

Mr. ROBACK. How long has this been going on? How long would you say this was a requirement?

Mr. RILEY. That requirement went out in September 1963.

Mr. ROBACK. Now, Mr. Secretary, I am not sure you answered the first question that you were asked about the penetration of the supply chain.

Mr. MORRIS. Yes, sir.

Mr. ROBACK. You were asked how much central control over inventory should there be, and what degree of centralization should there be in the services.

Now, you are familiar of course with the discussion that we have had with the Army about the role of the Army Materiel Command with relation to overseas supply depots and centers. The General Accounting Office has been critical of lack of redistribution because there hasn't been a single place where you can get full and systematic information on worldwide supplies, worldwide inventories.

How much visibility of stocks do we lack that you think we ought to have?

Mr. MORRIS. I think the important points, if I might repeat them, are as follows:

Out of something over \$40 billion in inventory, about half are in the so-called principal items including ammunition, where we have long had very high, worldwide intensive management of our inventories. I don't think GAO has addressed that problem.

The area which we all are concerned with has been this universe of secondary items which consist of about \$20 billion, of some 3.8 million items, and we estimate 30 billion to 40 billion pieces in stock located at hundreds of places throughout the world.

It is obvious that it would be economically infeasible and undesirable to try to have 100 percent worldwide control of all of those items, so we have elected the approach of the high value stratification, and we have issued the policy that I cited and would be glad to submit for the record, under which those items stratified at "very high" and "high" levels, depending on annual value of demand, will be subjected to intensive worldwide management.

The Air Force has proceeded very far in that direction already with its 77,000 recoverable items, which is less than 10 percent of its secondary items, but yet that part which is worth worldwide control. I understand they may proceed in the future to perhaps double that, but we are still talking about 20 percent which may ultimately prove to be feasible from an Air Force management point of view.

We are committed to adopting this principle in all services.

Mr. ROBACK. This policy is based upon annual demand value?

Mr. MORRIS. Yes, sir.

Mr. ROBACK. It is not based upon the nature of the item.

Mr. MORRIS. It may in addition.

Mr. ROBACK. It may be.

Mr. MORRIS. There may be additions to any such list, depending upon criticality and importance of an item.

Mr. ROBACK. I can't understand offhand, looking at your classification, how you can get any necessary distinction in types of items. For example, just offhand, and this may be a PX item, I am not sure, but