

tation generated by one service system is compatible and meshes with the other services.

The supply management operations and the associated computer equipment within each service does vary. In this respect, the computer programs are different and direct communication, computer to computer talking, is not feasible. There is no routine search across the various service supply systems within Vietnam for assets against all service requirements generated within Vietnam. However, the unified command structure in Vietnam does result in exception management in the distribution between services of critical assets in short supply. Moreover, the common supply technique adopted for many items, wherein one service supplies the requirements for all services, is essentially a single supply system within Vietnam.

Mr. LUMAN. General, in your statement you point out on the last page that you have a realistic phased approach to logistics system development. I was wondering if you might mention a few phase lines here.

Right above that paragraph is a statement that you are currently staffing an ADP management plan. I just wondered if you have any sense of the timing on when that management plan would come into effect.

You mentioned on page 7 the SRI study. Are you saying here you are committed to taking action on the basis of this study? In the past the Army, for probably good reasons, has studied something and gotten a recommendation and then decided not to follow the recommendation of the study. I just wonder if you could discuss the phase lines: when you think the study is going to result in some change in the reporting system and when your ADP management plan is going to come out.

General MILLER. I think we are a little premature in saying when we are going to change the system, because we do not have the results of the study or know exactly what is involved in detail at this point in time to change the system.

We will have the completed study in our hands in September and I would say it is going to take us a while to analyze that, and determine what has to be done in order to change the system. I would not expect anything to be changed much before January of 1969, and even that is rushing things a little bit.

As far as our ADP management plan is concerned, that should be available around during August.

Mr. LUMAN. On the study, you say you will have an analysis, but is it the current expectation that this is going to result in substantial changes in the reporting system?

You feature it that way in your statement in one sense, you see.

General MILLER. We have what we call a project advisory group which provides coordinated direction to each one of these studies. I happen to be the chairman of the advisory group for this study.

While it will result in some changes, these will be long-range in nature, however, we are expecting some near term improvements which should be implemented almost immediately. In fact, some of these have been introduced into our division tests going on at Fort Hood and we are instituting these now.

But I would say generally, that we have a course of action developed as a result of the study recommendations about the 1st of January, after we have studied all of the ramifications. We anticipate the management information system they are developing will be put into ef-

fect in the 1970 to 1975 period which was the time frame stipulated in the study charter.

EFFECT OF C-5A CAPABILITY

Mr. ROBACK. Who is conducting the studies of the C-5A potential? Is that your responsibility?

General MILLER. We have a part of it. We have LOG-ALOG study, that is the Air LOC. We are working rather closely with the Air Force in this regard to take advantage of this tremendous capability that we have. This is going to cause some revamping of our thinking, the going from a 10-ton capacity to a 100-ton capacity in one load.

We have studies that are quite well down the track in this area. Our major problems are gearing our units and activities at either end of the line to take advantage of this capability, and we are working on those now.

Mr. ROBACK. Do you conceive that this would eliminate some of the overseas depots? That is, if you had a well-developed C-5A capability and resource?

General MILLER. I would say this, and again I go back to what I said earlier: that really we primarily are talking about repair parts and major assemblies, because I cannot visualize the bulk of our supplies going by air. Let's take, for example, today. At the time I left Vietnam not quite a year ago, we were feeding 11 million rations a month. We were receiving 85,000 short tons per month of ammunition. We were expending 2 million barrels of oil per month, and I mean barrels, not gallons. That is a tremendous tonnage. I do not know what we would require in the way of C-5A capability to lift that kind of tonnage. So I do not see at least in the near future, that we are going to go anywhere near an all Air LOC. I cannot even see it out in the 1985 time frame. Maybe it's simply beyond my perspective.

What I do see is a very rapid response and a cut down of intermediate stockages on this very difficult to manage repair parts area.

I will give you another for instance.

I watched the 8th Aerial Port at Tan Son Nhut for a year and a half and this is one of the problems that we have to think about and face. They had berthing spaces for the equivalent of five C-141's and storage space to allow 4 million pounds to be put in there at any one time. This is about 2,000 short tons.

That was a normal 3-day backlog of the in-country air capability to move it out of that port. And that 2,000 tons represents only 20 sorties of a C-5A. This is the kind of problem that we are looking at to determine how are we going to take maximum advantage of this tremendous lift capability in a theater of operations.

It does no good to compress your time of delivery, if after you get it there you cannot distribute it.

By the same token, we have problems on the other end. Where is this C-5A going to go to pick up that hundred tons of specific supplies that are needed by specific units in the theater on the other end? I cannot see a C-5A hopping around to 26 different locations in the United States picking up a little bit of cargo before it starts off, or we will have lost the effectiveness of this rapid movement capability.

Mr. ROBACK. Maybe you need a LOGAIR type of operation in the United States.

General MILLER. As I say, these are the things we are studying and we have not gotten far enough along the track to determine just how we are going to take maximum advantage of this capability which is a tremendous one.

SSS AND CSSS SYSTEMS

Mr. DAHLIN. General, can one of your people describe what are the major differences between the Pacific 3S programs and the CS₃ programs, or just where the emphasis has been that has made the separate efforts?

General MILLER. I have the CS₃ expert here.

Mr. DAHLIN. I see the good Colonel Humphrey who briefed us in a pouring rain last Thursday.

General MILLER. Yes, Colonel Humphrey here. I would like to ask him to address that.

Colonel HUMPHREY. I thought we were going to have a real mobile show there that afternoon. I thought we were going to be out in the Potomac.

Mr. DAHLIN. The Army is always trying to get more of a navy.

Colonel HUMPHREY. The current USARPAC 3S system is oriented toward the USARPAC subcommands. The initial installations went into Hawaii, Okinawa, Japan, Korea. It since has been extended into the depots located in South Vietnam.

CS₃ will address this area as another phase. It will get into this as the Army moves into the development of a standardized theater, Army-supported command system for the theater inventory control centers and the theater depots. This action is just commencing, and I think it will be in the neighborhood of 30 to 36 months before you see the results of this development action.

The purpose of the CS₃ action is to standardize worldwide at the theater level between Europe and the Pacific and between any other new theaters which might be established, whereas the current USARPAC effort is oriented toward standardization within the Pacific theater.

Mr. DAHLIN. Was the limitation on the 3S program simply because it was using a 7010 computer, or what was the problem?

Colonel HUMPHREY. No.

Mr. DAHLIN. Why? Was not the 3S program flexible enough to do anything else with?

Colonel HUMPHREY. Remember that 3S, in itself, is a rather large undertaking. It took almost 2 years to develop that application.

Mr. DAHLIN. We were told it would take 5 years. Apparently it takes 5 years to get any one of these programs put in. But let's talk about the flexibility.

Is anyone sure that the CS₃ has enough flexibility to do what you want to do by the time the next 5 years go by?

Colonel HUMPHREY. We think it does, sir.

Mr. DAHLIN. What have you done to try to assure that?

Colonel HUMPHREY. Well, CS₃ has been tailored to support what is current U.S. Army doctrine. This is called TASTA 70. This has been a very large study and doctrinal effort by the U.S. Army Combat Developments Command.

Mr. DAHLIN. Well, we suppose that by 1970 you will have TASTA 75. The problem is that in 4 more years, you are ready to have CS₃ go in armywide, but by that time industry has come up with a brandnew set of computers that have all sorts of miniature memory and tiny computer capabilities. As you go along your track of miniaturization, whoever is the expert pushing that, what do you do then, start over again to develop a whole new set of programs for the new computers?

Colonel HUMPHREY. No, sir.

Mr. DAHLIN. How are they going to work?

Colonel HUMPHREY. The way we stay abreast of this is that we are updating the TASTA 70 doctrine on a biennial basis, every 2 years.

Mr. DAHLIN. Who is going to be doing that?

Colonel HUMPHREY. The Combat Developments Command does this. One of the evolutionary changes which seems to be on the horizon is the elimination of the field army echelon of support that is shown on that long chart that you had in front of you. It appears with the advent of improved ADPE, communications, and transportation that we can cut out echelons, and the field army echelon appears to be the first candidate to be eliminated.

Then, as we progress further, the three remaining echelons will have to be examined to see what changes can be made there in the division, in the corps, and in the theater support echelons.

We do have enough flexibility in our systems design so that we can adapt to this sort of change.

Mr. DAHLIN. It is not the Secretary of Defense who is trying to eliminate echelon. Your program is trying to cut out echelons so they can write the programs in each unit, is that it?

Colonel HUMPHREY. Sir, we do not want to have any more echelons than are absolutely necessary.

Mr. DAHLIN. Why?

Colonel HUMPHREY. Because the echelons are expensive. Stockage is maintained there, and to some degree they slow up responsiveness.

Mr. DAHLIN. And is uniformity easy to achieve between those echelons, or is that part of the problem in maintaining uniformity and compatibility?

Colonel HUMPHREY. Uniformity and standardization is a very difficult thing to achieve, and it is only because the field commands and the Army Headquarters have come to the realization that this is absolutely essential, and that we are working as a team to get it done that we are making any progress in this area at all. It is a very large and complex undertaking. But we are going to get it done. We are going to have standardization in the Army's logistics systems.

PURCHASE OF ADP EQUIPMENT

Mr. DAHLIN. We understand that only one of the six CS₃ computer installations was purchased, and this is the one for the Quick Reaction Center. Can you speak to that point of why this is the only one purchased?

Colonel HUMPHREY. Yes, sir. It was the last acquired, and at that point it appeared that we were progressing far enough on the CS₃ program where we should move from lease of the hardware into purchase of the hardware.

Since that time though, the money situation has gotten tighter, and as I indicated to you all the other day, in fiscal year 1970 we will have to make a determination as to whether to buy the ADPE for the next 10 division systems, or whether to lease that ADPE, and I am sure that the decision will be dictated by the relative availability of moneys in the O. & M.A. appropriation and in the PEMA appropriation.

Mr. DAHLIN. Is it dictated only by the money, or are you going to have another competition at that point?

General Klingenhagen, perhaps you could address that. Is this a problem where your various systems are locked in now to specific equipment?

You seem to be standardizing in general on IBM 360-40's and 360-50's. Are there any of these programs that are developing going to be thrown open for further competition to see what industry can work out in the way of economies or improvements, or are you pretty well locked in here on some of these?

General MILLER. I would like to defer an answer and furnish an answer on that because this is controlled above our level.

Mr. DAHLIN. You say controlled. Does that mean you do not plan these things?

General MILLER. No. Our planning includes guidance for the development of systems specifications which form the basis for competitive selection of ADPE.

(Additional information furnished for the record follows:)

Army responsibilities, policies, and procedures for the selection and acquisition of ADPE are prescribed in Army Regulations 18-1 and 18-2. These procedures provide for:

Preparation of systems specifications consisting of all data to be maintained, output, input, and description of processing. These specifications are submitted to the Assistant Vice Chief of Staff, Headquarters, Department of Army, for staffing and approval. The approved specifications are sent to the Comptroller of the Army for solicitation of vendors' proposals.

Evaluation of competitive proposals submitted by vendors. In evaluating the proposals, the primary objective is to insure selection of computers and software that meet all the requirements of the systems specifications and that are most advantageous to the Government.

Sole source procurement only when the facts are clear and unmistakable that such action is warranted and would be in the best interests of the Government. This authority is normally retained by OSD but is delegated to the Assistant Secretary of the Army (Financial Management), the Army senior ADP policy official, under certain specified conditions.

These procedures will be followed for the standard TASCOC system under development at USACDC. It is planned that future upgrade of ADP systems will follow these competitive selection procedures.

Mr. DAHLIN. The only selection you have listed as pending here is the one for SPEDEX. For the rest you have either a listing for some kind of equipment or something for the future.

What I was trying to address was not the question of what the most current selection problem is, but is there any qualitative or quantitative planning that you take steps at some particular time to update the whole program or system that you are putting in. Could you throw it open to industry and see what kinds of new results you might get, rather than simply going down the road with whatever you are starting with right now?

General MILLER. As I mentioned during my statement, we are standardizing the language that is used in these activities. You know that initial input to most computers by means of a card, so that the language which is used on that card is being standardized not only within the Army but throughout the Department of Defense as well as the Defense Supply Agency and General Services Administration.

These are the things we are doing in standardization, and I do not think it makes any difference who gets the hardware.

Mr. DAHLIN. No, I think with the number of vans you have running around with the CS₃ equipment, it will make quite a difference how much lighter that could be in the future—

General MILLER. I certainly agree.

Mr. DAHLIN (continuing). Rather than charging around the landscape with all of that hardware.

General MILLER. I agree and we would certainly be the first who would want to take advantage of that.

Mr. DAHLIN. But your answer is the same as the colonel's. It depends on the money as far as you are concerned.

General MILLER. That is right.

SUPPLY DOCTRINE

Mr. LUMAN. Comparing your system with that of the other military services, General, apparently you have a somewhat different relationship between the supply man and the commander than the other services do. Some of the things that have been pointed out in the GAO reports appear to rest somewhat on this. For example, units are not turning in some spare parts that they should. When they draw a new item they do not turn in the reparable spare part.

Sometimes the supply activity writes a letter and nothing happens. You get people who send in high priority requisitions for items which do not justify such priority.

Is it in your purview to examine these kinds of problems and try to figure out how to give the supply man a little better leverage so he can insure that his customers follow the regulations without interfering with the command structure?

General MILLER. Yes, I will answer that two ways.

The primary responsibility for that of course is in General Klingenhagen's shop, who is the functional manager of the supply system. However, our office assists him in this in the development of new systems, improved systems, in order to eliminate that sort of thing.

Furthermore, I have another activity which is not addressed here as a part of my shop which is the readiness portion. Readiness in this sense means an examination of the methods, procedures and the status of equipment and facilities of the units in the field, and I have readiness teams that go out regularly to inspect these things, and they come back and make reports to the functional manager that enable him to correct the situation.

Mr. LUMAN. Who would come up, for example, if you decided that with the advent of increased data processing there was going to be more centralization of the supply function and the supply man needed more leverage. Where would a study be generated to take a look at the supply man's role compared to the other services and to see whether or not he should report through supply channels?

General MILLER. These are the primary activities that are charged as I mentioned here to our logistics doctrines and systems office, which Mr. Taylor heads up here, and also assisting that is this group of experts that I have up at New Cumberland in the field agency who actually conduct many of our studies.

We attempt to conduct as many of these as we can in-house. Occasionally we get swamped beyond our capacity. In trying to catch up we go out on contract, or we go on contract where we need a particular kind of expertise which we do not have built in-house. But generally, these are in-house type studies.

General KLINGENHAGEN. May I try to address your question?

The question of leverage for the supply man, I think the primary leverage is where the supply man can secure sufficient data as to who is not complying with regulations, who is not returning reparables. This is the greatest thing, because the supply man is normally also an adviser to the commander. Any time that he has sufficient data to show that a man is collecting unserviceables in the field, he can go to the commander that he is supporting, like General Heiser will be Commander of the 1st Logistics Command. As soon as he has visibilities that somebody is collecting unserviceables, he will go to his commander, who will be General Mildren or General Palmer, right now, saying this man is collecting it. That is all the action it takes.

The commander will move him out right now. The extent to which this visibility is being secured at the national level over the past year I would say we have had 50 percent improvement in the return of reparables from overseas on the basis that we get a monthly report of unserviceables at the depot level overseas, and this is right in Department of the Army Headquarters we have this information available to us.

When we see that these unserviceables are not coming back, we send a directive in the name of the Chief of Staff of the Army, get those things back. The NICP's at the same time are getting those monthly reports, and analyzing them. They are responsible also for the overhaul program to make sure we get enough unserviceables back to keep feeding the overall program. When they see the unserviceables are coming down, they have reports that tell them overseas now whether a man has unserviceables, and he can, he has the authority also to direct the return of those unserviceables.

So I think as our ADP is giving us more information at the NICP level and at our level, we then can exert authority, and the supply man has all the authority he needs in the world. It is a question of giving the visibility to do the directing, to do the controlling.

Mr. LUMAN. Do you feel you have enough today? Do you have enough communications capability for logistics purposes?

In other words, do you have enough entries into AUTODIN or would you like more to run an effective centralized supply system?

General KLINGENHAGEN. I think the supply man would like to have more. We would like to have always more visibility. The question again is, is it cost effective?

The more information we pour into the NICP's, can we put it in the machine so it will bounce out on an exception basis and tell this man something is wrong here? But we cannot expect to hire enough people to review all of these reports, and this is basically the problem. At

what point is it cost effective? You can get beyond the point of diminishing returns, and I think all the services will agree. In reading the Air Force's testimony for example, that going beyond about an 80 percent control, in terms of dollar value, is a point of diminishing returns. It costs you more to get the information and use the information than what the item is worth. And I guess this is really what we are in the throes of. Where is the point of diminishing returns?

COMMUNICATIONS FOR LOGISTICS

Mr. ROBACK. I think the question also concerned the adequacy of communications for logistics purposes. You are centralizing and standardizing, at least that is your objective, and some observations have been along this line: that logistics communications takes a low priority, and these observations have also been along the line that we really ought to have a dedicated logistics circuit. These are the types of questions.

When the DCA and General Klocks were here to talk about worldwide communications on a different problem, we raised the question with him as to what they are doing in the way of responding to requirements for logistics. We thought that if there was a problem here, we might intercede with DCA to get you a little more capability.

General MILLER. I do not think there is a problem in that area, and I say it for this reason: We are being forced to consider the communications requirements at the time we develop the system and get the ADPE, and the reason why is pure and simple, dollars. It costs money to buy this equipment. And to take maximum advantage of its use means that you have to be able to communicate. So today in every study that we conduct, we have a member of our communications staff who sits right with us.

I have had occasion to see this in this new system we are putting in Europe today, for example, or taking advantage of the division tests we just conducted, the communications people go right along with the developmental teams. You must have the communications and they have to go hand in glove with the ADP machinery.

And so I would say by and large yes, we do have adequate communications as far as we have gone.

Now our system becomes more sophisticated, the more we stretch, and this is out in the future, I do not know what the communicators would say because we have not really expressed our total requirements to them yet.

Mr. LUMAN. There is a statement, for example, in the study on extension of the AMC overseas about getting more visibility, which requires more reporting from overseas, to the effect that this would require an expansion of the AUTODIN. This is somewhat dated. I do not know whether that expansion has been made yet. But if you decided to have this greater visibility, and perhaps control, which would require more reports, is the present communications system sufficient or would you have to go in and get more?

Would that be a block to what you might eventually decide is a better way to manage?

General KLINGENHAGEN. I am not competent to answer that question, because I do not know the overall present capability of our communications system.

All I can say to you is that today we have no problems with our systems, our logistics systems as far as communications are concerned.

Mr. LUMAN. But you are flying tapes, for example, from the 14th ICC back to the States instead of sending them over a voice circuit.

General MILLER. I will tell you why; it has to do with atmospheric interference. We could not send requisitions by transceiver the whole time I was in Vietnam for a year and a half, without losing about 35 to 50 percent of the transmission due to atmospheric interference between Vietnam and Okinawa. If we tried to go to Hawaii it was even worse.

Mr. LUMAN. Is that not a communications problem, when you have a situation like this?

General MILLER. Yes; and they are updating our communications system worldwide to take care of this.

I would think—and again I am not competent really to answer in this area—I would think that with more satellite communications, or systems where we can eliminate this atmospheric interference, the question then becomes one of how many circuits do you have that are capable of being used, let's say for logistics or administrative reasons. So far we are not short of communications capabilities in our system.

Mr. DAHLIN. General, there are a couple of items that we need to be supplied with. One is an Army Audit Agency report on the high priority requisitions being reduced from 80 percent to 30 percent that was referred to. Can you have your people supply that for the record?

General MILLER. Yes.

General KLINGENHAGEN. Was this for Vietnam reduction, the high priority for Vietnam?

Mr. DAHLIN. That is right.

(The information requested follows:)

AUDIT REPORT—ARMY'S SUPPLY SYSTEM FOR SUPPORT OF VIETNAM (U) (CLASS II AND IV MATERIEL)

REQUISITION PROCESSING

A. *AAA identified problem Area.*—(Par. 5, p. 110.) The Army supply system is overburdened with high priority (issue priority groups 1 and 2) requisitions. For the first 2 months of calendar year 1967, 53 percent of all requisitions due for shipment were high priority requisitions. During the same period, 87 percent of the requisitions for Vietnam troop support were coded high priority.

B. *AAA recommendation.*—None.

C. *Command comments.*—1st Logistical Command, USARV.

Unit low priority requisitions for ASL items which cannot be satisfied by the receiving DSU's and depots are backordered; high priority and fringe requisitions which cannot be satisfied by the receiving DSU or depot are passed to the 14th ICC. High priority requisitions referred to the 14th ICC which cannot be satisfied by referral to other than the receiving depot are passed together with fringe and bulk replenishment requisitions to 2d Logistics Command.

The percent of high priority requisitions (issue groups 1 and 2) received and passed through more than 100 separate DSU's throughout Vietnam are not readily available.

Of the 1,054,100 requisitions, received by in-country depots during the period June through August 1967, 26.3 percent (277,400) were high priority. Of this

number 78.6 percent (218,000) could not be filled by depot and were passed to the 14th ICC.

Of the 218,000 high priority requisitions received by the 14th ICC during the period June through August 1967 48,200 were referred for fill within country while 169,800 were passed to the 2d Logistics Command. Of the requisitions passed to the 2d Logistics Command during this period by the 14th ICC (high priority, fringe, and replenishment) 37 percent were high priority.

In consideration of the above and the fact that a large number of different high priority requisitions are generated by units on a single widely distributed item—e.g., watches and tropical boots—which are passed to CONUS supply source when a zero balance exists in-country and 2d Logistics Command, the percentage of requisitions which are high priority does not appear unreasonable.

The percentage of high-priority requisitions processed out of Vietnam should be further improved by plans to hold FIA general materiel category high-priority requisitions which cannot be filled by 1st Logistics Command depots on depot due-out and cover by a consolidated 14th ICC requisition for delivery to the depot.

The restrictions established by AR 735-35 on the assignment of high issue priority designators has been implemented by a similarly numbered USARV regulation dated June 9, 1967. The implementing regulation required that each unit commander will insure that prior to the assignment of issue priority designators 02 through 10, an objective evaluation is made of the impact that the lack of the materiel can have on accomplishing the unit's mission and required unit commander's signature authentication on the requisition and unit document register. This implementing regulation also makes the assignment of issue priority designators a special subject to be reviewed by inspectors general and other inspectors.

To assist commanders in the execution of the above-described responsibilities, arrangements are being made for support activities to bring to their attention the percent of high-priority requisitions received by depots during the preceding month. Support activities will also inform commanders of requisitions which they identify as having questionable priority designator assignments.

USARPAC comments

The action taken by 1st Logistical Command is adequate.

D. 2d Logistical Command, USARYIS.

Command comments

Following are statistics extracted from 2d Log Comd files for the period 1 July 1967 to 16 September 1967.

(a) Statistics:

- (1) Total requisitions received from RVN for supply action: 439,102
- (2) RVN requisitions IPG I: 97,342 (22%)
- (3) RVN requisitions IPG II: 88,031 (20%)
- (4) RVN requisitions passed to CONUS IPG I: 41,090 (9%)
- (5) RVN requisitions passed to CONUS IPG II: 61,737 (14%)
- (6) RVN requisitions rejected or canceled IPG I: 6,496 (7% of IPG I)
- (7) RVN requisitions rejected or canceled IPG II: 10,100 (11% of IPG II)

(b) RVN requisitions are carefully reviewed prior to rejection by this command. Although no precise statistics are recorded on reasons for rejections, experience shows that most rejections are due to absence of data or garbled data in fields which cannot be corrected.

USARPAC comments

The action taken by 2d Logistical Command is adequate.

DA comments

For over a year now DA has emphasized to commanders the necessity for continuous attention to and compliance with prescribed priorities policies and procedures. USARV's emphasis of supply discipline and enforcement of the provision of AR 735-35 pertaining to unit submission of high-priority requisitions has resulted in significant reduction in priority requisitions (from as high as 63 percent in calendar year 1966 to 53 percent in January to February 1967, to 37.9 percent in July to September 1967). DA is also developing an AR on supply discipline which directs continuous audit and annual review of this area. This subject will continue as a special area of interest and followup.

1st Logistical Command—Progress report, December 31, 1967

(a) 858,238 requisitions were received during the period September to November (previous report showed 1,054,100 requisitions received).

(b) 271,635 of all requisitions received during September to November were high priority (previous report reflected 277,400 of all requisitions were high priority).

(c) 112,122 could not be filled by receiving depot and were passed to 14th ICC (previous report showed 218,000 could not be filled by receiving depot and were passed to 14th ICC).

(d) 12,618 were referred for fill in-country (previous report showed 48,200 were referred for fill in-country).

(e) 99,504 were passed to 2d Logistical Command (previous report reflected 169,800 were passed to 2d Logistical Command).

(f) Of all requisitions passed to 2d Logistical Command by 14th ICC (high priority, fringe, replenishment) 35.9 percent were high priority (previous report reflected 37.9 percent).

USARPAC comments—Progress report, December 31, 1967

Statistical data which reflects the requisitioning volume of USARV organizations upon their depots and those high-priority requisitions passed out of Vietnam is furnished below:

Period	Total requirements received	High priority requirements received	High priority requirements as percent of total	High priority requirements passed out of Republic of Vietnam	Percent high priority require- ments passed
June through August.....	1,054,100	277,400	26	169,800	61
September through November.....	858,200	271,600	31	99,500	37

Although the volume of high-priority requisitions increased with respect to total requisition volume, action by USARV reflects favorable progress in achieving fill from USARV assets.

DA Comments—Progress report, December 31, 1967

DA is not satisfied with the volume of high-priority requisitions still being received by in-country depots and has requested USARPAC to take additional action to make reductions expeditiously and permanently. Specifically USARPAC has been requested to assure that support activities bring to the attention of commanders requisitioning units/activities the number and percent of high priority requisitions (IPG I and II) received by depots during the preceding week. The commanders of these requisitioning units/activities will be required to report within 5 workdays as to the various causes for these high-priority requisitions whenever the percentage of IPG's I and II exceed 25 percent of the total.

On a monthly basis, USARV (1st Logistical Command) will review the above reports to identify problem areas and assist the support commands (Depots/DSU's/Units) to minimize/eliminate the causes resulting in over-use of high-priority requisitions. This will also be included as a major item of interest for all future IG inspections and AAA audit trends worldwide.

The above concept is being formalized into appropriate AR's (AR 711-16 and AR 735-35) as a formal, uniform policy armywide.

USARPAC—Progress report as of March 31, 1968

1st Logistical Command, USARV Command Comments

(a) 743,190 requisitions were received during December to February. (Previous report showed 858,238 requisitions received.)

(b) 221,404 of all requisitions received during December to February were high priority. (Previous report reflected 271,635.)

(c) 97,647 could not be filled by receiving depot and were passed to 14th ICC. (Previous report showed 112,122.)

(d) 26,370 were referred for fill in-country. (Previous report showed 12,618.)

(e) 71,277 were passed to 2d Logistical Command. (Previous report reflected 99,505.)

(f) Of all requisitions passed to 2d Logistical Command by 14th ICC (high priority, fringe, replenishment) 29.9 percent were high priority (previous report reflected 35.9 percent).

USARPAC comments

Review of 1st Logistical Command comments for period December to February indicates a 2-percent improvement since the last review in the number of high-priority requisitions initiated by customers within Vietnam; and also a 5-percent reduction in high-priority requisitions passed to 2d Logistical Command. This continued improvement on the part of Vietnam reflects favorably on that command's efforts to reduce the number of high-priority requisitions at each echelon. Even this small improvement is considered commendable under conditions existing in Vietnam at this time. However, further action will be taken by this headquarters as directed in paragraph 2 of DA letter 16017, LOG/SP-PPB, dated March 15, 1968, subject: USAAA Audit Report, Army's Supply System for Support of Vietnam (Classes II and IV Materiel)—Status Report (RCS CSCPR-6).

DA comments—Progress report as of March 31, 1968

The continued improvement on the part of Vietnam reflects favorably on that command's efforts to reduce the number of high-priority requisitions at each echelon. At the time of the audit, 87 percent of the requisitions for Vietnam troop support were coded high priority. During the period December to February, 29.9 percent of the requisitions received were coded high priority; this represents a reduction of 58 percent since the time of the audit. The command's response and the corrective actions taken should control the overuse of high-priority requisitions, and preclude recurrence of the deficiencies found by the AAA. Recommend that this item be closed.

Mr. DAHLIN. Also, do you have, first, the criteria for the selection of the 1,700 items for the AMC ownership test, and, if there is a small printout of what collective group of items are in that, we would like to have that.

General KLINGENHAGEN. Right.

(The requested information follows:)

SELECTION CRITERIA FOR OASIS ITEMS

Items were selected for inclusion in the test of USAMC ownership and accountability based on the following criteria:

- (a) Super high dollar value USAMC managed secondary items having a projected annual demand of at least \$100,000.
- (b) Authorized for stockage by AMC Commodity Command based on recurring demands or essentiality.
- (c) Item criticality due to such problems as supply status, high unit cost, or procurement difficulties.
- (d) Inclusion of both preferred and all authorized substitute items.

PURA PROGRAM

Mr. DAHLIN. General Heiser noted that he was the project coordinator for PURA and the committee has had a request for some time to get the first report of the PURA project to see what actually was going on.

I do not believe the record yet shows what you have actually found from the first PURA round of activity. Do you have that now or has that still not been supplied from the field?

General KLINGENHAGEN. We have a report from the field, and we have submitted a monthly report to the Secretary of Defense. I think that probably we should have this cleared with the Secretary of Defense.

Mr. DAHLIN. Can you give any highlights at this time of just what the situation is?

General KLINGENHAGEN. Yes.

We have reported and have among the records of PURA about \$87 million worth of items. This is for the period of April and May.

In April there was \$37.8 million, and we redistributed to other services \$1.4 million for the month, and then in the month of May we have identified and picked up on the records an additional \$50.6 million worth of items.

Mr. DAHLIN. Are the bulk of these transactions all completed in the field in Vietnam or are they going on at Okinawa or is the matching done back here? How is that working?

General KLINGENHAGEN. This that I have just reported is done completely at Okinawa.

Mr. DAHLIN. All at Okinawa?

General KLINGENHAGEN. Where it is being accomplished interservice between the Air Force, Navy, and Marine Corps.

Mr. DAHLIN. That would seem to indicate that is the first echelon where they talk together, is it?

General KLINGENHAGEN. This is the first echelon as far as the official redistribution between services. Now the Army is talking to the Air Force and Navy within Vietnam.

Mr. DAHLIN. I mean as far as redistribution.

General KLINGENHAGEN. Yes.

Mr. DAHLIN. This function?

General KLINGENHAGEN. On redistribution. However, the extent to which there have been redistributions in Vietnam I do not believe we have that information yet, do we?

Colonel DASKEVICH. No, sir; we do not.

RELATIONSHIP WITH DSA

Mr. DAHLIN. There is one point at which the testimony concerned the field concept studies that are going on. Someone was charged with the task of studying the evaluation of mission assignments to DSA.

Is the Army concerned with the general question of whether more assignments should be made to DSA or whether things should be withdrawn? What is the purpose of studying the evolution of these assignments?

Mr. ZENGERLE. The only thing we have been concerned with—

General KLINGENHAGEN. This is Mr. Zengerle, in the Office of the Assistant Secretary of the Army for Installations and Logistics.

Mr. ZENGERLE. We have been concerned with item coding as a process.

Mr. DAHLIN. Are you still having trouble with that?

Mr. ZENGERLE. Well, of course the question of evolution here of the coding gets you into a situation where you are not exactly sure whether you have done it correctly the first time. You take the Hawk system, for example. We have now coded the DSA, 7,500 items that will deadline the Hawk system.

Mr. DAHLIN. Do you think that is a mistake?

Mr. ZENGERLE. Well, this is what we are reviewing, whether it is or it is not, because we now have the Hawk under a stovepipe system. And I think we are going through a reassessment at the moment in terms of the initial—

Mr. DAHLIN. Are these nuts and bolts or electronic tubes and this kind of thing?

Mr. ZENGERLE. The question is whether they are assemblies or whether they are integral parts of the Hawk system or whether they are nuts and bolts. We will have to determine that.

The assumption that they might deadline the equipments would indicate that they are rather integral to the system itself, in the recognition that item management coding being accomplished by many thousands of people, item managers across our ICP's CONUS-wide, and whether there has been uniform application of the item coding procedures has to be reassessed in terms of individual equipments, and perhaps the readiness information that we have pertaining to those equipments on a worldwide basis at the moment.

This is where the reassessment would be effected.

FUNDING FOR WAR RESERVES

Mr. DAHLIN. Last Tuesday General Heiser was talking about AMC's responsibility for determination of war reserve requirements in the overseas theaters. Does the Army perform this function in the same way as the other services? Second, is there any real problem as between any confusion about what constitutes the war reserves, how much it is going to be, or getting levels down to a changing war?

Is it fitting into part of the excess problem, or is there any special significance to his discussion of that problem?

We heard that you are handing some of the war reserve stockage over to GSA where they handle those items. I gather the responsibility for stockage in this type has to go along with the item when the item is transferred between different managers for different intensities of management. Is that the case?

General KLINGENHAGEN. AMC does compute war reserve requirements for both the items it manages as well as the DSA and GSA items. They then pass these requirements on to DSA and GSA for the particular items that they manage and they (AMC) have at each DSA and GSA and in ICP liaison people to work with them in the war reserve requirements.

As far as comparing it with the way the other services are computing their war reserves, I am really not familiar with how the other services are computing their war reserves. I believe General Heiser was trying to present the fact that AMC does have considerable to say about worldwide management of items on a worldwide basis, including and computing the war reserves, and when they compute the war reserve, they do submit to the theater commander what these requirements look like, and the theater commander does have an opportunity to comment on the adequacy of the requirements as computed.

Now, AMC also of course funds for itself Army items as well as DSA and GSA, funds for the items that are kept in the war reserves, so this is why AMC is kept in the war reserve requirements business.

TRI-SERVICE ADP LOGISTICS COOPERATION

Mr. DAHLIN. I think this might best be directed to General Miller with respect to your structure for logistics system development, and this is the problem of direction and control and coordination.

Do you see any need for further efforts at creating an office or would you support the efforts of the Department of Defense to develop a

separate office to provide more planning and coordination in this area between the three services? Do you think that is a future need that the services are still building towards, until you get this compatibility problem whipped a little more?

General MILLER. I think that our present system of checks and balances on the development of the systems and insurance of their compatibility is sufficient at the moment.

Each service has its own peculiar requirements for certain things, and they do differ in many respects, although you could draw some sort of a comparison between let's say echelons and in general organizations. I cite an example.

You might say a guided missile cruiser might be comparable to an Army division, for example, insofar as its self-sufficiency is concerned.

Mr. DAHLIN. I hope they do not have to drag that CS₃ equipment along.

General MILLER. Well, as a matter of fact, that computer equipment is installed onboard the ship according to the Navy testimony, and it is rather easy to carry.

Mr. DAHLIN. Perhaps they are saved by the integrated management of air conditioning.

General MILLER. But by and large I feel that the systems we now have developing within the service have sufficient checks and balances, and directed common language that will insure their compatibility.

I would think there would be no need for a centralized direction, and they would have a horrible time trying to direct all the different systems used by the services to fit their own peculiar needs.

We have a hard enough time in the Army, my office does, in being sure and controlling the system of the Army in the field, which is different from the Continental U.S. Army Command post, camp and station system, and the AMC wholesale system. And yet we have to stay on top of all those to insure that they are compatible.

SUPPLY PERSONNEL

Mr. ROBACK. What are you doing in the manpower field? There was some discussion by General Heiser on that. Is this a serious problem or is this a routine problem?

General MILLER. Well, it is a serious problem in this regard to us. We want to insure in the logistics area that we have career patterns and career ladders for the people who want to enter these fields, and this is both in the military and in our civil service employee programs. We must insure that the young man that we want to get into the systems area has a clear, visible ladder up which he can go in his career.

This means then that we also have to study required levels of training that will enable him to advance in his job, so that at the top, hopefully at the peak, we will have a logistician, an individual broad enough in scope and in training to participate in management of the whole system.

Mr. ROBACK. Does this involve incentives?

General MILLER. To a degree incentives, but I think it is even more than that. I am sure you have had experience with your youngsters, as I have with mine, looking forward to what they want to do. They want to see something that if they go into this certain area, as a young

man or a young woman, will answer the question: "Where am I going to go if I adopt this as a career?"

We have the same problem here.

Mr. ROBACK. And there is also partly the problem with the military classifications too, is there not, that is to say the incentive for officers in the supply area?

General MILLER. Well, I do not think it is so much incentives for the officers. I would say it is more in the enlisted area. They get into the proficiency pay, and certain training and schooling that they have.

An officer is generally looking forward to the time when he can become the manager at the top. This is his goal. He is not so much geared to incentives as he is to training, schooling, and the capacity, when he gets to the peak of his career to manage the whole thing.

Mr. ROBACK. And will this require the development of a new, I mean rather drastic change in, approach?

General MILLER. No, not drastic change. It is to insure that in our redevelopment of these systems, in our realinement of things, that we do not drop things through the crack, and that we improve wherever we can.

I am sure you recognize that with the new innovations in civilian industry, for example, and particularly with our civil service employees, we are in a terrifically competitive field, and unless our employees have a visible career pattern, we cannot attract young men to these jobs. They want to know where they are going.

Mr. ROBACK. This is the subject of this Defense manpower program?

General MILLER. This is what Mr. Morris is looking into by assembling this group.

Mr. ROBACK. Mr. Chairman, it is the noon hour. Tomorrow we will have the Defense Supply Agency representatives.

We will ask the Army to supply information that we have requested, either in this or in previous hearings, and if there is any question about whether some of the items have already been covered, that will be taken care of by consultation with the staff.

Mr. MOORHEAD. Thank you very much, General. We appreciate your testimony.

The committee will stand in recess until tomorrow at 10 o'clock.

(Whereupon, at 12 noon, the committee recessed, to reconvene at 10 a.m., Tuesday, July 2, 1968.)

MILITARY SUPPLY SYSTEMS

TUESDAY, JULY 2, 1968

HOUSE OF REPRESENTATIVES,
MILITARY OPERATIONS SUBCOMMITTEE OF THE
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2247, Rayburn Building, Hon. Chet Holifield presiding.

Present: Representative Chet Holifield.

Also present: Herbert Roback, staff administrator; Douglas Dahlin, counsel, Joseph Luman, defense analyst, and Paul Ridgely, investigator.

Mr. HOLIFIELD. The committee will be in order. We will continue our hearings this morning on the military supply systems. We have as our first witness Admiral Haddock of the Defense Supply Agency.

You may proceed with your statement, Admiral.

STATEMENT OF REAR ADM. I. F. HADDOCK, U.S. NAVY, ASSISTANT DIRECTOR, PLANS, PROGRAMS, AND SYSTEMS, DEFENSE SUPPLY AGENCY; ACCOMPANIED BY COL. WILLIAM H. MURRAY, U.S. ARMY, CHIEF, PROGRAMS AND POLICY DIVISION PLANS, PROGRAMS AND SYSTEMS DIRECTORATE; AND JOHN C. RIMKUS, ASSISTANT CHIEF, SYSTEMS DIVISION PLANS, PROGRAMS AND SYSTEMS DIRECTORATE

Admiral HADDOCK. Thank you, sir.

Mr. Chairman and members of the committee, I am Ira F. Haddock, rear admiral, Supply Corps, U.S. Navy, Assistant Director, Plans, Programs, and Systems, Defense Supply Agency. I have held this position since September 1967.

Before my prepared statement, I would like to introduce the members of the headquarters staff who are with me today, Colonel Murray from the Defense Supply Agency Headquarters, and Mr. Rimkus from the same headquarters.

(Biography of Admiral Haddock follows:)

BIOGRAPHY OF REAR ADM. IRA F. HADDOCK, SC, USN, ASSISTANT DIRECTOR OF PLANS, PROGRAMS, AND SYSTEMS HEADQUARTERS, DEFENSE SUPPLY AGENCY

Ira Fredrick Haddock was born in Blairsville, Pa., on April 23, 1914, son of Mrs. Iola Turner Haddock and the late L. G. Haddock, Sr. He attended East High School in Akron, Ohio, and from April 1932 until July 1934 had enlisted service in the U.S. Navy. Entering the U.S. Naval Academy, Annapolis, Md., from the Naval Academy Preparatory Class at the Naval Training Center, Norfolk, Va., in July 1934, he was graduated with the degree of bachelor of

science and commissioned ensign in the U.S. Navy on June 2, 1938. Transferring from the line to the Supply Corps of the Navy 2 years later, he subsequently attained the rank of rear admiral, SC, USN, to date from July 1, 1964.

After his enlistment in April 1932, he had recruit training at the Naval Training Center, Great Lakes, Ill., and a year's service at sea on board the U.S.S. *Nevada*, before training at the Naval Training Center, Norfolk. After graduation from the Naval Academy in 1938, he was assigned to the U.S.S. *Richmond*, in which he had duty as signal officer and in a gunnery division from June 1938 until July 1940. After brief instruction in the Bureau of Supplies and Accounts, Navy Department, Washington, D.C., he was a student at the Supply Corps School, Bayonne, N.J., from September 1940 until March 1941.

From March 1941 until January 1943 he served as supply and disbursing officer of the U.S.S. *Niagara*, a motor torpedo boat tender which served the first MTB squadrons operating in the Pacific after the outbreak of World War II. He then returned to Norfolk, Va., to serve until June 1944 as assistant supply officer of the naval air station. From June to December of that year he was officer in charge of D-1 unit No. 9, staging in Pearl Harbor, and for 13 months thereafter served as executive officer of the Naval Aviation Supply Depot at Samar, Philippine Islands. He was awarded the Bronze Star Medal for meritorious service in connection with operations against the enemy as executive officer of the Aviation Supply Depot, Samar, from January to March 1945.

During the period January 1947 until August 1949 he served as planning officer, assistant supply officer and executive assistant at the Aviation Supply Office, Philadelphia, after which he had a tour of duty as special assistant to the Chief of the Bureau of Supplies and Accounts, Navy Department. From August 1949 to July 1951 he was a student at Harvard Business School, from which he was awarded the degree of master of business administration. He then joined the U.S.S. *Valley Forge*, and served as supply officer while that aircraft carrier participated in operations in Korean waters under the United Nations Command in 1951-52.

In December 1952 he reported to the Bureau of Supplies and Accounts for duty as special projects division director, and from September 1954 until June 1956 served as director, Inventory Control Division. In August 1956 he joined the Staff of Commander Service Force, Pacific, and served until July 1958 as assistant fleet and force supply officer. He next served as supply officer at the Naval Air Station, Norfolk, and from July 1960 until September 1961 was executive officer of the Aviation Supply Office, Philadelphia.

In September 1961 he became commanding officer of the Naval Ships Parts Control Center, Mechanicsburg, Pa., and on January 3, 1964 reported for duty as assistant chief of the Bureau of Supplies and Accounts for Supply Management, Navy Department. In December 1965 he was designated commander, Defense Construction Supply Center, Columbus, Ohio, a field activity of the Defense Supply Agency, and assumed command on January 12, 1966.

His assignment as assistant director of plans, programs and systems was effective in September, 1967.

In addition to the Bronze Star Medal, Rear Admiral Haddock has the Joint Service Commendation Medal; American Defense Service Medal; American Campaign Medal; Asiatic-Pacific Campaign Medal; World War II Victory Medal; the National Defense Service Medal; Korean Service Medal; United Nations Service Medal; and the Philippine Liberation Ribbon.

Married to the former Janet F. Vosper of Akron, Ohio, he has three children, Ira Frederick Haddock, Jr., Kathleen M. Haddock, and Dustin Lee Haddock. His official residence is Akron, Ohio.

Admiral HADDOCK. During your last hearings on the Defense Supply Agency, General McNamara, the first director of DSA, and Admiral Lyle, his deputy, reported to you on progress in activating and putting the Agency into operation. We in the Agency welcome the opportunity to report to you again with some highlights of presently significant areas of our operations. These areas were covered more comprehensively in the background material provided to your staff earlier this month.

In May 1962, the time of your last hearings concerning DSA, the Agency was in its formative stages. As you recall, it had been estab-

lished in October 1961, becoming operational the following January, some four and a half months prior to your hearings.

At that time DSA's mission comprised two basic responsibilities. The first was the management, control, and distribution, at the wholesale level, of assigned material commodities and items of supply to the entire Department of Defense and other designated Federal agencies. And the second was the administration and management of certain DOD-wide logistics services and programs.

The supply management portion of our mission then included inventory management and distribution of the categories of subsistence, clothing and textiles, petroleum, medical, automotive, construction, electronics, industrial, and general supplies. To carry out the inventory management and control functions related to this portion of the Agency's mission, DSA was assigned the facilities and resources of the military department-operated single manager agencies. The stocks owned by these single managers, which also were transferred to DSA, were stored in 77 different locations throughout the country.

The logistics services and programs portion of our mission then included responsibilities for land traffic management, the DOD coordinated procurement program, the Federal catalog program, the defense standardization program, the defense materiel utilization program, the defense surplus property disposal program, and for the analysis, design, and procedural development of DOD-wide supply and service systems assigned by the Secretary of Defense.

Accomplishment of this last responsibility has resulted in the military standard data systems for such functions as requisitioning and issue; transportation and materiel movement; supply transaction accounting and reporting; supply and transportation evaluation procedures; and contract administration service procedures. DSA was assigned the Military Traffic Management Agency and the Armed Forces Supply Support Center to assist in carrying out assigned logistics services and programs.

By the end of fiscal year 1963 DSA was managing slightly over 1 million items; its inventory was valued at \$2.4 billion; it had initiated procurements during the year valued at \$2.6 billion; and was employing 25,970 military and civilian personnel.

The DSA mission is not static, however. It has changed, and we would expect it will continue to change whenever it becomes evident that, from such change, management of supplies and logistics services will be made more efficient and responsive to the requirements of the military services.

Since the 1962 hearings of this committee a number of additions and deletions have been made to the DSA mission. Among the more significant deletions have been:

Transfer of responsibility for supply management of paints and handtools to the General Services Administration at the end of 1963.

Transfer of responsibility for management of items peculiar to combat vehicles to the Army's Tank-Automotive Center in early 1962. Nonpeculiar items which had been managed by DSA's Automotive Supply Center were transferred to the DSA Defense Construction Supply Center in Columbus, Ohio. Consequently, the Defense Automotive Supply Center was disestablished.

Transfer of responsibility for administration of the Defense-wide standardization program to the Office of Standardization and Technical Data Policy in the Office of the Assistant Secretary of Defense (installations and logistics) in June 1964.

Designation of the Secretary of the Army as the single manager of the combined military traffic and terminal management missions in November 1964. This responsibility embraces land-traffic management, the control of movement of men and materiel into and out of air and ocean terminals, and the management of common-user ocean terminals. The result was elimination of DSA's responsibility for traffic management in February 1965.

Transfer of management responsibilities for nonaircraft tires and tubes to the Army's Tank Automotive Center in August 1965. The more significant additions to our mission or functions have been:

The assignment in March 1963 of responsibilities for management of Defense-owned industrial plant equipment. This assignment resulted in the establishment of the Defense Industrial Plant Equipment Center to classify and identify items of industrial plant equipment; develop an inventory recording and reporting system for industrial plant equipment; develop and maintain a central inventory of all but specifically exempt DOD industrial plant equipment; screen proposed new procurement of industrial plant equipment against the central inventory in the inventory available for use in lieu of procurement; and arrange for storage, movement, preservation, and rebuild of idle industrial plant equipment.

Assignment to DSA in November 1963 of responsibility for the development and implementation of integrated systems for management information and technical documentation in support of the DOD scientific and technical information program. Accordingly, the Defense Documentation Center was established and activated to receive, store, and make available scientific and technical information to the Defense research and engineering community, and to operate a series of computerized data banks of work units of research and technology being accomplished for Defense.

Assignment to DSA in June 1964 of responsibility for performance of nationwide contract administration services for the entire Department of Defense and the National Aeronautics and Space Administration. This was the largest single addition to our responsibility.

Although not a change in mission, DSA's item management responsibility has been increased significantly since 1963 by the transfer of many thousands of items from military services management to DSA management. In broad terms, items which are major end items, repairable items, items which are unstable in design, and items which are critical to service missions have been retained for management by the services. Items which are consumable, covered by fully coordinated specifications or industrial standards, or commercially available have been transferred to DSA. As a result, DSA will have been transferred, by the end of fiscal year 1968, over 467,000 additional items which formerly had been managed by the military services.

Another effort which has been pursued aggressively since our previous report to you has also changed DSA's management role to a significant degree. In keeping with the desires of Congress, the Department of Defense and the General Services Administration entered into an agreement in 1964 which embodied the concept that, consistent with its Defense mission, DOD should use GSA support to the degree practicable and that DOD should support other Federal agencies with the commodities in which DOD was the principle Government user when significant economies to the Government would result.

As a result of this agreement, DSA will have transferred to GSA management, by July 1, of this year, a total of 63,000 items including the transfer of paints and handtools back in 1963. Under terms of a more recent agreement between the Administrator of General Services and the Assistant Secretary of Defense for Installations and Logistics, GSA will also assume additional functions for those GSA items in which GSA supports DOD. These functions include maintenance of mobilization reserve stocks, coordinated procurement, and provisioning support to the military services.

The DOD/GSA agreement provides that DSA will support civil agencies when significant economies would accrue to the Government and there would be no degradation of support to the military services. We made a careful review of the commodity areas of fuel, electronics, clothing and textiles, medical, and subsistence supplies.

With GSA we found that significant economies would result from DSA support in fuel and electronics and that such support could be provided without adverse effect on our support to the military services. Accordingly, we will begin moving into support to civil agency users of these commodities on July 1. We will have assumed complete civil agency support for packaged fuels in January 1969, for electronics in June 1969, and for bulk liquid fuels and coal items in November 1969.

Our review concluded that DSA should not at this time undertake support of civil agencies in clothing and textiles, except on a case-by-case basis, because of our already heavy workload in supporting the military services with this commodity. Periodic reviews of this area will continue, however, with the view toward full support by DSA at some future date.

Medical and nonperishable subsistence support across the board did not offer sufficient economies. This is due principally to the lack of commonality between the items used by Defense and those used by the civil agencies. Limited support in a select number and type of items is being provided on a case-by-case basis, however, through individual interagency agreements. In addition, a technical review of medical and subsistence items is underway with the affected agencies to determine whether there is a substantial basis for increasing commonality among the items used by Defense and the civil agencies through a standardization effort. Expansion of our support in these areas will depend on the outcome of that review.

In addition to the adjustments which have been made to the DSA organization as a result of these and other additions and deletions to our mission and responsibilities, we have continued to seek to refine and improve our operations. We have made some notable accomplish-

ments in terms of reducing and consolidating activities with a view toward improved efficiency of our support to the military services. We have for example:

Reduced the number of supply centers, or inventory control points, by consolidating in July 1965 the management functions for the commodities of clothing and textiles, subsistence, and medical supplies and materiel into a single center, the Defense Personnel Support Center at Philadelphia. The centers we had for medical materiel in New York and subsistence at Chicago were then disestablished;

Consolidated the former Army and Marine Corps clothing factories;

Reduced the number of activities storing DSA-managed materiel from 77 to 21;

Reduced from 34 to 10 the number of consolidated surplus sales offices; and

Reduced from 10 to 8 the number of subsistence regional headquarters.

As a result of organizational adjustments such as these, the principal elements of the DSA organization today are:

The headquarters at Cameron Station in Alexandria;

Six supply centers: the Personnel Support Center in Philadelphia; the Construction Supply Center in Columbus, Ohio; the Electronics Supply Center in Dayton, Ohio; the Fuel Supply Center in Alexandria; the Industrial Supply Center in Philadelphia; and the General Supply Center in Richmond;

Four principal depots located at Mechanicsburg, Pa.; Memphis, Tenn.; Ogden, Utah; and Tracy, Calif. We also have in our distribution system three other principal depots stocking a full range of DSA materiel, two colocated with Navy supply centers and one with the Army depot in Atlanta, Ga.; four specialized support depots, two stocking only selected commodities and two operated by the Navy in support of Navy's fleet and overseas units; and 10 direct supply support points which support large volume users of specific commodities such as metal bars and shapes by naval shipyards and clothing by recruit training centers;

Four service centers: the Administrative Support Center at Alexandria; the Logistics Services Center at Battle Creek, Mich.; the Documentation Center at Alexandria; and the Industrial Plant Equipment Center at Memphis, Tenn.; and

Eleven contract administration services regions located at Atlanta, Boston, Chicago, Cleveland, Dallas, Detroit, Los Angeles, New York City, Philadelphia, San Francisco, and St. Louis.

These, and other small activities and offices of our field establishment, carry out our current three-part mission of:

Management and distribution of designated items of supply;

Provision of contract administration services; and

Administration or management of designated DOD-wide logistics services and programs.

Today the Agency employs over 59,000 military and full-time and temporary civilian personnel.

We currently manage 1.7 million items, which represent 43 percent of all the items used in the Department of Defense.

Other indicators of the high level of activity of our operations for fiscal year 1968 are:

Our inventory is valued at \$3.1 billion. This is supporting sales from the Defense stock fund which will run about \$3.7 billion for the fiscal year.

Our procurement awards will reach slightly over \$5.1 billion. Our procurement of bulk fuels, which we do not stock, accounts for the difference between our sales and procurement.

We will have processed 20.7 million requisitions for the items we stock.

Our DSA supply depot facilities will have received and shipped about 3 million tons of materiel.

Our Contract Administration Services is currently administering some 270,000 prime and secondary contracts. We are projecting an increase to 293,000 contracts in fiscal year 1969.

The value of materiel inspected and released for shipment by our Contract Administration Services organization is expected to reach \$21.8 billion.

Some 2.3 million contractor invoices will have been processed for payment.

With this review of the major changes in our organization since your hearings of May 1962 and some statistical indicators of the magnitude of current operations in DSA, I will turn to a description of our current performance of our mission.

First, supply support of the military services.

The principal indicator of the effectiveness of DSA's support is stock availability, which simply is the percentage of the requisitions received which we are able to fill from available stock.

Prior to the acceleration of combat operations in Vietnam in 1965 and 1966, stock availability was averaging 91-plus percent.

Beginning late in fiscal year 1965, the buildup in forces for Southeast Asia placed a demand on our system of such magnitude that it initially drew materiel out of our inventory faster than we could replace it. Despite intensive efforts to keep ahead of demands, the overall stock availability percentage declined steadily from the prebuildup level of 90-plus percent to a low of 87 percent in fiscal year 1966. The declining trend continued through October 1966, when the overall availability reached an alltime low point of 83 percent.

Performance in individual commodities during that month ranged from 59 percent for clothing to 97 percent for subsistence. The effect of our efforts to rebuild our stocks began to be felt at that point in time and stock availability began a steady improvement. By the end of June 1967 we had returned to the pre-Southeast Asia buildup levels of effectiveness with an overall availability of 91 percent. Currently we are filling from available stock 90 to 91 percent of the requisitions we receive. Individual commodity performance for the year is averaging from 76 percent for construction supplies and materiel to 99 percent for subsistence.

On the whole, we would categorize DSA's present support of the military services, and particularly the combat forces engaged in Southeast Asia, as quite good.

In February of this year, Lieutenant General Hedlund, the Agency's Director, returned from an extensive trip to the Pacific area. In

Hawaii, Philippines, Japan, Vietnam, Korea, and Thailand, he visited 27 different military service headquarters and talked with commanders and their top logisticians to develop a personal evaluation of the effectiveness and responsiveness of our support.

General Hedlund knew before he left that DSA was managing about 50 percent of the items used by all military services. We all were somewhat surprised, however, to find that one major Pacific supply activity reported to him that DSA-managed materiel accounted for 70 percent of the line items and 90 percent of the dollar value of materiel issued by that activity to operating units in the western Pacific.

Let me review briefly how the commanders and operating personnel described DSA's support in several commodity areas when they were briefing the Director during his visits.

In the case of food, support was described as universally excellent. According to those on the scene, our servicemen are receiving the finest food support ever. Even frontline troops, for the most part, are receiving hot meals with fresh meats and produce.

Clothing support was reported as generally good, although there are some shortages in some sizes of clothing items and items such as armored vests, and wear-out rates for the tropical combat boots and uniforms continue high because of the climate and terrain.

In medical items, support was excellent. The medical services were outstanding in every command the Director visited, and DSA's support was said to be highly satisfactory.

Fuel support also was described as excellent, with no significant supply problems being experienced.

Support for electronics items likewise was rated as excellent. On General Hedlund's return to DSA Headquarters, he was pleased to be greeted with a message from the Air Force Commander in Danang, South Vietnam, commending our Electronics Supply Center for supplying quickly 96 percent of the electronics materiel required to replace stocks destroyed by enemy action over the Lunar New Year period.

Support for construction supplies and equipment is considered good. However, repair parts for construction, materiel-handling and power-generating equipment continue to be our most difficult support problem. Many of these equipments are obsolescent today. Many of these equipments are being operated in Vietnam under conditions and at rates which have caused parts to wear out more quickly than ever before experienced.

Moreover, many of these parts have never failed before, and, therefore, have never been stocked in our supply system. Procurement of such parts from the manufacturers of the equipment involves long lead-times, especially in those instances where the manufacturer is no longer producing either the particular equipment or the parts required. We are slowly and gradually overcoming this situation, but substantial improvement will not be apparent until the repair parts we have on order are received from the manufacturers.

Supply of industrial materiel and general supplies is considered good, with only a few scattered spare parts problems.

Fortification materiel, sandbags, and concertina and barbed wire requirements continue high and while we are able to keep abreast of

demands from Vietnam, special attention is required constantly to assure continued flow of these items from industry.

General Hedlund's trip to the Pacific area was well received at all commands visited. Although there were areas where DSA's support requires close attention and can be improved, we were pleased with the evaluation of the quality of our performance received from the commanders on the scene. General Hedlund has said that he returned with the conviction that DSA is playing a major role in providing supply support to the combat forces overseas, and is performing this vital mission effectively and responsibly.

In order to assist us to assure the best possible support to overseas commands, General Hedlund directed the sending of customer supply assistance personnel to Southeast Asia and Europe. Three men were sent to the Pacific area and one to Europe. Those sent to the Pacific were attached on a temporary duty basis to the 5th, 7th, and 13th Air Forces to resolve any interface problems these commands might have with DSA.

The Pacific group has returned after completing their 90-day tour. Their assistance was considered effective and quite worthwhile by the commands they visited and we have been asked by the commander, U.S. Army Pacific and the chief of staff for logistics to the commander in chief, Pacific, to continue the assignment of customer assistance personnel in the Pacific theater.

Now I would like to discuss performance of our contract administration services mission.

As I mentioned earlier this mission was assigned to the Agency in June 1964; implementation was completed in December 1965.

Performance of field contract administration services does not embrace the entire procurement function. It involves principally the administration of contracts in the field after they have been awarded by Defense and National Aeronautics and Space Administration procurement offices. Nor does our contract administration services organization administer all defense contracts. As a general rule, the military services have retained cognizance of plants producing their major weapon systems such as aircraft, missiles, and ships.

However our contract administration services organization does perform certain administration services for subcontracts supporting the services' weapon systems prime contracts. The services also administer special categories of contracts such as public works contracts and contracts for research and development. We estimate that the services are currently administering approximately 40 percent of the contracts placed by DOD. Our contract administration services is administering the remaining 60 percent and the workload continues to grow.

I can illustrate this by comparing workloads for fiscal year 1966, the first full year of operations of the contract administration services organization and current estimates for fiscal year 1968.

In fiscal year 1966 DCAS administered 196,000 prime and secondary contracts. This will increase to 276,000 in fiscal year 1968.

In fiscal year 1966, \$11.7 billion worth of defense materiel was inspected and released for shipment. This will rise to \$21.8 billion in fiscal year 1968.

In fiscal year 1966 we processed 1.1 million invoices for payment. Fiscal year 1968 will see 2.3 million invoices processed.

In fiscal year 1966, 112,000 contracts received DCAS production processing. This will increase to 229,000 in fiscal year 1968.

Our contract administration services organization has assimilated this workload and at the same time improved the responsiveness of its service to buying offices of the military services, DSA, and NASA. For example, as a result of surveys of contractor facilities and capabilities prior to award of contracts and surveillance of contractor operations through the various phases of contract execution, the number of delinquent contracts has been significantly reduced.

The rate of delinquent contracts has been reduced from 15.4 percent in December 1966 to 6.5 percent in April 1968. Substantial improvements in invoice processing also have been made with the result that contractors are receiving payment for goods and services more promptly than ever before. The number of days invoices are held in backlog has been reduced from an average of 18.6 days in December 1966, to 9.7 days in April 1968. The Government, too, has benefited from improved invoice processing procedures. The dollars of discounts offered by contractors which are lost by late payment as a percentage of the dollars offered have been reduced from 8.9 percent in May 1966 to 1.2 percent in April 1968.

Our objective in administering the contracts entrusted to us by the military services is to improve both the effectiveness and responsiveness of our service. To this end we are augmenting our current small-scale computer capability to process contract administration data with a tape-oriented medium scale computer system. This will increase data capacity and permit us to be more responsive to service requests for information concerning their contracts. This will also enhance our conversion to the military standard contract administration procedure which we have targeted for implementation in July 1970.

Mr. Chairman, we have not attempted to cover all of the various missions and functions of the Defense Supply Agency. Indeed those touched on were not covered in any great detail. Rather, we have attempted to highlight the significant additions and deletions to our responsibilities since May 1962 and to describe for you the effectiveness of our current support to the military services.

In conclusion, we report to you that the Defense Supply Agency is carrying out its assigned missions effectively and efficiently, the objective in its establishment. We can say that in so doing the Agency has won the respect and confidence of the military services for the quality and responsiveness of the support that we have provided them during a major war. We are pleased to be able to so report; and we think that the performance of the Agency has proven that the concept of integrated management of a major segment of supply and logistics services operations in Defense can and will work. This does not imply that there have not been problems or that there will be none in the future. But, from our experience, we believe that the problems which may arise can be solved and logistics support of the military forces can thereby be enhanced.

Sir, this concludes my prepared statement; we are ready for your questions.

Mr. HOLIFIELD. Thank you, Admiral, for a very informative statement. It certainly does show a tremendous increase in your responsibilities and the service that you are rendering since May 1962, when we had our last hearings.

I suppose a great deal of this has been due to the Vietnamese escalation?

Admiral HADDOCK. Quite a bit of it, yes, sir, in addition to just additional missions assigned.

Mr. HOLIFIELD. Mr. Roback.

DSA ROLE IN VIETNAM

Mr. ROBACK. What is your role in Vietnam as far as control of supply goes? Do you have depots there?

Admiral HADDOCK. No, sir; we do not.

Mr. ROBACK. Where do you part with the materiel?

Admiral HADDOCK. As of the moment, we part with it at the continental waterside.

Mr. ROBACK. You are in fact the purchasing agent?

Admiral HADDOCK. Yes; for not-in-stock items.

Mr. ROBACK. Where you do not have it in inventory, you are a ready response purchasing agency in Vietnam?

Admiral HADDOCK. Of course for the bulk of the items, the 1.7 million we have in stock in continental limits, the overseas units draw it from us. In the case of fuel, we carry our responsibility further. We buy it and arrange for transportation of the fuel clear to the services' storage points overseas.

Mr. ROBACK. Your concept is that of an agency supplying the military services, buying as well as a storing goods, a service agency for the military. You measure your effectiveness by your ability to respond timely to requests?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. From another point of view there is oversupply. To the extent that excesses accumulate, as they are apparently in Vietnam, that is somebody else's problem?

Admiral HADDOCK. Well, not entirely, sir. We have been involved with the Army three times now, once when they reduced the mission of their depot on Okinawa, later when they found limited excesses in Vietnam, and now again when there are apparently larger excesses. We are helping the Army to utilize these and stopping the flow of the same kinds of items to them. Later on we will have to endeavor to determine what of these excess stocks we can take back into our system and utilize later.

Mr. ROBACK. And that is your concern; to the extent that you manage those items you want back?

Admiral HADDOCK. We are an interested participant at the moment.

Mr. ROBACK. In other words, of the excesses there will be those eligible for reentry into the supply system?

Admiral HADDOCK. Yes.

Mr. ROBACK. And that is your concern; to the extent that you manage those items you want back?

Admiral HADDOCK. Yes. Our concern extends also at this time to knowing what these excesses are of items in the forward area, in order

that requisitions we may receive from the Army units or from other services can be filled from those stocks rather than from ours or from procurement, and we are endeavoring to do this at the moment. We are interested in those excesses also in order that we may water down our past demand experience, and consequently reduce our procurement of these items for the immediate future.

Mr. HOLIFIELD. Their requirements came directly to you from Vietnam?

Admiral HADDOCK. It is not quite that simple, sir. Some of them do, some of them do not. Some of them go through an inventory control point in Vietnam, the 14th Inventory Control Point.

Mr. HOLIFIELD. Would they find out there at the inventory control point whether the material was in the theater or not?

Admiral HADDOCK. They are endeavoring to do that now; yes, sir.

Mr. HOLIFIELD. If they cannot do it there, would you know it back here?

Admiral HADDOCK. We only know of it to the extent that they tell us. The Army activities in Vietnam, in the Pacific generally, are coming directly now, with the information of what they think is excess; at the same time they are going to their own inventory control point in WESPAC. Perhaps we cannot reutilize these items ourselves, but we would like to water down our near future buys of these items.

Mr. ROBACK. One of the perennial problems in supply management, where you have a common agency that services user agencies, is the extent to which you are a good servant.

Admiral HADDOCK. Yes.

Mr. ROBACK. And the extent to which, by being a good servant, you cater to defects in the supply system?

Admiral HADDOCK. Yes.

Mr. ROBACK. So that you can be very responsive; but if requests, for example, are not well executed, are indiscriminate, overly repetitive, broken down in ways which do not conform to a good market buy, you can be very effective, very efficient, but the system is not. You understand that problem?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. And we see it frequently in that the services may put in a whole sequence of small requests, and you are running all around trying to fill them.

In another field, or an analogous problem perhaps, is an effort to standardize. You as the service agency do not want to be prescribing standards to the user agencies, so if you cater to nonstandardization, you are being responsive—

Admiral HADDOCK. Yes, sir.

Mr. ROBACK (continuing). To the agency, but overall the supply system is not being improved. To what extent does the Defense Supply Agency try to make some inroads on management of the user's system, of the user's goods, so to speak?

Admiral HADDOCK. First, to speak to one of your subjects. standardization, we do take the initiative in an attempt to standardize and reduce the range of items which we are stocking and issuing to the services. We have quite a record of accomplishment on this score. This involves, of course, in the final analysis service agreement to our recommendations to standardize on a narrower range of gages, or what-

ever than has previously been stocked. So we do accomplish quite a bit in that area.

With respect to repetitive small purchases, for the items we stock, we attempt to maintain a wholesale stock in order to be able to fill smaller requirements quickly, and we follow these small requirements for items which we may not have stocked before, and if they are repetitive, lay down a stock, so that we are entering the market with larger buys periodically, once a quarter, once every 6 months, rather than with single purchases.

We have, particularly since the Vietnam war, adopted a challenge system, whereby each of our centers sets up a limit beyond which they will not issue, without challenge of the requisition. Someone asks for a quantity of supplies at a given Army activity or Air Force activity, which represents more than our total system issues for a quarter. We will challenge that and have been successful in correcting such inadvertently large requisitions.

CHALLENGE SYSTEM

Mr. ROBACK. This is a challenge against quantities only?

Admiral HADDOCK. Yes.

Mr. ROBACK. Not against quality?

Admiral HADDOCK. No.

Mr. ROBACK. That is to say, regarding priority of items in a criticality sense, no type of challenge like that. That would be within the problems of each service?

Admiral HADDOCK. Not on a systematized basis.

Mr. ROBACK. Excuse me?

Admiral HADDOCK. Such a challenge system for priorities is not systematized with us. We have to do it occasionally, but we do not challenge on a regular basis any priorities.

Mr. ROBACK. Your challenge is to gross inconsistencies or what appear to be unreasonable quantity demands?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. If there are any other kinds of challenge, presumably that would be a responsibility within the service?

Admiral HADDOCK. Yes.

Mr. ROBACK. Is that right?

Admiral HADDOCK. Yes, sir; as to the priority requisitions.

DSA STANDARDIZATION EFFORT

Mr. ROBACK. Do you have a list of the types of standardization in which DSA has been instrumental, that you can supply? You do not have to do it right at the moment.

Admiral HADDOCK. I can give you some data on numbers of items. Since 1962 we have reviewed a total of 1,567,926 items, to see whether we could standardize them. By this review we have eliminated from future stockage and issue to services 508,078. So it is a useful program.

If we had not eliminated these items we would be managing today that many more than the 1.7 million items we are now managing.

Mr. ROBACK. Your management is 1.7 million items?

Admiral HADDOCK. Yes.

Mr. ROBACK. The catalog has about 4 million.

Admiral HADDOCK. Yes.

Mr. ROBACK. Does that mean that many of these are not relevant to the supply system, are merely there, or does it mean that most of the items in a quantity sense are not managed by DSA?

Admiral HADDOCK. The difference between the 1.7 and the 4 million for the most part represents items retained by the services for their management.

Mr. ROBACK. So that in quantity terms, most of the items are service managed?

Admiral HADDOCK. Yes, or GSA managed.

Mr. ROBACK. Or GSA managed?

Admiral HADDOCK. Yes.

Mr. ROBACK. But the GSA manages a relatively few in numbers. The volume may be sizable within their categories?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. But few in numbers of items.

Admiral HADDOCK. About 68,000 at the present time.

DSA/GSA ROLES

Mr. ROBACK. While we are on the GSA, it appears during the history of the GSA relationships with the military that relatively few categories have been transferred, that there are not many more promising areas of transfer. Would you say that? I mean beyond what is already done?

Admiral HADDOCK. At this juncture we think we have made a good division of Federal stock classes between those of GSA's interest and those of our interest.

Mr. ROBACK. Offhand, paint and handtools were two categories of commodities that were transferred within the last 3 or 4 years?

Admiral HADDOCK. Office supplies, these kinds of things.

Mr. ROBACK. Why not some other common category? Why paint and handtools? Merely because somebody seized upon that in a committee somewhere and made an issue of it?

Admiral HADDOCK. I cannot say why the decision on paint and handtools was made at that time. The last division of responsibility, which has been only in the last year or so, was based on the criteria that these were the kind of items in which GSA was in business to support the civil agencies. They were items that were not really vitally critical to any of our hardware systems support. They were items, the kinds of items generally fairly readily available in the marketplace, and consequently we thought there was economy to the Government in letting GSA support these.

Mr. ROBACK. In a sense the DSA is the GSA for the military?

Admiral HADDOCK. Yes.

Mr. ROBACK. You are a general service agency?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Not only in terms of supply but of service performance. You perform varied services for the military?

Admiral HADDOCK. Yes.

Mr. ROBACK. Now, in a sense the GSA, at least potentially, is your competitor in performing Government services, and it appears from

your testimony that there is more promise in the DSA performing services for the civil agencies than in GSA performing services for the military, the reason being that the Defense Department, by and large, is the predominant user?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. And if you used the predominant-user concept, you could become the GSA for the Government pretty much, isn't that so?

Admiral HADDOCK. I think at some point in time in the future this question has to be asked.

Mr. ROBACK. Do you think that the evolution is that DSA will become Government-wide rather than GSA; that is GSA will retreat, and DSA will expand?

Admiral HADDOCK. I am afraid I cannot predict how that will go, sir.

Mr. ROBACK. Is that the trend?

Admiral HADDOCK. I see no trend either way at the moment. We think the Office of the Secretary of Defense and GSA apparently feel they have made currently a good division of responsibility, and I do not believe anyone is attempting either to move GSA further into our support at this time or to give DSA more responsibility for civil agencies, except in those areas where we are already attempting to assume more support, subsistence, fuel, and so forth.

Mr. ROBACK. You mentioned those in your testimony, including fuel and coal.

Admiral HADDOCK. Electronics.

COAL PROCUREMENT

Mr. ROBACK. Take for example coal. You would be the buyer of coal and you would stock coal?

Admiral HADDOCK. Yes, sir. For petroleum and coal we are only buyers. We buy and arrange for delivery.

Mr. ROBACK. Suppose the Interior Department, aside from the fact that it has a Bureau of Mines, I do not know what kind of coal they burn in their furnaces, but suppose they are a modest user of coal supplies in some of their outlying stations. Now would you buy coal and deliver it, have it delivered to those stations?

Admiral HADDOCK. In many cases in the continental limits, particularly for small users of petroleum and coal, we make service contracts, open-end contracts, so that small users can drop orders on the contract for small deliveries to them. Basically that is the way we do that business.

Mr. ROBACK. We happen to know, and you do too, undoubtedly, that if it comes to buying coal domestically for overseas use, which the Army now does, apparently the Defense Supply Agency has been ruled out in that area?

Admiral HADDOCK. Yes.

Mr. ROBACK. For some reasons having to do with the responsibility on the receiving end for coal that might be less than specification coal?

Admiral HADDOCK. Yes.

Mr. ROBACK. But is that just a peculiar problem?

Admiral HADDOCK. I am not really knowledgeable of this. All I know is that we are not responsible. The Army is doing this buying

overseas, particularly in Europe, and I am not familiar with the reasons for the decision.

PROCUREMENT OF FORKLIFT TRUCKS

Mr. ROBACK. We can understand the reason. Whether it is meritorious or not is another point, but in some areas it is difficult to ascertain the division of labor. For example, the DSA, when last I inquired into this subject, purchased heavy-terrain forklift trucks for the Navy and for the Marine Corps, but the Army bought its own. They use basically the same type of vehicle, even though the specifications may be different. The service specifications are different not because the requirements are different, but because different manufacturers have developed rather specialized modifications over time. So just offhand, why is it that the Navy and the Marine Corps can live with DSA purchase in this field but not the Army?

Admiral HADDOCK. I am unaware that the Army is not using us under the coordinated procurement program. We should be buying their forklift trucks as well as Air Force's and Marine Corps'.

Mr. ROBACK. As I say, the last time I inquired, that was not the case.

Admiral HADDOCK. We just consummated a further agreement with the Mobile Equipment Command by which this command gave recognition that we did have these coordinated procurement responsibilities. They have transferred this procurement responsibility to us now, and to give evidence of it they have transferred quite a number of people to us or will in 1969, to accomplish this for them, and perhaps—

Mr. ROBACK. To do what now?

Admiral HADDOCK. To procure equipment for them under the coordinated procurement program which in the past, recent past, they have been procuring themselves, although it was in our mission to procure it for them.

Mr. ROBACK. Over the years of your existence as a Defense-level agency you have acquired more commodities for managing but you have lost some supply categories?

Admiral HADDOCK. Yes.

Mr. ROBACK. Is that correct?

Admiral HADDOCK. The categories we have lost, the principal ones are those that went to the GSA, and tires and tubes back to the Army single manager, ATAC. Most of our gain, however, and it does not look so big when netted out as we have eliminated a lot of items, but most of our gain has been represented by further item transfers from the services to our management. As they rescreened their items and got more confidence in us, they gave us a lot, recently some 470,000 items as I recall.

Mr. ROBACK. And your employment over a period of about 5 years has doubled or more?

Admiral HADDOCK. Yes.

Mr. ROBACK. Has that been accompanied by corresponding decreases elsewhere or is that just a net increase?

Admiral HADDOCK. It is a net figure.

Mr. ROBACK. In responsibilities?

Admiral HADDOCK. It is a net of the standardization reductions, which I think were 508,000; the item entry control program by which we have eliminated at source, which is a better time to do it, 294,000 items; and of our inactive items review program by which since our beginning we have eliminated 398,000 items by this route. So you can see the net figure would have been much larger, had we not had the standardization program, the item entry control program, and the inactive item review program.

Mr. ROBACK. So far as the physical transfer of supply items is concerned, you are not decreasing but you are increasing?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Your responsibility?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. You are not becoming increasingly a service agency as against a commodity agency?

Admiral HADDOCK. Well, in 1965, we got a large increase in our service agency function because of getting the contract administration responsibility. But looking at our supply management responsibility alone, it has increased year by year since DSA was established.

TRAFFIC MANAGEMENT AGENCY

Mr. ROBACK. What was the rationale for the withdrawal of the traffic management function? Is that because there were physical assets required for operations that you did not have?

Admiral HADDOCK. We were not at that time in the terminal management business, and the new Army single manager took over terminal management and a good companion piece for that is traffic management. The Army had assets in the persons of individuals of the Army Transportation Corps, who were available to operate this single manager for them. I think the existence of the ocean terminals, themselves, the physical facilities, numbers of which were Army facilities, and the existence of the Army Transportation Corps, probably significantly urged this move.

STANDARDIZED PROCUREMENT PROCEDURES

Mr. ROBACK. What are the candidates for entry or withdrawal so far as functions go? Do you have a review board on these matters that considers what ought to come in, what ought to go out?

Admiral HADDOCK. Generally these kinds of things, studies, are initiated by the Office of Secretary of Defense, sometimes using our people. We are moving now into a new area, working with the services under OSD guidance in a brandnew area. This is attempting some standardization of internal services' and DSA's procedures related to certain supply functions. For example, the one we are looking at now concerns some standardization of the specific procedures by which procurement is initiated and finally consummated. Hopefully, someday we can develop a standard ADP program for this range of incremental functions involved in the purchase process. This is a new service area for us.

Mr. ROBACK. A new service area for standardization, did you say?

Admiral HADDOCK. For the purchase function.

Mr. ROBACK. For the whole purchase function?

Admiral HADDOCK. Procedures of the purchase function.

Mr. ROBACK. How would that operate?

Admiral HADDOCK. Well, we just got started on it.

Mr. ROBACK. I mean, what are you trying to do now?

Admiral HADDOCK. We are trying to standardize the specific purchase procedures from the time of initiation of the need for purchase until it is finally consummated. And in this, where there are ADP processes involved, hopefully we will standardize these processes.

Mr. ROBACK. What capability and information visibility would you get?

Admiral HADDOCK. Well, we are now starting on this project in company with the experts of the services in this functional area.

Mr. ROBACK. Is this to decrease the time of transactions, streamline procedures?

Admiral HADDOCK. Well, it is really to standardize them so that everyone is doing the job the best, hopefully the best way.

MILSCAP

Mr. ROBACK. Does this extend into contract administration?

Admiral HADDOCK. We have standardized contract administration procedures now. In fiscal year 1970 all services and DSA will go to a standardized contract administration procedure.

Mr. ROBACK. That has been agreed upon but not yet put into effect?

Admiral HADDOCK. It has been agreed on, and parts of it have already been put into effect on a test basis. The Navy has implemented quite a bit of it, on a test basis. We all will implement finally in July of 1970.

Mr. ROBACK. Those procedures, though standardized, won't guarantee, for example, that even though ASPR says that the ordinary pre-award survey should take about 7 days, one region if it is busy might take 30 days?

Admiral HADDOCK. No, sir.

Mr. ROBACK. And another region will take 40 days.

Admiral HADDOCK. No.

Mr. ROBACK. And one office will give you an oral report and fail to give you a written confirmation report, which will create some ambiguities in the procurement process. Those things won't be eliminated.

Admiral HADDOCK. Well, I think they are going to have to give us a written report, because the standard system is primarily a standard communications system of coding, a format, a way of communicating between contract administrator procurement office, materiel receiving activity, and so forth.

Mr. ROBACK. There is not any question that there are variations in procedures now?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. And some of those variations create inequities by virtue of delays and differential treatment, not intentionally?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. But by consequence?

Admiral HADDOCK. Yes.

Mr. ROBACK. Is that right?

Admiral HADDOCK. Yes.

Mr. ROBACK. You had some figures on the Defense Contract Services Administration in terms of how many contracts they serviced, I mean percentages. Are these percentages in dollar volume or in numbers of contracts?

Admiral HADDOCK. I stated they were estimates. We know how many contracts we in DSA are administering, about 273,000 now. We are not certain how many the services are administering themselves. We estimate that the services are administering about 40 percent of the DOD contracts in total. We have the balance.

Mr. ROBACK. Those are numbers of contracts?

Admiral HADDOCK. Numbers.

Mr. ROBACK. Regardless of amounts?

Admiral HADDOCK. Numbers of contracts. I would suspect that it would run the other way in dollars, because they retain contracts for ships, aircraft, and missile systems.

CONTRACTOR SURVEILLANCE

Mr. ROBACK. You take some credit apparently for a modest decline or a rather substantial decline in the rate of delinquent contracts. Now how did that come about? You said through closer contractor surveillance. Does this mean that they have not been able to closely surveil the contracts before and now they are giving more attention to it?

Admiral HADDOCK. We did two things. First off, we have made a lot more use of the preaward survey and got a capable contractor in the first place or one who was not overloaded. Second, we have put more emphasis on product surveillance in the last couple of years than we did theretofore and, as a consequence, have reduced the contract delinquency. Some of the contractors now are not so overloaded as they were in 1966 and 1967.

Mr. LUMAN. May I ask a question here?

Mr. HOLIFIELD. Mr. Luman.

COMMODITY MANAGEMENT

Mr. LUMAN. Admiral, you manage in the DSA by commodities; do you not?

Admiral HADDOCK. Well, we manage—generally it is some kind of a class breakdown. When we get down to the ICP level, the supply management level, we are trying to manage on an industrial grouping basis.

Mr. LUMAN. Let us take an item like a fastener. Would you have one man manage all or a class of fasteners?

Admiral HADDOCK. Yes, sir; this would be at the Defense Industrial Supply Center at Philadelphia. They are in this kind of business and within their supply management group their managers will be concentrating on the subcategories of industrial fasteners.

Mr. LUMAN. One of these fasteners might be used to put a toolshed together and another might be a crucial part of a helicopter?

Admiral HADDOCK. Yes.

Mr. LUMAN. Would you explain to us the system you use, whereby your man pays more attention to the helicopter fastener than he does to the fastener that is for the toolshed?

Admiral HADDOCK. Of course we cannot manage our items on a weapons system basis in the same way that the services do, but we have a procedure whereby the services can designate certain weapons systems which we support in terms of items, and ask us to give special attention to our support of these weapons systems, and there are 23 of them now, varying from the Polaris weapons system to the M-16 rifle.

Then for each of these weapons systems, the concerned service designates those of our items that have application to this weapons system. We then code these items in our file, to indicate which items have application, 36,000 of them, to Polaris weapons systems, and this item 17,000-some-odd have application to Hawk missile system, and the supply manager then has a supply study on each of these items made at least every quarter, and more often every month, to attempt to maintain 100 percent of these items in stock at all times. This is the special attention we give to items nominated to us by the services for special emphasis in management.

STANDARD ADP

Mr. LUMAN. What standardization have you achieved between your depots in terms of automatic data processing equipment?

Admiral HADDOCK. As you may know, we have been long in development of a standard system, procedures, for our depots, and have acquired standard or are acquiring identical ADP hardware for the ADP implementation of these procedures at our depots.

We have implemented the standard procedures and installed the standard hardware at our depot at Columbus, our depot at Mechanicsburg, our depot at Tracy, our depot at Richmond, and are now getting ready to install it at our depot at Memphis.

Mr. LUMAN. These depots you mentioned, are they all five equipped with the same type of equipment?

Admiral HADDOCK. The same hardware.

Mr. LUMAN. Same procedures?

Admiral HADDOCK. Using identical procedures. The program is centrally programed and given to them, so that the ADP program is identical for each one of them.

Mr. LUMAN. Do you allow any variations without your central approval?

Admiral HADDOCK. No, sir. The inputs are identical. The outputs are identical. Our instructions on how to make inputs and how to use outputs are identical for each depot.

Mr. LUMAN. One final question on another matter. The services, when making requests of the DSA, have certain priorities on these requests. Which of the services has been generally the one who put more high-priority requisitions to you and which one has been putting fewer high-priority requisitions to you?

Admiral HADDOCK. I think it is the Air Force.

Mr. LUMAN. Say if you have the figures for fiscal year 1968?

Admiral HADDOCK. Well, of the two issue priority groups, 1 and 2, our highest priority groups, the Marine Corps this year has the highest percentage, 53 percent, Air Force 47 percent, Navy 43 percent, and Army 38 percent for issue groups 1 and 2.

Mr. DAHLIN. How are your various commodities stacking up against each other as to fill rate, filling orders in time in the terms of

MILSTRIP? Is clothing still your problem area or is it now construction supplies?

Admiral HADDOCK. I think on time fill probably does not vary very much on commodities. On the average it is slightly over 80 percent on time fill. For fiscal year 1968, construction has been 68 percent on time, electronics 85 percent on time, general 77 percent on time, industrial 84 percent on time, clothing 75 percent on time, medical 86 percent, subsistence 88 percent, and a total overall average of 81 percent.

CLOTHING SUPPLY PROBLEMS

Mr. DAHLIN. As clothing fell to a low of 59 percent about 2 years ago—

Admiral HADDOCK. Yes, sir. Its availability.

Mr. DAHLIN. And this was mainly due, you believe, to the Vietnam buildup and simply a lack of inventory at that time?

Admiral HADDOCK. Well, of course, as we sent troops overseas in large numbers, with very short notice, our clothing stocks were drawn down rapidly, and our basic textile stocks were similarly drawn down. It took our stock down so that we were in very bad shape on many clothing items, particularly for recruits, the new recruits coming in, it took us some time then to get other manufacturers, additional manufacturers, interested in our business. As a matter of fact, it required mandatory orders on some.

Mr. DAHLIN. Does your statement indicate that you have reached the end of the mandatory orders?

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. Did it turn out that mandatory orders were issued only in the clothing area?

Admiral HADDOCK. This is the only place we really use them; yes, sir.

Mr. DAHLIN. In the light of those particular problems, have you reevaluated the closing of the clothing factories at Philadelphia? Was that a wise thing to do? Is that still cost effective?

Admiral HADDOCK. We retain one clothing factory. We closed—

Mr. DAHLIN. Did you have to go on two-shift operations?

Admiral HADDOCK. Yes, sir. We closed the Marine Corps and one other. But we used the clothing factory significantly. But by and large we use that for odd-size uniforms, for example; for small, relatively small production requirements, where we may have difficulty in interesting industry; or a requirement where we have such a short deadline that we can only get it on time using our own in-house facilities. By and large we would prefer to go to industry for our clothing requirements.

Mr. DAHLIN. Can you tell us what has been your experience so far with the pricing under the mandatory orders? Have there been any difficulties in settling up those contracts?

Admiral HADDOCK. I do not think I can answer that. I would have to submit that to you.

Mr. DAHLIN. Colonel Murray.

Colonel MURRAY. I do not know.

Mr. DAHLIN. Can you supply us with a statement for the record on that, please?

Admiral HADDOCK. Yes.

(The information furnished for the record follows:)

All awards for clothing placed by mandatory orders (rated orders) were on a firm fixed-price basis; that is, quantities, delivery, prices, etc., were agreed to by the Government and the contractor prior to making the award. DSA developed initial prices for mandatory orders by using the latest published industry pricing data, or prior award prices, adjusted as necessary to reflect normal market increases. In some cases it was necessary to negotiate the award prices on mandatory orders to meet higher quality production standards of certain producers or to recognize job shop costs compared with those of mass production costs.

There have been no major difficulties in closing out the contracts placed under the mandatory order concept. In fact, there have only been two claims and these resulted from conditions not related to pricing. There have been only minimal difficulties, as all contracts were awarded on a firm fixed-price basis; that is, contractors were aware of the specific prices, the quantities required, delivery schedules, specifications involved, and had accepted the terms and conditions prior to award.

Mr. DAHLIN. One of your major functions in support of Vietnam, at least at some stage, was in getting clothing orders filled and providing stocks on the spot?

Admiral HADDOCK. Yes.

Mr. DAHLIN. Was there any discussion at the time of all of these crises of putting more DSA people in the field; and in the way that you have finally come around to it this year, to try to provide direct support to the services?

Admiral HADDOCK. I am not certain that our problem with clothing or any other support stemmed from a lack of DSA people in the field because we do not have stocks over there, overseas. We do have 33 liaison people in continental limits going around to our continental customers and learning of their problems, and, as I stated, we now have four overseas. But the kinds of problems we had early in Vietnam simply stem from lack of stocks and long procurement leadtimes in getting our stocks replenished.

Mr. DAHLIN. One of your problems still is apparently that you have not been able to achieve desired levels of standardization in the clothing field. Somebody mentioned the undershirt the other day, and I gather there are still four or five types, not to mention size of undershirts in the system; is that correct, Admiral?

Admiral HADDOCK. I doubt there is more than one kind of undershirt but I could be wrong. I really do not know.

Mr. ROBACK. I hope there are four or five different sizes.

Admiral HADDOCK. Obviously in the uniform area there is not a whole lot of standardization. I think when we started out there was only about 9 percent commonality in use of uniforms as among the services. Since they do wear different uniforms, I suspect that there is still not much standardization.

DSA/GSA RELATIONSHIPS

Mr. DAHLIN. Can you tell us a little more about the relationship of DSA, GSA, and the services at the present time? Are you attempting to back up or monitor those GSA areas in any sense? Do you both maintain stocks in some areas, or do you both maintain inventories to make sure that the proper stockage remains somewhere in the system, or how are you handling those 63,000 items or parts of them?

Admiral HADDOCK. For the roughly 68,000 items in which GSA is now supporting the services, GSA becomes the wholesale supply support organization for the DOD activities as we are for the other items.

The services will draw from DSA stocks as they need items or quantities of items to put in their retail systems such as aboard ship or in overseas bases, or in camps and stations in continental limits.

Further, for these items to the extent that they can afford to do financially and agree with our computations, GSA has agreed to stock mobilization reserve quantities of items. They have agreed to accept from the services directly provisioning requests for stockage of new items in their assigned classes.

Mr. ROBACK. This mobilization reserve is for all classes under their control for the military services?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Supply?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. This means that they will have to carry stationary stocks.

Admiral HADDOCK. Levels over and above what would be their normal peacetime requirements to meet service peacetime demands.

Mr. ROBACK. This becomes an additional budget concern?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. To them?

Admiral HADDOCK. Yes, sir. Mr. Abersfeller has not told me how he will do this, but he has agreed to try to do it.

Mr. ROBACK. We have a GSA representative. I think we might ask him to make some observations at the appropriate time. Do we have a GSA representative who has authority to speak on the subject? Is there anybody from GSA here?

Mr. CARNEY. I am a GSA representative.

Mr. ROBACK. You do not feel you can throw light on this subject?

Mr. CARNEY. I would prefer not to comment at this time on this particular subject.

Mr. HOLIFIELD. What is your name, please?

Mr. CARNEY. John Carney. I would be happy to provide it.

Mr. ROBACK. In light of the discussion of GSA relationships here, you might present us a statement which comments on the points or makes any other observations you think we ought to have for the record.

Mr. CARNEY. Yes, sir.

Mr. ROBACK. Will you do that?

Mr. CARNEY. I will be happy to.

(The information requested follows:)

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., July 18, 1968.

HON. CHET HOLIFIELD,

Chairman, Military Operations Subcommittee, Committee on Government Operations, House of Representatives, Washington, D.C.

DEAR MR. HOLIFIELD: As requested by Mr. Dahlin, your subcommittee staff counsel, I am pleased to submit a background summary of General Services Administration's role in the supply support of the Department of Defense. This submittal relates to your subcommittee hearings on review of military supply system concepts, methods, and operations in the Army, Navy, Air Force, and Defense Supply Agency.

Included in our summary statement are our comments on GSA's role in the management of general mobilization reserve items discussed on pages 479 and 480 of the Transcript of Hearings conducted on July 2, 1968. As a matter of general information, most of the items we manage are commercial in nature and are generally available from commercial sources. For this reason we anticipate that relatively few items will require the stockage of additional levels of inventory to meet mobilization requirements. For those few items which do qualify, we plan to finance these added levels from our general supply fund which also finances our operating inventories. Since a mechanism now exists whereby we currently stock and finance other contingency reserves within our system, we expect to expand this method of management to any additional inventories, which in our judgment, need to be placed in a reserve category for mobilization purposes.

As you may know, the Business and Defense Services Administration (BDSA) by delegation 3, May 8, 1963, authorizes GSA to use DO ratings identified as K-1 on contracts and delivery orders to meet procurement of stock against military requirements. Use of these priority ratings under the Defense Materials System provides GSA with a capability of preempting nonmilitary production for rapid expansion to meet the supply needs of military activities in major emergencies or in the event of war.

If there are any other subjects on which you may need further clarification or comment, we would be pleased to provide them.

Sincerely,

LAWSON B. KNOTT, Jr., *Administrator.*

Enclosure.

THE ROLE OF GENERAL SERVICES ADMINISTRATION IN SUPPORT OF THE DEPARTMENT OF DEFENSE

DEVELOPMENT OF A NATIONAL SUPPLY SYSTEM

Since its establishment, GSA has cooperated with the Department of Defense in arriving at areas of understanding aimed toward development of a national supply system. Our primary objective has been the elimination of avoidable overlap and duplication of procurement and supply functions throughout the Federal Government.

In the early stages of these negotiations with DOD, interagency procurement assignments were agreed upon whereby GSA would perform single agency procurements for various commodities such as office furniture and furnishings, military family and quarters furniture and furnishings, and similar common-user items. At the same time, items which the military inventory control points did not elect to manage within their wholesale systems were offered to GSA for military supply support either through our depot system or through our Federal supply schedule program. Since this was an elective process, the order of magnitude of item referrals to GSA was relatively small.

During 1963, a memorandum of understanding was entered into between GSA and DOD which provided for GSA assumption of responsibility for the procurement and management of the bulk of paint and handtool commodities managed at that time by the Defense Supply Agency. Concurrently, provisions were made whereby DSA retained responsibility for a selected number of functions associated with management of these Federal supply classes, such as standardization, cataloging, procurement of overseas Army and Air Force decentralized items, and procurement of military service weapon system related items managed by them in these classes. As a result of these arrangements, GSA assumed management responsibility for about 33,000 items with an inventory value of \$65.4 million.

As reliance on GSA for supply support to the military services increased, added emphasis was placed on expanding the national supply system concept. In this context, our discussions with DOD officials were directed toward establishment of Government-wide common support vested in a single agency for individual commodity classes—GSA or DOD. To achieve this, compatible procedures and systems were developed whereby the supply management capabilities of each agency would be fitted together to form a coordinated supply system for the Federal Government. To this end, another basic agreement between DOD and

GSA was consummated in December 1964, governing supply management relationships. This agreement formalized the national supply system concept and set the stage for a series of significant forward steps taken since that time.

Actions to implement the 1964 agreement took various forms, the first of which was the establishment of a joint Federal Supply Service/Defense Supply Agency Materiel Management Review Committee to review a range of commodities assigned to DSA for integrated DOD management (general, industrial, and construction) to determine whether their management should remain with DOD or transfer to GSA. This review encompassed 152 Federal supply classes of which 99 were selected for continued management by the Defense Supply Agency and 53 designated for transfer to GSA. Provisions were made for the retention by DSA of some 215 military essential items in these classes for their management as well as certain allied management functions comparable to those retained in the paint and hand tool commodities. Concurrently, with the review of the classes just referenced, DSA, in coordination with GSA undertook a "five commodity" study of the fuels, electronics, clothing and textiles, subsistence and medical commodities in consideration of assuming support to all Federal agencies.

Early in 1967, the Defense Supply Agency completed the five commodity study and determined that it would be economical and feasible for DSA to support the Federal Government on the fuels and electronics commodities. Because of lack of item commonality involved in medical and nonperishable subsistence commodities, it was determined that expansion of DSA support would be deferred until standardization was achieved. Clothing and textiles support would be on a case-by-case basis. Agreements have been reached whereby DSA will assume support on packaged fuel products in January 1969, with bulk fuel and coal support to be phased in between July 1, 1968, and November 1969. For the electronics commodity, DSA plans to assume support of common items in November 1968, and agency peculiar items July 1, 1969.

In August 1967, DOD issued a policy memorandum which in effect eliminated the management role of DSA for items and functions involving the paint and hand tool classes previously transferred as well as the 53 classes designated for management by GSA. On July 1, 1968, about 30,000 items in these classes with an inventory value of \$58.8 million were transferred from DSA to GSA. An additional 5,000 items with an inventory value of about \$1.5 million have been transferred directly from the military services to GSA for management under the revised DOD policy previously mentioned. In summary, since 1963, 65 Federal supply classes comprising some 68,000 items with an inventory value of \$116.8 million and a projected annual sales volume to DOD activities of \$180 million have been transferred from DOD to GSA.

There are currently 57 additional Federal supply classes now managed by DSA which are subject to review for primary management assignment either to DSA or GSA. Representative commodities are lumber, air purification equipment, insecticides and rodenticides, books, and pamphlets. Although joint time schedules have not been established, we plan to initiate review actions with DSA during the second quarter of fiscal year 1969.

Early in 1968, a joint DOD/GSA study was conducted on the dual procurement practices which existed for commercial vehicles. Agreement was reached to transfer the DOD coordinated procurement responsibilities from the Department of Army to GSA for commercial passenger-carrying vehicles and trucks up to 10,000 pounds gross vehicle weight, with minor exceptions. This transfer of responsibility, effective July 1, 1968, consolidated the procurement of some 30,000 military vehicle requirements totaling approximately \$65 million with the GSA civil agency procurement of about 42,000 vehicles approximating \$95 million annually.

Included in the various supply management functions previously performed by the Defense Supply Agency in the classes assigned to GSA is the coordinated procurement program. Under this program wholesale quantities of weapon system related items in those classes are procured by the integrated manager for the military depot system. Also in an allied category, GSA has agreed to assume procurement support now provided by DSA for overseas Army and Air Force activities on cataloged items in our 65 Federal supply classes which are decentralized for local procurement or are available from the GSA Federal supply schedules.

MANAGEMENT OF GENERAL MOBILIZATION RESERVES

On May 10, 1968, an agreement was reached with DSA whereby general mobilization reserve responsibilities would be transferred to GSA for the items it manages and GSA would assume full responsibility for supply support of military activities during periods of mobilization or war. In essence, this agreement provides that GSA will conduct industrial mobilization planning, will determine the items and depth of stocks required, will consider and use the planning information provided by DOD activities in arriving at these judgments, will finance and acquire stocks to meet these requirements, and will advise the DOD activities needing such information of the support capability we have developed to meet contingency or related mobilization plans.

FEDERAL SUPPLY SERVICE OPERATIONS

Four methods of supplying are employed by GSA in carrying out our supply responsibilities. First, we have the Federal supply schedule program. These are open end contractual arrangements with thousands of suppliers whose products are made available to requiring activities at reasonable and competitive prices. A second method of supply is direct delivery procurement. Items in this category are centrally procured but not stocked, such as quarters furniture, household furnishings, etc. Our third supply method, and by far the most responsive to military priority needs, is our depot stock program. Lastly, we use the decentralized method of supply known as the local purchase program for items which are considered to be readily available on the local market.

If a GSA decentralized item is not available at a particular location or the requiring activity does not possess a procurement capability, we are prepared to buy these items for any requisitioner.

To provide effective supply support to DoD and civil agencies, GSA's Federal supply service maintains inventories in 27 depots which are geographically dispersed throughout the United States. These GSA regional offices are located in Boston, New York, Washington, D.C., Atlanta, Chicago, Kansas City, Fort Worth, Denver, San Francisco, and Auburn, Wash. Overall administration is provided by the GSA central office in Washington, D.C. The GSA regional offices located in Washington, New York, Fort Worth, San Francisco, and Auburn, Wash., support overseas DoD and civil agency activities. Most of our export operations are in support of the military services, however, we have a sizable AID support mission for Southeast Asia which is controlled through a special aid logistic support control office located in San Francisco. On each regional staff we have assigned specialists known as supply service officers who maintain frequent and direct contact on site, with our supported activities here in the United States as well as overseas. At the present time, we maintain GSA representatives overseas in South Vietnam, the Philippines, Okinawa, and Germany, who serve all of the military and civilian activities in those general geographical areas.

Beginning in 1962, GSA developed a system capability to interface with DoD activities in the use of the DOD standardized requisitioning system—MIL-STRIP—and the uniform military materiel issue priority system—UMMIPS. Since that time we have jointly participated with DOD in a significant array of procedures and systems development programs which allow us to interface with the military activities in all major aspects of supply operations such as the transceiver network for receipt of requisitions, the automatic addressing system, cataloging, and data flow systems. To further enhance our supply processing and control operations, we recently installed a standardized computer processing system at each of our regional offices with a centralized high speed update of our national supply asset picture. This latter office located in Washington, D.C. is known as GSA's National Inventory Control Center.

In support of military service overseas activities we are capable of reacting to a number of unique service requisitioning channels. For the Air Force, which does not maintain overseas depots, we accept requisitions via the transceiver network directly from each overseas base. In the case of the Army, which operates out of overseas depots, GSA accepts generally larger orders from those overseas depots or inventory control centers, again via transceiver facilities or through other electrical or mail channels. Navy overseas requisitions are generally processed through the Naval Supply Centers at Oakland, Calif., and Norfolk, Va., then to GSA in case stocks are not available at the centers. The bulk of the overseas Navy requirements, however, are requisitioned by the major

Tidewater Supply Centers directly upon GSA for replenishment in wholesale quantities at these locations. Some of the Navy overseas activities requisition directly upon GSA. In this regard, a 6-month direct requisitioning service test between the Naval Supply Center, Pearl Harbor, and our San Francisco region is expected to begin in August of this year.

EMERGENCY PREPAREDNESS

In event of emergencies GSA provides a 24-hour, 7-day-a-week coverage to insure priority response to the activities we support. Upon DEFCON 3 or sooner, the Federal Supply Service of GSA activates the Central Office Logistics Control Center and concurrently counterpart centers in all GSA regions are set up. In addition, we have relocation regional and central office relocation sites. Each region is capable of independent operation with its own machine system and stocks.

ACTIVITY DATA

Statistical information in selected GSA procurement and supply functions follows:

- Procurement volume of \$546 million in fiscal year 1955 increased to \$2 billion in fiscal year 1967.
- Inventories of stocked items increased from \$25 million in fiscal year 1955 to \$221 million in fiscal year 1968.
- Items stocked increased from 7,933 in fiscal year 1955 to 40,487 in fiscal year 1968.
- 2.4 million lines shipped during fiscal year 1955 increased to 8.1 million in fiscal year 1968.
- A dollar volume of \$75.9 million shipped in fiscal year 1955 increased to \$513 million (estimated) in fiscal year 1968.
- Stock availability during fiscal year 1968 maintained a fairly steady rate of about 87.5 percent with an average priority effectiveness rate for the year of 93.1 percent excluding back orders.
- Of the 8.1 million stores stock line items valued at \$513 million processed from depot stocks in fiscal year 1968, 3.9 million lines valued at \$377.6 million represented shipments to DOD.

Mr. DAHLIN. Admiral, as far as you are concerned for DSA, if anybody has any complaints with respect to or runs out of stock on an item that GSA handles, that is GSA's problem and you simply—

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN (continuing). You simply send them out the door with it?

Admiral HADDOCK. We have a further responsibility. We have a responsibility to establish these arrangements with GSA, and we have the further responsibility assigned to us to monitor the effectiveness of GSA's support, and we were involved in some of this early in the Vietnam situation.

Obviously GSA had the same kind of problems we did in meeting the tremendously expanded demand. However, I know we can say, and I think the services would agree, that GSA recovered well and is now giving them good support in those items for which they are responsible.

Mr. DAHLIN. Do you continue to monitor?

Admiral HADDOCK. Yes, sir. It is a spot monitoring basis, largely looking at GSA via our service consumers.

Mr. DAHLIN. So that if anyone has any complaints, they do come to you?

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. To tell you that they are not getting proper support in a given area?

Admiral HADDOCK. Yes.

Mr. DAHLIN. Have you had any such complaints?

Admiral HADDOCK. Not since 1965-66, early on in the Vietnam buildup.

Mr. DAHLIN. Have handtools become critical at any time because of Vietnam needs?

Admiral HADDOCK. Handtools, I think the whole range, practically the whole range of GSA's items as well as ours became reasonably critical during the Vietnam buildup, early stages of it, and there were some difficulties then.

Mr. DAHLIN. Admiral, how does the Defense Documentation Center fit into the rest of DSA operations? Does it have any functions that relate to any of your other activities or is it simply confined to this one area of being a repository in providing copies to all users?

It does not handle any of your procurement-type information and that sort of thing; does it?

Admiral HADDOCK. No, sir. I think it is strictly a service operation. We do have a considerable amount of data processing expertise in our headquarters staff, and we are able to help the Defense Documentation Center automate their indexes and automate their response to queries by users and so forth.

It is not directly related to the balance of our mission.

DSA/ADP SYSTEMS

Mr. DAHLIN. Perhaps Mr. Rimkus could at this time go over the full range of ADP efforts that DSA has undertaken.

Could you describe both, in a document sense and the processes?

Mr. RIMKUS. You mean cover the entire DSA range?

Mr. DAHLIN. Yes.

Mr. RIMKUS. I might break it out into two phases.

One is what we call our uniform automatic data processing system (UADPS) efforts, where we employ uniform systems of multiple installations.

Admiral Haddock has mentioned the mechanization of warehousing and shipment procedures. We use the acronym MOWASP for this system which covers our depot operations. We have implemented this system at four of our seven depots.

In addition, for our inventory control points, which we call supply centers, we have another program which we call the standard automated material management system, or the acronym SAMMS. At this point in time we are in the programing and testing stage, hoping to have the system operational at our first center in January 1969 at the Defense Construction Supply Center, Columbus, Ohio.

Mr. DAHLIN. Is that an effort to solve some of the problems of the construction area by backing it up with automated equipment? Has that been part of the problem in the past?

Mr. RIMKUS. This will provide a standard system across the board for all of our inventory control points, in addition to standard hardware.

Mr. DAHLIN. Are you starting the installations at those areas that have been having trouble or at those centers that have been having trouble with this?

Mr. RIMKUS. Defense Construction Supply Center was picked because of its colocation to our Data Systems Automation Office, which is the central programing office.

In addition to these two UADPS efforts, Admiral Haddock briefly mentioned another in the contract administration area. We have an interim mechanization of contract administration services project, in which we are providing a uniform system and standard equipment at 11 contract administration service regions. Full implementation will be attained during July 1968.

By July 1979 we hope to implement Military Standard Contract Administration Services (MILSCAP) at our regions so that we have proper interface with the military services buying offices as well as their inventory managers.

Mr. DAHLIN. Your uniform automatic data processing, that you referred to, is not the same as the Navy's—even though they are using the same initials or name. You are not buying the same equipment or coordinating with them?

Admiral HADDOCK. No.

Mr. RIMKUS. No, sir.

All of these, all of these three systems that I have mentioned, are based on guidelines and procedures established for the DOD military standard data systems (MILSTRIP, MILSTRAP, MILSTAMP, and MILSCAP). These provide the media for communication between and among the military services and DSA, and to insure compatibility of their systems. The DOD Military Standard Data Systems provide the military services and DSA basic tools, or the basic foundation upon which to build their internal systems.

In addition to these three major UADPS efforts, we have one other program that is scheduled for implementation next year which we call the automated pay and cost accounting and personnel management system.

The acronym we use is APCAPS. This one is also being centrally designed by our Columbus office and will have application to all DSA activities.

In addition to uniform systems for the multiple installation, we have what we call one-of-a-kind installations. We have three of these; namely, the Defense Logistics Services Center at Battle Creek, where we have a large facility engaged primarily in the cataloging, materiel utilization, disposal operations, and a data bank for item information.

Next, the Defense Documentation Center, which was discussed briefly, located at Cameron Station.

And the Defense Industrial Plant Equipment Center at Memphis, which manages industrial production equipment.

These organizations do their own systems design and programing at the individual installations rather than depend on the central programing office which is concerned with uniform systems.

DEFENSE AUTOMATIC ADDRESSING SYSTEM

One other mission which I failed to address, which was assigned to DSA by the DOD in 1965, was the Defense Automatic Addressing System. This system operates at two locations, Dayton, Ohio, and Sacramento, Calif., comprising a total of five system facilities.

These facilities were established to automatically address and route requisitions and supply transactions from the military service customer to the appropriate inventory manager. This is done utilizing computer techniques.

We have found over the years with this item management transition between the services to DSA and to GSA—

Mr. DAHLIN. Nobody but the machine knows where to send the requisition now; is that the point?

Mr. RIMKUS. No.

The catalog information still goes out to the customers, but there is a timelag in getting this information to the individual customer. So that in the event a requisition has the wrong addressee, by routing it through the Defense Automatic Addressing System it will mechanically check to see if the proper address or the proper inventory manager is indicated on the requisition. If not, it will correct and route it to the proper inventory manager, and then report back to the requisitioning activity that this item is no longer managed by the Defense Electronic Supply Center as an example, but is now managed by the GSA or by a particular service inventory manager.

This system started in 1965, but is not implemented across the Department of Defense as yet. Hopefully in the latter part of fiscal year 1969 it will be implemented across the DOD spectrum as well as the GSA activities.

Mr. DAHLIN. Is that where everybody's requisition has to go first nowadays? It has to go through the readdressing center to make sure it is going to the right place?

Admiral HADDOCK. When the system is completed.

Mr. DAHLIN. Are they coming through there now?

Mr. RIMKUS. A good number are. The Army particularly has considerable subscribers to the system. The operation is accomplished in microseconds and the requisitions are automatically addressed by the computer.

Mr. DAHLIN. Is this cards, tape? What is going through?

Mr. RIMKUS. Supply transactions flow through AUTODIN channels. The information is received in the computer from AUTODIN, checked and if it is properly addressed, the data is transmitted again through AUTODIN to the inventory manager. It will come out either on tape or card, depending on his capability to receive it. Primarily card out put as a rule.

ENGINEERING DATA

Mr. DAHLIN. One of the significant gaps in the past—one of the programs that never came to be, let me put it—was the so-called engineering data documentation system. I believe you transferred that out to Defense along with the standardization program, because it never got anywhere. It has always been hoped that somebody would get control of the engineering data and put it on microfilm or something.

Has DSA tried to do anything about that problem or has that been permanently transferred up to the next echelon?

Admiral HADDOCK. Well, any manager I think dealing with supply items is concerned about technical information. He needs an adequate description of what it is he is stocking or procuring. He might even

need to know what equipments this part fits on in order to be able to buy it intelligently. He needs a lot of technical information to catalog the item, to decide whether it is an item that is already in stock or is a unique new item.

We expend a lot of effort at our centers, in the technical operations groups directorates of these centers in seeking complete technical information on our items, hopefully during provisioning, and if we fail there, to get it later.

Admittedly, particularly since Vietnam, we have a lot of requests for items that we never saw before, and we do not have the technical information on the items. In those cases we were fortunate if we got the original manufacturer's name and the component that originally fitted on it. But we spend a lot of our time getting technical information primarily for cataloging purposes, and as well as for filling in our basic data file in Battle Creek, so that we will know all there is to know about the characteristics of all the items we manage.

Mr. DAHLIN. Who is supposed to keep it; the Logistics Service Center at Battle Creek is supposed to keep all the technical information that you have?

Admiral HADDOCK. All the item characteristic information that we have for use in cataloging, for use in the utilization program, for use in offering substitutes or interchangeable items to service provisioning requirements. And hopefully sometime in the future for use by designers of military hardware, so that we will use items we already have in the system, rather than inventing new ones.

Mr. DAHLIN. That was always the hope of the documentation system?

Admiral HADDOCK. Yes.

Mr. DAHLIN. But you still have no documents, and as you say, you could not even provide your people with a picture of what they are buying so that they could have some idea of its complexity.

Is that what got you into the problems in the small purchase area?

Admiral HADDOCK. This was a significant part of our problem. It happened to be at Columbus at the time. We were buying items that we did not recognize, have any visual recognition of. We had a part number and a manufacturer. We were under pressure to get these items quickly, and sometimes, as you know, we paid more than we should have for them.

SMALL PURCHASE PROCEDURES

Mr. ROBACK. You might at this point tell us what new controls have been directed toward the small purchase area.

Admiral HADDOCK. This problem is being addressed by OSD and DOD as a whole.

I will speak to DSA actions. We first sent our small purchase buyers to school; we trained as well some of our own instructors at school. We have required that any small purchase, contrary to recent past practice, must be approved by at least one review echelon before it finally becomes an award.

We have endeavored, spent a lot of time endeavoring to assure that our small-purchase people have all the documentation descriptive information on the items they are dealing with that is available, including contractors' catalogs, our own descriptions, and so forth.

We took two samples, one at the time we were getting the most publicity about our small purchase, which indicated the statistical likelihood that we might have made a bad purchase.

Later, after we had taken these steps, we took another sample, and found that we had improved in the process, because of these actions we had taken. The improvement was an order of magnitude. At the first sample we took, we found that the odds were 93.5 percent that our buys, small buys, were reasonably priced.

The next sample we took we found that the odds were that 97.5 to 99.2 percent of the time our buys were reasonably priced, and we will continue to emphasize this area, primarily through the training of people.

Mr. ROBACK. Do you have any way of making computer checks on unreasonable prices?

Admiral HADDOCK. We do this after the fact, and we have for some time, but the horse is already out of the barn by the time that you find that this contractor has been overpricing by comparison with—

Mr. ROBACK. There has been some interest in legislation or ASPR changes with regard to most favored customer pricing. Is there any development there?

Admiral HADDOCK. This is one other requirement we have. Where we have no other means of assuring that we get a good price, we require the contractor to warrant to us that we are getting as good or better a price as any other of his customers. There are variations on this warranty, but we do require it.

Mr. ROBACK. It is required only selectively in contracts?

Admiral HADDOCK. Well, if we have competition or for other reasons we can assume that we are getting a good price, then we do not require it. But if it is a sole-source buy, and we have no earlier price history, we will require this warranty.

TRUTH-IN-NEGOTIATIONS ACT

Mr. ROBACK. What is the DSA doing in improving the truth-in-negotiations certification and verification process?

Admiral HADDOCK. I cannot really speak on that. We are complying with or are involved with OSD in developing actions, and we are complying with OSD policies and procedures on the subject.

Mr. ROBACK. Various recommendations growing out of General Accounting Office reports?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Do you have a special activity going here? You might submit a statement on that.

Admiral HADDOCK. All right, sir.

I do know that we have sent teams around to train our procurement and contract administration people on the requirements of the Truth-in-Negotiations Act, but that is as far as I can go on it.

(The information requested follows:)

DSA is aggressively pursuing compliance with Public Law 87-653, truth in negotiation.

Procurement personnel have been counseled on revisions to ASPR which provide for access to contractor records on cost performance of noncompetitive fixed-price contracts; for more precise statements on requirements for cost or pricing data; and the need for careful evaluation of contract pricing proposals—DD Form 633.

Intensified training sessions have been conducted at every Defense supply center to stress the importance of compliance with the act and to fully explain requirements of such compliance. File documentation and preparation of price negotiation memoranda were emphasized.

Compliance with the requirements of the act has been stressed in contract reviews performed by the contract review office and by on-sight reviews by the procurement management review team. Further training has been given to the specialized areas on a selective basis to correct deficiencies noted in these reviews.

All centers were sent detailed guidance on the determination of adequacy of factual data upon which a contractor's estimate is based. Actual case analyses were included in the examples.

Contract administration services personnel in the field have been:

- a. Issued guidance for the proper documentation and indexing of price analysis.
- b. Provided with a "check list" to assure that requirements of the law are complied with.
- c. Provided additional training on the application of the law. Provision has been made for the procurement contracting officer to submit feedback information on the adequacy of pricing data.

The "Contract Administration Operational Manual" has been revised to—

- a. Prohibit approval of prime contractor procurement systems which fail to comply with the law.
- b. Prohibit approval of individual contractor purchases which do not comply with the law.

The DSA auditor general is continuing to concentrate on compliance with the law during his audits and inspections of DSA activities.

SUPPLY OF ARMORED VESTS

Mr. DAHLIN. Admiral, on page 12 of your statement you talk about difficulties or shortages on some items such as armored vests. We heard that there is a repair operation on Okinawa, for instance, where the Army contracts to take apart armored vests and rework them to put them back into use.

Have you examined the possibilities for DSA undertaking this type of operation—and perhaps on a cross-service basis—for repair and rework of this kind of item, where it is relatively simple and you can perform cross-agency functions perhaps more conveniently?

Admiral HADDOCK. We do perform in-house or by contract many repair operations, and specifically in the area of clothing, and this body armor is in the area of clothing.

Generally though, we do this when the services have turned the used material back to us, and we make a determination that it is cheaper or faster or both to repair the item rather than to buy new.

These are not coming back to our system now, because the Army is in such dire need of them they are trying to repair them in the field themselves. Undoubtedly we could do it. Our problem here was simply that with the Tet offensive, people in bases, Air Force people who had not worn body armor before, a lot of people in Vietnam who had not wanted body armor suddenly wanted it. We were stocking this only to support projected Army-Marine Corps requirements, and suddenly our requirements for it just expanded all out of reason, and we were drawn down.

We expect deliveries in the next 6 months, so we will get back in position to support the requirements. We will be out of the woods on body armor in October of 1968, so we have another 6 months or so to go.

Mr. HOLIFIELD. Is that body armor quite effective?

Admiral HADDOCK. I can only deduce this from the fact that the troops all want it now, sir.

Mr. HOLIFIELD. What type of bullet will it take care of—the rifle AK-47?

Admiral HADDOCK. I am not qualified to answer that, sir.

Mr. DAHLIN. You can perhaps get the answer to that for the record, Admiral.

Admiral HADDOCK. Yes.

(The information requested follows:)

The body armor currently being procured by DSA for issue to troops in Vietnam, Federal stock No. 8470-823-7370 series, is a fragmentation type vest and will not protect against direct hits by small-arms fire. It is capable of defeating shrapnel falling within a relatively wide range of fragment size and impact velocity.

POL SUPPLY

Mr. DAHLIN. On page 13 of your statement you mentioned there was no significant supply problem in the case of fuel support in the Far East—General Hedlund found this. You spoke of the transfer of responsibility being at the water's edge—that is to say, when you turn your fuel over to a service facility, then you lose the responsibility for it.

How is that divided as between your office and MSTs, particularly in this very complex situation where you have to sometimes run the tankers up and down at multiple dropoff points and this sort of problem?

Admiral HADDOCK. Fuel is one of the exceptions, I think I stated, to the release of our responsibility at the continental limits, water's edge. For fuel, we buy projected requirements from the services; and at the same time, as part of the procurement action, we also arrange for the tanker delivery of it on schedules as required to overseas or continental service storage points. The Defense Fuel Supply Center makes this delivery, contracts with MSTs or commercial lines as available to effect these deliveries to overseas storage points, whether they be in Japan, Vietnam, the Philippines or wherever.

Mr. DAHLIN. Your fuel supply office does that?

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. The Army pointed out that it was responsible inside country, I take it, for POL supply to all of the services. Does that mean your people are all here in Washington, or do you have some in the field on this problem?

Admiral HADDOCK. We have inspectors in the field, but within Vietnam, for example, or within Korea, once we deliver it to the shoreside terminal point in Korea or in Vietnam, then the Army is responsible for in-country redistribution generally by trucks or pipelines.

Mr. DAHLIN. But if a shipment does not make it up the river or it is blown up or something, it is still with you until it is delivered to the combat zone?

Admiral HADDOCK. It is our responsibility until delivered; yes, sir.

Mr. DAHLIN. How do you work along with the JCS responsibilities in this area? Is that coordination all here in Washington or is some of that in the field too?

Admiral HADDOCK. Generally the requirement for POL and the schedule of the requirement is generated by joint petroleum offices,

one in CINCPAC. Similarly every joint command has its joint petroleum office.

These people who are the ones who have the usage in the forward area and the stock status, project what the requirements by type of product will be in the future and they schedule when they want the product by type laid down.

Then it is up to the Defense Fuel Supply Center to procure these products, and arrange for the delivery on the projected schedule.

Of course, these slates as they are called, which come from the joint petroleum offices, get changed periodically, and we may have to change our contracts for product and our contracts for lift to conform with them, and do so pretty regularly.

Mr. DAHLIN. Is it your responsibility, or MSTs' responsibility, if you get a delivery offshore in the country and there is not enough storage to put it into one spot? Who decides whether to move it up and down the coast? Is that Army or is that you?

Admiral HADDOCK. In that case the joint command decides where they would want it. We might assist them in the decision, but basically it is their responsibility to tell us where to put it.

Mr. DAHLIN. But you do have the problem?

Admiral HADDOCK. Yes, sir; we will have to arrange for the change of destination.

GENERATOR REPAIR PARTS

Mr. DAHLIN. In connection with the construction supplies and equipment that you say give you the most difficult support problems, Admiral, are these areas of construction equipment, and material handling, and power generating, that you mention, all equally troublesome? Or is one of those more troublesome than the others?

Admiral HADDOCK. I think probably the most difficulty we have had is with materials handling equipment repair parts, power generator parts, and construction equipment repair parts.

The construction equipment repair parts and the materials handling equipment repair parts, for the reason that these equipments just got usage in Vietnam early on such as they never had before. Many of them were equipments that we had not stocked parts for when they were operated in continental United States, and we got way behind on this, and they are parts that are hard to get from a manufacturer in a short time.

The power generating equipment had these same kinds of problems, but in addition, we had a multitude of differing types of old and obsolescent power and generating equipment sent to Vietnam to take care of the requirement. Many of these had not been in manufacture for years, and we had difficulty finding anyone who would make the parts.

Mr. HOLIFIELD. Were these items that were manufactured to peculiar specifications of the services rather than the standard items used in commercial practice?

Admiral HADDOCK. In some cases, sir, yes.

Mr. HOLIFIELD. I wonder to what extent the standardization program has advanced to the point where you can use standard commercial specifications for different types of equipment, nuts and bolts and all that sort of thing. It would seem to me that wherever possible,

you should use the commercial equipment on the basis that you would have access to parts for a longer time than you would have with peculiar items.

Admiral HADDOCK. We would like to get there, sir, but we are not there yet by any means. The OSD, with the Army taking the lead, now has a program to attempt to standardize power generators, so that for the future at least we will have not so many types to be supported, and hopefully they will be standard types.

Mr. DAHLIN. The word "standardized" has always simply meant to the Army that you get a new model and call it standard and then a few years later you get another standard. That is not quite what you are talking about?

Admiral HADDOCK. No, sir.

Mr. DAHLIN. On standardization?

Admiral HADDOCK. No.

Mr. DAHLIN. The Air Force had a standardization program for generators here for a while. Now you say the Army is going to take the lead this time?

Admiral HADDOCK. In power generating equipment; yes, sir.

Mr. DAHLIN. How much of this is your responsibility and how much is the services'?

Admiral HADDOCK. In the equipments themselves, the standardization of power generators will be the Army's responsibility with the assistance of representatives of the other services. We have a representative working with this group.

Mr. DAHLIN. Is your main concern the fact that you will have parts support?

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. For these new models?

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. Whatever they may be?

Admiral HADDOCK. That is right; yes, sir.

Mr. DAHLIN. Are you going to have any leverage to try to get common parts among the models, or is that entirely the Army's responsibility?

Admiral HADDOCK. The Secretary of Defense himself was knowledgeable of the problem we have with power generating equipment in Vietnam. From his office there is a lot of pressure to get this standardization for the future, and the attempt really was started with the hope that we would get standardization of these equipments, standard equipments deployed to Vietnam, and to some degree this has been accomplished.

Mr. HOLIFIELD. In your Vietnam operation you were faced with, I imagine, the necessity or the advisability of utilizing surplus items that were in inventory.

Admiral HADDOCK. The Army needed any equipment that was available.

Mr. HOLIFIELD. Possibly stored from World War II?

Admiral HADDOCK. Yes, sir; it well could have been.

Mr. HOLIFIELD. Any of the motors and generators?

Admiral HADDOCK. Yes, sir.

Mr. HOLIFIELD. Many date back to that point?

Admiral HADDOCK. Yes.

Mr. DAHLIN. In connection with the chairman's prior question, to what extent has it been possible to use commercial-type generators in Vietnam or of the voltages and cycles, et cetera; have they simply been too difficult to make it possible to do that?

Admiral HADDOCK. I do not believe I could give a precise answer to that. I will try to submit one for the record.

(The information requested follows:)

Electric power requirements necessitated both nontactical (commercial) and tactical (military specification) generators. Nontactical generators are used at fixed installations. Tactical generators are used in the field whenever military operational characteristics are required. Nontactical generators account for approximately 47.7 percent and tactical generators account for 52.3 percent of the total power equipment deployed to Vietnam to date.

Mr. DAHLIN. Do you buy any generators as end items, or do you stock any of the parts?

Admiral HADDOCK. The construction supply center does stock some generators as supplies. This is somewhat of a happenstance, due to the fact that when we took over some of the Army supply functions, we rather inadvertently took over the small equipments and some repairables, which normally we would not expect to stock.

We are offering these kinds of supply items back to the Army now, but in the interim period we still are supporting, stocking some generators.

Mr. DAHLIN. You are offering the end items back?

Admiral HADDOCK. Yes.

Mr. DAHLIN. It is still the policy that you do not handle any end items?

Admiral HADDOCK. That is right. We do not think we should handle these.

Mr. DAHLIN. Why do you not think you should handle them? Just offhand?

Admiral HADDOCK. For these reasons—

Mr. DAHLIN. Apart from the fact that your directive may deal with that.

Admiral HADDOCK. No.

Mr. DAHLIN. The question of whether there should be any proposal that some things might be more appropriate for handling. How has that problem been reviewed?

Admiral HADDOCK. Equipments and major repairables, depot level repairables, these are things that can be repaired and reused time after time within the service.

We feel that the service which has depot level repair capability, knows how the equipments are being used, and can anticipate their return for rebuild in lieu of procuring the projected demand, is in a much better position than us to manage them. And also the service which can exercise some disciplinary control over their forward units to see that they do return these items for repair as soon as they are inoperative or removed from a major equipment.

We feel that a service therefore is in a much better shape than DSA to manage these as repairables. We do not have maintenance depots. We do not really have a handle on the forward area operators to make certain that they do return these things for repair rather than just requisition a new one, and hence we think we should not be attempting

to do the depot level repair of these items, nor be responsible for seeing that they are returned for repair.

Mr. DAHLIN. In other words, for the future, if there is a generator problem of some consequence, it would be the concept that the services would still be responsible for repair. And even if it is the same generator across the three services, if they are going to have any coordination they would have to do it on a single service assignment, that sort of thing?

Admiral HADDOCK. Yes, sir; except that the Army and the other services are working on a coordinated depot maintenance program for generators.

Mr. DAHLIN. If it were, let us say, more economical to repair all of some particular type generator at one point, then that still would not be a DSA problem? That would be a matter for the services?

Admiral HADDOCK. Yes, in coordination and with OSD guidance.

Mr. DAHLIN. To arrange among themselves?

Admiral HADDOCK. Yes.

Mr. DAHLIN. That is the basic concept.

Have you looked at this from the point of view of all of your repairable excess and surplus items, to see if there are any places where the DSA might provide a better service by setting up some sort of central maintenance to put things back into shape for use by one agency or another?

Admiral HADDOCK. We have not really looked at this; no, sir.

Mr. DAHLIN. GSA, as I understand it, in the limited area in which it operates, went fairly early into the game of repairing—say office furniture—where it was a commodity that could be reused or where it was more economical to repair it first rather than junk it and let it go. Sometimes you could not make an estimate of the real value of the material until it was repaired.

Has that been reexamined lately, that problem?

Admiral HADDOCK. We in DSA do do repair to that extent. We designate some of our items which may not be depot level repair items from the viewpoint of the services, but our engineers, our technicians will say, "If we get these items in an unfit for issue condition returned to us, we can more quickly and more economically repair them and put them in stock than to make a new buy."

So in our catalogs we code these kinds of items to say to the service users, "If you return these items to us in economically repairable condition, even though used, we will give you a certain percentage credit for them."

When those do show up in our system then, we either repair them in-house if we have the capability, make an arrangement with the Army, Navy, or Air Force maintenance facility to repair them for us at a cost, or make a contract to have them repaired.

Mr. DAHLIN. Have you made any job training contracts to have them repaired, along that line? Are these fairly simple, are they complex, or what?

Admiral HADDOCK. It could be repair of generators or repair of transmissions, forklift truck transmissions. Early on in Vietnam, at Construction Supply Center, we had occasion, where we just could not get some of these items from procurement fast enough, to go to the Vietnam commanders and ask them to get these repairables back to

us, so we could get them repaired, and to that extent we are involved in a repair program. We do not in our requirements computations, however, anticipate, as you would in aviation repair parts, that engines are going to come back to us on some projected schedule, so that we can offset this return and repair against future requirements, which is the thing the services do with equipments and repairables.

MANAGEMENT OF FOREIGN EXCESS

Mr. DAHLIN. What about the question of all of the management of the foreign excess problem? Have your systems people or has anybody exercised this question in their recent past of how the best job can be done at identifying, handling, and eventually doing something with all the foreign excess that is generated?

Could DSA do anything to attack that problem, or have you studied it?

Admiral HADDOCK. As I indicated earlier, we have been working now for about 9 months with the Army, who is the executive agent for this effort in the Pacific.

Mr. DAHLIN. Only in the Pacific?

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. You have not touched Europe—

Admiral HADDOCK. No, sir. The Air Force—

Mr. DAHLIN. As far as DSA?

Admiral HADDOCK. The Air Force has this responsibility in Europe, as you know, to identify activity excesses, try to get them reutilized. Finally, if there is no utilization, to dispose of them.

Mr. DAHLIN. Does the Air Force use a facility like your DLSC at Battle Creek to do that kind of work? What does it do?

Admiral HADDOCK. They have a somewhat similar procedure set up, about to be established.

Mr. DAHLIN. About to be established?

Admiral HADDOCK. The responsibility was given to them some time ago.

Mr. DAHLIN. Did you get them an excess computer to set up a facility or have they got plenty of their own?

Admiral HADDOCK. I probably could, since we are in the business of computer reutilization, but all I know is that they have a procedure somewhat like DLSC set up for the European theater, about to be implemented for the utilization and disposal program in Europe.

Mr. DAHLIN. There has not been any coordination between the DSA and USAF Europe to see what might be worthwhile?

Admiral HADDOCK. Not specifically; no, sir.

DCAS ROLE

Mr. DAHLIN. What is the relative proportion of personnel and man-hours broken out between your Contract Administration Services and the rest of DSA? DCA has a pretty large trunk now.

Admiral HADDOCK. DSA in total is slightly over 59,000 military and civilian. Defense contract administration of this is something over 23,000 people, so it is pretty large in our operation.

Mr. DAHLIN. What are the responsibilities of the executive director for production in DCA and your executive director for procurement

and production under the rest of DSA? How do those offices mesh and divide the job?

Admiral HADDOCK. Our procurement and production directorate is primarily concerned with the procurement processes in DSA centers.

Mr. DAHLIN. In DSA centers?

Admiral HADDOCK. How they are going, how they do their business. The production piece of it is primarily involved with production planning for specific products or industrial mobilization production planning.

On the other hand, the DCAS production directorate is concerned with the overseeing, giving staff direction to the contract administration production people in the contractor's plants in the field.

In the case of a big contractor, we will have production men in there all the time. In the case of a smaller contractor, we will have production people from DCAS going around periodically to these plants. They are concerned with—

Mr. DAHLIN. They are concerned with DSA contracts too, though—

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. On that side, are they not?

Admiral HADDOCK. That is right, yes, sir; all the DSA contracts with few exceptions are administered by the Contract Administration Service.

Mr. DAHLIN. But the production as far as the executive director for procurement and production is mainly in-house?

Admiral HADDOCK. That is right.

Mr. DAHLIN. Are these two animals really sort of forced under the same tent?

At how many points do these functions actually meet, the Contract Administration Services and the rest of DSA?

Admiral HADDOCK. We, of course, have a common staff in DSA, the elements you would expect, the Comptroller's staff, the civilian personnel staff, the military personnel staff, my own staff, plans, programs and systems.

We are able particularly in the automation area to give the contract administration staff a lot of assistance and help here that they otherwise would have to do for themselves, if they were separated.

Mr. DAHLIN. It is mainly that overhead office—

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN. That part of the overhead—

Admiral HADDOCK. Yes, sir.

Mr. DAHLIN (continuing). That they would otherwise have to have as a separate agency?

Admiral HADDOCK. I think there is also an intangible advantage in the DCAS headquarters staff being a part of DSA in working with the supply and procurement people of DSA, because our problems related to contract administration are the same as the service procurement officer's problems with contract administration, and together we can perhaps, being under the same tent, perhaps work these problems out more easily.

Mr. DAHLIN. Does this colocation give any advantage in the area that was talked about before with Mr. Roback, with respect to pricing and understanding of what the items are in this?

Is there any benefit that flows in that respect giving more technical help to some of the contracting people?

Admiral HADDOCK. I do not quite recognize that as an advantage. During the times when we were having difficulty getting production, we were able to use contract administration services people to expedite critical items for us through production.

INDUSTRIAL PRODUCTION EQUIPMENT

Mr. ROBACK. Let me ask a question, Admiral.

Do you have charge now of the inventory of industrial equipment?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Does that include the national inventory and the Defense inventory? I mean do you have the total control?

Admiral HADDOCK. No, sir; it is not quite that simply stated.

Mr. ROBACK. Who has what you do not have?

Admiral HADDOCK. We have this responsibility: for items which are identified as industrial plant equipment and the identification primarily involves metalworking tools over \$1,000.

Mr. ROBACK. Are these in-plant?

Admiral HADDOCK. In contractor's plants primarily.

Mr. ROBACK. You do not have control of the equipment stockpile?

Admiral HADDOCK. No.

Mr. ROBACK. Machine tools?

Admiral HADDOCK. No, sir.

Mr. ROBACK. Or anything like that?

Admiral HADDOCK. No, sir.

Mr. ROBACK. You just have control over the in-plant Government-owned equipment?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Of certain kinds?

Admiral HADDOCK. Yes, sir; that is right.

Mr. ROBACK. The rest of it is managed by the services?

Admiral HADDOCK. Yes, sir; and our primary purpose in being involved here is to know what is available in these plants, to remove them from plants, and hold them in store, in some cases renovate them, and to supply these assets, make these assets available to meet either a military requirement or a DOD contract requirement for the future.

Mr. ROBACK. Have all equipments been allocated, assigned as among the services and yourself?

In other words, is there an inventory of all this? Do you know what you own or what you manage right now?

Admiral HADDOCK. We have centrally at the Defense Industrial Plant Equipment Center an inventory, which is as good as any inventory I guess, and maybe a little better, since we are in the process of reconciling it now with contractors, of what these items are in the contractors' plants, and in our own storage facilities.

Mr. ROBACK. Does that mean for all the services, all Government-owned, or only for what you are managing?

Admiral HADDOCK. All Government-owned.

Mr. ROBACK. Theoretically you know where the material is and what it is?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. And are you responsible for the problem of rental and permissive commercial use and other problems that have come up with respect to Government-owned equipment?

Admiral HADDOCK. Well, we are involved in attempting solutions to these problems with OSD and the other services, and of course the Defense Contract Administration Service plays a large part in this.

For example, under OSD guidance, we are now conducting a test with 22 contractors I think, large contractors, to determine what it would cost them and us, if they maintained machine-by-machine utilization records. This has not been done before. But we will test it with these.

Mr. ROBACK. So see whether that kind of—

Admiral HADDOCK. Whether it is reasonable.

Mr. ROBACK. If recordkeeping is economic?

Admiral HADDOCK. Yes, if it is reasonable to expect or would it cost the contractor and hence us so much money that it would not be worthwhile.

As I indicated, we are also involved right now for most of the contractors' plants in an inventory of his equipment, industrial plant equipment, and reconciliation of this inventory record with our central records at the Defense Industrial Plant Equipment Center.

Mr. ROBACK. Do you have a program to sell equipment to the contractors in accord with a policy that there should be as much contractor-owned equipment as possible in performing Government contracts.

Admiral HADDOCK. OSD has a policy enunciated recently that discourages from here on out, furnishing equipment to contractors, and encouraging the contractor to buy his own, except in exceptional cases.

It also prohibits us from here on out furnishing plant equipment under \$1,000 in unit price to a contractor, this under the assumption I guess that if it is only \$1,000 he can finance his operation himself. They are working with the office—

Mr. ROBACK. This would be true even if it was special purpose equipment used only under Government contract?

Admiral HADDOCK. Of course there are special exceptions to all these general statements, but by and large I do not think there was an exception on the \$1,000 limitation. There were exceptions on the general injunction not to furnish plant equipment to a contractor, for those cases where we could not get the item we wanted any other way.

For example, there is a lot of changing in this area, even with respect to DIPEC's responsibility, there is now a proposal by Mr. Morris being considered by the services which would increase DIPEC's responsibility vis-a-vis industrial plant equipment, test equipment, and other equipment in the hands of contractors.

Mr. ROBACK. You are familiar with the General Accounting Office information that was developed on commercial use of Government equipment which was not fully compensated?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. What is your impression of that information, of that material, as it was presented to a committee?

I mean, do you think that there is widespread abuse or do you think that there is not any good information on it, or what?

Admiral HADDOCK. Well, the reason we are making this test on machine-by-machine utilization is, we really do not think there is any good information as of now. I assume that—

Mr. ROBACK. What is it—go ahead and finish your statement.

Admiral HADDOCK. I am sure the specific cases cited by the GAO were factual, but I cannot extrapolate this across the whole industry.

Mr. ROBACK. What is the ordinary practice now with respect to commercial use?

For example, let us say that a company has a Government-owned heavy press for aircraft frames and it might want to use that for commercial purposes. Now how does the Government collect revenue, get any royalties or rents for such use?

Is it a mere matter of contractor reporting and accepted by the Government as such?

Admiral HADDOCK. Yes, sir.

The procurement officer generally lays down in the contract the rules of the game. In some cases the procurement officer will say that a certain percentage of time the contractor is permitted to use the machine on his commercial work. The prices, the rates at which he will have to pay for commercial work are generally laid down by Office of Emergency Planning (OEP) guidelines.

These guidelines leave something to be desired, and the Office, Secretary of Defense, and OEP are now working to make these more definitive.

Mr. ROBACK. You mean OEP actually prescribes rental rates?

Admiral HADDOCK. They furnish the guidelines by which the procurement officer is supposed to prescribe rental rates. There has been apparently a little bit of ambiguity in these guidelines.

Mr. ROBACK. Why would they be concerned? In what sense does that bear on mobilization, that is to say, the rental?

Admiral HADDOCK. This tooling I guess is a part of mobilization preparedness.

Mr. ROBACK. Say that again?

Admiral HADDOCK. The tooling itself represents a mobilization potential.

Mr. ROBACK. I know it does. Of course there might be a mobilization impact as to the degree to which the material, the equipment, is tied up in commercial use. There would be an obvious mobilization impact, but what about the rentals? Are they related to that?

Admiral HADDOCK. I cannot honestly state why they have this responsibility except that they do have it.

Mr. ROBACK. Has that responsibility been shifted to you?

Admiral HADDOCK. No, sir.

Mr. ROBACK. They still have it?

Admiral HADDOCK. OSD is working with them now to try to get clarification of these guidelines, and a modernization of the rates to make the rates reflect a little more what the cost should be.

Mr. ROBACK. You might present a brief statement as to what the problem is.

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. And what is being done about it now.

Admiral HADDOCK. Yes, sir.

(The information requested follows:)

The problems relating to the use and rental of Government-owned industrial plant equipment involve two policy areas. GAO review concluded that OEP approval was not being obtained when use of Government-owned equipment on commercial work was anticipated to exceed 25 percent and further that clarification as to the intent of the ASPR 13-405, which sets forth the requirement for OEP approval, was needed. GAO interpreted it to mean machine by machine, whereas administrative contracting officers interpreted it to mean total facilities package.

GAO also found that although uniform rates for rental of Government-owned machines had been prescribed, various bases upon which the rent payments were negotiated resulted in a lack of uniformity in the rates actually charged, inequities between contractors and, in some cases, reduced payments to the Government.

Acting upon GAO recommendations, OASD (I. & L.) has provided a temporary clarification for application, to the extent possible immediately, pending publication of a revision to ASPR 13-405. These instructions provide that contractors may be authorized to use Government-owned IPE for commercial work to keep the IPE in a high state of operational readiness through regular usage; or when substantial savings to the Government would accrue through overhead cost sharing or receipt of rentals, provided no competitive advantage is conferred; or to avoid inequity when the contractor is required to retain the equipment in place, often intermingled with contractor-owned plant equipment required for the production of commercial orders. Such commercial use may be authorized for no more than 25 percent of time available for all use, based on normal work schedules. For equipment with a unit cost under \$25,000, the authorization will apply to the average use, within any 3-month period, of all of the active equipment. For equipment with a unit acquisition cost of \$25,000 or more, the authorization will apply to the same average use but for each individual piece. Authorizations may be granted up to 1 year in advance. Commercial use in excess of 25 percent will not be authorized without prior approval of ASD (I. & L.). Where required, ASD (I. & L.) obtains approval from OEP.

ASPR 13-405 sets forth the requirement for obtaining OEP approval when use on commercial work is anticipated to exceed 25 percent. The ASPR section sets forth the guidance issued by OEP in Defense Mobilization Order 8555.1 dated November 13, 1967. This order establishes policies necessary to maintain a highly effective and immediately available machine tool and equipment reserve for the emergency preparedness program of the U.S. Government. ASPR 7-702.12 also contains provisions for commercial use of equipment included in the emergency preparedness program and the specific rental to be charged.

UNIFORM RATES PRESCRIBED

In 1956 the need to establish uniform leasing policies with respect to rental rates was acknowledged in reports prepared by the Joint Committee on Defense Production and the Senate Select Committee on Small Business. One report states that sizable numbers of Government-owned machine tools were being leased to private industry and that, because a uniform leasing policy had not been adopted, discrimination and apparent low-rental policies tended to place small concerns at a competitive disadvantage. Moreover, the Select Committee on Small Business believed that leasing for nondefense purposes should be held to a minimum, a policy which is currently reflected in OEP and DOD instructions.

Therefore, an Interagency Task Group was formed with members representing the DOD and six other agencies of the Government. On June 19, 1967, the recommendations of the task group, which were developed by consulting representatives and leasing experts in the machine tool industry, were adopted and uniform rental rates for the leasing of Government-owned machine tools to private industry were established. The uniform rates, which are currently stated in OEP's Defense Mobilization Order 8555.1 and ASPR section 7-702.12, were adopted on the premise that all lessees should be treated alike and that all pay rent at the same rates.

New uniform rental rates become effective 90 days after publication of the revised Defense Mobilization Order 8555.1, now in process. The new rates shown below are expressed as percentages of the installed acquisition cost of equipment.

[In percent]

Age of equipment	New rate	Present rate
0 to 2 years.....	3.0	1.75
Over 2 to 3 years.....	2.0	1.5
Over 3 to 6 years.....	1.5	1.5
Over 6 to 10 years.....	1.0	1.0
Over 10 years.....	.75	.75

DSA STORAGE DEPOTS

Mr. ROBACK. Going to another subject, there was some discussion with the Navy witness the other day about a GAO report commenting on the duplicate stocking of GSA and Navy inventory because the Navy prefers, in dealing with its overseas destination points, to handle its own material rather than to have direct requisitioning from GSA as the other services do.

The question also, I think, came up as to duplication, possible duplication in depot inventories otherwise. I think you testified you are collocated with the Atlanta General Depot of the Army.

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Is that still called General Depot?

Admiral HADDOCK. I think it is.

Mr. ROBACK. Time was when Atlanta General Depot had a wide range of supplies, many of which are in your management control?

Admiral HADDOCK. Yes.

Mr. ROBACK. If one went into the Atlanta General Depot today, would he find items identical with those in your collocated depot?

Admiral HADDOCK. No, sir.

Well, it might possibly happen. Our inventory is located in Atlanta General Depot, a wide range of it. Atlanta General Depot also acts otherwise as an Army facility.

Mr. ROBACK. They are landlord to you in certain respects?

Admiral HADDOCK. Well, they do the operation for us at our direction. They act as though they were one of our own depots. If we get a requisition for material, if Atlanta is designated as the supply point, we send them an order to ship. They ship it and they report back to us just as our depots do.

Mr. ROBACK. That is your operation?

Admiral HADDOCK. They are doing it for us; yes, sir.

Mr. ROBACK. They do not have another corner of the depot in which they have the same types of supplies under Army management?

Admiral HADDOCK. I would think not, although possibly they may have—they also do some maintenance there of course—they may have a shop store stock behind a maintenance shop of our same items which they have drawn from our stocks.

Mr. ROBACK. But theoretically the service depots, other than performing services at your direction, have specialized stocks that you do not manage; is that right?

Admiral HADDOCK. It is probable. I do not know.

Mr. ROBACK. But I mean generally they have stocks that are not managed by you?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. Other than those they manage at your direction?

Admiral HADDOCK. They will have Army stocks, stocks of Army items there, certainly.

Mr. ROBACK. In the surplus disposal category, are there any new developments with relation to GSA? Do you still perform by delegation all of these functions?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. As part of the military concern?

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. There has not been any change in the relationship?

Admiral HADDOCK. No, sir.

Mr. DAHLIN. Is that arrangement in Atlanta mainly for the convenience of keeping all the personnel under one roof rather than dividing them between the Army and DSA?

Admiral HADDOCK. There was just the desire not to break the depot into two, and at the time I assume it was felt that the Army could do the job for us there without the necessity for us managing it completely.

Mr. DAHLIN. The information you provided the committee indicates you have a current critical shortage of DSA-managed storage space. Has that come about from an attempt to consolidate too many spots too early, or how did that happen?

Admiral HADDOCK. Primarily it came about because of the tremendous demands put on us by the Vietnam buildup, and combined for a while at least with a little difficulty in getting shipping as fast as some of the larger items were produced by our suppliers. So we had to put it down for a time, until we could get the shipping for it.

This was the genesis of our storage criticality situation. But as a generality, it was just the demands of the Vietnam war requiring us to lay down more wholesale stock than we had anticipated.

Mr. DAHLIN. Is there a hope to do something more with the whole CONUS arrangement of depots, either consolidate or make them more flexible?

Admiral HADDOCK. We have made some appropriation channel efforts to get some, particularly on the west coast, a little more storage space built at some of our existing depots. This is the only thing we are doing at the moment.

Mr. DAHLIN. What is the purpose of this warehouse gross performance measurements system that you are supposed to be developing?

Is that to evaluate everybody's space, see how well they are using it, take it away from them if they are not?

Admiral HADDOCK. This is really efficiency of warehousing performance that we are attempting to measure here. We are doing this for OSD. It is an office which we administer for OSD.

It is really an evaluation of the cost of the incremental efforts going into a receipt issue and warehouse operation, and comparing one activity of one service against the other in gross terms.

Mr. DAHLIN. Mr. Chairman, we have this supplemental information that was referred to in the admiral's statement that we can make an

appendix to the record at the appropriate point, as the committee wishes.

Mr. HOLIFIELD. It will be received.

(The information appears in the appendix, p. 309.)

Mr. HOLIFIELD. Have you further questions?

Thank you very much, Admiral, for your testimony, and your assistants.

Admiral HADDOCK. Thank you, Mr. Chairman.

Mr. HOLIFIELD. The meeting will stand adjourned to the call of the chair.

We hope to have Secretary Morris before us after the Fourth of July week is finished, and after he returns from overseas. We would have had him earlier, but he was engaged overseas, we understand.

(Whereupon, at 12:05 p.m., the committee adjourned, subject to call of the chair.)

MILITARY SUPPLY SYSTEMS

THURSDAY, JULY 18, 1968

HOUSE OF REPRESENTATIVES,
MILITARY OPERATIONS SUBCOMMITTEE OF THE
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2203, Rayburn Building, the Honorable Chet Holifield presiding.

Present: Representatives Chet Holifield, Randall, Horton, and Erlenborn.

Also present: Herbert Roback, staff administrator; Douglas Dahlin, counsel; Joseph C. Luman, defense analyst; and Paul Ridgely, investigator.

Mr. HOLIFIELD. The committee will be in order.

Today we will continue and hope to complete with this session a series of hearings on military supply systems. The witness is the Honorable Thomas D. Morris, Assistant Secretary of Defense, who will introduce his associates.

Secretary Morris recently returned from a special inspection trip to Southeast Asia and elsewhere. We hope to have the benefit of his recent observations on supply management deriving from the trip and any other observations he deems of interest and value to the subcommittee.

Secretary Morris is an experienced and very able analyst and administrator in Defense matters. Of course, he sits in a seat of responsibility for policy guidance and direction of all Defense supply and logistic matters.

We are very pleased to have you before us again, Mr. Secretary, and you may proceed with your statement.

STATEMENT OF HON. THOMAS D. MORRIS, ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS); ACCOMPANIED BY ROBERT A. BROOKS, ASSISTANT SECRETARY OF ARMY (INSTALLATIONS AND LOGISTICS), AND PAUL H. RILEY, DEPUTY ASSISTANT SECRETARY OF DEFENSE (SUPPLY AND SERVICES)

Mr. MORRIS. Thank you very much, Mr. Chairman.

Mr. Chairman, I am accompanied this morning by Dr. Brooks on my right, who is Assistant Secretary of Army for Installations and Logistics, who was with me during this recent trip, and also the one we had last fall.

On my left is Mr. Paul Riley, the Deputy Assistant Secretary for Supply and Services.

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:

<i>Types of property</i>	<i>Acquisition cost as of June 30, 1967 (billions)</i>
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.

Mr. MORRIS. Only in Defense agencies, sir, like DSA and DCA. It would be small amounts.

Mr. HORTON. Thank you.

Mr. MORRIS. Since 1961 we have concentrated our efforts on improving logistic readiness while minimizing the number and dollar value of these stocks. We believe that the military services have made exceptional progress in meeting these objectives.

1. The investment in supply stocks has declined significantly in relation to the investment in major weapons and military equipment.

[Dollars in billions]

	June 30, 1961	June 30, 1967	Percent change 1967-61
Major weapons and military equipment (these are ships, planes, and missiles, primarily).....	\$68.0	\$95.5	+40
Supply systems stocks.....	44.3	43.5	-2
Stocks required per dollar of weapons and equipment (money in cents)...	65	46	-30

The reduction in supply system inventories has occurred during a period of major buildup to support Vietnam operations. In fact, active force inventories alone have increased by \$3.4 billion, compared to 1961. The net reduction shown, which is on the order of \$800 million, is the result of reducing overstocks and excesses by \$4.2 billion through more accurate requirements determination and more effective redistribution of assets among the military services. If these improvements had not taken place, and the 65-cent ratio for each dollar of weapons and equipment in use were required, our supply system inventories would today be a staggering \$62 billion—or almost \$19 billion more than their present level.

2. The improved inventory posture has been the result of a succession of innovations in organization and procedures.

The dramatic results portrayed in the above figures are not just happenstance. During the past 10 years there have been five principal events which have had a noteworthy influence:

(a) *The advent of the Federal catalog system.*—The starting point for major change in supply management was the full introduction of the Federal catalog system in 1958. The catalog, for the first time, established a common supply language by assigning a discrete number and description to each separate item in the supply system. One of the most important uses of the catalog is to prevent the addition of unnecessary items to our inventories as new weapons—with their thousands of spare parts—are developed. Through our central catalog file in Battle Creek, Mich., we are now able to match every new item proposed for stockage, against all items in the system in order to determine if the same or a substitute item is available. Through this medium today we are finding that 35 to 40 percent of the parts in newly developed weapons are already in the system. Secondly, the centrally managed catalog has opened a new era in our standardization and item simplification programs by making it possible to rapidly classify and compare items so as to eliminate duplicates and to continuously purify the catalog.

As a result of these techniques, the catalog has expanded by only 5 percent since 1961—from 3.8 to 4.0 million items. Without this

common language and the new disciplines it has brought to bear, we estimate that the growth might well have been over 50 percent, and that we would be spending at least \$180 million each year in clerical and warehousing costs to manage these duplicate items, quite apart from the investment in unneeded stocks.

(b) *Integrated item management.*—The creation of the Defense Supply Agency in 1962 has brought under single management over 1.8 million common items. Other single manager assignments to GSA, Army and Air Force have added another 125,000 items. Thus, about 50 percent of all items in the supply system have been assigned to one manager who buys, stores, and issues on behalf of all services. Most of the items which remain under service management are peculiar to the individual service, or directly related to the operation of its weapon systems. We are, of course, continuing to purify these item assignments, but the major job has been done.

Integrated item management almost immediately led to simplification in the organizational and physical structure for supply management. The number of inventory control points was shrunk from 44 to 22, and numerous storage points were closed—releasing altogether about 96 million square feet of covered space.

(c) *Standardization of procedures.*—Beginning in 1962 it became apparent that to obtain maximum benefits from integrated management and to facilitate interchange of stocks among the services, we needed one set of forms, records, and codes for use in the requisitioning, shipping, and accounting for supplies within and among the military departments. These are the well-known MIL standards (MILSTRIP, MILSTRAP, MILSCAP, et cetera). They have been accompanied by a procedure, approved by the JCS, of uniform priority designators which establish the sequence and timing of issues from depots. I believe these are the most massive paperwork standardization programs ever undertaken in the Federal Government.

(d) *Improved communications.*—A major breakthrough has been the development of high-speed techniques of communicating logistic data over the Defense long lines network, known as the automatic digital network (AUTODIN). Under this system it is possible for depots to report transactions to inventory managers at a rate of 600,000 messages per day compared to only 35,000 possible under previous procedures.

(e) *Finally, automation of records.*—Since 1961, the number of computers applied to supply management applications has grown from 260 to over 700. The benefits of the computer are, of course, not simply in their ability to rapidly store and process information on receipts, issues, and stock balances—but in their capability to prepare reorders as soon as minimum stock balances are reached, and to compute reorder quantities accurately related to usage experience. Thus computers are permitting attainment of the long-sought objective of freeing the human manager from the drudgery of detail so that he can concentrate on special problems requiring analysis and judgment. Each of the services now has comprehensive programs of automated inventory management; and each has established a full-time, top-level planning and control staff which is devoted to harnessing the great power of

the computer to logistic and other management tasks. I will return to a discussion of future opportunities in this area later in this statement.

As the committee's hearings have brought out, there are many apparent differences in concept and coverage among the supply management and control systems of the four services. Before examining these differences, and our future objectives for improvement, I would like next to review—

B. HOW OUR SUPPLY MANAGEMENT SYSTEMS HAVE FUNCTIONED UNDER COMBAT CONDITIONS IN SOUTHEAST ASIA

In January 1965, U.S. troop strength in South Vietnam was 23,000, and the logistic base consisted of one deepwater port, three jet airfields, and virtually no capability outside of Saigon to deploy and support forces. By June 1968, our forces had grown to 534,000, with the growth occurring at the following rates:

June 1965	59, 900
June 1966	267, 500
June 1967	448, 800
June 1968	534, 000

The most difficult problems were experienced during the first year of the buildup when 200,000 men were deployed concurrently with the construction of the logistical base. Today—3 years later—we have moved almost 13 million short tons of materiel into the Pacific area—including 400,000 end items—and constructed 29 deepwater berths, 50 forward airfields, four major depots, petroleum storage for 4.5 million barrels, and 21 million square feet of improved open-storage area.

The major problems of the buildup were, of course, experienced by Army, which has deployed over two-thirds of the men and materiel, and has the problem of operating in a highly mobile environment without the benefit of fixed bases, such as characterize the Navy and Air Force environment. In addition, for most of Vietnam, Army operates all ports and supplies food, petroleum and selected common items to other services and the ARVN. Navy has these responsibilities in I Corps.

I have just returned from my third inspection trip to Vietnam in 2 years and can summarize the story of SEA logistics supports in four findings:

1. The U.S. forces have never been restricted in combat operations for want of essential supplies, and have enjoyed the highest quality of personal supplies—food, clothing, medical—during wartime. Even among units deployed in the north of SVN today, freshly baked bread, fresh fruits and vegetables, milk and ice cream are regularly available. The availability of spare parts for aircraft, trucks, tanks, vehicles and other equipment is as high or higher than that experienced anywhere else in the world. These results have been achieved by the most intensive logistics management effort in our history, including, when required, visibility of critical supplies and equipment up to the level of the Chairman of the JCS and the Secretary of Defense.

Example: Every week a report is received in my office showing the percent of major Army equipments out-of-service awaiting parts.

These reports have been received since December 1965. As of July 9, this report showed the following:

PERCENT OUT-OF-SERVICE AWAITING PARTS

Equipment (examples)	Standard percent	Actual on July 9, 1968 percent
CH-47 helicopters (1st Cavalry Division).....	12	5
Bulldozers (full track).....	20	3
Trucks, 5-ton cargo.....	10	5
Material handling equipment.....	20	8
M-109, 155 howitzer.....	15	5
Armored personnel carriers (M-118).....	15	4
Tanks, M-48A3.....	15	2

The standard is established by General Abrams. The actual status, and this has been true now for many months, is far less than the acceptable standard.

Example: Every week the Chief of Staff, Army, publishes a report on Southeast Asia which shows numerous indicators of operational and logistic readiness, including the status of shipping and the number of vessels working, waiting, and holding at each Vietnam port.

Example: Every 15 days the Chairman, JCS, and the Secretary of Defense receive reports on ammunition consumed, on hand, in transit, and in production for each of 100 key items. Immediate action is taken to readjust production and shipping schedules in accordance with consumption trends.

Example: Every week the status of the helicopter inventory is reported to the JCS showing losses, total assets on hand, and total assets operational. Daily reports are available on call.

Example: During the Khesanh siege, daily reports were received by the JCS showing days of supply of rations, ammunition, and other key items at Khesanh.

Example: Every evening a telephonic conference is held between Saigon and the Army's Oakland Logistics Control Office covering items requiring expedited shipments. Between 500,000 and 1 million pounds of such items, primarily spare parts, are airlifted weekly through a service known as "Red Ball Express."

Example: DSA has stationed liaison officers in SEA to make certain that responsive support is furnished on its items—which represent about 50 percent of the items required to support the forces.

Example: Every principal inventory control and stock point in Vietnam is today equipped with computers to assure rapid accounting of requisitions, receipts, issues, and stock balances.

2. Vietnam commanders of all services are highly cost conscious and are stressing economy in the midst of a major conflict. When one is briefed at MACV Headquarters today, he is given not only a military operational and logistic posture review, but also a report on management improvement actions by all services—under a project called MACONOMY. For the 9 months ending March 31, 1968, the cost reductions achieved have totaled \$241 million, with all services participating. These actions have resulted from reducing stock levels, reducing personnel, reducing contract costs, et cetera.

3. The Army has found it necessary to innovate many special techniques of supply management to cope with its problems.

The Army mission in Vietnam, as previously noted, is immensely complex. It has some 2,500 mobile units and 250 different operating aircraft locations. It began the buildup without a body of usage experience covering operations of this type.

During the first 18 months of the buildup, as units deployed they were provided with a "push package" designed by CONUS inventory control points on the basis of estimates as to what the unit might need during its first few months of deployment. These "packages" were generously built with foreknowledge that some items would be unneeded and that some quantities would prove excess to requirements.

After the first few months of the buildup, out-of-service rates on equipment requiring parts became excessive, and in December 1965 the Red Ball Express service was inaugurated, with results such as those cited above. This service was immediately successful and has continued ever since under tight controls. It is undoubtedly responsible for assuring the highest operational rates for equipment now enjoyed by the Army throughout the world. Also, because of the criticality of Army aircraft and missile systems, the so-called Stove Pipe system of vertical management between the CONUS inventory control points and the Army in Vietnam was established. These techniques resemble very closely the type of support which has been pioneered by the Air Force in recent years between key operating bases and inventory control points.

Beginning early in calendar 1967, at the request of General Westmoreland, teams of trained depot and inventory specialists were sent to Vietnam on temporary duty by the Army Materiel Command to begin the task of placing all supplies under full control. The first step was to pull back from some 1,900 operating units the unneeded material contained in the "push packages." This was largely accomplished by the fall of 1967; but in turn it created temporary congestion at the three principal Army depots, and particularly at the inadequate Saigon depot known as the Fish Market. It is pictures of this facility, as it existed last November, that GAO included in its recent report. I am happy to report that today this condition has been completely corrected and that a new depot 25 miles north of Saigon is now being occupied at Long Binh.

Also, since last fall a fully automated central inventory control center—known as the 14th IOC—has become operational at Long Binh and is now assuming full control of all Army depot stocks.

From this experience Army has learned many valuable lessons for the future. Among these are the need for a quick reaction inventory control center to be deployed at the outset of a major buildup when logistical facilities do not exist. The importance of more trained and experienced depot management personnel has likewise been revealed. And knowledge has been gained which will enable Army to tailor "push packages" more precisely in the event of a future contingency of the Vietnam type.

But it is my opinion that, regardless of needed refinements, the special procedures and innovations described earlier—including prudent use of airlift for critical parts, and continuous high-level visibility of selected items, such as ammunition and helicopters—are essential to a highly responsive supply system under combat conditions of the type encountered in Vietnam.

4. Major attention during the next year must continue to be devoted to management of excesses and timely preservation of SEA stocks.

During my visit to Vietnam last November in company with Assistant Secretary Brooks, it became apparent that we should immediately begin steps to identify and redistribute the excess inventories which had resulted from the buildup. In Korea we had failed to institute such action in a timely manner, and that conflict ended with some \$12 billion of excess materiel, much of it in deteriorated condition.

As a consequence, Secretary McNamara established on November 24, 1967, the "Pacific Utilization and Redistribution Agency" (PURA) under the Secretary of Army as executive agent, with its operating locus in Okinawa. This Agency is now functioning. Its mission is two-fold: (1) to receive, store, recondition, and issue excess Army materiel withdrawn from Vietnam; and (2) to obtain monthly lists of excesses from all services and to circulate these lists to all service installations in the Pacific area for screening. The June list, now being screened, contains 470,000 line items, valued at \$144 million.

Mr. HORTON. Mr. Secretary, a question on that.

Does that appear to be out of line or is that what you might call a normal excess.

Mr. MORRIS. Sir, in the first place I think this is only the beginning. I think we will find this figure growing over the next year as we do a better and better job of identification of stock levels required in Vietnam, and materiel not needed at current stock levels. The figure so far is very small indeed as a percent of the stocks which have been shipped and the stocks which are on hand. Materiel which cannot be reused promptly in the Pacific will be reported to CONUS for world-wide screening.

As a further step the Army and the Defense Supply Agency have placed a stop order on further purchases or shipments to the Pacific of those classes of items found in greatest oversupply—primarily food preparation and housekeeping type items.

In addition to the Pacific-wide redistribution program, attention is being given by each of the services to effecting redistribution of supplies among their units within Vietnam, Thailand and Korea. During fiscal year 1968, Army redistributed \$100 million within Vietnam and canceled \$300 million in requisitions placed on CONUS inventory control points. It reduced stock levels by another \$50 million, in recognition of the faster order/shipping time which is being experienced now that the logistics base has reached an efficient operating level (including uncongested ports, use of Sea Land vans which can be rapidly unloaded and transported, as well as better stock control). Air Force has reported over \$100 million in similar actions.

In summary, the logistical effort in Southeast Asia has been remarkably successful. Without question, we have learned many lessons which can be applied in the future to avoid mistakes and unnecessary costs. Most noteworthy has been the timely awareness of our military commanders to these mistakes, and the speed with which they have acted to correct them and to avoid their repetition.

Finally, I would like to report to you on our—

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-

ample is aircraft engines, which have long been controlled on a serial number basis by Air Force and Navy, and are now being placed under such control by the Army.

The major problem of inventory management thus lies in the several million secondary items which have high usage rates—fluctuating with the tempo of activity—and on which a continuous evaluation of demand trends is required. It is also in this area that the highest volatility occurs—due to the continuous introduction of new items and the dropping of old items as weapons systems change. By far, the most difficult of these categories has been repair parts, many of which have erratic and unpredictable demand patterns.

During the past 10 years, the services have employed the technique of “stratifying” secondary items by value and varying the intensity of management in accordance with value of annual demand.

With this background, I would now like to comment on each of the issues mentioned above.

1. How deep in the supply chain should central control over inventories extend?

As noted, the services now maintain a substantial degree of worldwide visibility over principal items, and this issue primarily concerns secondary items. I am pleased to report that studies of the military departments and my office have recently resulted in the adoption of basic policies which respond to this question. On June 12, 1968, Department of Defense Instruction 4140.33 was issued, prescribing four standard degrees of management intensity, based upon the value of annual demand or planned issues, as follows:

<i>Management intensity grouping</i>	<i>Value, annual demand</i>
Very high-----	Over \$500,000.
High-----	Over \$50,000 to \$500,000.
Medium-----	Over \$5,000 to \$50,000.
Low-----	\$5,000 or less.

This new policy prescribes, for all groups, that maximum use of computers shall be made. For the top two groups, the most intensive management review and analysis is prescribed, including obtaining asset information on a worldwide basis, as fully as practicable, and the use of high-speed transportation whenever economically advantageous.

The most intensive management system today covers 77,000 recoverable Air Force items, primarily aircraft and missile parts and components. This system, installed last November, requires daily transaction reporting on a worldwide basis. The Navy has for some time maintained worldwide visibility over 6,000 items having an annual demand of \$50,000 or greater. The Army is currently developing such worldwide procedures, based upon a test of 1,780 high-value items.

In summary, it is our objective to build upon our experience with the above procedures, and to obtain a uniform degree of worldwide visibility for selected secondary items which meet the high-value criteria.

I would like to add that there is no obstacle today in our judgment to the development of such controls because of command prerogatives or lack of confidence in supply responsiveness. While this has been a problem in the past, our experience in Vietnam has, I be-

lieve, removed any distrust of the responsiveness of our supply systems. In any event, when problems of allocating limited critical assets arise, they are being resolved by higher military command levels, not by inventory managers.

2. Should the automated inventory management systems of the service be identical, or at least more uniform?

This also has been a matter of discussion and action by the Materiel Assistant Secretaries during the past several months.

As service witnesses have discussed with the committee, each has now or is in the process of implementing a comprehensive plan of standardized computer systems for (1) its inventory control points, (2) its wholesale stock points, and (3) its large base level users, both in the United States and overseas. When these plans are fully implemented in the early 1970's, each service will have achieved intraservice standardization of supply systems in terms of computer hardware, and computer programs (software).

During the past several years when these systems were in the design stage, the role of my office was one of monitorship to assure that specifications were adequate before acquisition of hardware was undertaken, and to apply economic acquisition policies; that is, obtaining full competition from eligible computer suppliers, and purchasing rather than leasing equipment when this is the most economical to the Government. Concurrently we supervised the development of standard requisitioning, transportation, and accounting procedures so that the services and DSA can communicate with each other efficiently. We have not endeavored—nor do I feel it would have been prudent—to standardize such internal service supply procedures under DOD-wide rules. The reason for this is that supply systems are not independent of other departmental management functions; they must be related, for example, to equipment maintenance and weapon systems; and they must produce financial and other reports tailored to the needs of managers and commanders. Had we insisted on standardized internal supply procedures among all services, we would have stifled the creative developments which each service has now pioneered to meet its specific needs.

With this phase of our planning now largely accomplished, the materiel secretaries agreed last May to establish a joint staff under the supervision of my office, manned by a highly competent systems/ADP specialist from each service and DSA. The mission of the staff—and I quote from the letter of agreement with the services—is to review "the features of each of our major automated systems now in operation or planned for the future and develop compatible procedures and system milestones for all of us to follow over the next 5 years." This staff is now being formed, and we are planning a conference next month of top service logisticians to discuss the status of system planning in each service and to lay out a work program for our joint staff. The work of the staff, and its recommendations, will be reported to the materiel secretaries, as a body, to aid them in defining future DOD-wide policies and concepts.

It is important to stress, in discussing this issue, that we can afford major changes in automated system at intervals of only 3-5 years. Thus, the planning which we shall engage in during coming months will lay the foundation for improvements in the time frame of the

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. ERLNBORN. 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-

cerned about automatic data processing. Do you have terms of reference for this effort?

Mr. MORRIS. At this time we have a memorandum which forms the basis for this decision, Mr. Roback, which I would be pleased to furnish you if you would like.

Mr. ROBACK. Is there any reason why it can't be printed?

Mr. MORRIS. I think not, sir.

(The information referred to follows:)

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., May 4, 1968.

Memorandum for the Assistant Secretary of the Army (I. & L.); the Assistant Secretary of the Navy (I. & L.); the Assistant Secretary of the Air Force (I. & L.); Director, Defense Supply Agency.

Subject: Review and approval of automated logistics systems.

The General Accounting Office (GAO) has recently completed a study for the chairman of the House Appropriations Committee of several large automated systems projects in the Department of Defense. The study report was critical of the level of logistics systems integration and compatibility achieved thus far and the absence of effective Office of the Secretary of Defense review and coordination of proposed automated systems.

In testimony before the House Appropriations Committee in March 1968, the OSD witnesses agreed with the basic GAO recommendation that greater OSD review and coordination of these programs was required and stated that a program for achieving this was being established. The committee was advised that this Office believes that major progress in achieving interservice system standardization has been accomplished through standard military policies and procedures contained in MILSTRIP, MILSTAMP, UMMIPS, MILSTEP, etc. These procedures were our first steps toward achieving standardization and compatibility between and within the automated supply systems of the military services and DSA. It was proper and prudent that we took these steps when we did.

As you know, my staff and I have been concerned for sometime that the recent acquisition of large-scale automated data processing equipments by each of the military departments and DSA may be getting us farther away from systems compatibility. Thus, we are making it more difficult for integrated supply managers to serve their customers and very difficult for one military service to support its sister services when multiuse equipments are required. The problems that have existed in connection with integrated support of the F-4 aircraft are a typical example of a case where incompatible systems precluded the Air Force and Navy from fully utilizing each other's common assets. This not only wastes money but degrades our support capabilities.

I believe it is in the mutual interest of the military services and the DSA to have compatible, automated systems. These systems do not have to be precisely standard, but they should be compatible to the extent that communications can be passed to, and logistics support assignments made to any military service or DSA without major disruptions or expensive reprogramming costs. I also believe that it is in our best interest to achieve DOD compatible logistics systems through the use of an integrated staff working for the military services, DSA and OSD.

I suggest that we form a joint planning team—to report to the materiel secretaries as a body, manned by a highly competent systems/ADP military person from each service, DSA and my office. This planning team could begin reviewing the features of our major automated systems now in operation or planned for the future and develop compatible procedural and system milestones for all of us to follow over the next 5 years.

I would like to have your reaction to this memorandum in the next several days so that we can plan to establish this joint planning effort.

(S) THOMAS D. MORRIS,
Assistant Secretary of Defense (Installations and Logistics).

Mr. ROBACK. In the testimony by General Heiser, he referred to your office, referred to your calling upon the Assistant Secretaries for I. & L. to review their manning problems in this field. Now, is that a different effort?

Mr. MORRIS. This is still a separate effort, although there is, of course, correspondence between the two groups. The manpower effort is, of course, a very broad one, in which we are concerned with the quality and quantity of manning in all logistics functions—requirements determination, depot operation, inventory management, transportation, communications—all functional fields.

Mr. ROBACK. Do you have a letter of reference or memorandum on that?

Mr. MORRIS. We have a plan of study on this which I would be pleased to furnish.

Mr. ROBACK. Thank you.

(The information referred to follows:)

MAY 1, 1968.

Personal memorandum for Secretary Brooks, Secretary Shillito, Secretary Charles.

Subject: Initiation of a 6-month project to develop long-range logistics manpower plans and objectives.

Confirming our recent discussions on this matter, I would like to propose that we jointly agree upon the immediate initiation of the following project.

The "long-range manpower planning project" should be under the continuing policy direction of a policy board consisting of the materiel secretaries, the Deputy Chiefs of Staff (Logistics), the Director, DSA, and the J-4, who, as a body, will comprise the Logistics Manpower Planning Board.

It is proposed to establish an ad hoc planning task force to develop facts and prepare proposals for consideration of the Board. The chairmanship of this task force would be assigned to Col. Peter DeLonga, USAF (on detail to this office), with one representative of each of the materiel secretaries and the Director, DSA. The group would work full time.

It should be stressed that this is an ad hoc factfinding and idea-creation group, and that it will not assume responsibilities for administration of any facet of the logistics manpower program, such as the joint training program, now being supervised by Mr. Lyons at the OSD level.

The procedures and objectives envisioned for the group are as follows:

- (1) First, by direct discussion with key logistics officials in all services and DSA, obtain a factual profile of current manning of key logistics functions (primarily procurement, contract administration, maintenance, depot and warehousing operations). The profile should statistically display the current manning of these functions, by key manpower characteristics; i.e., age, education, grade or rank, qualifications possessed, and type of career development programs provided numerical staffing versus workload. The factfinding should not bog down in detail, but obtain the best possible data. In the conduct of the factfinding, the team should give special attention to the lessons learned as a result of the Southeast Asia conflict. A visit to CINCPAC and Vietnam would possibly be desirable.
- (2) Second, project the profile as far in the future as feasible (say 10 to 25 years) under present policies; that is, assuming no change in recruitment practices, personnel ceilings, training, assignment, and promotion practices.
- (3) From the above two steps, and again in consultation with key logistics officials, identify the key problems in respect to both quantitative and qualitative characteristics of the logistics manpower force today, and at projected intervals in the future.

- (4) Based on the above findings, develop various solutions to these problems, including a 5-year initial plan of correction, with annual goals (expressed in quantitative terms) covering the numbers of people of given educational attainment to be recruited; the numbers to be given various basic types of DOD training; the numbers to be reassigned, rotated, promoted, etc.

I would appreciate receiving your views (and, if possible, those of your Logistic Chief) as early as possible so that we can begin formulation of a study plan, leading to initiation of the task force work by June 1, 1968.

(Signed) Thomas D. Morris
THOMAS D. MORRIS.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., June 28, 1968.

Memorandum for Members of the Logistics Manpower Planning Board.
Subject: Progress report.

On May 1, Mr. Morris wrote the materiel secretaries suggesting the establishment of a joint project to develop long-range logistics manpower plans and objectives. Each service has nominated a member for this task force and initial discussions have been held by its members who are:

Col. Peter DeLonga, USAF, Chairman

Mr. Walter Hurd, Navy

Capt. K. M. Beyer, USN, DSA

Mr. Donald B. Churchman, Army

Various approaches to the study have been considered. Because of the scope of the subject, it has been concluded that two parallel efforts should be carried on during the next month, before proposing a final study plan to the Policy Board. These efforts are (1) an inventory of the current logistics manpower posture, and (2) a model study of how to produce an optimum manpower posture in the contract administration function. Following completion of these two tasks, the next phase of the study can then be planned.

INVENTORY OF THE CURRENT LOGISTICS MANPOWER POSTURE

During the next month, two members of the task force, Colonel DeLonga and Mr. Hurd, will devote their full time to visiting the organizations shown in attachment 1 for the purpose of discussing the factual data needed. In separate letters to the Logistics Chiefs of the Services and to the Director, DSA, the kinds of data required and the format for reporting it will be outlined. Generally, the data will cover the logistics manpower population subdivided approximately as follows:

(a) By functional area for each of the following: purchasing, contract administration, inventory and support management, storage and issue, overhaul and repair. (Deliberately excluded at this time are research and development, technical, general management, communication, transportation, civil engineering and systems programs, and project manager organizations.) Definitions will be furnished with the data call.

(b) With respect to each function, determine total numbers of military and civilian, by rank or grade.

(c) With respect to each function, determine distribution of professional personnel by age and length of service. (GS-5 and up; Navy ensign, Army lieutenant, Air Force lieutenant, and up.)

(d) With respect to each function, determine distribution of professional personnel by educational attainment (high school, college, advanced degree).

Determine present turnover rates by function for fiscal year 1968 and trends for the past 3 years where the data is available. Describe current programs for replacement including direct recruitment. Distinguished particularly between specifically planned and directly conducted recruitment programs versus those that are proceeding on an ad hoc basis.

Determine the extent of training and educational opportunities provided to employees, both on the job and off the job. Identify basic gaps or deficiencies.

Determine, in general, the quantitative adequacy of staffing for the foreseeable future, by function, as seen by management. Provide statistics where available and applicable.

Determine the qualitative adequacy of staffing and identify critical weaknesses, by function, as seen by management. Provide statistics where available and applicable.

Data obtained from the above interviews will be systematically compiled in reference notebooks. Summaries and comparative tables will be developed into a succinct paper for presentation to the Policy Board at its meeting on July 18. From these data it is hoped to identify a list of special study areas to be conducted by the task force (with supplementation from the services and DSA; attachment 2 is a list of possible issues for study) arranged in priority order, with a proposed milestone schedule for further factfinding, analysis, and reporting of recommendations to the Board during the period August-December.

MODEL STUDY OF CONTRACT ADMINISTRATION

Secretary Charles and General Ruegg have suggested that this area be selected for an immediate depth analysis. The objective would be not only to formulate a complete action program for further improvements in this field, but to establish a model which then might be emulated in similar studies of other functional fields.

It is planned that two members of the task force, Captain Beyer and Mr. Churchman, supplemented by one representative of each military department, as required, and DSA (DCAS), will form a special team to establish this model starting immediately.

This special team will cover the full range of subjects outlined under the inventory project above. In addition, the group will endeavor, in time for the meeting on the 18th, to arrive at at least preliminary conclusions and recommendations for consideration by the policy board.

It is likely that this effort will generate the need for additional followthrough studies to be conducted by an appropriate group beyond the July 18 date.

CONCLUSION

It is hoped that the above steps will yield sufficient factual information and problem identification findings that the board can profitably spend time at the July 18 meeting in reviewing the material in detail and in formulating plans for the next stage.

GLENN V. GIBSON,

Acting Assistant Secretary of Defense (Installations and Logistics).

LIST OF PERSONNEL AND PLACES TO BE VISITED

Army—Assistant Secretary (I. & L.):

1. DCS/Logistics.
2. CG/AMC.
3. CG/CDC for CG CONARC.

Navy—Assistant Secretary (I. & L.):

1. DCNO (Logistics).
2. CNM.
3. Commander, Navy Ships Systems Command.
4. Commander, Navy Supply Systems Command.

Air Force—Assistant Secretary (I. & L.):

1. DCS/S. & L.
2. CG AFSC.
3. CG AFLC.

DSA:

1. Director, DSA.
2. Deputy Director CAS.

AREAS OF INTEREST FOR DISCUSSION

A. Do you see any problems associated with the characteristics of the present logistic work force? Areas that may be possible subjects are:

- Aging of the work force.
- Education level.
- Military, civilian mix.
- Grade and rank distribution.
- Personnel turnover.
- Quantitative staffing.

B. Do you consider that there are problems in personnel requirements planning? Areas for consideration may include:

- Determining skill requirements.
- Grade levels.
- Military, civilian mix.
- Advancing technology.
- Budgetary planning, for example, float for training.
- Availability of long-range plans for logistics systems.

C. What problems do you encounter in personnel procurement? These may involve:

- Recruitment authority.
- Recruitment programs.
- Mobility of applicants.
- Quality of area work force.
- Excessive demand for rare skills.
- Responsiveness of the civil service system.
- Training versus operational requirements.
- Loss of available skills.

D. What issues regarding development and retention of personnel do you consider problems? Possible areas may include:

- Career development, vertical and lateral movement.
- Mobility, rotation.
- Training versus operational requirements.
- Job classification.
- Promotions.
- Incentives and opportunities for broad development (manager development).
- Educational opportunities.

E. What problems may be associated with personnel management in general? Possible issues may be:

- Personnel managers responsiveness to mission objectives.
- Functional managers influence on personnel management.

Mr. ROBACK. You raised some fundamental questions, but I am not sure in one case at least what the answer was. You are clear about the answer to No. 3, which is "Yes."

Mr. MORRIS. Yes, sir.

Mr. ROBACK. No. 2, you ask whether automated inventory management systems of the services should be identical or at least more uniform. I am not sure what the answer to that is. Do you believe they should be?

Mr. MORRIS. The answer is that we do believe that from this point forward—after the generation of planning through which we have come—that we should seek, at the level of the Materiel Secretaries to examine all new systems concepts in each service as planned, and to establish the degree of compatibility which we feel is feasible and desirable. We are definitely not precise in answering that question, except that we are convinced that we need from this point forward to correlate our planning in a very formal way, which we admittedly have not done during the past 5 years.

Mr. ROBACK. We will get to the first question a bit later, but discussing this one for a moment, I gather that the essence of the General Accounting Office criticism is this: The services, each with its own multiple and diverse needs, develop systems which may not be altogether standardized within each service, or at least compatible, and then some years later, at the coordinating level, you come in and decide that this is the time to coordinate them. The General Accounting Office is saying, if I understand their critique, that you ought to get in much earlier rather than late, after the mistakes are made.

Mr. MORRIS. Yes.

Mr. ROBACK. Because these mistakes are costly, they commit the services to heavy investments in machinery which may be obsolete or limited in capacity or misconceived as to function, and you ought to spend a little time studying the matter before making these important

decisions, rather than letting them be made and then coming in and saying it is time to coordinate them.

Mr. MORRIS. And we are looking to the future agreeing with that principle. We feel that the posture that OSD has taken in this matter in the past 5 to 8 years has been the proper one.

We felt that the most important first steps were to allow the services to develop their own systems with standardization within each service, while we in OSD concentrated on the common language standards, such as represented by the standard requisitioning, shipping and accounting procedures. We think that if we had moved otherwise we might have failed to do the latter and we might well have stifled the creativity of the services which I personally feel has been terribly important.

From this point forward we are all agreed—my counterparts in the Army, Navy, and Air Force and myself—that we must review before the fact, and this we plan to do as a body, not as a unilateral OSD activity, and set common policies through such a collective mechanism.

Mr. ROBACK. Many decisions are in the making or already have been made. Many kinds of systems are in operation or about to be.

Mr. MORRIS. Correct, sir.

Mr. ROBACK. And you are coming in at a time when perhaps these decisions are irrevocable?

Mr. MORRIS. We do not plan to walk back the cat on the current plans of the four services as they have been explained to you.

Mr. ROBACK. We are getting into second, third, and maybe later generation computers. We are getting into high-speed communications. These are critical decisions. The technology is now available.

Mr. MORRIS. Yes.

Mr. ROBACK. And it looks like what you are saying now is that you have to develop some kind of coordination mechanism over the next 5 years. By that time most of these systems will be in place.

Mr. MORRIS. It is our full desire that they proceed as rapidly as possible to come into place. We think that each in its way meets a real need and is a definite advance for the service concerned.

We feel with the standard communications procedures that have been developed, that there is no problem of communication between the services that is significant, nor no bar upon any service system to using high-speed communications. The AUTODIN system, the Automatic Address System and techniques of that type.

What we are now looking for is the planning toward the next generation of change which would begin to occur toward the mid-1970's when even newer hardware might be available. This I view as being in the nature of further refinements, and further pioneering of the state of the art to achieve the end goal we now describe as integrated logistics support.

Mr. ROBACK. The General Accounting Office, at the request of the Appropriations Committee of the House, made an inquiry into automatic data processing. This study was published in the hearings of the committee, and it reports the opinion of the GAO that "there is a basic need for an overall plan within DOD that will, among other things, provide more adequate control over the planning, development and implementation of management systems." Do you subscribe to that opinion?

Mr. MORRIS. We do, sir.

Mr. ROBACK. You do? You said yes?

Mr. MORRIS. We do, sir, and that is the plan that I have outlined as we now contemplate implementing it.

Mr. HOLIFIELD. Does that plan, as you have outlined it, coincide with the plan that the GAO had in mind or not?

Mr. MORRIS. Sir, I don't know that they recommended a specific plan. They recommended that we do achieve this greater coordination before the fact.

Mr. HOLIFIELD. Have they made any comment upon this method of approach to achieving it?

Mr. MORRIS. They have not to me, sir.

Mr. ROBACK. What is the plan? Do you have a development plan published?

Mr. MORRIS. We do not.

Mr. ROBACK. Promulgated?

Mr. MORRIS. The first step agreed upon in late May, among the services and our office, is to establish what I have described as this joint staff of best talent from each service, DSA, under the supervision of my staff.

Its first assignment will be the development of a blueprint in concept. There are drafts of this kind of thinking already in being. We would hope that the materiel secretaries would be meeting very frequently to consider the products of this staff over the next year, coming up with approved objectives for the 5-year plan within which the service design organizations—which as you have heard are now quite substantial in each service—will do their own long-term design work.

Mr. ROBACK. What is this plan aimed toward, compatibility among the services, standardization?

Mr. MORRIS. As fully as this is a desirable thing to achieve, Mr. Roback, we are still far from certain how complete. I don't think we know enough individually or collectively as to the value of complete standardization among the services, due to their differences in mission, weapons systems, operating conditions and so forth.

The last thing that I personally feel we should allow to happen today is the stifling of the creative work that is going on and has been going on in the services. We need to simply pool our best talent, and agree upon those things that are wise to do in complete uniformity, and those things which must properly deviate based on service requirements. We are still very much in a creative and research phase.

Mr. ROBACK. What is the nature of compatibility? I mean, what values are you seeking? You don't know yet?

Mr. MORRIS. I would define it in simple terms as being that of simply applying the best experience, and knowledge and developments of each service across the board. Let me give you an illustration.

I think the Air Force has pioneered what all services now have agreed is the farthest step forward in terms of worldwide daily transaction reporting in the selected high value critical item category called recoverable items. They are proving the feasibility of doing this.

From that experience we can apply that technique in some fashion to similar requirements in each service. This is the type of cross fertilization, in the near term, that I think is most important for us.

Mr. ROBACK. Now, suppose each service follows through on that type of a system, but the computers they use and the reporting system they use, let us say, are not compatible one with another in some respects. Then you have certain limitations imposed, if you want to cross-service or integrate supply in a given theater. What is the concern, what are you trying to get from compatibility?

Mr. MORRIS. First of all, I think that we—

Mr. ROBACK. You don't want compatibility merely for esthetic reasons?

Mr. MORRIS. No, sir; never. First of all, I think that we have full capability today for cross communication, the reuse of assets at every level. I am not concerned with this. I don't think that is the kind of problem that any of us are worrying about.

We are concerned that we apply the highest state of understanding, experience, and accomplishment in future systems design in all services based on the thinking and experience of each service.

Mr. ROBACK. The Army in testimony over several days developed its projections, its plan for standardizing within given areas of management concern, for example, the so-called NAPALM system.

Mr. MORRIS. Right, sir.

Mr. ROBACK. Which the Army Materiel Command is concerned with. That is right; isn't it?

Mr. MORRIS. That is correct.

Mr. ROBACK. The Army—

Mr. MORRIS. That is the inventory control level.

Mr. ROBACK. This is a system which will take some years to develop and put into operation fully. Is that being examined at your level to see whether there are some things that ought to be done differently, not because you are trying to tell the Army how to run its business, but because there are some concerns which transcend the Army's own requirements?

Mr. MORRIS. The planning for this is well along, and I would say virtually complete. We have kept in touch with its progress.

I personally am satisfied it is a good plan for the Army. It will achieve, among its several inventory control points, that degree of internal standardization which is desirable if not essential within the Army.

I would not plan to try to alter that basic design at all, but rather to feed into it, and it is a flexible design, the experience with AFRAMS and similar systems within the services. This can be designed within the service itself.

Mr. ROBACK. Your position is that given the designs to date, and there have been many and creative ones, then it will be your effort in the next 5 years to see to what extent you can improve those or coordinate them or make them more compatible?

Mr. MORRIS. We will have two objectives. One is current refinements through current cross fertilization of experience, again mentioning AFRAMS as an example, and two, planning for the complete new generation of systems which each service will undoubtedly start introducing in the 1975 and beyond era.

Mr. ROBACK. I believe the General Accounting Office stricture is that you should be in on the ground floor. Is that what they are saying?

Mr. MORRIS. I believe it is what they are saying as to the future, and I interpret that to mean for a new systems design of a major nature which cannot start taking place until the mid-1970 time frame.

Mr. ROBACK. Do you have in your office the capability to do that kind of work for the future? Are you developing it?

Mr. MORRIS. We have a good nucleus capability which importantly will be supplemented by this joint staff that I have described.

Mr. ROBACK. Let me interpose and ask if the concept of the joint staff is to make it clear that this is not an OSD-imposed operation? Is that the philosophy?

Mr. MORRIS. That is partially the philosophy, but primarily we need to bring the precise and unique experience of each service together and pool its understanding and knowledge. This is the way, if you will examine our history, that we have progressed in many fields over the last decade. It is the kind of evolutionary development that brought integrated management, for example, to full fruition in 1962.

Mr. ROBACK. What is your nucleus? Have you got one man working in this field, say?

Mr. MORRIS. I would say we have a half dozen very knowledgeable people, which in terms of our staffing is pretty rich.

Mr. ROBACK. And do you intend to expand that?

Mr. MORRIS. I am not certain that we will find it desirable or necessary, Mr. Roback. The services have several hundreds of people in their various central systems design and review offices. That is where I think the real concentration of talent belongs, as long as we can put a cap on it, both in terms of policy through the Assistant Secretaries in terms of knowledgeable staff experts working for those Assistant Secretaries as a body.

Mr. ROBACK. Can you explain the recent redirection of automatic data processing management from your office to the Comptroller's Office? What is involved there?

Mr. MORRIS. Yes.

Mr. ROBACK. And what is the status of that?

Mr. MORRIS. Starting in the late fifties, when it first became apparent that the Secretary of Defense should exercise some coordination over the acquisition and use of computers, this function was assigned to the Assistant Secretary Comptroller—Mr. McNeil originally and later Mr. Hitch. A staff was formed there whose main job was to examine all proposed new procurements or leasing of computer systems.

In 1962 that was transferred to my office at Mr. Hitch's request, because I had had a particular interest in this which he was aware of. It has now been decided that the long term best home for this function is the Comptroller's Office. It has to do primarily with the acquisition of hardware. It does not relieve us in any way of our interest in or responsibility for software or program design in the logistics field.

Mr. ROBACK. That transfer of responsibility is pointed toward procurement.

Mr. MORRIS. Acquisition.

Mr. ROBACK. Toward the market.

Mr. MORRIS. Yes.

Mr. ROBACK. And not toward management systems, internal management systems.

Mr. MORRIS. Of course you can never fully separate these. As I pointed out, our monitorships since 1962 in this hardware field has involved being sure that the specifications upon the basis of which new equipment was to be leased or bought were adequate before the procurement action took place. The Comptroller's Office will still have properly that kind of a review interest.

Mr. ROBACK. Now, if the Comptroller's Office is interested, let us say, in a competitive procurement base, and best pricing to the Government based on competition, your office would be concerned also, not only with that but whether this might interfere with some types of equipment for management purposes.

Mr. MORRIS. That is correct.

Mr. ROBACK. This is the problem of machine independence; is it not?

Mr. MORRIS. That is correct, and of course these things happen today even though my office is the coordinating point. Any financial management systems involving computers are functionally the responsibility of the Comptroller, research and development is the responsibility of the Director of Research and Engineering; manpower is the responsibility of the Assistant Secretary for Manpower and so on. This will continue to be the case.

Mr. ROBACK. Do you believe in machine independence?

Mr. MORRIS. I would like to know a little more precisely your definition.

Mr. ROBACK. Well, as I understand the problem, and we have heard some expression about this, do you get locked into particular kinds of hardware? Now, maybe I am not using the term right, but I understand the problem of machine independence to be: On the one hand you want to have everybody competing when you buy all these computers, of which there are many, and they are expensive.

On the other hand, after procurement you need programming and a language which will be able to permit communication between these different hardware types.

Mr. MORRIS. This is the reason that basic systems designs must be worked out over periods of often 1, 2, or more years to completely blueprint it before we go out for major computer acquisitions.

As in the case of aircraft systems or missile systems, you can get competition at the outset—either price or design competition—but once you have made your selection on a competitive basis against your master blueprint, then you are frequently and quite properly desirous of standardizing on your hardware elements, as long as you retain that particular system.

Mr. ROBACK. Well, the Air Force made an award to Burroughs for computers for base logistics management and control.

Mr. MORRIS. Right, sir.

Mr. ROBACK. Now, can Burroughs talk to IBM, so to speak?

Mr. MORRIS. To the extent that the systems need to communicate in terms of requisitions or transportation instructions and so on, machine independence is not a problem.

Mr. ROBACK. That is not a problem?

Mr. MORRIS. Standard codes, formats, records in respect to requisitioning, transportation and accounting now exist.

Mr. ROBACK. Where does the problem arise?

Mr. MORRIS. It would arise primarily I think internally to DSA and each of the military departments at each of their principal operating levels—inventory control points, depots, major bases, et cetera.

For example, the inventory control points in Army, of which there are, I believe, Dr. Brooks—

Mr. BROOKS. Seven.

Mr. MORRIS. Should be able to communicate exchange tapes and have exact programs internally to their equipment. The same is certainly true of DSA, Navy, and Marine Corps. But as between the services, I have doubts as to whether this is an essential requirement. Certainly it is not in today's state of the art in terms of the level of interservicing that we are engaged in.

Mr. ROBACK. The question of interservice compatibility you think may be overvalued?

Mr. MORRIS. I think we are achieving very great accomplishments on interservicing of supply assets under today's system.

Mr. ROBACK. But I mean the compatibility of the equipment types. Is that a serious problem?

Mr. MORRIS. My personal view is that this is not a problem of any consequence to us today.

Mr. RILEY. I may try to add something to that, Mr. Roback. I think the problem has been somewhat overstated. For example, if we make an integrated supply assignment to one service to support other services, the change that that service has to go through requires some reprogramming of their computers to satisfy some the policies of the other service, but it is not a major job.

To give you a specific example, let's assume that the Air Force gets the job of supporting the F-4 for all services, and they have a policy of a 90-day depot level. That 90 days is programed into the Air Force computer.

Now, if they want to change that in some way, because of this additional responsibility and make it 120 days or 60 days, they have to reprogram the computer, because the computer will only do what you tell it to do. It will compute 90 days or 60 but it won't do both unless it is told to do so. But these are problems.

Mr. HOLIFIELD. Why should it have a different number of days, for instance, than the service that it is supplying? Is that a reasonable question?

Mr. MORRIS. Sir, we do have necessarily different stock levels among the services, depending upon their own supply echelons. For example, as you have heard, the Air Force is able under its system, which operates between fixed bases, to sustain a lower total inventory than the Army, which must have two or more echelons of supply.

Mr. HOLIFIELD. So this is basically justified by the methods of transportation available to the different services, and the methods of transportation which they use, for instance, ships for the Navy, and planes for the Air Force.

Mr. MORRIS. Right, sir, but importantly to the extent to which these are using forces at the end of the pipeline are fixed or mobile. The

Army today is very mobile in Vietnam, whereas the Air Force is fixed.

Mr. HOLIFIELD. Tell me the technical answer to this question. What is the problem involved in terms of time involved in reprogramming a computer program, let us say from a 90-day stock program to a 120-stock program?

Mr. RILEY. Just that simple example is not a job of any real consequence.

Mr. HOLIFIELD. In other words, you could do it in a couple of hours or a day?

Mr. RILEY. A few days; yes, sir.

Mr. HOLIFIELD. In a few days.

Mr. ROBACK. Is it true that the large problem in compatibility has to do with the training of personnel if you have different types of equipment. Even though the equipment can communicate, personnel are not necessarily interchangeable because of the special training requirements for that type of equipment? Is that the main problem here?

Mr. RILEY. That is one of the problems. If you have different equipment and a different system then you run into a sizable training problem.

Mr. ROBACK. Whose concern is this? Now, in industry there are quite a few highly developed sources of research development and production in this field, and to some extent they may be interested in developing their own unique systems. The Defense Department may be interested in standardizing the training requirements so that there is interchangeability. How do you mesh? Who has the R. & D. responsibilities in the Defense Department on the Government's side, and how do you disseminate or how do you convey these findings, if you get any?

Mr. RILEY. Let me try to answer that this way, Mr. Roback. As you know, I am sure, over the past 10 years both Government and industry have had a sizable effort going on to develop a common business-type language. It is referred to as COBOL. That has now substantially been completed. The Defense Department is now requiring that all future computer acquisitions for business applications will be programed to use the COBOL language. This will substantially reduce the training problem because the computers will all have the same programed language. This will greatly minimize the problem.

Mr. ROBACK. Is this a specification?

Mr. RILEY. Yes.

Mr. ROBACK. And is this Government-developed or is this industry-developed and Government-approved?

Mr. RILEY. It is jointly developed with the industry—both users and manufacturers of computers—and with the Government. The Defense Department further defined the levels of COBOL to be available with different sizes of equipment and required COBOL on all machines used for logistics and other administrative purposes.

Mr. ROBACK. Is this a Navy development or OSD?

Mr. RILEY. No; it was jointly developed by OSD, the military departments and industry.

Mr. ROBACK. And how does the specification read in your procurement? Does it actually refer to COBOL?

Mr. RILEY. I believe there is a specification, a clause put in the contract that the computer will be programed for COBOL language.

Mr. ROBACK. You can give us the language, submit the actual language on that?

Mr. RILEY. All right.

(The information referred to follows:)

EXCERPTS FROM REQUEST FOR PROPOSAL USED IN A RECENT NAVY COMPUTER ACQUISITION

CHAPTER 5.—SPECIAL CONDITIONS

5-1 *General*.—The following paragraphs prescribe certain specific conditions which must be satisfied by the vendor in order to be considered responsive, and those features, characteristics, and support which are considered desirable but not mandatory. Mandatory requirements are established in order to define the minimum acceptable system. A statement concerning the vendor's ability to fulfill each mandatory requirement must be made in part 1, section 2, of the proposal.

5-2 *Mandatory requirements*:

a. *Systems performance*.—The proposed system(s) must have sufficient speed and capacity to completely process all the programs provided in exhibit 1, attachment II, within 200 computer hours as described in chapter 4. This is based on the measure of the monthly workload times the extension factor.

b. *Availability of equipment*:

(1) All components of the proposed system must have been formally announced for market purposes on or before the closing date of the RFP.

(2) The selected vendor must be able to meet the schedules shown in paragraph 2-2, chapter 2, attachment II.

c. *Equipment characteristics*:

(1) Vendor must supply hardware features for multiply and divide.

(2) *Operator console typewriter*.—The computer system must include a fully buffered, online console for operator-computer communication. A permanent copy of operator/computer communications, must be provided by the system. Program initiation and termination time must be provided either as it occurs or may be stored internally until requested by the operator.

(3) *Card reader/punch*.—The proposed system must provide at the central processing facility the capability of reading and punching standard 80 column, 12 row cards. The card reader and card punch must contain a check to verify the accuracy of reading and punching.

(4) *Magnetic tape unit*.—The proposed system must have at least six magnetic tape units capable of processing input/output data. Tape units proposed must include read after write checking feature.

(5) *Printers*.—The proposed computer system must provide at least one line printer capable of:

(a) Printing at least 800 lines per minute with a minimum of 120 print positions per line. The printer must be capable of printing six lines per inch and eight lines per inch.

(b) Producing six legible copies of multipart paper.

(c) Producing a legible last copy of DD Form 1348 using seven-part forms procured by the Navy through GSA.

(d) Producing, under program control, single-space printing, double-space printing and page ejection.

(6) *Immediate access storage*.—The system must include immediate access storage such as drum or disk storage of characters for user programs.

d. *Vendor support*:

(1) *Programmer support*.—The vendor must provide a minimum of one qualified programmer/analyst, on-site, for a 6-month period beginning 45 days after announcement of contract award. This individual will provide technical assistance in programing.

(2) *Training*.—The vendor must provide training for programmers and operators as specified in paragraph 2-2b, chapter 2, attachment II.

(3) *Maintenance*.—Two hour oncall maintenance service will be required 16 hours per day, 5 days per week.

(4) Vendor will provide a means to use or must convert about 300 IBM RPG 360 programs. This requirement is separate from paragraph (1) above.

e. *Software requirements*: Software requirements are:

(1) *Availability*.—All mandatory software must be furnished at time of installation.

(2) *Executive control system*.—The executive control system must take full advantage of the features of the computer hardware.

(a) The system, together with the software, must include debugging, diagnostic trace, and dump routines.

(b) The system must control and coordinate all connected hardware and associated software.

(c) The system must provide for a continuous flow of externally scheduled batch processing jobs so that operator intervention and setup time are reduced to a minimum.

(d) The system, together with the associated software, must provide the capability for creating and maintaining source and object program libraries. Library access will be under executive control for object programs utilizing the object library routines during execution.

(3) *COBOL compilers*:

(a) A COBOL compiler must be delivered with the installed system.

(b) *USASI standard COBOL compiler*.—Within 18 months after the date of approval by the USASI of a standard for COBOL, the vendor must provide a COBOL compiler which meets the approved USASI standard level 2 and which will run on the proposed system.

	Level
Nucleus -----	2
Table handling -----	2
Sequential access -----	2
Random access -----	2
Segmentation -----	1
Library -----	1

(4) *Symbolics*.—A symbolic language compiler capable of operating with the system.

(5) *Report generator*.—A program to generate reports which will produce specific object programs that are usable on a continuous basis and accessible from the object program library system.

(6) *Utility routines*.—General utility programs to perform the following:

(a) IAS data to magnetic tape and vice versa.

(b) Punched card data to IAS and vice versa.

(c) Magnetic tape to printer.

(d) IAS data to printer.

(e) IAS data to magnetic tape and vice versa.

(f) Magnetic tape copy.

(g) Magnetic tape sort/merge program.

(h) Any other software normally provided with the system.

5-3 *Desirable features*.—The following desirable items should be proposed by the vendor available. These items will be considered in the evaluation process.

a. *Utilization log*.—An automatic executive control system feature which stores and supplies a comprehensive computer system utilization summary from data gathered automatically during normal processing.

b. *Delivery*.—It is desirable that the system be delivered and installed within 30 days after the date of contract award.

c. *Handling test score papers*.—It is desirable to have a device capable of reading test marks on a scoring sheet and transcribing the data to magnetic tapes. (See exhibit 2 for a sample sheet.) A different answer sheet form can be included in the proposal by the vendor, if it allows the same number of answers and same type of documentary information.

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

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.

Mr. MORRIS. Quite true.

Mr. ROBACK. So that even though you have the demand in one place and the availability in another, you couldn't necessarily match them.

Mr. MORRIS. I might add one other dimension to what we call intensive management. In the very high category we expect this to be daily review, like the Air Force system for recoverable items. In the high category we expect this to be quarterly review. In the medium and lower categories it may be 6 months to annual review, with deliberate economic order quantity buying of large quantities so that we don't need the intensive review.

Dr. Brooks has just prepared an analysis of the degree to which Army inventory investment is intensively managed, and it might be appropriate to ask if he would comment on this.

Mr. ROBACK. Please do, but I am making the point here that in the intensive management, since it is service-oriented, you don't get the exchangeability that you would require. After all, the purpose of visibility is to redistribute stock as required; isn't it?

Mr. RILEY. That is only one of the purposes.

Mr. ROBACK. One of the purposes.

Mr. MORRIS. Yes.

Mr. ROBACK. And that is an important purpose, to keep from generating undue excesses and to move stock to points of need.

Mr. MORRIS. Probably the most important purpose is to be sure we do not deadline important equipment, that we support the troops.

Mr. ROBACK. Yes.

Mr. MORRIS. That is the reason for the Red Ball service.

Mr. ROBACK. The deadline problem is separate. You have already taken care of that in your special items. We are talking about secondary now; are we not?

Mr. MORRIS. They include the spare parts, \$9 billion of aircraft parts, for example, \$6 billion of other vehicle and end item parts, so two-thirds of our secondary items are in parts.

Mr. ROBACK. Dr. Brooks.

Mr. BROOKS. Just dealing with the problem that you raised of secondary items, Mr. Roback, the Army's total procurement in 1968 of secondary items, and this includes the components and assemblies, the major repairable components of end items, it includes the bits and pieces, spare parts and supplies, our total procurement was \$1.8 billion in 1968.

As the previous Army witnesses have testified, we have toward the end of the fiscal year inserted an intensive management system test for AMC's ownership worldwide of a limited number of these items. The number is about 1,800 at the present time. That is less than one-half of 1 percent of the items that the Army is responsible for.

However, the procurement value of these items in 1968 was \$800 million, so that we are covering with that very small group of items about 44 percent, we figure, of the total procurement value of Army items in that year. This is just a beginning, I should say.

We do plan to extend this coverage, and our goal is to cover in the secondary item area about the total percentage of procurement that we are covering in the principal item area, which is now between 70 and 80 percent. We want to get up to that level.

Mr. ROBACK. Is this a firm plan now, I mean to develop, to extend this, or are you still testing the first 1,800 items? It was a little unclear in the record whether this was just an experimental effort or whether you are establishing this as an intensive management control system.

Mr. BROOKS. The answer to both questions is, "Yes," Mr. Roback. It is now a test, and yes, we do intend to go further with it.

Mr. ROBACK. Do you have a descriptive paper or memorandum on this that you can submit?

Mr. BROOKS. On the test?

Mr. ROBACK. Yes.

Mr. BROOKS. Yes, sir; we can submit that for the record.

(The information referred to follows:)

On May 1, 1968, the Army initiated the test of an intensive management system to determine the feasibility and worth of Army Materiel Command—AMC—ownership overseas of a limited number of super high dollar value secondary items. The test began on May 1, 1968, and is scheduled to run for approximately 1 year. The stated objectives of the project are:

- a. More responsive, efficient and effective supply support to overseas commands.
- b. Total asset visibility and control.
- c. Improved inventory management.
- d. More precise definition of requirements.
- e. Better budgetary data.
- f. Basis for Department of the Army decision on extension of concept.

The test is being conducted in the two major oversea commands—USAREUR and USARPAC—and AMC. It encompasses only secondary items, excluding principal items entirely. The secondary items selected for this test are both PEMA and stock funded and have been selected from the high-dollar value category based upon operational significance criticality and cost value.

A total of 1,783 items are included in this test, 909 of which are PEMA funded and 874 are stock funded; 1,532 are recoverable items and 251 are expendable; 995 are prime items and 788 are substitute items. The selected items represent less than one-half of 1 percent of the items the Army is responsible for; however, the procurement value of these items in fiscal year 1968 was approximately 44 percent of the total procurement value of Army items in that year.

The scope of the test is currently being expanded to include aviation items in Vietnam. A goal has been established to place under AMC visibility and "control," approximately 70 to 80 percent of the procurement dollars expenditure in the secondary item area. Current plans are to increase the range of items at such time as the AMC-NICP's are capable of assimilating and using the data.

Mr. ROBACK. You mentioned "Red Ball," which is a system designed to keep equipment from being deadlined.

Mr. MORRIS. Yes.

Mr. ROBACK. And we had some discussion with earlier witnesses about it. Now, the Red Ball concept, I am advised, also has been followed by the Red Ball Extended. Have you ever heard of the Red Ball Extended?

Mr. BROOKS. Yes, sir.

Mr. ROBACK. The Red Ball Extended, as I understand it, is designed to anticipate breakdowns and prevent them by ordering equipment when it looks like you are going to need the replacement; is that right?

Mr. BROOKS. That is correct; yes, sir.

Mr. ROBACK. The theory of that would be to decrease the Red Ball requirements?

Mr. BROOKS. That is correct.

Mr. ROBACK. If you order in advance, anticipating, then you won't need so much Red Ball?

Mr. BROOKS. There are two things which decrease Red Ball requirements, if I may talk to that, Mr. Roback. One is the Red Ball Extended that you mentioned. The other is improved determination of stockage lists at the unit level, that is, what should he have in stock on a normal basis, in order to meet these demands. This has been improving, particularly in Vietnam over the last year or two, so that the total volume of Red Ball requisitions has shown a downward trend.

Mr. ROBACK. Up to a recent time, if I recollect a finding in an Army study, the Red Ball has expanded along with Red Ball Extended. This gets to be a little bit of jargon here, but the point is, if you are going to anticipate breakdowns, then you shouldn't have to be ordering so much after the breakdowns, but this hasn't shown up in the studies to date, has it?

Mr. BROOKS. Yes, sir; that has been our experience. I was just looking at General Scott's statistics at the 1st Logistics Command. His average Red Ball during fiscal year 1967, his average number of Red Ball requisitions received per month was running around 40,000. That has shown a declining trend in 1968. It is now around 25,000 a month, and we anticipate that it will level off at about 20,000 a month. In other words, it has come down by about 50 percent. This is the volume of requisitions received.

Now, it may be that there is a nomenclature confusion here in that I think the Red Ball Expanded means the same thing as Red Ball Extended. It is an extension of the system of ordering. The Red Ball requisitions themselves have come down in volume.

Mr. ROBACK. We also heard that Red Ball was coming at them from Okinawa as well as from the States. The one that got there first won.

Mr. BROOKS. Yes, sir; that is correct.

Mr. ROBACK. Is that still in effect?

Mr. BROOKS. Yes, sir. They get it faster from Okinawa, if Okinawa has it. Okinawa has been supplying about 20 to 30 percent of the Red Ball requisitions, even though they at the same time get it from the States we feel that since this item is in demand, it will be used.

Mr. ROBACK. Mr. Secretary, you made reference to Pacific Redistribution Agency which has been set up. There has been some information in the earlier hearing that there is some experience gained by now. What is the experience? Can you submit something which shows its operation, the results of its operation?

Mr. MORRIS. Yes, sir; we actually began our work on a test basis in January to get the procedures debugged. In the first round we circulated about \$38 million of excess on which there was a redistribution of \$1.4 million.

The second cycle beginning in the spring had \$50 million of excess, and is still being screened, so we don't have the returns as yet. But from now on beginning in June, there will be a monthly nomination to the PURA at Okinawa by all services of items available for redistribution. These will go through 105 days of screening in the Pacific area, and then be declared to the United States.

There is \$144 million of excess on Okinawa lists. The June nomination, which picks up the preceding two increments as well. It will be, I would guess, about 3 months before we can begin to actually assess the value of that procedure. We are sure it is going to pay off. It will

undoubtedly reveal many other problems that we will have to come to grips with.

One that we have already ascertained, as a result of our recent trip, is the need for concurrent worldwide screening of certain accumulations of items that we are obviously not going to consume in the foreseeable future within the Pacific. As to those, we will report them concurrently to the CONUS ICP's and the Logistic Service Center, Battle Creek, and get a worldwide review at one time.

Mr. ROBACK. Is the ultimate destiny of excess to be back in supply system if it is not otherwise drawn?

Mr. MORRIS. The objective is to redistribute everything for which we have a valid or foreseeable requirement, and to identify that residual property on which we will have to make a decision whether to sell somewhere in the Pacific area or—

Mr. ROBACK. In other words, the ultimate destiny after worldwide screening will be disposable, not return to supply system?

Mr. MORRIS. Well, we will return it to the supply system if it falls within retention objectives anywhere in the world. If it does not, we will keep it in the Pacific and make disposal decisions.

Mr. ROBACK. I mean if it is not drawn, then it won't be restored to some stateside depots?

Mr. MORRIS. Likely not, sir.

Mr. HOLIFIELD. The cost of transportation back would be greater than the value?

Mr. MORRIS. Right, sir. Case-by-case decisions will have to be made obviously.

Mr. ROBACK. Does ARVN get in on that distribution?

Mr. MORRIS. Yes, this stock will be used in meeting our ARVN requirements. And possibly in meeting some of the AID requirements on a reimbursable basis, we will permit them to see these excess lists.

Mr. ROBACK. In other words, anybody who is supplying ARVN would be a claimant, and not ARVN directly?

Mr. MORRIS. I believe that is correct.

Mr. BROOKS. Yes, sir.

Mr. ROBACK. Is that right?

Mr. BROOKS. We supply the ARVN through MACV in Vietnam. They know the excesses. They know the ARVN requirements, and will draw as required.

Mr. ROBACK. There was a certain amount of philosophic discussion with the Army about the nature of all these special adaptations, Red Ball and other responses. The General Accounting Office finding generally was that the system, the supply system of the Army wasn't geared to effective and economical supply, and therefore a lot of adaptations had to be made, whereas the Army was inclined to view these adaptations as examples of how well the system is working.

Now, out of all this comes a proposal that if we have to do this kind of thing somewhere else again, on an emergency basis, there ought to be a relatively self-contained organization and concept that can move, and become a supply operation without going through all the trial and error, and this is known as the quick reaction inventory control center.

Mr. MORRIS. Right.

Mr. ROBACK. What is your view of that and what is the state of development?

Mr. MORRIS. Well, as I indicated on page 13 of my statement, I share the Army's characterization of many of the actions that have been taken. I think they were innovations. I think they were wise and prudent to assure responsiveness in the supply system as they have so obviously done.

I believe we would use them in a future Vietnam to the extent of Red Ball, for example, and to the extent of high level 15-day visibility on ammunition stocks. These things I think are permanent lessons learned.

The quick reaction inventory control center is obviously something that the Army would need in a similar contingency. My understanding is that it is well along.

Mr. BROOKS. It has been activated, yes.

Mr. ROBACK. What is it? Is it a table of organization, equipment or is it hot bodies?

Mr. BROOKS. It is hot bodies right now, sir. They are coming on board. I don't know if it is fully manned at this point.

Mr. ROBACK. How are they disposed? What do they do when they are not needed for an emergency? Are they in sort of a standby? Are they in a simulated exercise position, or do they actually perform supply functions?

Mr. BROOKS. They will be in a training position, Mr. Roback. The current plans are they will be at Fort Lewis, Wash. They will perform actual supply functions.

Mr. ROBACK. But in the contingency mode, so to speak?

Mr. BROOKS. In the contingency mode; yes, sir. They will train on actual supplies. They will be prepared, of course, to assume a much larger responsibility than they will at that station.

Mr. ROBACK. Do you have a description paper or reference terms for this organization?

Mr. BROOKS. Yes, sir.

Mr. ROBACK. That you can supply?

Mr. BROOKS. Yes, sir; we can prepare such a paper.
(The information referred to follows:)

Detachments comprising the operational elements of the first quick reaction inventory control center (QRICC) have been activated at Fort Lee, Va. The QRICC is to consist of the 15th Support Brigade Headquarters (TOE 54-22T 179 personnel), stock control detachment (TOE 29-404T 138 personnel), maintenance management detachment (TOE 29-403T 26 personnel) and a data processing detachment (TOE 22-550T 98 personnel).

The 15th Support Brigade Headquarters will be activated at Fort Lewis, Wash., in September 1968. The stock control, maintenance management, and data processing detachments have been activated at Fort Lee, Va. These detachments are authorized a total of 262 personnel of which 140 are on hand. The remaining personnel are scheduled to be on board by September 1968. Training of the detachments is scheduled to be completed in December 1968. The van-mounted IBM 360 ADP equipment for the QRICC will be delivered to Fort Lee in October 1968 for use during the training period. At the completion of the training program, the functional detachments and the ADP equipment will move to Fort Lewis and become operational in January 1969.

At Fort Lewis the QRICC will be interposed between selected TOE units and the COSMOS stock control field office. Requests for supplies will pass from these units to the QRICC where fill will be made from GS supplies, if possible. Those requests that cannot be honored and replenishment requisitions for GS supply units will be forwarded to the COSMOS field office at Fort Lewis. This arrange-

ment provides the means for maintaining the QRICC at a state of readiness which will permit operational employment in support of contingency operations.

In the event of deployment of the QRICC, the supported troop units would remain at Fort Lewis and submit their requests for supplies to the COSMOS field office, thus, the QRICC can be disconnected without disrupting the supply of troop units.

Mr. ERLNBORN. I wonder if I might ask a question at this point about Red Ball. Who is operating that now? Is this done through air freight carriers, Air National Guard?

Mr. MORRIS. Military Airlift Command at Travis Air Force Base actually performs the physical lift on a daily basis. They have occasionally used some National Guard people who came on for training purposes, and there is some contract lift, yes.

Mr. HOLIFIELD. That Red Ball expression has an interesting background, doesn't it?

Mr. MORRIS. Yes, sir.

Mr. HOLIFIELD. They used it from the Normandy beaches up to Paris in World War II.

Mr. MORRIS. Yes, sir.

Mr. ROBACK. It was presumably going toward the front while some of the soldiers were coming back at one time or another.

Mr. BROOKS. That is where we deliberately took the name, Mr. Chairman.

Mr. HOLIFIELD. It had priorities on the roads. When that convoy of trucks came through, why, everybody got out of the way including the VIP cars, I might add.

Mr. MORRIS. You see every package has a red ball on it, and the postmasters throughout the country I am told know immediately what this is.

Mr. LUMAN. Mr. Morris, toward the end of your statement you point out that you are expecting new improvements in transportation, communications and data processing and that the exploitation of these will occur progressively in accordance with the economic benefits obtainable.

Are you planning a set of milestones for the Defense Department to use these improvements as they become available to your systems? Do you have any plans, for example, as to when you think you might be able to cut down on overseas stockage, when you might be able to implement more visibility?

Mr. MORRIS. We are waiting right now for the completion of some very important analytical work on air transportation. It is due I think in about a month; it has been going on for a year or more, that should give us solid economic guidelines for the use of air lift in lieu of pipeline and increased overseas or CONUS stockage. I would expect before this year is out that we will be making further progress in this area.

Mr. LUMAN. Right at this point though, you don't have any master plan for integrating all these improvements into the overall supply concept?

Mr. MORRIS. No, sir; just definite plans to make same.

Mr. ROBACK. Do those particular studies make assumptions about fast deployment logistic ships, things like that?

Mr. MORRIS. No, sir; this is an airline of communications.

Mr. ROBACK. Strictly on the airlines?

Mr. MORRIS. At this time.

Mr. ROBACK. This is air-sea cost effectiveness?

Mr. MORRIS. Yes, sir. There have been studies of the FDL, which of course continue to be held in abeyance.

Mr. ROBACK. What bearing does the FDL have on these areas of concern?

Mr. MORRIS. On our immediate plans, none.

Mr. ROBACK. Does this in any way affect your decisions as to whether you are going to have forward supply areas or centers in certain places? Does it make a difference, in other words, to the supply and logistics organizational structure? Can you talk to that for a minute, because this is a subject which the Congress has not yet resolved as far as its own convictions are concerned.

Mr. MORRIS. Right, sir.

Mr. ROBACK. About whether we should have these fast deployment logistics ships.

Mr. RILEY. Actually, Mr. Roback, the requirements for the C-5 and the requirements for the FDL were conceived of in conjunction, one with the other. The mission of the fast deployment ship being to store and carry to forward areas the heavy Army division equipment, so we could get it there in a short period of time. The C-5's then coming along to haul the other types of cargo and personnel to that location, closing the two at about the same time.

Mr. ROBACK. So conceptually these are joined?

Mr. MORRIS. Yes.

Mr. ROBACK. And in planning?

Mr. MORRIS. Yes.

Mr. ROBACK. And while the Congress is supporting the C-5 to date, there are those in the Congress who consider these as alternatives rather than as complementary.

Mr. RILEY. And in fact they were not conceived that way. They were conceived in conjunction, one with the other.

Mr. HOLIFIELD. In the absence of the FDL, you will be constrained to go to the cargo-ships, I suppose, for that heavy machinery.

Mr. RILEY. We will have to; yes.

Mr. BROOKS. We will be constrained also, Mr. Chairman, to preposition the stock on the ground overseas in many cases.

Mr. ROBACK. The FDL was not to be in forward areas or foreign ports. It was to be in home ports; is that right?

Mr. MORRIS. Yes. I think it might be apropos to respond in part to this question and the other gentleman's question in that we are always attempting to be very alert to take advantage of an improved capability.

For example, one of the innovations in Vietnam has been these container vans, the sea-land vans, which can be really unloaded and offloaded. That, among other factors has contributed to the Army in Vietnam reducing order and shipping time by 30 days over the past year or so.

Mr. ROBACK. Although the original inspiration was to reduce pilage and theft, was it not?

Mr. MORRIS. No. That was, of course, a byproduct benefit of importance—preservation, pilferage, and theft. But the improved turnaround time capability that this contributes is very significant to our

stockage levels. The Army has reduced at least \$50 million off its inventory, because of the reduction in order and ship time.

Mr. HOLIFIELD. Are those containers brought back?

Mr. MORRIS. Yes, sir. They are left out there for storage over the road transport and then brought back with return loads.

Mr. RILEY. It takes 5 to 6 days to unload a conventional ship in Vietnam. It takes 24 hours to unload a container ship.

Mr. HOLIFIELD. That is quite a saving, isn't it?

Mr. MORRIS. Yes.

Mr. LUMAN. Mr. Morris, addressing again your forthcoming plans, you state that high-speed communications are making changes in inventory management concepts, and you refer to the Air Force worldwide transaction reporting on certain items. You make the statement, "After a full evaluation of Air Force experience we believe its features will be incorporated into the systems of the other services."

When is this evaluation due to finish? Do you have definite milestones for the other services to meet in this regard?

Mr. MORRIS. We issued on June 12 the instruction I have referred to that lays out the requirement for each service to develop its implementing plans. Since the AFRAMS system only became operational last November, I would expect we will be evaluating its products through the rest of this calendar year concurrently with the planning by the individual services for the adaptation of the very high and high concepts of management that we refer to.

Mr. LUMAN. Then this Air Force influence probably would not be felt until when—next year?

Mr. MORRIS. Next year, I would think.

Mr. BROOKS. If I may add to that, Mr. Luman, we are not waiting for a full evaluation to get benefit from the Air Force experience. In fact the Deputy Chief of Staff for Logistics of the Army and his principal assistant for supply, General Klingenhagen, who appeared before you, were out this week with the Air Force trying to get the results to date and the indications of what they can use in the Air Force experience. It is a continuing process. I think what Mr. Morris referred to was a full evaluation and final decision.

Mr. LUMAN. If I may pick up on the Army's point here, Dr. Brooks, you stated in answer to Mr. Roback's question that the high value items, some 1,800 of them, were both a test of a concept and a step toward a goal. Now, do you have milestones set up saying to the Army by a certain date you will have visibility on 20 percent of the value, 30 percent of the value, 44 percent?

Mr. BROOKS. We have 44 percent under the test right now, Mr. Luman. Of course this is just going into effect, and we anticipate that we will perfect this as we go through the year.

The next milestone I believe, I will correct this for the record if I am wrong, is March 1969, when the test phase will be completed. At that time we expect to be able to move further in the program. As I say, our ultimate objective is to get between 70 and 80 percent of the total procurement value. We don't have a date for that final objective as yet.

Mr. LUMAN. Just looking at what you are doing now, it won't be until next March that your tests are completed. How much visibility will you have by then?

Mr. BROOKS. These 1,800 items are 44 percent of the procurement dollar in 1968. We anticipate they will be about the same in 1969.

Mr. LUMAN. So you won't be increasing in this substantially until after March of 1969?

Mr. BROOKS. That would be my anticipation, Mr. Luman.

Mr. LUMAN. And you don't have any firm date as to when you plan to hit your goal?

Mr. BROOKS. We will move out as rapidly as we can thereafter, Mr. Luman. I think as the previous witnesses have testified, the only constraint is the ability of both the oversea depots to communicate and of AMC inventory control points to accept the data.

Mr. LUMAN. Mr. Morris, on your overall DOD supervision of programming and computer systems, what is the first date that a computer purchase will be affected by the workings of this group?

Mr. MORRIS. Let me answer that two ways. Every computer acquisition is now governed by policy set at my level by my office: The ASD (Comptroller) is now assuming responsibility for this. The new joint planning staff is concerned not with hardware so much as with design planning, so I would think that, in a major sense, its impact is more likely to come several years hence, in terms of any mass procurements of computers for whole new systems designs.

Mr. LUMAN. In 1975, say.

Mr. MORRIS. Yes, and perhaps a little earlier. There could, of course, be interim impacts of the work of this planning almost from quarter to quarter from now on as we get into business. It is hard to predict what we are going to find, what the recommendations of the joint staff will be.

Mr. LUMAN. You stated, your office did, in a submission to the Appropriations Committee, that under the present DOD policy "We have seen the * * * standardization of systems * * * at the service level (as evidenced by the systems reviewed by the General Accounting Office)."

Reading the GAO report, I don't know whether they drew that conclusion. They said that the one system they thought was compatible with systems designed alongside was the Marine Corps system and that the Navy 3M system hadn't considered the UADPS system and so forth.

Are you satisfied on the degree of standardization within the services?

Mr. MORRIS. I believe that I am satisfied each service has proceeded in a very intelligent and thorough fashion to develop its intraservice standardization programs at ICP and wholesale depot levels.

Mr. LUMAN. Well, for example I notice in the Army that even under this newest plan the depot systems in the United States are being developed by the Army Materiel Command, whereas the depot programs overseas are under the Combat Developments Command.

Mr. MORRIS. Correct, but there is a single overall overseer who testified before you, I believe it was General Miller, on all of these items.

Mr. LUMAN. You would base the standardization not on the fact that the same program was being developed for depots overseas as depots in the States, but that the separately developed programs were under the supervision of one office.

Mr. MORRIS. Yes.

Mr. LUMAN. Dr. Brooks, do you plan to make any changes in this development of programs for overseas levels, considering the fact that you are looking at extension of AMC control through your test program?

Mr. BROOKS. The AMC portion of inventories that is controlled overseas, Mr. Luman, will, of course, have to be consistent and is planned now to be consistent with the AMC central control system, that is the NAPALM overall system for AMC. It will be a problem that the central agency to which Mr. Morris referred, the Logistics Data Systems Office will have to address the compatibility of that system operating in the same depot with the items which are controlled by the overseas commander.

Mr. LUMAN. What is a little disturbing in this instance is you have a situation today where you look at the possibility of more centralized management and you say, "Well, we can't bring this about even if we want to, because of the difference in computer programs between overseas and the States as well as difficulties of communication."

Might you not find yourself in the same position later if you were to decide that AMC should extend control overseas and yet had programs in those overseas depots which were not devised by AMC but by someone else?

Mr. BROOKS. I don't know if our problem, Mr. Luman, is the incompatibility of programs. As I say, tests began in May. So far as I know, we are going to get the first report on it the first of August. To date we have not heard that there is the problem of incompatibility. It is a problem really of data flow and capacity to transmit and accept the data in very large volumes on these items between the overseas depot, and the United States. There is not a problem so far as I know to this time of compatibility of programs.

Mr. LUMAN. In the instruction for management of secondary items, there is mention of going down to the wholesaler or depot level, I believe.

Mr. BROOKS. That is correct, yes.

Mr. LUMAN. Now, in the definition of a depot or a wholesale level, does that include an overseas depot?

Mr. BROOKS. Yes. In fact, on some items we are proceeding further than that. We have a limited group of items of extremely high unit cost and criticality, among which are aircraft engines, where we are now proceeding on an overall worldwide control system of all assets wherever they are, that is including the overseas depot and below the overseas depot at the direct support units and the combat units themselves. This is a much more restricted list. At present it has some 25 or 30 items on it. We plan to extend that again to the major repairable components, such as tank engines, transmissions and so forth. We want worldwide, literally worldwide visibility on that kind of thing.

Mr. LUMAN. Secretary Morris, you stated that there is no obstacle today to the development of controls for worldwide visibility because of command prerogatives.

Mr. MORRIS. Right, sir.

Mr. LUMAN. Among the GAO reports referred to in their testimony was one that came out in 1967, where the replies were made by the Army in 1966, on stocks in Europe, and the Army made the statement:

The routine reporting of these assets by the S. & M.A. USACOMZEUR to CONUS NICP's is not considered appropriate because these stocks are under the control of a tactical force and not within the wholesale supply distribution system.

Does that statement still stand or are you modifying the requirements for reporting certain stocks by the S. & M.A.

Mr. MORRIS. I am not intimately familiar with this case and the statement probably would still stand. The intent of the comments in my statement is to say it is the conviction of all of us that command prerogatives are no obstacle to our proceeding in the future with worldwide visibility where it makes good sense. We think that the confidence that commanders at all levels have gained as a result of Vietnam has dispelled this kind of a myth.

Our people are getting supplies. They don't have to hoard supplies. We find that nobody wants to hold on to excess stocks. In fact, they are a great burden. The 1,900 units that the teams went out and relieved of their excess were very pleased to be relieved of those excesses.

Mr. LUMAN. So you don't see any objection, from the point of view of the commander's responsibility for assets in his theater, to requiring this commander to report on these assets.

Mr. MORRIS. No, sir.

Mr. BROOKS. In fact, I would say, Mr. Luman, that is one of the major vehicles for establishing confidence. I would say this in terms of command prerogatives. We have found no case where a commander overseas or any of his supply people are knowingly trying to hoard assets over and above a known requirement. The problem has been the known requirement, and the known assets.

We get information and make sure that the commander has that information on what his assets are and what his requirements are; there is no problem whatsoever that we have found in redistributing assets that are over and above his requirement. It is the problem of visibility.

Mr. LUMAN. I really got the impression from some of the earlier Army testimony that the belief that the commander should control his resources was the reason for saying that he can have a certain amount of permissive overstockage and he doesn't have to report it to the ICP's.

Mr. BROOKS. There have been cases of permissive overstockage. However, this is not a case where the commander feels that he necessarily has to have this. It is a question of economics, that it is more economical to leave it there, at least temporarily until another requirement develops, rather than to move it right away to another theater or back to the United States.

Mr. ROBACK. Your position, then, Dr. Brooks, is that as far as visibility and control are concerned, visibility is sufficient for purposes of redistribution. As long as you know where the material is, there isn't any problem of moving it around?

Mr. MORRIS. That is right, sir.

Mr. BROOKS. No problem.

Mr. ROBACK. You don't have to have specific commodity manager control over the commander's supply, so to speak.

Mr. RILEY. One of the purposes of having visibility of all of your high-cost assets is that you won't buy too much and put too much over there in the first place. You will know what he needs, and what he has.

Mr. ROBACK. There is also the problem of redistributing to other areas of need, so that you have to persuade or direct the commander to let go. Now, if you only persuade him, he may not let go; whereas, if you command him, that means that the Army Materiel Command may need or want to have jurisdiction. The issue of control over overseas supplies involves the question of the commodity manager making the decision. The man in charge of the commodities makes the decision as against the combat commander, so to speak.

Mr. MORRIS. I think that the thing that impressed me is this: It is the function of the commodity manager to obtain asset visibility and make asset knowledge available to all appropriate levels of management. Where there is a real problem of allocation of critical, scarce assets, this must be handled at higher command levels; for example, MACV has his materiel allocations board. The Joint Chiefs of Staff have an allocations board today. It is exercised only on such things as the M-16 rifle, where we can't produce as many as we would like to have. So someone must decide priorities, and that is the job of the higher levels of military command, not of the commodity manager.

Mr. LUMAN. Do you presently have enough communications capability to run the supply system the way you think it should be run?

Mr. ROBACK. Of course he is not running the supply system.

Mr. MORRIS. Well, sir, we have tremendously improved communications capability. We need more capacity in certain areas, and will always perhaps want more than we have. For example, the Defense Logistics Supply Center in Battle Creek is becoming deluged with literally millions of interrogations per month. We are not able to satisfy all possible customers. This we must improve. It is both a matter of the long-lines circuit and the capability of the computers at that site. So we have strains, and the more we make use of high-speed communications, the more we generate a requirement. So it is a chicken-and-egg kind of problem.

Mr. LUMAN. Take the situation today. I understand if you have a requisition from Vietnam, it goes to Okinawa to see if they can fill it out of their present stock. If they can't it is passed on back to the States. This is an economic way to get rid of Okinawa's surplus. But it also causes a delay of perhaps 3 to 5 days.

Now, theoretically, couldn't you have a system whereby either the 14th ICC knew what was on Okinawa and therefore could direct requisitions to the right place; or the people back in the United States knew what was in Okinawa and could take all requisitions, referring back to Okinawa those that they can fill?

Mr. MORRIS. In time I suspect we will have that. It is not so much a matter of communications today, but again of capacity and full visibility. The 14th ICC would not have a capability as yet of absorbing this knowledge of Okinawa; I wouldn't think.

Dr. Brooks?

Mr. BROOKS. Not at the present time; no, sir.

Mr. MORRIS. But in time it might well have.

Mr. LUMAN. How about the U.S. depots, ICC's? Would they have the capability of knowing what is on Okinawa?

Mr. MORRIS. As soon as Okinawa can give them full visibility. It is receiving tens of thousands of tons a month from Vietnam now, which it is having to identify, classify, and report.

Mr. DAHLIN. Mr. Secretary, were you briefed on the operation of "machine block" for high-priority items at the 14th ICC?

Mr. MORRIS. This occurred after we had left Long Binh. I believe it was around the 2d of July that this message went out from General Heiser.¹

Mr. DAHLIN. Was there a discussion of the problem out there as to whether high-priority items were really a problem to the 14th ICC?

Mr. MORRIS. Yes; there was. We talked to General Scott, Dr. Brooks and I, and he expressed his personal concern that there was perhaps overuse. I think he said that some 48 percent of their requisitions were priority designators 01 and 02, and he is personally working on this. I understand they responded immediately to General Heiser's suggestion as to the use of this block, and of course General Heiser will be the new commander there shortly and I am sure he will implement this.

Mr. BROOKS. As General Heiser pointed out, Mr. Dahlin, that message has now gone out to all major commands, a similar computer block.

Mr. DAHLIN. Is there a kind of tension among the management systems between commodity management and weapons systems logistic management today? Are you having to make any decisions about just how much overlap is going to be permitted in the future, and how it is going to develop?

Mr. MORRIS. There are no issues before me. I might ask Mr. Riley if he knows of any.

Mr. RILEY. None that I know of.

Mr. DAHLIN. It appears, for instance, the Army mentioned that they had given away, from their point of view, some items to DSA under the process of item management coding, and they have all of a sudden discovered they belong to weapons systems.

Mr. RILEY. I think there were some items inadvertently transferred to DSA and they are now in the process of transferring them back to the Army, but that is no problem.

Mr. DAHLIN. The primary concern of each of the three or four service systems today is reparable items. According to the testimony, this is what they are really concerned about. If that is so, is there a need to reexamine the role of the common support function as such? Should there have been this conversion from one service to another, from one ADP system to another in Vietnam—in having to flop over between services when the situation changed—or would it be better to have a common support agency designated, or let DSA go overseas or undertake some provisions for the future in this matter?

Mr. MORRIS. I might respond to this issue of common supply support. The Army in the II, III, and IV Corps areas does provide subsistence and petroleum to all services plus, today, some 3,500 common items. The Navy in the I Corps has a similar mission and I think the volume of common items they supply in that area is about 8,000.

The plans call for extending the 3,500 items in the II, III, and IV Corps to about 40,000 items over time. We are deliberately proceeding slowly here, because we want the 14th ICC to be fully operational and have complete records before we extend its effort. It has had

¹ A review of the record revealed that the message was dispatched to USARPAC on June 24, requesting a reply by July 2, 1968.

problems which are quite well known, and we don't want to deny them at all. It is coming out of those problems, but I suspect it is a matter of 6 months before they should start expanding support on additional common items.

Mr. DAHLIN. Was this kind of changeover between—in Vietnam you have had changeover of service, you have had changeover of systems, you have had change in the ADP. Do you think planning is going to take care of these problems a little better in the future?

For instance, there is no triservice input into the Quick Reaction Inventory Control Center. Should you look at that problem?

Mr. MORRIS. We are learning all manner of lessons from this experience. Of course, one doesn't go into a contingency like this expecting, necessarily, to put on a peacetime highly efficient management system. What we are learning is that we can be more efficient much faster, however, through the Quick Reaction Inventory Control Center.

I don't think it needs to concern the other services, because the Army, as it does in Thailand and Korea as well as Vietnam would still be the principal housekeeper and supplier of such items in any future contingency. We want to be sure that the Army system is perfected.

Mr. DAHLIN. The Air Force, for instance, had to put in some special supply support units, as one of these little deviations in the system, just to provide better support out in the field, even though it has this concept which is supposed to work entirely out of CONUS depots.

Mr. MORRIS. True, but the ability to improvise and to innovate under stress and unknown conditions, I think, is one of the great characteristics that we have all seen happen in this Vietnam experience, and we should preserve that.

Mr. DAHLIN. The question is how are you going to preserve it? Do you put the Air Force effort, for instance, in quick reaction, strictly within its own system or do you want the services coordinating from the start?

Mr. MORRIS. I don't believe they have had problems of housekeeping support from the Army, or petroleum or subsistence support.

Mr. ROBACK. You don't know really how much these other services will be involved in any given contingency situation?

Mr. MORRIS. That is right.

Mr. ROBACK. You therefore can't plan too well for common support or interservicing. One might add that it has taken the U.S. military 3 or 4 years to learn how to fight the war in Vietnam and maybe your quick reaction inventory control center is not going to be too efficient until the services really know what they want in the way of war goods. Certain goods they will obviously need. They will need consumables, guns, and things like this, but there are many weapon developments and requirements which don't emerge too quickly, at least if the Vietnam experience is going to be instructive.

Mr. MORRIS. We must emphasize that we are learning much and I think that is the greatness of the system, that it causes our commanders to want to learn.

Mr. ROBACK. There are some Members of Congress that wish the learning period would be over and that some results would be achieved.

Mr. MORRIS. Yes, sir.

Mr. DAHLIN. In your statement you also take credit for releasing 96 million square feet of warehousing. But it appears from the DSA testimony there is a critical shortage of storage space. What is the situation there?

Mr. MORRIS. The DSA has on the west coast a burgeoning requirement, due to Vietnam, for more storage, and we have all agreed and have presented a military construction project to give them an expanded storage capability at that location.

The 96 million square feet was represented by a number of old depots, mainly in the interior, that have been closed out and excessed all together in the last 7 or 8 years at very substantial savings in our operating budget. They would not have met the DSA requirement today.

Mr. LUMAN. You mentioned the stovepipe systems as being a necessary adjunct to any supply system. I know the Army has one with aviation materiel. Does the Army plan to expand the use of the stovepipe system?

Mr. BROOKS. We have no current plans to do so, Mr. Luman. It may be that under certain circumstances of particularly high usage, for example, of combat vehicles, it would be desirable to apply it in that area. The reason of course for the aircraft stovepipe system was the particularly heavy intensive usage, high-flying hours, combat conditions.

Our planned maintenance turnaround times were being met a lot sooner than we expected them to in aircraft. Therefore it appears desirable because the equipment was being so strained in use to set up the stovepipe. We don't have that problem at present with other systems. If it develops we will have to set it up.

Mr. LUMAN. So this is one of a kind.

Mr. BROOKS. At present, yes, for aircraft, and missiles I should mention also.

Mr. ROBACK. Mr. Morris, can you give us the directives, of one or more, which govern your—which you have issued with regard to service management of computer systems? Do you have a directive on this?

Mr. MORRIS. There is a basic directive with respect to review, in DOD, of the computer, that is, hardware acquisition. We will be glad to supply that for the record.

(The information referred to follows:)

September 28, 1963
NUMBER 4105.55
ASD (I&L)

DEPARTMENT OF DEFENSE DIRECTIVE

Subject: Selection and acquisition of Automatic Data Processing Equipment (ADPE).

References:

- (a) DOD Directive 5100.40, "Responsibilities for the Administration of Automatic Data Processing Equipment Program," September 28, 1963.
- (b) DOD Directive 4105.55, "Policy on Selection of Computers," August 15, 1961 (hereby superseded).
- (c) Bureau of the Budget Circular No. A-54, "Policies on Selection and Acquisition of Automatic Data Processing (ADP) Equipment," October 14, 1961.

I. PURPOSE

This directive prescribes policies for the selection and acquisition of automatic data-processing equipment (ADPE) for use within the Department of Defense.

II. APPLICABILITY AND SCOPE

A. The provisions of this directive apply to all DOD components and cover the selection and acquisition of the following standard commercially available ADPE for any use (either for original installations, augmentation, or for replacement installation), except for exclusions in "B" below, including that acquired and operated by Government contractors solely to process Government data at Government expense:

1. Electronic digital computers, irrespective of use, size, capacity, or price.
2. All peripheral or auxiliary equipment used in support of electronic digital computers, whether or not cable-connected and whether selected or acquired with the computer or separately.
3. Punched card equipment, whether used in conjunction with or independent of an electronic computer.

4. Data transmission or communications equipment that is selected and acquired solely or primarily for use with a configuration of ADPE which includes an electronic digital computer.

B. Items of ADPE which are (1) integral to a weapon system or (2) developed for a particular use through the expenditure of research, development, test and evaluation funds, and analog computers are excluded from the provisions of this directive.

III. DEFINITIONS

A. *Electronic digital computer*.—A machine or group of machines (input, storage, computing, control and output devices) which uses electronic circuitry in the main computing element to perform arithmetic and logical operations automatically by means of an internally or externally stored program of machine instructions.

B. *Data systems specifications*.—Description of proposed automatic data processing (ADP) data system, including data elements and codes, input and output definitions, file and record content, flow diagrams of all functions performed, system performance criteria, and such other facts necessary for full description of the system.

IV. GENERAL POLICIES

A. In the selection of ADPE, equal opportunity and consideration shall be accorded to all manufacturers who offer equipment capable of meeting the system specifications.

B. The selection of ADPE will not be made until data system specifications have been developed independently of any particular manufacturer's equipment configuration, specifying in criteria for selection, as appropriate, the factors listed in paragraph V.A. 3 below.

C. Unreasonably short delivery or installation leadtimes which would serve to eliminate consideration of manufacturers of competitive and less costly equipment will not be established. Only clearly demonstrated operational necessity may be considered as a reason for establishing restrictive schedules.

D. The method of acquiring ADPE (i.e., purchase, lease, or lease-with-option-to-purchase) will be that which offers the greatest advantage to the Government under the circumstances which pertain to each situation.

E. General Services Administration Federal supply schedules will be used for acquisition of ADPE in all cases where such schedules exist.

F. Programing, personnel training, or site preparation related to a specific manufacturer's equipment will not be performed in advance of final selection and approval.

V. ADPE SELECTION AND ACQUISITION CRITERIA

A. *Selection criteria*.—All of the following criteria will be adhered to in selecting ADPE.

1. *Specifications*.—

(a) Data system specifications will be designed to insure full and free competition among qualified equipment manufacturers.

(b) Identical data systems specifications will be furnished all qualified vendors.

(c) Data system specifications for punched card equipment or other peripheral devices may be less comprehensive than those required for the

selection of a computer but should be adequate to identify the type, nature, and scope of the data processing workload involved.

2. *Manufacturer's proposals.*—

(a) *Solicitation.*—Except as qualified by "b" and "c" below, all interested manufacturers will be invited to submit proposals to show how their equipment would meet the data system specification. A letter inviting such proposals shall contain the following statement:

"The U.S. Government does not intend to award a contract solely on the basis of any response made to the request for proposals or otherwise pay for the information solicited or obtained. The information obtained will be utilized in determining the suitability of equipment following which procurement will be initiated in accordance with GSA schedules or subsequent contractual action, as appropriate."

A reasonable time interval shall be allowed for development of manufacturer's proposals. This time interval shall be a minimum of 60 days for medium or large computers. Only the most urgent operational requirement will support a shorter response time.

(b) *Punched card equipment.*—

(1) In view of the considerably less intricate nature of punched card equipment, technical judgment may be substituted for formal solicitation of proposals, provided full and impartial consideration is given to all competitive equipment in this class.

(2) The senior ADP policy official within each military department and defense agency (whose designation has been provided for under reference (a)) shall determine the level and degree of control required for adequate selection processes as they pertain to punched card type equipment. Specific determinations, as required, will be furnished by the ASD (I & L) in questions involving classification of equipment as punched card or ADP.

(c) *Exceptions to written proposals.*—

(1) The senior ADP policy official of each military department, the National Security Agency, Defense Supply Agency, Defense Atomic Support Agency, Defense Communications Agency, and Defense Intelligence Agency may approve certain exceptions to the requirement for formal solicitation of proposals if the facts are clear and unmistakable that such action is warranted and would be in the best interests of the government. This authority is limited to the following conditions:

(a) Addition or replacement of input and output devices which do not involve modification of central processor circuitry.

(b) Alteration of installed central processors to obtain immediate improved processing speed and equipment efficiency without reprogramming.

(c) Acquisition of computers to be used exclusively for peripheral support of a larger computer complex where program compatibility is required.

(d) Acquisition of equipment for applications involving the national interest where the systems specifications would require disclosure of sensitive cryptologic information, sensitive methods of processing, or would otherwise compromise security. Technical judgment in the selection of ADPE may be substituted for the formal solicitation to preclude such disclosures.

(e) The movement or modification of ADPE configurations, the need for which has been occasioned by the transfer of jurisdictional control of the applicable activity between bureaus or major commands, may be authorized at the discretion of the senior ADP policy official, provided that the category and use of the equipment will be in accordance with the previously approved program for the bureau or major command.

(2) The senior ADP policy officials identified in (c) (1) above will determine whether the basic intent of providing equal and fair opportunity to all interested vendors has been effected by the exception submitted for approval action. Documentation to support each exception from formal solicitation of proposals will be maintained in a central location designated by the above senior ADP policy officials for reference purposes as required.

(3) Exceptions to competitive selection not provided for above will require approval of the Office of the Secretary of Defense prior to equipment acquisitions. Requests for authority for such exceptions fully substantiated by supporting data will be submitted to the Assistant Secretary of Defense (Installations and Logistics).

3. Selection Factors.—

- (a) Two prime factors shall be considered in the selection of equipment.
 - (1) Its capability to fulfill the data system specifications, and
 - (2) Its overall costs, in terms of acquisition, preparation for use, and operation. The term "overall costs" shall be interpreted to include such costs as personnel, purchase price and rentals, maintenance of purchased equipment; site preparation and installation, programing, and training.
- (b) Other factors to be considered in determining the advantages of a particular equipment in satisfying DOD needs include:
 - (1) Existence of the equipment in production model, or at least in an operational prototype;
 - (2) Reliability of the equipment where available through operating experience at other installations (determination of unreliability should be factually supported).
 - (3) Performance of the equipment where simulated (bench mark) problems are used as an additional means of comparison and evaluation;
 - (4) Manufacturers' services offered such as:
 - (a) Programing aids and assistance, including such items as Cobol (common business oriented language) or algebraic compilers, executive routines, etc.
 - (b) Maintenance service, and
 - (c) Ability to meet required delivery schedules, both for hardware and "soft ware".
 - (d) Cobol—Selection of electronic digital computers for business applications will be limited to those computers for which Cobol compilers are available, unless it has been determined by the senior ADP policy official that the intended use of a particular computer would not benefit from the availability of a Cobol compiler. This limitation applies to all computers with internally stored program capability which exceeds \$2,500 in listed monthly rental charges for the main frame.

B. Acquisition criteria.—

1. The method of acquiring ADPE will be determined after careful consideration of the relative merits of all methods available (i. e., purchase, lease, or lease-with option-to-purchase). The method chosen will be that which offers the greatest advantage to the government under the circumstances which pertain to each situation. In this connection, the following guidelines as specified in reference (c) will be taken into account:
 - (a) The purchase method is preferred when all of the following conditions exist:
 - (1) The system study which preceded the selection of the equipment has established a reasonable expectance that the ADPE under consideration can be successfully and advantageously used.
 - (2) A comparative cost analysis of the alternative methods of acquisition indicates that a cost advantage can be obtained by the purchase method in 6 years or less after the date of delivery. This analysis usually will include the following cost elements under each method: for the lease method—rental costs, including maintenance; for the purchase method—purchase costs, including purchase price, maintenance, and other one-time costs applicable only to purchase; for the lease-with-option-to-purchase method—rental costs, and purchase costs less credits applicable upon purchase. In addition to the cost elements described above, the residual value of equipment to the Federal Government will be considered as a factor in a comparative cost analysis. Trade-in allowance quoted by manufacturers may be used as a representation of the residual value.
 - (3) The capabilities of the ADPE will continue to be needed and will be sufficient to satisfy the system requirements, current and projected, for a period beyond the point in time at which the purchase method begins to provide a cost advantage. The possibility that future technological advantages will render the selected equipment comparatively obsolete before the cost advantage point is reached should not rule out purchase if the selected equipment is expected to be able to satisfy the system requirements.
 - (b) The lease-with-option-to-purchase method is indicated when it is necessary or advantageous to proceed with the acquisition of the equipment that

meets system specifications, but it is desirable to defer temporarily a decision on purchase when circumstances do not fully satisfy the conditions which would indicate purchase. This situation might arise when it is determined that a short period of operational experience is desirable to prove the stability of a system design on which there is no previous experience, or where decisions might substantially alter the system specifications.

(c) The lease method, without option to purchase, is indicated only when it is necessary or advantageous to proceed with the acquisition of equipment that meets systems specifications and it has been established conclusively that any one of the conditions under which purchase is indicated is not attainable.

2. Negotiations or renegotiations of equipment delivery dates will be conducted in a manner which insures that firm and final commitments by the government to accept delivery of ADPE on a specific date will not be made until it has been determined through a readiness review that the using installation will be prepared to use the equipment productively as soon as it becomes operational.

VI. SELECTION INFORMATION FILE

A. A complete file of all selections shall be maintained in a central location designated by the Senior ADP Policy Official within each DOD component for a minimum period of 3 years following installation. In this file shall be included:

1. A copy of the system specifications which have been provided to qualified equipment manufacturers.
2. A list of those manufacturers who have been invited to submit equipment proposals.
3. A copy of each proposal and/or response in answer to such invitations.
4. Documentation to reflect adequately the considerations taken into account and the basis for the decisions with regard to equipment selections.

B. The senior ADP policy official shall use this information file to assure that equal opportunity has been afforded all qualified suppliers and that full consideration has been given to the method of procurement. This file will be made available to OSD and other authorized personnel for review and audit as required.

VII. CANCELLATION

Reference (b) is hereby superseded and canceled.

VIII. EFFECTIVE DATE AND IMPLEMENTATION

This directive is effective immediately. Three copies of all implementing documents shall be forwarded to the Assistant Secretary of Defense (installations and logistics) within 90 days of the effective date of this directive.

ROSSELL GILPATRIC,
Deputy Secretary of Defense.

Mr. ROBACK. That is now in the Comptroller's area?

Mr. MORRIS. Will be shifted to the Comptroller's office; yes, sir, but the basic directive stands.

Mr. ROBACK. There is no directive about this problem of development and compatibility in terms of management systems?

You don't have a general directive in that area?

Mr. RILEY. There is an instruction on that. We can give you a copy of it, Mr. Roback.

(The information referred to follows:)

September 28, 1963
NUMBER 5100.40
ASD (I&L)

DEPARTMENT OF DEFENSE DIRECTIVE

Subject: Responsibilities for the Administration of Automatic Data Processing Equipment Program.

References:

- (a) DOD Directive 5105.11, "Responsibility for Application of Automatic Data Processing Systems to Business Procedures," January 2, 1957 (hereby canceled).

- (b) DOD Directive 5105.14, "Policies Governing the Justification of Automatic Data Processing Equipment Application to Business Procedures," May 6, 1958 (hereby canceled).
- (c) ASD (Comptroller) memorandum, "Approval of ADPS Installations," December 14, 1960 (hereby canceled).
- (d) DOD Directive 4105.55, "Selection and Acquisition of Automatic Data Processing Equipment," September 28, 1963.

I. BACKGROUND AND PURPOSE

A. The Department of Defense has pioneered the application of modern computer techniques in business management information systems, scientific, and for other military purposes. Although significant benefits and economies have resulted from the use of these advanced methods and techniques, there is a need for (1) increased emphasis on improving and standardizing data systems, and for (2) exploring more fully the potential of modern data processing equipment.

B. This directive assigns responsibility for administering an integrated DOD automatic data processing equipment (ADPE) program correlated with the ADPE selection and acquisition policies and criteria established in reference (d).

II. OBJECTIVE

To provide for effectiveness of management and economy of operations throughout the DOD by the establishment of optimized data processing services. This will be achieved by:

- A. The attainment of optimum uniformity, compatibility and responsiveness of automated data systems between and among DOD components.
- B. The elimination of unnecessary duplication and overlapping of effort in automated data systems developmental activities.
- C. The interchange of improved automatic data processing (ADP) techniques, computer programs, and management procedures.

III. APPLICABILITY AND SCOPE

A. The provisions of this directive apply to all DOD components in the acquisition and management of commercially available general-purpose ADPE.

B. Items of ADPE which are (1) integral to a weapon system or (2) developed for a particular use through the expenditure of research, development, test, and evaluation funds, and analogy computers are excluded from the provisions of this directive.

IV. DEFINITION

As used in this directive, ADPE includes the following types of equipment, and is limited to standard commercially available hardware:

- A. Electronic digital computers, irrespective of use, size, capacity or price.
- B. All peripheral or auxiliary equipment used in support of electronic digital computers, whether or not cable-connected and whether selected or acquired with the computer or separately.
- C. Punched card equipment, whether used in conjunction with or independent of an electronic computer.
- D. Data transmission or communications equipment that is selected and acquired solely or primarily for use with a configuration of ADPE which includes an electronic digital computer.

V. RESPONSIBILITIES

- A. The Assistant Secretary of Defense (Installations and Logistics) shall:
 1. Serve as the Department of Defense focal point for policies, criteria, and standards governing the selection, acquisition, use and management of ADPE for all purposes within the scope of this directive; coordinating and collaborating with other principal staff assistants to the Secretary of Defense concerned with the application of ADPE in their assigned areas of responsibility.
 2. Be responsive to guidance, active participation and management purview of the Director of Defense Research and Engineering in the development of policies and criteria for the application of ADPE in scientific and engineering, communications, command and control, intelligence, and tactical field operations.
 3. In carrying out the above responsibilities, the ASD(I & L) shall:

(a) Foster the development of programs for improving the compatibility and responsiveness of equipment applications when management information systems are to be automated.

(b) Provide guidance and direction for the development and maintenance of programming languages and other similar aids essential to effective automated data systems.

(c) Prescribe supplemental policies, criteria, and standards for selection, acquisition (reference (d)), use and management for ADPE.

(d) Exercise approval authority for proposed acquisition of ADPE in support of such special applications as may be designated from time to time.

(e) Maintain current information on the development of management information systems within the DOD.

(f) Conduct selective management reviews of ADP systems and installations within the DOD.

(g) Represent the DOD in liaison with industry and governmental agencies on ADP matters.

(h) Approve all acquisitions of ADPE by OSD elements and DOD agencies not identified in C. below, including the Joint Staff and separate DOD agencies reporting to the Joint Chiefs of Staff.

B. The Assistant Secretary of Defense (Comptroller) shall be responsible for the development and maintenance of standard data elements and their related machine-sensible codes so as to promote compatibility among automated data systems throughout the Department of Defense.

C. The Secretaries of the military departments and the directors, National Security Agency, Defense Supply Agency, Defense Atomic Support Agency, Defense Communications Agency, and Defense Intelligence Agency shall:

1. Designate a senior ADP policy official to serve as the focal point for ADP policy and for administration of the ADP program within the military department or agency.

2. Develop and control programs for the design, improvement, and standardization of automated data systems in consonance with approved guidelines.

3. Be responsible for the management and operation of the ADPE installations within the military department or agency.

4. Perform continuing analysis and planning to insure effective and economical utilization of ADPE and related techniques.

5. Evaluate performance of automated data systems.

6. Have maintained at a central point, current files of all installed ADPE and ADP systems applications.

7. Exercise approval authority for the selection of ADPE in accordance with provisions of reference (d).

8. Exercise approval authority for the acquisitions of ADPE when such acquisitions are the result of competitive processes or excepted from the requirements for written proposals, as provided in reference (d). This authority is inapplicable in those special applications which may be designated from time to time as requiring Assistant Secretary of Defense (Installations and Logistics) approval.

9. Not delegate below the level of the senior ADP policy official the authorities for approval of computer main frame selections and acquisitions, as provided in paragraphs 7 and 8 above.

D. Heads of all agencies and OSD elements not identified in C. above are responsible for the performance of all functions prescribed in paragraphs C 1 through 7 within their staff jurisdiction. Acquisition of ADPE by these agencies and offices shall require the approval of the ASD (I. & L.) as provided in V.A. 3(h) above.

VI. CANCELLATIONS

References (a), (b), and (c) are hereby canceled and superseded.

VII. EFFECTIVE DATE AND IMPLEMENTATION

This directive is effective immediately. Three copies of all implementing documents shall be forwarded to the Assistant Secretary of Defense (Installations and Logistics) within 90 days of the effective date of this directive.

ROSSELL GILPATRIC,
Deputy Secretary of Defense.

Mr. ROBACK. Mr. Chairman, I know you need to get away so we will suspend now.

Mr. HOLIFIELD. Thank you, Mr. Secretary and gentlemen for your testimony this morning. We will adjourn at this time.

Mr. MORRIS. We thank you for these hearings, Mr. Chairman. They are very helpful to all of us.

Mr. HOLIFIELD. I hope they will be helpful. That is the purpose of them.

Mr. MORRIS. They will.

Mr. HOLIFIELD. It is to reacquaint ourselves with the developments and also to have called problems to our attention, and if there are any suggestions that you have to make where this committee can be helpful we will be glad to receive them.

Mr. MORRIS. Thank you.

(Whereupon, at 11:55 a.m. the subcommittee adjourned.)

APPENDIX

BACKGROUND MATERIAL ON THE DEFENSE SUPPLY AGENCY MAY 1968

The Defense Supply Agency has been in operation since January 1962 and is performing effectively all assigned missions and functions. As a major element of the Defense logistics establishment, the Agency provides responsive and efficient supply support and logistics services to its customers at less cost and thereby has fully justified its establishment.

HISTORY, MISSION, AND ORGANIZATION

PRE-DSA ORGANIZATION

Prior to the establishment of the Defense Supply Agency, the Secretaries of the Military Departments were designated single managers of selected supply and service activities for all components of the Department of Defense (Figure 1). Their responsibilities were carried out by separately organized operating agencies within their respective Military Departments. These agencies achieved an enviable record of effective support to the Military Services with significant reductions in operating costs and inventories. Their experience demonstrated the merits of a single agency furnishing common supplies and services to all Military Departments.

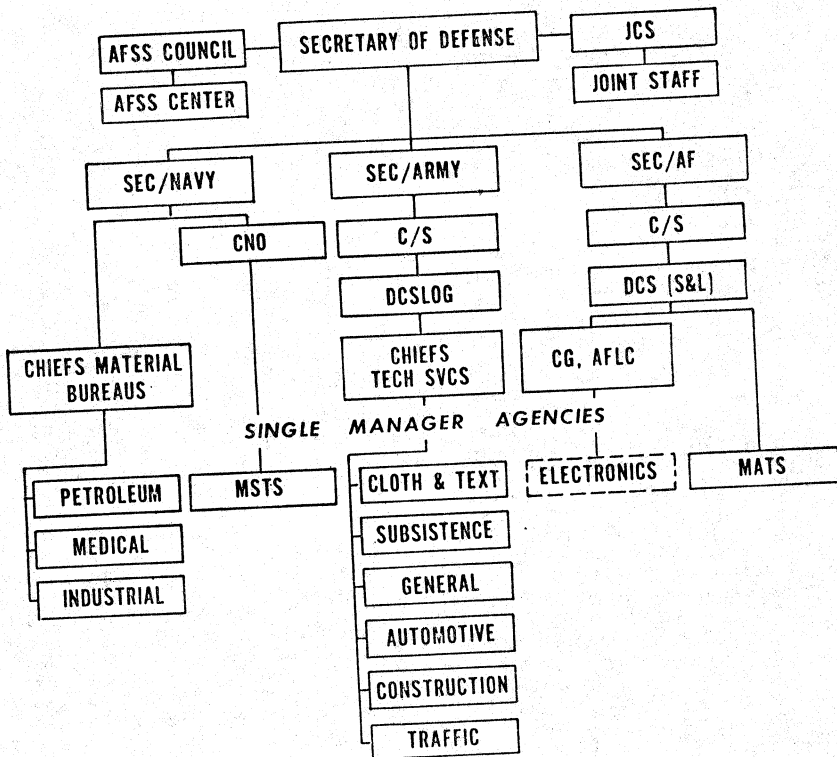
Prior to the time DSA was organized, three commodity managers were assigned to the Navy, of which one, industrial, was still in the process of assuming management of assigned commodity classes. Five commodity managers and one service manager were assigned to the Army. Two of these commodity managers, automotive and construction, were still in the early phases of activation. Electronics management is shown in dashed lines under the Secretary of the Air Force because this commodity had already been studied and recommended for integrated management; and the present DSA electronics center, developed from the Air Force central center for electronics materiel, was turned over to DSA at the time of DSA's establishment. The Armed Forces Supply Support Center (AFSSC) administered the Defense-wide cataloging, standardization, and materiel utilization programs and conducted integrated management studies.

ACTIVATIONS AND TRANSFERS TO AND FROM DSA

The establishment of DSA resulted in immediate transfer from the Services of all existing Single Manager Operating Agencies (SMOAs) except the Military Air and Military Sea Transport Services, shown in Figure (1) as single manager agencies, which remained in the Departments of the Air Force and Navy, respectively. Additional SMOAs in process of activation or projected, and other major functions susceptible of integrated management for all the Services, were transferred progressively.

FIGURE 1

SINGLE MANAGER SYSTEM



The more important activations and transfers to and from DSA occurred on the dates indicated below:

- Jan. 1, 1962----- Construction, Clothing and Textile, General Subsistence, and Traffic Management Agencies from the Army. Medical and Petroleum Agencies from the Navy. Armed Forces Supply Support Center from OSD (redesignated as Defense Logistics Services Center). 34 Surplus/Sales Offices from all the Services.
- Apr. 1, 1962----- Military Industrial Supply Agency from the Navy.
- May 1, 1962----- Clothing factories from the Army and Marine Corps.
- July 1, 1962----- Defense Electronics Supply Center (new activity with assets from all Services including the Dayton Air Force Depot).
- Jan. 1, 1963----- Military Automotive Supply Agency from the Army. General Depots at Columbus, Ohio, Mechanicsburg, Pa., and Tracy, Calif., from the Army.
- Mar. 1, 1963----- Defense Industrial Plant Equipment Center (new activity).
- Nov. 1, 1963----- Defense Documentation Center from the Air Force.
- Jan. 1, 1964----- General Depots at Memphis, Tenn., and Ogden, Utah, from the Army. Defense Automotive Supply Center disestablished; military vehicle supply functions transferred to the Army.

and commercial-type vehicle items to the Defense Construction Supply Center.
 Feb. 15, 1965----- Defense Traffic Management Service transferred to the Army.
 September 1964 to December 1965. Eleven Defense Contract Administration Services Regions established as primary level field activities of DSA (personnel and offices transferred from all the Services).

MISSION

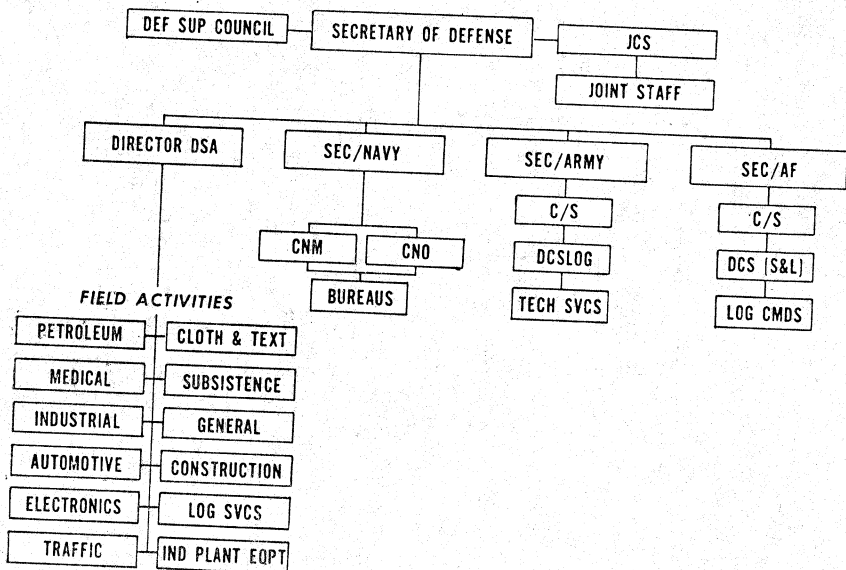
The DSA mission consists basically of three major elements:
 Providing wholesale supply support to the Military Services and other Defense activities with assigned supply commodities.
 Administering logistics services and programs.
 Providing field contract administration services to the Defense establishment and the National Aeronautics and Space Administration.

DSA ORGANIZATION

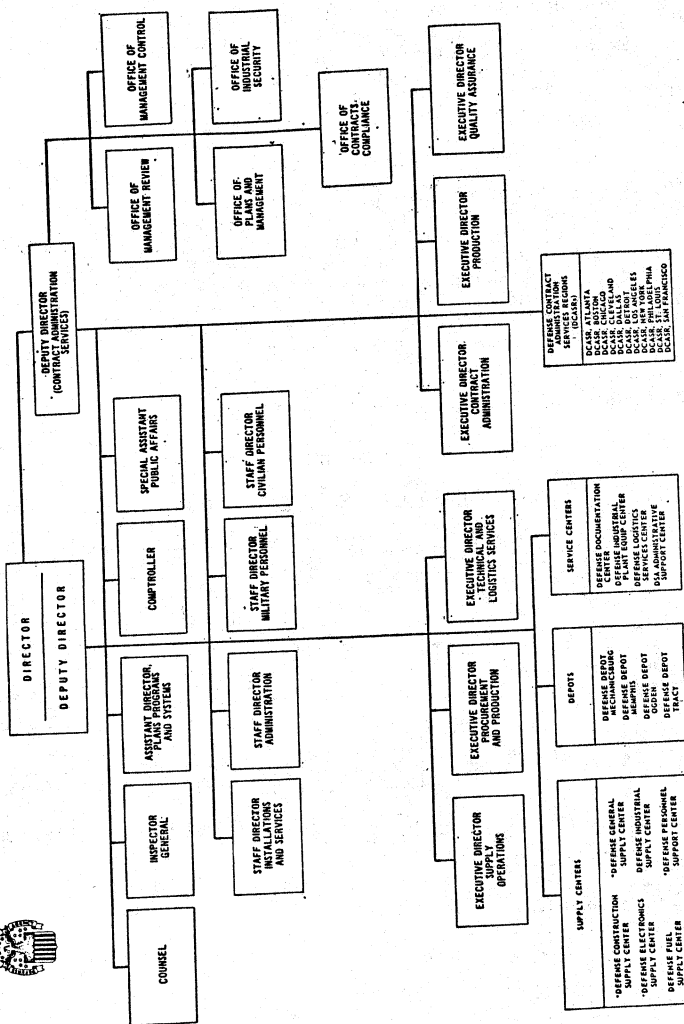
Figure (2) depicts the changes in the Defense supply and logistics service organization, authorized by the end of 1962. The Departmental single managers were taken over in place, as field activities of the Defense Supply Agency, with assigned personnel, funds, equipment, and facilities. Their operations continued without interruption under a new and shortened chain of command. This was also true of the operational elements of the former Armed Forces Supply Support Center and the military surplus property sales activities, which were assigned to the Defense Logistics Services Center, a DSA field activity. Figure (3) depicts the DSA organization today and reflects the assumption in January 1965 of contract administration functions previously performed by some 165 contract management offices of the Military Services and DSA.

FIGURE 2

DoD LOGISTICAL SYSTEM - 1962



DEFENSE SUPPLY AGENCY

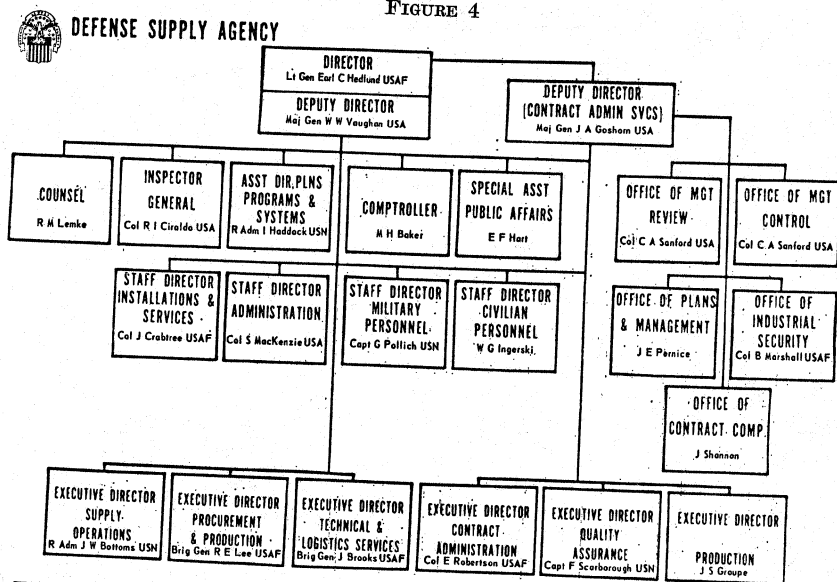


Centers with Depot Operations

APPROVED: Earl C. Hedlund
* EARL C. HEDLUND
Lieutenant General, USAF
Director
1 July 1967

During the first 3 months of the Defense Supply Agency's existence, the Headquarters staff consisted of a planning group, most of whom were on loan from the Military Departments and the Office of the Secretary of Defense. Selection and assembly of a permanent staff began after the initial organization and staffing plan was approved in December 1962. The present Headquarters staff, as depicted in Figure (4), assists the Director in the direction and control of the Agency and is concerned with broad planning and management of the total DSA mission and the establishment of long- and short-range objectives and standards of performance. Its key personnel exemplify the joint military staffing principle, with each of the Military Services represented at the Directorate or immediately subordinate level. The Assistant Director, Plans, Programs and Systems is principal staff advisor and assistant to the Director for development and application of policies, plans, programs and systems affecting multiple DSA functional activities. The Comptroller assists the Director as principal financial management and manpower staff advisor. The Deputy Director for Contract Administration Services acts for the Director, DSA, in exercising management and operating control over CAS missions, operating programs and supporting field activities; he is assisted by Executive Directors for Contract Administration, Quality Assurance, and Production, and by Chiefs of Management Review, Management, Control, Plans and Management, Industrial Security, and Contracts Production, and Technical and Logistics Services are principal staff advisors and assistants to the Director, DSA, in the development and application of policies, plans programs and systems for their respective functional areas. The Counsel, the Inspector General, the Special Assistant for Public Affairs, and the Staff Directors for Installations and Services, Administration, Military Personnel and Civilian Personnel perform staff support functions of a major Headquarters.

FIGURE 4



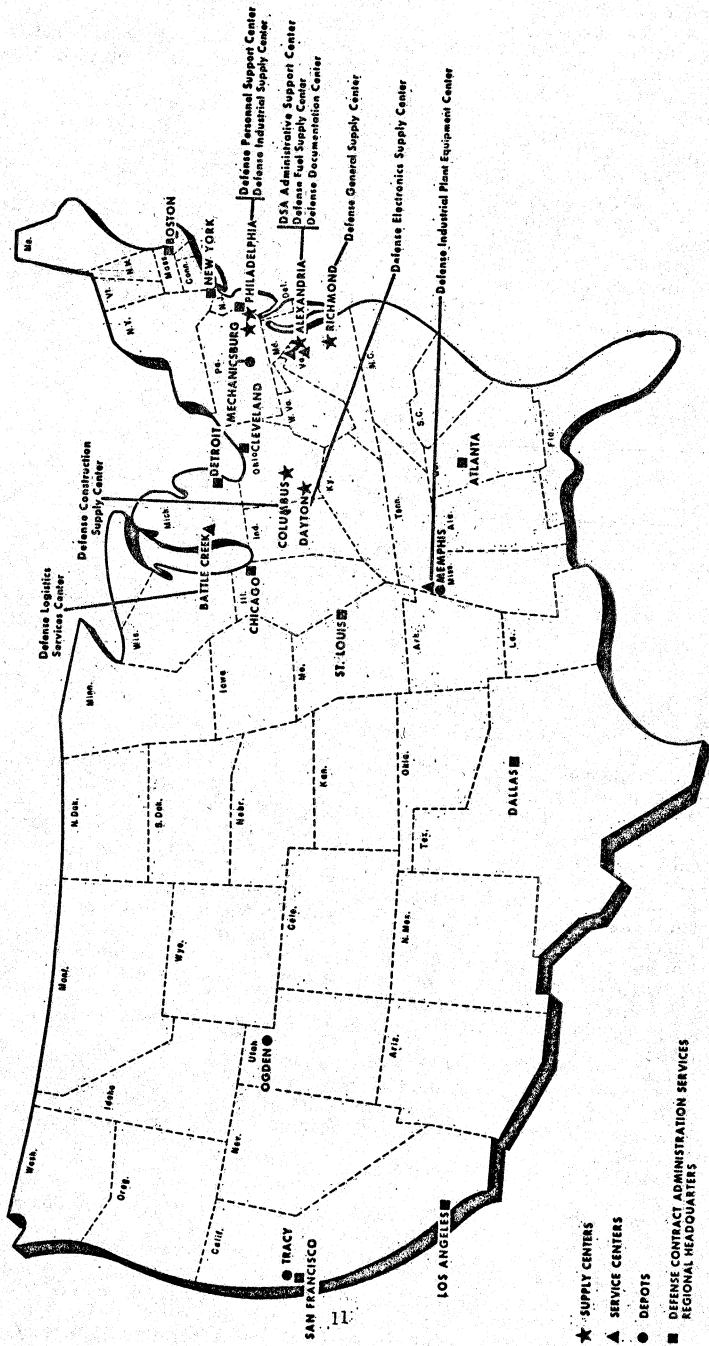
The field establishment is comprised of 25 major activities, identified in Figure (5) by name and activity head. The military command positions are staffed on the basis of balanced military representation and are rotated among the Military Services. The geographical locations of the 25 major DSA field activities are depicted in Figure (6).

FIGURE 5

MAJOR FIELD ACTIVITIES

Defense Construction Supply Center: Maj. Gen. Emmett M. Tally, Jr., USAF
 Defense Electronics Supply Center: Brig. Gen. Glen J. McClernon, USAF.
 Defense Fuel Supply Center: R. Adm. Fowler W. Martin, SC, USN.
 Defense General Supply Center: Brig. Gen. John D. Hines, USA.
 Defense Industrial Supply Center: R. Adm. Grover C. Heffner, SC, USN.
 Defense Logistics Services Center: Capt. Ross A. Porter, SC, USN.
 Defense Personnel Support Center: Brig. Gen. William M. Mantz, USA.
 Defense Documentation Center: Dr. Robert B. Stegmaier, Jr.
 Defense Depot:
 Mechanicsburg: Capt C. J. Stringer, SC, USN.
 Memphis: Col. T. I. Martin, USA.
 Ogden: Col. Robert B. Ladd, USAF.
 Tracy: Capt. Robert C. Dexter, Jr., SC, USN.
 Defense Industrial Plant Equipment Center: Col. Fred H. Sitler, USAF.
 DSA Administrative Support Center: Col. Stuart A. McKenzie, USA.
 Defense Contract Administration Services Region:
 Atlanta: Col. Loren P. Murray, Jr., USAF.
 Boston: Col. Frank A. Bogart, USA.
 Chicago: Col. J. P. Gibbons, USAF.
 Cleveland: Col. Norman T. Dennis, USA.
 Dallas: Capt. Walter G. Normile, SC, USN.
 Detroit: Col. Kenneth R. Johnson, USA.
 Los Angeles: Brig. Gen. Arthur E. Exon, USAF.
 New York: Brig. Gen. Walter M. Vann, USA.
 Philadelphia: Col. Gerald Johnson, Jr., USA.
 San Francisco: Col. William K. Ashby, USAF.
 St. Louis: Capt. Raymond S. Sullivan, SC, USN.

FIGURE 6
DSA MAJOR FIELD ACTIVITIES



DSA OBJECTIVES

When the Secretary of Defense established the Defense Supply Agency, he established two primary objectives for the Agency:

First, to insure effective and timely support of the Military Services in the event of mobilization, war or other national emergency, as well as in peacetime.

Second, to furnish this support at the lowest feasible cost.

The order in which these objectives are stated is not accidental; it reflects the priority which governs all DSA programs. This priority and these objectives also govern the criteria against which DSA's achievements are measured.

DSA made rapid progress in the assumption of assigned functions, as indicated in Figure (7). In January 1962, DSA took over wholesale management of 87,000 items with an inventory value of more than \$1.58 billion. By December 1967, the number of items centrally managed (excluding items designated for local purchase) totaled 1.71 million, with a value of over \$3.05 billion, and will approximate 1.72 million items by the end of FY 1968. At that time, the inventory value is expected to be about \$2.84 billion, and the annual rate of procurement will decrease to \$5.1 billion.

FIGURE 7

INDICATORS OF DSA GROWTH

(Dollars in millions)

	End January 1962	End fiscal year 1963	End fiscal year 1964	End fiscal year 1965	End fiscal year 1966	End fiscal year 1967	Dec. 31, 1967	End fiscal year 1968 (plan)
Items centrally managed.....	87,000	1,029,000	1,328,000	1,369,000	1,335,000	1,538,000	1,710,000	1,729,000
Inventory.....	\$1,588.0	\$2,412.0	\$2,232.0	\$1,977.0	\$1,994.0	\$2,896.0	\$3,055	\$2,843
Net investment change.....	-\$39.4	-\$261.7	-\$161.2	-\$50.6	+\$1,322.5	+\$333.5	-----	-\$400
Procurement.....		\$2,670.0	\$2,701.0	\$3,042.0	\$5,740.0	\$6,178.0	\$2,604	5,103
Personnel.....	9,500	25,970	31,141	34,128	53,554	59,604	58,649	57,139

¹ Excludes 3,426 temporary civilian personnel.

² Excludes 2,459 temporary civilian personnel.

³ Excludes 886 temporary civilian personnel.

⁴ Current OSD Allocation (June 30, 1968) full-time permanent civilian and military personnel.

During the period 1962-1965, the Defense Stock Fund effected a net investment reduction by issuing stocks in long supply without replacement. The long supply had been generated by capitalizing stock of assigned items from all the Military Services. In FY 1966 and FY 1967, the net investment trend was reversed as the Defense Stock Fund built up the stock position to support the increased demand generated from Southeast Asia. The FY 1968 net investment reduction reflects the improvement in production capability, the leveling off of Southeast Asia demand, and the drawdown of additional stocks recently assigned to the Defense Supply Agency for integrated management.

The increase of personnel, both Headquarters and field, has proceeded in phase with the assumption of management tasks and the increased workload as a result of Vietnam. A reconstruction of DSA personnel changes which have taken place since 1962 as a result of functional additions and deletions are as follows:

End FY 62 to End FY 63: Net Change +16,470. The increase of personnel in both Headquarters and field resulted primarily from manpower adjustment (14,000) to meet requirements for functions transferred to DSA, and from the consolidation of the Army and Marine Clothing factories and transfer to DSA (2,485).

End FY 63 to End FY 64: Net Change +5,171. The increase resulted from DSA assuming indirect support of DDC (530); OSD authorization of an additional 4,572 personnel for the Depot Distribution Plan and 594 for the establishment of the Defense Industrial Plant Equipment Center; and additional personnel needed for long term training and overseas support. Decreases approximating 1,800 personnel resulting from programmed reductions, and reductions in ceilings for post engineering support and Center Engineer Maintenance support.

End FY 64 to End FY 65: Net Change +2,987. An increase of 4,475 personnel required by the activation of three Contract Administration Services Regions was offset by productivity programmed reductions, decrease in distribution systems and cataloging. Merging of the Centers for Medical, Subsistence, and Clothing support resulted in savings of 521 personnel.

End FY 65 to End FY 66: Net Change +19,426. Additions included over 16,000 personnel transfers in connection with assumption of the Contract Administration Services functions, and approximately 9,000 additional spaces for Southeast Asia requirements. Reductions amounted to approximately 6,000 for Defense Traffic Management Service transfer to Army and in the Depot Distribution System.

End FY 66 to End FY 67: Net Change +6,050. There was an increase of 6,532 spaces needed to meet the continuing demands in Southeast Asia placed on DSA by the Military Services. Offsetting this increase were reductions for productivity improvement and the consolidation of functions within DSA.

End FY 67 to End FY 68: Net Change (Plan). -2,465. This reduction is primarily due to an OSD imposed reduction and functional transfers to the General Services Administration.

SUPPLY SUPPORT

INVENTORY CONTROL POINTS

DSA manages six supply centers (Figure 6) as follows:

- Defense Construction Supply Center, Columbus, Ohio.
- Defense Electronics Supply Center, Dayton, Ohio.
- Defense Fuel Supply Center, Alexandria, Virginia.
- Defense General Supply Center, Richmond, Virginia.
- Defense Industrial Supply Center, Philadelphia, Pennsylvania.
- Defense Personnel Support Center, Philadelphia, Pennsylvania.

The Fuel Supply Center procures bulk and solid fuels but does not control inventories. Management of DSA inventories is currently distributed among the remaining five inventory control points, which compute replenishment requirements for assigned items, maintain inventory and transaction records, receive and edit requisitions, procure materiel, and direct shipment or procurement action, as appropriate. Other functions performed are cataloging, standardization and installation management. Assignments of commodities to Centers were determined through separate commodity studies conducted over a six-year period. Among Centers, wide variations existed in the numbers of items managed and in the mix of technical, personnel-related, and bulk materiel items. Functional and commodity assignments, as well as location of Centers at specified military installations, have been influenced by the availability of space and facilities and by considerations of improved customer service and reductions in operating costs. During 1965, DSA consolidated the functions of the Medical Supply Center, Brooklyn, the Subsistence Supply Center, Chicago, and the Clothing and Textile Supply Center, Philadelphia, into the Defense Personnel Support Center at Philadelphia.

Early in 1966, the supply centers assumed the purchasing responsibilities for decentralized and nonstandard items in DSA-managed classes of materiel required for support of Army and Air Force activities overseas; except for support of Air Force activities in the Pacific area which was assumed in January 1967.

DISTRIBUTION SYSTEM

For assigned commodities, the Defense Supply Agency determines requirements for wholesale storage space; manages, controls and operates assigned warehouses and depots; and arranges for the use of storage space and related services and facilities of the Department of Defense, other Government agencies and commercial warehouses as required. The Defense Supply Agency also arranges transportation for initial distribution of stocks from supplier to point of storage, from point of wholesale storage or the supplier direct to the customer, and for redistribution as required between wholesale storage points.

On 1 January 1962, items assigned to DSA or to be assigned to DSA were stored in 77 locations. On 1 January 1963, the DSA Distribution System was implemented with 11 of the 77 becoming permanent DSA distribution activities and 18 becoming Direct Supply Support Points for support of the Navy.

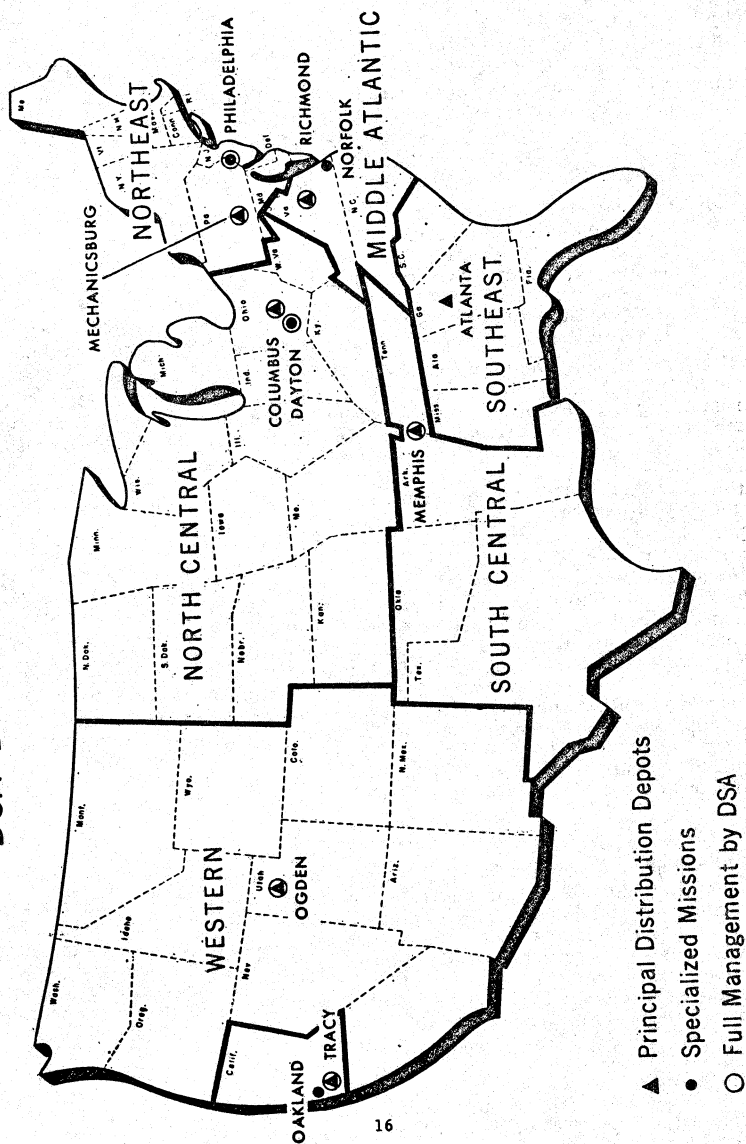
The objectives of the Distribution System were:

The establishment of a storage pattern based on the concept of positioning stocks close to the concentrations of military posts and ports of embarkation in the United States.

Centralization of all requisitioning procedures and stock control functions in the Defense Supply Centers, effective 1 July 1963.

The DSA Distribution System consists of 7 Principal Depots and 4 Specialized Support Depots (Figure 8).

FIGURE 8
DSA DISTRIBUTION SYSTEM



Principal depots.—These depots are responsible for the receipt, storage, stock readiness, inventory, and issue of DSA items of supply, including General Mobilization Reserve Stocks for the support of specific areas, activities and/or forces designated by Headquarters, Defense Supply Agency. These depots are:

Defense Construction Supply Center, Columbus, Ohio.
 Defense Depot Mechanicsburg, Pennsylvania.
 Defense Depot Tracy, California.
 Defense Depot Ogden, Utah.
 Defense Depot Memphis, Tennessee.
 Defense General Supply Center, Richmond, Virginia.
 Atlanta Army Depot, Forest Park, Georgia.

Specialized Support Depots.—These depots have functions similar to those of the Principal Depots, except that their missions are specialized as to type of materiel or scope of support. The Specialized Support Depots are:

Defense Electronics Supply Center, Dayton, Ohio.
 Defense Personnel Support Center, Philadelphia, Pennsylvania.
 Naval Supply Center, Norfolk, Virginia.
 Naval Supply Center, Oakland, California.

The two Navy operated Specialized Support Depots support the fleet, Navy overseas activities and selected Navy activities within a 25 mile radius. In addition, they support all Military Service requirements in emergency situations (Priorities 1-8) when such support is not available elsewhere in the DSA system.

Direct Supply Support Points.—The DSA Distribution System also includes 10 Direct Supply Support Points (not included in Figure (8)) which have been established in support of large volume users, such as Navy shipyards, repair facilities, and recruit training centers. These Points are under Military Service management. The supply mission for DSA commodities at these Points is restricted to the stocking of PSG 95 (Metals, Bars and Shapes) for the support of on-base industrial and maintenance requirements and clothing for recruit training centers.

Attrition Sites.—As of 31 March 1968, DSA materiel was stored at 17 temporary storage locations, or attrition sites. However, the number of attrition sites at any given time will fluctuate because of continuous capitalization of items as a result of item management coding and DSA assumption of new missions and item assignments. Until supply missions become stabilized, and until the current critical shortage of DSA-managed storage space is alleviated, a target date for complete elimination of attrition sites cannot be projected. DSA policy for evacuation of stocks from attrition sites is disposition-in-place of excesses; redistribution of replenishment stocks from attrition sites into permanent depots in lieu of replenishment from procurement; attrition to satisfy customer demands; and bulk relocation into permanent depots when economically justified.

PROCUREMENT AND PRODUCTION

DSA's procurement program objectives have been generally met as indicated below:

Small Business.—Awards to small business have been as follows:

FY 1963: \$943 million or 40.5% of total awards to U.S. firms.
 FY 1964: \$1.01 billion or 43% of total awards to U.S. firms.
 FY 1965: \$1.17 billion or 43.9% of total awards to U.S. firms.
 FY 1966: \$2.44 billion or 46.3% of total awards to U.S. firms.
 FY 1967: \$2.59 billion or 45.8% of total awards to U.S. firms.
 FY 1968 (9 months): \$1.52 billion or 43.1% of total awards to U.S. firms.

It is expected that the OSD goal of 44.2% will be met by the end of the fiscal year.

Labor Surplus Area Awards.—Awards (\$10,000 and above) to labor surplus areas have been as follows:

FY 1963: \$415.1 million or 22.2% of total dollar awards in U.S. & possessions.
 FY 1964: \$447.9 million or 26.0% of total dollar awards in U.S. & possessions.
 FY 1965: \$459 million or 21.6% of total dollar awards in U.S. & possessions.
 FY 1966: \$709 million or 15.8% of total dollar awards in U.S. & possessions.
 FY 1967: \$587 million or 12.3% of total dollar awards in U.S. & possessions.
 FY 1968 (9 months): \$320 million or 10.6% of total dollar awards in U.S. & possessions.

The established OSD goal for FY 1968 is 10.0%.

Competitive Awards.—The revised definition for competition went into effect in October 1967. Regulations formerly provided for reporting all small purchases as competitive and other purchases were presumed competitive if more than one source was solicited. Current ASPR instructions provide that all procurements under \$250 made under small purchase procedures are reported as noncompetitive. Generally, other purchases are considered competitive only where there is more than one truly competitive response. Competitive procurement awards have been as follows: FY 1963, 91.3%; FY 1964, 91.5%; FY 1965, 90.3%; FY 1966, 92.1%; FY 1967, 91.5%.

Formal Advertising.—The percentage of the value of all DSA procurements made through formal advertising have been as follows: FY 1963, 41.3%; FY 1964, 37.8%; FY 1965, 36.9%; FY 1966, 28.4%; FY 1967, 27.4%.

In the first nine months of FY 1968, the rate was 32.3%. This is 2.1% above the established goal of 30.2%. The higher rate this year over last year is due mainly to the elimination of rated orders in the clothing and textile area.

SUPPLY EFFECTIVENESS

In November 1962, DSA implemented a uniform system for the measurement of supply effectiveness. This system employs standardized reporting by all Supply Centers and uses two key indicators to measure effectiveness.

The first indicator, stock availability, measures the performance of Centers as inventory managers by the percentage of requisitioned items supplied from available stocks. The number of requisitions received and processed in FY 1967 rose slightly to 19.7 million, 2% over the number received during FY 1966. The number of requisitions received through the third quarter of FY 1968 decreased slightly to 14.28 million, 3% less than were received in the corresponding period of FY 1967.

Overall availability for the DSA system averaged 86.5% for FY 1967 against 87.8% in FY 1966, and 91.5% in FY 1965. The lower stock availability in FY 1966 and FY 1967 reflects the continued pressure of Vietnam demands and the inability of industry to provide adequate replenishment stocks in sufficient time to maintain shelf stocks. However, for the first nine months of FY 1968, availability averaged 90.5% compared to 85.3% for a like period in FY 1967. The higher stock availability reflects a slight decrease in the pressure of Vietnam demands and an improvement in industry's ability to provide replenishment stocks on schedule.

The second indicator of system effectiveness, on-time fill, measures supply system effectiveness by the percentage of requisition lines processed for shipment by the DSA Supply System within the time frames specified in the DoD Uniform Materiel Movement Issue Priority System (UMMIPS). On-time fill for FY 1967 averaged 75.3% compared to 80.2% for FY 1966. This decrease in on-time fill was due in part to the large number of backorders released for shipment of materiel in FY 1967, most of which were late in meeting the established standards. Heavy depot workloads were also an influencing factor causing this lateness. For the first nine months of FY 1968, on-time fill averaged 79.2% compared to 73.9% for a similar period in FY 1967. The higher figure reflects improvements in industrial production on Defense orders. This is confirmed by a 20% reduction in the number of backorders on hand as compared to backorders for the same period in FY 1967.

TECHNICAL AND LOGISTICS SERVICES AND PROGRAMS

STANDARDIZATION AND CATALOGING

The Defense Supply Agency now has standardization management responsibility for approximately 2.4 million items or 62% of the 3.9 million DoD items in the Federal Supply System.

DSA is continuing to give major attention to the reduction in the number of items in assigned commodity classes. In FY 1966, as a result of identification of duplicate or similar items and of standardization actions, decisions were made and concurred in by the Military Departments to eliminate 116,274 items. These decisions were based on a review of 283,445 items. In FY 1967, decisions were made to eliminate 97,014 items based on a review of 289,734 items.

A net increase of 82,160 items was recorded in the Federal Catalog during calendar year 1967. In the first half of 1967, 202,465 items were added to the Defense Catalog and 146,476 items deleted—a net increase of 55,989 items. This

trend continued during the second half of the year. In the period July-December 1967, 175,815 items were added and 149,644 items deleted—an increase of 26,171 items. As of 31 December 1967, there were 3,989,863 items in the Federal Catalog, as compared to 3,907,703 on 31 December 1966.

The net increase in catalog items can be attributed in part to the introduction of repair parts for new major end items, and fewer deletions due to retention of older equipments for possible use in Southeast Asia. Extended use of these older equipments in the unfavorable terrain of Southeast Asia has created repair parts demands not previously experienced.

TECHNICAL DATA

The extent of unavailability and inadequacy of technical data necessary to support DSA programs has been a continuing and significant problem area in Technical and Logistics Services during the past several years, whether the data were required for Standardization, Cataloging, Item Entry Control, Federal Item Identification Guides (FIIG), Procurement or other logistics support operations. Technical data are acquired by DSA primarily from the Military Departments in support of material transferred by them to DSA for management. When the Military Departments do not provide required technical data, DSA must solicit industry for the acquisition of missing data.

In order to attain the optimum level of data support, DSA has attempted to (a) revise joint DSA/Services technical data requirements regulation, (b) have ASD (I&L) accept a DSA prepared DoD Instruction to govern improved data support operations. DSA also requested assistance from ASD (I&L) in improving technical data support in conjunction with provisioning actions.

DSA has initiated or participated in several actions for improvement of data management, with emphasis on securing improved technical data availability and adequacy as follows:

Participation in the ASD(I&L) project to revise DoD Instruction 5010.12, Management of Technical Data. The proposed revision clarifies and strengthens data support to DSA by the Military Departments.

Revision of DSAR 4185.3, Technical Data Improvement Program, to provide procedures for selectively improving data based on specific program needs according to criteria for priority of effort. Expanded reporting requirements to provide DSA with improved statistics, by Military Service, relative to data adequacy and availability in support of Provisioning Supply Support Requests (SSR).

Requested Technical Data Liaison on the reactivated DoD Special Projects Group for Initial Provisioning to consider the improvement of provisioning support.

Prepared executive level briefings for presentation to the Military Services to describe the DSA Technical Data Program and DSA problem areas wherein the Military Departments can assist DSA.

Development of a provisioning data analysis plan with the objective of improving technical data acquisition through provisioning. Plan will include provisions for study and evaluation of specific technical data requirements in provisioning appendices/exhibits, contract administration, schedules for provisioning, and DSA technical data manager participation in selected provisioning conferences with the Military Services.

Expanded DSC technical operations' efforts to acquire pricing information, and to provide assistance to procurement personnel in determining price reasonableness.

Support the installation and use, under control of DSC Technical Data Managers, of 16mm commercial microfilm reader-printers that display manufacturers' cataloged items.

Distribution by DLSC of the consolidated Master Cross Reference List (MCRL) of part numbers to Federal Stock Numbers. The MCRL is provided via 16mm film cartridges and is expected to prove a substantial aid in identifying items in the small purchase area.

MATERIEL UTILIZATION

Efforts are continuing toward improvement and refinement of mechanized procedures for screening releasable assets of Military Service Inventory Control Points (ICPs) against Military Service ICP requirements. A system which will provide positive advice on transactions in the screening system (PLUS) is being developed. Target date for implementing this system is 1 July 1968. Interservice

and intraservice reutilization resulting from this process, conducted centrally at the Defense Logistics Services Center (DLSC), and from direct interrogations between ICPs, total \$434 million for FY 1967 (\$348 million interservice reutilization and \$86 million intraservice reutilization). For the first half of Fiscal Year 1968, reutilization totalled \$119 million (\$87 million interservice and \$32 million intraservice).

Utilization of Military Service Declared Excess, which is screened primarily through manual rather than mechanized procedures, amounted to \$1.106 billion in FY 1967 and \$393 million in the first half of FY 1968. However, progress has been made in the establishment of mechanized procedures to the extent that the need for detailed description by reporting activities of items having a Federal Stock Number has, to a considerable extent been eliminated. Mechanized processes now provide the means for the Defense Logistics Services Center to develop descriptions of the property for utilization screening within DoD, as well as for screening by the General Services Administration.

A program providing for special handling of excess and potential excess items of comparatively high value (exceeding \$10,000) continued to operate in FY 1967 and FY 1968. The program centers around the publication of special utilization "Flyers" containing full data on an item, including photographs, tailoring the description of these "Flyers" to selected potential users, and making a special effort toward utilization through telephone contact, as well as through research, to determine substitute or interchangeable uses for an item. In FY 1967, \$55.1 million in utilization was realized from this program and \$41.3 million in the first half of FY 1968.

Weapon Systems Materiel Utilization Program

Administered by the Defense Supply Agency in cooperation with the Military Services, the Weapon Systems Materiel Utilization Program promotes Defense-wide redistribution and utilization of military weapon systems assets and other large aggregations of special high-cost materiel generating from phaseouts, tactical withdrawals and program terminations.

The major objective of this DoD program is the achievement of maximum reutilization of materiel by the Military Services and other Federal Agencies through: close working relationships and liaison between DSA and all echelons of the Military, Defense Agencies and other Federal Agencies; the development of early planning intelligence regarding military systems to be phased out or otherwise discontinued; and the development of new or alternate uses and applications of the materiel. Total utilization during FY 1967 on the missile phase-out program amounted to \$257.6 million.

Industrial Plant Equipment (IPE)

As a follow-on action to a 1961 GAO Review of the Management of Idle Production Equipment within the Department of Defense, OSD approved a joint study project, which resulted in a 1962 Report on the Management of Capital Plant Equipment by DSA. OSD approval of this report early in 1963 resulted in the establishment of the Defense Industrial Plant Equipment Center (DIPEC). The Center receives reports on idle equipment which it may allocate to fill an immediate need in lieu of new procurement; it may direct the equipment to be held in storage against an anticipated need; or it may direct disposal if the equipment does not warrant retention. In FY 1967 equipment with an acquisition cost of \$192.7 million was redistributed to meet Defense needs. During the first half of FY 1968, this effort amounted to \$63.6 million, with the largest part going to Defense contractors in support of high urgency Southeast Asia requirements. DIPEC also maintains a central inventory record of Service-owned, high-value items of plant equipment and provides a variety of reports to meet Service needs such as equipment by type, who made it and when it was made, its present location by military or contractor activity, and other details necessary to such functions as production planning. As of 31 December 1967, 424,849 units of equipment with an acquisition cost of \$4.23 billion were recorded in the central inventory. Substantial improvement has been made in IPE management since DIPEC was established and progress is being made toward accomplishment of the actions required by the 1966 GAO Survey on the Adequacy of Controls over Government-owned Property in Possession of Contractors.

Subsidiary Programs

Subsidiary Materiel Utilization programs, operated in addition to the basic mechanized and manual screening programs, include:

A final asset screening of surplus items immediately prior to these items being offered for final disposal by sale \$8.7 million of utilization was realized from this effort in FY 1967 and \$5.0 million in first half of FY 1968.

The identification of interchangeable and substitutable items to permit use of material for other than the purpose originally intended. An additional quantity of items worth \$125.7 million were offered as a result of this procedure.

Retail Interservice Logistic Support to promote greater exchange of supplies and services at the local level through development of interservice support agreements. Growth of the program is reflected in the reported dollar value of retail interservicing on a world-wide DoD basis which increased from \$335 million in FY 1966 to \$451.7 million in FY 1967. In the same period, support agreements decreased to 2659.

MATERIEL DISPOSAL

DSA is responsible for the administration of the DoD Disposal Program world-wide. This responsibility includes the development of systems, techniques and procedures for disposable personal property in accordance with OSD policy guidance, supervision of resource programs for DoD disposal activities, elimination of disposal holding activities when practical and economical, and operation of Defense Surplus Sales Offices in CONUS. The Disposal Program involves several sub-programs, i.e., utilization of DoD excess, donation, sales, demilitarization, and scrap preparation. Under authority of the annual Department of Defense Appropriations Act, the costs incurred by all DoD elements engaged in the disposal of excess, surplus and foreign excess personal property are reimbursed from the proceeds derived from the sale of surplus and foreign excess personal property. The remainder is transferred to the U.S. Treasury.

The dollar value of property processed for disposal during FY 1967 totaled \$5.311 billion, of which \$1.965 billion was reutilized within DoD, transferred to other Federal Agencies and MAP, or donated to authorized recipients. Value of property sold, scrapped, abandoned or destroyed during FY 1967 was \$3.346 billion. Gross proceeds received from sales during FY 1967 were \$101.4 million. A return of 5.4% acquisition value was realized for property sold, other than scrap. Disposal expenses for FY 1967 were \$73.6 million. Expenses include costs incurred in excess and surplus inventory accountability, utilization screening of DoD excess, handling of excess and surplus property at holding activities, preparation of sales descriptions and displays, demilitarization, reclamation, scrap preparation, lumber and timber operations, and support costs related thereto.

Efforts toward improvement of the management and operation of the DoD disposal program are continuing. Some of the major improvements completed or in process are as follows:

(a) When DSA was established, the 34 Consolidated Surplus Sales Offices (CSSOs) of the Military Departments and four Regional Sales Offices became field elements of the Defense Logistics Services Center (DLSC). The CSSOs were redesignated as Defense Surplus Sales Offices (DSSOs). On 29 January 1965, the four DLSC Regional Sales Offices were eliminated; and the number of DSSOs has been progressively reduced from the original 34 to 12. Annual recurring savings from these reduction actions are \$2.7 million.

(b) DSA, in coordination with the Military Services, has been engaged in a program to eliminate holding activities of DoD wherever practical and economical. On 1 January 1967, decisions were made to consolidate disposal functions at 79 holding activities. Seventy-one consolidations have been completed with a resultant savings of \$3.3 million. Four planned consolidations were cancelled due to announced base closure actions (three) and redetermination that consolidation was not practical (one). The remaining 4 consolidations have been postponed indefinitely.

(c) A program to reduce costs incident to printing and distribution of sales catalogs. This has resulted in savings of \$7.2 million through FY 1967.

(d) Programs have been developed for conservation or sale of special materials, e.g., silver recovery, special processes for handling copper and copper-base alloy scrap, centralization of certain commodity sales such as jeeps and bearings, and segregation of high temperature alloy scrap.

(e) DSA has developed a proposed program system which will provide meaningful and uniform operational data for managing and controlling the Disposal Program. The proposed system prescribes development and use of time

standards, valid workload data, a uniform cost accounting structure and a selective cost and performance reporting system. A draft instruction which covers the system has been submitted to OSD(Comp) for DoD staffing and promulgation.

DEFENSE DOCUMENTATION

In November 1963 DSA assumed, from the Air Force, operational control of the Defense Documentation Center (DDC) which had replaced the Armed Services Technical Information Agency. Policy guidance for DDC is exercised by the Director of Technical Information, Office of the Director of Defense Research and Engineering. DDC provides classified and unclassified management information services, without charge, to Government organizations and contractors engaged in Government research and development programs.

DDC maintains and operates the Research and Technology Work Unit Data Bank and related banks of management information; acquires technical reports, announces them, and furnishes copies to authorized users; makes technical report searches for DDC users; maintains a centralized system for registration and certification for access to DOD scientific and technical information; maintains the DOD Thesaurus of Technical Terminology; provides primary distribution of technical reports obtained from selected foreign countries and the NATO Advisory Group for Aerospace Research and Development; and provides referral service to additional DOD sources of specialized scientific and technical information.

The DDC mission includes development of new and improved concepts, processes, techniques, services, products, and integrated systems for management information and technical documentation in support of the DOD Scientific and Technical Information Program.

As continuing additional requirements have been imposed for services to the research and development and logistics communities, DDC has developed from an R&D document supply activity to a major repository and retrieval activity for technical management information.

WAREHOUSING GROSS PERFORMANCE MEASUREMENT SYSTEM

On 1 February 1965, DSA was assigned responsibility for managing the Warehousing Gross Performance Measurement System, in coordination with the Military Departments and in accordance with instructions provided by the Assistant Secretary of Defense (Installations and Logistics). The Department of Defense Warehousing Gross Performance Measurement Office has been established within DSA to develop, monitor, analyze and maintain the system. The objective of the system is to provide a uniform method of evaluating the effectiveness of warehouse operations and resource utilization in DOD storage activities.

DOD/GSA SUPPLY RELATIONSHIPS—CIVIL AGENCY SUPPORT

Under terms of the DOD/GSA agreement reached at the end of 1964, a joint DSA/Federal Supply Service Materiel Management Review Committee was formed in 1965 to determine appropriate supply management assignments to DSA and GSA of Federal Supply Class (FSC) groups, classes and items under DOD integrated management. Agency heads have approved initial management assignments of 99 FSCs to DSA and 52 to the General Services Administration. Transfer to GSA of items in these 52 "Primary Federal Supply Service Classes" was made in July 1967. An additional FSC has been assigned to GSA—transfer scheduled prior to 1 July 1968.

The DOD/GSA agreement further provided for DSA to consider support of all civil agencies for the commodities of fuel, electronics, clothing and textiles, medical and subsistence supplies, provided conditions of economies and support effectiveness are met. Support studies were completed and approved in February 1967. The principal recommendations were as follows:

Fuel.—DSA assume mission support of fuel, with DFSC procurement support for bulk fuels, phased over a ten-month period beginning six months from the date of the mission assignment (a total phase-in period of sixteen months); and concurrent DGSC support for packaged products to begin six months from the mission assignment date. This action was estimated to save the Government \$2.5 million annually.

Electronics.—DSA assume mission support for electronics, subject to DESC capability to implement and carry out civil agency support without risk of

impairment of military support. Tentative date to begin a twelve-month phase-in of civil agency support is 1 July 1968. Full support of all civil agencies by DESO is estimated to save \$600,000 annually.

Clothing and Textiles.—Mission support not be assumed by DSA for clothing and textiles at this time and that expansion of current DSA support for clothing and textile items be limited to a case-by-case basis where military support is not affected and significant cost savings will result. Review of the feasibility of DSA mission support of all Federal civil agencies should be made from time to time as mutually agreed to by DSA and GSA.

Medical and Nonperishable Subsistence.—Expansion of DSA support of civil agencies for medical and nonperishable subsistence at this time be limited to—

(a) Extension of the existing VA and DSA medical commodity Inter-agency Supply Support Agreement to cover nonperishable subsistence common items;

(b) Specific civil agency programs on a case-by-case basis and those clearly justified by cost savings and assurance of no impairment of DSA military support;

(c) DPSC undertake a review of medical and nonperishable subsistence items for the purpose of identifying areas in which there exists potential for increased commonality in civil agency and DSA items; and

(d) Subsequent to the DPSC review, and at a time mutually agreed to by GSA and DSA, the feasibility of DSA support for all civil agencies for medical and nonperishable subsistence again be reviewed.

Progress

Fuel.—Planning actions have begun for DSA assumption of fuel support. A time-phase schedule for implementation of DSA fuel support of civil agencies, based on a DSA mission assignment date of 1 July 1968, has been developed and staffed with GSA. Target dates for completion of the phase-in are January 1969 for packaged fuel items, and November 1969 for bulk fuel/coal items.

Electronics.—Proceeding as scheduled on electronic support, the twelve-month implementation will begin on 1 July 1968.

Medical and Subsistence.—DSA, in conjunction with the affected civil agencies, are undertaking a technical review of these commodities for the purpose of identifying areas in which there exists a potential for increased commonality in DSA and civil agency items sufficient to warrant reconsideration of DSA mission support.

(a) With respect to the medical review, we are proceeding first with a select group of medical supplies (PSC 6515, surgical instruments), working into the full category of medical material including drugs. This will require a comprehensive review with the combined technical/professional talents of all the affected civil agencies.

(b) With respect to the nonperishable subsistence item commonality review, no significant problems are envisioned and recommendations should be completed by the end of 1968.

Under separate interagency supply support agreements currently in effect, DSA supports the Coast Guard and National Aeronautics and Space Administration with a full range of DSA material; Veterans Administration and Public Health Service with selected medical items and perishable subsistence; the Federal Aviation Agency with electronic tubes and associated items, and with individual combat meals; the Transportation and Communications Service of GSA with electronic items; Atomic Energy Commission with perishable subsistence; U.S. Agency for International Development (AID) with medical supplies for support of its functions in Vietnam, Laos and Thailand, operating through the U.S. Army Medical Depot in Ryukyu; Department of Commerce (Maritime Administration) with selected classes of all DSA commodities; the Office of Economic Opportunity with clothing and textiles and subsistence items; the Department of Interior, Bureau of Indian Affairs schools with perishable subsistence; and the Post Office Department for selected classes of electronics, general and industrial supplies; Department of Interior, Fish and Wildlife Service with amyl nitrite ampules; U.S. Department of Agriculture (Forest Service) with selected classes of industrial, general and clothing textiles.

Interagency Committee on Food Items for Federal Hospitals.—In 1967 substantial progress was made in standardization reviews in perishable subsistence conducted jointly by Defense Supply Agency and Veterans Administration with full participation of the Military Service medical food service elements. 687 items were reviewed; 462 items (67%) were found acceptable for both military and

civilian hospitals; of the remaining items, 27% were retained by agencies to meet unique dietetic requirements and 6% were deleted as no longer required. This action will provide an increase base of common items and thereby increases the Federal civil hospitals potential use of DSA support. To maintain this effort and proceed similarly in the non-perishable subsistence area, an Inter-agency Committee on Food Items for Federal Hospitals has been established and a charter concluded to achieve the maximum standardization of subsistence items through exchange of information and application of professional and technical knowledge to the development of subsistence supply standards and the management of food.

CONTRACT ADMINISTRATION SERVICES

The Defense Contract Administration Services (DCAS) mission was assigned to DSA after extensive study and represents one of the most significant efforts of the Defense Department to improve logistics management. The consolidation does not embrace, or affect, the procurement function itself, but rather the administration of contracts in the Military Departments and DSA. A prime objective of the merger was to provide a "single face to industry."

During 1962 and part of 1963, a study known as Project 60 was conducted under the policy guidance of high level Department of Defense military and civilian personnel. The study indicated the existence of considerable overlap and duplication in contract administration services functions among the military services under the Army Materiel Command, the Office of Naval Material, and the Air Force Systems Command; and further indicated the feasibility of consolidating the functions for centralized management. A pilot test region established at Philadelphia, Pennsylvania, in April 1964, demonstrated the feasibility and potential advantages of consolidating contract administration services functions on a nation-wide basis. On the basis of the success of the pilot test, the Secretary of Defense, on 4 June 1964, assigned responsibility for these functions to DSA.

A National Planning Group, composed of temporary duty personnel from the military services and DSA, developed a National Implementation Plan (NIP) which was approved by the Secretary on 28 December 1964. The planning group formed the nucleus of the headquarters element of the DCAS organization. During the development of the NIP, a Memorandum of Understanding was developed with the National Aeronautics and Space Administration concerning CAS performance on NASA contracts.

The NIP provided for gradual permanent staffing of the DCAS headquarters element and for a time-phased schedule for consolidating and merging the contract administration services components of the military services and DSA into eleven Defense Contract Administration Services Regions (DCASRs), responsible for administering contracts under the centralized management concept. The headquarters element was established on a permanent basis on 1 February 1965 and is now staffed with the 355 military and civilian personnel authorized. The current organizational structure of the headquarters element of DCAS is shown in Figure (3). Provision was made for required augmentation of the DSA common staff in areas where support services are furnished to DCAS. Conversion and organization of the DCAS field structure was completed on 1 December 1965, with the activation of the last two of the DCASRs at Los Angeles and San Francisco. The geographical alignment of the Defense Contract Administration Services Regions is depicted in Figure (9), which also shows the districts and service offices within each region. The Directors of the regions are identified in Figure (5).

Consolidation of contract administration services functions within DSA involved the merging of 165 military service and DSA contract management offices into approximately 100 offices. Despite the many problems associated with a conversion effort of such magnitude, the transition was made with full consideration of the functional transfer rights and interests of the approximately 20,000 employees identified by the military services and DSA as performing contract administration services functions. During this period, contract administration functions and operations were continued without interruption or impairment of the government's interest.

DCAS is responsible for providing a wide variety of support services to the purchasing offices of the military services, NASA, and other Federal agencies and certain foreign governments. These services include pre-award surveys, review of contractor purchasing systems, quality assurance and inspection, property administration, production surveillance and reporting, transportation,

payments to contractors, industrial security and other functions required in connection with industry performance on defense contracts. Responsibility for initial award of contracts and for all decisions with respect to the nature and quantity of items and services to be purchased remains with the military service, DSA and NASA buying offices; DCAS performs those contract administration functions that can best be handled at or in close proximity to the contractor's plant. In addition to retaining responsibility for contract awards, the military services are responsible for the administration of those categories of contracts not included in the mission assignment to DCAS; for example, contracts involving perishable subsistence items, basic research studies, military and civilian construction, repair and overhaul of naval vessels. Military services are also responsible for administration of those contracts in specific plants assigned by DoD under the Plant Cognizance Program.

The Defense Industrial Security Program is unique in the field of contract administration services in that its responsibility includes not only those facilities in which DCAS has contract administration responsibility, but also all facilities where the military departments have retained plant cognizance responsibility. In addition to having responsibility for security administration of all DoD classified contracts, the Defense Industrial Security Program provides the same service for classified contracts awarded by eleven other departments and agencies of the government; namely, the Departments of State, Commerce, Treasury, Agriculture, Interior, Transportation and Health, Education and Welfare, the National Aeronautics and Space Administration, General Services Administration, Small Business Administration and the National Science Foundation.

In the consolidation of the Defense Industrial Security Program, procedures for processing personnel security clearances were centralized from approximately 110 cognizant security offices into the Defense Industrial Security Clearance Office (DISCO). Centralization of the personnel clearance function has resulted in improved management efficiency and the ability to insure greater uniformity in clearance determinations. Moreover, the centralized operation lends itself to future adaptation to automatic data processing.

Responsibility for administering the Contract Compliance Program for the Department of Defense was transferred to the Defense Supply Agency, DCAS, from the Office of the Secretary of Defense on 1 July 1967. Implemented under Executive Order 11246 of 24 September 1965, the Contract Compliance Program is a national one, intended to insure equal treatment to all Americans employed or seeking employment with Government contractors. The program aims to assure that Defense contractors apply equal job opportunity and equal treatment in all phases of employment without regard to race, creed, color, or national origin, and that contractors adopt affirmative action programs to achieve those goals.

In consolidating CAS functions, it was anticipated that savings would accrue from three factors: (1) the merging of offices, (2) the use of computers, and (3) increased standardization and uniformity of operation. Realization of savings was to be achieved by a time-phased reduction in personnel over a five-year period. Utilizing preconsolidation workload and manpower as a base, the objective was a reduction of approximately 10% in personnel by FY 1968 to reflect a recurring reduction in personnel costs of \$19 million by FY 1969.

In December 1965, the first month of full DCAS nation-wide operation, the level of workload had already increased 20% above the level prevailing when the savings estimates were made, when, for example, the number of primary and secondary contracts being administered was 138,000. By the end of FY 1966, the number was 195,000, an increase of 41.3%. A further increase to 272,000 occurred by 30 June 1967, and this number of contracts has remained constant through 31 March 1968. During the same period, the number of invoices completed had changed from an annual rate of .825 million to 1.11 million, an increase of 34.5%. By 30 June 1967, the annual rate reached 1.95 million. As of 31 March 1968, invoices completed numbered 1.53 million. Still another example is the dollar value of material inspected and released for shipment which rose from an annual rate of \$13.729 billion in December 1965 to \$19.352 billion on 30 June 1967, a 41% increase. The projected annual rate as of 30 June 1968 is \$21.78 billion.

To accomplish this increased workload, manpower was increased by 20%. These increases are for the most part attributed to the impact of the SEA build-up, added NASA requirements, and the transfer to DCAS of the administration

of some contracts previously assigned to the Military Departments under the DoD Plant Cognizance Program.

The workload increase compared with the workforce increase demonstrates a reduction in cost per work unit performed. Accordingly, the original estimate of anticipated savings appears to have been exceeded. However, a more precise computation of savings for comparison with the original estimate is not feasible because of the significant but immeasurable influence of several factors. These include changes that have occurred in the contract administration mission where the net effects on workload and resources are not clearly identifiable; the impact of SEA requirements which, on a post facto basis, are not fully separable from the otherwise normal workload; and the effects of the learning curve on operation during the first year. These factors notwithstanding, current workload and resource data indicate that the full savings originally anticipated were being realized earlier than scheduled and will continue to recur through FY 1968.

MILITARY STANDARD DATA SYSTEMS

DSA administers a series of uniform standard logistics data systems used throughout DoD. These systems are:

MILSTRIP, Military Standard Requisitioning and Issue Procedures, implemented 1 July 1962, provides a standard DoD data system for requisitioning and issuing materiel within and between the Military Departments, the U.S. Coast Guard, and General Services Administration.

MILSTRAP, Military Standard Transaction Reporting and Accounting Procedures, implemented 1 July 1966, is a DoD information system which standardizes data elements and machine processable documents for the flow of inventory accounting information pertaining to receipt, issue and adjustment transactions between inventory control points, stock control activities, and storage depots.

MILSTAMP, Military Standard Transportation and Movement Procedures, implemented 1 October 1963, is the DoD worldwide information and control system for all shipments moving in the Defense Transportation System and is tied to other DoD logistics data systems including MILSTRIP and MILSTEP, and the Uniform Materiel Movement and Issue Priority System.

MILSTEP, Military Supply and Transportation Evaluation Procedures, is being designed to measure the effectiveness of each step in the materiel requisitioning, issue processing, and delivery cycle. It will become fully operational by July 1968 and be an important tool for evaluating the entire supply cycle.

MILSCAP, Military Standard Contract Administration Procedures, is being developed to permit a high degree of mechanized processing of Contract Administration Services transactions such as shipment notices, notices of delay in delivery, and notices of payments made against contract funds. MILSCAP is expected to be implemented in 1970.

CIVIL DEFENSE LOGISTICS

DSA is responsible for logistics support of the National Civil Defense Program under the policy control and direction of the Office of Civil Defense, Office of the Secretary of the Army.

Logistics support provided the Civil Defense Program includes: (a) the operation of a nationwide distribution system to issue survival supplies for stocking public fallout shelters, (b) the storage, maintenance and loan of OCD emergency power, water supply and purification equipment to assist State and local governments in an emergency and (c) the receipt, storage and issue of OCD radiological instruments and equipment.

During the past fiscal year, survival supplies for 5.8 million persons were issued for stocking public fallout shelters. The total supplies issued since the program began in FY 1962 are sufficient for more than 51 million persons in more than 89,000 shelter facilities. An evaluation of the condition of survival supplies in shelters is being conducted by DSA, utilizing the Veterinary Services of the Army and Air Force to inspect the supplies on a scientific sampling basis. Samples of specific items of shelter supplies are also subjected to laboratory analysis. During the initial cycle of inspections, the condition and readiness of survival supplies at military installations, in Federal buildings, and in public fallout shelters

nationwide were evaluated. A new cycle of inspections is now under way with a target date for completion of 1 August 1968.

During FY 1967, approximately 113 miles of pipe, 130 pumps and related items from the OGD inventory of emergency water supply equipment were utilized by 23 States for use in assisting 78 communities. Disasters experienced during this fiscal year were mainly categorized as a continuation of persistent water supply problems in Northeastern United States and the Mississippi River floods in the Spring of 1967.

DSA ACHIEVEMENTS IN REDUCING COSTS OF OPERATIONS

The Defense Supply Agency has continued support to the Military Services without interruption or impairment, during major organizational change. This has involved the extension of central control over a group of heterogeneous agencies and the development of uniform policy, standards, and procedures with a view toward providing the Military Services with better support at less cost.

The President's Budget for FY 1963 was based on the expectation that the functions transferred to DSA would be performed at a cost of \$27.7 million less than the budgeted cost of performing the same functions within the Military Departments. The Congress assessed an additional reduction of \$2.7 million, making a total budget cut of \$30.4 million, related principally to a reduction of 3,329 civilian personnel spaces. Consolidation of the Army and Marine clothing factories produced an additional saving of \$0.9 million, resulting from a reduction of 146 personnel spaces, for a total FY 1963 operating expense saving of \$31.3 million. During FY 1964, this \$31.3 million was augmented by additional savings, realized from reorganization of the distribution system, improved use of automatic data processing equipment, consolidation of the Defense Automotive and Construction Supply Centers, and closing of certain Defense Surplus Sales Offices, for a total of \$39.6 million. Consolidation of the Medical, Subsistence, and Clothing and Textile Supply Centers into the Defense Personnel Support Center resulted in a reduction of 483 civilian and 38 military spaces, with a net saving during FY 1966 of approximately \$4.2 million exclusive of one-time costs. By the end of FY 1966 total savings from reduced cost of operations had reached \$58.3 million. In FY 1967, the consolidation of two subsistence Regional Headquarters further reduced operating costs by \$605,000 and 63 personnel spaces so that the total savings from the above actions is continuing at about \$59 million annually.

SUMMARY

In the six years since its establishment, it has become apparent that DSA has not, and will not, solve all military supply and logistics services problems. Some of these are bound up in the complex relationships of military strategy and national economics and the rapid obsolescence of military materiel caused by the forward sweep of technology. DSA has in this six year period, however, demonstrated that it can support the Military Services effectively and efficiently in the major military commitment in Vietnam. In so doing, the Agency has proven the soundness of the concept of integrated management of common supplies and logistics services in Defense and that it can be made to work in time of war, mobilization, or peace.