

COST OF WAREHOUSING 25 PERCENT OF VALUE PER YEAR

Mr. MARSHALL. It does vary. I have with me, and I will leave it for the committee, a study made by Professor Foster of Ohio State on this. He says 25 percent.

Chairman PROXMIRE. Warehousing?

Mr. MARSHALL. Warehousing. This is the cost of carrying an item in inventory for a year, 25 percent of its value. You have the cost of the building, you have the investment on the item, you have the cost of putting it away on shelves, you have the cost of taking it off the shelf, shipping it out.

Chairman PROXMIRE. This 10 percent figure was supplied by Sears, Roebuck to this committee some years ago. Maybe they have a different kind of problem.

Mr. MARSHALL. Possibly. I have never seen that figure this low. Ten percent—now Sears, Roebuck is a large retailer with a turnover much faster than the average wholesaler has. They have to. When you think that we have many items in our stock that don't sell for a couple of years, and yet I must have them there because they are emergency items.

Chairman PROXMIRE. Mr. Marshall, from what you tell us the Defense Department can hardly be considered to be a fast-turnover outfit.

Mr. MARSHALL. Well, this is true, and we are only speaking of those items, the fast turnover of a defense item, this is for them to stock and to buy direct and to warehouse. It is these slower moving items that comprise over 50 percent of the total that move so slowly, that in most cases are locally available, commercially available, that we feel this is where the Government should look to save money.

I would suggest, too, that if a study of this kind is made, that these would be the people to contact, the purchasing people in the local government activities. They know how valuable it is to be able to call a local supplier for something that is needed. I am surprised that the wholesaler sells as much as he does to the Government, in view of the restrictions that have been placed.

Chairman PROXMIRE. Congressman Curtis?

(The study referred to by the witness is reprinted herein:)