

The second is to shift away from the open-ended cost-plus type of contract into higher risk forms of contract, either fixed-price or price incentive. I'd like to discuss briefly each of these and the progress that has been made thus far. The next slide, please.

We found, back in 1961, that less than 33% - 32.9% of our dollars were being spent under price-competitive forms of contracting. Somewhat arbitrarily we set a goal of raising that level to 40% by the end of Fiscal Year 1965. While the number of percentage points appears very small, for each point of improvement we're talking about swinging some \$250 to \$350 million into the competitive arrangement that was formerly sole-source.

As the solid line indicates, through 1963 we had achieved about 37.3% of our buys under price competition, an improvement of about \$1 billion in placements, competitively, which, at the rate of savings which seems to be typical, some 25¢ on the dollar, returned savings in prices, of about \$237 million in that fiscal year.

Looking out through 1965 we hope to convert about \$1.6 billion to price competition, or savings of \$400 million. I might digress for a moment to say that recently we've been working closely with major defense contractors who spend half of their dollar at the sub-contract level, to determine whether it is not possible for them too to improve upon the amount of competitive contracting which they engage in. If so, we think we can expand substantially the placements by price competition, and hence, the ultimate savings to the government.