

Senator Daniel K. Akaka
From Warehouse to Warfighter: An Update on Supply Chain Management at DoD
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
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Today's hearing will look at progress made in implementing the Department of Defense's (DoD) 2005 plan for improving supply chain management. Supply chain management has been on the Government Accountability Office's High Risk List since 1990 - far too long. My good friend Senator Voinovich and I are dedicated to seeing this issue removed from the list. Since 2005, he and I have chaired three hearings on supply chain management. This will be our fourth.

After our last hearing on supply chain management in July 2006, Senator Voinovich and I asked GAO for an analysis of DoD's Joint Theater Logistics initiative, which is one aspect of the Department's plan for improvement. GAO has completed their analysis and their report is being made public today at this hearing. Mr. Solis, I look forward to hearing more about your team's findings today.

Supply chain management is critical to our security. It affects the safety of men and women in uniform who are currently engaged in two simultaneous conflicts in Iraq and Afghanistan. Even after these conflicts end, effective supply chain management will remain vital. We need to look to the future when we must stock and store supplies for the next contingency, be it missions abroad or assisting others right here at home.

To begin, let me congratulate the Defense Department for what it has done well in supply chain management. I am very impressed by the progress made by the Defense Logistics Agency in implementing the Joint Regional Inventory Materiel Management initiative, or JRIMM, which has now been operational on Oahu in my home state of Hawaii since August of last year. I hope that we will continue to see the benefits of jointly managing supplies regionally as JRIMM is expanded in the Pacific Command and into other regions. I also want to recognize the progress made by the Transportation Command in implementing several forward looking initiatives as it grows into its role as the "distribution process owner."

However, having said this, several problems greatly concern me.

First, poor container management continues to be a serious problem. At this moment, DoD cannot account for more than 50,000 containers in the theater. They are lost - many have disappeared. Many of these containers do not even belong to the military.

DoD also has thousands of containers that it has simply failed to return to their commercial owners who, in turn, charge the government late fees for not getting them back. This has forced Defense to buy them out. It has spent \$203 million to buy out over 25,000 containers. Now it has thousands of containers that are its responsibility - if it can ever find them.

Asset visibility cannot be fully achieved without adequate technology applied to the supply chain. Radio Frequency Identification, or RFID, in theory will track every palette and container from the warehouse to the warfighter. This capability has been in use in the private sector for years now and has greatly improved inventory levels and visibility. While implementation of RFID continues to move forward at DoD, there is still a long way to go.

We also need to work to ensure that information systems involved with logistics can communicate with each other. Personnel in the field are being forced to find tedious, manual workarounds to exchange information between different computer systems. Computers working in joint operations cannot always automatically exchange needed data.

The Defense Department needs to formulate a unified, comprehensive strategy to address future logistics capabilities. I am particularly concerned that the "To Be" roadmap, which was supposed to provide this strategy, is still not complete, even though it was supposed to be released last February. Without a long-term strategy, all of the links in the supply chain - the Defense Logistics Agency, the Transportation Command, and the combatant commands - are likely to end up with their own approaches which may not be consistent.

As Chairman of the Armed Services Readiness Subcommittee, I know that the failure to modernize business processes contributes greatly to all of DoD's high risk areas. These areas also have to be removed from GAO's High Risk List. I look forward to continuing to work with Senator Voinovich, as well as the Office of Management and Budget and the Department of Defense to work toward this goal.