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REPORT TO THE CONGRESS



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The Program For Redistri- bution Of Defense Materiel In Europe-- Opportunities For Improvement B-140389

Department of Defense

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-140389

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the program for redistribution of Defense materiel in Europe--opportunities for improvement--Department of Defense. Our examination was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

James B. Stacks

Comptroller General
of the United States

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D I G E S T

WHY THE REVIEW WAS MADE

1 The Department of Defense (DOD) has substantial inventories of materiel for use by the U.S. Armed Forces overseas. To obtain maximum use of materiel in the European theater, a program was established for transferring materiel held but not needed by some services to others that needed it. The program, managed by the Materiel Asset Redistribution Center, Europe, precludes the procurement of an item by one service at the same time a similar item is being scrapped by another. Needed items can be obtained faster and with savings in transportation costs. 5

The General Accounting Office (GAO) review was directed toward examining the effectiveness of the program in Europe.

FINDINGS AND CONCLUSIONS

The program has involved \$199 million worth of excess materiel during the period July 1967 through October 1969. Materiel, valued at about \$3 million, excess to the needs of the services that had the materiel was ordered to be shipped to the services that needed it.

In addition the Center ordered \$17 million worth of excesses transferred among Air Force activities. The rest of the materiel was released back to reporting activities after screening, was being screened, or was withdrawn from redistribution by those activities. (See p. 6.)

3 4 Not all Navy organizations and none of the Air Force contractors in Europe reported their excesses to the Center or used the Center to obtain their stock requirements. An audit of the program by the Office of the Secretary of Defense in late 1968 noted that only one Navy organization was participating. 1, 2

The Navy command in Europe accepted the audit recommendation that the Navy increase its participation. However, at the time of GAO's fieldwork, early in 1970, the Navy still had only one organization participating in the program. GAO estimated that, if the Navy organizations and Air Force contractors in Europe had participated fully, an additional \$684,000 worth of excess materiel could have been used in

the European area during the 12-month period ended December 1, 1969.

Because the annual level of activity is relatively constant, GAO believes that comparable amounts could be saved each year. (See p. 8.)

Excesses were being released by the Center to the owning organization for disposal even though some of the items could have been used by another organization and in fact were needed shortly after they were released. This was caused by inadequate screening and the failure to resolicit the organization that had originally reported the excess to determine whether the excess materiel was still available for redistribution. (See p. 14.)

Substitute and interchangeable items were not considered even though

- the Office of the Secretary of Defense estimated in 1968 that redistribution of excesses could have been increased by about \$1.5 million if substitute and interchangeable stocks had been used and

- computer equipment capacity was doubled to include information on substitute and interchangeable items. (See p. 15.)

Shipment of excesses to Army requisitioners to meet permissive overstockage resulted, in some instances, in the same stocks subsequently being reported as excess by the Army. Moreover this could result in the materiel not being available to organizations with a more urgent need for it. (See p. 16.)

GAO believes that the effectiveness of the program can be increased but recognizes that the potential for this program may be limited because many of the items involved are not necessarily used by more than one service.

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of Defense should

- require full participation in this program by the military services and contractors,
- reevaluate the screening cycle to prevent premature disposal of needed items,
- require the resolicitation of organizations that had reported excess materiel recently released from the screening process to determine whether the excess has been disposed of or is still available for redistribution,

- ensure that the program to consider substitute and interchangeable items is carried out as previously recommended by the Department of Defense audit, and
- establish procedures to hold requisitions for permissive overstockage in abeyance so, if requisitions for current operating stocks are received during the screening period, they can be filled first. (See pp. 11, 13 and 17.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

DOD stated that it concurred in general with GAO conclusions and recommendations. (See p. 23.)

DOD believes that there are potential problems concerning the participation of contractors in the Center program and has agreed to the Air Force's studying this aspect of the proposal further. GAO has been promised a firm position on this matter in February 1971.

The Navy believes that activities that must use the mails, rather than use a rapid communications system, to carry on its supply transactions should not participate in the Center program. DOD did not agree with this position and requested the Navy to make every effort to participate fully in the program.

GAO is recommending that the Secretary of Defense maintain close monitorship over the Air Force study of contractor participation in the Center program and the Navy's actions to bring about full participation by its activities. GAO asked the Secretary to keep it advised of the results of the actions taken. (See p. 13.)

GAO will give close attention to actions taken by DOD concerning final resolution of the Air Force and the Navy positions on participation in the Center program. This case is an example of the need for the Secretary of Defense to exercise strong centralized management in certain matters.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting this matter to the Congress because of its continuing interest in the adequacy of DOD efforts to ensure effective use of military inventories and to achieve economies in supplying the U.S. military services overseas.

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ABBREVIATIONS

CONUS	Continental United States
DOD	Department of Defense
FSN	Federal Stock Number
GAO	General Accounting Office
MARCE	Materiel Asset Redistribution Center, Europe

D I G E S T

WHY THE REVIEW WAS MADE

The Department of Defense (DOD) has substantial inventories of materiel for use by the U.S. Armed Forces overseas. To obtain maximum use of materiel in the European theater, a program was established for transferring materiel held but not needed by some services to others that needed it. The program, managed by the Materiel Asset Redistribution Center, Europe, precludes the procurement of an item by one service at the same time a similar item is being scrapped by another. Needed items can be obtained faster and with savings in transportation costs.

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Not all Navy organizations and none of the Air Force contractors in Europe reported their excesses to the Center or used the Center to obtain their stock requirements. An audit of the program by the Office of the Secretary of Defense in late 1968 noted that only one Navy organization was participating.

The Navy command in Europe accepted the audit recommendation that the Navy increase its participation. However, at the time of GAO's fieldwork, early in 1970, the Navy still had only one organization participating in the program. GAO estimated that, if the Navy organizations and Air Force contractors in Europe had participated fully, an additional \$684,000 worth of excess materiel could have been used in

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The Secretary of Defense should

- require full participation in this program by the military services and contractors,
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GAO is recommending that the Secretary of Defense maintain close monitorship over the Air Force study of contractor participation in the Center program and the Navy's actions to bring about full participation by its activities. GAO asked the Secretary to keep it advised of the results of the actions taken. (See p. 13.)

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CHAPTER 1

INTRODUCTION

In November 1966 the Secretary of Defense authorized the Air Force, in collaboration with the Army, the Navy and the Defense Supply Agency, to develop a procedure for screening all assets in Europe not needed by one service against the needs of the other services. The Air Force accomplished this by expanding its own intraservice excess redistribution program in Europe to include the excesses of the other services.

As a result of these actions, the Materiel Asset Redistribution Center, Europe, (MARCE) was created under the management and control of the Headquarters, U.S. Air Force in Europe. MARCE began operations in July 1967. The purpose of MARCE is to provide a central point for the inter-service screening of excess materiel in Europe to ensure that

- existing materiel in Europe is utilized to the maximum extent possible,
- concurrent procurement and disposal actions for the same items are prevented,
- expenditure of transportation funds to ship items to Europe are precluded when similar items are already available from another service, and
- useful data are obtained and provided to inventory managers for item management.

The basic concept of operation of MARCE is that each participant determines and reports its excesses and requirements to MARCE. MARCE then screens the requirements against the excesses by means of automatic data processing equipment. If MARCE can fill the requisitions from reported excesses, a redistribution order is issued. At the end of the screening cycle, materiel that has not been redistributed is released back to the holding activity for disposal, if appropriate.

The Air Force generally forwards all its stock requisitions to MARCE. If excesses are not available to fill the requisitions, they are passed on to normal supply sources in the continental United States (CONUS). It is MARCE's objective to process unfilled requisitions within 12 hours after receipt.

All Army organizations in Europe process requisitions and reports of excess to the U.S. Army Materiel Command, Europe which then deals with MARCE. The Army and MARCE have established special procedures for screening excesses against most Army requirements. Under these procedures MARCE furnishes the Army each month with automatic data processing cards representing all Air Force and Navy excesses available for redistribution. These cards are then matched against Army stocks, and all items needed to fill operating, project, and reserve and most retention levels are requisitioned from MARCE.

U.S. naval shore activities in the European theater were directed, in March 1968, to participate in MARCE. Participation, however, has been limited to the submission of requirements for certain backup spare items. MARCE matches these requirements against available excesses on a periodic basis.

As of January 1, 1970, there were about 60 activities designated as participants in the MARCE program. A listing of those activities and their locations is included as appendix III.

In addition, we have brought to the attention of local officials several other matters which require their action to improve the effectiveness of the program. We recently issued a report (B-169427, August 14, 1970) in which we noted problems in the Pacific area similar to those that MARCE was experiencing.

The scope of our review is discussed on page 19. A list of the principal officials of the Department of Defense and the Departments of the Army, Navy, and Air Force responsible for the administration of activities discussed in this report is shown as appendix IV.

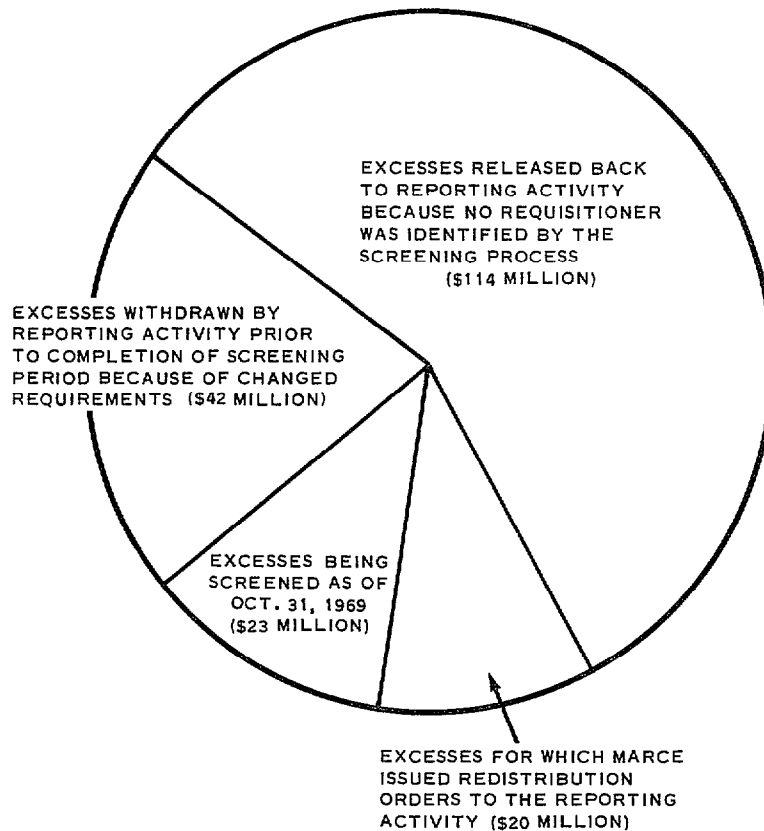
CHAPTER 2

RESULTS OF THE

PROGRAM FOR REDISTRIBUTION AND UTILIZATION

OF EXCESS MATERIEL IN EUROPE

Since its inception in July 1967, a total of \$199 million¹ worth of excess materiel were reported to MARCE through October 31, 1969. The following graph shows the disposition of these excesses.



¹Prior to our review, MARCE recorded all Air Force excesses which were held for interservice screening as a withdrawal and again as a reported excess when in fact no action had taken place. We excluded such transactions from the above amounts.

The value of redistribution orders issued by MARCE amounted to \$20 million during the 27 months ended October 31, 1969, of which about 85 percent was for intraservice transfer between Air Force installations. The following schedule of materiel ordered redistributed through the MARCE program shows the intraservice nature of MARCE.

MARCE Redistribution Orders

<u>Transfer from</u>	<u>Total</u>	<u>Transfers to</u>		
		<u>Army</u>	<u>Air Force</u>	<u>Navy</u>
(000 omitted)				
Army	\$ 733	\$ (a)	\$ 720	\$13
Air Force	19,384	2,000	17,300	84
Navy	<u>35</u>	<u>2</u>	<u>32</u>	<u>1</u>
Total	<u>\$20,152</u>	<u>\$2,002</u>	<u>\$18,052</u>	<u>\$98</u>

^a Army performs all intraservice redistribution before reporting excesses to MARCE.

We recognize that the potential for the program may be limited, since many of the items involved are not necessarily used by more than one service. We believe, however, that the success of the program could be enhanced through increased participation in the program by the Navy and by commercial firms using Government-furnished materiel under contracts with the Air Force. Moreover the process now used for matching excesses with requirements under the program could be improved by keeping materiel available longer for potential users to prevent premature disposal of needed items, to ensure redistribution of substitute and interchangeable items (see p. 15) and to ensure redistribution of materiel to the requisitioner that has the highest priority for it.

The subjects of increasing participation and improving the screening process are discussed in the following chapters.

CHAPTER 3

INCREASING PARTICIPATION

IN MARCE PROGRAM

We noted that not all Navy organizations and none of the Air Force contractors had reported their excesses to MARCE or had used the MARCE machinery to obtain their stock requirements. We estimated that, if the Air Force contractors had participated in the MARCE program, a possible additional \$546,000 of excess materiel could have been utilized during the 12-month period ended December 1, 1969. We estimated also that, if all Navy organizations had participated fully, at least \$138,000 worth of excess materiel possibly could have been used annually by them. We did not examine the operation of Army contractors since they obtained supply support from the U.S. Army Materiel Command, Europe. Because the annual level of activity is relatively constant, we believe that comparable amounts could be saved each year.

POTENTIAL BENEFITS FROM AIR FORCE CONTRACTORS PARTICIPATING IN MARCE

At the time of our fieldwork, there were seven Air Force contractors in Europe that used Government-furnished materiel in their operations and kept large inventories of Government-furnished materiel. Those contractors have not been designated to participate in the MARCE program and instead submit requisitions, estimated at several million dollars annually, directly to CONUS sources of supply. Those contractors also generate a significant amount of excess materiel. The contractors use standard military forms to requisition and report excesses through regular military supply channels. The excesses are either returned to CONUS supply sources or disposed of locally.

One of the largest Air Force contractors in Europe is CASA Getafe, Madrid, Spain, which performs maintenance and repair of Air Force aircraft.

In fiscal year 1968, CASA Getafe used about \$3.7 million worth of Government-furnished materiel. It is

currently operating at about the same level. During the 12-month period ended December 1, 1969, CASA Getafe declared about \$900,000 worth of Government-furnished materiel as excess and requisitioned about \$1.1 million worth of materiel from CONUS supply sources. Our examination into a selected number of transactions showed that about 30 percent of the items of Government-furnished materiel requisitioned by CASA Getafe were items which had been reported to MARCE as excess by other activities in Europe. If our sample is indicative of the nature of the rest of the requisitions CASA Getafe sent to CONUS supply sources, then it is possible that about \$330,000 worth of requisitions could have been filled from excesses available at MARCE.

Also we noted that, of \$96,000 worth of excess materiel which CASA Getafe either returned to CONUS supply sources or turned over to the disposal office for local sale, almost \$23,000 worth, or about 24 percent, could have been redistributed in Europe by MARCE if the excess materiel had been reported. On the basis that the random sample used was representative of all excesses generated by CASA Getafe, we estimate that \$216,000 worth of such excesses could have been utilized in Europe if reported to MARCE.

Although we did not review the operation of the other six contractors, we noted that Israel Aircraft Industries, Ltd., requisitioned \$910,000 worth of Government-furnished materiel and declared \$350,000 worth of Government-furnished materiel excess during fiscal year 1969 and therefore could conceivably have utilized MARCE advantageously.

INCOMPLETE PARTICIPATION BY NAVY

Headquarters, U.S. Naval Forces, Europe, directed shore activities in Europe to participate in MARCE but limited the participation to submitting requirements to MARCE for backup spare items which normally would not be purchased until actually needed. We were told that these shore activities were not directed to send requisitions to MARCE for regular operating stocks. Rather, each shore activity has the option of sending such requisitions as well as reporting excesses to MARCE.

Only the Naval Station at Rota, Spain, out of 19 Navy shore activities in Europe, participated in the MARCE program on a continuing basis. We found only partial participation, however, by the Rota Naval Station. For example, Rota Naval Station reported requisitions and excesses of Navy-managed items to inventory control points in CONUS and not to MARCE. Excesses of items which are managed by Defense Supply Agency or General Services Administration are reported concurrently to MARCE and the inventory control points in CONUS.

We were told that Navy-managed items had not been reported to MARCE because, in the opinion of the Rota Naval Station personnel, these items were not common to the Air Force and Army.

We noted, however, that about 32 percent of Navy items reported as excess to a CONUS inventory control point in January 1970 could have been used to fill requisitions received by MARCE or were similar to items in the MARCE data bank or in the Air Force stock catalog.

We noted also that 11 percent of all requisitions sent by the Rota Naval Station to CONUS inventory control points were still outstanding at the end of February 1970 and could have been either wholly or partially filled from MARCE excesses. We randomly selected 100 of the requisitions and examined them in detail and concluded that, if they were representative of all the 1,709 requisitions for which MARCE had stocks on hand, \$137,884 worth of excess materiel could have been transferred to the Rota Naval Station.

The applicability of Navy-managed items to other services is further demonstrated by the Federal Supply Catalog which shows that 31 percent of Navy items are common to another service.

An audit of MARCE by the Office of the Secretary of Defense noted in late 1968 that the only Navy organization participating in MARCE was the Naval Station at Rota, Spain. The Navy command in Europe accepted the audit team's recommendation that the Navy increase its participation in MARCE. At the time of our fieldwork early in 1970, however, the Rota Naval Station was still the only Navy organization participating in MARCE.

CONCLUSION AND AGENCY COMMENTS

We believe that the program could be enhanced through increased participation by the Navy and by commercial firms using Government-furnished materiel under contracts with the Air Force. We therefore proposed that the Secretary of Defense take the necessary actions to ensure full participation in this program by the military services and Air Force contractors.

The Deputy Assistant Secretary of Defense (Installations and Logistics) commented on our findings and recommendations by letters dated October 13, 1970, and November 10, 1970. (See apps. I and II.) In his replies the Deputy Assistant Secretary stated that the military departments and the Office of the Secretary of Defense concurred in general with our conclusions and recommendations.

The Deputy Assistant Secretary stated, however, that he believed that there were potential problems concerning the participation of Air Force offshore aircraft maintenance contractors in the MARCE program. He indicated that his office had agreed to the Air Force's studying this aspect of our proposal further and that a firm position on this matter would be furnished to us at a later date.

The Deputy Assistant Secretary stated in his letter of November 10, 1970, that it appeared relatively certain that additional contractual costs would be incurred by requiring contractors to implement item excess reporting, to prepare

required excess reports, and to process individual redistribution shipments to or from military activities in Europe. He further stated that it appeared that the savings in transportation costs in effecting redistribution might not offset the costs which would be incurred in implementing contractor excess reporting and processing to the MARCE system.

The contractors are already using military forms and procedures to obtain supplies from and report excess material to CONUS locations. It seems logical that transportation costs would be reduced if some supplies were obtained through MARCE and if excesses already in the European theater were redistributed through MARCE rather than shipping from and to CONUS locations.

We agree that some additional costs would be incurred by contractors, but our review indicates that substantial savings can accrue through contractor participation in the MARCE program. We agree with the Deputy Assistant Secretary of Defense that a study should be made of the costs and savings so that decisions concerning participation by individual contractors can be made on an economically sound basis.

Concerning the lack of participation by Navy installations in the MARCE program, the reply stated that the Navy had indicated that nine of its 24 installations must use the mails to carry on its supply transactions. For that reason the Navy believed that participation should not be required of those activities. The Office of the Secretary of Defense does not agree with this position and has requested the Navy to make every effort to participate fully in the program. The Navy agreed that the other 15 installations should participate.

We are going to give close attention to the actions taken by the Office of the Secretary of Defense concerning the final resolution of the Air Force and Navy positions on participation in the MARCE program. These are examples of the need for the Secretary of Defense to exercise strong centralized management in certain matters.

RECOMMENDATION

We recommend that the Secretary of Defense maintain close monitorship over the Air Force study of offshore aircraft maintenance contractors' participation in the MARCE program and the Navy's actions to bring about full participation by its activities. We request that he keep us advised of the results of the Air Force study and Navy's actions.

CHAPTER 4

IMPROVING THE SCREENING PROCESS

Utilization and redistribution of excesses can be increased in Europe if the MARCE screening process would (1) keep materiel available longer for potential users to prevent premature disposal of needed items, (2) adequately consider substitute and interchangeable items, and (3) ensure transfer of materiel to the requisitioner that has the highest priority for it.

NEED TO PREVENT PREMATURE DISPOSAL OF NEEDED ITEMS

We found that excesses were being released by MARCE after the screening period, which is generally 90 days from the date a base first reports an item of stock excess, even though some of the items still had a potential for redistribution and in fact were needed shortly after they were released.

We screened a number of released items against requisitions received by MARCE which could not be filled and found that many requisitions could have been wholly or partially filled by the released items and that the recurring demand for some of these items was significant during the period they were held by MARCE. For instance, MARCE had 154 units of a widely used item available for redistribution. MARCE redistributed 88 units and released 66 for disposition by the reporting organization. We noted, however, that 46 additional units could have been redistributed within the week after the item was released.

In another instance, 185 units of an item were reported to MARCE. During the screening period, 100 units were redistributed and the remaining 85 were released to the reporting activity for disposal. We found, however, that 25 additional units could have been redistributed in the following week.

The current procedures also allow MARCE to release items after screening them less than 90 days. For example,

we found that an organization had reported 1,013 units of an item to MARCE. Eight days before the end of the 90-day screening period, this organization reported an additional 2,000 units as excess. After the 90-day screening period for the 1,013 units initially reported, MARCE released all 3,013 units even though 2,000 of those units had been screened for only 8 days. Within 7 days of this release, MARCE received a requisition for 2,000 units of the item which could not be filled and therefore had to be sent to the supply source in CONUS.

We believe that, in situations such as we noted, the redistribution and utilization of excesses in Europe could be enhanced by (1) preventing premature disposal and (2) resoliciting the organization that had originally reported the excess to determine whether the excess materiel was still available for redistribution.

NEED FOR CONSIDERING SUBSTITUTES AND INTERCHANGEABLES IN MATCHING PROCESS

We found that, as early as August 1967, the Air Force in Europe observed that the addition of a capability to screen substitute and interchangeable items in MARCE would produce significant increases in excess redistributions.

The audit of MARCE by the Office of the Secretary of Defense in late 1968 noted that MARCE could have increased redistributions of theater excesses by an estimated \$1.5 million during the 15-month period ended September 30, 1968, if substitute and interchangeable items had been considered during the redistribution process. At that time it was determined that the MARCE computer capacity would need to be doubled to accommodate such a program. Although the computer capacity at MARCE was doubled in July 1969 to provide sufficient capacity to establish a substitute and interchangeable program, we noted that such a program had not yet been implemented at the time of our fieldwork in March 1970.

NEED TO SHIP MATERIEL TO
SATISFY OPERATING REQUIREMENTS

Substantial amounts of the materiel requisitioned from MARCE by the Army were above the amounts needed for its operating level requirements and in some instances resulted in the same stock being subsequently reported as excess by the Army.

Army activities are authorized to have on hand sufficient quantities of stock necessary for normal requirements and a certain amount of overstockage. A normal operating level requirement for most Army organizations is enough stock on hand to last 6 months--representing that needed for 1 month of operations, 1 month for safety, and 4 months for ordering and shipping replacement stocks. Army organizations in the European theater are permitted to keep six times more than the normal operating level requirement or enough stock to last an additional 3 years. The additional stock is referred to as permissive overstockage.

We found that, for about one third of the items included in our random sampling of the Army's requisitions from MARCE, the quantities requisitioned on an average were excess to the Army's needs 43 days later. We believe that this results in unnecessary handling and transportation costs. Several examples follow.

The Army ordered 12,300 boxes of machine screws, Federal Stock Number (FSN) 5305-045-3181, for permissive overstockage from MARCE on December 16, 1969. By February 3, 1970, the entire quantity was reported back to MARCE as excess.

In another instance, the Army ordered 290 aluminum universal heads, FSN 5320-239-1287, from MARCE on December 16, 1969. As of January 28, 1970, these units were excess and had to be reported back to MARCE by the Army.

Moreover, organizations with a more urgent need for the materiel could be denied supply because materiel had been shipped to the Army for its permissive overstockage. For example, the Army ordered 158 spacer sleeves, FSN 5340-203-8967, which were over and above its current operating needs.

Subsequently MARCE received and could not fill a requisition from an Air Force installation for four units of the same item. Thus the requisition to fill the Air Force operating requirement had to be sent to the supply source in CONUS.

We believe that the most effective program for utilization of excess materiel in Europe should ensure the redistribution of excesses to satisfy requirements for operating level needs before filling requisition for permissive overstockage.

CONCLUSIONS

We believe that interservice redistribution of more materiel could be attained if the process now used for matching excesses with requirements were improved to (1) prevent premature disposal of needed materiel (2) ensure consideration of substitute and interchangeable items, and (3) ensure redistribution of materiel to the requisitioner that has the more immediate need for it.

RECOMMENDATIONS

We recommended that the Secretary of Defense:

- Reevaluate the screening cycle to prevent premature disposal of needed items.
- Require the resolicitation of organizations that had reported excess materiel recently released from the screening process to determine whether the excess is still available for redistribution.
- Ensure that the program to consider substitute and interchangeable items is carried out as previously recommended by the Department of Defense audit.
- Establish procedures to hold requisitions for permissive overstockage in abeyance so that, if requisitions for current operating stocks are received during the screening period, they can be filled first.

The Deputy Assistant Secretary of Defense (Installations and Logistics) in his letters dated October 13, 1970, and November 10, 1970 (see apps. I and II), concurred in general with our conclusions and recommendations.

CHAPTER 5

SCOPE OF REVIEW

Our review was directed primarily toward examining into and evaluating the effectiveness of the DOD program for utilization and redistribution of materiel in Europe. We reviewed the management and operation of the Materiel Asset redistribution Center, Europe, and our work there and at other activities included reviews of the determination and reporting of excesses, the identification of requirements, requisitioning practices, matching of needs with excesses, and the reporting of redistribution activity.

Our work was performed during the period November 1969 through March 1970 at the following locations.

<u>Activity</u>	<u>Location</u>
Air Force:	
Materiel Asset Redistribution Center, Europe	Wiesbaden, Germany
Ramstein Air Force Base	Ramstein, Germany
Detachment 14, Headquarters, Air Force Logistics Command	Getafe, Spain
Army:	
Headquarters, U.S. Army Materiel Command, Europe	Zwiebrucken, Germany
Navy:	
U.S. Naval Activity	Rota, Spain

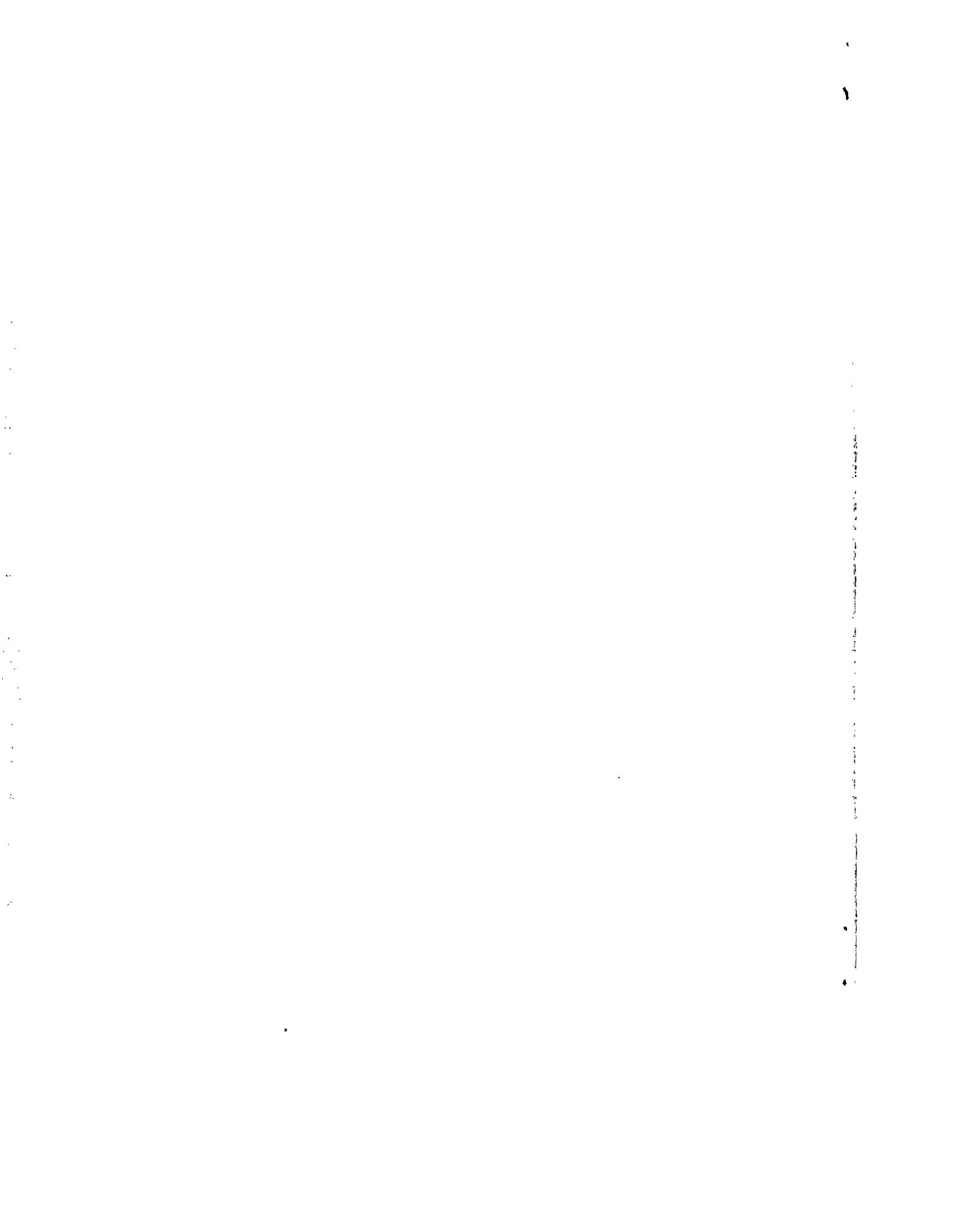
We also discussed the operation of MARCE with officials at Headquarters, U.S. Army, Europe; Headquarters, U.S. Theater Support Command, Europe; Headquarters, U.S. Air Forces in Europe; and Headquarters, U.S. Naval Forces, Europe.

During our review we utilized sampling techniques whenever possible in reviewing MARCE and participating service records. The samples were selected by statistical methods that ensured randomness of selection. Generally we selected sample sizes which would provide information on significant portions of the data being sampled, but because some of our samples were not scientifically selected, we have not made

unqualified projections. We believe that the sample results provide valid indications of the situations disclosed.

The Assistant Secretary of Defense (Comptroller) performed a review of MARCE in the latter part of calendar year 1968. Our review included a follow up of some of the matters discussed in that report.

APPENDIXES





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INSTALLATIONS AND LOGISTICS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

13 Oct 1970

Mr. C. M. Bailey
Director, Defense Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Bailey:

The Secretary of Defense has asked me to reply to your letter of June 18, 1970 which transmitted copies of your Draft Report entitled "Opportunities for Improvement in the Program for Redistribution and Utilization of Materiel in Europe," (OSD Case #3131).

We and the Military Departments have reviewed the report and concur generally with your conclusion and recommendation. However, we believe that there are potential problems concerning the participation of Air Force offshore aircraft maintenance contractors in the MARCE Program. Therefore, we have agreed to the Air Force studying this aspect of your proposal further. A firm position concerning this portion of your recommendation will be forwarded on or about November 15, 1970.

The Navy has indicated that fifteen installations in Europe have AUTODIN capability while nine installations do not, and must resort to mail. The Navy believes that participation in the MARCE Program should be limited to those activities with AUTODIN capability. We do not agree with this position and are requesting the Navy to make every effort to participate fully in the program.

Sincerely,

Glenn V. Gibson
Deputy Assistant Secretary of Defense



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

10 Nov 1970

SP

INSTALLATIONS AND LOGISTICS

Mr. C. M. Bailey
Director, Defense Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Bailey:

This is in further reply to your letter of June 18, 1970 which transmitted copies of your Draft Report entitled "Opportunities for Improvement in the Program for Redistribution and Utilization of Materiel in Europe" (OSD Case #3131).

As indicated in our letter of October 13 there is a general concurrence with the conclusions and recommendations contained in your report. However, the lack of pertinent information and statistical data regarding the impact of full participation by the Air Force offshore aircraft maintenance contractors in the Materiel Asset Redistribution Center, Europe (MARCE) program precludes an informed judgment at this time, without further evaluation, as to the economic advantages or feasibility of such participation. It appears relatively certain that additional contractual costs would be incurred by requiring the contractor to implement item excess reporting, prepare required excess reports and process individual redistribution shipments to or from military activities in Europe. It appears that the savings in transportation costs in effecting redistribution might not offset the costs which would be incurred in implementing contractor excess reporting and processing to the MARCE system. Additionally, the small number of contractors (four), the limited type of aircraft involved, and the limited number of bases using the aircraft might adversely affect the potential utilization by these bases.

For these reasons the Air Force Logistics Command has been directed to evaluate the GAO recommendations in depth so that fully supportable conclusions can be reached regarding:

- a. The contractors' capability to interface with MARCE.
- b. The magnitude of contractor excesses generated.

c. The degree of item commonality between the contractors and the DoD agencies participating in MARCE.

d. The suitability of MARCE generated materiel to contractors' needs.

e. The additional contractual costs which may be incurred.

A firm position concerning this recommendation is expected to be formulated by February 1971, and will be provided you at that time.

Sincerely,



Glenn V. Gibson
Deputy Assistant Secretary of Defense

DESIGNATED MARCE PARTICIPANTS

<u>Activity or installation</u>	<u>Location</u>
ARMY:	
U.S. Army Materiel Command, Europe (note a)	Germany
AIR FORCE:	
7101st Air Base Wing	Germany
36th Tactical Fighter Wing	Germany
26th Tactical Reconnaissance Wing	Germany
7310th Tactical Airlift Wing	Germany
50th Tactical Fighter Wing	Germany
7149th Tactical Fighter Wing	Germany
7350th Support Group	Germany
601st Tactical Control Wing	Germany
6915th Security Wing	Germany
513th Tactical Airlift Wing	England
66th Tactical Reconnaissance Wing	England
48th Tactical Fighter Wing	England
20th Tactical Fighter Wing	England
7500th Air Base Group	England
10th Tactical Reconnaissance Wing	England
81st Tactical Fighter Wing	England
6950th Security Wing	England
401st Tactical Fighter Wing	Spain
7473d Combat Support Group	Spain
6917th Security Group	Italy
40th Tactical Group	Italy
32d Fighter Interceptor Squadron	Netherlands
6931st Security Group	Greece
7206th Support Group	Greece
6937th Communications Group	Pakistan
TUSLOG Detachment 116	Turkey
TUSLOG Detachment 3-1	Turkey
TUSLOG Detachment 3-2	Turkey
TUSLOG Detachment 10	Turkey
TUSLOG Detachment 30	Turkey
TUSLOG Detachment 95	Turkey
TUSLOG Detachment 4	Turkey
TUSLOG Detachment 171	Turkey
TUSLOG Detachment 27	Turkey

DESIGNATED MARCE PARTICIPANTS (continued)

<u>Activity or installation</u>	<u>Location</u>
AIR FORCE (continued):	
TUSLOG Detachment 29	Turkey
TUSLOG Detachment 30	Turkey
TUSLOG Detachment 10	Turkey
TUSLOG Detachment 116	Turkey
NAVY:	
U.S. Naval Security Group ACT	Germany
U.S. Naval Security Group ACT	Germany
U.S. Naval Air Facility	England
U.S. Naval Activities	England
U.S. Naval Communications Unit	England
U.S. Naval Communications Station	Ireland
U.S. Naval Radio Station	Scotland
U.S. Naval Station	Spain
U.S. Naval Security Group ACT	Scotland
U.S. Naval Communications Station	Spain
U.S. Naval Support Activity	Italy
U.S. Naval Air Facility	Italy
U.S. Naval Air Facility	Sicily
U.S. Naval Facility	Cyprus
U.S. Naval Communications Station	Greece
U.S. Naval Training Command	Morocco
U.S. Naval Communications Station	Morocco
U.S. Naval Communications Station	Ethiopia
U.S. Naval Control of Shipping Officer	Bahrein

^aAll Army activities in Europe participate in MARCE through the U.S. Army Materiel Command, Europe. There are a total of 1,105 such activities.

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE AND THE DEPARTMENTS OF THE
ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
Melvin R. Laird	Jan. 1969	Present
Clark M. Clifford	Mar. 1968	Jan. 1969
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):		
Barry J. Shillito	Feb. 1969	Present
U.S. EUROPEAN COMMAND:		
Gen. Andrew J. Goodpaster	May 1969	Present
<u>DEPARTMENT OF THE ARMY</u>		
SECRETARY OF THE ARMY:		
Stanley R. Resor	July 1967	Present
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):		
J. Ronald Fox	June 1969	Present
U.S. ARMY MATERIEL COMMAND COMMAND- ING GENERAL:		
Lt. Gen. Henry A. Miley	Nov. 1970	Present
Gen. Ferdinand J. Chesarek	Mar. 1969	Oct. 1970

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE AND THE DEPARTMENTS OF THE
ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE ARMY (continued)

COMMANDER IN CHIEF, U.S. ARMY,
EUROPE:

Gen. J. H. Polk	June 1967	Present
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DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

John H. Chafee	Jan. 1969	Present
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ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND LOGISTICS):

Frank P. Sanders	Feb. 1969	Present
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U.S. NAVY MATERIEL COMMAND:

Vice Adm. J. D. Arnold	Aug. 1970	Present
Vacant	July 1970	Aug. 1970
Adm. Ignatius J. Galantin	Mar. 1965	July 1970

COMMANDER IN CHIEF, NAVAL FORCES,
EUROPE:

Adm. Waldemar F. A. Wendt	July 1968	Present
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DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Dr. Robert C. Seamans, Jr.	Jan. 1969	Present
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PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE AND THE DEPARTMENTS OF THE
ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

Tenure of office
From To

DEPARTMENT OF THE AIR FORCE (continued)

ASSISTANT SECRETARY OF THE AIR FORCE
(INSTALLATIONS AND LOGISTICS):

Phillip N. Whittaker May 1969 Present

COMMANDER, AIR FORCE LOGISTICS
COMMAND:

Gen. Jack G. Merrill Mar. 1968 Present

COMMANDER IN CHIEF, U.S. AIR FORCES
IN EUROPE:

Gen. J. R. Holzapple Jan. 1969 Present