

When we saw the results we wanted to be sure that we understood what had happened here and we asked the producer if he would work with us to analyze how it was possible for him to write that price from \$2,200 to \$843. He was happy to do this, and working together we discovered that about half of the price reduction was due to normal learning-curve experience. Presumably he would have been able to reduce the cost to the government to the extent of about half of this net difference.

However, he admitted the remaining half was due to just sharper planning; the forecasting of costs; better procurement and subcontracting methods induced under the pressure of competition. So, he and we agreed that competition saved the government quite a bit of money in this particular case. The next item, please.

The second way in which we're trying to assure procurement at the lowest sound cost, and especially in the great field of development contracting, is by departing from the use of the various loose, open-ended cost-plus-fixed-fee arrangements. As you'll see, starting back in 1955 this curve began to climb very steeply as we did more and more research and development contracting. Between 1955 and 1961 we almost doubled the dollars placed under these contractual forms, going from some 19% up to 38% of all contracts awarded on a dollar basis.

Secretary McNamara directed that we set goals to sharply reduce this form of contracting. This goal was to come down to a level of 12.3% by the end of 1965. The results have been perhaps the most dramatic and