

-7 SEP 1979 12:25

cc: Secretary of Defense

OFFICE OF THE SECRETARY OF DEFENSE



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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

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MEMORANDUM FOR: THE PRESIDENT  
FROM: James T. McIntyre, Jr.  
SUBJECT: MX Costs

Based upon the meeting with you yesterday, Defense and OMB have again compared analyses and assumptions for the Air Force MX plan, with the following results:

-- We have no differences on facts, i.e., we are using the same data as to numbers, size, etc.

-- As to the point yesterday regarding the number of miles of road, Defense agrees with OMB's stated figure of about 10,000 miles of road. The current Air Force number is 9618 miles, and this is a notional computer model which has not yet been applied to specific sites, where terrain obstacles may lengthen (and existing roads may shorten) the actual requirement. In any case, the 5000-6000 mile figures cited at yesterday's meeting are not correct (they apply to the so-called "racetrack" roads, and leave out the many miles of other service, security, and construction roads in the system).

-- We and DOD agree on the approximately \$5B of likely additional cost risk, but Defense would rather stay at a \$33B total and allude to this risk in Q and A (attached) rather than use a higher total cost at the outset. My view on the appropriate estimate of the cost of heavy construction is clearly less optimistic than Harold's. Because recent history (Alaska Pipeline, Washington Metro, etc.) is available to our critics to use in challenging the construction component of the \$33B estimate, I am uncomfortable with the estimate.

-- We had also called to your attention the potential addition of \$3-4B in system enhancements (mass simulators, new RV, road improvements, etc.) You may hear DOD and/or Congressional recommendations for some of these sooner rather than later. Therefore, I wanted you to be aware of the potential cost of these additions.

-- A second agreed DOD-OMB Q and A on the possibility of an expanded threat (also attached) adequately covers, I believe, our concerns about potential \$7-8B additional costs (DOD's own estimate) to preserve planned survivability in the event the Soviets build to the SALT II limit.

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In summary, I agree with Harold that our published estimate should be as low as possible without being unrealistic. Given the kinds of conditions and caveats expressed in the attached Q&A's prepared for the announcement, I believe that we can all defend the \$33B number, and will have laid the appropriate groundwork for subsequent explanations should our estimates grow in the months ahead. However, I believe that a higher total would be more accurate and defensible in the longer term. That higher number (somewhere between \$35B and \$41B) should be a DOD program cost estimate, not an OMB estimate.

Attachments

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