

The 5-year program ended June 30, 1966, after having saved \$14.2 billion, or 5 cents out of every dollar appropriated for defense in the 5-year period. The principles of that program are today being applied by every major department or agency in the Federal Government, by at least one State, by most major defense contractors, and by many nondefense contractors. The table below summarizes the cost reductions achieved in the 5-year program.

Department of Defense cost reduction program

[In millions of dollars]

Category	Savings realized in—					
	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Total
A. Buying only what we need.....	412	860	1,521	2,555	1,665	7,013
B. Buying at the lowest sound price.....	160	237	553	1,150	1,235	3,335
C. Reducing operating costs.....	178	289	757	1,138	1,563	3,925
Total program.....	750	1,386	2,831	4,843	4,463	14,273

The initial 5-year program was a pioneer effort. Its scope, organization, goal-setting processes, measurement techniques, and audit procedures for validating savings distinguished it from previous economy programs.

Now that the goals of the 5-year program have been accomplished, we plan to extend the program by establishing annual goals for savings attributable to new actions taken in each future year.

In terms of overall coverage and organization, the program remains the same. The various reporting elements of the Department will continue to recommend their own goals with my office managing program and the Defense Comptroller auditing it. Savings will be reported in the year in which the decision giving rise to the savings was taken. The annual report will reflect for each action savings realized in the current year and, separately, estimated savings (if any) to be realized in the 2 succeeding years. The base period for measuring progress will always be the year immediately preceding the year in which the savings action is taken.

During the current fiscal year, the Military Services and the Defense Supply Agency (DSA) expect to take actions which will yield savings of \$872 million in fiscal year 1967 and a total of \$1.5 billion over the fiscal year 1967-69 period. The specific goals are as follows:

Anticipated savings, fiscal years 1967, 1968-69

[Dollar amounts in millions]

	Savings from Fiscal Year 1967 actions to be realized in—		
	Fiscal year 1967	Fiscal year 1968-69	Total
Buying only what we need.....	\$534	\$262	\$796
Buying at the lowest sound price.....	104	141	245
Reducing operating costs.....	224	222	446
Military assistance program.....	10	5	15
Total.....	872	630	1,052