

version to the A-3 missile. Additional savings were realized from a computerized method of determining the amount of repair parts required in support of new equipment being placed on board ships. This method of calculating savings is known as the mean family replacement factor (MFRF).

A substantial part of the Air Force savings resulted from actions which reduced the ratio of initial aircraft spares cost to end item cost. This ratio has been reduced from 16.7 percent in fiscal year 1961 to 11.8 percent in fiscal year 1966. Additionally, savings of over \$23 million were realized in the communications and electronics area by actions such as (1) developing improved computation techniques, (2) limiting quantities initially provisioned to a 12-month operating program in lieu of provisioning for the life of the end items, and (3) establishing new management review levels.

I.A.3. Secondary items

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Hard savings	Total			
Army	\$3		\$3	\$5	\$8	\$35
Navy	17	\$17	34		34	100
Air Force		2	2	5	7	594
DSA	14		14		14	46
Total	34	19	53	10	63	775

During the past 4 years this area of the cost reduction program has probably witnessed a greater degree of management attention than any other single area of the program. Requirements factors have been refined, computational techniques have been improved, inventory control systems have been revised, high-speed transportation systems have been used to move key items to points of need with resultant savings in time and in inventory investment and the increased application of ADP capabilities have greatly increased the timeliness of data elements needed by supply and inventory control managers in making day-to-day decisions concerning whether to buy, repair, substitute or dispose of individual items. In short, the entire system for managing secondary items has undergone significant refinement in the past 4 years. These changes have had a substantial impact on the range and quantity of secondary item requirements and produced large savings in fiscal year 1963, fiscal year 1964, and fiscal year 1965. In fiscal year 1966, savings of \$63 million were achieved against an objective of \$775 million, a shortfall of over \$700 million. This reduction in dollar savings does not imply that management improvement actions initiated over the past 4 years are no longer effective. To the contrary, with substantially increased requirements now being generated in southeast Asia, these actions are more meaningful today than ever before.

In the past most savings reported in this area have been measured on a funding level basis—the difference between funds appropriated for secondary items in the base year versus those required in the