

(e) 40% of the total range of items is concentrated in five classes:

- 5330—Packing and gasket materials.
- 1650—Aircraft hydraulic vacuum and deicing system components.
- 2915—Engine fuel system components.
- 4720—Hose and tubing, flexible.
- 6750—Photographic supplies.

(f) The largest class, 5330, with 15% of the item range makes up only .3 of 1% of the inventory value.

(g) 1,549 or 3.8% of the items are valued at less than \$10 each, but 16,714 or 40% are valued at over \$500 each.

(h) 484 or 1.2% of the items have shelf-life of less than one year; by contrast, 10,134 or 25% have shelf-life exceeding five years.

*Observations concerning the management of shelf-life materiel*

We are now able to say with confidence that we are in a good position to assure control of our shelf-life inventory in a way that will minimize losses which have in the past been found "attributable to deficient supply management practices," and to the absence of coordination among the several Federal Agencies concerned.

Our experience in gaining this posture has been a learning process. We have learned that not all of the losses in this sort of inventory can be attributed to wasteful or inefficient management practices. A good share is the result of circumstances over which there are no reasonable practical controls for application in the military environment. Some examples of this kind of "attrition" are:

*Technological advances.*—The improvement of all items in the supply inventory is a constant and desirable thing. DoD Instruction 4140.27 directs that improved items should be phased into the supply system in such a way that remaining stock of the item being replaced will be issued first. This is not always possible or desirable, however, and we are prepared to make exceptions to the general policy. For example, we would not deny our fighting forces an improved product affecting health, safety or fighting effectiveness. Against a big gain of that type, to say nothing of the effect on morale of the troops, the cost involved in disposal of the remaining stock of obsolete items is not unreasonable price to pay.

*Cost effective losses.*—Technological improvements can also create a situation in which it is less expensive, from a long-range cost perspective, to dispose of an obsolete inventory than to continue using it. Of course, we would never expect total losses, and would hope that somewhere within the Government a cost effective use of the obsolete equipment could be found during the screening process that precedes any disposition of materiel.

*Service unique items.*—Our analysis shows that many of the items in the shelf-life inventory are used by only one military service. This, of course, restricts our opportunities for transferring excess items to other use, and correspondingly the potential for use anywhere in the Federal Government is appreciably reduced. This condition quite effectively leads to higher disposal rates than is experienced on the inventory taken as a whole and makes all the more necessary that "before-use" actions—cataloging, standardization, shelf-life coding, requirements determination, storage, and physical inventory be accurately performed.

To sum up this exposition of the shelf-life problem, let me repeat that, in response to the guidance and urging of the Subcommittee and the GAO, we have taken responsible action to establish control. We know more about our shelf-life inventory than ever before, and have established procedures that will permit close monitoring.

PROGRAM UNDER BUDGET CIRCULAR A-76

Question. Describe the DOD program under A-76 for the current calendar year.

Answer. The basic organizational arrangements for carrying out the policies and procedures provided in BOB Circular No. A-76 have been established in the Office of the Secretary of Defense and in each of the Military Services. The Secretary of Defense has assigned overall responsibility for assuring that the guidelines are correctly applied to the Assistant Secretary of Defense (Installations and Logistics) and responsibility for implementing these guidelines is assigned to the Secretaries of the Military Departments and Directors of Defense