

Appendix 2

YEAR END FISCAL YEAR 1966 DEPARTMENT OF DEFENSE COST REDUCTION PROGRAM STATUS REPORT¹

ASSISTANT SECRETARY OF DEFENSE
(INSTALLATIONS AND LOGISTICS),
October 10, 1966.

Memorandum for the Secretary of Defense.

Subject: Year end fiscal year 1966 cost reduction program status report.

The Department of Defense cost reduction program has now been fully operational for 4 years. During this time observers of the Department of Defense have witnessed a new era of management improvement and emphasis. Also, for the first time, the actual dollar effects of increased management effort have been measured and reported to all levels of the Department of Defense through the mechanism of the cost reduction program. Major improvements have occurred in such areas as the development of materiel requirements, reutilization of excess materiel, value engineering, procurement, base utilization, transportation, telecommunications, equipment and real property management, packaging, etc. New areas for increased emphasis are constantly being sought. In future periods increased attention will be directed to such major areas as the management of ADP, increased productivity, and in conjunction with the OASD (Manpower), DOD military and civilian personnel training requirements.

In view of the increased activity experienced in southeast Asia, savings reported in fiscal year 1966 are indeed noteworthy. Final year end fiscal year 1966 hard savings amounted to \$4.5 billion which is about \$300 million less than the total hard savings achieved in fiscal year 1965.

The reduction in hard savings reported in fiscal year 1966 can be primarily attributed to reduced savings of over \$900 million which occurred in areas concerned with the refinement of requirement calculations. A substantial portion of the \$900 million reduction results from increased materiel and funding requirements for southeast Asia. Much of this reduction was offset by unexpected increases in savings reported in other areas. These areas include value engineering, procurement, terminating unnecessary operations, departmental operating expense, telecommunications, transportation and packaging.

¹ Source: Office of Secretary of Defense.