Mr. Chairman and members of the committee, this committee's current hearings are the first comprehensive review of military supply systems since 1961. They are very timely and I would like to add we are very grateful for them. We have come through an era of major changes in logistics organization and procedures, and these changes are being tested under combat operations in Southeast Asia. During the past year both GAO and our own staffs have been critically examining the strengths and weaknesses of our supply systems. It is thus most appropriate, I believe, to report to this committee:

(*a*) First, on the major developments during the past decade.

(*b*) Second, on how well our systems are performing in Vietnam, and

(*c*) Third, on our objectives for future refinements and improvements.

I would like to discuss each of these matters briefly.

A. MAJOR DEVELOPMENTS IN SUPPLY MANAGEMENT DURING THE PAST DECADE

I would like to begin by putting in perspective the composition of the Defense inventory covering property of all kinds. Defense property is of four basic types and the aggregate value—acquisition cost—is now over $195 billion:

Types of property	*Acquisition cost as of June 30, 1967 (billions)*
1. Real property	$40.0
2. Production equipment and materials	16.4
3. Major weapons and military equipment	95.5
4. Supply system stocks	43.5
Total	195.5

The committee's interest has been centered on the fourth type of property since it is these items—4 million in number—which are largely consumed or expended in the operation of the Defense Department, and which require replacement. If we make mistakes in buying and distributing these stocks, we fail to support the troops; or we generate excesses which must be disposed of for as little as 5 cents on the dollar. Hence, skillful management of this vast segment of defense property is among the most important responsibilities of defense managers.

Mr. HORTON. Mr. Secretary, could I interrupt there just for clarification?

Mr. MORRIS. Yes, sir.

Mr. HORTON. These properties you describe that are in the Defense Department, but some of them would be under the control of the various services.

Mr. MORRIS. Oh, yes. These properties are all under the service ownership. We simply are policymakers.

Mr. HORTON. When you talk about real property you are talking about real property that is under the jurisdiction of the Army, Navy, Air Force.

Mr. MORRIS. That is correct.

Mr. HORTON. And some under the Defense Department as such.