

ammunition for delivery after December 1968 and keep the production lines going without interruption.

In the case of tactical aircraft, which have a production lead time on the average of about 18 months, we have included sufficient funds in the fiscal year 1967 supplemental and the regular fiscal year 1968 budget to cover deliveries at rates sufficient to offset combat attrition in southeast Asia to January 1, 1970. If it later appears that all of such aircraft will not be required to replace combat attrition, the production of some might be cancelled and some used to modernize the forces at a faster rate than presently planned.

Similar provisions have been made in the fiscal year 1967 supplemental and the fiscal year 1968 budget for other categories of material which would be affected by the continuation of combat operations in southeast Asia beyond June 1968. Accordingly, barring a significant change in the character or scope of the southeast Asia conflict, or unforeseen emergencies elsewhere in the world, the fiscal year 1967 supplemental and fiscal year 1968 budget should be sufficient to cover our requirements until fiscal year 1969 funds become available, even if the conflict continues beyond June 30, 1968.

Because of the large demands of the southeast Asia conflict, I have deleted from both the fiscal year 1967 supplemental and the fiscal year 1968 budget, procurement funds which are required simply for the replacement of items already in the inventory with later models, except for tactical aircraft and helicopters and where the newer item is being procured to replace consumption. This type of marginal modernization can be safely deferred to a later time.

With regard to military construction, we have included funds in the fiscal year 1968 budget for military family housing and other categories of "noncombat" facilities, e.g., replacement of old barracks, BOQ's, maintenance shops, administration and school buildings, etc. We deferred these types of construction programs in fiscal year 1966 and 1967 in order to reduce our demand on an economy already laboring under inflationary pressures. Now that these pressures appear to be subsiding, we should be prepared to assume the orderly modernization and expansion of our physical plant, which represents an investment, in terms of acquisition cost, of well over \$35 billion. The rate at which we do so will depend upon economic developments during the next 12 to 18 months. In any event, we would first release the balance of the fiscal year 1966 military construction program (about \$565 million), and then move forward with the fiscal year 1968 program, for which a total of \$2,123 million has been included for military construction and \$267 million for the construction of military family housing.

Needless to say, we are continuing our cost reduction efforts with undiminished vigor. And, as you know, we have developed another list of base closings and consolidations, none of which will in any way affect our combat capabilities in southeast Asia or elsewhere.

By eliminating unneeded and marginal activities and deferring whatever can be safely deferred, I have been able to reduce the fiscal year 1967 supplemental and the fiscal year 1968 budget requests of the services and Defense agencies by about \$23.3 billion, while at the same time providing for all essential military requirements. We are requesting for fiscal year 1967 a total of \$72.8 billion in new obligational authority, of which \$12.3 billion is in the special supplemental