

have had little salvage value. Following Korea, for example, we were left with \$12 billion of such excesses. I am determined that this will not happen in Vietnam.

The speed and magnitude of the Vietnam build up has unavoidably resulted in the accumulation of some imbalances and excesses in inventories. We will begin immediately to redistribute these excesses so as to assure their application against approved military requirements elsewhere in the military supply system. By doing so we can avoid the inefficiencies and waste experienced in the past. To this end the following steps will be taken, effective at once:

First, the Secretary of Army is designated Executive Agent for the Department of Defense to assure that SEA excess materiel of all Services is promptly identified and made available for redistribution. A General Officer will be designated the Project Coordinator.

Second, the Commander-in-Chief, Pacific, will establish a special agency to (1) maintain an inventory of excess materiel identified in the Pacific area, (2) supervise redistribution or disposal of such materiel within his area, and (3) report the availability of materiel which cannot be utilized in the Pacific area to other Defense activities, in accordance with procedures developed by the Project Coordinator. This Agency will be known as the "Pacific Utilization and Redistribution Agency."

By February 1, 1968, I desire to receive the Secretary of Army's plan for the implementation of the Project, and CINCPAC's plan for the organization and operation of the Pacific Utilization and Redistribution Agency. Each month thereafter, I would like to receive a report on the excess materiel identified and on the reutilization accomplished.

ROBERT S. McNAMARA.

As a consequence of this timely action, we are convinced that we will be able to avoid the generation of excesses such as has occurred in past conflicts. Following Korea, for example, we were left with \$12 billion of excess stocks.

We have invited GAO to assess these actions during their current on-site review in Vietnam.

Second, improvements in the integrated management of common supplies:

From the viewpoint of long-term economy, the most noteworthy supply management accomplishment during the past 6 years has been the progress made in placing common items under integrated management.

Prior to the formation of the Defense Supply Agency in January 1962, only 41,000 out of the 4 million items in the Defense supply system were under integrated management. Today, this number stands at 1.8 million (1.7 million of which are managed by DSA). An additional 500,000 items have now been identified for integrated management.

The crucial test of the value of this approach to more economical supply management has occurred during the Vietnam buildup. Prior to the buildup, DSA had achieved substantial economies as measured by a 21-percent reduction in value of inventories, and a 13-percent reduction in personnel and operating costs.

With this more efficient organization, DSA was well prepared to cope with the rapid growth required to support the buildup. In fiscal year 1967, it handled a procurement volume almost $2\frac{1}{2}$ times greater than in 1963 (up from \$2.6 to \$6.2 billion), with very sizable increases in tonnages handled and requisitions processed. While stock availability dipped slightly during the first months of the buildup (due to the rapid drawdown on clothing, subsistence, and general supply stocks), DSA is currently maintaining a stock availability rate of 91