.

(4) Theater Screening. The TSB prepares theater screening lists each week and distributes these to all Service activities for a 30-day screening. Requisitions for items appearing in this catalog are forwarded to the TSB (except some MAP items). Requisitions are held, by TSB until the 30-day screen is complete and then Service-owned property is issued in the following priority order: (a) DoD mission organizations; (b) MARS; (c) DoD nonmission organizations; and, (d) eligible foreign countries and international organizations. The TSB directs shipments.

e. Donation

The EUCOM donation program is guided by DoD 4160.21-M, which provides for donation to local foreign civilian activities overseas when it is certified that property to be donated has no commercial value or that the continued cost of care and handling will exceed the anticipated return from sale.

Although DoD 4160.21-M does not allow donation of property overseas until after it has been declared "abandonable," Health, Education and Welfare (HEW) representatives have been identifying and selecting property for donation prior to that time. By agreement with GSA, HEW agents identify items utilizable by state-side HEW activities; this property is shipped back to CONUS at HEW expense but under the ownership of GSA until released within CONUS to the intended recipient.

6. MAP Property Utilization

USAFE, as the acting executive agent within the European Command for the redistribution of MAP excess property, utilizes the Theater Screening Branch to accomplish this function. USAFE Regulation 68-5, "Processing of Redistribute MAP Property," implements

this responsibility and is directive on the Services and Military Assistance Advisory Groups (MAAGs) within the EUCOM area.

EUCOM MAAGs are required to report property identified as redistributable MAP property on SF 120, "Report of Excess Personnel Property," to the TSB after first screening excess against intra-country service requirements. The TSB publishes weekly MAP excess screening lists and distributes them to all MAAGs and Service activities in the EUCOM area. Screening requirements are submitted to the TSB which holds them until the end of the 30-day screening period. Requirements are then honored in the following priority sequence:

- a. MAP Requirements Funded and Unfunded.
- b. U.S. Military Theater Activities.
- c. U.S. Department of State Theater Agencies.

When theater screening is completed, the remaining assets are reported by the TSB to designated CONUS Service ICPs/agencies for world-wide screening, based on Service criteria/ownership. There is no standard time limitation for this screening of MAP excess assets; approximately \$29 million worth of property has been in screening for over a year.

7. Sales Process

a. Retail Sales. Retail sales are conducted at a number of installations. With the exceptions of scrap wood, the sale of property is limited to U.S. military and Government civilian personnel. Sales are conducted in accordance with the Defense Disposal Manual.

b. Item Descriptions

Foreign excess property that survives the utilization screening and donation cycle is reported for sale. While the Army, Navy, and Air Force are complying with the Defense Disposal Manual, the method each employs for merchandising and reporting property to the Air Force Redistribution and Marketing Center varies slightly. For example, Army and Navy activities lot, display, and furnish catalog descriptions to Air Force R&M Centers in ready-for-camera form; these descriptions are complete and are ready for insertion in a sales catalog. On the other hand, Air Force R&M Centers send merchandisers to Air Force installations to lot, display, and prepare catalog descriptions; these descriptions are prepared in the field and typed in finished form at the R&M Center.

Because of the large volume of property, R&M Centers cannot, in all cases, sell by category. Therefore, most sales conducted by the R&M Centers are miscellaneous-type sales.

c. Sales Catalogs. At Mainz-Kastel, the R&M Center prepares and distributes a one-page flyer containing a brief description of the materiel offered for sale. This is sent to each bidder whose name appears on the bidders list. In order to receive a catalog, the bidder must sign the flyer and return it to the R&M Center. No response to flyers in a six-month period automatically removes the bidder from the bidders list. Because of time and distance, state-side bidders receive catalogs rather than flyers. The Air Force R&M Center sales catalogs are similar to those prepared by the DSSOs in CONUS.

d. Sale of Property

The normal time allotted for inspection of property is 25 days while the delivery time varies from 20 days for items not requiring an import certificate to 35 days for items that require an import certificate. Delivery time on scrap sales is normally 30 days. Bid deposits are required (20% of total price bid) and the Government loads property when and where possible. Exception to the similarity is the Security Trade Control requirement that an "End-Use Certificate" be submitted to the contracting officer with each bid. Acceptance of the bid is based on the information contained in the "End-Use Certificate" and consideration of security requirements. Copies of contracts are automatically furnished the Security Trade Control Branch, USAFE R&M Management Center, Mainz-Kastel. End use checks desired by the contracting officer are made by the Embassy through the Security Trade Control Branch.

Foreign Excess Property is sold "As is - Where is" in accordance with SF 114-C, "General Sales Terms and Conditions," as prescribed by GSA. Additional clauses are added when necessary but in no case is the description of the property guaranteed.

It was estimated that the average time span between receipt of the sales listing by the R&M Center and the delivery of the property to the buyer is 84 days.

Legal services concerning such matters as defaults, misdescriptions, and claims, are provided by the Legal Office of Headquarters USAFE. Approximately three claims are processed per year by the R&M Center, Mainz-Kastel.

e. Bidders Lists. There is no central bidders list in Europe, and each R&M Sales Office maintains its own. The R&M Sales Office at Mainz-Kastel has a bidders list with over 3,000 names on addressograph plates. This list is purged through the use of the sales flyers mentioned above.

f. Demilitarization. Very little demilitarization is performed by the Property Disposal Officer. Either the item is "de-milled" prior to turn in or is de-milled by the contractor after sale.

g. State Department Embassy-Involvement. Negotiations concerning country-to-country agreements are conducted by the State Department through the Embassy. Neither the R&M Sales Office nor the Property Disposal Officer is consulted on proposed changes; items that are of direct interest to the Sales Officer or PDO are considered "administrative processes" which can be handled within the overall country-to-country agreement. Consultation, if any, is with the Office of the Secretary of Defense, and/or Headquarters, EUCOM.

h. MAP Sales. MAP excess property no longer required by the host country is reported to the Field Management Center, Mainz-Kastel on an SF 120. Reportable-type property is screened while the non-reportable property is forwarded to the merchandising section for sales preparation. When a sufficient quantity is available for sale, the merchandisers make a field visit to the storage location where the property is lotted and catalog descriptions are prepared. These descriptions, together with the turn-in documents, are forwarded to the R&M Field Management Center for cataloging and sale. When possible property located in several countries is combined in one sales catalog; however, France insists on separate catalogs for property located in that country. Sales catalogs are printed by the R&M Center, Mainz-Kastel, and distributed to bidders in the countries where the property is located in addition to those bidders on the R&M Center bidders list showing an interest. The "General Sales Terms and Conditions" in each catalog are those prescribed by GSA and contained on the SF 14C. Additional special conditions of sale are added as required.

i. Sales Data

Sales of usable property during Fiscal Year 1971 were as follows:

	<u>Acquisition Value</u>	<u>Proceeds</u>
Air Force	\$15.0 million	\$0.8 million
Army	63.5 million	3.4 million
MAP	34.3 million	2.1 million

Scrap sales during the same time period were:

	<u>Short Tons</u>	<u>Proceeds</u>
Air Force	16,486	\$0.5 million
Army	74,047	1.9 million
MAP	18,872	0.5 million

j. Security Trade Control

The Security Trade Control Branch coordinates required safeguards and controls over sales with other U.S. Government agencies to preclude diversions of foreign excess property to unauthorized consignees or destinations. The Branch publishes and maintains the EUCOM Consolidated List of Cleared Bidders and determines the validity of import and delivery verification certificates. In addition, the Branch indicates appropriate administrative action in case of denial of an import and delivery verification certificate by host countries, requests investigation of alleged or suspected diversion of property to unauthorized consignees or destinations, and furnishes information concerning reported or suspected diversion of foreign excess property for transmission to the Assistant Secretary of Defense, International Security Affairs. Control files are maintained on actual or suspected diversions of foreign excess property by purchasers to unauthorized consignees or destination. The Branch also compiles and maintains the EUCOM List of Controlled Items of foreign excess property.

During Fiscal Year 1971 the Security Trade Control Branch performed the following actions:

No. of I&R Checks Processed	440
No. of Import Certificates Processed	564
No. of Delivery Verifications	
Certificates Processed	853
No. of End-Use Checks and Follow-up	
Checks Processed	3,346
No. of Invitations for Bid Reviewed	216
No. of Sales Contracts Reviewed	3,271
No. of Case Files Forwarded to OASD/ISA	5
No. of Case Files Completed by STC	14
No. of Case Files Completed by OASD/ISA	163

k. German Government-Owned Property. German Government-owned property which has been declared surplus is turned into the base or post property disposal offices for storage. It is received, stored, and finally sold by German nationals working within the PDO area. The

sales method employed is similar to our retail sale and is open to the public. Payment for items must be in Deutsche Marks. Because of the country-to-country agreement, German-owned surplus is not comingled with U.S. property, and is not sold through U.S. Invitations for Bids. The volume of German Government-owned surplus property input was significant during the 1960s. However, at the time of field research in 1971, the input and storage of German-owned property at PDOs was relatively small compared to the U.S. DoD-owned surplus.

C. PACIFIC THEATER

1. Introduction. Field research within the Pacific Command (PACOM) established two significant differences from the European Theater:

- ** The constraints of geography-- the tremendous distances involved-- caused PACOM to organize on an individual area (defined as a separate country or a separate geographical entity, such as the islands of Okinawa or Guam) basis, rather than on an overall theater basis.
- ** Theater and inventory control point screening of local excess are so integrated insofar as PACOM assets are concerned as to significantly affect the materiel utilization functions and the responsibilities of the property disposal organization.

2. Organization and Manning

a. Introduction

Despite the individual development of organization by area within PACOM, field research revealed that the disposal organization and operation falls into three basic patterns for the Disposal/Sales Organizations in the areas visited: integrated into the Military Service headquarters within the area; established as an "operating agency"; and, integrated as an operating element of an activity.

The organizational discussion in this paragraph will be presented as follows: first, the overall theater organization for disposal; second, the unified and component command headquarters organization and manning for staff supervision over this functional area; and, finally, separate discussions of each of the three patterns, including applicable comments under each pertaining to manpower allocations, and geographical and command relationships. Organization of the theater screening function is discussed in Paragraph 4 below.

b. Overall Theater Disposal Structure

In brief, the PACOM organization provides for a single Property Disposal Sales Office (PDSO) within each area; this PDSO is assigned to one Military Service and is responsible for the sale of materiel generated at all Property Disposal Holding Activities (PDHAs) within that area, regardless of Service.

CINCPAC Instruction 4500.2, "Pacific Command (PACOM) Property Disposal Operations," assigns responsibility for the operation of the PDSOs as follows:

to the Army: Japan, Korea, Okinawa, Thailand, and Vietnam

to the Navy: Philippines, Guam, and Hawaii

to the Air Force: Taiwan

This directive also identifies the PDHAs within PACOM and the Military Service to which assigned. The Air Force has 12 PDHAs, the Army has 10, and the Navy has six; the Marine Corps had no PDHAs within PACOM. By country and Service, the number of PDHAs is as follows:

	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Total</u>
Japan	1	2	3	6
Korea	2	-	1	3
Okinawa	1	-	1	2
Thailand	2	-	5	7
Vietnam	4	-	-	4
Guam	-	1	-	1
Hawaii	-	1	-	1
Taiwan	-	1	1	2
Philippines	-	1	1	2
Total	10	6	12	28

Total property disposal manning within PACOM is as follows (Navy data includes NSC Pearl Harbor):

	<u>Military</u>	<u>Departmental Civilian</u>	<u>Local National</u>	<u>Total</u>
Army	31	105	1,409	1,545
Navy	2	1	115	118
Air Force	59	5	87	151
Total	92	111	1,611	1,814

c. Headquarters Organization

Staff supervision over disposal operations within PACOM is exercised primarily through the several component command headquarters-- the staff disposal function within the unified command headquarters is a part-time duty and consists essentially of transmitting higher headquarters guidance down to the component commands.

The largest and most formalized component command headquarters structure exists within Headquarters U.S. Army Pacific (USARPAC). Staff disposal functions here are assigned to the Property Disposal Branch, Services Division, Transportation and Services Directorate. In addition to normal USARPAC staff responsibilities, this office has also been charged with coordinating all actions related to security trade controls within PACOM on behalf of CINCPAC. (The subject of Security Trade Controls is discussed in Paragraph 6 below.) This Branch is authorized one military and three professional civilians (one of whom is assigned to the PACOM Security Trade Control function) plus one person for clerical support.

Staff supervision over Navy disposal activities in the western Pacific is exercised on a part-time basis by one officer (an estimated 10% to 20% of his time) on the staff of the Commander Service Force Pacific (COMSERVPAC). The chain of command for the activities located in Guam, the Philippines, Taiwan, and Japan runs from COMSERVPAC to the Commander-in-Chief, Pacific Fleet (CINCPACFLT), although there is no separate staff PDO function within CINCPACFLT; the staff PDO within COMSERVPAC also performs that function for CINCPACFLT. In contrast, the PDSO/PDHA located at the Naval Supply Center, Pearl Harbor comes under the direct staff supervision of the Central Naval Personal Property Disposal Office of the Naval Supply Systems Command.

Staff supervision over Air Force disposal activities is also a part-time function, assigned to the Supply Services Division, Directorate of Supply and Services, Headquarters Pacific Air Force (AF). An estimated 10% of the time of one individual is devoted to staff supervision over disposal activities within PACAF.

d. Property Disposal as Headquarters Element - Japan and Okinawa

(1) Organizational Pattern

Property Disposal Sales Office and Holding Activity functions have been made an integral part of the local Military

Service headquarters within two geographical areas. Specifically, in Japan and Okinawa Property Disposal Divisions have been established within the local Army command headquarters, and these organizations perform operating disposal functions; in Japan this Division is part of the Directorate of Supply and Storage in Headquarters, U.S. Army Japan (USARJ), while in Okinawa this Division is part of the Directorate of Services of the 2nd Logistical Command. Each Property Disposal Division contains the single PDSO selling materiel for the entire area, as well as the only Army PDHA in the area.

Although the internal organization of these two divisions vary in detail, they provide for the accomplishment of the same basic functions: physical property handling, property accountability, merchandising/marketing, and sales.

(2) Geographical Relationships

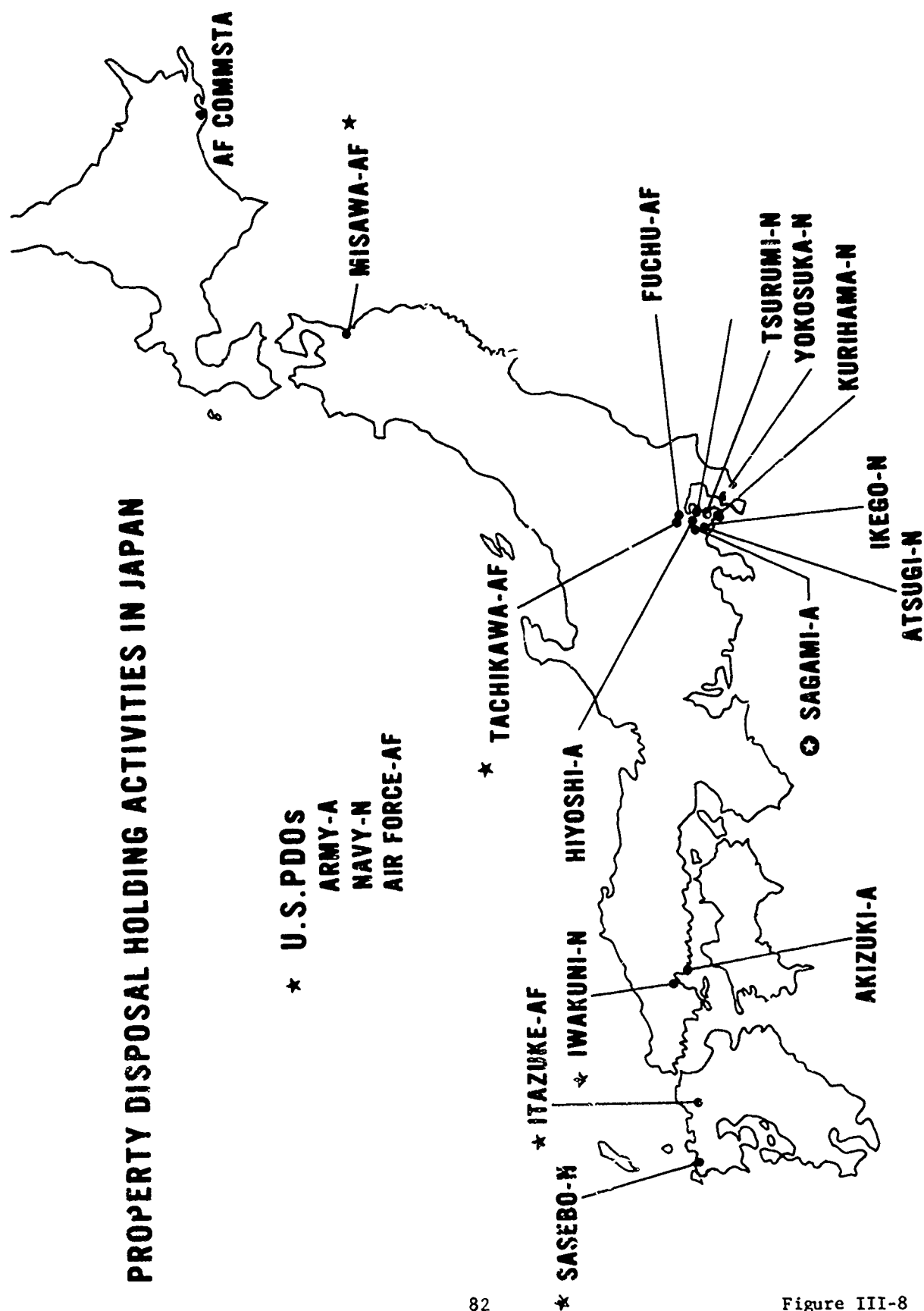
There are six Holding Activities within Japan reporting property to the Army-operated Sales Office at Sagami; these PDHAs, and their owning Services, are:

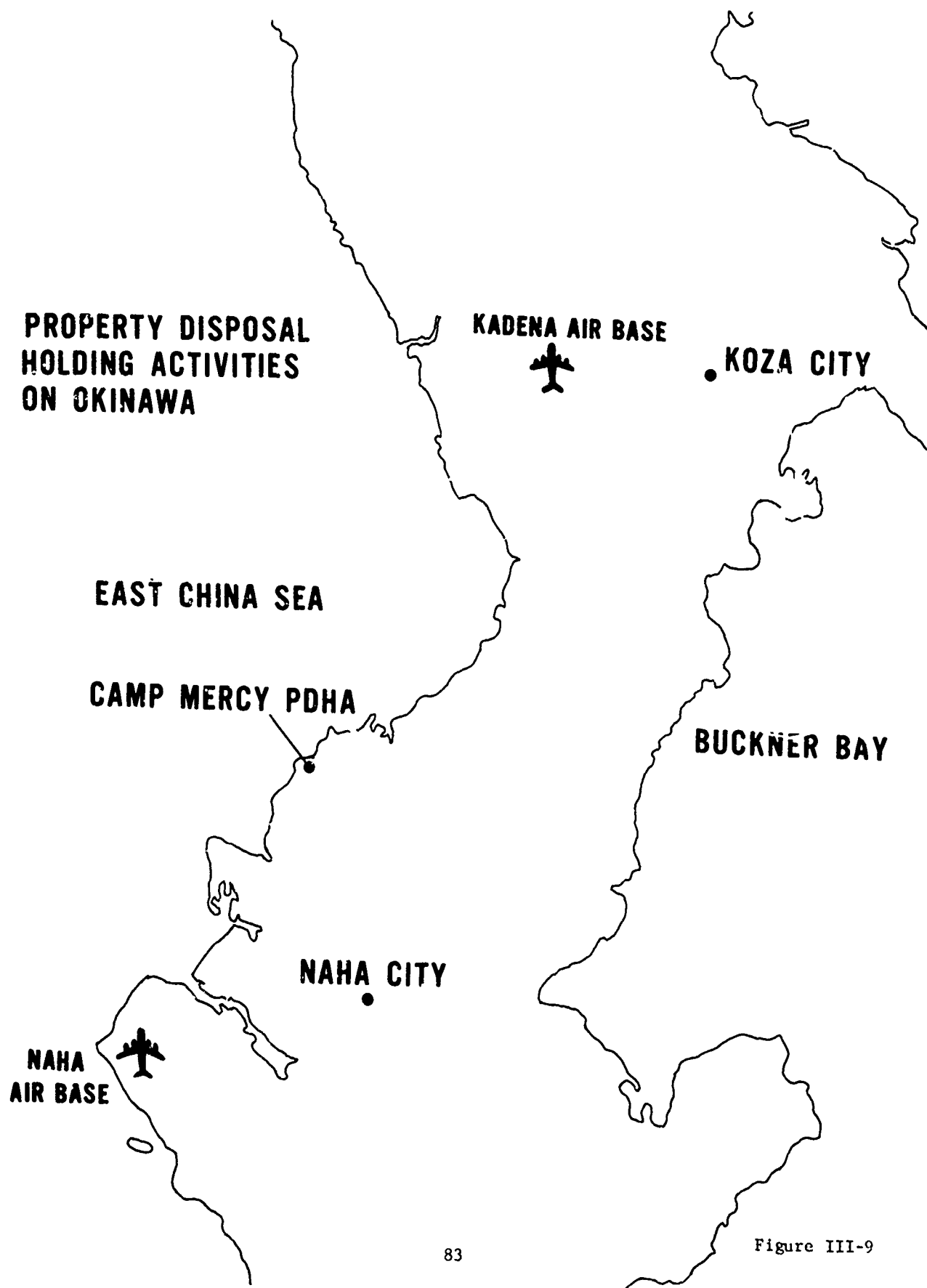
- (a) Air Force-- Misawa, Tachikawa, and Itazuki
- (b) Navy-- Sasebo and Iwakuni (Marine Corps Air Station)
- (c) Army-- Sagami

The Kanto Plain is the area including and surrounding Tokyo. In geographical terms, each Military Service operates Holding Activities to support its own units outside the Kanto Plain. Within the Kanto Plain, the Air Force operates its own PDHA at Tachikawa Air Base in support of Air Force activities in the area, while the Navy (primarily at Yokohama, Atsugi, and Yokosuka) is supported by the Army-operated PDHA at Sagami. Figure III-8 shows the PDHAs located in Japan.

On Okinawa, both Property Disposal Holding Activities report materiel to the Army-operated Sales Office at Camp Mercy: the Army PDHA at Camp Mercy, and the Air Force PDHA at Kadena Air Base, which is identified as being responsible for the disposition of all Air Force excess property in the Ryukyu Islands. Air Force excess personal property at Naha Air Base is transported to Kadena for disposal through the Holding Activity located there. Excess property of other Military Services on Okinawa is turned in to the Army PDHA at Camp Mercy. Figure III-9 is a map of the southern portion of Okinawa showing the relative locations of several major military installations.

PROPERTY DISPOSAL HOLDING ACTIVITIES IN JAPAN





(3) Manning. Authorized manning of the two Army Property Disposal Divisions is as follows:

	<u>Japan</u>	<u>Okinawa</u>
Officer	2	-
Enlisted	2	-
Departmental Civilian	11	12
Local National	148	83
Total	163	95

(4) Command Relationships

In Japan, the property disposal organization had not been involved in negotiations or discussions involving the Japanese Government, nor was it aware of any problems which would have required this. Because the Sales Office at Sagami is also the staff advisor to the staff of U.S. Forces, Japan, it would have been involved if any problems had developed in this area.

The Army property disposal organization on Okinawa also serves as staff advisor to the Army headquarters for the area, U.S. Army Ryukyu Islands, and thus also to the High Commissioner for the Islands. No requirements have arisen for negotiations with local civil authorities in the area of property disposal.

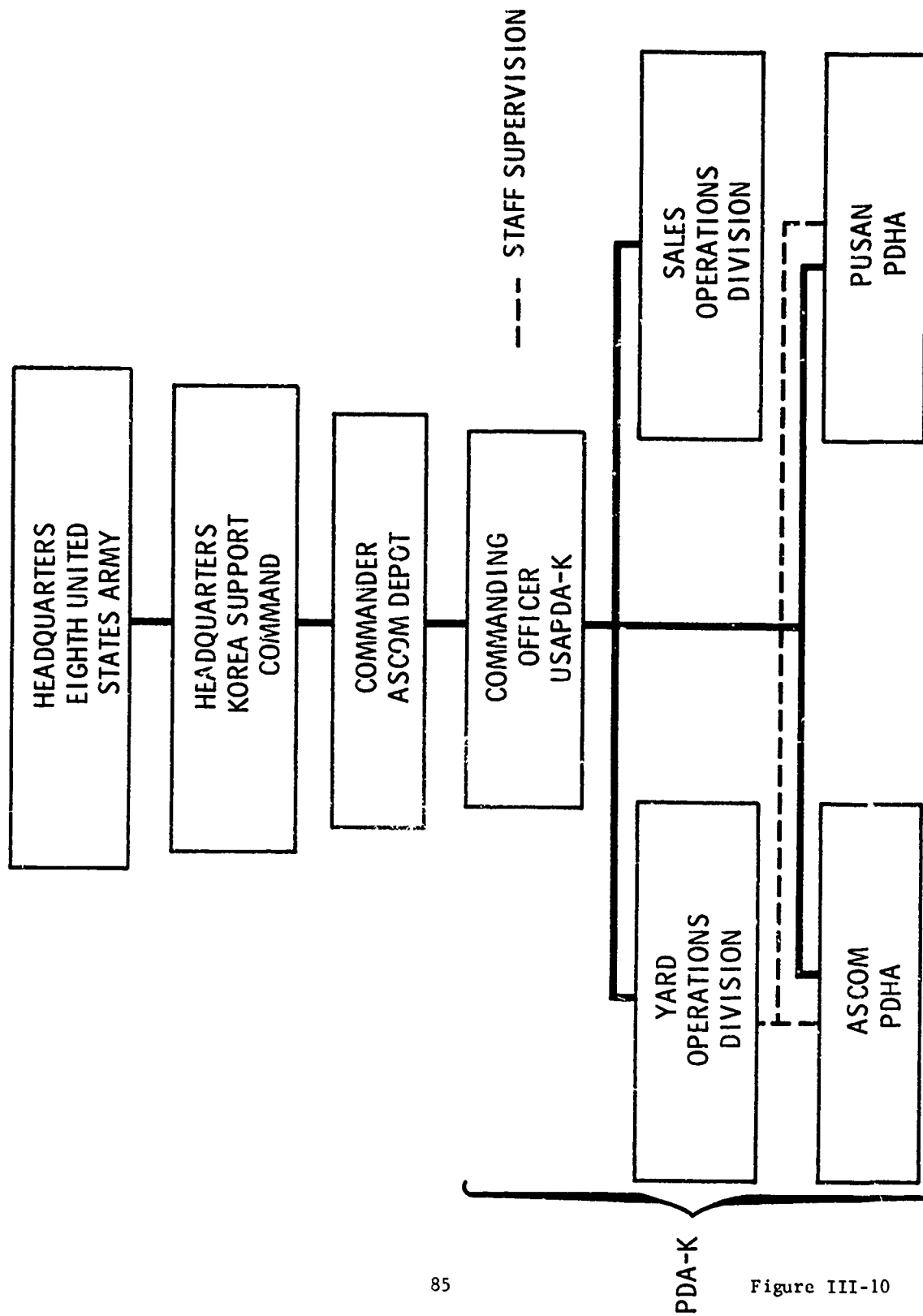
e. Property Disposal as "Separate" Operating Agencies - Korea and Vietnam

(1) Organizational Pattern

The Property Disposal Sales Office and Holding Activity functions have been established by the Army as "operating agencies" in both Korea and Vietnam, although there are some major differences in their organizational relationships with the Army in-country.

Within Korea, the U.S. Army Property Disposal Agency - Korea (PDA-K) is part of the Directorate of Services of the Ascom Depot, located near Inchon. Ascom Depot is under the command control of the Korean Support Command (KORSCOM-- located at Taegu) which, in turn, is under the command control of Headquarters, Eighth United States Army (USAEIGHT-- located in Seoul). The PDA-K is established, in effect, with a headquarters element at Ascom Depot which is responsible for country sales and for staff supervision over its assigned Holding Activity operations. Figure III-10 shows these relationships.

PROPERTY DISPOSAL CHAIN OF COMMAND
US ARMY IN KOREA



Within Vietnam, the U.S. Army Property Disposal Agency - Vietnam (PDA-V) is established as an operating element of the headquarters of the Army in-country, U.S. Army Vietnam (USARV). As such, the Agency commanding officer reports directly to the Deputy Chief of Staff for logistics of USARV headquarters, and he serves as staff advisor to USARV on all matters pertaining to disposal. Like PDA-K, PDA-V is established with a headquarters element responsible for consolidated country sales and for staff supervision over Holding Activity operations.

(2) Geographical Relationships

The Air Force operates a PDHA in Korea-- at Osan Air Base-- in addition to the two operated by the Army at Ascom and Pusan. This PDHA is responsible for supporting Air Force activities at Kimpo, Suwon, and Kunsan. Figure III-11 shows the location of all three Holding Activities in Korea, as well as of selected other points in-country.

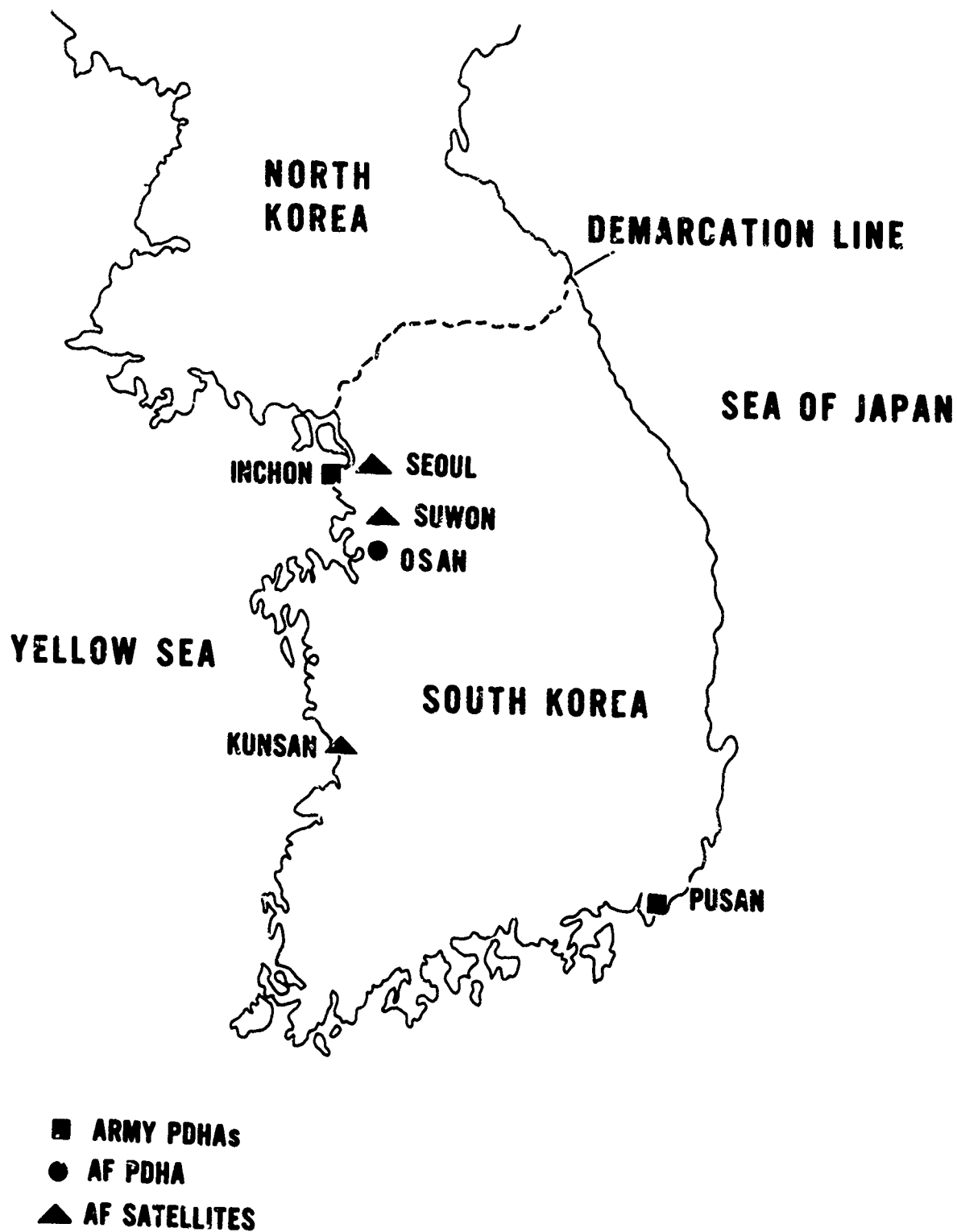
The Army operates all four Property Disposal Holding Activities within Vietnam-- at Long Binh (Ho Nai), Cam Ranh Bay, Qui Nhon, and DaNang-- as well as three yards which are satellites to the DaNang PDHA; the locations of these activities are shown in Figure III-12.

(3) Manning

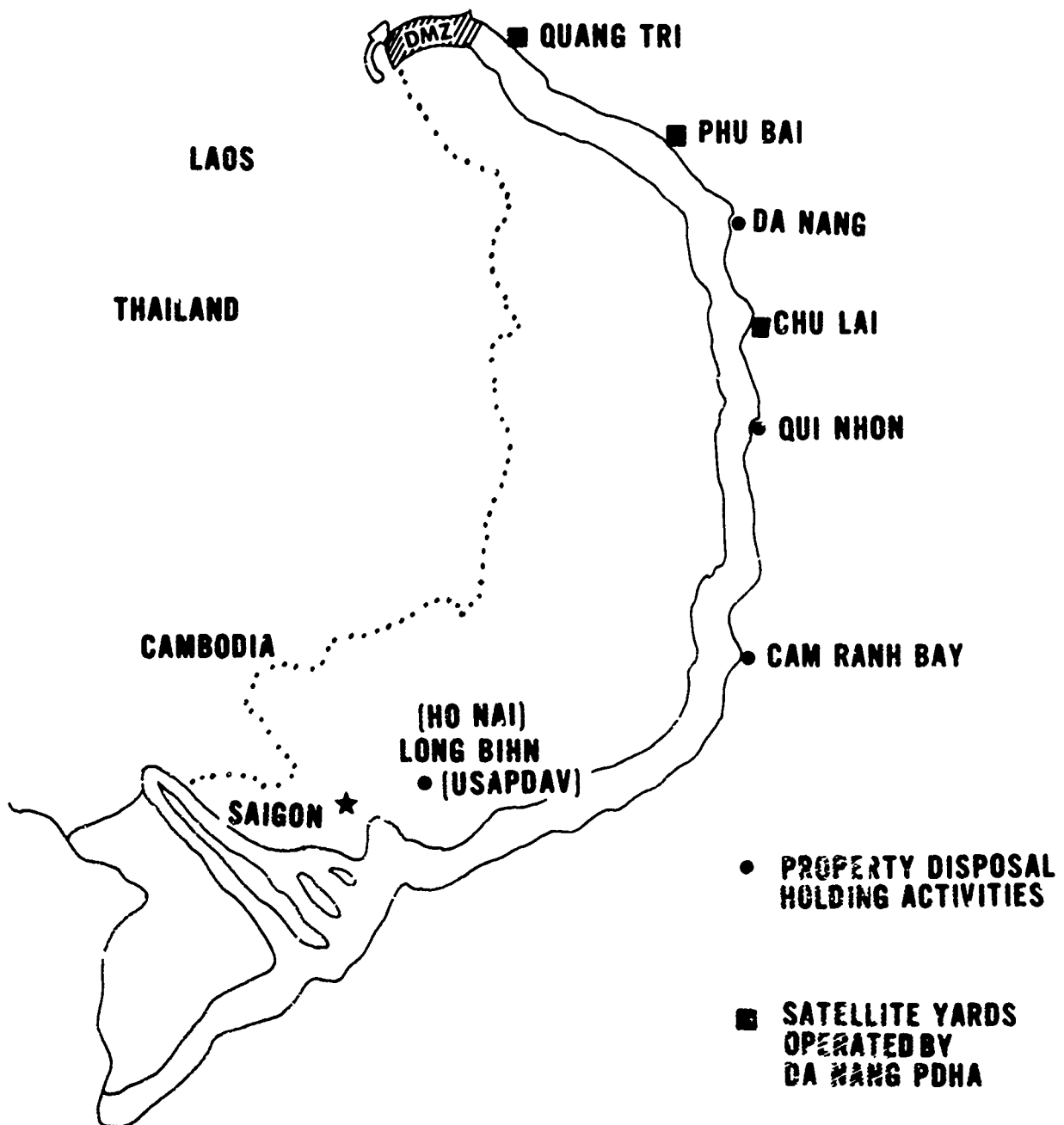
Authorized and assigned manning of the Property Disposal Agency-Korea is as follows:

	<u>Authorized</u>	<u>Assigned</u>
Officer	1	1
Enlisted	19	31
Departmental Civilians	5	4
Local Nationals	50	46
Korean Service Corps	49	48
Korean Augmentation to the U.S. Army	18	2
Total	142	132

PROPERTY DISPOSAL HOLDING ACTIVITIES IN KOREA



PROPERTY DISPOSAL ACTIVITIES IN SOUTH VIETNAM



Manning of the Property Disposal Agency-Vietnam has been as follows:

	Hq <u>PDA-V</u>	Cam Ranh <u>Bay</u>	<u>DaNang*</u>	<u>Long Binh</u>	<u>Qui Nhon</u>
Officer	10	12	12	12	12
Enlisted	16	145	145	145	145
Departmental Civilians	13	2	2	2	2
Local Nationals	14	50	50	50	50
Total	53	209	209	209	209

* Includes operation of satellite yards.

However, PDA-V is in the process of civilianizing its entire manpower authorization. The following manning was approved, effective 1 July 1971:

	Hq <u>PDA-V</u>	Cam Ranh <u>Bay</u>	<u>DaNang*</u>	<u>Long Binh</u>	<u>Qui Nhon</u>
Departmental Civilians	31	10	11	14	10
Local Nationals	40	228	251	276	225
Total	71	238	262	290	235

* Includes operation of satellite yards.

Action is now in process to fill these positions. About two-thirds have already been committed, and a number of the people are already in place. It is planned to have the replacing civilian personnel work with the incumbent military until the latter depart under normal rotation procedures.

(4) Command Relationships

Within Korea, each of the command echelons above PDA-K has an individual designated to perform staff disposal functions. It was estimated that the Property Disposal Specialist within KORSCOM spends approximately 80% of his time on disposal-related matters, while the comparable staff officer in Headquarters USAEIGHT spends about 50% of his time in this area.

Within Vietnam, the Property Disposal Agency is an integral part of Headquarters USARV; as such, it has no other Military Service command channels in-country to a higher echelon. Unlike Korea,

however, the Holding Activities are not assigned to the PDA-V; at the present time the PDHAs are under the command and operation control of the several Army area Support Commands in Vietnam (e.g., the Long Binh PDHA is assigned to the Saigon Support Command), and under only the technical control of the PDA-V. However, this situation is expected to be changed in the near future, with the PDHAs assigned to the PDA-V and attached to the Support Commands for administrative and logistical support only.

Country-to-country relationships within Korea and Vietnam are similar insofar as channels of communications are concerned. Within Korea, the American Embassy is the active member of any U.S. negotiating team participating in conferences with the Korean government, with the PDA-K serving as advisor to the Embassy personnel in these conferences. In Vietnam, a negotiating group has been established for all dealings with Vietnamese government ministries pertaining to disposal matters. Again, American Embassy personnel take the lead in these discussions, but a representative of MAC-V Headquarters and of PDA-V are also members of this group.

f. Property Disposal as an Operating Element - Philippines and Hawaii

(1) Organizational Pattern. The basic pattern for the Sales Office and Holding Activity functions within both the Philippines and Hawaii is the establishment of these as separate organizational elements within the Naval supply structures located in these areas. In the Philippines, these functions are established as the Disposal Division within the Material Department of the Naval Supply Depot, Subic Bay and in Hawaii as the Disposal Department within the Naval Supply Center, Pearl Harbor.

(2) Geographical Relationships

The Disposal Department of NSC Pearl Harbor contains the only Property Disposal Holding Activity in the Islands, receiving property from all DoD activities in the State as well as from a number of remote Pacific Islands.

Within the Philippines, the Air Force operates the only other PDHA-- at Clark Air Base, about 60 miles and 2½ hours travel time from the PDHA at Subic Bay.

(3) Manning

The Disposal Division at NSD, Subic Bay is authorized one officer, one departmental civilian, and 29 local nationals.

The Disposal Department at NSC Pearl Harbor is a totally civilian operation, and is authorized 53 people.

(4) Command Relationships

The only significant difference between these two Naval activities is in the area of command relationships.

By definition, NSD Subic Bay is part of the Pacific Fleet. As such, it comes under the administrative control of the Commander, Naval Forces, Philippines (COMNAVPHIL) who, in turn, reports directly to CINCPACFLT. For management and technical control, however, the Depot reports to CINCPACFLT through COMSERVPAC, and this represents the theoretical technical chain of command for the Disposal Division. However, as previously discussed, little guidance is required and furnished via this channel.

In contrast, NSC Pearl Harbor is considered a CONUS activity. As such, its organizational chain runs directly to the Naval Supply Systems Command. Further discussion established that the NSC has some responsibility, via CINCPACFLT, to CINCPAC, but the exact nature or extent of this could not be established. The head of the Disposal Department (who has been on-site for 16 years) could recall no instance in which disposal guidance or instructions had been received from either CINCPAC, CINCPACFLT, or COMSERVPAC.

Discussions involving the government of the Philippines are held by American Embassy personnel. Guidance to the Embassy is provided by a member of the COMNAVPHIL staff based on information received from the Disposal Division of NSD Subic Bay. To date, problems have not arisen which were of such technical complexity as to require the presence of NSD Subic Bay disposal personnel at COMNAVPHIL-Embassy or American Embassy-Philippine government discussions.

3. Support Arrangements. Support arrangements in PACOM were basically the same as those in EUCOM. That is, expenses which were readily identifiable to the disposal operation were reimbursed; these included costs such as civilian pay, travel expenses, and transportation.

4. Utilization of Supply System Assets (PURA)

a. Organization and Manning

The Project for the Utilization and Redistribution of Materiel in the Pacific Area (PURM) was directed by the Secretary of Defense on 24 November 1967. The Secretary of the Army was designated

by the Secretary of Defense as the Executive Agent in the Pacific and CINCPAC was given the responsibility for organizing the PACOM Utilization and Redistribution Agency (PURA). CINCPAC formed the PURA Executive Committee chaired by the CINCPAC J4 and made up of the materiel chiefs of the Service components. The procedural responsibility for PURA was retained by USARPAC who charged 2nd Logistical Command, Okinawa with the responsibility of establishing and operating PURA as a PACOM agency.

The basic objectives of the PURA system are to maximize utilization, eliminate unnecessary transportation costs, and minimize screening time, by providing an agency for the concurrent FACOM/CONUS screening and redistribution of excess materiel.

Organizationally, PURA is established as a separate staff section within the 2nd Logistical Command, reporting directly to the Commanding General. An individual within Headquarters USARPAC has been designated as special assistant to the Deputy Chief of Staff, Logistics, for matters pertaining to PURA, and this is the established command channel. The organizational relationships for PURA are shown in Figure III-13.

Total manning authorized to PURA consists of four officers, seven enlisted men, five departmental civilians, and three local nationals. In addition to this, however, each Military Service has assigned one officer and one enlisted man to serve as liaison between their activities and PURA, and the data systems organization of the 2nd Logistical Command has about 20 people authorized to provide required ADP support to the program.

b. PURA Processing

Materiel excess to the authorized retention levels of a support activity is reported to PURA via AUTODIN for utilization screening, except that the following categories of property are not reportable to PURA:

- Bulk Petroleum Products
- Single Service Use Items
- Supplies and Equipment owned and controlled by nonappropriated fund activities
- Classified Materiel
- Crypto Materiel
- Automatic Data Processing Equipment
- Non-FSN Items
- Other Materiel specifically identified for exclusion by the Military Services which has been approved by the DoD PURM Coordinator; e.g., PEMA items.

PURA CHAIN OF COMMAND

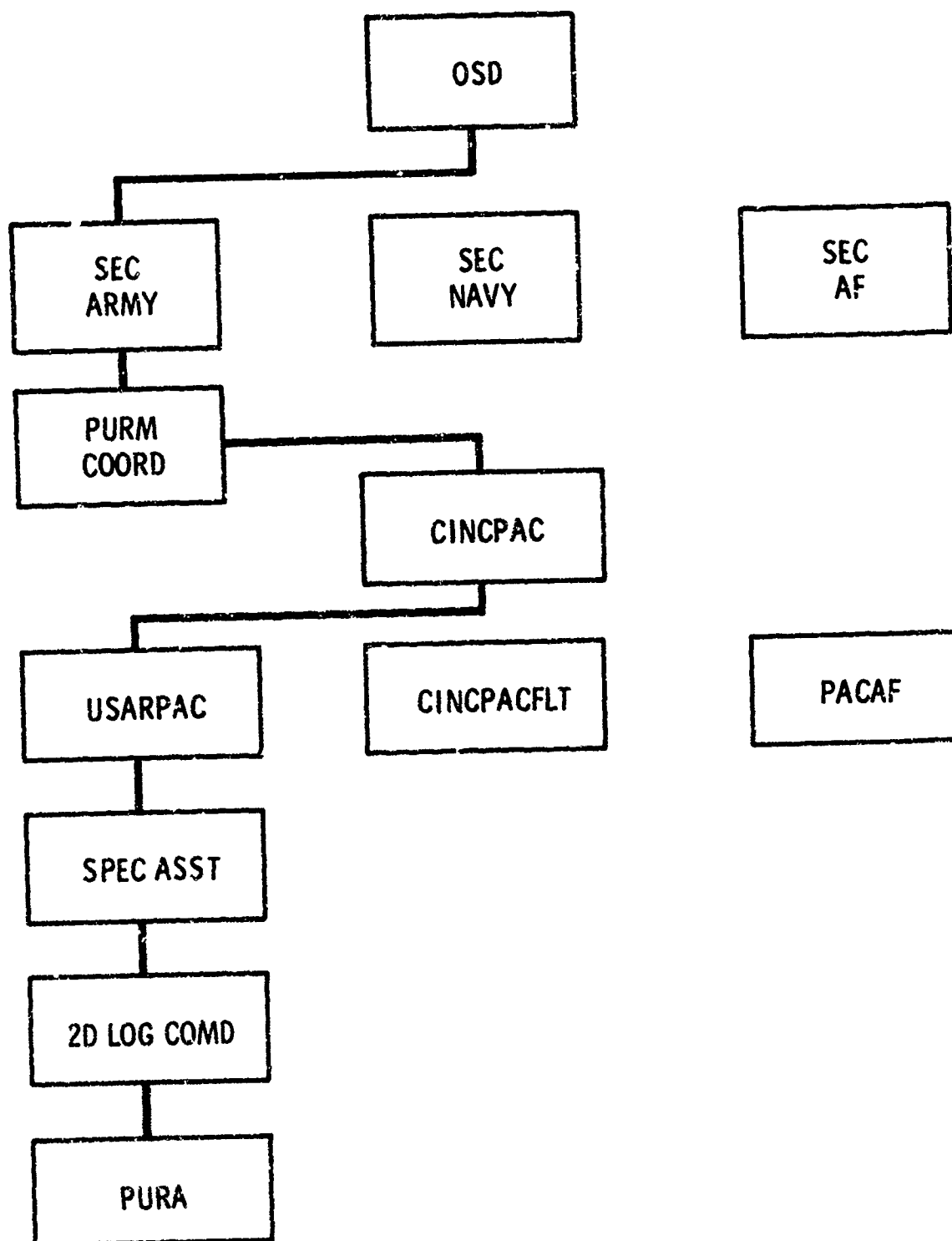


Figure III-13

PACOM activities submit reports of excess direct to PURA for the PACOM screen. PURA records the report and concurrently forwards it via the Defense Automatic Addressing System (DAAS) to the appropriate CONUS Inventory Manager (IM) for screening. The CONUS IM provides disposition instructions via DAAS to PURA for all submissions; DAAS advises DLSC when it receives "local disposition" instructions on items with an extended line value over \$500.

When items are identified by the CONUS ICP for return, these instructions are not immediately forwarded to the holding (i.e., reporting) activity. Instead, the record of the PACOM availability of these items is held in the PURA file for 45 days, during which time these assets are directed to be issued to satisfy funded PACOM requisitions. Only after the expiration of this time period are any remaining stocks of these items directed to be shipped back to the CONUS ICP.

Items with instructions to "dispose of locally" are identified as issuable on a nonreimbursable basis during the remainder of the PURA screen. Unfunded requisitions are satisfied from these assets at this time. Unfunded requisitions which cannot be filled immediately are held at PURA until the Required Delivery Date (RDD), up to a maximum of 180 days, to use assets that may become available later.

Priority 01-08 requisitions are being passed to PURA voluntarily on a "fill or kill" basis. Other requisitions (priorities 09-20) are all submitted via PURA, except those for items previously excluded from the PURA screen. These requisitions are processed by PURA on a "fill or pass" basis, with the initial criterion for fill being all of the quantity, or at least \$1,000 worth of materiel.

As a result of the concurrent PACOM and CONUS screen of materiel by PURA, the IMs and DLSC, that materiel which does not get picked up for utilization and is declared excess is turned over to the PDOs as "DoD Excess." PURA regulations call for the turn-in document on these items to be so annotated (although this was not always done) to show that these need not be reported by the PDO to DLSC. This reduces the screen at the PDO level to that of a 15-day local area screen prior to lotting the materiel for sale. Although there is still some reporting by the PDO to DLSC, this has declined since the advent of the PURA-Quick Fix in October 1970.

5. Utilization and Donation Process

As a result of the PURA Quick-Fix implemented in October 1970, the amount of reportable materiel reaching the PDOs in PACOM which has

not previously been screened by DLSC has decreased significantly. Several PDHAS provided virtually the same estimate on the magnitude of this decrease: they estimated that approximately 50% of all property received at the Holding Activity meets the criteria for reporting to DLSC; of this, they estimated that approximately 90% or better had already been reported via PURA.

Because of this reduction, the utilization screening required to be accomplished by the PDO is primarily a local area screen. This local area screen varies from 15-26 days among the activities visited. In about half of the activities visited, local screening lists were being prepared and disseminated to the U.S. agencies, both military and civil, in the country in which the excess was held. In one instance, the local area screening list was mailed to other countries and also to the 10 GSA Regional Offices in CONUS. Response from agencies outside of the country has been minimal and no requests have been received from any of the 10 GSA Regions.

The PURA system provides for the submission of unfunded requirements which can be held in the PURA computer for up to 180 days in an attempt to match against nonreimbursable assets which may become available. As of 30 June 1971, almost 300,000 unfunded requisitions were in the file:

Army	150,625
Air Force	44,235
Marine Corps	49,448
Navy	41,062
Other	7,490
Total	292,860

It was estimated that about 200,000 of these represent unfunded MAP requisitions, which are included within the individual Military Service figures shown above. The "Other" quantity represents unfunded requisitions from all other authorized activities, such as GSA (including DHEW requirements), AID, and the Pacific Trust Territories. Review of screening lists received from CONUS by GSA (and DHEW) screening officials indicated that most requirements were stated in generic terms (e.g., woodworking lathe) with very broad specifications, indicating that a broad range of items would be acceptable to the potential donees, and that a large I&S file would be required if all such requirements were to be processed mechanically.

In Japan, Okinawa, and Vietnam, GSA had resident screeners at the centralized sales activities to screen the nonreportable items being processed. The GSA screener from Japan made periodic trips to

Korea to screen excess there as well. DHEW also had screeners in Japan and Okinawa.

At the PDHA at 2nd Logistical Command on Okinawa, screeners from PACOM MAP countries and the Trust Territory Pacific Islands were assigned full-time to screen nonreportable materiel. These included Republic of China and Republic of Korea personnel with an assigned U.S. advisor from the MAP country involved. Issues to these non-DoD customers by the PDHA at Okinawa has been about \$12 million for each of the past two fiscal years.

Upon completion of the local area screen, materiel is lotted for sale and the sales write-ups are forwarded to the centralized Sales Office in the country. In at least one instance the PDSO was publishing these sales write-ups as in-country lists for local area screening prior to preparation of the IFB. This resulted in an additional screen but also necessitated a verification of the materiel reported by the PDHA before it could be placed on an IFB because some of the materiel on the original sales write-up could have been withdrawn as a result of the second screen. In most instances there was an attempt to allow screeners to peruse the materiel in the disposal yard so that they would have the opportunity to draw materiel which they could utilize up until the time the IFB was closed.

In general, the utilization screen of nonreportable excess materiel was limited to a country screen and was not a theater screen. However, the PURA screen prior to declaring the materiel excess is a theater screen for materiel reportable to PURA.

6. Sales Process - Pacific Theater

a. United States/Host Country Agreements. Agreements regarding the disposal of foreign excess property exist between the United States and the host country. As in Europe, the responsibility for negotiating with the host government rests with the American Embassy, and Department of Defense personnel participate as advisors; generally the DoD representatives are headquarters staff level personnel. Further, as in Europe, disposal processes are considered "administrative processes" and are accomplished, or modified, within the "high level" agreement without modifying the country-to-country agreement.

b. Sales Process

Foreign excess personal property is available for sale when the utilization screening period has expired. The procedure for the sale of property overseas does not differ substantively from the

sale of CONUS and EUCOM property described in previous portions of this Report.

The most noticeable difference between CONUS, EUCOM, and PACOM sales processes is in the area of sales catalog publication and distribution. Throughout PACOM, sales catalogs are printed in English; however, in Japan, Korea, and Okinawa, an overlay of Japanese and Korean characters is used to provide a generic description of the item. In addition, overseas catalogs contained the general conditions for overseas sales and a few clauses peculiar to sales matters in the specific country involved.

c. Security Trade Controls

Security Trade Controls (STC) are designed to prevent DoD foreign excess property from reaching the Sino-Soviet bloc or other countries having interests inimical to U.S. security. CINCPAC has delegated to CINCUSARPAC the task of managing the STC program in the Pacific area. A central unit has been established at Headquarters USARPAC to perform this function. It is staffed by one man working full time on STC matters. The guidance for security trade controls in the Pacific Command is USARPAC Regulation 755-20 which specifies policy, responsibility, and procedures.

The major duties of the Central Unit in the Pacific Command are similar to those described for EUCOM; that is, to issue and advise on policy and procedural directives binding on the sales offices, coordinate requests made by the sales offices to the embassies for investigations of buyers, and maintain and publish a Cleared Bidders List.

d. Off-Shore Sales

The governments of Korea and Vietnam have imposed restrictions on the sale of foreign excess property in their countries. They have taken steps which have drastically reduced open market competition, and have complicated matters for buyers attempting to gain import/export licenses and customs clearance.

In order to levy pressure on these governments to ease their restrictions, a new method of selling foreign excess property was initiated-- "off-shore sales."

Desirable usable items were selected from the disposal yards in Vietnam and Korea and shipped to Okinawa, the Philippines, and Japan for sale by the PDSOs in those countries. Two sales have been completed in Okinawa, one in Japan, and one in the Philippines in the

past year. The sales returns in Japan and Okinawa were considered disappointing by USARPAC. The sale in the Philippines resulted in a 20% return and was considered quite successful.

Steps are being taken to formalize a Memorandum of Understanding between the Disposal Agency in Vietnam and the PDSO in the Philippines so that additional off-shore sales can be conducted. The American Embassy is consulting with the Philippine government concerning additional off-shore sales and it is expected that the Philippine government will have no objections.

D. ANALYSIS

1. Introduction

A broad range of functional areas was reviewed during the course of field research within the European and Pacific theaters. However, preliminary analysis established that, regardless of similarities or differences between the two theaters, many functional areas had no real impact on the question of the need for, or form of, any reorganization of the disposal program overseas.

a. Basic Guidance. Both theaters generally relied on the standard DoD directives-- the DoD Utilization and Disposal Manuals, DoD 4140.34-M and 4160.21-M-- for basic guidance, supplemented by theater directives. However, except to the extent that these multiple supplemental theater directives represent unnecessary and duplicative effort, the area of policy and procedural guidance has no real impact on the need for a reorganization of the overseas disposal program.

b. Sales. Sales processes in both theaters also basically followed the guidance in DoD 4160.21-M, and in both theaters there was only one designated central selling point within each country or geographical area.

c. Security Trade Controls. These processes are also similar between theaters. In both cases, one Military Service has been made responsible for overall actions within the theater in this area: for Europe, this assignment has been given to the Service with the sales responsibility, Air Force; in PACOM this assignment has been given to the Service with the largest number of sales offices in the theater, Army.

d. DoD Utilization. There is a significant difference between the theaters at the present time in the process for obtaining DoD utilization of excess property, but even this difference will largely

disappear by the beginning of Calendar Year 1972. Within EUCOM, the basic process (recognizing that there are many exceptions) is sequential and involves screening property through CONUS ICPs and then screening that which has been authorized for local disposition against theater requirements. In contrast, PACOM processing involves a simultaneous screen of reported local excesses by the CONUS ICP while the same materiel is being screened against theater requirements, with the latter getting priority over ICP-directed return instructions.

e. Unfunded Requirements. Machinery exists in both theaters for unfunded requirements of both DoD and non-DoD activities to be submitted to the respective central screening activities to be processed against Service excesses. However, primary emphasis is placed on local physical screening of property in the disposal activities.

The areas identified above will not be discussed further in this Chapter. However, several areas reviewed during overseas field research were identified as having a relationship to either the need for reorganization, the form which a reorganization should take, or the ease with which any reorganization could be accomplished

a. Geographical relationships between DoD activities and their supporting property disposal organizations within a country/area.

b. Working relationships between the property disposal organization and other organizations within the country/area, such as higher command echelons, the local American Embassy, and the host government.

c. Patterns for the staffing of property disposal activities with military, departmental civilian, and local national personnel.

d. Arrangements for providing administrative and logistical support to property disposal activities.

These subjects are discussed in the following paragraphs, including within each an evaluation of the significance of the subject insofar as the overseas disposal organization is concerned. The individual analyses are followed by a summary analysis which integrates them and leads to a number of conclusions on the organization for overseas disposal.

2. Geographic Relationships

a. EUCOM

Figure III-3 shows the geographical location of Air Force holding activities in Germany within EUCOM, while locations of these

same activities for the Army is shown in Figure III-5. Analysis of these revealed several areas in the western portion of Germany in which an activity ships property past one DoD holding activity in order to deliver it to a holding activity of its own Service. Figure III-14 contains representations of two areas in which this condition exists.

Figure III-14A shows the relationship between activities supported by the Army Holding Activity at Kaiserslautern and those supported by the Air Force PDO at Ramstein. As an initial point, it should be noted that these two activities are only about 18 miles apart. In addition, as Figure III-14A indicates: (a) Air Force property from Sembach must pass Kaiserslautern to reach Ramstein; (b) the Army activity at Miesau is less than five miles from Ramstein, but ships its excesses over 20 miles to the Army at Kaiserslautern; and, (c) the road from Baumholder to Kaiserslautern which is about 35 miles away, goes past Ramstein, which is about 15 miles closer.

Figure III-14B shows the relationship between activities supported by the Army Holding Activity at Hanau and those supported by the Air Force PDO at Mainz. As this Figure shows, Rhein-Main Air Base is about 25 miles from Mainz, but only about half that distance from the Army at Hanau.

b. PACOM

Similar discrepancies were also indicated by the analysis of PACOM.

For example, Air Force excess property from Naha Air Base is trucked past the Army PDHA at Camp Mercy, which is eight miles from the base, for an additional five miles to the Kadena Air Base Holding Activity.

The situation within Korea is not as obvious, since there is no "driving past" relationship. However, analysis shows that Air Force excess property at Kimpo Air Base is being shipped about half again as far as is necessary, in order to get it to an Air Force PDHA-- excess property from Kimpo travels about 36 miles to reach Osan Air Base, while the Army PDHA at Ascom Depot (Inchon) is just under 25 miles away.

In the Tokyo area, the Army PDHA is supporting all DoD activities in the Kanto Plain area except those of the Air Force, which are supported by Tachikawa Air Base. Although Navy excess property is shipped to the Army Holding Activity at Sagami from Yokosuka, a "distance" of almost two hours, Air Force activities which are closer to Sagami are shipping to their own Holding Activity at Tachikawa. At the same time, Army activities are shipping past the Air Force Holding Activity at Tachikawa to the Army PDHA at Sagami.

DOD DISPOSAL PATTERN-WESTERN GERMANY

A. KAISERSLAUTERN - RAMSTEIN

1 - KAISERSLAUTERN

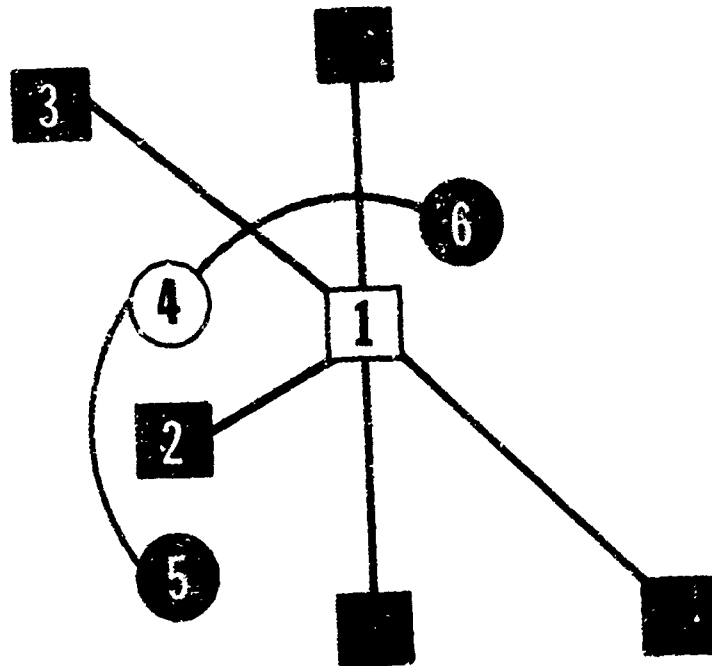
2 - MIESAU

3 - BAUMHOLDER

4 - RAMSTEIN

5 - ZWEIBRUCKEN

6 - SEMBACH



B. HANAU - MAINZ

1 - HANAU

2 - RODELHEIM

3 - DARMSTADT

4 - MAINZ

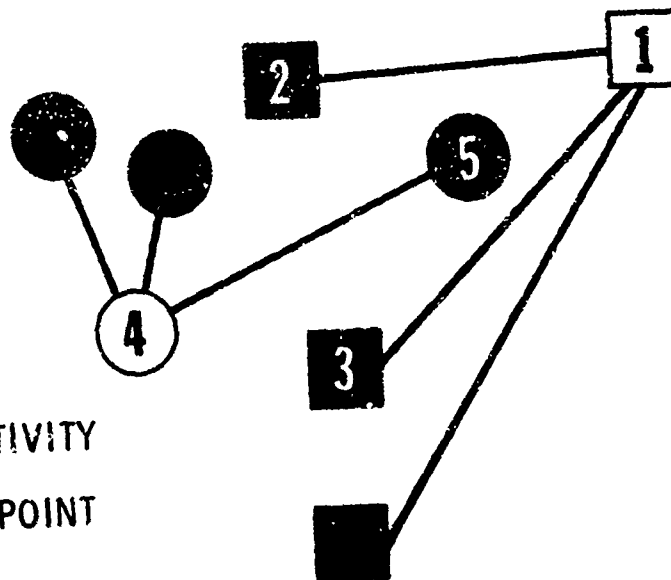
5 - RHEIN-MAINZ

□ ARMY HOLDING ACTIVITY

■ ARMY COLLECTING POINT

○ AF PDO

● AF FEEDER ACTIVITY



c. Discussion

Examination of the basic directives governing this program indicate that there is no agency designated to coordinate disposal efforts overseas. DoD Directive 5105.22 directs DSA to "administer a consolidated holding activity program within CONUS . . ." DoD Directive 4160.21 on the Disposal Program requires the Secretaries of the Military Departments to establish and disestablish disposal activities "as necessary," and to coordinate such actions with the Director of DSA except when the activities involved are located overseas; this same geographical limitation is carried forward into the Defense Disposal Manual, DoD 4160.21-M, which contains the positive requirement that the Military Services must "assure that such establishment or disestablishment of activities located in CONUS are coordinated with the Director, DSA." There appears, then, to be a void in terms of direction for a coordinated approach to the disposal structure overseas.

The geographical anomalies cited above involve apparent duplication of facilities, and a cross-haul/back-haul of excess property between generating and disposal holding activities. (These are identified as only "apparent" discrepancies, since this organizational study was not oriented toward making a distribution system analysis which would properly evaluate the workload/capabilities/geographical relationships between activities to determine the optimum geographical structure.) These situations have developed as a result of each individual Military Service establishing its own geographical pattern for disposal support, apparently without considering use of the facilities of the other Military Services in the area.

Although we did not develop precise figures on the savings which would be achieved through consolidation of holding activities, some estimates of the magnitude and nature of these can be derived. The Air Force PDO at Ramstein Air Base in Germany is authorized 17 people, while the Army Holding Activity at Kaiserslautern is authorized 97; assuming as many as one-quarter of the people authorized to Ramstein were required to supplement the Army, about 12 people could be saved and the total authorization in this area reduced from 114 to 102. The Air Force Holding Activity at Kadena Air Base on Okinawa is authorized 25 people, while the Army Holding Activity at Camp Mercy is authorized 95; on the same conservative basis, consolidation of the Air Force with the Army would save about 18 people and reduce the total authorization in this area from 120 to, by coincidence, 102. Savings in excess of \$45,000 annually can be expected from these consolidations alone. Where similar situations can be identified within EUCOM and PACOM, comparable savings could be realized.

It would appear to be within the purview of the Unified Command headquarters to adjust geographical patterns for disposal support

to optimize these relationships. However, field research established that, at least in the property disposal area, the Unified Command headquarters staffs in Europe and the Pacific serve primarily as a "go-between" between the headquarters of the component commands and higher echelons, and that actual staff supervision over the disposal activities within these theaters is being exercised, on an individual Service basis, by the component command headquarters staffs. Thus, the Unified Command headquarters staffs, unless changed, are not the proper vehicle for this function.

Experience in CONUS has shown that there is a need for an overall coordinator or "administrator" to insure that the optimum geographical arrangements are established. This CONUS experience has shown that such arrangements can be established through interservice coordination provided someone (DSA, in the case of CONUS) is charged with having this overall view of the situation. Therefore, designation of a single manager for the disposal program overseas is not essential to insure optimum geographical arrangements.

3. Headquarters Staffing

In the European Theater, USAFE headquarters contains four people to provide staff supervision in the disposal area. The Army staff supervisory structure is divided between two organizational elements: Hq USAREUR and Hq TASCUM; the USAREUR staff contains one person, while the TASCUM staff contains five.

An integrated organization within EUCOM is the only technique which would eliminate the duplicate headquarters manning within that theater. To calculate the manpower requirements for the integrated EUCOM headquarters, the technique used in Chapter II is also applicable here:

	<u>Hq Personnel</u>	<u>Total PDO Personnel</u>	<u>Staffing Ratio</u>
Air Force	4	260	1:65
Army	6	276	1:46
Navy	0	18	-

With a theater-wide staffing of 554 personnel, the use of the "best" staffing ratio-- i.e., Air Force-- indicates that nine headquarters personnel are needed. Use of this figure will result in a reduction of one person from current staffing levels. Another approach is to use the DSA ratio of 1:90 established in Chapter II, since DSA would assume responsibility if a single manager worldwide is desired. Use of the DSA ratio results in a requirement for six personnel in the integrated EUCOM headquarters, which represents a reduction of four personnel, resulting in savings of \$70,000 annually.

Use of the DSA ratio appears to have merit from more than just a manpower savings viewpoint. It also implies a tighter, more efficient management approach that should be adopted by other organizations. However, since it is possible that the management problems in EUCOM may be different from those in CONUS, a conservative approach would be to initially authorize the nine spaces to the integrated manager European headquarters, but fill those spaces only with the people already in the staff disposal offices within USAFE and USAREUR/TASCOM headquarters. Any vacancies should not be filled until a definite workload requirement justifies such action; in addition, a manpower survey should be conducted about six months after the establishment of the integrated manager headquarters to determine if any further manpower adjustments are appropriate.

Within the Pacific Theater, there was only part-time manning of the staff disposal function within the Navy and Air Force component command headquarters. As a result, the four people in the Army theater headquarters does not represent a duplication of effort, although there is a duplication of headquarters structure. Total manning within PACOM to perform "headquarters-type" functions must include consideration of the capabilities authorized to the headquarters of the Army Property Disposal Agencies in Korea and Vietnam in addition to those authorized to headquarters USARPAC. Task Group analysis indicates that ten of the spaces in Korea and 18 of those in Vietnam are actually performing functions comparable to those of an intermediate level headquarters within CONUS.

Using the same technique for PACOM as was just used for EUCOM, a ratio of 1:48 is established as the relationship between headquarters personnel and operating disposal personnel in the Army within PACOM. Since the Navy and Air Force within PACOM devote only small portions of a man-year each to staff supervision over this function, these Services do not affect this ratio.

It was stated earlier that use of the DSA ratio (1:90) has merit in determining staffing requirements. This ratio indicates a requirement for 20 headquarters staff personnel for support of the total PACOM disposal manning, a reduction of 12 from current authorizations, and an annual savings of \$210,000.

One problem with the manning of an integrated disposal manager headquarters within PACOM (aside from the basic problem of forecasting what manpower is actually needed by an organization which is not in existence) is that of the source of the manpower, since 28 of the 32 total staff supervisory people are not at a central headquarters location but, instead, are in Korea and Vietnam. Vacant headquarters-type

manpower authorizations should be gradually withdrawn from the Korea and Vietnam organizations as these occur, and assigned to the integrated disposal manager headquarters so long as the headquarters workload justifies. After the optimum headquarters manning (not to exceed 20 spaces) is reached, additional vacancies in headquarters-type manpower authorizations in Korea and Vietnam can be deleted from those organizations with no increase elsewhere, thus serving as a net manpower saving.

4. Country-to-Country Relationships

There is a wide variation in the relationship between the property disposal activities and the other organizations within the country/area involved in disposal negotiations. For example, negotiations with the Government of Vietnam (insofar as disposal was concerned) were conducted by a three-man negotiating group, consisting of a representative of the Embassy, of MACV, and of the Property Disposal Agency-Vietnam. On the other hand, property disposal personnel in the Philippines did not deal directly with the foreign government or even with Embassy personnel-- the property disposal personnel briefed problems to the COMNAVPHIL staff, the representative of the Unified Command, which in turn briefed Embassy personnel who handled the actual negotiations.

Despite these variations, several factors were common to all situations: (1) Relationships with the host country were conducted through, or in accordance with the instructions of, the American Embassy. (2) The Unified Commander is the DoD representative overseas, and relations with the American Embassy were through, or in accordance with the instructions of, the local representative of the Unified Commander. This is appropriate since a number of the country-to-country disposal agreements reviewed make specific mention of property "in the hands of U.S. Armed Forces," or of property "to be disposed of by U.S. Armed Forces."

Any DoD component-- one of the Military Services, DSA, or a separate disposal agency-- could be assigned the responsibility for overseas disposal without affecting these relationships.

5. Staffing

a. Introduction

The staffing patterns-- i.e., the relative numbers of officer, enlisted, departmental civilian, and local nationals-- varied greatly between disposal activities.

A summary of Air Force and Army manning within EUCOM is shown in Table III-3. As can be seen, the Air Force property disposal structure within EUCOM had no officers. An "average" PDO was authorized two enlisted men and nine local national civilians, although one PDO had five enlisted men (due to the unavailability of local nationals) and another had 36 local nationals. Only three of the 13 Air Force PDOs had departmental civilians; most of the USAFE staffing of departmental civilians was at the R&M Centers themselves, rather than at the individual PDOs. An "average" Army disposal organization within EUCOM contained one officer, two enlisted men, one departmental civilian, and 31 local nationals. As with the Air Force, there were notable exceptions from this "average": three of the nine activities did not have an officer, five did not have any departmental civilians, and one had no enlisted men.

Table III-3

EUCOM DISPOSAL MANNING

	Air Force			Army	Navy
	R&M ^{1/} Centers	PDOs	Total		
Officer	-	-	-	8 ^{2/}	1
Enlisted	5	22	27	22	1
Depl Civilian	9	3	12	6	-
Local Natl	66	115	181	240	16
Total	80	140	220	276	18

Source: Field Research

^{1/}Excluding MAP Center and its Paris Office.

^{2/}Including two designated as part-time only.

The pattern was even more varied within PACOM. Table III-4 shows the manning of the activities visited in that theater in terms of the number of officers, enlisted men, departmental civilians, and local nationals. Both Okinawa and Hawaii are all-civilian operations, and Vietnam is planned for that. On the other hand, there were a large number of enlisted men in Korea, currently authorized in Vietnam, and at Kadena Air Base. No satisfactory explanation for this could be developed for either Kadena Air Base or Korea, while the combat situation in Vietnam caused the establishment of four disposal companies, each of which was authorized 145 enlisted men.

Table III-4

PACOM DISPOSAL MANNING

Authorized Personnel	Japan	Okinawa		Vietnam		Korea	Philippines	Hawaii
		Army	Air Force	Af'er Civilianization	Current			
Officer	2	-	-	-	58	1	1	-
Enlisted Men	2	-	17	-	596	19	-	-
Dep1 Civilian	11	12	1	76	21 ^{1/}	5	1	53
Local Nat1	148	83	7	1,020	889	117 ^{2/}	29	-
Total	163	95	25	1,096	1,564	142	31	53

Source: Field Research

1/Thirteen of these are located in Hq PDA-V, Long Binh, with two located at each of the four holding yards.

2/Includes Korean Service Corps and Korean Augmentation to U.S. Army (KATUSA).

b. Military Manning

In-theater discussions were able to establish only a minute justification for military manning of property disposal activities. Examination and analysis establish that property disposal is not a military "mission essential" function and, further, that its successful accomplishment does not require military training, a military background, or combat experience.

Only two bases have been advanced for military manning of the property disposal function:

(1) Protocol/Interface. The need to have U.S. military personnel serve as intermediary, or contact point, with foreign governments or foreign armed forces. This was advanced both in Japan and in Hq USARPAC as the basis for the officer manning in key positions. However, with the significant country-to-country contacts handled through unified area command and American Embassy channels, and with some of the disposal activities (e.g., the planned manning in Vietnam) operating without military personnel, this rationale becomes suspect.

(2) Combat Area. This was the basis for the heavy military manning in Vietnam, with the four holding yards (Ho Nai, Qui Nhon, Cam Ranh Bay, and DaNang) authorized 12 officers and 145 enlisted men each. However, even though combat continues, the Army in Vietnam is apparently certain that this noncombat mission can be satisfactorily performed by an all-civilian force, and a totally civilian manned disposal organization is planned for Vietnam; Army experience to-date also shows that such a force can be recruited. Even without this Army civilianization effort in the property disposal area, Vietnam experience shows that civilians can be recruited for duty in combat areas--much of the construction and support effort, even when combat activity was at its highest levels, was done by civilian contractors.

It is recognized that military manned operational units can be ordered into areas in which civilians may be unwilling to serve, and DoD must be prepared to support such operational units with the requisite disposal capability. Our analysis did not establish that this support required the existence of military manning within the disposal organization. With civilians willing to work in so undesirable (from a noncombatant civilian point of view) an area as Vietnam, the task group would anticipate few, if any, areas in the world in which a civilian-manned disposal organization would be unable to function.

However, if military personnel are determined to be a continuing requirement within the DoD property disposal structure, two points must be made:

First, any reorganization involving a reassignment of responsibility from the Military Services must limit its consideration to a DoD component. All of these-- for example, DSA-- are staffed by both military and civilian personnel, and any DoD component would be able to provide the required personnel.

Second, at the present time, virtually all property disposal manning within CONUS is civilian. If military manning is required, a rotational/training base must be provided within CONUS on a planned, organized basis, to support this.

c. Use of Departmental Civilians

On a general basis, in the interest of economy, the Task Group felt that use of departmental civilians should be minimized in favor of local nationals where possible. This becomes particularly significant when problems of gold flow and the unfavorable balance of payments are also present.

Analysis indicated an excessive use of departmental civilians within the overseas property disposal structure. We recognize that there are limitations on the extent to which local national personnel can be used; such factors as the presence of classified information or items, local legal problems adversely affecting supervisory control, and the need for independent operation are only some of the considerations which require the use of departmental civilians in the property disposal structure. However, there are several instances of the use of local nationals in key positions within the organization; for example, the Hq USAFE staff office for property disposal, and the property disposal officer at Naval Station Rota and the acting chief of the property disposal function at Kaiserslautern are all local nationals. On the other hand, at one activity at which almost all supervisory positions were occupied by Americans (including officers and enlisted men, but primarily departmental civilians), discussion established that qualified local nationals could be recruited.

It is recognized that wide use of local nationals is a policy which cannot be implemented in all areas. The general level of knowledge of sophisticated business management methods, the extent to which English is spoken by the local populace, and the degree of local competition for local personnel having the types of skills which we require, are all factors which vary greatly from area to area and which would affect the ability to recruit local nationals to fill key positions within the property disposal structure. However there was a fairly standard manning pattern which decreed that key/supervisory positions had to be held by American personnel-- generally, although not always, departmental civilians-- with little or no effort to upgrade local nationals to perform these duties.

(In this area we in the DoD are notably different from our civilian counterparts. Most American industry overseas-- perhaps through altruism, perhaps under fear of a negative local reaction (e.g., expropriation)-- have aggressive campaigns to upgrade local nationals to key positions.)

In at least one area, the Task Group noted what appeared to be excessive use of departmental civilians in positions within the property disposal structure, where no peculiarly American knowledge or expertise appeared to be needed. We noted one organization in which several clerical positions were designated as departmental civilian spaces rather than as local nationals. Since any corrective action is within the authority of local personnel and this was discussed with them, this subject will not be discussed further.

6. Support Arrangements

Property disposal activities are generally self-supporting in both theaters, in that they were generally "charged" by the installation on which located for support received.

USAFE PDOs present the most extreme picture in terms of support. Since all were assigned to an R&M Center, they were considered tenants on the installation on which located. As a result, each PDO has an agreement (either an Air Force Host-Tenant Support or the DoD Interservice Support Agreement) with the installation on which he is located. A comparable situation will probably be established in Vietnam. The PDHAs there are now part of the Army area Support Commands and under only the technical control of PDA-V. This is expected to be changed so that these activities will be fully assigned to PDA-V and attached to the support Commands for support only; at that time, support agreements will have to be definitized.

Army property disposal activities within EUCOM are not part of the depots on which located but are, in fact, part of the Theater Army Support Command (TASCOM). As such, they are "semi-tenants" on the installation on which located, but obtain their support without benefit of formal Interservice Support Agreements (ISSAs). Again, a portion of, but not all, costs are being reimbursed by the Property Disposal Activity to the host installations; specifically, for example, overhead costs are not being charged to the Property Disposal Activities.

The activities within PACOM other than Vietnam are part of the activities at which they are located (e.g., the Disposal Division of the Materiel Department of Naval Supply Depot, Subic Bay), and support arrangements have not been formalized.

Generally, property disposal activities are reimbursing the activities on which they are located for costs which could be definitely and readily attributed to disposal, and these represent the bulk of the total costs. Examples of costs which were charged to the disposal activity included: civilian personnel pay (both departmental and local national); travel; transportation of materiel; and any goods or services which are specifically contracted for, or purchased for or on behalf of, the disposal operation. In some cases general support costs (e.g., comptroller services, installation security, personnel services, and administrative support) were not being charged to the disposal activity, while in other cases these costs are being reimbursed through a general overhead charge or surcharge, rather than through a direct billing of actual costs incurred.

Any organizational realignment would require an adjustment of support arrangements, and analysis of existing arrangements and inter-relationships in the overseas theaters indicates no reason why this could not be done. The wide-spread use of ISSAs both within and outside the disposal area established that support arrangements are not a factor which could act as a bar or impediment to action in this area. Where disposal activities already exist, existing support arrangements could be continued after a reorganization by execution of an ISSA; where new disposal activities are required, new arrangements would have to be made and formalized on an ISSA.

However, any such organizational realignment which removes a disposal activity from the Military Service of its host installation can be expected to result in apparently higher costs for the disposal effort. This will occur because the host activity would make every effort to maximize reimbursements during the process of developing ISSAs, either by a more complete collection of costs or by imposition of a "G&A" surcharge. Some of the more significant areas in which costs would be expected to show a rise of some magnitude (because these costs are frequently not charged for now) include space rental, facility repair, and computer services. It must be emphasized, however, that these cost increases under a reorganization would be more apparent than real-- they would represent internal DoD charges that could be, but are not being, levied today, and would represent no increase in DoD out-of-pocket costs.

It should not be inferred from the preceding discussion that organizational realignment could be accomplished without any adverse impact insofar as support arrangements are concerned. The discussion in Chapter II on this point is also germane here, and some of the more significant points mentioned there should be repeated here:

First, even with the best of will and understanding, ISSAs do represent a workload; and,

Second, even with the best of intentions by the supporting activity, a tenant not of the same Military Service as the host can expect to receive somewhat less satisfactory support than would a tenant of the same Service.

7. Integrated Accounting

One of the organizational alternatives discussed in Chapter II was Integrated Accounting. This alternative proposes that the accountable records presently being maintained by the individual PDOs be consolidated at the sales offices. This accounting is already being performed by the Air Force in Europe and by the Army in Japan, Korea, and Okinawa for their respective PDOs. If this concept were to be expanded to PDOs overseas, savings would be realized which were comparable to those achieved in CONUS.

Within the Military Services overseas there are 1,658 personnel assigned to activities where consolidation presently does not exist:

	<u>PACOM</u>	<u>EUCOM</u>	<u>Total</u>
Army	1,095 (RVN Only)	276	1,371
Navy	118	18	136
Air Force	151	-	151
Total	1,364	294	1,658

Based on the same data used in Chapter II for personnel assigned to the accounting function, there are approximately 250 personnel involved in stock control functions overseas:

$$20\% \times 75\% \times 1,658 = 249$$

Using the Air Force experience in Europe as the basis for further computation, the overseas sales offices could be expected to perform the record keeping function with a total of 75 people:

$$249 \times 30\% = 74.7 = 75$$

The total savings overseas through the consolidation of the accounting function would be:

Total personnel at PDO	- 1,658
Percent involved in accounting function	- 20%
Percent of time in pure stock record function	- 75%

$$1,658 \times 20\% \times 75\% = 249$$

$$249 \times 30\% = 74.7 \text{ or } 75 \text{ personnel required}$$

$$249 - 75 = 174 \text{ potential savings}$$

$$\text{Average salary} = \$1,500 \text{ per year}$$

$$\text{Potential Annual Savings} = \$261,000$$

These savings are predicated on the integration of property accounting overseas independent of property accounting in CONUS-- this action can be taken overseas even if property accounting in CONUS is not consolidated.

8. Summary Analysis

One fundamental problem has been identified in the two overseas theaters visited: the basic directives governing the disposal program have left a void insofar as responsibility for optimizing the geographical support pattern is concerned. DSA has this responsibility in CONUS, but it has been fragmented for overseas by being broadly assigned to the Secretaries of the Military Departments. The situation in this area demonstrates the validity of the basic management principle which requires that every job to be done must be specifically assigned to someone. Failure to do this results in the job not being done-- "everybody's job is nobody's job."

Analysis of the geographical patterns for the support of the disposal mission in both the European and Pacific Theaters establishes that this deficiency has resulted in duplicative facilities, and in cross-haul/back-haul in the shipment of excess property from generating to disposing activities. Examples noted included areas in Germany and Korea and on the island of Okinawa. Under current directives there is no organization which can be held responsible for this deficiency-- no one organization has the command responsibility over this function for an entire theater, nor has one organization been assigned the staff responsibility in this area.

There are several forms which the corrective action for this area can take:

a. Provide DSA with the same coordinating authority for overseas theaters as it now has for CONUS, preceding this with an overall "consolidation study" in each of the overseas theaters.

b. Furnish the Unified Commanders with the authority and responsibility to establish optimum support patterns for disposal in their respective theaters.

c. Assign this same authority and responsibility for optimum support patterns to one of the Military Services as an "Executive Agent" in each of the overseas theaters.

d. Establish a single manager (one of the Military Services, DSA, or a separate DoD disposal agency) for disposal within each of the overseas theaters.

There is a basic split in the authority/responsibility relationships within the DoD disposal program in CONUS: the Military Departments must operate and provide resources for their respective disposal activities, but they cannot make any basic changes to them-- i.e., establish new ones or disestablish existing ones-- without prior coordination with DSA. Thus, an organization responsible for neither operating nor supporting disposal activities has a veto power over changes.

The first three of these alternatives extend this basic split in authority and responsibility to the overseas theaters. Only the fourth alternative rests both program authority and responsibility for program support in one organization.

Insofar as command relationships are concerned, only the establishment of an integrated management assignment would eliminate the duplicate headquarters staffing noted in EUCOM. Such an organization could be expected to reduce the combined headquarters manning by about four spaces. Similarly, consolidation of headquarters organizations within PACOM could be expected to reduce headquarters manpower requirements by about 12 spaces.

The frame of reference in which country-to-country negotiations take place insofar as disposal is concerned, and the terms in which existing country-to-country agreements are generally stated, argue that operational control over property disposal actions overseas should continue with a DoD activity. There is no ascertainable requirement that this be one of the Military Services, and there appears to be no bar to the assignment of this function to a DoD component which is not a Military Service and is not now operating in the theater. Thus, insofar as this area is concerned, there is no apparent obstacle to the designation of either DSA or a new DoD disposal agency as the single manager for disposal in an overseas theater.

No organizational change, per se, will have any effect on the noted discrepancies in the area of staffing, nor is organizational change a mandatory prerequisite to improvement. The Military Services currently assigned the missions could take the required corrective actions of: (1) providing a CONUS rotational/training base to support overseas disposal assignments; (2) minimizing the use of departmental civilians in favor of local nationals where these skills are known to be available; and, (3) developing organized efforts to upgrade local nationals so that they can perform key/supervisory duties within the overseas disposal organization. These same actions could, of course, also be taken by DSA or by a separate disposal agency. It must be noted, however, that the requirements for a CONUS rotational base to

support overseas disposal personnel requirements would be rather small. Fragmenting this effort across several of the Military Services would be considerably less efficient than having this accomplished by only one DoD component.

A key characteristic of current arrangements for the support of property disposal activities overseas is that they are severable. Any organizational change which removes the property disposal activities from their present Military Service assignment would require the establishment of ISSAs to cover the new tenancy status and support arrangements. This represents a workload which does not exist today, but this is not estimated to be of any significance and is, of course, minimized if a single manager assignment were given to one of the Military Services.

Three areas not previously discussed would also be impacted by an organizational change:

a. Challenges

All property disposal activities have at least an informal "challenge" effort, by which the appropriateness of the disposition of materiel is questioned back to the activity which declared it excess. However, this function operates on a formal basis for the Army in both theaters visited. For example in EUCOM, TASCOT headquarters has established a number of roving teams which perform this challenge function among other duties, on a formal, organized basis during the course of continuing visits to USAREUR property disposal activities.

This function is currently being performed by Army personnel at Army PDOs and results in challenges back to Army turn-in activities. Integration of all PDOs under a single manager within EUCOM could have an adverse effect on this function. If EUCOM property disposal activities were all placed under USAREUR, this function could continue, but with decreased effectiveness. If the property disposal function were placed under a non-Army manager, the challenge function might disappear as a formal, planned program accomplished by people outside the property disposal organization.

b. Surveillance

Integrated management would neither reduce nor eliminate the need for system surveillance. However, for obvious geographic reasons, this could more economically be accomplished under integrated management. Integrated management could be expected to result in some consolidations of property disposal holding activities, and this would reduce the amount of surveillance which would be required. Additional

savings will be realized from reduced surveillance team cross-haul/back-haul. These savings would result from the need to send only one property disposal inspector/inspection team to, for example, Japan to inspect holding activities there.

The savings, however, will probably be small because: (1) the number of activities requiring inspection within a given geographical area in EUCom is great and will continue to require multiple inspection trips; and, (2) Navy and Air Force property disposal inspections within PACOM are part-time functions, accomplished by staff officers responsible for a number of supply services areas (e.g., laundry, commissary). As a result, inspection visits would still be required to review other functions not affected by an integration of property disposal activities.

c. MARCE/PURA

Materiel must be declared excess to a Military Service before it is processed through the Disposal Program. Actions to utilize materiel before this declaration are part of the Utilization Program rather than of the Disposal Program, and there is a clearly defined separation between these two programs in CONUS. However, the theater screening agency within PACOM, PURA is part of an integrated process for getting rid of materiel determined to be locally excess to an installation within PACOM. Through PURA action these local excesses are identified for issue to another PACOM activity, for issue to a non-DoD activity, for return to the CONUS ICP, or for sale within the theater. Thus, the PURA mission runs across both the Utilization and Disposal Programs and, as such, PURA must be included in any discussion of the disposal organization within PACOM. Further, since it is planned that the EUCom theater screening agency, MARCE, become "PURA-fied" by January 1972, that agency must also be considered in this evaluation.

When a single manager is established for overseas disposal operations, consideration should be given to the assignment of these theater screening agencies to that single manager organization:

(1) As stated, the operations of these agencies are (in the case of MARCE, will be) an integral part of the total disposition process within their respective overseas theaters.

(2) These functions are not combat mission essential, and are not related to the primary operational missions of the Military Services overseas.

(3) For two of the three departments in each theater, the theater screening mission is being accomplished by an "outsider." This function could be as successfully operated by an organization which is an "outsider" to all Military Departments in the theater-- i.e., past experience with this operation indicates that there is no bar to its operation by DSA or by a separate disposal agency.

In summary, while there is no pressing requirement for an organizational realignment for the theater screening functions, such action represents a logical realignment when disposal functions are integrated into a single organizational structure within each of the overseas theaters. When this is done, the special manning now authorized for the staff supervision of PURA should be transferred to the integrated manager. This would involve one space at Army headquarters and one space at USARPAC headquarters. (No special manpower has been identified for the staff supervision over MARCE.)

The Task Group considered conducting research to evaluate the merits, and develop the details, of transferring the overseas theater screening functions from MARCE/PURA to the Defense Logistics Services Center (DLSC) at Battle Creek, since these agencies are performing a "DLSC-type" function. Conceptually, there is no bar to this. However, our preliminary evaluation revealed two major factors:

First, such an action could presumably not be taken with the present DLSC computer configuration-- this has been overloaded for some time. This would have to wait for, and become part of, the DIDS complex and the current DIDS implementation date is Fall of 1974.

Second, Logistics Systems Policy Objective No. 1 establishes the "one item, one manager" concept for the DoD supply system, and one schedule calls for its full implementation by the end of Calendar Year 1974. When this is fully implemented, the single DoD ICP for each item could accomplish the PURA/MARCE actions without these special programs (recognizing that special programs would have to be established at these ICPs to accomplish the PURA/MARCE actions for decentralized management items). Attainment of Objective No. 1 heralds the end of the MARCE/PURA programs at some indefinite, but foreseeable, future date.

In view of these two factors, the Task Group determined not to devote any effort to further research in the possible move of the overseas theater screening functions to some other geographical location.

Considering the two overseas theaters visited, analysis indicates that definite advantages could be achieved from an organizational realignment of the property disposal function overseas. These advantages would primarily arise in the area of more economical support through a greater consolidation of holding activities; additional economies could be realized through savings in the inspection/staff surveillance function. These would more than compensate for the slight additional costs which would accrue initially from the need to establish Interservice Support Agreements where none exist today.

Of the four organizational alternatives considered, only one-- establishment of a single manager-- provides for program authority and program responsibility in one agency, and this is considered by the Task Group to be a basic organizational principle (currently being violated in CONUS) which should not be ignored. Further, this alternative provides the best vehicle for eliminating those factors which have led to the present, less-than optimum, geographic support pattern, and for insuring the optimum consolidation of disposal holding activities.

E. CONCLUSIONS

1. Geographical patterns for the support of disposal overseas are less than optimum, and there is a duplication of effort and cross-haul/back-haul of materiel resulting from the unilateral establishment of disposal support patterns by the individual Military Services. Significant savings would accrue if these geographical support patterns were optimized.

2. Present directives do not identify an overall administrator or coordinator for the disposal program in the overseas theaters, comparable to the assignment which has been given to DSA for CONUS.

3. There is duplication of the headquarters structures for exercising staff supervision over disposal activities within both EUCOM and PACOM; further, there is a duplication in the manpower allocated to staff supervision over these activities in EUCOM. Only establishment of a single manager for disposal within a theater could effectively eliminate these conditions.

4. Formal relations with foreign (host) governments are conducted under the supervision of the American Embassy, with the disposal channel through the Unified Commander's representative in-country. These relationships, and the terms of the country-to-country agreements as they relate to property disposal, indicate that this function should remain assigned to a DoD component, but they do not require that this be one of the Military Services.

5. There is a wide-spread use of civilians, including both Civil Service and contractors, in Vietnam. These, plus the current successful Army action to obtain a civilian staff for the entire property disposal operation in that country, establish that there are few, if any, areas in the world in which a civilian-manned property disposal structure would not be able to function.

6. A vast majority of the disposal tasks can be successfully performed by local nationals in overseas areas. In certain areas where the skills and knowledge required for performance of these tasks are available locally, local nationals are not being fully utilized and/or are not being trained to qualify for more responsible roles; one means of decreasing disposal program costs is to maximize the use of local nationals.

7. Current arrangements for the support of property disposal functions at overseas activities are severable and easily converted to the support of these activities as part of a single manager structure.

8. Since removing property disposal organizations from the Military Service of the installations on which they are located would result in a more zealous effort to effect complete reimbursement for the cost of all support being rendered, establishment of a single manager for disposal overseas would initially appear to increase the costs of this program.

9. There is an interrelationship between the functions of MARCE and PURA and those of the disposal program.

10. Required corrective action for the deficiencies identified in the overseas theaters could be accomplished by the designation of a single manager for the disposal program.

CHAPTER IV

EXCESS CONTRACTOR INVENTORY

A. INTRODUCTION

1. Background

The Federal Property and Administrative Services Act of 1949 placed overall responsibility for the disposal of excess Government property with the General Services Administration (GSA). After delegation of certain disposal responsibilities from GSA to the Department of Defense, the evolution of organizations and procedures to insure ". . . an economical and efficient system for the disposal of surplus property. . ." took two distinct paths.

One deals with the bulk of the excess DoD property generated in the United States. This subject is discussed in Chapter II. The second deals with the disposal of property not assigned for the use of a DoD element but, rather, for the use of a commercial contractor as part of a contractual agreement between the Government and the contractor. This second system has some unique aspects that make it different from the type of disposal discussed in Chapter II.

The Defense Supply Agency and the Military Services enter into contractual agreements for the goods and services they require to perform their missions. It is the responsibility of DSA, working through its Defense Contract Administration Services (DCAS), to administer most of the DoD contracts. The contracts not being administered by DCAS generally involve highly specialized items and are administered by the contracting Military Service.

In many contracts, the Government is required to furnish equipment, parts, or other materials for use by the contractor during the production process. For any of a number of reasons, the Government materiel furnished the contractor may become excess to the needs of the contract. When this occurs, the contract administrator assumes a responsibility to utilize the excess materiel or to dispose of it in a way most advantageous to the Government.

The Act of 1949 defines excess contractor inventory as:

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"(1) Any property required by and in the possession of a contractor or subcontractor under a contract pursuant to the terms of which title is vested in the Government, and in excess of the amounts needed to complete full performance under the entire contract.

"(2) Any property which the Government is obligated or has the option to take over under any type of contract as a result either of any changes in the specifications or plans thereunder or of the termination of such contract (or subcontract thereunder), prior to completion of the work, for the convenience or at the option of the Government."

The procedures for disposing of contractor inventory are found in the Armed Services Procurement Regulations (ASPR).

2. Scope of Excess Contractor Inventory. Section XXIV of ASPR requires that a quarterly workload report be prepared and submitted to the headquarters of the organization administering a contract. Field research indicated that the amount of effort that goes into the preparation and review of this "Report of Excess and Surplus Contractor Inventory" (DD Form 1638), varies from almost none to extensive; therefore, a full range of reliable statistics indicating the scope of the program was not obtainable. However, by combining available data and the considered "ballpark" estimates of plant clearance personnel, a picture of the size of the excess contractor inventory program in comparison to the basic property disposal program can be sketched:

- Excess contractor inventory on hand at the end of Fiscal Year 1971 had an acquisition cost of about \$700 million, compared to the basic DoD property disposal program inventory which exceeded \$5 billion. Of the excess contractor inventory, about half was the responsibility of DCAS and the other half was the responsibility of the Services.
- The acquisition cost of the excess contractor inventory utilized or donated in Fiscal Year 1971 was about a half billion dollars. The value of the basic program, materiel was about three times larger at \$1.6 billion.
- Proceeds from the sale of contractor inventory were between \$35-40 million, with about 65% resulting from DCAS-monitored sales. The gross proceeds from basic program sales for Fiscal Year 1971 were \$135 million.

- About 250-300 personnel work on excess contractor inventory (60% in DCAS activities). The basic property disposal program employs almost 5,000 personnel.

B. THE EXCESS CONTRACTOR INVENTORY PROGRAM

1. Organization

a. Defense Supply Agency

In the Defense Supply Agency, responsibility for administering the excess contractor inventory program is assigned to the Executive Directorate for Contract Administration in the DCAS. This Directorate provides headquarters-level policies and procedures and is staffed with four professionals to oversee the program.

The day-to-day responsibilities for excess contractor inventory are handled by a staff of approximately 180 plant clearance officers, supervisors, and clerical support personnel working at the field level in the 11 DCAS Regions (DCASR), or in one of the several DCAS Districts (DCASD) or DCAS Offices (DCASO) reporting to a DCASR. Figure IV-1 depicts this relationship. Since a DCASR's responsibilities extend over a multi-state area, there may be concentrations of contractors' plants in several widely scattered places, and a DCASD may be established in each of these. Within the DCASD area, one or more large plants with a heavy involvement in Government contracts may be located, and a DCASO may be established at each of these.

Plant Clearance Officers (PCOs) are appointed to act as agents of the Government and are responsible for insuring that contractors dispose of Government property in accordance with the policies, procedures, and intent of ASPR. In performing their job, the PCOs may be physically located in the DCASR, in one of the DCASDs, or in a DCASO-- each DCASR determines where their PCOs should be located. For example, in one DCASR all PCOs for the region are located in the DCASR proper; in another DCASR, PCOs are in the DCASR itself, as well as at the District and Office level. Regardless of location, the plant clearance function is normally assigned as an element of the local Contract Administration Directorate.

The DCAS PCOs are assigned to plant clearance matters on a full-time basis and are funded by the Operations and Maintenance Appropriation; their expenses are not reimbursed from proceeds from the sale of excess contractor inventory.

DCAS ORGANIZATIONAL RELATIONSHIPS

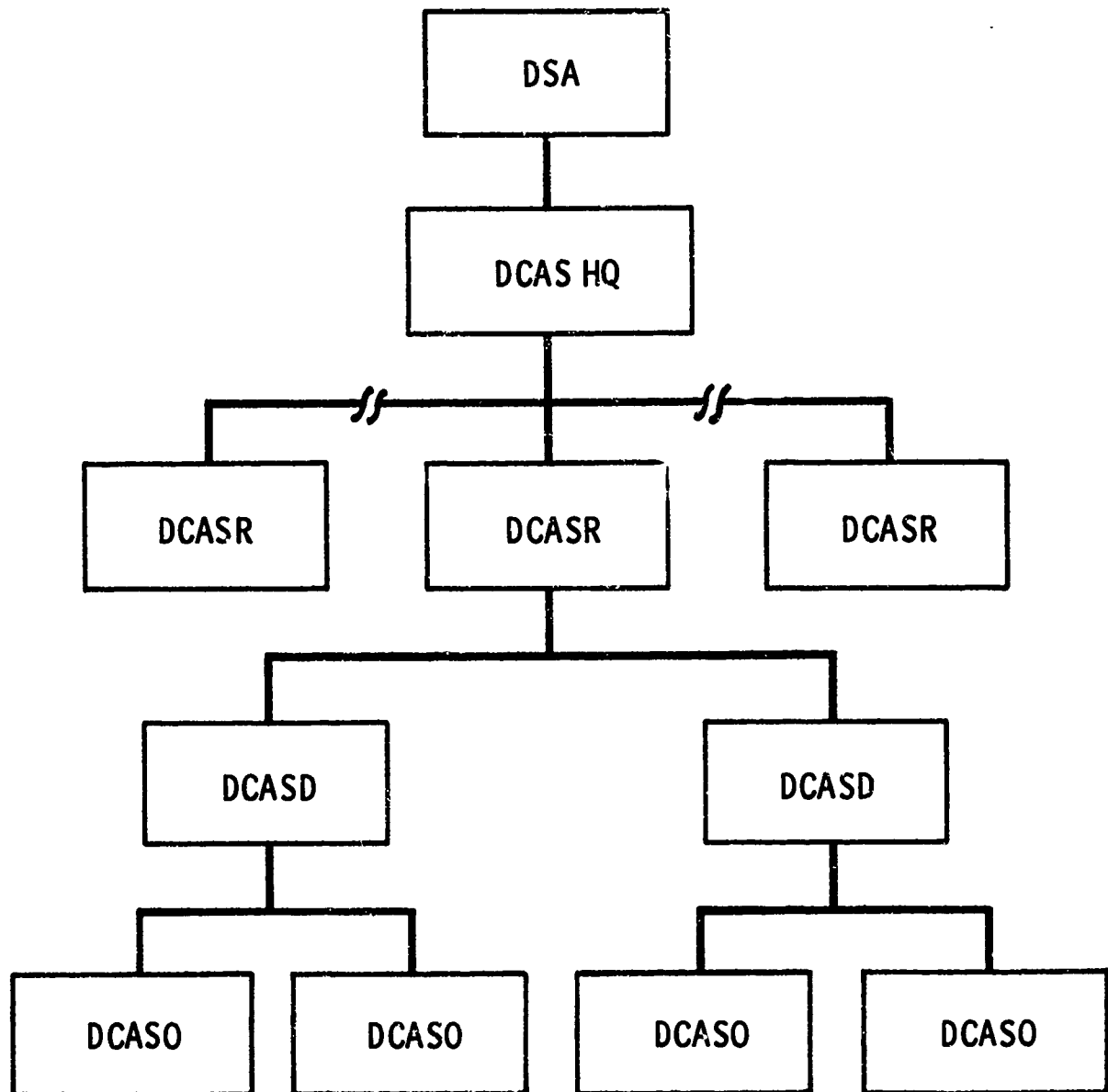


Figure IV-1

b. Department of the Army

In the Department of the Army, excess contractor inventory policy is the responsibility of the Procurement Policy Division of the Army Materiel Command (AMC). However, AMC has delegated to its major subordinate commands the responsibility for these matters. There is no staffing per se at the AMC level for excess contractor inventory guidance; involvement is only on an exception basis and occupies only a fraction of a person's time.

The majority of the excess contractor inventory generated under contracts administered by the Army comes from Government-Owned, Contractor-Operated (GOCO) plants. Complete statistics on business volume were not available at AMC; however, the Task Group was advised that the Aviation Materiel Command (AVCOM) and the Army Ammunition Procurement and Supply Agency (APSA) handle the bulk of the workload. AVCOM performs its contractor inventory responsibilities through the efforts of PCOs located at four contractor plants, while APSA is responsible at 19 plants.

AMC estimated that throughout its system approximately 20 to 25 persons are working on plant clearance matters, most of these on a part-time basis. At activities researched, the plant clearance function was not funded from proceeds of sale.

c. Department of the Navy (Including the Marine Corps)

The Secretary of the Navy and the Assistant Secretary of the Navy (Research and Development) have delegated policy and procedural responsibility for contract administration, including the plant clearance function, to the Chief of Naval Materiel (NAVMAT) and the Chief of Naval Research (ONR).

In NAVMAT, these responsibilities are handled by one person on a part-time basis. Under the jurisdiction of NAVMAT, three distinct organizations are involved with excess contractor inventory. In terms of volume, the largest is the Naval Air Systems Command (NAVAIR). Headquarters, NAVAIR has one person assigned part-time to oversee the program at its 10 plants throughout the country.

NAVAIR depends primarily on an intermediate staff level, the Naval Air Systems Representatives Atlantic (NAVAIRREPLANT) and Pacific (NAVAIRREPPAC), to discharge its excess contractor inventory responsibilities. Efforts in this area are spent in training plant clearance officers and auditing the performance of the 10 Navy Plant Representative Offices (NAVPROs). All plant clearance personnel are reimbursed from proceeds of sale monies.

The second largest organization under NAVMAT is the Naval Ordnance Systems Command (NAVORD). NAVORD has plant clearance responsibilities at seven plants. A property disposal specialist in the Utilization Branch of NAVORD oversees the program at the plants. His responsibilities include technical advice to the plant clearance personnel in the plants as well as periodic surveillance. A portion of the NAVORD plant clearance effort is expended at plants doing work for the Strategic Systems Project Office (SSPO); this is funded by SSPO and is not reimbursed by sales proceeds. The remaining effort is funded by NAVORD, but is reimbursed by sales proceeds.

The organization with the smallest involvement is the Naval Ships Systems Command (NAVSHIPS). Primary involvement in NAVSHIPS is through the Supervisors of Shipbuilding (SUPSHIPS) who do plant clearance at four locations. Two of these locations have an unusual operation in that usable materiel is turned in to a nearby property disposal officer for processing, while only scrap is sold by the contractor. None of the SUPSHIPS plant clearance personnel are reimbursed from proceeds of sale.

In the Office of Naval Research, excess contractor inventory policy is a part-time function in the Office of the Director of Procurement Services. With respect to plant clearance, ONR policy involvement is minimal; generally, the lead on policy direction is taken by NAVMAT. ONR personnel oversee plant clearance matters at four field offices involving about 20 residencies (e.g., universities, laboratories, etc.) under their direction. None of the personnel in ONR is reimbursed from sales proceeds. Data concerning the volume of plant clearance business done by the ONR was not available, although it was estimated that total proceeds were well under \$50,000 during Fiscal Year 1971.

d. Department of the Air Force

The Department of the Air Force has delegated its excess contractor inventory responsibilities to the Air Force Systems Command (AFSC) and the Air Force Logistics Command (AFLC).

AFSC has established the Air Force Contract Management Division (AFCMD) in Los Angeles to handle contract administration functions. In Headquarters AFCMD, four personnel are responsible for providing guidance to a network of Air Force Plant Representative Offices (AFPROs) located at 20 plants throughout the country, each of which has a full-time PCO. The AFCMD also manages five Air Force Contract Management Offices at Air Force test sites (Edwards AFB, Eglin AFB, Holloman AFB, Patrick AFB, and Vandenberg AFB). A special type of plant clearance is performed at these test sites: after a utilization

screen of the materiel by the procuring office, the remaining materiel is turned over to the Base Redistribution and Marketing function (the Property Disposal Officer) for further disposal action. Plant clearance at these test sites is not a full-time effort for the personnel involved.

AFLC has established the Air Force Contract Maintenance Center (AFCMC) to handle its contract administration responsibilities. AFCMC Headquarters is staffed with three personnel working part-time who are responsible for providing guidance to PCOs at nine locations in the United States; plant clearance at these locations is also a part-time function. None of the Air Force plant clearance personnel is reimbursed from sales proceeds.

2. The Excess Contractor Inventory Disposition Process

a. General Overview

The total process begins when the Government enters into a contract with a manufacturer or supplier. The contract may call for the contractor to use materiel provided either directly or indirectly by the Government. This materiel may be owned by the Government outright or the Government may have certain rights to gain title to it. In order for the Government to keep track of this property the contractor is required to have an adequate property and scrap control system. This will enable the contractor to properly segregate his materiel from the Government's when the contract is completed and excess materiel must be disposed of.

When an item of Government-owned property becomes excess to the needs of the contract for which it was acquired, ASPR provides a set of priorities concerning what is to be done with the property.

The first action required of the contract administrator is to attempt to apply the property to another contract. When this attempt is unsuccessful, the contract administrator must encourage the contractor to purchase the property at cost. Failing in this, the contract administrator attempts to persuade the contractor to return the excess property to the suppliers for full credit less a reasonable return charge.

If these steps are not successful, the PCO becomes the focal point in attempting to utilize the materiel somewhere within the Government, to donate it to eligible donees, to sell it to the general public, or to abandon or destroy it.

b. Utilization and Donation

Consistent with the intent of the Federal Property and Administrative Services Act of 1949, the Armed Services Procurement Regulations specify procedures to promote maximum utilization of serviceable or usable property within the Government.

Upon determination that materiel furnished by the Government is excess to his needs, the contractor furnishes the PCO with an Inventory Schedule (DD Form 540-series) which describes the quantity and type of materiel available and its condition. ASPR requires that separate schedules be submitted for items with an acquisition cost under and over \$300. Further, for those over \$300, separate schedules are required for aeronautical materiel and equipment, electronic materiel and equipment, and special test equipment. Separate schedules regardless of acquisition cost are also required for serviceable or usable special tooling, scrap, salvageable items, and classified materiel.

Upon receipt of Inventory Schedules from the contractor, the PCO reviews them to determine their acceptability. The PCO is responsible for assuring that the property reported is allocable to the contract cited in the schedules, that it cannot reasonably be diverted to other work of the contractor, and that the quantity and condition of the materiel is correctly stated. When the PCO is not at the contractor's plant, he must enlist the assistance of the quality assurance analyst, production specialist, contract auditor, or other Government representative on-site. Generally, this takes the form of the Government representative indicating his approval of the schedules by attaching an Inventory Certification Survey (DD Form 1642) to the Schedules. The PCO has 15 days to accept the Inventory Schedules; questions concerning the schedules must be resolved before further processing can take place. A plant clearance "case" is then established as an administrative control and record of all succeeding transactions.

To promote maximum utilization within the Government, serviceable or usable property is screened. ASPR specifies that, as a general rule, serviceable or usable materiel will be formally screened except: (a) when the line item acquisition cost is \$300 or less; (b) when it is in poor condition; (c) when it is selected subcontractor termination inventory; (d) when it is selected work-in-process inventory; and (e) when it is considered by the PCO to be uneconomical for screening. Materiel not eligible for formal screening is considered "nonreportable." Although it does not enter the formal screening cycle, it is held in suspense for 30 days to permit an informal screen. For the first 15 days the materiel is eligible for selection by GSA for Federal utilization purposes. During the second 15 days, it may be selected for donation purposes.

Materiel that is eligible for formal screening-- referred to as "reportable" property-- is subject to a longer and more involved screening period. Upon receipt of the inventory schedules from the contractor, the PCO attaches a covering "Report of Excess Personal Property" (SF 120), which identifies the materiel as contractor inventory and shows the Automatic Release Date (ARD) and the Screening Completion Date (SCD). The ARD is the 75th day of the screening-- when the materiel becomes available for donation-- and the SCD is the 90th day when the materiel becomes available for sale. The PCO forwards the Inventory Schedules to the procuring department (and the requiring department if it is not the procuring department) for a 30-day screening period.

On the 31st day, the PCO prepares a revised schedule reflecting deletions due to transfer or withdrawal and forwards it to the GSA office serving the region in which the property is located. In addition, information copies of the revised schedules are forwarded to other Departments whenever aeronautical or electronic materiel and equipment is involved.

The PCO's responsibilities from the 31st through the 75th day include receiving and approving transfer requests from the procuring or requiring department, acting upon GSA transfer orders, and notifying GSA when items have been withdrawn and are no longer available for their screening. The GSA Regional Offices' responsibilities include the preparation and issuance of circulars and catalogs to all Government agencies within the region, reviewing and approving requests for transfer, and requesting the PCO to act upon its transfer approval.

After the 75th day of screening, the remaining property is considered surplus to the needs of the Federal Government and may be donated. GSA is responsible for advising eligible donees of the location of the property and for approving donation to them. The responsibilities of the PCO during this period are to: maintain Inventory Schedules in a donable property file which may be screened by eligible donees; honor GSA requests for release of the property to a donee; provide advice to the donee on matters of shipping costs and initiate any required packing, crating, and handling purchase orders on behalf of the donee; and, monitor the property for 40 days from the start of the donation screening period to insure that it has been picked up by the donee and all applicable costs paid. If removal and payment have not been accomplished by the 115th day (75+40), the property is to be disposed of by sale or abandonment/destruction.

Minor variations from the utilization and donation screening procedures just described apply to materiel such as industrial plant equipment, standard components of special test equipment, nuclear materials, strategic and critical materials, printing equipment, and automatic data processing equipment. These items generally are subject to intensive management by certain Government offices and it is the responsibility of those offices to perform an internal utilization screen and to advise GSA when the materiel is eligible for Federal Government screening.

c. Sales

Surplus contractor inventory which has not been utilized or donated is eligible for sale after required screening has been accomplished. This inventory is normally sold by the contractor in accordance with the terms of his contract, and instructions from the PCO in compliance with the ASPR,

The process begins when the PCO instructs the contractor to initiate a sale of surplus property. The contractor then prepares an invitation for bid (IFB) which includes the following information:

- (1) Sale invitation number and date of issue.
- (2) All the general sales terms and conditions and the special sales terms and conditions in accordance with instruction from the PCO.
- (3) Complete commercial description of materiel to be sold and its acquisition cost.
- (4) Location and condition of materiel and inspection schedule.
- (5) Amount of bid deposit required.
- (6) Date, hour, and place of bid opening.

A draft copy of the proposed invitation for bid may be returned to the PCO for review. Upon approval, the contractor then issues the invitation to prospective bidders. (If the acquisition cost of the materiel exceeds \$250,000, the contractor also must notify the Department of Commerce for inclusion of the sale notice in the Commerce Business Daily.) The list of prospective bidders may be a joint effort between the PCO and the contractor, or either party may provide the list-- the basic requirement is that the list be large enough to insure

adequate competition. ASPR provides the PCO with a means for securing an extensive bidders list by authorizing him to use the Defense Logistics Services Center (DLSC) bidders list. In fact, ASPR encourages the use of this list when extremely large quantities of property, special commodities, or unusual geographic location is involved.

After the invitations for bid have been issued, an inspection period of at least 15 days is allowed. Materiel sold under the ASPR system is sold "as is, where is"; buyers do not have the protection available under the Guaranteed Description Clause of the Defense Surplus Sales Office selling system.

On bid opening day, the contractor conducts a public bid opening with the PCO or his representative in attendance. The PCO will subsequently review the bids to establish that the bid price is fair and reasonable in the light of knowledge or test of the market. A current market appraisal may be obtained from DLSC if it is determined that this would be helpful in arriving at a decision. The PCO also prepares an Abstract of the bids if review is required by the Property Disposal Review Board. ASPR requires that a Property Disposal Review Board be established to review prospective high dollar value dispositions to assure that the proposed transaction is proper, in conformance with regulations, the actions proposed evidence sound judgment, and the Government's interests have been protected.

In addition to Board approval, the PCO may have to obtain other clearances. For example, if the acquisition cost of the inventory is \$3 million or more, or if patents, or special processes, techniques, or inventories are involved, the Attorney General and the Administrator GSA must be advised in order that they may determine if the sale is consistent with antitrust matters.

Upon final decision as to the successful bidder, as well as securing required clearance, the PCO notifies the contractor to make the award, collect the proceeds of sale, and release the property to the purchaser.

He cont. or forwards the monies he receives to the PCO who delivers them to the designated disbursing officer. These monies are generally allowable as credits against the cost of the contract. On infrequent occasions sales proceeds are realized subsequent to a paid contract or in some other way excess to the needs of a contract; these monies may be credited to the Miscellaneous Receipts of the Treasury.

The majority of surplus contractor inventory sales utilize the formal competitive sales techniques just described. However,

informal competitive bid techniques may also be applied, and generally this is done when the amount or value of the property is not large enough to justify the expense of the formal procedures. The unique characteristic of the informal procedure is that bids may be solicited orally, by telephone, or by some other informal means so long as the element of competition is maintained.

Negotiated sales may also be conducted when the method is considered by the PCO to be in the best interest of the Government. Examples are: when the material has such limited scientific or technical usage that no competitive market exists; when no acceptable competitive bids have been received; or, when the value of the property is too small to warrant the expense associated with a formal competitive bid sale.

d. Case Closure

Throughout the life of the contract being administered, careful record-keeping of significant transactions is required by ASPR. The notes pertaining to contractor inventory are a part of the "case" established at the beginning of the disposal cycle by the PCO.

When final disposition of the contractor inventory has been completed, the PCO makes the "case" an official part of the contract history maintained by the contract administrator.

The PCO reports a summary of his actions to a designated higher official via the quarterly "Report of Excess and Surplus Contractor Inventory," to provide uniform data reflecting the scope and effectiveness of the contractor inventory utilization and disposal program.

C. ANALYSIS

1. Bidders Lists

When an excess Government-owned item is not utilized or donated, it becomes eligible for sale to the general public. The public indicates its interest in buying such items by asking to be placed on a bidders list. There are many independent bidders lists within the excess contractor inventory effort. Each DCASR maintains its own list; in the Military Services some PCOs maintain their own lists, while some depend on contractors to maintain a list, and others use the lists available from DLSC. Some of these lists are mechanized, while others are not. Some of these lists are updated regularly, some are updated periodically, and some are not updated at all.

Research indicated that bidders lists are a generally - applicable problem in the disposal program. This subject is given special attention in Chapter VI.

2. DoD Screening of "Excess" Contractor Inventory

The Federal Property and Administrative Services Act of 1949 established the general principle that Government property excess to one organization should be brought to the attention of other organizations so that they may determine whether or not they have a need for the property. ASPR specifies how this utilization screening of excess Government property in the hands of contractors is to be accomplished. In brief, materiel excess to a contractor is screened by the buying activity for 30 days, after which the PCO reports it to GSA (the Regional Office responsible for the geographical area in which the property is located) for screening by Federal agencies and then by authorized donees.

Materiel is to be reported to GSA for regional screening only after it has been identified as DoD Excess. Similarly, materiel is not to be screened for identification as DoD Excess until it has first been screened and identified as Service Excess. Much excess contractor inventory goes through the entire process without receiving a full screening to insure that it is actually Service Excess, and none of it receives the screening required to properly identify it as DoD Excess.

Insofar as screening to identify items as Service Excess is concerned, field research revealed the following:

a. Many Inventory Schedules receive little, or no, screening outside the buying activity to which originally sent by the PCO. For example, one buying activity made no distribution of Inventory Schedules received from PCOs, even when they contained items which it did not manage (and even though it was receiving redistributed Schedules from other buying activities); another buying activity redistributed Inventory Schedules to other appropriate managing activities within its own Military Service, but did not send them to Defense Supply Centers. These failures to redistribute Inventory Schedules prevent full screening from occurring, since a Schedule can contain a broad range of items, many of which are not managed by the buying (screening) activity.

b. After the buying activity completes its 30-day screen, ASPR calls for the forwarding of information copies of the Schedules to other activities when aeronautical or electronic materiel and equipment are involved. However, ASPR does not specify precisely who is to take this action and field research established that there is a conflict in

this area. In at least one case the PCO believes that the responsibility for this additional circularization within DoD rests with the buying activities; when the buying activities for which this PCO is responsible do not interpret the ASPR the same way, the Inventory Schedules will not get this required additional circulation and screening.

c. This problem of deficient screening is not limited to just a few PCOs. Many of those that are sending information copies are not sending them to all managers of the items. This apparently stems from a lack of knowledge of the identity of all managers, a situation which has its genesis in factors outside the control of the PCO.

d. The ASPR requirement for additional circulation of Inventory Schedules containing aeronautical and electronic materiel would, if properly implemented, insure screening of these items by DoD wholesale managers. However, there is no provision to insure proper screening of items other than these. Thus, for example, common hardware items or vehicle parts could be identified as Excess without screening by the DoD wholesale manager, and instances of the former were observed during field research.

The basic process in the disposition of excess contractor inventory prevents this materiel from receiving a proper screening for identification as DoD Excess-- the essential element in this screening is the reporting of appropriate items (i.e., those meeting the reporting criteria in the Defense Disposal Manual) to DLSC for publication in the DoD excess catalog and circulation to DoD activities worldwide. No excess contractor inventory is getting reported to DLSC, therefore none is getting this DoD-wide screening, and therefore that which should have been reported to DLSC cannot properly be considered DoD Excess at the time it is reported to GSA.

It is true that there is a partial compensation for this deficiency-- DoD activities have priority over non-DoD activities during the first 30 days of the 60-day GSA screening. However, reliance on the GSA process to remedy the screening deficiencies identified above is unwise. GSA lists are prepared on a regional basis, containing only property located within that region, and are generally distributed only to activities within that region-- this may or may not be the region in which the actual wholesale manager for that item is located. In addition, the GSA lists do not contain all items reported to them; GSA selects items likely to have a broad appeal to their "customers," and this may not necessarily coincide with DoD item interests.

3. Screening for Service Excess

Field research established that materiel excess to a contractor frequently did not receive sufficient screening before it was, in effect,

identified as "Service Excess." Task Group research was not oriented toward the development of recommended corrective actions in this area, since this deficiency occurs prior to the start of the "disposal" process, which is the scope of this Study.

However, some of these conditions of inadequate screening were identified and studied several years ago by a joint DoD Task Group. At that time a procedure was recommended which would have enabled the PCO to use the mechanized screening capability at DLSC. Following are some of the factors cited at that time for not adopting this proposal, with our analysis of their current significance:

a. Earlier analysis found that DLSC was unable to mechanically process an input transaction which does not have either a Federal Stock Number (FSN) or both the Federal Supply Code for Manufacturers (FSCM) and part number for the item.

While this is still true, it is a result of the DLSC computer programs and is not an irutable law of nature. Field research revealed several inventory control points (ICPs) which were screening part numbers without FSCM from excess contractor Inventory Schedules against their mechanized cross-reference files and successfully identifying FSNs. The problem in this area arises from the fact that this may produce a match with more than one FSN (when two different manufacturers have adopted the same part numbering system), or with an item whose part number is not item identifying. Information developed during previous studies leads the Task Group to believe that this would occur only infrequently, and this is supported by the fact that such systems are currently in use at some of the ICPs visited.

b. The earlier analysis felt that there would be a high cost at DLSC for the conversion of manually-prepared input documents to a machine-sensible format.

The Task Group has no basis for amending this factor. However, our research with contract administration offices indicated that a large number of contractors have, or have access to, equipment which can produce computer input documents-- tape, EAM cards, or optically recognizable characters. ASPR recognizes this by authorizing contractors to submit Inventory Schedules in the form of machine listings in lieu of using the DD Form 540-series of documents. Selective application of the DLSC mechanized screen to those contractors which can produce machine-sensible input documents should reduce these costs to an acceptable level.

c. The earlier analysis indicated that excess contractor inventory items are highly specialized, thus limiting their usefulness and the extent to which they should be circulated.

Task Group field research involving review of both Inventory Schedules at ICPs and of materiel at contractor plants establishes that, while there are large amounts of highly specialized items (e.g., test equipment generating from a research, development, test, and evaluation (RDT&E) contract) in the excess contractor inventory, significant amounts of conventional usable items of supply are also included. Again, selective application of intensified screening techniques may be appropriate. For example, use of DLSC mechanized screening techniques could be limited to items which generate from production contracts only; items generating from RDT&E contracts could be selectively screened through some device such as the DLSC High Value program, and in accordance with the criteria of that program.

d. The earlier analysis found that excess contractor inventory items are already being well utilized, and there is no need to improve the screening process for these items.

The Task Group cannot reconcile the contradiction between this factor and the preceding one. However, analysis indicates there are three points applicable to this high utilization rate enjoyed by excess contractor inventory items:

First, while Fiscal Year 1965 data shows a utilization rate of 62%, Fiscal Year 1970 data shows that this has dropped to about 35%.

Second, even with this drop, the excess contractor inventory utilization rate is higher than that of the basic DoD program, which was 21% in Fiscal Year 1970. However, it must be noted that contractor inventory materiel is generally newer in both condition and design than that processed through the basic disposal program, where materiel is often obsolete and has been stored under adverse conditions.

Third, utilization rates between the basic DoD program and the excess contractor inventory program are not really comparable. Contractor inventory program data is collected from the time property is first recorded on an Inventory Schedule, and it includes utilization by the buying activity or buying Service. Basic program data does not include this utilization, but includes only that which occurs after the item has been identified as DoD Excess.

In summary, action is required to correct the deficiencies previously identified in the processes for screening excess contractor inventory items to determine if they are Service Excess. Conditions today are sufficiently different that some of the earlier proposals for internal DoD screening of these items merit reconsideration. A selective application of intensified screening techniques may be appropriate in lieu of a total application.

4. Potential for Integration

The plant clearance and property disposal functions are duplicative in that both are engaged in the disposition of excess and surplus Government property. However, in the contractor inventory program, identification as "excess" merely means that property is not required by the holding contractor. This means that, in addition to dealing with materiel which is truly excess, the PCO is also dealing with materiel which has not yet been screened to determine if it is actually Service excess.

The Property Disposal Officer (PDO) is not now dealing with materiel which is not at least Service excess. Transferring responsibility as soon as property is declared excess by a contractor would involve the PDO with two incompatible categories of materiel-- some which have been identified as Service excess, and some which must still be involved with these two different categories of materiel, and that action should be taken by someone other than the PDO to establish that excess contractor inventory is actually Service excess before it is transferred to the PDO.

Aside from this consideration, there are certain actions which must be taken on contractor inventory when it is identified as excess by the contractor, simply because this property is not in the hands of the Government. Whether done by the property administrator or by the PCO, someone must, for example, check and approve the excess Inventory Schedule prepared by the contractor, and someone must approve shipment of excess contractor inventory during the internal DoD screening phase. This establishes that there will be a continuing requirement for a "PCO-type" capability to deal with contractors in this area, even if the maximum possible integration-- transfer of excess contractor inventory to the PDO after the materiel has been determined to be Service excess-- is implemented.

Thus, integration of the excess contractor inventory disposition function will produce only limited manpower savings because of the functions which will continue to be performed for the materiel before it can be transferred to the PDO.

The cost of disposing of excess contractor inventory could not be determined, so there is no basis for an analysis of the relative costs of performing this function by the contractor versus the PDO structure-- DSA has previously asked the Defense Contract Audit Agency to develop these costs, but this request could not be accommodated. These charges are included in the "general and administrative" expense category of the contractor and no precise data on the costs could be developed during field research, but we were generally advised that these costs are "small." The contractor's excess inventory disposition system does not exist solely for the disposition of Government-owned excess, but also for the disposition of the contractor's materiel. This would tend to support the general statements that these costs are low, and difficult to identify separately.

We find, then, that integration of the excess contractor inventory process into the basic DoD program could be expected to have only a minor effect on contracting costs, and would result in only a small manpower savings, if any. Further, integration of this function with the basic program has significance only if the materiel is moved to the PDO yard. This action would improve materiel utilization but, in addition to the obvious transportation costs, would incur the disadvantage of subjecting the materiel to the generally less-satisfactory storage conditions which exist at PDOs.

In summary, primarily because a number of functions would still have to be done by someone in the Government other than the PDO, integration of the excess contractor inventory process with the basic DoD program is not considered advantageous, and is not the only course of action which could resolve the screening deficiencies identified during field research. Additional effort to develop procedural improvement of the screening process appears to be appropriate.

5. AFCMD Test

During field research an Air Force Contract Management Division test of a new concept for plant clearance operations was observed. This concept is premised on the ASPR clause that makes the contractor accountable and responsible for all Government property in his possession. Since the contractor has this responsibility, he must keep certain records to maintain surveillance on the property. AFCMD believes that these records are sufficiently thorough that much of the day-to-day paperwork and record keeping now performed by the PCO is unnecessary duplication.

The AFCMD concept separates the PCO's duties into two aspects: (1) those that can easily be assumed by the contractor and adequately assessed by the PCO by means of a planned surveillance program; and

(2) those duties that should be retained by the PCO because they are sensitive to the Government's interests and therefore should not be administered on a surveillance basis. AFCMD feels that in addition to eliminating duplicate records between the PCO and the contractor, application of this concept will allow the PCO function to be performed with reduced personnel, as well as enabling the remaining personnel to devote a larger portion of their time to the "professional" aspects of the plant clearance function.

At the time of the visit, the test was in an embryonic state and AFCMD was reluctant to release the details of how it would operate. Recent discussions with AFCMD indicate that the test results appear satisfactory and AFCMD is willing to publicize the details. The concept of the AFCMD test appears sound. Interim indications are that the plan is workable. Although it is prudent to await more conclusive evidence that a reduction in the PCO's paper workload by greater dependence in the contractor is possible, this area should be closely observed for potential application by all PCOs.

D. CONCLUSIONS

1. Current screening procedures for excess contractor inventory are deficient in that materiel is not adequately screened within the DoD before it is reported to GSA as DoD excess.

2. It may be advantageous to use mechanized techniques for the utilization screening of excess contractor inventory if these techniques are applied on a selective basis.

3. The nature and volume of actions which must be taken by the contract administration organization in disposing of contractor excess establish that no real potential exists for integration of the excess contractor inventory program with the basic DoD program.

4. The concept being tested by the Air Force Contract Management Division to eliminate duplicate record keeping and duplicate effort by the PCO and the contractor appears to have merit, and warrants evaluation for possible DoD-wide application.

CHAPTER V
U.S. ARMY
CORPS OF ENGINEERS CIVIL WORKS PROPERTY

A. INTRODUCTION

Responsibility for the sale of Civil Works property is vested in the Chief of Engineers, Department of the Army, delegated to him by the Secretary of the Army on 19 April 1951. This delegation includes the responsibility for selection of administrative procedures for the disposition of Civil Works property, and is the basis for current internal Civil Works property utilization and disposal regulations developed by the Corps of Engineers.

The Corps of Engineers disposal efforts are small when compared to those of the basic Department of Defense (DoD) program. During Fiscal Year 1970, Corps of Engineers property with an acquisition cost of \$3.1 million was transferred or donated, while the amount of materiel transferred or donated by the basic DoD program in the continental United States (CONUS) had an acquisition cost of \$1.248 billion. During that same year, the Corps of Engineers sold property with an acquisition cost of \$4.4 million, for a return of \$786,000; the basic DoD program in CONUS sold property which cost \$975.4 million, for which \$43.8 million was received.

B. EXCESS CIVIL WORKS PROPERTY

1. Organization and Manning

a. Responsibility. The U.S. Army Corps of Engineers, Civil Works, is primarily involved in the construction, operation, and maintenance of flood control systems, public dams, water locks, marinas, power plants, public recreation areas, waterways, harbors, water and air pollution detection systems, and various other engineering-type projects. While Corps of Engineers personnel perform most of the design, technical, operating, and maintenance functions on projects which are of a continuing nature, large scale construction programs are primarily accomplished through contract. In the contracting function, the Corps performs somewhat like a Defense Contract Administrative Services Region, since it completely administers all contracts and controls the final disposition of property.

b. Organization. The Corps of Engineers maintains ten Division Engineer Offices in the United States plus the Waterways Experimental Station at Vicksburg, Mississippi. These Division Offices are responsible for 38 District Offices located in various major cities within

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CONUS. (The Corps also maintains two Division Offices outside CONUS, one in Leghorn, Italy, and the other in Honolulu, Hawaii.) Under the District Engineer's control are the advisory and administrative staff offices and technical divisions, such as engineering, construction, real estate, and supply. Property utilization and disposal is a function of the Supply Division. The administration of these offices is the responsibility of the Office of the Chief of Engineers, Department of the Army.

c. Manning. The overall staffing of the District Offices is quite large. For example, the Buffalo District Office employs six officers and 396 civilians, while the Detroit District Office employs 12 officers and 681 civilians, and the Fort Worth District Office employs 45 officers and 1,076 civilians. However, only one or two people in each office are involved with the utilization and disposal of property. Estimated total man-hours spent in utilization and disposal of property vary from three man-hours per week at Detroit to 20 man-hours per week at Fort Worth.

d. Geography. The area assigned to Division Offices varies in size. In each case it covers three or more states, but it is not framed by state lines. District Offices are assigned areas within the Division boundaries which in most cases involve two or more states. Because of the nature of their business, many projects are conducted in sparsely populated areas which are not too accessible. It is these areas that present a problem insofar as surplus sales are concerned.

2. Processing of Excess Property

a. Generation

Excess property generated is primarily residue of supply contracts which were let for support of the organic mission and personnel. The majority of the property is of the administrative support type such as office furniture, office equipment, and vehicles. Property such as construction equipment, dredges, tugs, and floating plants is generated on an infrequent basis.

A large number of construction contracts are let; however, the contractors procure their own supplies and equipment which they use or dispose of.

Excess Government-owned property can generate at any field location of the Corps. When designated excess, the property is generally moved to one of a limited number of holding areas within the District in which it generates, where further disposition actions (i.e., screening and sales efforts) occur.

b. Guidance and Reporting

The primary guidance for Civil Works disposal procedures is found in Army Engineering Regulation (ER) 755-2-1, and the General Services Administration (GSA) Federal Property Management Regulations (FPMR).

When property is determined to be excess by the individual property count custodian, he prepares a "Property Inspection Report" (Army Engineering Form 3067). This report, listing the noun, stock number/part number (when available), cost accounting code, quantity, unit price, total cost, GSA condition code, and recommended disposition action (e.g., salvage, abandon, circulate for redistribution, sell), is forwarded to the Chief of the Supply Division of the District for action.

c. Screening. The Supply Division, upon receipt of the inspection report, determines if items are eligible for reporting to the Defense Logistics Services Center (DLSC) or GSA, local circularization, exchange-sale, or abandonment. This action is in accordance with the criteria established by GSA and DoD. The inspection report is then forwarded to the accountable property officer and the District Engineer for review of District needs and coordination on the recommended disposition. The annotated inspection report is then returned to the Supply Division which prepares a "Circularization of Excess Civil Works Personal Property" (Army Engineering Form 2092), which contains a brief description of the item's condition and quantity. This Form is used for the 30-day local area screening of nonreportable property and for the subsequent Corps-wide 30-day screening when the line item value is \$1,000 or more. After District Division and Corps-wide screening, applicable property is reported on the "Report of Excess Personal Property" (SF 120), to DLSC/GSA for DoD and GSA utilization and donation screening. The GSA Area Utilization Officer and the Department of Health, Education and Welfare (HEW) State Representatives occasionally visit District sites to inspect property. However, they rely primarily on the circulars and listings they receive from the District Offices and on the SFs 120.

3. Sales of Surplus Property

a. Generation. Surplus property is generated and normally sold from field locations within the District. An exception to this policy is industrial diamonds which are physically transferred from all Corps of Engineer activities to, and sold from, the Fort Worth District Office.

b. Lotting and Description. Property that survives the screening cycle is lotted and described by District Supply Division personnel with descriptions prepared from property records. Descriptions are not guaranteed, and all property is sold "as is - where is."

c. Bidders List. There is no central bidders list such as maintained by DLSC. Each District Office has its own bidders list (approximately 500 names) which can be on 3"x5" cards or on addressograph plates. The list contains the name, address, city and state of each bidder and is filed by category of interest such as boats, vehicles, scrap, etc. Since there is no set procedure for purging the lists, it can be assumed that most lists are not up to date. Costs to maintain the bidders list is considered infinitesimal. The subject of bidders lists is discussed in further detail in Chapter VI.

d. Sales

All sales of property are conducted on a competitive basis through four authorized methods of sale: sealed bid, small-lot, negotiated, and auction. Sales terms and conditions used are as prescribed by GSA. Additional clauses are added when necessary. Bid deposits in the amount of 20% of the total price bid are required for all sales except auctions.

The time set aside for the inspection of property offered for sale is normally 21 days while the delivery time varies from 10 to 20 days.

Property is offered for sale to the general public, except that DoD personnel and their dependents are only permitted to purchase Civil Works surplus property when sales are made at retail on a fixed-price basis.

e. Proceeds. Section 5 of the Rivers and Harbors Act of 13 June 1902, as amended by the Act of 20 February 1931 (33 USC 558) and Section 3 of the Flood Control Act approved 1 March 1971 (33 USC 701), and Public Law 247, 82nd Congress, provides that the proceeds from the disposal of civil-owned personal property shall be credited to the appropriation for the work for which it was purchased or acquired. This requirement applies to the funds received as reimbursement from transfer or by sales, except when deposit to Miscellaneous Receipts is otherwise provided. These provisions are not in conflict with Public Law 152, 81st Congress, which provides, in general, that proceeds from the sale or transfer of excess or surplus personal property be covered into the Treasury as Miscellaneous Receipts.

f. Expense of Sale

Although the expense of sale of property may be paid from the proceeds of sale, these funds are generally not used to reimburse the disposal program at the activities visited.

The total cost per sale was estimated as \$20 by one District Office, \$40 by another, and \$150 by a third. These costs reportedly covered:

- Printing approximately 150 copies of the
 Invitation for Bid (IFB)
- Contract preparation
- Typing (IFB, contracts, etc.)
- Mailing costs
- Opening of bids
- Awards
- Refunds

C. ANALYSIS

1. Introduction. The methods employed by the Corps of Engineers for the reporting and screening of excess personal property and the donation and sale of surplus personal property are basically the same as those employed by the DoD. While the basic concept is the same, there are two areas that require further discussion:

- a. Policy and procedural guidance.
- b. Sales.

2. Policy and Procedural Guidance

Policies and procedures implementing DoD instructions and directives concerning the utilization and disposal of DoD property worldwide are set forth in the Defense Disposal Manual, DoD 4160.21-M. Policies and procedures set forth in this Manual are intended to take precedence over conflicting instructions in Defense Agency and Military Service regulations.

However, the Corps of Engineers is exempted from following the procedures in the Defense Disposal Manual by the Manual itself, and policies and procedures concerning the disposition of Corps of Engineers property are published in Corps of Engineers Regulation 755-2-1. This Regulation covers.

- a. Internal Corps of Engineers screening to determine when locally excess items are excess to the entire program;

b. Internal Corps-peculiar procedures (e.g., required approvals) for the processing of excess materiel; and,

c. Generally-applicable procedures for the processing of excess materiel.

There are two aspects of this Corps of Engineers disposal guidance to consider:

a. The DoD implementation of the FPMR is by a single source manual, DoD 4160.21-M, without further reference to the FPMR. On the other hand, many procedures contained in ER 755-2-1 refer to the FPMR. This requires review of two regulations to obtain required information, and each District and Division Office must maintain copies of both the FPMR and ER 755-2-1.

b. Changes which affect the utilization and sale of property are constantly being made to the DoD Disposal Manual to support the latest policy and procedural guidance promulgated by GSA and the Office of the Secretary of Defense. The most recent change to ER 755-2-1 was made on 15 June 1964. In contrast, there have been 24 changes to DoD 4160.21-M since June 1964, and another change is currently at the printers.

While the DoD Manual and the ER 755-2-1 are not verbatim copies, there is extensive duplication, attributable to the fact that both directives are implementing the same basic guidance-- the FPMR promulgated by GSA. Analysis shows that the differences between ER 755-2-1 and the Defense Disposal Manual are reconcilable. Thus, any peculiarities or approved deviations applicable to the Corps of Engineers disposal program could be placed in the Defense Disposal Manual. This would provide the Corps with a single source document for its excess disposition actions and reduce the number of copies of the FPMR which would have to be printed, distributed, and maintained. It must be noted, however, that requiring the Corps of Engineers to follow the Defense Disposal Manual in lieu of their own separate publication would have an adverse effect on the ease with which changes to that Manual could be issued. The problems in this process which exist today when DoD 4160.21-M is applicable only to the Military Services and the Defense Supply Agency programs would be somewhat complicated by making it applicable to a sixth program.

3. Sales

a. Bidders Lists

Each District Office maintains a bidders list that contains the name, address, city, and state of potential bidders

interested in purchasing Corps of Engineers surplus property. This means that there are 38 separate bidders lists being maintained by the Corps of Engineers within CONUS.

A review of bidders lists obtained during field research indicates that most of the bidders are located in areas immediately adjacent to the sale site. This review also revealed that some of the bidders are registered with DLSC which maintains the national bidders list used by the Defense Surplus Sales Offices (DSSOs).

The costs of maintaining the bidders list used by the District Offices visited were not maintained since they were estimated to be so small that separate accounting was not considered necessary. However, the maintenance of 38 lists indicate that there are costs to the disposal program in this area. Further discussion on bidders lists is contained in Chapter VI.

b. Sales Experience. Because of the small volume of surplus property generated, the Corps of Engineers sales programs are basically a part-time effort. For example, field research revealed that, during Fiscal Year 1971, one District Office had 12 sales containing a total of 22 line items, a second had two sales with a total of 10 line items, and a third had six sales with a total of 9 line items. Therefore personnel assigned to this function normally have other duties, and spend as little as 10% of their time in the entire disposal area. As a result, the expertise required for merchandising and describing surplus property, to insure the highest possible return, is not always available.

c. Catalog Descriptions

Catalog descriptions vary from one office to another. Some descriptions are complete, while others are not, which necessitates telephone calls or visits from the bidder. Potential bidders who are located close to the sale site benefit from the incomplete descriptions since they can inspect the property with little or no effort or cost. On the other hand, bidders who are located some distance away must spend time and money to inspect the property, which reduces their bid.

All Corps of Engineers property is sold "as is - where is" as opposed to the "guaranteed description" technique used within the basic DoD disposal program. Under "guaranteed description," a potential buyer can take a calculated risk and bid on the materiel without inspection, since he is assured that the materiel is as described or corrective action (e.g., cancellation or price adjustment) will be taken. Sales experience in the DoD disposal program indicates that selling

items with guaranteed descriptions has increased bidder participation with a corresponding increase in sales return. Since a sizable portion of the Corps of Engineers property is located at remote sites, the use of guaranteed descriptions for this property could benefit the Government by stimulating bidder interest. Guaranteed descriptions would require inspection of the property to provide the description in lieu of relying on the property record cards. While this would increase the cost of sales preparation, it will result in an increased return to the Government.

d. Duplicative Efforts

There are certain standard services available from DLSC to assist DoD activities involved in selling surplus Government property. These include: a bidders list containing approximately 45,000 names, market research services, and information concerning past sales history on items sold by DSSOs.

Field research gave no indication that these services are used by Corps of Engineers offices in selling property. Use of these DLSC/DSSO services is encouraged by the basic Army regulation governing the disposal program, although no mention is made of these in the Corps of Engineers' directive, ER 755-2-1.

e. Magnitude of Sales

A sampling of sales catalogs published by two District Offices revealed that they contained very few line items. Examples of these are shown in Figure V-1. Catalogs for sales of this size are uneconomical to produce and will not attract a large number of bidders, first, because it is too costly for a bidder to travel any sizable distance to look at a few items and, second, because it is too costly to send a truck and driver to pick up a small amount of property.

The small number of line items per sale shown on Figure V-1 could have been easily added to one of the many sales catalogs issued by the DSSOs for little or no additional cost. By consolidating sales, the advertising coverage would have been much greater; this would also enable the bidder to inspect all Government surplus in a geographical area, whether located at a Property Disposal Office (PDO) or Corps of Engineers site, during a single inspection trip. These factors combine to invite more competition, resulting in greater proceeds.

CORPS OF ENGINEERS SALES CATALOGS

DISTRICT OFFICE A:

IFB Number	Date	No. of Line Items	Property
DACW35-69-B-0043	5-29-69	1	Paper Cutter
DACW35-69-B-0047	6-12-69	8	Misc., Incl. Scrap
DACW35-70-B-0001	7- 7-69	6	Misc., Incl. Scrap
DACW35-70-B-0004	8-15-69	4	Miscellaneous
DACW35-70-B-0005	8-28-69	4	Vehicles
DACW35-70-B-0010	10- 1-69	1	Vehicle
DACW35-70-B-0029	4-10-70	1	Vehicle
DACW35-71-B-0001	7-10-70	8	Vehicles
DACW35-71-B-0005	8-20-70	3	Scrap
DACW35-71-B-0011	11-20-70	2	Vehicles

DISTRICT OFFICE B:

IFB Number	Date	No. of Line Items	Property
DACW49-70-B-0010	8-29-69	49	Ofc. Equip., Field Glasses, Vehicles, Misc.
DACW49-70-B-0015	10- 9-69	2	Vehicles
DACW49-71-B-0009	8-17-70	6	Scrap
DACW49-71-B-0026	5-18-71	4	Vehicles, Crane and Derrick

Figure V-1

The savings to be attained by the Corps of Engineers through such a consolidation would be the elimination of costs associated with such actions as: typing and printing of the Invitation for Bid (IFB); selection of bidders from the bidders list and mailing to these bidders; bid opening and analysis, and the making of awards; and, contract preparation and administration. Estimates provided during field research of the cost of an average sale were \$20 at one District Office, \$40 at a second, and \$150 at the third. These cost estimates for the amount of effort involved appear extremely low. Regardless of the individual per sale per activity cost, the aggregate sales operation for the 38 Corps of Engineer offices over a year results in more than token costs, a significant portion of which could be eliminated by using DLSC/DSSO services; more importantly, these savings could be achieved while increasing returns from sales.

4. Possible Solutions. Several alternatives were considered to minimize duplication and eliminate deficiencies noted in previous paragraphs. Four of these alternatives are discussed below:

a. Alternative A - Full Integration. Transfer the Corps of Engineers excess and surplus disposal functions to the DoD disposal program-- the PDO-- after the Corps of Engineers screen. The PDO will initiate DoD, GSA, local area, and donation screening prior to sale, and property remaining will be lotted and reported to the servicing DSSO by the PDO. Property can be moved to the PDO as soon as it is declared excess or it can be held at the Corps of Engineers storage site until after all screening has been completed and then moved to the PDO for sales preparation.

b. Alternative B - Integrated Sales. Transfer and move the Corps of Engineers surplus materiel to the DoD disposal program-- the PDO-- for sales only. The Corps of Engineers will continue to be responsible for DoD, GSA, local areas, and donation screening prior to sale, but the PDO will be responsible for sale preparation and reporting to the servicing DSSO.

c. Alternative C - DSSO Sells. The Corps of Engineers will report surplus property to the servicing DSSO when ready for sale, and will continue to be responsible for DoD, GSA, local area, and donation screening prior to sale. No materiel movement will be required.

d. Alternative D - Corps of Engineers Sells, Using DSSO/DLSC. Corps of Engineers will continue to screen and sell property. However, they will use DLSC bidders list, marketing assistance, guaranteed descriptions, sales terms and conditions, and legal guidance.

5. Analysis of Alternatives

a. Alternative A - Full Integration

Transfer of the total disposal function from the Corps of Engineers to the PDO would resolve both of the deficiencies previously identified-- it would completely eliminate the duplicative disposal guidance, and would optimize sales efforts.

Transfer of the property to the PDO would increase utilization/donation transfers because of the greater exposure property would receive at the PDO. As previously indicated, analysis shows that significant transfers occur as a result of visual inspection of available property, and the wide distribution of small quantities of property have an adverse effect on this. (Initial examination indicates that Corps of Engineers screening processes are eminently satisfactory-- Fiscal Year 1970 program data, for example, shows that 41% of the Corps of Engineers excess materiel was disposed of through transfer rather than sale, much higher than the 21% attained by the PDOs. However, further analysis of the data reveals that it includes internal Corps of Engineers utilization transfers; it is not limited to transfers involving materiel which has already been established as Declared Excess, which is the case with the materiel involved in the PDO data. Thus, the apparently high transfer rate cannot be taken at its face value as indicating a more effective screening process than that of the PDOs.)

Transfer of the property to the PDO would also increase proceeds from sales-- Fiscal Year 1970 data showed a Corps of Engineers rate of return of about 4%. This increase would occur because of: (1) a greater use of DLSC/DSC sales services and techniques which, aside from the cost reduction aspects, have been developed over time with proceeds maximization as the goal; and, (2) the consolidation of C.E. property with the larger, and therefore more attractive, sales lots generated at the PDOs.

These advantages generally carry with them the connotation of a physical movement of the property, and this would have the disadvantage of incurring transportation costs which do not accrue today. Corps of Engineers excess property generates throughout the country, and sometimes at isolated locations or at sites which are remote from PDOs. For example, one shipment of three truckloads of "military" Corps of Engineers excess property cost approximately \$400 to transport from the Corps of Engineers office at Vicksburg, Mississippi, to the nearest PDO at Keesler Air Force Base. On the other hand, a portion of the total excess Corps of Engineers property does generate near a PDO-- analysis shows that 21 of the 38 Corps of Engineers District Offices are located in the same city as a PDO.

The effect of the transportation disadvantage could be reduced by leaving property at the Corps of Engineers storage site through the utilization and donation screening process. This would eliminate the previously cited increased utilization which could otherwise be expected to accrue. However, if only property available for sale were moved to the PDO, only about 60% of the Corps of Engineers excess would be involved in an actual physical movement.

One additional point must be considered with respect to the physical movement of Corps of Engineers property to a PDO. In addition to its responsibilities in the Civil Works area, the Corps of Engineers is also responsible for supervising military construction projects within CONUS for both Army and Air Force. Since only the Civil Works property was included in the Secretary of the Army disposal authorization of 1951, materiel which generates an excess to this "military works" program must be disposed of through conventional DoD disposal channels, the PDOs. Thus in some cases the same Corps of Engineers office, because it has both civil and military works responsibilities, is disposing of property two different ways-- the excess Civil Works property through its own actions and the excess military works property by turn-in to a PDO. This should be happening at the 11 Civil Works program District Offices at which the military works offices are colocated.

Task Group evaluation does not indicate that any net manpower reductions could be realized from the adoption of this Alternative, since no individual location has as much as one full man-year devoted to these functions. Transfer of this function would, however, permit personnel to devote more time to other areas, and Army manpower personnel may be able to combine these partial reductions with others and achieve some actual manpower reductions. The workload involved in this program is so small compared to efforts in the basic program that it could be absorbed with no increase in manpower.

b. Alternative B - Integrate Sales Only

Transfer of the Corps of Engineers property to the PDO after utilization and donation screening have been completed would optimize sales efforts for Corps of Engineers materiel, but would only partially eliminate the duplicative disposal guidance-- without other positive action, the Corps of Engineers Civil Works program would presumably continue to use ER 755-2-1 to govern its actions during the screening process.

This Alternative would eliminate the advantage of Full Integration in improving utilization and donation screening.

As under the Full Integration Alternative, transportation costs would accrue which are not incurred today. However, these would be limited to the approximately 60% of the Corps of Engineers materiel which is not transferred as a result of the screening effort.

The discussion under the Full Integration Alternative on potential manpower savings and requirements would also apply, except that the partial reductions would not be as great since the screening function would remain with the Corps of Engineers.

c. Alternative C - DSSO Sells

Leaving the entire disposal responsibility with the Corps of Engineers but requiring that all sales be accomplished through the appropriate DSSO would significantly improve the sales picture. However, this alternative would not provide all the advantages of either of the previous integration alternatives, since it would eliminate the advantage to be gained in the sales process from consolidating the Corps of Engineers property with the larger sales lots generated at the PDOs. It would, however, eliminate all costs associated with the movement of materiel.

This Alternative would eliminate even less of the duplicative disposal guidance than would Alternative B, since some Corps of Engineers guidance would be required in the sales area in addition to that required by Alternative B in the screening area.

The partial manpower savings of Alternative B would be further reduced under this Alternative since the Corps of Engineers personnel would be required to participate in the sales process.

d. Alternative D - Corps of Engineers Sells Using DSSO/DLSC

Leaving the basic sales responsibility as well as the balance of the total disposal effort with the Corps of Engineers would cause a number of the sales deficiencies currently identified to the program to continue. For example, the comments regarding the lack of Corps of Engineers sales experience would still apply, as would the negative effect of the small size of the sales offerings.

Unlike Alternative C, this Alternative would have no impact on the duplicative guidance. It has the same advantage as Alternative C insofar as not requiring the movement of property is concerned.

There would be no manpower savings under this Alternative, since the Corps of Engineers would continue to be fully involved in the sale of surplus materiel.

e. Summary Analysis

Full Integration of the Corps of Engineers disposal effort with the basic DoD program is the only Alternative which eliminates the duplicative disposal structure within the Corps of Engineers, automatically eliminates the duplicative disposal guidance which currently exists, and optimizes sales efforts for the Corps of Engineers excess property.

Evaluation of the succeeding alternatives establishes that each provides lesser advantages than does Full Integration. In turn, they provide the compensating advantage of reducing or eliminating the possibility of incurring transportation costs for the movement of the Corps of Engineers property to a PDO. Positive, separate action would have to be taken under any alternative other than Full Integration to eliminate the varying amounts of duplicative disposal guidance which would continue to exist.

Because of the variations in the relative locations of the Corps of Engineers excess materiel and of the PDO yard, and in the type of property involved, decisions on the physical movement of excess property could only be made on a location-by-location, or possibly even a case-by-case, basis. It is probable that no overall policy decision could be made in advance, and it is only under Full Integration of this function that there is the option of determining for each situation when it is in the best interests of the Government to move property from the Corps of Engineers site to the PDO yard and when it should be disposed of on-site.

D. CONCLUSIONS

1. Although published in a completely separate directive, Civil Works program procedures for the disposition of excess and surplus personal property are basically the same as those contained in the Defense Disposal Manual (DoD 4160.21-M).

2. The limited amount of workload involved in the sale of Civil Works surplus property results in: (a) assigned personnel not having an opportunity to develop expertise in various aspects of the sales process, such as merchandising and describing property; and (b) sales which are too small (in terms of the amount of property offered) to attract a significant number of bidders.

3. By operating a completely independent sales program, the Corps of Engineers Division and District Offices are duplicating efforts and services which already exist and are available from other DoD sources established for that purpose-- e.g., DLSC and the DSSOs.

4. Integration of the Corps of Engineers, Civil Works excess and surplus disposal functions into the "basic" DoD Disposal Program will result in little or no manpower savings due to the small amount of effort expended in the performance of disposal functions at the Corps of Engineers Civil Works program offices. Transfer of Corps of Engineers disposal functions to the basic program will not require the basic program to expand its operating resources.

5. Maximum improvement in the system for the disposition of excess Corps of Engineers property can occur by transferring that responsibility to the basic DoD Disposal Program.

CHAPTER VI

SPECIAL MANAGEMENT AREAS

A. INTRODUCTION

Three areas have been identified as requiring special treatment and analysis:

1. The use of bidders lists throughout the Department of Defense (DoD) in disposing of surplus materiel;
2. The excess utilization program, and the proposal that responsibility for this effort be transferred from the Property Disposal Office (PDO); and,
3. Funding and fiscal controls applicable to the DoD disposal program.

Each of these subjects is discussed in a separate Section of this Chapter, including within each Section an analysis of the subject and Task Group conclusions.

B. BIDDERS LISTS

1. Introduction. Field research established that there is an abundance of bidders lists in the DoD. Each Defense Contract Administration Services (DCAS) Region, each Corps of Engineers Civil Works District Office, many Service Plant Clearance Officers (PCOs), and many property disposal activities have their own bidders list; these are in addition to the master bidders list maintained at Defense Logistics Services Center (DLSC). It is evident that there is an extensive amount of duplicative effort in this area.

2. Description of Findings

a. Bidders Lists Within the Basic CONUS Program

(1) DLSC. The Defense Supply Agency Pamphlet, "How to Buy Surplus Personal Property from the Department of Defense" states:

"The Department of Defense has a single contact point for any person interested in purchasing surplus Department of Defense personal property within the

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United States (excluding Alaska and Hawaii). This contact point, called the Defense Surplus Bidders Control Office, maintains a single national bidders list. The Department of Defense Surplus Property Bidders List is arranged to record each person's buying interests, both geographically and with respect to classes of surplus property."

The DLSC bidders list is computer-stored and is arranged to record each bidder's buying interests, both geographically and with respect to classes of surplus property, and can be provided nation-wide or by selected states. Such lists can be printed on adhesive labels or machine listings which can be forwarded to a requester within five days after receipt of the request. Bidders interested in purchasing surplus property are required to fill out an application indicating the classes of property they wish to purchase and the geographical area they want to cover. Upon acceptance of the application, the bidder's name is recorded on the list, a bidder's identification number is assigned and a bidder's identification card is furnished the bidder. As of September 1971, the DLSC national bidders list contained 45,388 active bidders located throughout the CONUS. These bidders have expressed an interest in purchasing surplus property in one or more of the many classes of usable and scrap and waste items offered for sale in various parts of the country.

In the interest of economy, the Defense Surplus Bidders Control Office continually reviews the record of sales participation of bidders listed on the Department of Defense Surplus Property Bidders List for the purpose of removing the names of those individuals and firms who have not demonstrated an interest in the property offered for sale in catalogs distributed to them.

(2) PDOs. Field research established that property disposal activities maintain individual bidders lists for use in local Spot Bid Sales. Some lists are sizable; one activity's bidders list contained 1,200 names, another's almost 2,000, and another's over 2,000 names. These lists are maintained in many different ways, e.g., on 3"x5" cards, on addressograph plates, and on computer record. Personnel interviewed indicated that these lists are required since DLSC does not have the capability to provide lists tailored for local areas, e.g., within 50-100 miles, which generally is sufficient for local Spot Bid Sales.

b. Bidders Lists Within the Contractor Excess Inventory Program. Our review of the contractor excess inventory activities shows that each DCASR maintains its own bidders list, as do many Service PCOs.

In the case of the DCASRs these lists are developed primarily on a regional basis and by commodity. Field research indicates that these lists vary greatly in size and some are quite large; for example, one list contained 900 names, another 2,000, and another 4,000 names. Again, these lists are either manually or computer maintained. No program was observed to crossfeed bidders list information from PCU to PCO or from DCASR to DCASR. While the ASPR recommends use of DLSC bidders lists, field research established that this is rarely done. At one activity one position was identified for full-time maintenance of bidders lists; at most activities however, this task is a part-time job.

c. Bidders Lists Within the Corps of Engineers Civil Works Program. Field research indicated that each District Office maintains its own bidders lists, essentially local in nature, centered about the city in which the district office is located. These lists are maintained manually on cards or addressograph plates. As a rule no regular purging of nonparticipating buyers is made. As sales are being prepared, personnel resorted to such documents as local telephone books and their lists to find potential bidders. No evidence could be found that DLSC's services were requested. At activities visited the average bidders list contains about 500 names.

3. Analysis

Purpose of DLSC List

The establishment of the Defense Surplus Bidders Control Office indicates the intent to provide a single source that potential buyers/bidders can come to when interested in buying DoD surplus property. This intent is specifically stated in DoD 4160.21-M and the DSA pamphlet, "How to Buy Surplus Personal Property from the Department of Defense," which states "The Department of Defense has a single contact point for any person interested in purchasing surplus. . ." The pamphlet goes on to say that this only applies to Defense Surplus Sales Office (DSSO) sales and other "contacts" must be made for purchases of contractor inventory and makes no mention of Civil Works property. The DoD manual states ". . . (DLSC) maintains a bidders list for all selling activities in the CONUS." Field research clearly shows, however, that DLSC is not the single point of contact, nor does DLSC have knowledge or control of all Government property sales but only of those performed through DSSOs. The 38 District Corps of Engineer Civil Works property sales, 11 DCAS Regions Contractor Surplus GFE/GFM sales, services contractor surplus GFE/GFM sales, and Property Disposal Activities conducting local Spot Bid Sales, in total covering a sizable volume of DoD surplus personal property, are not covered by DLSC. In actual practice the ten DSSOs are the only selling activities serviced by DLSC on a regular basis.

Analysis of the spectrum of bidders lists within the DoD brings several deficiencies to light:

(1) There is a high probability of much duplicative effort being performed in the maintenance of individual and DLSC bidders lists. By extrapolating data developed during field research, it can be projected that approximately 19,000 bidders are maintained in Civil Works files, approximately 22,000 within DCAS, 95,000 among PCOs, and innumerable more at the PDO level. DLSC presently maintains a file of approximately 45,000 bidders CONUS-wide. Six bidders lists tailored for specific sales were collected during field research. Analysis showed that, of the total of 240 entries on these lists, only 37 entries (15%) were on the DLSC bidders list, and 203 (85%) were not on the DLSC list.

(2) There is little or no crossfeed of bidder information. If advertising to the broadest range of potential buyers is necessary to increase competition, the maintenance of separate bidders lists defeats this purpose. Instances were found where "private" lists are maintained with no effort to share them with other activities in closely related geographical areas.

(3) Potential buyers must go to many contact points to register interest in buying DoD surplus property. For example, someone interested in acquiring DoD surplus in the Philadelphia area would have to contact the following activities to insure complete coverage:

The Philadelphia DSSO
Two PDOs
The Philadelphia Civil Works District
The Philadelphia DCASR
DLSC
Naval Material Command, D.C.
Army Materiel Command, D.C.
Air Force Systems Command, Andrews AFB

Expanding this to national coverage would require contacting 38 Civil Works District Offices, 11 DCASRs, the Service commands -- ad infinitum. As presently configured, the bidders list procedure effectively prevents full buyer participation.

DLSC's limitation which is causing the gross duplication of bidders lists is that it is not presently programmed to provide tailored bidders lists for sales activity local needs. Each DCASR needs some bidders lists for local sales; each PCO needs bidders lists

developed for local sales each PDO needs bidders lists for local spot bid sales and each Civil Works District Office needs bidders lists tailored for local sales. DLSC can only provide lists by state. Discussion with DLSC personnel indicates that they could provide tailored listings applicable to the needs of the above activities by machine sorting on zip codes. It is estimated that this would require 550 manhours of effort for machine programming, a cost of \$6,500. DLSC also indicates that, after the reprogramming, they could provide service to the additional customers with minimal effort. Specific quantification was not attempted, but the Task Group feels that significant savings will accrue to DoD when these changes are made, aside from advantages from increased proceeds.

4. Conclusions

a. The multitude of bidders lists maintained DoD-wide represents gross duplication in effort.

b. Misleading bidders into thinking that they have registered for a broader surplus sales coverage than is actually the case reduces bidder participation, thereby reducing proceeds to the Government.

c. Though potentially capable, DLSC is not performing its intended function as a single contact point for bidder information.

C. EXCESS UTILIZATION PROGRAM

1. Introduction

a. Scope. This Section deals with the DoD Utilization Program as related to the disposal process, with primary emphasis on the systems for screening declared excess and surplus personal property. It describes the program as it exists today, identifying problems inherent in the declared excess and surplus screening process, and analyzes these problems to determine what screening functions can be accomplished prior to the transfer of materiel to the PDO. This discussion is presented in response to the LSPC direction that the Task Group consider the relative advantages and disadvantages of accomplishing all Federal Government utilization screening prior to the transfer of excess materiel from the supply system to the PDO.

b. Overall Utilization Program

The Department of Defense Utilization Program established under DoD Directive 4140.34, "Department of Defense Personal Property

Utilization Program," has as its objective, ". . . to assure that assets available for redistribution from the various DoD or General Services Administration (GSA) utilization screening programs are utilized to the fullest extent practicable. . ."

The utilization program covers materiel assets from "the cradle to the grave." Screening of property for possible usage begins from the time it arrives in the supply system and continues until it is finally picked up by a buyer, abandoned, or destroyed. Though each installation, command, and Service has its own programs, two DoD-wide programs predominate: The PLUS Program promulgated in DoD 4140.34-M, "Defense Utilization Manual," and the excess utilization program promulgated by DoD 4160.21-M, "Defense Disposal Manual." These two programs interface when property which has been screened within the supply system under the Utilization Manual is transferred to a disposal activity. The systems are related in that both utilize DLSC to accomplish centralized screening of excess assets.

2. The Utilization Process

a. Excess Determination. There are basically three separate types of utilization screening performed within DoD: Service, ICP interservice, and declared excess. Each of these screens are intrinsic to the excess determination process.

(1) Service. At installation level periodic reviews of asset strata are made. Quantities which exceed authorized retention levels are identified as local excess. In some commands local excess items are required to be screened within the command before further disposal actions can be taken. For example, one command visited has each installation prepare lists of selected excesses for distribution to all activities within the command. Another command has its installations report their excesses to a central unit, with supply activities required to submit all requisitions to this central unit as their first source of supply; after 30 days, samples of the excess items are placed in a display area for 10-day screening by activities on the installation.

(2) ICP Interservice. At the ICP level, inventory managers are required to review their inventories in relation to requirements at least semiannually. This process identifies items as having either requirements or assets which must be reported to the PLUS Program at DLSC. All assets and requirements received by PLUS are compared in the DLSC computer. When a match is made, the available assets are offered to the requiring ICP, which requisitions from the holding ICP. (Special procedures not involving PLUS are in effect for screening of conventional ammunition, cryptologic materials, ADP equipment, DIPEC property, and other specially controlled items.) Property surviving this process is identified as Service Declared Excess (DE) and is releasable to the PDO.

(3) Declared Excess

After property is declared excess and transferred to the PDO it is again screened:

First, data on reportable property is forwarded to DLSC for a DoD-wide screen. Property not reported is screened locally. Property surviving this screen is identified as DoD excess.

Second, this DoD excess is then subjected to GSA Federal Regional Screening. Property surviving this screen is designated as Government surplus.

Third, surplus property is subjected to donation screening. Property surviving this is eligible for sale.

Fourth, property to be sold by DSSOs is again reported to DLSC for a Final Asset Screen (FAS) against the PLUS file.

The excess determination process as outlined is a continuing process moving from local excess through Service excess, DoD excess, and Federal excess to Government surplus.

b. Transfer of Materiel to the Property Disposal Activities. Once materiel has been determined to be transferable to PDOs, materiel release orders (MROs) are issued by the various supply systems. Some activities, as in the case of some ICPs, review listings going to disposal and recover needed materiel. When materiel is moved to the PDO before the review and is later determined to be needed, quadruple handling of property and paperwork results: out of the supply warehouse, in and out of the PDO warehouse, and back in the supply warehouse.

c. Utilization and Donation Screening of Declared Excess

(1) Reporting. The type of utilization screening that takes place is basically determined by whether property is classified as reportable or nonreportable. The criteria for reportable property is established in Part 2 of DoD 4160.21-M, and is generally based on line item value and condition of property within Federal Supply Class, although reportability is also determined by location and by the activity to whom it is reported (DLSC or GSA). Property not meeting reporting criteria can be reported when the PDO considers it to have a reasonable prospect of utilization.

(2) Screening Process. The screening process of declared excess which has been turned over to the PDO is accomplished in the sequence shown in Figure VI-1.

(a) Reportable Property Screening. Materiel reported by the PDO to DLSC is screened against requirements previously recorded at DLSC by the ICPs. In addition to this mechanized screen, DLSC prepares a catalog which is distributed to 2,300 DoD and Federal civil agencies worldwide who screen the catalog manually. Items valued at over \$10,000 are given a specialized screen to find a user. During Fiscal Year 1970 this DLSC screen resulted in the transfer of \$179 million of excess property. Items surviving this 30-day DLSC screen are sorted by location and forwarded to the appropriate GSA Region. The GSA Region Office prepares catalogs of selected items from the DLSC listings as well as items from contractor excesses and excesses of other Federal agencies and distributes these catalogs within the Region for a 60-day screen. During Fiscal Year 1970 this GSA screen resulted in the utilization of \$226 million of excess property.

(b) Nonreportable Property Screening. Items which are not reported to DLSC are screened locally by DoD and other Federal civil agencies for a period of 15 days. Although some PDOs provide listings or prepare catalogs, local screening is generally an "eyeball" operation, with eligible recipients walking through the area. During Fiscal Year 1970 approximately \$1 billion worth of nonreportable property was transferred as a result of local area screening.

(c) Donation Screening. After all reportable and non-reportable materiel is screened for use within the Federal Government, the remaining property undergoes a 15-day donation screen. This screen is almost always accomplished by a walk through of the property disposal facility. During Fiscal Year 1970, \$225 million worth of property was donated.

3. Analysis

a. Introduction

The Task Order directing this Study requires analysis of the possibility of "accomplishing all Federal Government utilization screening prior to transfer of excess materiel to Property Disposal Offices." The Task Group expanded this task to include the donation screening process in order to cover the complete spectrum of screening activity within the PDO described in Paragraph 2.

SCREENING OF MATERIAL

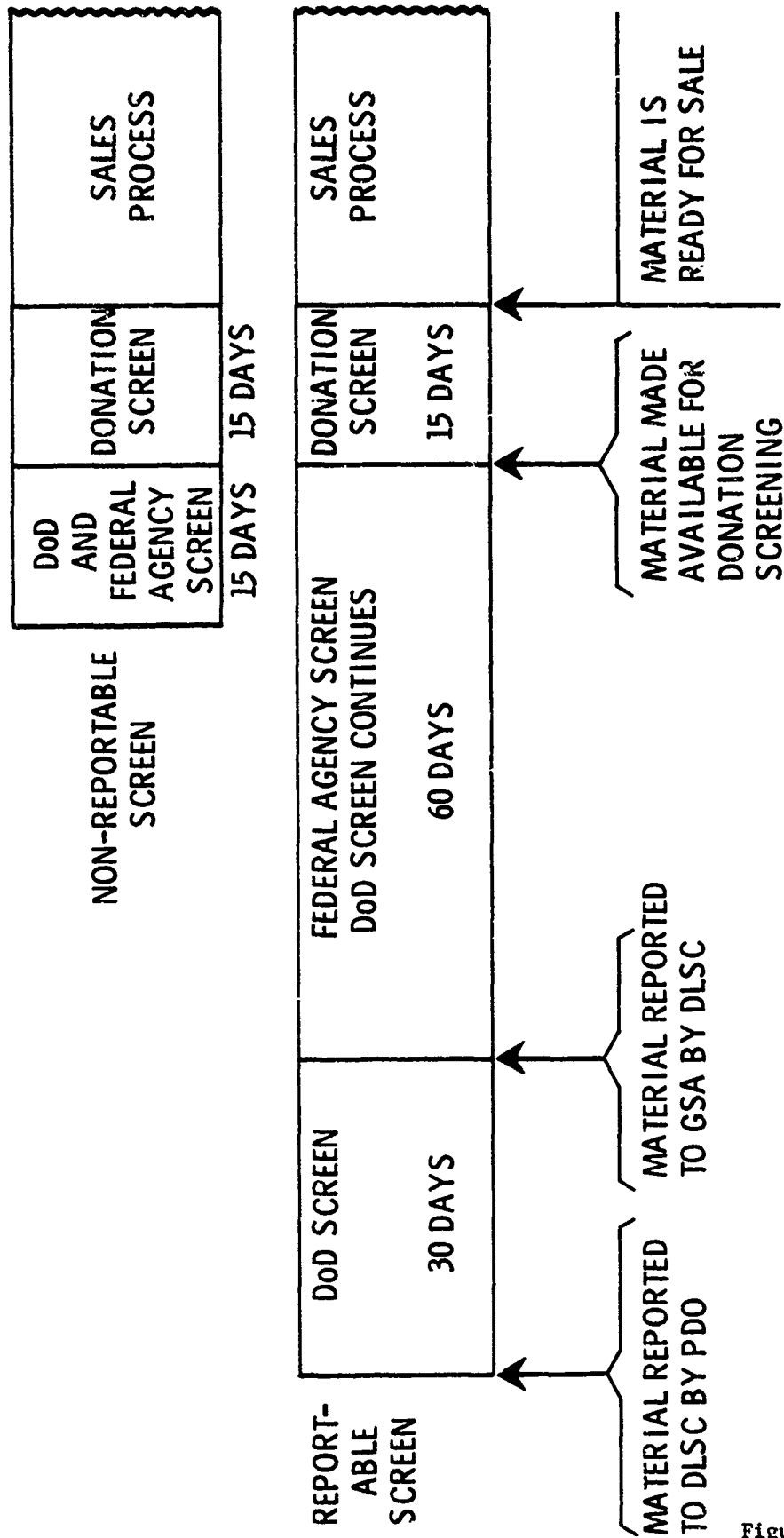


Figure VI-1

Analysis showed that this proposal impacts the following significant areas:

- (1) Reduced Materiel Movement.
- (2) Materiel Deterioration.
- (3) Built-In Delays.
- (4) Storage Space Utilization.
- (5) Obtaining Procurement Funds.
- (6) Disposal Funding/Reimbursement.
- (7) Additional Reporting Activities.
- (8) Visitor Workload.
- (9) Denial Rates.
- (10) Civilian Agency Requisitioning.
- (11) Condition Coding.

b. Reduced Materiel Movement

This proposal significantly reduces the volume of materiel to be moved from supply to the PDO, and also therefore reduces the volume of the paperwork processed in connection with such movements. These reductions would occur for two different types of transactions -- property which is eventually "recouped," and property which is eventually transferred.

(1) Materiel Recoupment

As the Task Group studied the relationship between the PDO and its principal source of materiel, it was noted that the principal materiel supplier is also the biggest utilizer of PDO assets. We identified this process -- the turn-in and subsequent retrieval of the same item by the same activity -- as "recoupment."

Some supply activities visited have formal programs whereby all excess items indicated as releasable to the PDO are reviewed. Items determined not to be excess are withheld from release to the PDO. Even with formal programs of this nature, much property that

is turned over to the PDO is recouped. For example, at one activity \$35 million of materiel was withheld from the PDO because of the formal review program; in addition, of \$31.9 million reported by the PDO as utilized, over half was recouped by the same activity that turned the materiel in.

Supply activities without formal disposal review programs transfer all excesses to the PDO and later physically recoup. These activities, unlike the sample provided in the previous paragraph, would have a larger percentage of physical recoupment. This recoupment, based on data in the above paragraph, would amount to about three-fourths of the total utilized.

Assuming an equality between Services in the rate of excessing, and allowing for differences in utilization based on size, it can be inferred that DoD-wide, as a conservative estimate, two-thirds of all Declared Excess property utilized is "recoupment." Supporting statistics are found in the Program Administrators Report (PAR) -- for Fiscal Year 1970, 69% of all Declared Excess property utilized within the DoD was in the form of transfer within the same Service.

Based on field research, the following observations are made:

- (a) The largest amount of Declared Excess reutilization/intraservice utilization occurs on the same activity on which it is generated (recoupment).
- (b) The largest volume and dollar value of this recoupment is at depots.
- (c) Similar recoupments occur at the retail level supply activities, but at a lower rate than at the wholesale activities.
- (d) Many recoupments take place informally and therefore are not reflected in PAR statistics.

To find the cause of this phenomenon -- of the supply system giving with one hand and taking back with the other -- PDO and supply were queried. The following opinions were advanced:

- (a) The lapse of time which occurs between the original excess determination and release to the PDO is great enough that requirements change and additional assets are required.

(b) Due to stock funding and the need to maintain a low inventory to fund ratio, some activities transfer assets to the PDO to gain additional funds and then draw the assets back.

(c) Because of the mechanical process of excess determination, simple machine errors occur which, if not reviewed, result in property being sent to the PDO which should not be.

(d) The process of excess determination is still not perfected.

Both supply and disposal personnel expressed the feeling, and our analysis confirmed, that much unnecessary and avoidable work is being done in this area. The proposal to leave materiel with the supply system until after screening has been completed will give supply management personnel more time to review requirements and change inventory stratification before materiel is actually moved. This will decrease the unnecessary physical and paper workload in both the supply and disposal areas.

(2) Transfers. Additional unnecessary actions are being taken on property transferred to other activities as a result of DLSC and GSA catalog screenings. Materiel excess to a supply activity is now moved to the PDO. When materiel is requisitioned as a result of the excess screening process, it is shipped from the PDO to the requisitioner. If screening is accomplished before the property has been moved to the PDO, a single movement from the supply system would serve to get the property to its final destination. (This has an additional advantage in that the supply system is organized to process requisitions and ship property in response to requisitions; however, the subject of requisition processing under this proposal is discussed in paragraph k. below.)

Analysis shows that physical screening accounts for a considerable portion of the transfer of property which has not been reported to DLSC and GSA. In view of the problems connected with visitor workload (discussed in paragraph i., below), screening of these items has to be accomplished in the PDO, and nonreportable property has to be transferred to the PDO as soon as it is declared excess. This reduces the extent of the savings in this area.

This proposal has the following effects on workload from the supply point of view, from the PDO point of view, and from the point of view of the DoD overall:

(a) The function of reporting excesses will be transferred from the PDO to supply, with no change in the number of documents reported. However, the portion of the total excess reporting workload which is submitted by manual processes will be reduced from the current rate of 35% of the total number of documents to about 10% of the total.

(b) The reduction in workload in the PDO -- as a result of reduced recoupment and as a result of transfers to other activities occurring directly from the supply activity -- can generally be derived from the dollar value of reportable property utilized through each type of screen, over the total dollar value of usable property processed. Using Fiscal Year 1970 statistics, a reduced movement of 5.3% will result if property is held only through DLSC DoD-wide screening and a total of 12.1% if held through GSA Regional screening. A more realistic figure in terms of workload is produced by removing aircraft and ships processed from the base figure, since these items are not normally processed from supply to disposal; this will provide adjusted reduction of 6.2% and 14.1%, respectively, in the transfer workload.

(c) Within supply for property which is eventually utilized, the previous workload involved in the transfer of excess property to the PDO will be replaced by the workload associated with the processing of requisitions for the same materiel. This latter workload will be greater by the small extent to which there is more than one customer requisition for the same item; however, this is a workload which the supply function is designed to perform, and therefore, this will have a minimum adverse impact on supply. Recoupments require supply to process property to the PDO and back from the PDO, and Task Group analysis indicates that the total supply workload in processing excess usable property will be reduced by about 17% due to the reduction in recoupments which would occur.

As an average at the PDOs visited during field research, 36% of the personnel were assigned to the warehousing function, and 15% of the personnel were assigned to accounting functions. The total personnel savings at PDOs under this proposal, using the 14% workload reduction arrived at in the previous paragraph, is:

Warehousing Function (CONUS only)

Total Personnel at PDO level	4,650
% Personnel Involved in Warehousing	36%
$4,650 \times 36\% =$	1,674
$1,674 \times 14\% =$	234 personnel saved.

Allowing for a potential of 4% of the personnel for transfer to supply, a conservative estimate of PDO warehouse personnel savings within the CONUS is 167 people, or an annual dollar savings of \$1.2 million.

Accounting Function (CONUS only)

Total Personnel at PDO level	4,650
% Personnel Involved in Accounting	15%
4,650 x 15% =	697
697 x 14% =	97 personnel saved.

Allowing for the same 4% potential for transfer to supply, a conservative estimate of accounting personnel savings within PDOs in CONUS is 69 people, or an annual dollar savings of \$483,000. If the accounting function is consolidated, as discussed in Chapter II, savings will be less since total accounting manning will be 209 people. Allowing for the possible 4% transfers to supply, savings under consolidated property accounting will be 21 people, or \$147,000 annually.

c. Materiel Deterioration

During the course of our field research, varying degrees of property deterioration were noted at property disposal activities. At one activity as much as 30% of the property stored outside should have been under cover; this was primarily due to lack of covered storage space. At other activities, items such as typewriters, fans, desks, electronic equipment, and furniture were stored outside. The property was in various stages of deterioration and steadily losing any potential for further utilization or sale.

Some of the deterioration observed can be ascribed to damage of property as it was being processed to disposal, some to PDO lack of proper storage knowledge, and more to poor or insufficient covered storage capacity. In discussing the Declared Excess utilization process with personnel in the field, the consensus was that potential customers tend to feel that PDO property is less desirable than that in supply system stocks, and property condition reported cannot be relied on. This lack of faith leads customers to not participate in the process as fully as possible.

An unquantifiable, though significant, benefit accruing from this proposal will be reduced deterioration/damage of property due to minimized handling and better storage. Materiel deterioration will also be lessened at the PDO when property is eventually released due to its reduced holding time. Additionally, with less property being received, more property will be appropriately stored.

d. Built-in Delays

During the processing of property for disposal there are several "built-in delays" to efficient processing action. Our field research brought out that the amount of delay is directly proportional to the number of activities and the number of processes that are accomplished. For example, when property is determined to be excess most Services allow a 30-day period for it to be released by the supply activity to the PDO; when the PDO receives property he, in turn, is allowed up to 30 days to report it to DLSC for screening. Thus, a total of 60 days could elapse during which no effective screening is accomplished. During research it was found that this nonproductive period is further extended when processing backlogs occur. At one disposal activity personnel estimated that 40,000 to 100,000 documents were backlogged due to massive depot turn-in programs; they estimated they were three to four months behind in reporting items to DLSC. At another disposal activity no reporting was done for three months due to leaves and illnesses. At another activity the supply activity had not turned over \$1.8 million worth of property 60 or more days after MROs had been issued.

The dead time associated with reporting delays is further extended by the amount of time required to transmit necessary information to DLSC. Most PDOs prepare their reports manually and mail them to DLSC. During Fiscal Year 1970, 35% of all line items reported to DLSC were on manually prepared documents. Where PDOs do prepare EAM cards for submission to DLSC, most activities mail them rather than using AUTODIN. Under the proposal, both types of actions will be unnecessary if supply activities were to do the reporting using their computer facilities. Figures provided by DLSC indicate that for Fiscal Year 1970 over 92% of the line items reported had complete Federal Stock Numbers (FSNs). This being the case, manual processing will drop to about 10% of the total input if supply activities were to do the reporting.

The beneficial effects of the proposal on built-in delays would be to reduce reporting delays by at least 30 days and, through use of supply computers, reduce document preparation workload significantly.

e. Storage Space Utilization

During the course of our research, personnel throughout the system generally acknowledged that the PDO usually gets the least desirable facilities and space. This became readily apparent to us during our field visits. At one facility visited, a scrap yard was

directed to be relocated because it was an "eyesore" even though it was admirably situated in relation to the scrap-creating activities. At another activity, PDO property was being stored outside because of lack of space, while space was available in supply.

Supply personnel were reluctant to mix PDO property with theirs. All supply activities visited indicated that they had sufficient space to store most PDO usable property, but they would have no system of identifying it if mixed with theirs. If supply retains custody of the item there will be reduced double storage of the same item, e.g., operating stocks of an item on a half empty supply pallet, and declared excess of that item on a half empty pallet in the PDO. Additionally, by reducing the volume of property arriving at the PDO, better use can be made of limited space at the PDO.

f. Obtaining Procurement Funds. Under current stock funding procedures, the dollar value of inventory directly affects supply's ability to obtain procurement funds, i.e., the higher the dollar value of on hand inventory, the lower procurement fund availability. This proposal will increase inventory values and inhibit fund availability. This proposal will require the establishment of an additional stratum for declared excess which will be exempt from consideration in the development of procurement fund requirements.

g. Disposal Funding/Reimbursement

The proposal impacts on the disposal funding structure in that if supply retains accountability for property during the screening process, they will not be eligible for expense reimbursement under current reimbursement rules. This will mean that any additional workload assumed by supply would have to be financed solely by O&M appropriations. Precedent for the nonreimbursement of screening expenses after a transfer of part of this function to supply has been clearly established under the PJRA Program which is not reimbursable because property accountability has not been transferred to the PDO.

Accounting and reporting controls can be established to identify when supply is processing excess materiel and when it is processing nonexcesses. However, the Task Group does not consider the expense of this effort worth the return. Further, analysis indicates that the potential for saving from the implementation of this concept should produce net cost reductions for the supply area.

h. Additional Reporting Activities. Under the proposal, since reporting for screening will rest with the supply activity, there will be about 350 additional activities reporting to DLSC. However, there will be no change in the number of line items reported to DLSC. Overall, it is felt that the workload increase on DLSC will be minor.

i. Visitor Workload

Both nonreportable and denable property are usually screened visually and through locally prepared listings. Physical viewing means that the PDO must provide access to its storage area to many visitors -- military, Federal, state, and authorized civilian donees. Visitor traffic volume varies by PDO, with larger activities drawing larger numbers of visitors. For example, at the larger activities an average of 15 to 17 screeners visited per day, while at the smaller ones visitors varied from one to five per day. Some activities provided escorts for visitors, others did not, depending on local policy. Usually, regular Federal visitors were allowed to screen without an escort.

Some activities, where a listing of property is available, allow only the listings to be screened, while others require a listing screen prior to a physical screen of property, with the physical screen limited to items chosen from the listing. The tendency to screen by listing increases when PDOs have large volume of property and conversely decline at activities with a small volume of nonreportable property. When items do not have FSNs, however, physical viewing is necessary.

Screening of surplus property is primarily by direct visual screening. This is necessitated by the fact that FSNs mean little to non-Federal personnel, and donation screeners generally arrive with non-definitized requirements -- they know only generally what they need, or they shop until they find something of possible use. The number of visitors in this category is lower than the other types of screeners. At large activities, the number averaged one visitor every two days; at the smaller ones, the average was one visitor every one to two weeks.

As indicated above, the greatest number of visitors to disposal activities are DoD or Federal screeners, with DoD screeners accounting for 80% of the visitor load and Federal screeners accounting for 14%; donation screeners account for approximately 6% of the total traffic. PDO workload in support of visitors primarily is centered in the escort of donation screeners. However, during field research, the idea of visitor screening workload passing to supply

engendered the most opposition from supply personnel. The consensus was that allowing nonsupply personnel to wander through their warehouses will be totally unacceptable in that it would disrupt supply operations. "Operation Last Look" in one command was the closest thing to physical screening of supply system assets, and this was limited to a special area, samples only, and base personnel only.

Nonreportable property by its nature is required to be visually screened. As in donation screening, supply cannot allow this type of screening to be performed within active supply warehouses. The nonreportable screening period of 15 days is so short as to have little influence on the amount of property utilized by the supply activity since the supply activity will still have opportunity to screen property within the PDO. Additionally, the 15 day period under which this type of property is screened is not long enough to seriously effect materiel deterioration. The Task Group therefore feels that non-reportable property should not be retained by supply for Federal screening, but should be turned over to the PDO as soon as it is determined to be excess.

j. Impact on Denial Rates

If supply activities retain declared excess property there will be an increase in asset visibility for the supply manager, giving him the opportunity to recompute requirements and recoup declared excess. In addition, the supply manager will be able to recompute his requirements when a requisition is received for the excess materiel.

Earlier research of the PLUS Program for the utilization of wholesale system long supply stocks shows that data on reportable assets is generally furnished directly from the ICP computers, without review by supply management personnel -- a "file dump" of "unscrubbed" computations. These reports are not reviewed by supply management personnel to determine the accuracy of the reported quantities until a requisition is received for the materiel as a result of a PLUS match. At that time, the supply manager reviews the previous computer requirements to determine if that calculation is still valid, applies the current assets against this "scrubbed" requirement, and makes his release decision. Field research established that these decisions are generally to reject the requisition due to the unavailability of assets -- either as a result of increased requirements, decreased assets, or a combination of the two. The 1965 "Report on the Department of Defense Materiel Utilization Program" established that the high denial rate experienced by the PLUS Program was having a deleterious effect on the confidence in the Program, and was causing other supply managers to ignore PLUS as a materiel source.

In the absence of strict controls, we can expect a comparable situation to occur with respect to excess materiel reported by supply activities: unscrubbed quantities will be reported and will not be reviewed until an irrevocable action has to be taken -- a requisition is received, or the screening cycle has been completed and property is ready for physical transfer to the PDO. A scrub of supply control data before excesses are transferred to the PDO will have no effect on the denial rates, but the scrub of declared excess reports prior to acting on a requisition will increase denial rates for two reasons: first, the supply manager review represents a source of rejections which does not exist today; and, second, the unscrubbed asset submission will probably be greater than the scrubbed quantities which are transferred to PDOs under the current system, and these greater quantities will produce more requisitions to be rejected. (Recoupments will have no impact on denial rates, since these occur as a result of a review initiated by the supply manager. The adjusted asset availability which results from these reviews can be accompanied by a corrected asset report to DLSC.)

This adverse effect would be prevented by directing that property be "frozen" once it had been reported to DLSC as excess, and that the supply manager could not reduce the amount available as excess except by request to DLSC. The Task Group rejected this "freezing" concept based on (1) the premise that utilization by the holding activity is as desirable as utilization by another activity (perhaps even more so, since it does not require physical movement of the property); and, (2) analysis which indicated that, for ICP-level stocks at least, restratification of declared excess assets to one of the economic retention strata would not prevent their release to satisfy a hard dollar requirement (i.e., current year buy or overhaul needs).

k. Civilian Agency Requisitioning

Under present screening procedures, DoD and some Federal activities, such as FAA, submit requirements to the PDOs utilizing standard requisitioning documents such as the DD Form 1348-1 and standard MILSTKIP procedures. The GSA however, requires use of the SF 122, "Transfer Order," when requisitioning excess materiel, and SF 123, "Application for Donation of Surplus Personal Property," when requisitioning surplus materiel. Both these forms can contain multiple line item requirements.

The receipt of these documents in their present form will present supply activities with some problems: (1) they are not in FED/MILSTKIP format and will require conversion; and, (2) they are not in mechanical processing form and will require manual processing. It is

felt that these are not insurmountable problems because the supply system presently processes similar type documents. Additionally, review of these documents indicates that their function can be easily adapted to the DD Form 1348 (manual) document format. Further, all Federal agencies should be using the FED STRIP system. The problem of processing requirements from non-Federal sources will be obviated by allowing donation screening and processing to remain with the PDO. In summary, we do not consider this a major problem area in that acceptance of manual documents by supply is possible, and with minor changes through coordination with GSA, the document problem can be solved.

i. Condition Coding

What appears to be the greatest impact area of this proposal is in the dichotomy between DoD and GSA condition coding. The present system requires that the PDO convert the eight DoD condition codes (shown in Figure VI-2) to the 16 categories of the GSA condition codes (shown in Figure VI-3). The DoD condition codes indicate the general condition of property (e.g., serviceable or unserviceable) and whether parts or repair is required; the GSA condition codes require fine distinctions to be made as to the degree of usability and the degree of repair required.

At the present time there is no way to mechanically convert the DoD codes to GSA codes, and a physical inspection is required. Under this proposal, the inspection of property by supply personnel would add a significant workload. The August 1970 DSA/Joint Services Task Force report for "Expediting the Personal Property Disposal Process" recognizes this problem and proposes that the Federal Government "Standardize the condition code systems of DoD and GSA to eliminate the existing two different systems."

Only 12% of the total line items of usable property reported to GSA went to agencies that do not use DoD condition codes (i.e., Federal civil agencies and donees). For most of these activities, the detailed condition of the item, as reflected in the GSA code, is not the basis for acceptance or rejection decisions. This data indicates that there is actually only a very small use made of the GSA condition code after it has been applied to all items reported to GSA for screening. For this reason, and until a standard Federal Government condition coding system is established, it is our consensus that the DoD condition codes should be used in supply system reporting, and that the GSA condition codes be provided for specific items, and only upon request of requiring activities.

DOD CONDITION CODES

<u>Code</u>	<u>Title</u>	<u>Definition</u>
A	SERVICEABLE (ISSUABLE WITHOUT QUALIFICATION)	New, used, repaired, or reconditioned materiel which is serviceable and issuable to all customers without limitation or restriction.
B	SERVICEABLE (ISSUABLE WITH QUALIFICATION)	New, used, repaired, or reconditioned materiel which is serviceable and issuable for its intended purpose but which is restricted from issue to specific units, activities, or geographical areas by reason of its limited usefulness or short service-life expectancy.
C	SERVICEABLE (PRIORITY ISSUE)	Items which are serviceable and issuable to selected customers, but which must be issued before Condition A and B materiel to avoid loss as a usable asset.
D	SERVICEABLE (TEST/MODIFICATION)	Serviceable materiel which requires test, alteration, modification, conversion or dis-assembly. (This does not include items which must be inspected or tested immediately prior to issue).
E	UNSERVICEABLE (LIMITED RESTORATION)	Materiel which involves only limited expense or effort to restore to serviceable condition and which is accomplished in the storage activity where the stock is located.
F	UNSERVICEABLE (REPARABLE)	Economically repairable materiel which requires repair, overhaul, or reconditioning (includes repairable items which are radioactively contaminated).
G	UNSERVICEABLE (INCOMPLETE)	Materiel requiring additional parts or components to complete the end item prior to issue.
H	UNSERVICEABLE (CONDEMNED)	Materiel which has been determined to be unserviceable and is uneconomical to repair (includes condemned items which are radioactively contaminated).

Figure VI-2

GSA CONDITION CODES AND EXPANDED DEFINITIONS

<u>Condition Code</u>	<u>Expanded Definition</u>
N-1 ---	New or unused property in excellent condition. Ready for use and identical or interchangeable with new items delivered by a manufacturer or normal source of supply.
N-2 ---	New or unused property in good condition. Does not quite qualify for N-1 (because slightly shopworn, soiled, or similar), but condition does not impair utility.
N-3 ---	New or unused property in fair condition. Soiled, shopworn, rusted, deteriorated, or damaged to the extent that utility is slightly impaired.
N-4 ---	New or unused property so badly broken, soiled, rusted, mildewed, deteriorated, damaged, or broken that its condition is poor and its utility seriously impaired.
E-1 ---	Used property but repaired or renovated and in excellent condition.
E-2 ---	Used property which has been repaired or renovated and, while still in good usable condition, has become worn from further use and cannot qualify for excellent condition.
E-3 ---	Used property which has been repaired or renovated but has deteriorated since reconditioning and is only in fair condition. Further repairs or renovation required or expected to be needed in near future.
E-4 ---	Used property which has been repaired or renovated and is in poor condition from serious deterioration such as from major wear and tear, corrosion, exposure to weather, or mildew.
O-1 ---	Property which has been slightly or moderately used, no repairs required, and still in excellent condition.
O-2 ---	Used property, more worn than O-1 but still in good condition with considerable use left before any important repairs would be required.
O-3 ---	Used property which is still in fair condition and usable without repairs; however, somewhat deteriorated, with some parts (or portion) worn and should be replaced.
O-4 ---	Used property which is still usable without repairs but in poor condition and undependable or uneconomical in use. Parts badly worn and deteriorated.
R-1 ---	Used property, still in excellent condition, but minor repairs required. Estimated repairs would cost no more than 10% of acquisition cost.
R-2 ---	Used property in good condition but considerable repairs required. Estimated cost of repairs would be from 11% to 25% of acquisition cost.
R-3 ---	Used property, in fair condition, but extensive repairs required. Estimated repair costs would be from 26% to 40% of acquisition cost.
R-4 ---	Used property, in poor condition, and requiring major repairs. Badly worn, and would still be in doubtful condition of dependability and uneconomical in use if repaired. Estimated repair costs between 41% and 65% of acquisition cost.
X -----	Salvage. Personal property that has some value in excess of its basic material content but which is in such condition that it has no reasonable prospect of use for any purpose as a unit (either by the holding or any other Federal agency) and its repair or rehabilitation for use as a unit (either by the holding or any other Federal agency) is clearly impractical. Repairs or rehabilitation estimated to cost in excess of 65% of acquisition cost would be considered "clearly impractical" for purposes of this definition.
Scrap ---	Material that has no value except for its basic material content.

Figure VI-3

4. Summary Analysis

The concept expressed in this proposal is not new to the DoD -- aside from the fact that excess disposition was at one time handled in this way, the proposal is conceptually the same as the PURA process currently in use in PACOM and to be installed in EUCOM shortly.

Task Group analysis of this proposal indicates that it has certain clear advantages in that it will:

- * Reduce unnecessary physical handling and paperwork.
- * Decrease materiel deterioration.
- * Improve warehouse utilization by reducing dual storage.
- * Increase speed of reporting and reduce built-in reporting delays.
- * Increase utilization due to customer confidence in condition.

This analysis also indicated certain disadvantages:

- * Screening visually is not acceptable within supply activities as it would interfere with operations.
- * Donable property which presently is primarily visually screened cannot remain in supply warehouses commingled with active stock.
- * Reprogramming would be required.
- * As a result of the increased visibility to supply managers, an increased denial rate could be expected.
- * Civilian agency requisitioning on the supply operation would increase the incidence of manual requisitions to a function which is primarily, although not exclusively, oriented toward processing mechanized requisitions.
- * The number of activities reporting excess property to DLSC would increase.

The impact area of overriding significance, however, is that of condition coding. Disposal procedures now require that property be reported in terms of the GSA condition code, and supply activities are not designed to report in these terms. Proposal #23 of the "36 Proposals" recommended establishment of a standard condition coding system for the Federal Government, and this Task Group strongly supports that proposal. Pending establishment of that system, supply activities must be authorized to report excess materiel in terms of the DoD conditions code, and furnish the GSA condition code only upon specific request. If approval for this cannot be obtained, this utilization screening proposal cannot reasonably be implemented.

The advantages of this proposal significantly outweigh the disadvantages, and adoption of the proposal is desirable. However, discussion of the merits and demerits of this proposal has also served to identify the basic characteristics of the system:

a. Reportable property will be held by the supply function prior to reporting to DLSC, and retained until completion of DoD and Federal civil agency screening. Any reportable property received by the PDO through nonsupply channels will be reported to DLSC by the PDO.

b. After DoD and Federal civil agency screening of reportable property has been completed, property will be transferred and moved to the PDO for donation screening and subsequent disposal.

c. Nonreportable property will be transferred to the PDO from supply as soon as it has been identified as excess.

5. Conclusions

a. The volume of property declared excess and then withdrawn from excess by the same activity (recouped) is so great as to indicate that there is a basic fallacy in the system for calculating DoD excesses.

b. Transfer of responsibility for Federal Government screening of reportable declared excess DoD personal property from the PDO to the supply system is feasible and will have significant advantages.

c. The current proposal to establish a standard condition coding system for the entire Federal Government should be acted upon as soon as possible.

D. FUNDING AND FISCAL CONTROLS

1. Introduction

a. Background

Prior to Fiscal Year 1960 disposal expenditures were limited to specific dollar ceilings determined by Congress. Financing was derived from proceeds realized from the sale of scrap; expenditures were limited to reimbursement for efforts involved in preparation for sale or salvage operations.

In 1960 the decision was made to provide for complete funding of disposal operations. The basis for this decision is found in the House Report on the 1960 Department of Defense Appropriations Act:

" . . . Unlike prior years, the provision this year is without a fixed dollar ceiling. . . to encourage more rapid and effective disposition of surplus supplies, equipment and materiel. Testimony indicated that . . . the ceiling previously imposed was hampering the efforts of the Department Defense officials maintained that . . . greater freedom in disposing of surplus will on the whole save large sums."

It has generally been held since 1960 that this authorization (to reimburse disposal program expenses from the proceeds from sales) shows an intent to establish the disposal program as a self-sustaining operation.

Each year since 1960 the Department of Defense Appropriations Act has provided authority for this reimbursement procedure; for example, Section 812 of the DoD Appropriations Act of 1971 states, in part:

"Appropriations of the Department of Defense available for operation and maintenance, may be reimbursed during the current fiscal year for all the expenses involved in the preparation for disposal and for the disposal of military supplies, equipment and materiel, and for all expenses of production of lumber and timber products . . . from amounts received as proceeds from the sale of any such property . . ."

b. Functions Supported by Disposal Funds

The determination of what operations or functions are eligible for reimbursement is based on the guidelines set forth in DoD Instruction 7310.1, "Accounting and Reporting for Property Disposal and Proceeds from Sale of Disposal Personal Property and Lumber or Timber Products." Basically, "to be reimbursable expenses must be directly relatable to the disposal process," and the point at which these costs generally accrue is after property accountability is transferred to the PDO. Examples from the directive of the types of costs which may be charged to disposal funds include overhead costs, disposal administration and planning costs, and identifiable incremental costs (for such items as utilities, and roads and grounds maintenance). Specifically excluded are any expenses incurred at DoD component headquarters or higher levels, and military pay costs.

Based on the guidelines provided in DoD Instruction 7310.1, the following accounting categories have been established for reimbursable disposal expenses:

- Administration
- Receipt, Storage, and Shipment
- Maintenance, Equipment Purchase, and Minor Construction
- Demilitarization
- Reclamation
- Disposable Property Sales
- Nonidentifiable Service Credits (not identifiable to any of the above subclassifications)

c. Description of the Disposal Budgeting System

Primary DoD-wide guidance for the development of all budgetary and financial plan submissions is DoD 7110.1-M, "Guidance for Preparation of Budget Estimates, Operating Budgets, Financial Plans and Apportionment Requests, and Related Support Material." Basically, activities involved in the disposal process submit their requirements through their budget or comptroller channels. These submissions are in the form of Operations and Maintenance (O&M) dollar requirements. Based primarily on forecasted generations and past experience, these requirements flow as an identifiable disposal segment of the budget. Disposal requirements consolidated by local comptroller/budget functions are submitted up through budgetary/command channels. The degree of review varies within and between components, and at different echelons of the command structure. For example, at one headquarters visited, no review as such was made by the disposal staff, and staff PDOs saw the budget request only if the comptroller had questions; in another Service, the activity responsible for the total Service disposal program performed no review of disposal budgets.

Budgets are consolidated at the activity/departmental level for submission to the Office of the Secretary of Defense (OSD). The identification of disposal operations as a separate element of the budget disappears at the DoD level. The disposal "budget" is buried within total O&M requirements figures and is also reflected as a portion of "Receipts and Reimbursements from Non-Federal Sources" line of the budget.

When fiscal year appropriations are approved and forwarded to the appropriate levels of control, the approved budgets are strictly followed. Expenditures are limited to approved financial plan items only, and over-obligation is not permitted unless appropriate revisions are submitted and approved.

d. Reimbursement of Disposal Expenses

To obtain reimbursement for operating expenses, DSA and Service activities submit quarterly reports through their component headquarters to DLSC. A brief description of the flow of proceeds (disposal funds) which culminates in these reimbursements follows (Figure VI-4 provides an outline of this flow):

First, as proceeds are received, they are deposited by the selling activity in a local disposal fund account.

Second, at the local level, the proceeds from the sale of their property are transferred to activities which are so entitled, for example, industrial fund, Coast Guard, and MAP activities. Generally, 10% of the proceeds are retained as a charge for sales expenses incurred, and the balance transferred.

Third, after local transfers are made, the remaining dollar proceeds are deposited into the DSA Deposit Fund Account maintained by DLSC.

Fourth, on a quarterly basis, Service and DSA component level activities submit consolidated summary reports of expenses incurred and Standard Forms 1080, "Voucher for Transfers Between Appropriations and/or Funds," to DLSC, who makes reimbursements.

Fifth, since some of the property sold is stock fund material, DLSC also reimburses the Stock Fund managers. This reimbursement is based on the ratio of the dollar value of Stock Fund property turned in to disposal to the total dollar value of property received by PDOs, applied to the funds remaining in the DSA Deposit Fund Account.

PROCEEDS-EXPENSES-REIMBURSEMENTS WORLD-WIDE

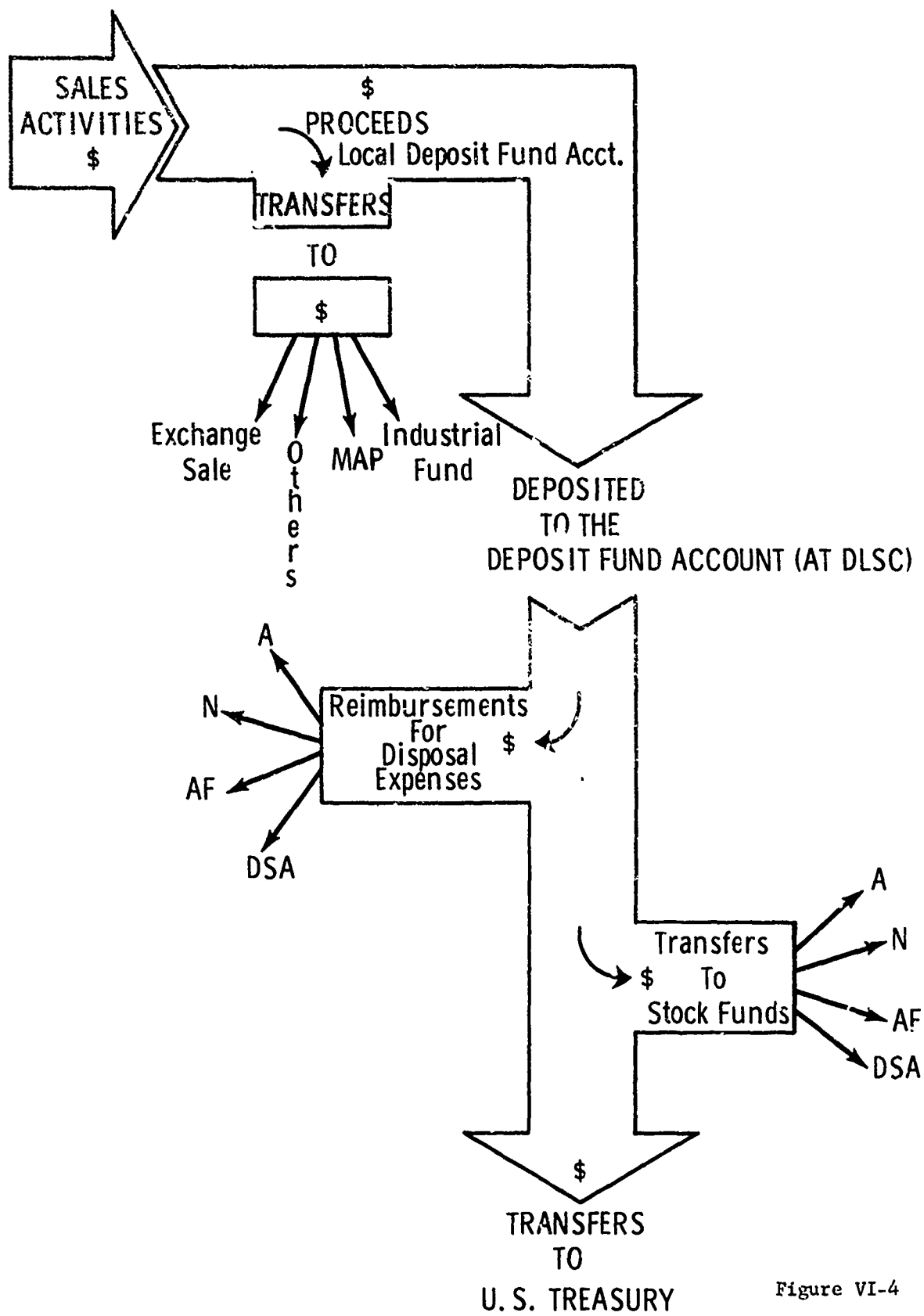


Figure VI-4

Sixth, after all fiscal year transfers and reimbursements have been made, the residue of proceeds is transferred to the U.S. Treasury.

Table VI-1 depicts how net proceeds (after transfers) within the DSA Deposit Fund were disbursed for Fiscal Years 1963-1971.

Table VI-1
DISPOSITION OF NET PROCEEDS ^{1/}
(Millions of Dollars)

Fiscal Year	Net Proceeds to DLSC Deposit Funds	Expenses		Transfers to Stock Funds		Transfers to Treasury	
1963	\$107.4	\$ 75.4	70%	\$1.6	1%	\$31.3	29%
1964	103.1	80.5	78	2.0	2	20.6	20
1965	110.7	81.7	74	2.9	2	26.1	24
1966	103.1	80.2	78	1.0	1	21.9	21
1967	93.2	73.6	79	.7	1	18.9	20
1968	82.3	72.4	88	2.1	3	7.8	9
1969	97.7	69.7	71	3.2	4	24.8	25
1970	119.2	82.0	69	6.2		31.0	26
1971 ^{2/}	129.0	113.0	88	4.5	3	11.5	9

Source: Field Research

^{1/} Includes income and expenses for lumber and timber program.

^{2/} Figures for Fiscal Year 1971 are DSA estimates.

2. Analysis

a. Controls Over Expenses vs. Proceeds

Generally throughout the DoD disposal program, little effort is made to compare projected disposal expenses with projected disposal sales proceeds, or actual disposal expenses with actual proceeds. Concern for expenses versus proceeds is primarily centered in Headquarters DSA, which is responsible for administering the DoD disposal fund account.

Basic to this situation in the budget area is the dichotomy existing between budgetary development and the reimbursement system. Budgets are presently developed based on the expectation that all disposal expenses will be reimbursed. For this reason disposal operations for each DoD component are reflected in two places in the budget: (1) as a cost of operation within the CSM appropriation; and, (2) the same amount as a credit for income from non-Federal sources. No attempt is made by the individual Services to compare planned expenses, as reflected by the budget, against anticipated proceeds from sales, and DSA cannot project expenses against proceeds since DSA does not receive the Service disposal budgets.

Similarly, at no point in the system is any attempt made to reconcile actual expenditures with actual sales proceeds in the deposit fund account, or proceeds expected to the account during the same fiscal year, even though the machinery exists for this to be done. Using comptroller expense reports and reports of sales proceeds, activities at all levels have an opportunity to review actual expenses against proceeds (although it is recognized that this becomes meaningful only at the higher levels at which summary data can be developed to enable the identification of general trends). However, throughout the system at all levels there is a pervasive "free money" attitude, "If we don't have enough proceeds, other installations -- or other commands, or other Services -- will make up for it."

This dichotomy between budgets and anticipated proceeds, and expenditures and actual proceeds, is perpetuated when expenditures exceed original budget estimates. When this happens fund authorizations are raised with the expectation that all expenditures will be reimbursed. Again, this is done without a review to determine if sufficient funds are, or are expected to be, available in the DSA deposit fund account. Review of budget submissions and expenses for Fiscal Year 1971 shows that one major command increased its initial budget requirement by \$1.5 million (15% of its original request), a

second increased its original request by \$250,000 (25%), a third by \$2 million (46%), and a fourth by \$6.4 million (20%); one Service increased its original budget by over \$8.8 million (19%).

During field research, a number of reasons were advanced to explain the failure to evaluate anticipated expenses against anticipated proceeds during the budget preparation process, and actual expenditures against actual proceeds during the operating year. Of the reasons, probably the most significant is the fact that the disposal program has been self-sufficient up to now, and Table VI-1 shows that the program has generally deposited significant "profits" to the Treasury.

However, analysis indicates that this lack of control can result in requests for reimbursement exceeding sales proceeds and, in fact, during the last quarter of Fiscal Year 1971 expenses were getting so close to proceeds that DSA was not sure that sufficient funds would be available for all reimbursements, although this did not prove to be the case. DSA, as program administrator, has already issued a caution for Fiscal Year 1972: ". . . The expenses of the disposal program are increasing significantly . . . Consideration may have to be given to utilizing Operation and Maintenance appropriations to fund a portion of the disposal program. This is based on the possibility that expenses may in the near future exceed the proceeds. . . ."

Thus, the disposal program is faced with the possibility of having to be funded at least partially with appropriated funds -- this is a conceptually impossible situation for a program which is intended to be self-sustaining. However, aside from this philosophical impact, this would be disastrous if it were to occur without warning. O&M funds are being expended based on the premise that a portion of them -- that expended on disposal -- will be reimbursed. When some part of these disposal expenditures cannot be reimbursed, they become an unplanned drain on O&M funds.

b. Disposal Tasks Producing No Income

Over time, a gradually increasing number of tasks have been authorized for support from disposal funds. A number of these increase the cost of disposal operations but do not provide commensurate returns to the disposal fund. Some of these are discussed below.

(1) Silver Recovery. Where disposal operations perform this function, expenses are incurred in equipment acquisition, storage, repair, manpower, reporting, and shipment. Costs are absorbed by the disposal fund, but little, if any, income is received.

(2) Utilization and Donation. Materiel disposal through utilization and donation represents a combined total of 29% and 27% of the amounts disposed of during Fiscal Years 1969 and 1970 respectively. Assuming that expenses are directly related to these percentages, the disposal program had expenditures of about \$20 million in Fiscal Year 1969 and about \$23 million in Fiscal Year 1970 for which no proceeds were received.

(3) Demilitarization. Certain functions performed as demilitarization (such as the demilitarization of mustard gas and other CBR-type items) produce no returns. Fiscal Year 1971 CRB demilitarization cost \$15.5 million, about 80% of the Army's demilitarization budget. This was about 14% of total disposal program costs for Fiscal Year 1971.

(4) Reclamation. When reclamation is performed, the net effect is to reduce sales value or eliminate returns from what otherwise would be salable property. Efforts in this area are usually performed by personnel outside the disposal system. Reclamation costs DoD-wide were \$2.3 million for Fiscal Year 1969, \$2.6 million for Fiscal Year 1970, and \$3.7 million for Fiscal Year 1971, or approximately 3% of total disposal costs.

(5) Abandonment and Destruction. Materiel disposed of through abandonment or destruction represents a total of 2% and 4% of the total amounts disposed of during Fiscal Years 1969 and 1970, respectively. The rise of strict antipollution standards has caused property which was previously salable such as DDT and other pesticides to be held for eventual destruction. Future costs in this area are expected to rise substantially.

As can be seen from the above discussion, a considerable portion of the disposal program effort is involved in the support of tasks which produce no income -- a conservative estimate is that 45% of the total disposal workload results in no proceeds to the deposit account. Because of increased ecological considerations this percentage is expected to rise.

c. Excessive Accounting. Certain types of accounting transactions occur due solely to the reimbursable nature of the disposal program, and if the program were financed solely on an appropriated

basis these will not occur. These are the requests for reimbursement (SF 1080 billing) from the Disposal Fund which occur on a quarterly basis. In order to effect these SF 1080s all activities involved in the disposal process through their local comptrollers must continuously keep exacting records of all expense transactions. To effect billing within the CONUS and only considering the seven categories of expense within DoD Instruction 7310.1, over 190 separate SF 1080s with over 1,300 entries have to be forwarded to higher headquarters each quarter. Each intermediate level of command, acting as a consolidating agent, further processes these billings. Within the Air Force this amounts to over 20 consolidations, within the Army over 30, and within the Navy over 15. Further consolidations are made at command and departmental level until 4 billings, one for each department and DSA, are forwarded for reimbursement to DLSC. Upon DLSC reimbursement, this process is reversed causing an equal amount of effort to properly apportion the reimbursements. This process of billing which is time-consuming (billing consolidation and submission averages from 2-6 months) requiring special accounting procedures and processes, will be unnecessary if the disposal program is funded solely from appropriated funds.

3. Disposal as a Self-Sustaining Program

As disposal program costs rise in relation to income, the concept of a self-sustaining operation is threatened. There are three factors to consider in evaluating this concept for the disposal program:

a. Utilization and donation are both identified as more desirable than sales as the technique for disposing of DoD materiel. Thus, as the disposal program becomes more effective by increasing the amount of materiel utilized and donated the amount available for sale will drop and proceeds from sale will decrease.

b. Proceeds depend on the type of property sold (for example, electronics supplies and equipment, and aircraft components bring relatively small returns), and the disposal program has no control over the type of materiel available to be sold.

c. To a certain extent, the work of the disposal program is absolutely essential and must be performed, whether funds are available for reimbursement or not. Closing down the disposal program due to a lack of proceeds from sales will, in time, cause the DoD to begin to strangle in its own excesses.

One obvious solution to this threatened loss of the program's ability to support itself is to redefine the program so as to exclude those tasks which produce no income from being supported by sales proceeds. The Task Group found this no real solution -- it would engender much wasteful debate on which tasks should be excluded from disposal program funding and would finally result in merely transferring responsibility for funding these excluded tasks to some other agency without changing the basic nature of, or responsibility for, these tasks.

Considering disposal program income as the only offset against disposal program costs overlooks one significant value received from the program -- the value of the materiel utilized and donated as a result of program actions. In Fiscal Year 1970, for example, excess materiel with an acquisition value of over \$1.2 billion was utilized by DoD activities, and an additional \$419 million worth was utilized by civilian Federal agencies and MAP; further, \$225 million worth of property was transferred to selected non-Federal agencies and activities. While there can be much debate about the amount, there is no question but that these transfers represent a value received by the DoD and by the Federal Government. In some cases these transfers represent a full, direct savings in that expenditures for procurement are avoided; in other cases these merely mean that something will get done which otherwise would have had to be delayed or eliminated. The Task Group does not suggest that the disposal program be given a dollar credit for the materiel which is transferred, to be counted as part of the sales proceeds and used to offset disposal program expenses. What is suggested is that the total return to the Government from the disposal program cannot be measured solely by the proceeds from sales.

In summary, the disposal program is performing a number of tasks which create expenses but produce no income, and the DoD and the Federal Government are getting a real, tangible monetary return from the program beyond the amount of the proceeds from sales. For these reasons, the Task Group feels that the concept of self-sufficiency, while a worthwhile goal, should not be the overriding factor which determines the extent of disposal program operations.

4. Disposition of Proceeds From Sales

Some action is required with respect to proceeds from sales even if the disposal program is no longer expected to be self-sufficient, and there are two basic alternatives:

a. Eliminate the reimbursement program entirely by depositing all proceeds to the Treasury, and support the disposal program entirely through the O&M appropriation; or,

b. Continue the reimbursement program, but establish systems and controls which will assure that action is taken to relate expenditures to proceeds in order to identify when O&M funding is required.

Eliminating the reimbursement program will have the immediate benefit of removing the "free money" attitude and will cause program manager(s) to more closely monitor and control disposal operations and expenses. In addition, it will eliminate the reimbursement accounting workload. However, this action will also cause an important source of funds for the DoD to be lost (although there would, of course, be no net difference to the U.S. Treasury). When the reimbursement fund was first instituted, it was visualized that use of proceeds from sale would create a needed flexibility in clearing excess and surplus materiel from the supply system. Supporting disposal operations through appropriated funds will limit and reduce the flexibility of disposal operations due to its low (though important and necessary) level on the fund priority scale. During periods of reduced funding, such as is being experienced now, lack of funds will significantly reduce the capabilities of the disposal program. Under these circumstances, the large amounts of excess generating from force reductions, such as are now occurring, will not move; this will force long-term expensive storage and handling operations for unneeded materiel and, through materiel deterioration, further reduce sales returns.

On balance, the Task Group feels that there are advantages to be gained from a continuation of the reimbursement system. With this, however, there is a requirement for greater control -- a need to relate planned expenditures to anticipated proceeds during the budget process, and actual expenditures to actual proceeds during the operating year, to insure that program management knows in advance when sales proceeds will be insufficient to support the program and supplemental O&M financing is required.

At this point it must be clearly understood that the "expenditures" referred to here are all expenditures which expect to be reimbursed from the deposit fund account, regardless of the organization making the expenditure or the specific purpose for which the expenditure is made. This is a major problem in the disposal area, since a significant portion of the total expenditures which are eventually reimbursed from the deposit fund account are not made by a PDO. For example, demilitarization expenditures accounted for

almost 15% of total program expenditures in Fiscal Year 1971; these generally are not made by a PDO and sometimes are made completely independently of, and without the knowledge of, any portion of the property disposal structure. Field research, for example, identified an activity at which demilitarization budgetary requirements and operating year expenditure authorizations were handled through the demilitarization technical channel independently of the PDO, and expenditures were being incurred which were expected to be reimbursed from proceeds of sales without anyone in the disposal organization being aware of them. Provision must be made to insure that system-wide management of disposal expenditures includes all expenditures which are intended to be reimbursed from sales proceeds, and not merely those expenditures which are directly incurred by the PDOs.

The initial question concerns the level at which this control is to be exercised. Since any supplemental O&M funding will (pending establishment of the integrated manager discussed in Chapter II of this Report) have to be derived from their individual O&M appropriations, there is a basis for holding that this control should be exercised at the DoD component level. However, since there is only a single deposit fund account, and excess proceeds from one component could be used to offset excess expenditures by another. Task Group analysis indicates that this control should be established at DoD level.

DSA, as program administrator, is a logical recipient of this control responsibility. However, as indicated earlier in this Report, DSA is unable to exercise the full extent of their existing authority in the disposal area under the existing organization; further, charging DSA with the responsibility for relating program expenditures to sales proceeds and determining when -- and whose -- O&M appropriations should be used to finance program operating fund deficiencies would further intensify the split between responsibility and resource control which already exists within the disposal program.

Thus, while it is possible to charge DSA with this additional management function for a DoD disposal program operated by all DoD components, the Task Group does not feel that this would produce any realistic effects. Optimum management control over disposal program expenditures can only occur under integrated management of the DoD disposal program.

5. Conclusions

a. Action should be taken during both the budget development process and during the operating year to relate disposal program expenditures to sales proceeds.

b. Because the disposal program includes sizable non-income producing tasks, and because it includes tasks which produce large monetary savings to the DoD and the Federal Government, the program should not be required to be self-sustaining.

c. Controls are required to insure that there is a relationship between disposal expenditures and sales proceeds, to determine in advance when supplemental O&M financing is required for the support of the disposal program. These controls are best established under a single manager.

d. Controls established to insure that there is a relationship between disposal expenditures and sales proceeds must assure the inclusion of all expenditures which expect to be reimbursed from these proceeds, regardless of the organization making the expenditure or the purpose for which the expenditure is made.

CHAPTER VII

SUMMARY ANALYSIS AND RECOMMENDATIONS

A. INTRODUCTION

The Task Group Charter (LSPC Task Order 2-71) establishes this Study as a review and analysis of the Department of Defense (DoD) wide personal property disposal organization, and directs the development of recommendations for an optimum organizational structure for the DoD Personal Property Disposal Program.

Earlier chapters of this Report contain detailed findings, analyses, and conclusions on the various aspects of the total disposal effort which the Task Group identified as being significant. Each of the following paragraphs presents a summary of the findings and conclusions associated with each area. The recommendations at the end of this Chapter have been developed in accordance with these findings and conclusions, and are presented in response to the Study objectives. Appendix D contains plans for the implementation of selected Report recommendations.

B. THE BASIC PROGRAM

Disposal begins when accountability for property which has been declared excess by competent authority is transferred to the Property Disposal Officer. This excess materiel is screened for possible utilization, first, within the DoD and, then, within other Federal Government agencies, after which it is declared Government Surplus. Surplus property is screened by state agencies and other eligible donees for their use prior to being sold.

Review and analysis of the basic program in CONUS shows-- Operation of the 190 CONUS property disposal offices (PDOs) is integrated on a geographical area basis.--PDOs are managed by each of the Services and DSA.-- Policies and procedures are common and are a result of common guidance, Defense Disposal Manual, DoD 4160.21-M-- Ten Defense Surplus Sales Offices (DSSOs) managed by DSA do the selling for the PDOs on a geographical basis.-- DSA has been assigned as the program administrator.-- The program is not integrated at the headquarters and intermediate staff level.-- There is duplication of functions and responsibilities at the headquarters and intermediate

staff levels.-- The disposal program is severable and integration is feasible.-- The extent of DSA's present role makes DSA the logical candidate for a disposal integrated management assignment.-- A combination of integrated management and centralized accounting for the disposal program would result in savings of 509 personnel, representing \$3.67 million annually.

CONCLUSION: The reorganization of the total CONUS disposal program under the integrated management of DSA will result in savings for the DoD with no diminution of program effectiveness.

C. THE OVERSEAS PROGRAM

Review and analysis of the disposal organization in the European and Pacific Theaters shows-- Basic policy guidance is common and is the same as in CONUS.-- Sales are conducted through consolidated sales offices.-- Property disposal organizations, functions, and operations are identifiable and severable, as in CONUS.-- No one organization has been assigned command or staff responsibility for disposal in either theater.-- Geographical support patterns are not coordinated, and this results in unnecessary backhauling and cross-hauling of excess and surplus property.-- Integration of the disposal program would result in a more logical arrangement of property disposal activities.-- A combination of integrated management and centralized accounting would result in savings of 190 personnel, representing about \$500,000 per year.

CONCLUSION: Integration of the overseas disposal program is feasible and practical, and will result in savings for the DoD and a more efficient alignment of property disposal activities.

D. CONTRACTOR EXCESSES

Review and analysis of the excess contractor inventory disposition program shows-- Contract administration personnel of the Military Services/DSA dispose of excess contractor inventory through utilization, donation and sale.-- Basic guidance is derived from the Armed Services Procurement Regulations (ASPR).-- The control of Government property by the Plant Clearance Officer (PCO) extends beyond the normal disposal functions.-- The PCO is dealing with materiel which has not been Service screened and screening being accomplished does not provide for a full DoD screen.-- It may be advantageous to use mechanized techniques for screening of contractor excesses.

Air Force Contract Management Division (AFCMD) analysis indicates duplication of records between PCO and contractors-- AFCMD is testing an approach which will eliminate duplicate record keeping and duplicate effort.

CONCLUSIONS:

Because of the kind and amount of actions which must be taken by the contract administration organization, there is no real potential for integration with the basic DoD program at this time.

Current screening procedures for excess contractor inventory do not provide for adequate screening within the DoD before it is reported to GSA.

The concept (whereby PCOs place greater reliance on contractor records) being tested by the Air Force Contract Management Division appears to have merit and should be evaluated for possible DoD-wide application.

E. CIVIL WORKS PROPERTY

Review and analysis of the program for the disposition of excess Corps of Engineers Civil Works property shows-- Corps of Engineers (CE) disposes of their own property.-- This is an authorized deviation from the Defense Disposal Manual.-- There is a duplication of the basic disposal structure.-- Little or no use is made of the central bidders list or other DLSC services.-- Eleven of the 38 District Offices are disposing of Corps of Engineers military property through the PDOs.-- The sales volume for Civil Works property is small (less than 1%) in comparison to the basic program.-- CE uses their own guidance which is similar to the Defense Disposal Manual; differences are reconcilable.-- Integration into the Basic Program would result in little, or no manpower savings due to the small amount of effort, however, it can be effected without increasing the manpower within the Basic Program.

CONCLUSION: Transferring responsibility for the disposition of excess Corps of Engineers Civil Works property to the basic DoD program will result in improvements in the disposition of this property, with minor net savings to the Government.

F. BIDDERS LIST

Review and analysis of bidders lists shows-- Establishment of the Defense Surplus Bidders Control Office at DLSC indicates an intent to provide a single list.-- The DLSC list is extensive, containing over 45,000 names, but is used primarily by the DSSOs.-- Bidders lists are also maintained by 38 Corps of Engineers District Offices, numerous contract administration offices, and by many of the PDOs.-- This is duplicative and costly.-- These lists are required to affect sales on a local or regional basis, since DLSC can currently provide bidders lists only on a national or state basis.-- Potential bidders have no

single point to apply to to get on a list.-- DLSC could provide a truly central bidders list providing service to all sellers of surplus materiel by reprogramming to allow for more selective sorting.

CONCLUSION: The concept of a single central bidders list is valid and DLSC should attain the capability to provide a truly single central bidders list.

G. UTILIZATION SCREENING

Review and analysis of utilization screening processes and responsibilities shows-- Much materiel (about two-thirds of that which is used) is moved from supply to the PDO and back to supply.-- Some materiel moves from supply to the PDO and then is shipped out to a requisitioner.-- Materiel is more likely to deteriorate in the PDO storage area than in the supply storage area.-- Screening of excess while in supply would reduce materiel movement and deterioration.-- Materiel reported to GSA requires condition coding, and GSA and DoD condition codes differ.-- There is a need to develop common condition coding between GSA and DoD.-- Federal Government screening of excess materiel in supply could result in savings of 188 personnel representing \$1.4 million annually.

CONCLUSIONS:

The volume of property declared excess and then withdrawn from excess by the same activity (recouped) is so great as to indicate that there is a basic flaw in the system for calculating DoD excesses.

Transfer of responsibility for Federal Government screening of reportable declared excess DoD personal property from the Property Disposal Organization to the supply system is feasible and has significant advantages.

The existing proposal to establish a standard condition coding system for the entire Federal Government should be acted upon as soon as possible.

H. FUNDING

Review and analysis of the budgeting and funding processes for the disposal program shows-- Activities involved in the disposal process submit their requirements through normal budget/comptroller channels.-- These submissions are in the form of Operations and Maintenance (O&M) dollar requirements.-- O&M costs are reimbursed from proceeds from sale.-- This results in the implication that the program is intended

to be self-sustaining.-- Costs of disposal operations are rising.-- Disposal program funds are supporting several tasks which produce no income.-- There are benefits from the disposal program other than proceeds from sale.-- When better utilization is obtained, less material is available for sale.-- There is no relationship between program expenditures and proceeds, and this could result in an unanticipated need to reprogram O&M funds.-- No single budget/expenditure control point exists for all expenditures of disposal funds.

CONCLUSIONS:

Controls are required to insure that there is a relationship between disposal program expenditures and sales proceeds, to determine in advance when supplemental O&M financing may be required for the support of the disposal program.

Because the disposal program includes sizable non-income producing tasks, and because it includes tasks which produce large monetary gains to the DoD and the Federal Government other than sales proceeds, the program should not be required to be entirely self-sustaining.

I. RECOMMENDATIONS

REGARDING THE ORGANIZATION OF THE BASIC DOD DISPOSAL PROGRAM

1. IT IS RECOMMENDED THAT THE SECRETARY OF DEFENSE DIRECT:

A. THE SECRETARIES OF THE MILITARY DEPARTMENTS TO TRANSFER ALL RESOURCES INVOLVED IN THE STAFF SUPERVISION AND OPERATION OF THE DOD PERSONAL PROPERTY DISPOSAL PROGRAM, WORLDWIDE (INCLUDING MANPOWER AUTHORIZATIONS, FUNDS, AND SPECIALLY PROCURED EQUIPMENT), TO THE DIRECTOR, DEFENSE SUPPLY AGENCY (DSA).

B. THE DIRECTOR, DSA, TO ASSUME COMMAND AND CONTROL OVER ALL DEPARTMENT OF DEFENSE PERSONAL PROPERTY DISPOSAL ACTIVITIES WORLDWIDE, INCLUDING:

(1) PROPERTY DISPOSAL OFFICES IN CONUS CURRENTLY ASSIGNED TO THE MILITARY SERVICES;

(2) PROPERTY DISPOSAL HOLDING ACTIVITIES AND CONSOLIDATED SALES OFFICES IN OVERSEAS THEATERS;

(3) DEPARTMENTAL, MILITARY SERVICES, AND INTERMEDIATE HEAD-QUARTERS STAFF SUPERVISION FUNCTIONS AND CAPABILITIES IN CONUS AND OVERSEAS.

(4) THE SPECIALIZED OVERSEAS THEATER SCREENING ORGANIZATIONS, THE MATERIEL ASSET REDISTRIBUTION CENTER, EUROPE (MARCE), AND THE PACIFIC UTILIZATION AND REDISTRIBUTION AGENCY (PURA).

2. IT IS RECOMMENDED THAT THE ASD(I&L) DIRECT THE DIRECTOR, DSA, AS INTEGRATED MANAGER FOR THE DCD DISPOSAL PROGRAM:

A. TO ESTABLISH AN IMPLEMENTATION TASK GROUP TO IDENTIFY AND ACCOMPLISH, IN ACCORDANCE WITH THE IMPLEMENTATION PLAN IN THIS REPORT, THE DETAILED ACTIONS REQUIRED TO IMPLEMENT THE ASSIGNMENT OF INTEGRATED MANAGEMENT FOR WORLD-WIDE DISPOSAL OPERATIONS TO DSA.

B. TO STANDARDIZE THE PROPERTY ACCOUNTING SYSTEM USED BY PROPERTY DISPOSAL ACTIVITIES, AND TO CONSOLIDATE THIS PROPERTY ACCOUNTING FUNCTION AT THE DEFENSE SURPLUS SALES OFFICES.

REGARDING EXCESS CONTRACTOR INVENTORY

3. IT IS RECOMMENDED THAT THE ASD(I&L) DIRECT THE CHAIRMAN OF ARMED SERVICES PROCUREMENT REGULATION COMMITTEE TO ESTABLISH A JOINT MILITARY SERVICE/DSA SUBCOMMITTEE TO EVALUATE THE CONCEPT FOR PLANT CLEARANCE OPERATIONS CURRENTLY BEING TESTED BY THE AIR FORCE CONTRACT MANAGEMENT DIVISION (TO ELIMINATE DUPLICATE RECORDS AND PLACE GREATER RELIANCE ON CONTRACTOR SYSTEMS) FOR POSSIBLE DOD-WIDE AFFLICATION.

4. IT IS RECOMMENDED THAT THE ASD(I&L) DIRECT THE DIRECTOR, DSA, TO ESTABLISH A JOINT TASK GROUP TO DEVELOP IMPROVED PROCEDURES FOR THE DOD SCREENING OF EXCESS CONTRACTOR INVENTORY, INCLUDING CONSIDERATION OF THE SELECTIVE USE OF DLSC HIGH VALUE AND MECHANIZED SCREENING TECHNIQUES.

REGARDING EXCESS CORPS OF ENGINEERS PROPERTY

5. IT IS RECOMMENDED THAT THE SECRETARY OF DEFENSE DIRECT:

A. THE SECRETARY OF THE ARMY TO TRANSFER THE RESPONSIBILITY FOR THE DISPOSITION OF EXCESS CORPS OF ENGINEERS CIVIL WORKS PROGRAM PROPERTY TO DOD PROPERTY DISPOSAL OFFICES BY RESCINDING HIS MEMORANDUM OF 19 APRIL 1951 TO THE CHIEF OF ENGINEERS (SUBJECT: DESIGNATION TO EXCHANGE OR SELL CIVIL WORKS PERSONAL PROPERTY AND APPLY PROCEEDS TO PURCHASE OF SIMILAR ITEMS), WHICH AUTHORIZES THE CHIEF OF ENGINEERS TO DISPOSE OF PROPERTY SURPLUS TO THE CORPS OF ENGINEERS CIVIL WORKS PROGRAM.

B. THE DIRECTOR, DSA TO AMEND DOD 4160.21-M, TO REMOVE THE EXCLUSION OF THE CORPS OF ENGINEERS CIVIL WORKS PROGRAM.

REGARDING SURPLUS BIDDERS LISTS WITHIN THE DOD

6. IT IS RECOMMENDED THAT THE ASD(I&L) DIRECT THE DIRECTOR, DSA TO:
 - A. REVISE DEFENSE LOGISTICS SERVICES CENTER COMPUTER PROGRAMS TO ENABLE CONUS BIDDERS LISTS TO BE PRODUCED ON A ZIP CODE BASIS; AND,
 - B. DEVELOP JOINTLY WITH THE MILITARY SERVICES PROCEDURES FOR THE FLOW OF INFORMATION FROM DOD SURPLUS SALES ORGANIZATIONS TO INSURE THAT THE DLSC BIDDERS LIST IS KEPT CURRENT.
7. IT IS RECOMMENDED THAT THE ASD(I&L) DIRECT THE SECRETARIES OF THE MILITARY DEPARTMENTS AND THE DIRECTOR, DSA, UPON RECEIPT OF APPROPRIATE NOTIFICATION FROM DLSC, TO:
 - A. FURNISH DLSC ALL CONUS SURPLUS BIDDERS LISTS IN THEIR POSSESSION FOR INCLUSION IN THE MASTER DOD BIDDERS LIST FILE; AND,
 - B. REVISE THEIR PROCEDURES TO REQUIRE THE USE OF DLSC BIDDERS LISTS IN THE SALE OF SURPLUS DOD PROPERTY.

REGARDING THE UTILIZATION SCREENING OF DOD EXCESS MATERIEL

8. IT IS RECOMMENDED THAT THE ASD(I&L) CONDUCT A STUDY OF THE SYSTEM FOR IDENTIFYING ICP-CONTROLLED MATERIEL AS SERVICE AND DOD EXCESS, TO DETERMINE THE REASON FOR, AND TAKE CORRECTIVE ACTION ON, THE LARGE VOLUME OF RECOUPMENT ACTIONS CURRENTLY TAKING PLACE.
9. IT IS RECOMMENDED THAT THE ASD(I&L) RECOMMEND TO THE ADMINISTRATOR OF THE GENERAL SERVICES ADMINISTRATION IMMEDIATE ESTABLISHMENT OF A JOINT DOD-GSA TASK GROUP TO DEVELOP A STANDARD CONDITION CODING SYSTEM FOR USE THROUGHOUT THE FEDERAL GOVERNMENT.
10. IT IS RECOMMENDED THAT THE ASD(I&L):
 - A. PENDING ESTABLISHMENT OF A STANDARD CONDITION CODING SYSTEM FOR THE FEDERAL GOVERNMENT, RECOMMEND TO THE ADMINISTRATOR OF THE GSA THAT THE CONDITION OF DOD EXCESS AND SURPLUS PROPERTY BE REPORTED

IN TERMS OF DOD CONDITION CODE ONLY, WITH GSA CONDITION CODE FURNISHED FOR SPECIFIC LINE ITEMS AND ONLY UPON REQUEST FROM A SPECIFIC POTENTIAL RECEIVING ACTIVITY.

B. DIRECT THE SECRETARIES OF THE MILITARY DEPARTMENTS AND THE DIRECTOR, DSA, TO CHANGE PROCEDURES IN DOD MANUALS 4130.34-M AND 4160.21-M AND APPROPRIATE DOD COMPONENT DIRECTIVES TO REQUIRE THAT:

(1) FOR REPORTABLE PROPERTY (i.e., THAT PROPERTY MEETING THE CRITERIA CONTAINED IN DOD 4160.21-M FOR REPORTING TO DLSC), UTILIZATION SCREENING BE ACCOMPLISHED AND PROPERTY BE DETERMINED TO BE SURPLUS BEFORE IT IS TRANSFERRED FROM SUPPLY ACTIVITIES TO THE PROPERTY DISPOSAL ACTIVITY.

(2) NONREPORTABLE PROPERTY (i.e., THAT PROPERTY WHICH DOES NOT MEET THE CRITERIA CONTAINED IN DOD 4160.21-M FOR REPORTING TO DLSC) BE TRANSFERRED TO PROPERTY DISPOSAL ACTIVITIES AS SOON AS IT HAS BEEN DETERMINED TO BE EXCESS.

REGARDING BUDGETING AND FUNDING

11. IT IS RECOMMENDED THAT THE ASSISTANT SECRETARY OF DEFENSE (I&L) AND THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER) JOINTLY DIRECT:

A. THE DIRECTOR, DSA, AS THE INTEGRATED MANAGER FOR THE DOD DISPOSAL PROGRAM TO ESTABLISH APPROPRIATE PROCEDURES TO INSURE THAT THE PROCESSES FOR THE DEVELOPMENT OF DISPOSAL BUDGETS, AND FOR THE CONTROL OF OPERATING YEAR DISPOSAL EXPENDITURES, INCLUDE CONSIDERATION OF THE RELATIONSHIP BETWEEN EXPENDITURES AND PROCEEDS FROM SALES, AND IDENTIFY WHEN SUPPLEMENTAL OPERATIONS AND MAINTENANCE (O&M) APPROPRIATION FINANCING IS REQUIRED FOR SUPPORT OF THE DISPOSAL PROGRAM.

B. THE SECRETARIES OF THE MILITARY DEPARTMENTS TO ESTABLISH APPROPRIATE PROCEDURES TO INSURE THAT THE DIRECTOR, DSA, IS KEPT ADVISED OF THOSE PORTIONS OF THE MILITARY SERVICES BUDGETS, AND OF OPERATING YEAR EXPENDITURES, WHICH REQUIRE REIMBURSEMENT FROM PROCEEDS FROM SALES.

APPENDIX A

THE LOGISTICS SYSTEMS PLAN (LOGPLAN)

Logistics Systems Policy Committee

LSPC Task Order Number 2-71

1. Pursuant to paragraph III.C. of DoD Directive 5126.43 of 26 March 1970, the Analysis Staff of the Defense Supply Agency is requested to undertake chairmanship of a joint Service/DSA/GSA working group formed to accomplish the task described herein.

2. Title. Study of the Department of Defense Personal Property Disposal Organization.

3. Description

a. General. Assistant Secretary of Defense (Installations and Logistics) memorandum of 30 November 1970 (subject: Expediting the Personal Property Disposal Process) advised that a full scale study would be conducted to determine whether it is feasible and appropriate to centralize or consolidate the total utilization and disposal function within the Department of Defense. This LSPC Task Order is promulgated for the development of recommendations incident thereto.

b. Scope. The Study provided for by this Task Order will:

(1) Encompass the organizational and functional responsibilities and policies (and directly-associated procedures) concerned with the utilization and disposal of DoD Personal Property subsequent to transfer of accountability to a Property Disposal Officer. It will include:

(a) Consideration of those DoD utilization screening actions accomplished prior to transfer to the PDO, as necessary to understand their interface with the disposal function.

(b) Consideration of utilization and disposal actions performed by GSA, as necessary to understand their interface with the DoD disposal function and process.

(c) Review of all functions (e.g., demilitarization and reclamation) associated with the disposal program.

(d) Review of DoD disposal functions within both CONUS and Overseas.

(2) Consider such organizational, functional, and responsibility changes that would lead to the optimum operation of the personal property disposal function of the DoD worldwide.

c. Specific Tasks. This Task Order requires Task Group 2-71 to:

(1) Develop a detailed study plan, field research questionnaire(s) and data collection requirements.

(2) Determine in detail through on-site research, and document, the various interfaces of the Military Services, DSA, and GSA with respect to the disposal of DoD property.

(3) Collect and analyze workload and cost data involved in disposal and utilization functions.

(4) Analyze various organizational alternatives, including but not limited to: (a) accomplishing all Federal Government utilization screening prior to the transfer of excess materiel to Property Disposal Officers; and, (b) establishing single agency operation and/or management for the DoD Personal Property Disposal Program.

(5) Recommend with full justification, the optimum management organization, to include the assignment of functional responsibilities for property disposal (including utilization) in CONUS and overseas areas.

(6) Develop a plan for the implementation of recommended organizational changes.

4. Reference Documents. The Task Group will utilize but not be limited to the following reference material:

a. DoD Directive 5126.43, "DoD Logistics Systems Planning."

b. DoD Directive 4160.21, "DoD Personal Property Disposal Program."

c. DoD 4160.21-M, "Defense Disposal Manual."

5. Schedule

- a. Designate Task Group Members (16 February 1971).
- b. Assemble Working Group (22 February 1971).
- c. Submit Study Plan (16 March 1971).
- d. LSPC Approve Study Plan (27 March 1971).
- e. Complete and Submit "Draft Final Report" (25 September 1971).

6. Reports. The LSPC will be apprised of Task Group progress through monthly reports provided to the LSPC Secretariat, and through personal liaison between the Task Group and Secretariat. Narrative summaries of progress will relate to the time-phased plans for task accomplishment. Preparation of summaries will be keyed to scheduled LSPC meetings to insure currency. Major changes to the plans will be reported by submission of a revised plan together with supporting justification. Milestone slippage of one month or more must indicate the problem source, impact on the project, actions taken to overcome the problem and the get well date.

7. Administration/Coordination

a. Coordination:

(1) The LSPC will serve as the primary source of advice and guidance to the Task Group and will normally provide such guidance through the LSPC Secretariat.

(2) Scheduled meetings and information briefings will be as agreed to by the Chairman of the Secretariat and the Chairman of the Task Group.

(3) The Task Group is authorized direct contact with the DoD components to arrange visits and request data, information, briefings, and documents required in this effort. The LSPC Secretariat will assist the Task Group when appropriate.

b. Composition: The Task Group will be composed of highly qualified personnel (minimum grade O-4/GS-13) on a full-time basis, as desired by the DoD components and GSA. The Task Group members will function under the chairmanship of the Chief, Analysis Division, DSA.

Analysis Division, DSA	- 3
Army	- 1
Navy	- 1
Air Force	- 1
DSA	- 1
GSA	- 1

c. Contact Points. In addition to personnel detailed to the Task Group, each DoD component will designate an individual to serve as a single point of contact between the Task Group and that component.

d. Administration. Administrative support for the Task Group, including data processing and secretarial assistance and office space, will be provided by the Director, Defense Supply Agency. Pay and travel expenses for each Task Group member will be paid by the parent component.

/s/ Barry J Shillito 27 Feb 1971
 Chairman
 Logistics Systems Policy Committee

Acceptance:

Date: 1 March 1971

Title: Chairman, Task Group

Signature: /s/ D.L. Sallee

Distribution:

Members of LSPC and Task Group

APPENDIX B

PLAN FOR THE STUDY OF THE DEPARTMENT OF DEFENSE PERSONAL PROPERTY DISPOSAL ORGANIZATION

A. PURPOSE OF THE STUDY

To determine the optimum management organization for the Department of Defense (DoD) personal property disposal function worldwide.

B. OBJECTIVES

1. Evaluate the effectiveness of the current organization for the disposal of personal property within the DoD.

2. Identify areas in which restructuring of organizations and/or organizational relationships would result in quantifiable and other advantages to the DoD.

3. Recommend:

a. The optimum organizational structure for the DoD personal property disposal program; and,

b. A plan for the implementation of any recommended organizational changes.

C. SCOPE OF THE STUDY

The scope of this Study encompasses functions and organizations involved in the disposition of all types of DoD personal property.

The Task Group will study existing and potential organizations for the disposition of all categories of DoD personal property, worldwide. This will include:

a. Functions relating to the utilization, donation, sale, or other disposition of excess and surplus personal property.

b. All organizational levels within the DoD, including DoD component headquarters, sales offices, holding activities, and satellites, in both the United States and overseas.

c. Both ICP and installation-controlled property.

d. All categories of materiel, including contractor inventory, Corps of Engineers Civil Works property, nuclear and cryptological materiel, and redistributable MAP property.

e. Programs related to the disposition of DoD personal property, such as demilitarization, reclamation, and precious metals recovery.

The scope of this Study does not include disposal policy or procedures except those which are directly associated with, or are directly affected by, the organizational structure of the disposal process.

D. STUDY APPROACH

1. Collect and analyze basic management data, to be obtained from the DoD components.

2. Obtain briefings from the Military Services and Defense Supply Agency regarding the operation of the disposal program.

3. Review existing GAO and DoD component reports and studies relating to the organization of the DoD Disposal Program.

4. Examine, through on-site field research at selected DoD activities in both the United States and overseas, existing relationships between various organizations involved in personal property disposal, in such areas as:

- a. Policy and procedural guidance.
- b. Budgeting and funding.
- c. Reporting excess and surplus materiel for disposition.
- d. Utilization, donation, and sale of personal property.
- e. Management (workload and accomplishment) reporting.

5. Analyze the data and information obtained and determine areas in which there appears to be a potential for program improvement through organizational change.

6. Evaluate various organizational alternatives, including but not limited to:

a. Accomplishing all, or some portion of, utilization and donation screening prior to the transfer of materiel to Property Disposal Officers (PDOs).

b. Accomplishing demilitarization and/or reclamation prior to the transfer of accountability to PDOs.

c. Establishing single agency operation and/or management for the DoD personal property disposal program.

6. Develop courses of action for resolving problems, if any, associated with the current Disposal Program organization, including:

a. Recommending the optimum management organization for the accomplishment of DoD personal property disposal functions; and,

b. Developing a plan for the implementation of any recommended organizational changes.

E. SCHEDULE

The Task Group convened on 22 February and has been directed to submit its "Draft Final Report" by 25 September 1971.

A tentative study schedule allocating this 31-week period is attached as Appendix 1.

F. FIELD RESEARCH ITINERARY

A representative number of DoD activities engaged in various aspects of the total DoD personal property disposal function will be visited in both the United States and overseas.

A detailed itinerary will be developed by the Task Group, and the specific activities to be visited will be selected after initial briefings have been received. These selections will be coordinated with the DoD component headquarters through the respective contact points designated in accordance with Paragraph H below. Notice of activities to be visited and timing of the visits will be furnished to the contact points as soon as available, but not less than one week prior to the desired date of visit.

G. DATA REQUIREMENTS

Summary, individual program, and/or individual activity data will be required from DoD components for Task Group review and analysis. These requirements will be met through the use of existing reports and

available data to the extent possible. However, special reports may be necessary to meet Task Group requirements.

Specific data requirements will be made the subject of separate correspondence directly from the Task Group to the DoD components concerned.

H. STUDY ADMINISTRATION

The Task Group will be composed of highly qualified personnel serving on a full-time basis, and will consist of three Logistics Analysts from the Analysis Division, DSA, and one augmentee each from the Navy, Air Force, Defense Supply Agency, and General Services Administration.

The Task Group will serve under the overall Chairmanship of the Chief, Analysis Division, and under the immediate administration of the Team Director who will also be from the Analysis Division.

Each Military Service, DSA, and GSA will designate an individual to serve as single point of contact with the Task Group. This individual will be responsible for providing, or arranging for, required data and briefings and for furnishing assistance in arranging visits as necessary.

Administrative support for the Task Group, including data processing, secretarial assistance, and office space, will be provided by the Director, DSA.

Pay and travel expenses for each Task Group member will be provided by his parent organization. Travel orders will be issued by each parent organization and will be Blanket Travel Orders covering CONUS travel for the balance of Fiscal Year 1971 if at all possible. Any special provisions required in these orders will be so identified by the Task Group Chairman to the parent organizations. Arrangements will be made separately for necessary travel orders to cover overseas travel.

TENTATIVE STUDY SCHEDULE

<u>Work Week(s)</u>	<u>Dates</u>	<u>Study Action</u>
1 - 2	22 Feb - 5 Mar	Establish study objectives.
3	8 Mar - 12 Mar	Receive Service and DSA overall briefings.
3 - 7	8 Mar - 9 Apr	Develop Study Plan. Develop Itinerary and Field Research Outline. Develop and distribute data requirements.
8 -19	12 Apr - 2 Jul	Conduct field research in U.S. and overseas.
20 -30	6 Jul - 17 Sep	Analyze information and data and prepare final Report.
31	24 Sep	Submit Report to LSPC.

Appendix 1 to
Appendix B

APPENDIX C

ACTIVITIES VISITED

DoD Headquarters Organizations, CONUS

Headquarters, Air Force Logistics Command
Headquarters, Air Force Security Service
Headquarters, Air Training Command
Headquarters, Defense Contract Admin. Services
Headquarters, Defense Supply Agency
Headquarters, Department of the Air Force
Headquarters, Department of the Army
Headquarters, Fifth Army
Headquarters, Naval Air Systems Command
Headquarters, Naval Material Command
Headquarters, Naval Supply Systems Command
Headquarters, Sixth Army
Headquarters, U.S. Army Materiel Command
Headquarters, U.S. Marine Corps

DoD Headquarters Organizations, Overseas

Headquarters, European Command
Headquarters, Pacific Air Forces
Headquarters, Pacific Command
Headquarters, Second Logistical Command, Okinawa
Headquarters, Service Force Pacific
Headquarters, Theater Army Support Command
Headquarters, U.S. Air Force Europe
Headquarters, U.S. Army Europe
Headquarters, U.S. Army Japan
Headquarters, U.S. Army Materiel Command Europe
Headquarters, U.S. Army Pacific
Headquarters, U.S. Army Vietnam
Headquarters, U.S. Eighth Army, Korea

Property Disposal Activities, CONUS

Defense Construction Supply Center, Columbus
Defense Electronics Supply Center, Dayton
Kelly Air Force Base
Marine Corps Supply Center, Barstow
McClellan Air Force Base
Naval Ammunition Depot, Crane
Naval Supply Center, Oakland
Naval Training Center, Great Lakes
Philadelphia Naval Shipyard
Rock Island Arsenal
Seneca Army Depot

Property Disposal Activities, Overseas

Mainz-Kastel, Germany
Naval Support Activity, Naples, Italy
Rheinpfalz Support District, Germany
Ramstein Air Base, Germany

Ascom Depot, Korea
Camp Mercy, Okinawa
Cam Ranh Bay, Vietnam
DaNang, Vietnam
Ho Nai, Vietnam
Kadena Air Base, Okinawa
Naval Supply Center, Pearl Harbor
Naval Supply Depot, Subic Bay, Philippines
Sagami, Japan

Sales Activities

Ascom Depot, Korea
Camp Mercy, Okinawa
Defense Surplus Sales Office, Philadelphia
Defense Surplus Sales Office, Columbus
Long Binh, Vietnam
Naval Supply Center, Pearl Harbor
Naval Supply Depot, Subic Bay, Philippines
Sagami, Japan
USAFE German Redistribution and Marketing Center

Contract Administration Activities

Air Force Plant Representative Office, Hughes Tool Co., Los Angeles
Defense Contract Administration Services District, Milwaukee
Defense Contract Administration Services Region, Los Angeles
(including a local plant, TRW)
Defense Contract Administration Services Region, Philadelphia
Defense Contract Administration Services Region, San Francisco
Headquarters, Air Force Contract Management Division, Los Angeles

Corps of Engineers Activities

District Office, Buffalo
District Office, Detroit
District Office, Fort Worth

Inventory Control Points

Army Tank Automotive Command, Detroit
Army Weapons Command, Rock Island
Defense Construction Supply Center
Defense Electronics Supply Center
Naval Aviation Supply Office, Philadelphia
Naval Electronics Supply Office
Sacramento Air Materiel Area
San Antonio Air Materiel Area

Miscellaneous Activities

Army Logistics Management Center
Defense Logistics Services Center, Battle Creek
General Services Administration Region # 9, San Francisco
Materiel Asset Redistribution Center, Europe
PACOM Utilization and Redistribution Agency, Okinawa
USAFE MAP and Theater Redistribution and Marketing Center

APPENDIX D

IMPLEMENTATION PLANNING

A. INTRODUCTION

Chapter VII sets forth the final recommendations of this Report, developed in accordance with the findings, analyses, and conclusions contained in earlier chapters of the Report. In this Appendix, the Task Group has developed implementation plans for those recommendations which require: (1) extensive planning action; and, (2) actions which involve more than one Department of Defense (DoD) component.

Specifically, implementation plans have been developed for the following Task Group recommendations:

- a. Establishing an Integrated Manager for DoD property disposal worldwide-- in Section B.
- b. Establishing a "master" surplus bidders list at DLSC-- in Section C.
- c. Changing responsibilities for DoD and Federal screening of declared excess property-- in Section D.

Task Group analysis indicates that implementation of each of these three groups of recommendations, and of the remaining recommendations of this Report, are independent actions. That is, each may be implemented without regard to the timing of the implementation of any of the others. However, our analysis also indicates that it is desirable to implement the integrated management recommendation as a first priority, since several of the other recommendations are more easily implemented if disposal is already integrated.

B. ESTABLISHMENT OF INTEGRATED DISPOSAL PROGRAM

(NOTE: Recommended timing for the accomplishment of the implementation actions identified below is shown in Figure D-1 at the end of this Appendix. The starting date shown in that schedule is the date on which the relevant recommendations are approved and implementation actions are authorized to proceed.)

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1. Organize Implementation Task Group. A task group will be formed to implement Recommendations #1 and #2 of this Report. This group will be chaired by DSA and will include representatives from the Military Services. The Army, Navy, and Air Force will furnish a minimum of two property disposal specialists each, while the Marine Corps will furnish one. Additionally, the Military Services will furnish a contact point in the areas of personnel, manpower, budget, and facilities. While disposal personnel will be assigned to the task group on a full-time basis, the contact points will be made available on an as-required basis.

2. Establish Integrated Manager Headquarters

a. Prepare organizational, functional, and staffing charts for DSA Headquarters.

b. Identify required positions and forward, with recommended grades, to DSA Headquarters personnel office for action.

c. Reassign Service staff personnel, and relocate associated disposal files, to DSA Headquarters, and establish the integrated manager headquarters; advise Military Service PDOs and sales offices, world-wide, accordingly; and, dissolve the Implementation Task Group.

3. Integrate CONUS PDOs

a. Prepare and forward a questionnaire to DSSOs, overseas Sales Offices, MARCE, PURA, and PDOs world-wide, requesting information concerning existing disposal resources (e.g., space, equipment, facilities, civilian personnel support, payroll support, and ADP support).

b. Develop standard Interservice Support Agreements (ISSAs) for the overseas Sales Offices and CONUS and overseas' PDOs, based on information contained in the replies to the questionnaire.

c. Revise organizational, functional, and staffing charts for the DSSOs.

d. Identify required new positions at the DSSOs and forward, with recommended grades, to DLSC personnel office for action.

e. Reassign appropriate Service personnel, together with associated Headquarters and intermediate staff-level files, to DSSOs; and, reassign CONUS PDOs from the Military Services to the Integrated Manager.

4. Integrate Overseas PDOs

- a. Prepare organizational, functional, and staffing charts for overseas integrated disposal headquarters staff offices in the European and Pacific Theaters.**
- b. Identify, through negotiation with EUCOM, USAFE, and USAREUR Headquarters in Europe, and PACOM and USARPAC Headquarters in the Pacific, what organization will provide personnel support services for the integrated disposal headquarters staff.**
- c. Identify required positions and forward, with recommended grades, to supporting personnel office.**
- d. Determine organizational alignment for other PDOs and sales offices located overseas, such as Alaska, Panama, Australia, and Puerto Rico.**
- e. ISSAs will be developed for the staff offices, MARCE, and PURA, based on information obtained from the questionnaire.**
- f. Reassign appropriate Service personnel, together with associated disposal files, to the overseas integrated disposal headquarters; and, reassign overseas Sales Offices, PDOs, and theater screening agencies (MARCE and PURA) from the Military Services to the Integrated Manager.**

5. Change Directives. Identify and recommend changes to appropriate DoD and DSA directives.

6. Post-Integration Actions

- a. Consolidate the property accounting records of all PDOs, and relocate these to the servicing DSSO or overseas Sales Office.**
- b. Conduct a manpower survey of the integrated disposal manager portion of DSA Headquarters, and of the overseas integrated disposal headquarters staffs, approximately six months after the completion of integration.**

C. DLSC BIDDERS LIST

(NOTE: Recommended timing for the accomplishment of implementation actions identified below is also shown on Figure D-1. The starting date shown for these actions is the date on which Recommendations #6 and #7 are approved and implementation actions are authorized to proceed. Although shown on the same charts as the preceding implementation actions, the starting dates are not necessarily the same.)

1. DLSC will reprogram its ADP equipment to enable tailored bidders lists to be provided by ZIP code.
2. DSA and the Military Services will jointly develop procedures to insure purging of the bidders lists.
3. All DoD activities which maintain surplus bidders lists will forward copies to DLSC for screening and inclusion in the DLSC "master" bidders list.
4. Military Services and DSA will establish required procedures to insure use of the DLSC "master" bidders list for all surplus sales.

D. SCREENING OF DECLARED EXCESS PROPERTY

(NOTE: Although required actions for the implementation of this recommendation have been identified, the listing is not considered to be complete. For this reason, the Task Group has not identified recommended timing for the completion of the actions. Development of a comprehensive list of required actions, with an estimate of the time required for their accomplishment, should be the initial task of the joint task group established to implement this recommendation.)

1. Establish an implementation task group composed of supply, disposal, comptroller, and programming specialists from the Military Services and DSA. GSA representation will be requested.
2. Identify the total range of actions required to implement this change.
3. Define and establish a new requirement/asset stratum to permit supply activities to retain Declared Excess assets.

4. Revise budget development and fund control procedures to insure that the Declared Excess stratum is not used in fund requirement computations.

5. Develop standard procedures for supply activities to report Declared Excess property to DLSC, to establish suspense controls on release dates, and to process transfer actions.

6. Develop procedures for supply activities to process requests for Declared Excess property received from Federal civil agencies through GSA.

7. Revise reporting procedures to insure that appropriate portions of actions on Declared Excess property are reported by supply and disposal activities.

8. Determine resource realignments and reductions (e.g., in such areas as personnel, equipment, and warehouse facilities) as a result of this transfer of responsibility.

9. Identify and recommend changes to appropriate DoD and DoD component directives.

10. After completion of the above actions:

a. Direct the Military Services and DSA to reprogram their computers to perform this function.

b. Disestablish the Task Group.

11. Military Services and DSA perform required manpower surveys within six months of program implementation, to identify supply and PDO manpower space reductions.

IMPLEMENTATION SCHEDULE

