

As a result of an Army-Air Force agreement in April 1966, which redelineated certain air support mission responsibilities within the combat theater, the Army's CV-2 Caribou transports (redesignated the C-7A) have now been transferred to Air Force operation and are therefore, accounted for in this program for the first time.

No major changes are contemplated in the airlift force structure of the Reserve components from that proposed a year ago. In fiscal year 1968, we proposed to continue one C-121 squadron and one more C-97 squadron than planned last year. Eventually, the Reserve airlift force will consist entirely of C-130's. During fiscal year 1968, we propose to continue the 100 percent manning for the 11 Air Force Reserve C-124 squadrons, which was inaugurated as a readiness measure in the summer of 1965.

SEALIFT

As discussed earlier in this section, we propose to build a fleet of fast deployment logistic (FDL) ships. The Congress approved funds (\$67.6 million) for two of these ships in fiscal year 1966, including \$10 million in the fiscal year 1966 supplemental for the initiation of contract definition. As I explained a year ago, actual contracts for these first two ships are being deferred in order to permit their inclusion in the "total package" contract. We now plan to award the multiyear contract late this fiscal year. Funds for five FDL's are included in the fiscal year 1968 request.

The FDL's we now propose will be considerably larger, faster, and more efficient ships than those we originally envisioned. Two years ago, the preliminary FDL concept called for a vessel capable of carrying about 5,600 tons of division equipment and supplies; the ships we are now considering will be able to carry perhaps twice that tonnage and at an estimated increase in the cost per ship of less than 10 percent.

As I noted earlier in the discussion of the shipbuilding problem, the FDL program represents the first application of the concept formulation and contract definition process and the "total package" approach to ship procurement. The first phase of this approach, "concept formulation," was completed in July 1966 when three contractors were awarded definition contracts. During the first phase of contract definition, the competing contractors prepared their initial proposals around Army and Navy performance requirements and standards instead of detailed ship specifications. Thus, for the first time, the talents of private industry are being brought to bear on the initial design of the ship. During the second phase of the definition process, which has just been completed, the three competing contractors prepared detailed proposals for their design and a comprehensive program plan for their production. As part of these detailed proposals, each of the contractors has developed plans for a new shipyard or modernization of an existing one. Any one of these, in terms of efficiency, would be far superior to the existing U.S. yards and in terms of design and layout would be equal to the best of the foreign yards.

We are now in the last stage of the definition process, i.e., bid evaluation and source selection.

The three Victory-class cargo ships which had been used as forward mobile depots since fiscal year 1963 have been temporarily converted