

C. OBJECTIVES FOR FUTURE REFINEMENTS IN SUPPLY MANAGEMENT SYSTEMS AND POLICIES

Our experience during the past decade, the lessons learned in Vietnam, and the hearings of this committee have posed several important policy issues. I believe the most significant are:

First, how deep in the supply chain should central control over inventories extend? Specifically should there be in each service one central manager responsible for asset knowledge, worldwide?

Second, should the automated inventory management systems of all services be identical, or at least more uniform?

Third, does the expanding capability of high-speed communications and air transportation indicate the need for significant changes in inventory management concepts for the future?

Before addressing these questions, I believe it will be useful to outline in greater detail the composition of the supply system inventory, since the characteristics of the items concerned determine the degree of control which is now exercised.

This is our latest data, December 31, 1967. It is in two general parts. The first is weapons and ammunition, aircraft engines, certain kinds of vehicles, electronics and communications equipment and then other principal items. They total \$19.5 billion of which weapons and ammunition is over half.

The second group are those items typically called secondary items. Those are the consumables. They are aircraft parts, other parts, shipboard supplies, fuel, clothing and subsistence, and other supplies, with aircraft parts again being the largest single category.

Supply system inventories—Dec. 31, 1967

<i>Categories</i>	<i>Value (billions)</i>
Weapons and ammunition-----	\$10.9
Aircraft engines-----	2.3
Vehicles-----	1.7
Electronics and communications equipment-----	1.2
Other principal items-----	3.4
Subtotal principal items-----	19.5
Aircraft parts-----	9.4
Other parts-----	6.2
Shipboard supplies-----	1.0
Fuel, clothing, and subsistence-----	2.6
Other supplies-----	4.0
Subtotal secondary items-----	23.2
Grand total-----	42.7

For the most part, the "principal items" segment of the supply system has long been under intensive management in all services, including a high degree of current, worldwide visibility. The unit value of these items is high; many have a relatively long life; and are subject to control by piece. For example, in the "weapons and ammunition" category, \$9.2 billion is invested in ammunition stocks; and by surveilling approximately 100 items, a major part of this inventory can be kept under current, DOD-wide control. Another ex-