

beer and soft drinks are very important in Vietnam and are moved there by the millions of cases. The value for beer in Vietnam would be very high. Would you then propose that beer be an airlifted item, let us say?

Mr. MORRIS. Not necessarily. It is not an appropriation funded item, so we don't have that issue, as you pointed out.

Mr. ROBACK. Soda pop, isn't that—

Mr. MORRIS. They are all PX items, sir.

Mr. ROBACK. That is all PX?

Mr. MORRIS. But sandbags, for example, we use just unbelievable quantities, hundreds of millions of sandbags. The bag itself is very inexpensive, perhaps 15 to 20 cents. But this is a high-value item that is intensively managed today, because of its criticality, large volume, high demand value.

Mr. ROBACK. But what items are selected for intense management depends on the demand and not on the nature of the item, so that any item at one time or another can be a candidate.

Mr. MORRIS. That is right, but any item that a service judges because of criticality to be important can be included in this intensive management category.

Mr. ROBACK. Is this an in and out proposition, that is, the intensive management list is changing constantly?

Mr. MORRIS. It would certainly be changed every year, though the volatility would not be too great.

Mr. ROBACK. How do you know until after the consumption that the item is eligible? I suppose this is a trial and error proposition.

Mr. MORRIS. Our directive defines this as annual demand where that is fairly level, or planned issues for the coming year.

Mr. ROBACK. Sandbags became a highly valued item after the Tet offensive.

Mr. MORRIS. They were well before that, I can assure you.

Mr. ROBACK. That is true but the demand has grown greatly since the Tet offensive?

Mr. MORRIS. Yes.

Mr. ROBACK. And your annual statistics wouldn't show up the Tet offensive until the end of 1968?

Mr. MORRIS. So we can easily add and subtract, month to month if necessary. We do this in fact in ammunition control which I addressed. This has been the most highly managed segment of our inventory for the past 2 years. There are some 100 items that we are currently managing, but we may add and drop items from month to month, depending upon usage.

Mr. RILEY. Mr. Roback, when we make up a budget you recall we are anywhere from 18 months to 2 years away from the beginning of the budget year. So we can project that demand at that time. We will have a high value item that we will be managing for a period of at least 3 years. The principle of the high value item is that we want to control as large a percent of our procurement dollars as we possibly can and keep them under visibility. This is the approach through the high value item, intensively manage a small number of items but a large portion of the dollars in our procurement budget.

Mr. ROBACK. The high value item in one service at any given time may be low value in another.