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 ASSISTANT SECRETARY OF DEFENSE  
 WASHINGTON, D. C. 20301

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

5054-SS2

CH X (19)

Date: 26 JAN 2012 Authority: EO 13526

Declassify: X Deny in Full:       

SYSTEMS ANALYSIS

Declassify in Part:       

Reason:        MDR: 12-M-0438

(20)

MEMORANDUM FOR SECRETARY OF DEFENSE

SUBJECT: NSDM 84

DECLASSIFIED IN FULL  
 Authority: EO 13526  
 Chief, Records & Declass Div, WHS  
 Date: JAN 26 2012

NSDM 84, attached, gives new budget guidance for Defense 5 year planning. I believe it is realistic in terms of the overall Federal budget, and conforms closely with the option we would prefer if we had to cut. It does not address any of the questions of foreign policy or commitments which we raised in the DPRC in connection with Defense reductions.

Our current plans and the new guidance give the following outlays, including projected inflation, future pay raises, the all-volunteer force program, and support of allies:

	FY 72	FY 73	FY 74	FY 75	FY 76
Current Plan	79.6	80	81	83	86
NSDM 84	74.5	75	76	78	79
Difference	-5.1	-5	-5	-5	-7

In the DPRC paper the FY 72 current plan was projected as \$79.1B. Since then revised materiel costs have added \$0.5B. Thus the NSDM 84 contemplated a \$4.5B reduction in FY 72, but actually requires a \$5.1B amount.

The guidance specifies a reduction in the current all-volunteer force program from \$2.0B to \$1.3B in FY 72, but keeps to the current plan (\$3.5B/yr) thereafter.

It specifies no 'possible' cuts in strategic programs except in air defense for FY 72 (pending SALT). It calls for reductions in air defense forces and bomber operating costs. These would cut \$0.55B in FY 72. In addition, I believe the tentative decisions Dave Packard has made about Strategic forces this week are consistent with the guidance (although there may be some question about the reduction from 12 to 9 squadrons of F-52 C-Fs as they phase out of SEL). They would cut an additional \$0.05B from FY 72.

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Downgraded to Secret  
 Date: 02-10-2011  
 Classification Division, WHS

OSR DOC 10-3

DOWNGRADED AT 12 YEAR  
 INTERVALS, NOT AUTOMATICALLY  
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Paragraph 3 of the NSDM gives priorities for General Purpose Force cuts and sets a minimum of 16-1/3 divisions. Wayne Smith informs me, however, that Kissinger has been under "great pressure" over this paragraph, and plans to send a new memo saying these are "tentative priorities" and calling for the submission of alternative general purpose force structures within the new budget guidance through the DPRC to the President by October 15th so the President may consider the matter further. I have registered a strong protest through Smith about the requirement to submit further alternative forces or seek further guidance at this late date. NSDM 84 would be better without paragraph 3, but with or without that paragraph it gives us adequate guidance to prepare our proposed 5 year defense program. We do not have time to await further guidance, and I believe it is inconsistent with your prerogatives as Secretary of Defense to impose detailed General Purpose force structure priorities.

Paragraph 3 calls for no fewer than 16-1/3 active divisions. This is consistent with the DPRC paper which maintained 16-1/3 divisions except in the low program at -\$7B. The number is determined by the JCS evaluation of NATO requirements. Our continuing study of NATO could lead us to fewer divisions (manpower) in the out years with better equipment (tanks, air power). I do not believe we are yet ready to surface this issue, however.

In summary, the NSDM appears to be based on smaller cuts in Strategic forces in FY 72 than the various options presented to the DPRC and on cuts in General Purpose forces about \$0.5B deeper than the "reduced option" in the DPRC paper. The NSDM itself, however, constrains us very little in how we structure our program within the new fiscal levels.

With this new guidance we must now establish an expedited procedure to produce our 5 year defense plan. If Congress may reconvene as early as January 4, then we must be ready to submit the budget by January 18. Then all major defense force decisions should be made by December 15th. The critical question is the length of time needed for the joint OSD/OMB budget review. This has taken as long as 2 months when major cuts have been necessary in the process. I presume further cuts beyond NSDM 84 will not be forthcoming this year, however, and that we will issue complete PDMs at the NSDM 84 level. It should then be possible to complete the budget review in 6 weeks, so the Services' budget submissions can be in by November 3rd. The Services need at least 2 weeks to prepare budgets after final program decisions. If we allow 2-1/2 weeks, then fiscal decision memoranda must be issued by October 16th. This clearly leaves no time to issue revised fiscal guidance or ask for revised POMs. By pushing the staffs very hard we can: Produce issue papers for Mr. Packard by September 21st; embody his decisions into draft PDMs by September 28th, allow one week for Service reklamas (October 5) and issue final PDMs on October 15th. This will strain the excellent participative management we have practiced to date. I would much rather give the JCS and the Services a week to react to the issue papers before they go to Dave, and to allow more time for dialogue between Dave and them before issuing PDMs, but this would compress the budget review to 4 weeks, and that may not be feasible. I would, of course, manage some informal collaborations.

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The proposed schedule:

September			October			November				December			January								
14	21	28	5	12	19	26	2	9	16	23	30	7	14	21	28	4					
Issue Papers to DepSecDef			Draft PDMS to Services & JCS			Service and JCS reclamas			Final PDMS			Budget submission			6 weeks for OSD/ OMB review			Last Dod force changes		Last minor budget changes	
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When you talk to the Services Monday morning, you may find some confusion because our planning and budget work is in FY 1971 dollars while NSDM 84 is in FY 1972 dollars. Therefore, I am also attaching a summary of the NSDM 84 results expressed in FY 1971 dollars.

*Cardinal Tucker*