

**Testimony of Alan F. Estevez
Assistant Deputy Under Secretary of Defense
Supply Chain Integration
Hearing before the House Committee on Government Reform
Subcommittee on National Security, Emerging Threats, and International Relations**

Mr Chairman and distinguished members of the Subcommittee, I am Alan Estevez, Assistant Deputy Under Secretary of Defense for Supply Chain Integration. With me today is Mr Fred Baillie, Executive Director for Distribution and Reutilization Policy of the Defense Logistics Agency, and Col Patrick O'Donnell, Commander of the Defense Reutilization and Marketing Service. I welcome this opportunity to address your concerns regarding the disposal of DoD excess chemical and biological suits and laboratory equipment. I am responsible for developing policy regarding materiel management within the Department of Defense. Meanwhile, policy responsibility for Chemical and Biological (CB) Defense issues is shared between the Under Secretary of Defense for Acquisition Technology and Logistics and the Under Secretary of Defense for Policy. During my testimony I will briefly discuss the Department's view of the GAO report and provide a brief discussion of the relevant materiel management policy. I will be followed by Mr Baillie who will provide more specific responses to the GAO report.

We were asked by the subcommittee to determine whether the sale and disposal of excess medical and laboratory equipment and protective CB clothing pose a national security risk. We were also asked to determine whether DoD guidelines, policies and procedures and DoD implementation and oversight of these guidelines

provide and adequate framework for controlling the disposal of excess biological equipment and protective CB clothing.

To begin, let me state that the Department recognizes the findings and recommendations of the General Accounting Office report, “DoD Excess Property: Risk Assessment Needed on Public Sales of Equipment That Could Be Used To Make Biological Agents.” We are keenly aware of the tragedy the Nation endured on September 11th, 2001 and the need for heightened awareness of the potential threat our nation faces. The Department concurs with the GAO recommendation to conduct a risk assessment to determine if additional controls are necessary to ensure excess DoD supplies and equipment are not accessible by those who in turn may use those assets to develop chemical or biological agents with intent to harm the United States.

As recommended in the GAO report, the Assistant Secretary of Defense for Homeland Defense has agreed to take the lead in bringing together an interagency group to conduct the risk and vulnerability assessment. In addition, we will conduct a complete review of the previously mentioned DoD logistics policies and procedures used in processing excess property. While these policies are detailed and quite specific, they need to be reassessed in light of post September 11 climate to ensure they achieve the goals of accountability and control of items that could be used against the United States or its allies. My office has already begun a thorough excess materiel disposition policy review and will stay actively engaged with the

team developing the risk assessment to determine if any new or amended guidance is needed. The risk assessment will focus not only on the laboratory equipment identified in this report but the broad scope of DoD excess property that could be used to develop chemical or biological agents. This will be a large undertaking and will require coordination within the Department and among other federal agencies to ensure that the risk is assessed appropriately and consistent implementing policies are developed throughout the federal government. We anticipate being able to update the committee on our progress in approximately three months. The results of the risk assessment will play a pivotal role in the creation and/or revision of policy guidance regarding the sale of excess property by the Department of Defense.

I would like to briefly describe the disposal process for the committee. DoD excess property is reported to the Defense Reutilization and Marketing Service (DRMS) who makes it available for reutilization for 14 days. On the 15th day, the DOD excess personal property is then reported to the GSA. GSA makes it available for 21 days. Property is available for donation to eligible organizations through state agencies on the 22nd day. Surplus property not donated is then provided to DRMS' Commercial Venture sales contractor in the United States and its territories. DRMS' sales contractor, Government Liquidation then resells the property to the general public.

DoD disposal policy calls for excess property to be used, to the extent practicable, to prevent concurrent procurement and disposal. We provide retail supply activities

visibility of assets transferred to the Defense Reutilization and Marketing System (DRMS) and they withdraw assets for their own use as needed. Sales are done after screening is completed. DoD components identify and apply applicable controls, worldwide, over materiel to prevent its unauthorized use. Materiel that is designated by the OSD to require demilitarization is processed accordingly to eliminate its military capabilities. Materiel on the U.S. Munitions List or the Commerce Control List is prohibited from sale to foreign nationals whether they are located overseas or in the United States. The State Department determines items which comprise the U.S. Munitions List. DoD assigns demilitarization codes to control or direct the disposition of each item on the list. Items not on the Munitions List generally have no controls placed upon them unless they are dual use items appearing on the Department of Commerce Commodity Control List. DRMS controls the disposition of each item received by taking action as defined by the assigned demilitarization code. Ultimately, our objective is to properly account for government property, ensure every opportunity is extended to authorized activities to obtain the items, and reduce the amount of property destined for disposal.

We genuinely share the Committee's concerns about potential terrorist threat to the general public but offer the following to keep the issue in perspective. While we have some control over the extent to which the public can acquire supplies and equipment through the Department of Defense that could be used to harm the United States, we currently have little or no control over commercial activities selling similar products on the open market.

In closing Mr Chairman, I would like to reiterate the fact that we take the potential threat of terrorism at home or abroad very seriously. If that requires us to change materiel management policy, it's a small price to pay to promote the safety of the United States and its citizens.