The Comptroller General concluded that 32% of the 471,538 low-volume, minor-line items, or 150,300 of those items, should have been decontrolled and procured locally by using activities *at tremendous net savings to the taxpayer.*

His estimate of the average annual cost to centrally manage minor items of supply, weighted according to volume at the respective locations, was about *$114 per supply item.* His report concluded that, "additional costs attributable to local purchasing activities were exceeded by savings in other functions such as report preparation, requisition preparation, packing and crating and storage." The average additional price of items, actually priced locally by the staff, was 30% more than the prices paid for those same items purchased by central inventory control points. He found, however, that the average annual issue of those items compared was only *$46.* Remember, he also found that "per item cost" of central management was $114, on the average, per item, per year.

Expanding these costs of central supply management and the additional prices that might have been paid for local procurement to the estimated 4.8 million items in DOD inventory, the Comptroller General estimated that a potential exists for the complete elimination of over 553,000 supply items from DOD inventories, and that local procurement of these items, *even at 30% higher prices,* would save the taxpayers an estimated $50 million a year.

The weighted average inventory value per item of those 553,000 supply items, based on the sample at the six control-point locations, was $552. The Comptroller General thus estimated that if these 553,000 items were eliminated from the DOD inventory system, a total of $275 million in Government funds would be freed from investment in needless central Government inventory. The interest on this needless investment, alone, would save the taxpayers another *$8 million a year,* computed at the Government's cost of only 3% annual interest.

I would call the Committee's attention, Mr. Chairman, to the fact that the Comptroller General stated that since July 1955, almost 13 years ago, the prescribed policy of the DOD has been that, "the military departments, in peacetime, should place optimum reliance on *local management and procurement of material.*" He charges that "inventory managers have continued to centrally manage commercial items of supply under criteria that *do not give adequate consideration to commercial availability and costs of distribution* of these items from centralized inventories." We could not agree more.

At one of the Army locations investigated, an item was retained in stock if (1) the item is requested three times a year, or once a year for missile components, (2) the item is on an overseas stock list, and (3) the item has a mobilization reserve requirement. The Comptroller General then flatly stated that he found no indication that *commercial availability* or *distribution cost* influenced these determinations. We submit that on this basis, at $114 per year average per item inventory carrying costs, there is a built-in automatic *average of $38 per issue cost*—often for penny items!

At the Navy's Yards and Docks Supply Office (YDSO) the *average annual* issues of minor items managed by YDSO amounted to only $38 per item during the year of the examination. Items were supposed to qualify for central stockage, according to regulations in effect at YDSO, only if annual issue was $200 or more. They were considering raising that to 150 units per year or $1,500 worth of issues per year, according to the report. That would certainly be a step in the right direction.

The report concludes that regulations contain criteria for utilization of commercial sources of supply which are more restrictive than necessary. It then states that from a geographical viewpoint, the disadvantages of supply from a manufacturer or distributor located outside the user's local trade area, compared with a military depot similarly located, are not apparent. We could not agree more, Mr. Chairman. We would hazard the guess, in fact, that such local procurements from local commercial sources would get there much faster *from wholesale-distributors* and at *less net cost.*

We agree with the Comptroller General, Mr. Chairman, in almost all he has reported as a result of his survey of the DOD inventory and central procurement practices. We are appalled that under the circumstances, we are able to sell the DOD local users as much as we do. It is a tribute to the good judgment of procurement officers at the local level.

We are firmly convinced that the conditions uncovered by the Comptroller General's survey of procurement practices in the DOD, would also be found to be present in the procurement practices of the GSA. We suggest, Mr. Chair-