spectacular of any phase of our efforts to improve logistics management. By the end of '63 we were down to 20.7%. Through the first five months of this fiscal year - as of last December, in other words - we're down to our long-term goal of 12%. Whether we'll be able to hold that level we're not certain at this point, but the outlook is very encouraging.

The significance here is that our best evidence indicates that for every dollar we shift out of a cost-plus arrangement into a fixed-price or a price incentive we save about 10¢ in terms of avoiding cost over-runs. This means that through 1963 when we had shifted over $4 billion out of cost-plus arrangements, we had saved approximately $400 million in prospective cost over-runs. The ultimate goal here is a shift of about $6.8 billion with potential savings of around $680 million.

Let me take one illustration just to illustrate the significance of this. The next slide, please. Perhaps you can't read this in detail, but it's the contractual arrangement that has been developed with the Martin Company, on the Titan III Booster Program on which they have a prime system contract. This is an incentive arrangement under which a target fee has been negotiated based upon performance factors, time and delivery factors, and cost factors. The target percentage, if everything were normal, would be 7%. And under the value of this contract would return to the contractor about $20 million profits.

However, if their failures in respect to meeting these various criteria for performance time and cost occur, the contractor could earn as little