~~SECRET~~

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

5451
Ch XV (65)

12 JUL 1972

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT, NATIONAL SECURITY AFFAIRS

Your memorandum of June 28, 1972 requested a list of possible budget reductions if Congressional action on the FY 1973 budget required us to take some cuts. You also emphasized that current forces and readiness should be assured in the development of any potential cuts.

The House and Senate Armed Services Committees have now acted on the Defense Procurement and RDT&E Authorization Bill. Their actions, excluding the SALT/SEA amendment, would reduce the Defense budget almost $1.7 billion (NOA). The Appropriations Committees have not yet acted on Defense budget requests, but I expect pressure for further reductions beyond the Armed Services Committees actions.

There are some areas in the Defense budget where program slippage, strength shortfalls or other fact-of-life changes will permit the acceptance of some Congressional reductions and I do not intend to protest cuts of this nature. Examples are the DD-963 program and Army military personnel strength. On the other hand, we have identified over $1 billion of program cost increases in our operations area that must be financed or programs and readiness decreased. These cost increases cover subsistence, quarters allowances, transportation, currency revaluation, CHAMPUS, utilities, blue collar pay and other items that must be paid - even at the expense of program and readiness reductions. Thus, further reductions in operations funding cannot be recommended.

I have also reviewed our major forces and support programs for potential areas of reduction that would not seriously impact readiness.

I cannot recommend any reductions in systems or operational levels for Strategic Forces programs beyond the SALT changes reflected in the recent budget amendment. I am sure you agree that pending further SAL agreements, it is essential that the Strategic Forces presently planned in our Five Year Defense Program be fully supported in DoD budget requests.

General Purpose Forces programs for baseline force support are budgeted at minimum amounts to support our NATO and other force commitments. This is an area, however, where I expect the Congress

OSR DOC 15-8

12-M-0462

to push for sizeable reductions, both in weapons system and operational levels. These should be strongly resisted where they impact on force readiness. I intend to carefully consider all such proposed cuts, but I cannot at this time recommend any reductions in the General Purpose Forces programs that would not impact on essential forces and readiness.

Southeast Asia operations must continue to be supported. Our ultimate requirements will probably exceed currently budgeted amounts and a further FY 1973 supplemental for SEA support may be necessary.

Support programs are particularly hard hit by the cost increases I mentioned earlier. We cannot expect to make major savings in the support area without a significant base closure and reduction program. I intend to develop such a program this Fall as we prepare our FY 1974 budget. However, base closure savings from actions taken in FY 1973 will not materialize until FY 1974. One-time costs and the time required from decision to implementation of a closure will preclude any sizeable savings in FY 1973.

In summary, the Congress is proceeding with its action on the FY 1973 Defense appropriations. Proposals for sizeable reductions have been made by the Armed Services Committees and additional reductions will be proposed by the Appropriations Committees. I propose to urge restorations in all areas impacting on forces and readiness. With regard to our total budget, aside from fact-of-life program changes or slippages which will undoubtedly be picked up by the Congress, I cannot recommend any areas for significant reduction that would not seriously impair our force readiness. We should expect that additional funds may be required for support of operations in Southeast Asia.

I, therefore, recommend that the President's Budget, as amended, be fully supported before the Congress, accepting only those cuts that represent changed program requirements that have already occurred.