

will see most of the changes made in the SAR report. Sometimes during the year, there are some changes, but the big change comes about as of December 31 each year.

Chairman ROTH. The next question I would like to ask you is, can you comment either on your personal observation or GAO studies as to whether there has been an improvement in cost effectiveness, in your judgment, during this last quarter? I am not talking about quantity, changes, and I am not talking about inflation. I am talking about management effectiveness.

Mr. SHELEY. I see a new seriousness—and this is strictly a personal observation, at this point, and I could not support this—but in my conversations with some of the people at the very highest level of the Department, particularly in the services, I have seen an awareness of the need to control costs that I have not seen in some time.

Particularly I notice it in the Army. I have had a number of conversations with the—

Chairman ROTH. I am sorry, I could not quite hear you. What was that?

Mr. SHELEY. In the Army, particularly in the Army. I have had some conversations with people like Secretary Ambrose, and I am very impressed with the sincerity with which he is trying to tackle the problem. How well he is going to come out in the end is still up in the air, but I sense a seriousness that I have not seen over there for a while.

Chairman ROTH. About cost effectiveness?

Mr. SHELEY. About cost effectiveness.

Chairman ROTH. I think that is very encouraging. It goes back to a statement that Secretary Thayer made, of which I partly agree, but which I also partly disagree. He said he did not think reorganization was important, that it was the intent and the purpose of the individuals in charge that really counts.

I happen to think both are important, but I am encouraged by your observations from GAO that you do see some seriousness about trying to do something about costs.

The one thing that I would like to have you comment—maybe not on behalf of GAO, but just based upon your experiences concerns structural reform in DOD. I was sorry I did not get back to address some further questions to Secretary Thayer because I was concerned by the fact that he at least indicated for the moment that they are not looking at any major reforms.

There have been a number of very thoughtful articles by what I would call essentially pro-defense people who are saying we need some structural changes in DOD and who are saying that only so much can be done with the present system.

I happen to think that some of the moves that they suggest are the right ones. I think there has got to be renewed emphasis on competition. That is probably the most important one in my judgment. But there have been some suggestion that we need some very radical reform in the institutional structure of the Defense Department, that one of the problems is, for example, duplication of weapons in procurement between the various services which has resulted in waste and abuse if not more fraud. There have also been suggestions that the present system has resulted in underesti-