

type can produce very rich savings.

The next slide, please. Finally, this is illustrative of the opportunities for reducing unnecessary varieties, types, sizes and colors among the 4 million items in our inventory. On the far side is an illustration of electric drills. DSA found eight in stock and discovered that one would suit the purpose of all requirements that were known. On your right side is an illustration of reflectors such as are found on marking posts around airfields and other places. We found we had 67 of these in stock and it was discovered that seven would perform all requirements.

These are very simple illustrations. One of the most dramatic recent cases that we've seen is in the hand-tools area where we have some 25,000 items in stock. By a continued examination and simplification of that variety we've been able to eliminate, so far, about 1/3 of those 25,000 items, and the job is far from finished.

Now, let's take the second theme of Secretary McNamara's objective for improving logistics. The next slide, please.

This is to buy at the lowest sound price. Please note the use of the word "sound price," and not the lowest possible price, because it's frequently possible to get a low price on one buy only to generate excess cost in the supply system which far outruns the immediate short-range price reduction. There are two key ways that we've been concentrating on to make sure that we get the lowest sound price in our procurements. The first of these is to make maximum use of price competitive procurement.