

of Wholesalers. Mr. Marshall, we appreciate your coming before this committee and giving us your views. I understand you have a prepared statement.

STATEMENT OF R. DOUGLAS MARSHALL, CHAIRMAN, BOARD OF TRUSTEES, NATIONAL ASSOCIATION OF WHOLESALERS

Mr. MARSHALL. I do; yes, sir.

Representative CURTIS. Without objection that will go into the record, and if you will proceed however you care to.

(The statement referred to follows:)

PREPARED STATEMENT OF R. DOUGLAS MARSHALL

My name is R. Douglas Marshall. I am President of the R. D. Marshall Co., a wholesale distributing firm of airconditioning and refrigeration supplies in Albany, N.Y. Today, I am appearing before this Subcommittee as the Chairman of the Board of Trustees of the National Association of Wholesalers. The National Association of Wholesalers is composed of 50 national commodity line wholesale associations, which are comprised of 19,000 merchant wholesale firms. We are indeed grateful for the opportunity to present our views on Government procurement policies and practices. Thousands of wholesalers throughout the nation are now servicing countless Government installations with goods and commodities. The industry is indeed concerned with government procurement policies and practices.

The federal Government has a need for a vast quantity of goods and commodities to be used at hundreds of locations, not only in this country, but throughout the world. Our statement here today concerns only those supplies needed in the United States, where there are many sources of commercial supplies. Also, our attention is focused not on the many special products and devices which are peculiar to Government need, but to the commercially available goods and commodities.

The mass movement of goods and commodities from the point of origin, be it field or factory, to the point of need is the function of the wholesale distribution industry. To perform this function it is not only necessary to anticipate the variety of articles which may be required, but to determine when they will be needed, to invest in the purchase of these commodities, and to maintain adequate storage facilities for them. There are many thousands of wholesale establishment located throughout the country to serve the needs of consumers and industry. We serve the needs of many Government installations, states, cities, small businesses and also the largest corporations in the United States. Indeed, for my business in Albany, my largest purchaser is the General Electric Corporation.

This Subcommittee is concerned with economy in Government, and so are we. At this time in the procurement operations of the Federal Government there is a consistent, but false concept that centralized procurement is the most economical method of purchasing for the needs of many scattered installations. The nation's largest corporations, whose profit reports indicate a sharp interest in economy in purchasing have not adopted this principle. Why the difference in concept between the Government and the large corporations?

Basically, we believe the concept of centralized procurement stems from the fact that the officials who direct Government procurement operations are *price* conscious when they should be *cost* conscious. There is a world of difference. Under the present procurement concept, there is a determination to obtain the lowest price, store commodities in a Government operated warehouse and fill the needs of scattered Government installations as these needs arise. The vast costs of centralized storage, warehousing, and inventorying are staggering.

We wholesale distributors are specialists in the business of acquiring, holding, selling and delivering inventory to the point-of-user need. This is our only economic justification for existence. Many people have long predicted the demise of the wholesale distributor—educated people who should know better but who have never studied the facts. In the past five years, for example, the growth in dollar volume of business handled by the nation's merchant wholesale distribu-