

APPENDIX 1
DEPARTMENT OF DEFENSE
COST REDUCTION PROGRAM—YEAREND
FISCAL YEAR 1967 REPORT

[Memorandum for the Secretary of Defense]

WASHINGTON, D.C., *October 11, 1967.*

Subject: DOD cost reduction program, fiscal year 1967 yearend status report.

The DOD cost reduction program entered a new phase in fiscal year 1967. Upon completion of the initially established 5-year cost reduction program at the end of fiscal year 1966, the program was revised to report and measure the effects of new, improved, or intensified management actions on an annual basis. This change resulted in the establishment of new criteria for determining what type of actions qualify for reporting and in the decision to measure all savings on the basis of a "before" and "after" cost comparison of the effect of an individual management improvement action. Although these decisions simplified the basic system they have placed added emphasis on the importance of having good cost data available at the level where an action is initiated. The ability to react quickly to these and other changes have proven to be true tests of the substance of the program.

As in the past years, yearend results have exceeded original expectations. Savings realized in fiscal year 1967 exceeded the goal of \$872 million by \$180 million for a total of \$1,052 million. The 3-year effects of fiscal year 1967 actions amount to \$2,059 million, well in excess of the goal of \$1,502 million. In view of the revised system and the expected learning curve associated with its implementation these results are indeed surprising.

It is apparent that the DOD cost reduction program remains a live, dynamic influence on the management practices utilized in the Department of Defense today.

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