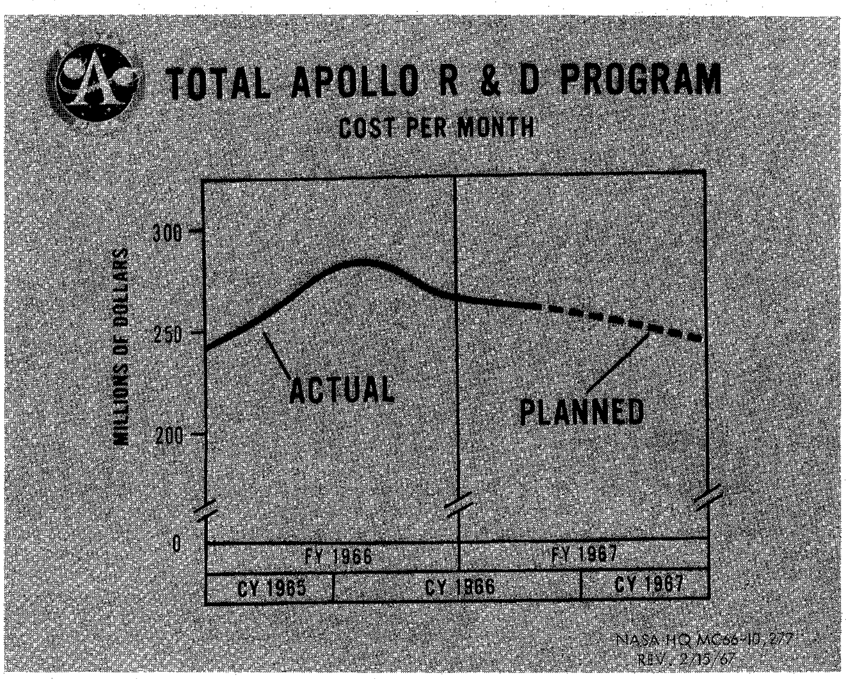

FIGURE 62

Our efforts to reduce cost are succeeding. Although the fiscal year 1967 funding situation remains tight we nevertheless are hopeful that we will be able to cover all of our requirements. Our estimated requirements for fiscal year 1968 are a logical extension of contractor and center effort into that year. However, estimates covering actions resulting from the AS-204 accident are not included.

Our current estimates represent an extremely tight management of dollars, with our uncosted obligations providing little or no flexibility to cover additional costs. Our current estimates of costs would project uncosted obligations of approximately $170 million by the end of fiscal year 1967. This amount must cover a large number of outstanding contractual obligations and is about the minimum amount against which we could manage. It would provide little or no flexibility to cover problems when they arise.

We are not clear as to the full impact of the AS-204 accident upon our fiscal year 1967 and fiscal year 1968 resources planning. We are certain that there will be an effect and it will be larger in fiscal year 1968 than in fiscal year 1969. Should the AS-204 findings require actions having a sizeable cost impact, we shall be faced with financial problems even more challenging than those of the past year.

At this time, we are concerned that program detractors will use the recent unfortunate accident to suggest that a slowdown in our effort will result in savings. Aside from the fact that our colleagues gave their lives for this challenging program there is false economy in cutting back now.

The Apollo program has advanced to a point that the flexibility for making program cuts to avoid cost becomes extremely limited from a management viewpoint. During the initial design phase of a program, there is an opportunity for decisions which affect costs. During this period in Apollo, the overall scope of the program was determined, an optimum time span for overall development and operations established, and design alternatives selected which determined total cost. When the program moved from the design to the test phase, flexibility in curtailing costs was greatly reduced because management alternatives were