

Representative GIAIMO. Do I understand that you are estimating cost for fiscal 1967 of \$350 million and now they are going to be \$400 million?

Mr. GAVIN. Fiscal 1967?

Chairman TEAGUE. Excuse me, Joe, we have asked the staff to give us an approximate figure. I am sure they won't exactly jibe, but they should be very similar to ours and close to ours.

Mr. GAVIN. I was going to pick up the question later, but since it's been asked, let me answer it. At some point in the past, and I would have to check on this, I believe the \$350 million figure was forecast. However, when your staff visited last August, we were projecting at that time \$382 million for fiscal 1967.

Representative GIAIMO. That's without any thought of a stretchout?

Mr. GAVIN. Yes, that's just actual cost increases.

Representative GIAIMO. Without changing the schedule?

Mr. GAVIN. Yes. Shortly thereafter we reviewed with MSC, on a work package basis, the work for the fiscal year, and we revised our projection downward to \$373 million, and at this point we are struggling to attain that number. The more trouble we have with the vehicles you saw out there this morning, the more difficulty, the more unlikely the probability becomes with regard to that number. I think that we should certainly hit it within 3, 4, 5 percent. I think this is possible.

We are in the position where a great deal of work is behind us and where the character of the work remaining is not as diversified or as problematical compared with some of the things we have contended with in the past.

Representative GIAIMO. Then that leads me to my main purpose of asking the question. Going back to Mr. Teague's question with regard to stretchout and how it would affect you and how it would affect cost—if your costs seem to be increasing anyway, without a stretchout, why would the stretchout increase cost to the Government rather than decrease them for this year? Realizing that there is a certain problem with built-in expenses, and so forth, there is also the savings from a stretchout. I don't quite clearly understand that.

Mr. GAVIN. I failed to make that clear. It is true that the cost for a given time period can be reduced, but I was referring to a growth in total cost. I was looking at the cost to complete the job. In other words, it is possible to decrease the cost rate in any particular time period, but you then have to complete the job, and the point that I was making had to do with the effect of a stretchout on the completion.

Representative WOLFF. The overall cost?

Mr. GAVIN. That's correct.

Representative GIAIMO. And do you have any way of estimating what that would be?

Mr. GAVIN. Well, I think that would depend.

Representative GIAIMO. It would depend on how long a stretchout is.

Mr. GAVIN. It would depend on the stretchout, but I am sure for any proposed set of conditions, that could be estimated.