

Every effort is being made to increase the use of formal advertising in competitive procurement awards. The ratios of formal advertised procurement to total procurement and two-step formal advertising to total formal advertising since fiscal year 1961 follow:

[Dollar amounts in billions]

Fiscal year	Total price competition		Formal advertising			
	Amount	Percent	Total		2-Step	
			Amount	Percent	Amount	Percent of formal advertising
1961.....	\$8.1	32.9	\$2.9	11.9	(1)	(1)
1962.....	10.1	35.6	3.5	12.6	\$0.085	2.4
1963.....	10.8	37.1	3.7	12.7	.275	7.5
1964.....	11.0	39.1	4.1	14.4	.416	10.1
1965.....	11.9	43.4	4.8	17.6	.726	15.1
1966.....	16.5	44.4	5.3	14.2	.926	17.5

¹ Not available.

The increase in the use of price competitive awards continues—increasing from 32.9 percent to total obligations in fiscal year 1961 to 44.4 percent at the end of fiscal year 1966. During this same period, competition by formal advertising increased from 11.9 percent of obligations in fiscal year 1961 to 14.2 percent in fiscal year 1966.

Increases in the use of two-step advertising have also been achieved. Two-step advertising was at a level of \$85 million in fiscal year 1962; increasing to \$726 million in fiscal year 1965 and equaling \$926 million in fiscal year 1966. Two-step advertising is an example of consolidation and refinement of existing procurement management improvement programs designed to provide increased cost savings.

The concepts of the cost reduction program are more important now than ever before. In particular, procurements must continue on a sound rather than an expedient basis in order to offset the increasing costs of SEA operations. Extraordinary disciplines have been established to review any proposed shift from competitive procurement to sole source procurement.

II.B. Shift from CPFF to fixed or incentive price contracts

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army.....	\$111	-----	\$111	\$123	\$234	\$151
Navy.....	142	-----	142	(9)	133	151
Air Force.....	347	-----	347	66	413	368
Total.....	600	-----	600	180	780	670