

and Yokosuka. Generally, requisitions from Danang and Saigon flow directly to the Naval Supply Center at Oakland which either fills the requirement or takes action to provide material by other means. For example: An operating unit in Vietnam would submit its requisition to NSA Danang. Over 90 percent of the time the item would be issued from on-hand stocks in Vietnam. If the item was not available, however, the requisition would be passed directly to NSC Oakland for supply or subsequent referral to the ICP for selection of an available source of supply or alternate supply action, I.E., backorder, spot buy.

There can be no question that problems and critical supply situations developed in the early stages of Navy support operations in Vietnam. However, we feel that our organizational structure provided the flexibility to meet the many problems we faced in this difficult operation. Solutions were generally found within the normal organizational chain and no major reorganizations or disruptions of normal support channels were required. In short, we feel that the system generally proved itself responsive to the needs of the Navy in the Pacific.

Admiral COSGROVE. In my statement, I first provide a brief description of the nature of the inventory that the Navy manages. The key point is most of our items are repair parts related to systems or equipments, since the majority of the consumables that were formerly managed by the Navy are now managed by the Defense Supply Agency or the GSA.

The Navy Wholesale Inventory is managed by three inventory control points, the Aviation Supply Office at Philadelphia, the Electronic Supply Office at Great Lakes, and the Ships Parts Control Center at Mechanicsburg, Pa. Each of these inventory control points has worldwide responsibility for managing items assigned to them. These functions include determination of requirements, procurement, distribution, maintenance of master asset records, and disposal.

We have 850,000 items managed by these three inventory control points. Our inventory is valued at approximately \$3.5 billion, with sales of about \$2 billion a year.

The intelligence to carry out this centralized management function at the inventory control point is provided through daily transaction item status reports from major stock points.

Next, I describe the manner in which our inventories are distributed in a three-echelon system. The first echelon is aboard each combatant ship. Each ship has a tailored allowance of repair parts, consumables, that they carry aboard the ship.

The second echelon is carried primarily in our mobile logistics support force ships. These are supply issue ships, reefers, tenders, oilers and so forth, that move with the fleet and replenish them on station underway afloat.

We also have some of our second echelon stocks in the Pacific ashore. We found even before Vietnam that the mobile logistics force, due to the geographical dispersion of the fleet that the number of supply ships available could not entirely support them.

Finally, our third echelon, by far the largest, is at major continental stock points, generally located at tidewater areas. They support overseas activities as well as continental U.S. industrial activities, such as Navy shipyards and Navy aviation repair facilities.

Next, I want to recap the manner in which our requirements flow; and, to simplify this, our ship and shore activities submit requirements directly to the nearest major stock point. If the requirement is filled, that is the end of it. If the material is not available there, it is passed on to the inventory manager, who then selects another