EXTENT OF SHORT-SHELF-LIFE ITEM DISPOSAL

Question. What was the cost of short shelf-life materiel destroyed, or declared surplus, by DoD for this fiscal year ending June 30, 1966?

Answer. For the calendar year 1966, $9.8 million of shelf-like property, or one percent of the shelf-like item inventory, was earmarked for disposal. We do not have data on shelf-life property that was destroyed. Its lack at this time is a manifestation of a procedural weakness we are correcting in the new system prescribed in DoD Instruction 4140.27 dated November 18, 1966, subject: "Identification, Control, and Utilization of Shelf-Life Items." As indicated in my statement, we expect to have this system and its controls installed by November 1, 1967.

In the meantime we have taken all possible practical steps to acquire information about our shelf-life inventory.

In view of the interest of the Subcommittee in the shelf-life area, I would like to take this opportunity to introduce the following material into the record:

Analysis of DoD's current shelf-life inventory

The total shelf-life inventory, excluding ammunition, petroleum products, and subsistence items, numbers 40,913 items, distributed among 262 classes, with an extended evaluation of over $990 million. This total value is considerably higher than last year's—which was estimated to be $770 million—because of an expansion of inventory to meet the anticipated needs of SEA. There may be another reason for the increase—the inventory reporting system introduced for this report has made a more complete and reliable accounting possible. This was probably as good a report as we could get until the new system is fully implemented.

Of the total, 11,949 (or 29.2%) of the items are classified as "reparables." These are value at $685.6 million, or about 70% of the value of the total inventory.

The classification of reparables as shelf-life items is open to question. Perhaps they should not be counted in the shelf-life inventory. There are two major reasons for doubt:

1. Reparable items (for the most part mechanical assemblies) are susceptible to restorative actions which in most instances serve to extend the shelf-life—in some cases almost indefinitely. The assigned shelf-life in these cases refers only to the time between tests or the restorative procedures and not to the maximum storage-life of the item.

2. A large part of the reparable inventory is classified shelf-life only because the item contains parts or components which are deteriorative—say, a rubber seal or an "O" ring. Replacement of those parts permits the restoration of the full shelf-life of the larger assembly.

In computing the value of the DoD shelf-life inventory, the total value of the assembly—not just the cost of its deteriorative parts—has been included. Without a doubt, this procedure has led to a vastly overstated inventory value. The alternative—computing only the cost of deteriorative parts and the labor required to replace them—presents so many difficulties for inventory managers that the present system is to be preferred and has, therefore, been continued. While the inventory is large, the losses in the reparable category are small, for the reasons just cited. Any problem that exists in shelf-like management is centered in the remaining 30% of the shelf-life inventory where current value is approximately $300 million.

Some other key indicators drawn from our shelf-life profile may be of interest to the Subcommittee:

(*a*) Involvement in shelf-life item management breaks out as follows:

	Items
Navy	18,357
DSA	9,960
Army	7,732
Air Force	4,604
Marine Corps	260

(*b*) The Navy manages 9,863 or 53.7% of its shelf-life items as reparable, Air Force is second with 1,369 or 29.7%.

(*c*) 1,160 items generate 90% of total issues.

(*d*) Two items (propellers and parachutes) generate 30% of the total issues.