

We have encountered similar though generally less acute problems in other areas. However, except for construction supplies, supply performance in other commodity areas has also returned to satisfactory levels. In the case of construction supplies, we had difficulty, initially, with fortification and construction materiel, because of large orders and lengthy production leadtimes. This situation has improved, and our principal concern now is with repair parts for construction equipment. In the Vietnam environment, construction and other engineering equipment parts wear out at an abnormally high rate. Increased production and expedited delivery to Vietnam are satisfying the current requirements of the deployed forces for these items. In the case of industrial, electronic, and general supplies, current supply performance is at or near pre-Vietnam levels, while performance in the medical and subsistence categories actually exceeds those levels.

The overall "effectiveness" of our supply system is measured by the rate of stock availability. This rate is expressed in terms of percentages of the requisitions for stocked items we are able to fill immediately from stocks on hand. With the first impact of the Vietnam build-up this stock availability percentage fell several points from the highly satisfactory 91 percent we averaged during fiscal year 1965 to 87 percent during fiscal year 1966 to a low point of 83 percent last October. As a result of special efforts to obtain materiel from commercial suppliers, cooperation of the military services in easing nonessential specification requirements and accepting substitute items or basic materials, and the efforts of industry to meet or anticipate specified delivery dates, the trend of our stock availability has turned upward and it currently is ranging from 88 to 90 percent.

Before I depart from the subject of our support of the Southeast Asia operations, I want particularly to comment on two aspects of our procurement program—competitive procurement and procurement from small business.

I am happy to report that in spite of the pressure of high priority requests for support of the combat forces in Vietnam, we have maintained a high rate of competition in the procurements made by our supply centers. As of the end of March, 1967, 92.5 percent of the \$4.8 billion worth of the procurements made during the current fiscal year have been competitive. With regard to this percentage, I might add that we do not have a potential for significant increase because of the continuing high volume procurement of brand name merchandise for commissary resale and off-shore purchases of bulk petroleum, neither of which qualifies as competitive procurement.

In the area of use of small business firms in our procurements, we have been able to achieve a participation rate of 45 percent of our procurements this fiscal year. This is the highest percentage achieved in a comparable period since the Agency became operational in 1962. We are especially pleased with this accomplishment because during this fiscal year we have had substantial increases in demands for such items as standard electron tubes, prefabricated buildings, heavy construction equipment, and certain repair parts and components, all of which have little small business potential. We also have had increased requirements for aviation fuels, especially for tanker loadings, which have outstripped the capacity of small business concerns. Another fac-