

Shift from Non-Competitive to Competitive Procurement, the initial five-year goal was set at 39.9% of the total dollar value of contract awards. All goals are reviewed and revised annually. The FY 1966 goal was established at 40.5% since it did not appear that we could again achieve the 43.4% competitive rate realized in FY 1965. The fact that 44.4% of our FY 1966 contract awards were let on a price competitive basis, 3.9% in excess of the established goal for FY 1966 and 1% in excess of the FY 1965 rate of competitive awards, is indicative of the continuing attention being given by the Department of Defense to increasing the percentage of procurement dollars spent on a competitive basis.

Representative RUMSFELD. In your "cost reduction program" table, what is the difference between the chart figures and your plans for the future? Specifically in this chart, as shown right here, if you make a decision that is going to result in \$10 million of savings in a given fiscal year, and it will involve savings in the future, do these figures show cumulatively over each year, or is it a one \$10 million saving the first year?

Mr. IGNATIUS. It depends, sir, on the nature of the savings. We have had savings that are one-time and if they are one-time they are shown only in the year in which they were incurred. If they have repetitive or recurring value, the recurring saving is shown, and in the case of the recurring savings as opposed to the one-time, the cumulative value would be included in the figures.

Representative RUMSFELD. So in other words, if you make a decision with respect to handling of a contract that is going to result in some savings, then from now on you call that savings by the Department of Defense?

Mr. IGNATIUS. No, sir, we are not. In this program which was set as a 5-year program, as I addressed in my statement, we did set some long-range goals, and we did take over the 5-year period the recurring value of the savings.

Representative RUMSFELD. I see.

Mr. IGNATIUS. Having completed that, we are now on an annual basis, and don't proceed in the way we did in the 5-year program.

Representative RUMSFELD. Except that your program for the future is going to be on an annual basis, and that the annual report will reflect for each action savings realized in the current year and separately estimated savings to be realized in the 2 succeeding years.

Mr. IGNATIUS. Yes, sir. Our reason for that, Mr. Rumsfeld, is that we will take a decision let's say in fiscal 1967, and if it had savings value in 1967, it will be audited and recorded as such.

If it has recurring value, we have gone on a 3-year cycle here, because we are on a 3-year budget cycle. We are executing one budget, defending a second and planning a third, and our aim here was to complete the 3-year cycle, so that if the savings was recurring in nature, it would have been reflected in a budget, and at that point, no further recurring value is taken. We believe that is a desirable thing to do.

Representative RUMSFELD. It sounds like it makes sense.

In your statement, under "Utilization of Personal Property Inventories," you use the words "excess property and excess stocks." Are they interchangeable in the context of this paragraph, or are they different?

Mr. IGNATIUS. They are meant to be the same, and it is just two words that mean the same thing. Property and stocks in this case are