

Office of the Secretary of Defense
Chief, RDD, ESD, WHS

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THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

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27 February 1970

MEMORANDUM FOR THE PRESIDENT

SUBJECT: FY 1970-71 Budget Situation for Vietnam

Our budgets for supporting military operations in Southeast Asia for FY 1970 and FY 1971 are tight by any reasonable standard. As I indicated to you in an October 6, 1969 memorandum on B-52 sorties and again on February 3, 1970, in a memorandum on operational contingencies for Southeast Asia, (a) we have had to cut back on some operational support (such as B-52 sorties) in FY 1970, and (b) we shall have to be increasingly mindful of costs throughout the remainder of this fiscal year and throughout the next. I should like to highlight the nature of the problem for you.

The dollar amounts and activity rates being postulated would, perhaps, be illuminating. The following table outlines, in brief, selected activity and funding indicators:

	<u>FY 1970</u>	<u>FY 1971</u>
<u>Southeast Asia Incremental</u>		
<u>(Costs by Budget Title</u>		
<u>\$millions-TOA)</u>		
Military Personnel	\$ 5,367	\$ 4,074
Operations and Maintenance	5,322	3,470
Procurement	3,861	2,509
Research & Development	133	104
Military Construction	34	77
Combat Readiness, SVN Forces	--	300
Sub-Total	<u>\$14,717</u>	<u>\$10,534</u>
<u>Budgeted Amounts Selected Items</u>		
<u>(\$millions-TOA)</u>		
Supplies and Material	\$ 2,263	\$ 1,501
(O&M financed)		
Ground Munitions	1,868	1,106
Air Munitions	1,304	903
Aircraft Procurement	1,284	807
<u>Tactical Air Operating Rates</u>		
Attack Sorties per month	26,800	18,800
B-52 Sorties per month	<u>1,400</u>	<u>1,200</u>

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The most obvious point in the data shown is that Defense funds and activity levels for Southeast Asia are large in absolute terms, but are diminishing. The resources available to our forces will become fewer rather than more. Current budget plans should be adequate to support our objectives, but the choices involved in allocating the increasingly scarce resources will become harder and harder.

Another point -- and one which is not so obvious -- is that resource problems can develop as our forces in Southeast Asia respond to changing combat situations. During January 1970, for example, our tactical air forces increased their sortie levels and ordnance expenditures to, or above, programmed levels. Total attack sorties increased to 27,600, after having declined to 23,700 in October 1969. The consistent increase since November reflected the tempo of activity in Laos. Attack sorties in that country increased from 10,500 to 14,200 during the period from October 1969 through January 1970, respectively. Furthermore, air ordnance consumption during January totaled 117,000 tons, well above the anticipated 100,000 tons expenditure. This may be construed as a one-time surge in operations; but it may require the reprogramming of \$100 million in FY 1971 funds to insure maintenance of adequate air munitions stocks. As is evident from the FY 1971 budget data, such reprogramming will not be an easy chore.

As we proceed with the Vietnamization program, US combat and combat support efforts will continue to be reduced. As you know, we anticipated, during the development of the FY 1971 budget, that further significant reductions in both our deployment and activity rates would be feasible. This anticipation permitted further sizeable cuts in the Defense budget now before Congress. But these reductions also impose financial constraints that restrict to a considerable degree our ability to impose added operations, especially any high unit-cost or sustained operations, on the programmed operations rates.

To preserve adequate levels of flexibility, I have asked the Joint Chiefs of Staff and the field commanders to be mindful of the budget and resource situation. I have asked them, too, to be thinking of potential trade-offs. In a January 28, 1970 memorandum to the Chairman, Joint Chiefs of Staff, I noted:

"It is clear ... that if we are to consider seriously increases in one type of support, we must be willing to identify the trade-offs involved and specify what we shall give up in other areas to fund the increased activity."

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During my recent visit to South Vietnam, I emphasized the desirability of considering trade-offs within our Southeast Asia budget, if and when added operations are considered. We have already drawn down the baseline (peacetime) force to support activities in Southeast Asia.

The total FY 1971 budget, when expressed in terms of FY 1964 dollars, is only \$3.8 billion higher in outlays than FY 1964. Southeast Asia incremental support costs during FY 1971, expressed in FY 1964 dollars, total \$9.4 billion. Accordingly, funds in the amount of \$5.6 billion, in terms of 1964 dollars, will have to be diverted from support of the FY 1964 baseline (peacetime) force level to support of Southeast Asia. Further reductions in baseline force support would be necessary to finance any ~~increases in Southeast Asia activity levels or forces during~~ FY 1971 and would have a significant adverse impact. Any such reductions would have to be at the expense of readiness levels necessary to support NATO and other non-Southeast Asia commitments.

In thinking about Southeast Asia operations, especially any contemplated new operations, we should be aware of the generally tight budget situation. This situation will continue to constrain our operational options, and with increasing restrictiveness. When new operations are postulated, our first consideration must be the source of the resources.



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