

I. BUYING ONLY WHAT WE NEED

I.A.1. MAJOR ITEMS OF EQUIPMENT

I. Scope and objective

A. Major items of equipment encompass end items such as ships, aircraft, missiles, ammunition, tactical vehicles, noncombat vehicles, and other items which are controlled on a line item basis by the headquarters level of DOD components.

B. The primary objective of this area is to initiate management improvement actions which will reduce the amount of appropriated or revolving funds expended for major items of equipment. This objective can be achieved by taking actions which: (1) decrease the quantity of major items procured; or (2) reduce the cost of major items procured even though the quantity purchased is not reduced.

II. Goals and accomplishments

A. A summary of savings already realized and those expected to be realized during fiscal year 1968 and fiscal year 1969 from actions taken during fiscal year 1967 is as follows:

(In millions)

	Fiscal year 1967		Fiscal year 1968		Fiscal year 1969	Fiscal years 1967-69	
	Goal	Realized	Estimated	Estimated	Total	Goal	
Army.....	\$17	\$1	\$2	-----	\$3	\$33	
Navy.....	58	76	37	-----	113	105	
Air Force.....	35	59	19	\$2	80	65	
Total.....	110	136	58	2	196	203	

B. Achievements in this area substantially exceeded expectations during fiscal year 1967, particularly for Navy and Air Force. Army savings were disappointing, whereas Navy achieved realized savings of 131 percent and Air Force 170 percent of their respective goals. Overall DOD achievements amounted to 120 percent of the fiscal year 1967 goal.

III. Examples

There were more than 40 significant actions taken in this area during fiscal year 1967. The following examples are typical:

A. *Cancellation of Little John warhead procurement.*—The Army canceled procurement of 146 Little John warheads, FL/Smoke MSA1, based upon a special review conducted by the Army Materiel Command. This action saved \$353,000 in fiscal year 1967.

B. *Reduction in Polaris A-3 missile procurement.*—The Navy, in conjunction with the development contractor, conducted intensive studies and reviews of progress during the development of the Poseidon missile. As a result, a decision was made to reduce the number of pilot test missiles and advance the operational availability date of the Poseidon missile system by 1 year. This action produced two benefits. It saved \$46 million in Poseidon missile development and testing costs (reported in Area I.C. Value Engineering) and \$43.9 million in major item procurement of the Polaris A-3 missile. The fiscal year