mid-1970's. We will, in the meantime, be making continuous refinements in today's systems, and I can assure you that we will maintain the highest interchange of experience and ideas among the services on a current basis, so that each may benefit from the experience of the other.

3. Does the expanding capability of high-speed communications and air transportation indicate the need for significant changes in inventory management concepts for the future.

The answer to this question is clearly "Yes."

The development of high-speed communications has already made feasible the Air Force system of daily worldwide transactions reporting to central managers on 77,000 recoverable items. After a full evaluation of Air Force experience with this system, we believe its features will be incorporated in the systems of other services for a significant portion of the "Very High" and "High" value categories cited above.

Similarly, the economics of jet cargo aircraft are increasingly attractive. Since fiscal year 1965, the rate per ton-mile of jet cargo lift has dropped from 10.5 cents to 7.06 cents—and the rate is projected to reach a level of about 4.5 cents with the advent of the C–5A aircraft. Studies are now being made to establish the breakeven points where airlift is justified—based on item cost and the cost to order and maintain stocks—versus the savings in pipeline and reduced stockage resulting from substitution of high-speed transportation. It is apparent that a very fertile field of opportunity lies ahead of us in this area.

The exploitation of improved communications and transportation will occur progressively in accordance with the demonstrable economic benefits obtainable.

CONCLUSION

Mr. Chairman, this concludes our prepared statement. I have with me today Assistant Secretary of the Army Robert Brooks, with whom I jointly inspected Southeast Asia logistics last November and this June; he is highly expert in Army's logistics policies and practices. I am also accompanied by our Deputy Assistant Secretary for Supply and Services, Mr. Paul Riley, who oversees the development of our policies in these fields. We will now be pleased to answer your questions.

Mr. HOLIFIELD. Mr. Secretary, how does that 4.5-cent rate which you project for the C–5 compare with costs of ship transportation?

Mr. MORRIS. It will still equate out to a much higher cost on a ton-mile basis than ship transportation.

Mr. HOLIFIELD. Because of the reduction of the pipeline, the time saved in the pipeline, not the actual cost of transportation.

Mr. MORRIS. That is correct, sir; although the narrowing gap in transportation costs also adds to the attractiveness. I am certain that we are not making as yet full economic use of air transportation as additional capacity becomes available. Perhaps the most important point about the C–5A is that it gives us additional capacity as well as lower cost.

Mr. HOLIFIELD. Mr. Erlenborn.

Mr. ERLENBORN. I don't believe I have any questions.

Mr. HOLIFIELD. All right, Mr. Roback.

Mr. ROBACK. You referred to the materiel secretaries getting together with representatives of your office in a group that is to be con-