

STATEMENT AND QUESTIONS FOR THE RECORD

SENATOR TOM CARPER

Oversight of Government Management Subcommittee Hearing

“High-Risk Logistics Planning: Progress on Improving Department of Defense Supply Chain Management”

July 27, 2010

STATEMENT FOR THE RECORD

Good management of our military supplies and inventory is an important topic, and worthy of much examination. First, effective supply chain management by the armed services will ensure that billions of dollars in taxpayer funds are spent efficiently, avoiding wasteful purchases. Today, we face a national debt of over \$13 trillion. And we are seeing annual federal budget deficits of more than \$1.3 trillion dollars. We simply cannot afford to see purchases of spare parts, supplies and other items that are unnecessary.

Second, and even more important, properly managing our supplies means that our front line troops in Iraq, Afghanistan and elsewhere in the world have the parts, supplies, and ammunition that they need.

Mr. Chairman, Delaware is honored to be the home of Dover Air Force Base. The 436th Airlift Wing is headquartered at Dover Air Force Base and is the busiest en-route base in the Air Force. Dover processes 100 percent of the airlift of cargo to Iraq in support of Operation Iraqi Freedom and 70 percent of the airlift of cargo to Afghanistan in support of Operation Enduring Freedom. Every day, C-5s and C-17s fly from Dover Air Force Base to Europe and the Middle East, delivering the heaviest cargo and some of the most needed supplies to our warfighters. I have visited the base countless times and can bear witness to the hard work and dedication of the officers, enlisted and civilian personnel who keep the supplies literally flying. Dover represents some of the best practices of the supply chain.

However, given our limited defense budget and the importance of the military operations these airlifters support, we must make sure that these airlifters do not deliver unnecessary inventory to the warfighters. For instance, the cost-per-flying hour of a C-17 is just over \$12,000. That means that the Air Force and the Department of Defense must ensure that each piece of cargo on a C-17 is important enough to the warfighter that it justifies its expensive shipping cost. If the Department of Defense does not do this, then we risk wasting millions of taxpayer dollars and delaying the delivery of urgent supplies to our troops on the ground.

Mr. Chairman, as you indicated in your remarks, the Department of Defense supply chain has many challenges. Since 1990, the Department of Defense supply chain management has been on the Government Accountability Office’s list of high-risk federal government programs needing urgent attention. The GAO audits showed again and again that the military services have huge stocks of inventory that are beyond the identified needs.

My staff reviewed recent analysis performed by the GAO and noted some fairly startling information about the level of unnecessary inventory of the military services.

The GAO determined that the Army had \$3.6 billion in excess on-hand inventory.

The GAO determined that the Defense Logistics Agency, had \$1 billion in excess inventory.

The GAO found similar results for the Air Force and Navy.

But an equally important part of the story is the shortages. While the services have huge *surpluses* of inventory, each also has a *deficit or shortage* of inventory for other items. The GAO reported that the Army had \$3.5 billion in item shortages and the Defense Logistics Agency has a shortfall of \$1.5 billion.

Unfortunately, there is more to the story.

Each of the military services had spare parts and other inventory on-order that they do not need. That's correct. These are items that are under contract, but not yet delivered to the warehouses, which are already identified by the military services as unneeded. In other words, the items are already marked for disposal, before delivery has happened, yet the orders are not cancelled.

For example, according to the GAO, the Army had about \$55.7 million in on-order items already determined as unnecessary, and likely to enter the disposal process as soon as the items arrive. I understand that other military services have similar problems.

Clearly, we have a lot of work ahead to get the supply chain up to modern standards, and to meet the needs of our front line forces in Iraq, Afghanistan and around the world.