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April 27, 1960

**MANUFACTURING SERVICES**  
MATERIALS SERVICE  
NEW YORK OFFICE

Phone message from Mr. R. E. Fountain  
to Mr. L. D. Miles:

I have given some more thought to the Corporate Cost Improvement Program and feel that we are really just scratching the surface with the material that we sent down to you.

Also, I discussed the matter this morning for just a couple of minutes with both Svein and Linc. Svein makes the following point that many of our activities are expense oriented and this includes many of the activities going on in Manufacturing Services -- Materials Service included -- whereas our particular brand of activity is product oriented.

We are collectively concerned that a program will be put on indicating the need that pressure should be applied down the line to reduce cost. The people are willing but frustrated because they have no real techniques to use. We believe that this point should definitely be made in the presentation.

Now for the first time, we will have cost analysis techniques and function evaluation techniques written down, plus your book on Value Analysis Techniques. These are the techniques that men use. This is something that could be given to the people so that they can make a good long cost improvement, which is actually value improvement. Then they would not be forced to falsify claims of cost improvement in order to meet a budget.

Next we have the Value Workshop -- and the techniques just mentioned are the things needed to implement this Value Workshop. We believe we ought to push these things harder. By all means, a functional approach must be promoted because this is an effective tool in product oriented cost improvement as well as expense improvement.

When it comes to standards and control, we don't have the men at the present time to implement this, but we could sure create a demand by introducing what we have now on a broad scale.

All three of us agree that General Electric ought to be thinking in terms of price or cost to the consumer and getting a bigger share of the market in order to get capacity.

Svein makes another point -- that on a drive and control mechanism for the world's largest telescope to be built by the Navy -- our Pittsfield Ordnance plant quoted at twice the price quoted by General Dynamics. Yet the Navy knows that we supposedly have one of the best Value programs in the country. In this case, Harry Martin never heard of or saw the quote. Here also, is a chance for General Electric to really do something outstanding. Any number of smaller companies can quote below us. Another quote was less than two-thirds of ours.