our Schedule C and as more items become available for generic procurement.

As an illustration of anticipated future savings, we have in recent months put 78 additional items in our central system. Projected annual sales for these 78 items are $4,783,598, with a projected annual savings of $1,232,513 over the present method of supply.

Controlling Costs

Cost reduction to us means cost control, including control of operating costs. We only centrally procure those items that can most economically be supplied to our users in that manner. It is not difficult for VA to determine this since the price paid by our users for centrally supplied items includes costs such as the personnel costs, transportation, maintenance of buildings and grounds, inspection, etc. We operate the only extensive central supply system in the Federal establishment that is geared to this "Industrial Funding" concept. Concerning our central stocking policies, the Report of the Commission on Government Procurement, Volume 3, page 34, states, "Careful selection of items for depot stock on a total cost basis has reduced VA depot costs to about 16 percent of the item cost. This cost is far below that of all other activities studied."

In further support of the VA's unique total cost concept for controlling costs through item management, the Commission Report, Volume 3, observes on page 36, "Industrial funding enables an activity to finance the cost of doing business by applying a markup computed on the basis of the value added by its operation. With this total cost visibility, the optimum method and location for purchase of Government needs could be identified easily." VA's stocking policy is based on this concept.