



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20350
23 August 1977

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POM 79-83 (17)

- Navy Secretary

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MEMORANDUM FOR THE SECRETARY OF DEFENSE

DECLASSIFIED IN FULL
Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: FEB 02 2016

Subj: Program Decision Memorandum for the Department of the Navy -- ACTION MEMORANDUM

We have reviewed your Program Decision Memorandum (PDM) for the Department of the Navy, and I appreciate the opportunity to comment on the impact of some of the proposals. Our reclamaes have been prepared, and our major issues discussion and budget review will be conducted with careful attention to your clear caution concerning fiscal realities and funding constraints.

In a number of program areas, the PDM directs us to submit further analyses and studies to clarify requirements for certain programs, and we have begun other selected studies on our own. However, at the same time, significant funding reductions and even cancellation of these programs are directed, thereby essentially prejudging study results. In this regard, I have particular reference to the major cuts in AV-8B development, Navy VSTOL, and Amphibious programs and strongly urge that POM funding levels be continued.

In forwarding our POM submission to you, we highlighted some of the factors which made the F/A-18 decision particularly difficult. The PDM decision includes funds for aviation forces above the levels to which we had to reduce them in order to pay for this new aircraft development. This would be acceptable as long as the essential modernization programs we recommended in our POM do not suffer. As we mentioned in our May 31 POM submission, due to the bowwave in shipbuilding and other areas, if the DON program and budget are further impacted by fiscal pressures, then the naval aviation force level/modernization balance must be reexamined.

I strongly concur in the PDM decision to increase material readiness; however, the decision to constrain Navy civilian employment at essentially the FY 78 level is in direct contradiction to that readiness goal. In fact, without relief from such constraints, imposed independently of the workload for readiness improvements, the improvements appear impossible to attain because the constraint impacts most heavily on our industrially funded activities where over 50 percent of the DON civilian manpower force is concentrated. For example, shipyard and aircraft rework facility manpower reductions could force

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deletion of a large number of ship overhauls and aircraft associated rework programs from the POM period.

Our reclamation, requesting reconsideration or modification of some of your decisions, are attached. I will highlight here some of our recommendations.

GENERAL PURPOSE FORCES

(C) DEPARTMENT OF THE NAVY VSTOL PROGRAMS. While recognizing the difficulties inherent in VSTOL development, I must emphasize again the significance of the potential for a breakthrough in naval aviation capability that it represents. To ensure that the technology can, in fact, support the development of practical, cost-effective and mission-capable VSTOL aircraft, extraordinary measures are being taken within the Navy through an independent review panel comprised of recognized international experts, and through continuous top-level oversight of program schedule and progress. A major factor in all our efforts to structure a conservative, yet progressive, plan for VSTOL will be an attempt to build on our AV-8A experience thus far and the impressive improvements underway with the USMC AV-8B program. We also have been assessing, and will continue to assess, tradeoffs with regard to the range of mission capabilities for VSTOL aircraft.

It is imperative that funding for both these programs, Navy VSTOL A/B and Marine Corps AV-8B, be sufficient, during the early years especially, to sustain the comprehensive development required for a fully coordinated and fully viable research effort. Otherwise:

- We lose the opportunity to ensure that suitable competitive prototypes can be built in a time frame which would permit inventory replacement decisions to be made when they are required.

- We lose the flexibility and operational advantages afforded by the capability to utilize more fully naval aviation from a variety of platforms.

- We would not be able to make sufficient progress even to ascertain, much less capitalize on, the potential of VSTOL to provide a most significant increase in naval force capability before the turn of the century.

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Department of the Navy
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VSTOL capability is ideally suited to the Marines' expeditionary requirement for highly flexible support and intensive operations in remote and undeveloped areas. I have been greatly impressed by the Corps' aggressive exploitation of this unique capability, which now appears to be in grave jeopardy. Your decision included a requirement for an AV-8B cost effectiveness study to report by 30 September. Be assured that this study will be accomplished and the results available during budget deliberations. In the interim, I must consider the PDM's serious reduction to Marine VSTOL forces and acquisition most unwise.

In light of all presently available evidence, I believe that substantial reduction of planned funding will likely predetermine the outcome of our initiative by foreclosing the VSTOL option in its applicable years. I therefore continue my firm support of the POM VSTOL plans, and request that you restore the program funding to the POM level.

(U) NAVY FORCE PLANNING. I appreciate your concern regarding the basis for Navy force structure planning. I will incorporate the direction contained in your decision memorandum in the Navy Force Planning study charter. As previously agreed, we expect to address the full spectrum of naval roles and missions within our examination, and we do not interpret this guidance as restrictive upon the scope, assumptions or conclusions of our study, nor as prejudging the overall justification and rationale for Naval Forces.

(U) AUXILIARY AND SUPPORT SHIPS. I understand your concerns about the Build and Charter plan, but believe the concept is sound and has particular advantages for acquisition of certain auxiliaries which are best operated by civilian personnel. We agree that it is no longer feasible to initiate the program in FY 79. I hope, however, that you will support our continuing efforts for legislative approval to commence in FY 80.

(S) NON-NUCLEAR ORDNANCE REQUIREMENTS. This decision has a grave impact which substantially exceeds the dollar amount involved. If we fail to provide adequate numbers of our most effective weapons to our forces, we diminish our expectation

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of warfighting success. We have, since the POM was structured, once again carefully analyzed and redeveloped our non-nuclear ordnance requirements. Target lists have been refined and computation methodology improved to take account of realistic deployments, countermeasures and attack requirements. The result is that the POM procurement schedules for Mk-48 torpedoes and anti-ship missiles are revalidated as minimum requirements; in fact, higher objectives can be justified. The results of this study have been made available to your staff.

These highly capable weapons are vital to our necessary future capability and I strongly urge their restoration to POM levels.

(S) MINE COUNTERMEASURES (MCM) SHIPS. Since no SCN FY 79 funding is required for the MCM program, I highly recommend that outyear funds be returned and that you defer any final decision to POM-80. Blanket cancellation of the MCM ship grants the Soviet Union an unchallenged ability to mine deep ocean waters at will, since no other free world nation presently plans to develop a deep ocean MCM capability. With the exception of the ship-board minehunting sonar (SMS), all mission equipments for the MCM ship are either approved for service use or are in advanced development and will be ready for installation in the lead MCM ship. The predecessor to SMS, the SQQ-14 (Deep MOD) sonar, and the mine neutralization vehicle (MNV) have already demonstrated detection and neutralization capabilities against deep ocean exercise mines at depths [redacted] feet in actual tests at sea. We plan to install this sonar on the early MCM ships and then shift to SMS in the FY 83 and later ships. DoN 3.3(b)(4)

(S) AMPHIBIOUS SHIPS. This decision includes two distinct issues: amphibious assault shipping force levels and the characteristics of the LSD-41. I would like to offer alternative proposals which do not require restoral of funds in the budget year.

I view with particular concern the proposed decrease in the amphibious lift objective. The best judgment of the Joint Chiefs of Staff has been, for several years, that 2 MAF is the militarily prudent level of assault lift, and the Department of the Navy position has been that 1 1/3 MAF, until now the approved program, is the minimum essential capability, accepting significant risk. We will certainly address the amphibious lift requirement in our Force Planning Study, but a directed decision now to change the lift objective effectively nullifies our prior planning and undercuts our present effort. I believe such judgment should be held in abeyance until we have, together, examined the Study results.

OSD 3.3(b)(4)

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As to the LSD-41, the decision rationale addresses delay, pending firmer characteristics definition and consideration of multi-type commonality in replacement design. The program effect of cancellation eliminates resources for acquisition of any kind, and, therefore, adversely impacts upon force levels and capabilities. I cannot agree that LSD-41 design must await full development of LCAC operating concepts. A thorough study of LCAC operating concepts has been completed, and is now in staffing. The physical characteristics of the prospective LCAC are reasonably well determined, and the LSD-41 is being specifically designed for full compatibility, not only with the LCAC, but with other current and advanced landing craft. Conversely, the LCAC will be designed for compatibility with both present and new amphibious ship types, as a logical outcome of test and evaluation procedures. I request your reconsideration of this cancellation of a major and vitally needed ship acquisition program. I would strongly suggest, instead, that the program be slipped one year, to lead ship acquisition in FY 80. This will ease FY 79 funding pressure and preserve our procurement option while all questions of ship design and LCAC operational concepts are being resolved. The cancellation of the LSD-41 program, and deletion of all amphibious ship procurement funding, will only aggravate the already serious block obsolescence problem of the amphibious forces in the 1990s, and increase the outyear funding bowwave.

~~(S)~~ MARINE CORPS FIGHTER FORCE STRUCTURE. The decision to reduce the fighter/attack structure does not release substantial funding in the near term -- there are only \$13M in FY 79 -- nor can the decision be justified on the basis of excess warfighting capability. The Soviet tactical air threat continues to increase, and the USSR/US fighter ratio remains unfavorable. Even with the full potential contribution of NATO allies taken into account, I am unaware of evidence which suggests that total U.S. tactical air capability is excessive. Nor are there, to my knowledge, persuasive arguments that flexible and responsive air support can be provided to the Marines by other services without prejudice to their own mission requirements. The decision is based on an overly optimistic assumption that Marine Corps combat involvement in Europe would take place only after the battle for air superiority has been decided, and also disregards other worldwide USMC contingency commitments. The adverse impact of this decision on integrated Marine Expeditionary capability exceeds the savings realized. I recommend retention of the POM Marine fighter/attack force structure.

(C) FLEET LOGISTICS SUPPORT AIRCRAFT. Your decision to cancel the Navy buy of CH-53E's has only minimal impact on FY 79 funding (\$5M) and throughout the program years; however, it will have the effect of denying to the Navy a heavy lift vertical onboard delivery capability -- a capability that is not offset fully by the approval of the improved C-2 aircraft. Further, I am concerned about the impact of the decision on the program unit costs of the remaining procurement for the Marine Corps.

Without CH-53E aircraft, the Navy will be unable to make heavy aerial delivery to forces afloat not in company with an aircraft carrier, to retrieve and transfer unflyable aircraft from carriers at sea and to accomplish several other important heavy lift requirements. I propose that a balanced approach, which employs a mix of Navy CH-53's and C-2's at POM funding levels, can be developed by our staffs, thus satisfying our aerial resupply needs and reducing the program unit cost impact on the USMC CH-53 procurement.

MANPOWER

(C) The manpower portion of the DON POM-79 represented an aggressive attempt to comply with OSD guidance, and elicited favorable OSD comments regarding our pursuit of increased participation by women and civilians. PDM manpower decisions, however, require significant compressions, accelerations, and potentially impractical rates of change. I am concerned that some of these actions may prove inimical to our mutual goals if they are pressed forward with too great an expectation. Our POM plans, on review, appear well balanced and realistically phased.

(U) CIVILIAN STRENGTH. The constraint on civilian manpower represents the most difficult management problem in the PDM. Manpower strength requirements are a result of approved programs and are based on the workload associated with managing and operating the DON in an efficient and effective manner. POM-79 civilian manpower increases above the FY 78 budgeted level are to accommodate increases in workload. Most of these increases are tied directly to programmed readiness enhancing initiatives and resultant industrial workload increases.

Increased contracting for ship and aircraft support could provide some relief from any reductions in overhauls and reworks forced by the manpower ceiling. However, the combination of overall manpower constraints, high grade controls (which limit the numbers of skilled professional personnel available to execute a contracting program), and Congressional contracting limitations will limit our ability to execute readiness-related programs.

Unless the civilian strength allocation for FY 78 and that imposed by the PDM for FY 79 and the outyears are increased, the DON will be unable to execute its planned (and directed) readiness enhancing initiatives and still provide for continued operation of the projected organizational structure. Since the PDM strength reduction is not and cannot be tied to explicit workload reductions, I strongly urge approval of our increased CIVPERS requirements, thereby matching our industrial work force to our workload, and making the final FY 78/79 decisions during the budget review.

(U) FIRST TERM ATTRITION. I am very much concerned with the PDM decision to reduce and enforce first-term attrition goals through reductions in programmed end strength and funding. It will require the Navy and Marine Corps to retain marginal performers and misfits and will place an unacceptable burden on the operating forces. We fully concur in the desirability of reducing the number of personnel discharged during their first enlistment. However, we must not sacrifice the overall quality of our force by setting arbitrary attrition quotas and commensurately reducing our accessions.

The directed PDM goals are based on pre-AVF data. The Navy will be unable to achieve even the current OSD goals for FY 77, and the PDM will only increase the mismatch. Additionally, previous Marine Corps experience with attrition quotas, which directly resulted in reduced operational capability, clearly highlights the adverse effects of such goals on our combat units.

I strongly urge against the imposition of such retention controls.

(U) PCS TRAVEL. This PDM decision will prevent implementation of the Marine Corps' unit deployment plan now being developed. This plan, if allowed to proceed, will both reduce outyear PCS costs and improve combat capability through enhanced unit integrity. Further, the Marine Corps is subject to unique constraints, such as the maintenance of a large portion of their deployed forces through 12-month unaccompanied tours. If these unaccompanied tours were extended to 15 months, a severe negative impact on morale, retention, and attrition would result. To achieve the directed three-month average increase, however, given continuation of the 12-month unaccompanied tours, an extension of 24 months in some other tour lengths would be required. This would also have far-reaching negative implications for efficient manpower management. In sum, the PDM decision cannot, as a practical matter, be implemented by the Marine Corps, and I urge that they be given appropriate relief.

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(U) NAVAL RESERVE STRENGTH. POM Selected Reserve strength of 52,000 was programmed under your guidance as an extension of the President's FY 78 budget. Congress has again, however, approved a higher strength, 87,000. Several critical mobilization requirements will be severely affected if the Selected Reserve is reduced below the Congressionally authorized strength. Further, there are hidden costs associated with a reduction in the size of the Selected Reserve, including the loss of productivity generated as a by-product of training and the opportunity to recoup, at relatively low cost, additional returns from active duty training investments since 90 percent of Reservists have prior active Navy service. Our staffs have discussed these considerations, a summary of which is being provided to Deputy Secretary Duncan.

I believe that the Congressionally approved strength, validated by several Navy and OSD studies over the last five years, is fully justified by our mobilization requirements. I also believe that the time has come to react to a clear and repeated legislative mandate and alleviate the turbulence in planning and management caused by constantly fluctuating objectives. I therefore request that a Navy Selected Reserve strength of 87,000 be approved in your APDM, and that we maintain that figure in our future planning to bring stability and order to this vital community.

(U) OTHER MANPOWER ISSUES. There are several other decisions in the manpower area with which we have substantial difficulty. I will not address them individually here, but, instead, commend our reclamation to your attention. They include: Enlisted Women in the Military, Civilian Substitution, Navy Recruit Training, and Specialized Skill Training.

LOGISTICS AND INSTALLATIONS

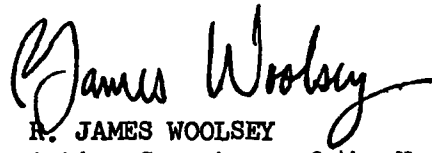
(U) We understand and fully endorse your intention to ensure adequate funding for material readiness. Certainly any significant reductions from funds provided for this purpose must be clearly justified in terms of specific needs of even higher priority. We submit, however, that the prior approval requirement contained in the PDM will unduly restrict our management flexibility to respond expeditiously to critical, time-sensitive requirements. We propose, therefore, that the Secretary of the Navy retain the responsibility for managing these accounts and, subject to normal reprogramming thresholds, notify OSD of any reductions before such action is taken. Such notification would, of course, contain a full explanation of the reasons for the action. I believe our staffs can work out the details.

(S) COMBAT SUSTAINABILITY. The reduction in levels of war reserves causes severe problems in both the Navy and Marine Corps. In this decision Marine Corps war reserve computations appear to be inappropriately based solely on the Case 1/2 scenarios even though the Marines must also maintain Case 4 worldwide contingency commitments. Our reclama requests re-instatement of adequate reserves to meet Marine Corps Case 4 worldwide unilateral intervention requirements as well as Case 1/2 operations.

Secondly, the Navy's safety level for secondary items would be dangerously reduced from 60 to 45 days. This safety level provides the estimated war reserve requirements for the most critical repair parts to meet wartime demands. I urge that: (1) the Marine Corps sustainability requirements be exempt from the PDM limitations with appropriate restoration of funds, and (2) the Navy's safety level be restored.

CLOSING

The Chief of Naval Operations, the Commandant of the Marine Corps and I look forward to further discussion with you and your staff concerning the merit of our recommendations and proposals.



R. JAMES WOOLSEY
Acting Secretary of the Navy

Office of the Secretary of Defense
Chief, RDD, ESD, WHS 5 U.S.C. § 552
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