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

#8

13 August 1984

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

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MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SEP 29 2016

Subj: POM-86 SUMMER REVIEW OFFSETS - INFORMATION MEMORANDUM

In accordance with the instructions provided at the final Defense Review Board (DRB) meeting on 8 August and the format instructions (TAB A), the Department of the Navy's Summer Review Offset package is submitted. (TABS B and C)

In building our offset package, a concerted effort was made to retain funding for vital readiness programs and to cause the least reduction to overall warfighting capability. Programs supporting the other pillars, particularly modernization and sustainability, were reluctantly reduced in order to meet the total offset required. POM-86 development placed high priority on funding increases for sustainability. Offsets contained herein will reduce a portion of the POM-86 buildup, but overall sustainability funding still remains above that contained in the January 1984 FYDP.

While we have carefully selected our offsets to maintain our priorities, the loss of programs identified in the enclosures will have a negative impact on total Navy warfighting capability. At this point in the programming and budgeting cycle, we believe it would be prudent for DOD to retain program flexibility and allow for reintroduction of these programs should adequate funding be identified during either internal service or OSD budget reviews.

In preparing the enclosed offset submission, we have temporarily set aside the TRIDENT II pricing issue until completion of the DRB directed cost review. Accordingly, the enclosed offset package does not include compensation for any potential TRIDENT II funding additions.

James F. Goodrich
 James F. Goodrich
 Acting Secretary of the Navy

- TAB A: Executive Secretary of the Defense Resources Board memo, Subj: Format for Program Offsets of 8 Aug 84
- TAB B: Program Offset Summary (S)
- TAB C: Program Offset Detail (S)

16-M-0878

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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

August 8, 1984

MEMORANDUM FOR THE SECRETARIES OF THE MILITARY DEPARTMENTS

SUBJECT: Format for Program Offsets

In preparing your offset submission for the Deputy Secretary of Defense, please use the attached format, to ensure that adequate information is available for evaluation of the offsets. Mr. Taft asked that the offsets be submitted by close of business, Monday, August 13th. If you will provide the material to Mr. Milt Margolis of my office (x50721, Room 2E-314) by 5:00 p.m. that day, we will ensure that it is circulated to all DRB members the next morning.

David S. C. Chu
Executive Secretary
of the Defense Resources Board

Attachment

cc: DRB Members

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Format for Program Offsets.

TITLE

(U) DESCRIPTION: Describe the program reduction. Specific reductions must be taken in specific programs for logical reasons that are explained in the rationale section below. Percentage reductions in parts of appropriations, or arbitrary dollar reductions in programs without any underlying rationale, will not be accepted. For example, identify program elements for RDT&E reductions and individual programs for modifications and major procurements.

(U) RATIONALE: Explain why the proposed reduction is an acceptable offset.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>

(U)
Major
Procurements
(QTY/\$)

TOA by Appn

Manpower

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PROGRAM OFFSET SUMMARY

(\$M)

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
① LHD-1/LSD-41 → Taft will review + will consider SSN-688	-1156	231	1389			464
② 30mm Gun Pod -7 → ammo - accept						-7
③ ROK War Reserve -5 MI & accepts -						-5
④ Wartime Medical Capability		-49	32	94	-24	53
⑤ LCC Carderock -45 - Accept						-45
6. Inactive Ships -25						-25
7. ELF Program Slip -22 23						1
8. Reactor Power Units -43						-43
9. Munitions:						
a. SPARROW -10						-10
b. SIDEWINDER -11						-11
c. PHOENIX -20						-20
d. SM-2 ER -17						-17
e. SM-2 MR -16						-16
f. BA-2 Spares -15						-15
g. HARPOON -42						-42
h. SIDEARM -9 3 5 15						14
i. ZUNI Rockets -15 -19						-34
⑤ 2.75" Rockets -5 — revisit after FY85 auth bill						-5
k. 5"/54 Gun Ammo -35						-35
⑩ R,DT&E LOOK AT -30						-30
11. TRIDENT Reprice -20						-20
12. DDG 51 Advance Procurement -14 14						0
TOTALS	-1,562.0 ¹	203.0	1,426.0	109.0	-24.0	152.0

1 Total offset required by the latest scoresheet, less TRIDENT II and DRB directed add-backs.

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DON-501

LHD-1 (U)

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(U) DESCRIPTION: We propose delaying procurement of the second LHD-1 for two years and inserting one LSD-41 in FY-87 to lessen the impact of the LHD-1 delay on overall amphibious lift requirements. A cost saving two ship package is proposed for FY-88.

~~(C)~~ RATIONALE: Although delaying the FY-86 LHD-1 until FY-88 will impact Marine Corps lift in 1991 and 1992, this second LHD-1 will deliver in time (1993) to satisfy the 1994 MAF plus MAB lift requirement.

	<u>LHD-1 Procurement Profile</u>						
	<u>FY-84</u>	<u>FY-85</u>	<u>FY-86</u>	<u>FY-87</u>	<u>FY-88</u>	<u>FY-89</u>	<u>FY-90</u>
POM-86	1	-	1	-	1	1	1
Revised	1	-	-	-	2	1	1

To further support this initiative DON also proposes adding one LSD-41 to FY-87. This will lessen the lift impact by adding additional troop, cargo and LCAC spots to existing and programmed capability in 1991.

	<u>LSD-41 Procurement Profile</u>						
	<u>FY-84</u>	<u>FY-85</u>	<u>FY-86</u>	<u>FY-87</u>	<u>FY-88</u>	<u>FY-89</u>	<u>FY-90</u>
POM-86	1	2	2	-	-	-	-
Revised	1	2	2	1	-	-	-

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$)						
LHD-1	-1/-1156	0/-82	1/1389	-	-	0/151
LSD-41	-	1/313	-	-	-	-
TOA by Appropriation SCN	-1156	231	1389			464
Manpower		0				

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Enclosure (2)

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DON-502

30mm GUN POD (U)

(U) DESCRIPTION: Less than the DRB-directed FY-86 funding of \$18M is required to fully restore this program.

(U) RATIONALE: The DRB-directed funding for this program was \$18M, of which \$11M is APN for procurement/installation of the pods and \$7M is OPN for ammunition. The Navy has rebalanced resources within the overall line item for aircraft machine gun ammunition and will buy the required ammunition without additional funds. Only the \$11.M APN requires an offset.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$)	-7					-7
TOA by Appropriation OPN	-7					-7
Manpower	0					

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ROK MUNITIONS (U)

(U) DESCRIPTION: Navy has fully funded ROK War Reserve and the DRB-directed addition of \$5M is not required.

(U) RATIONALE: The Navy includes Republic of Korea WRSA (War Reserve Stocks for Allies) requirements within its programming objective quantities for munitions items. They are not separately identified or funded. All major Navy items for which an ROK WRSA has been established are funded to achieve programming objectives before FY-88. Any shortfalls in on-hand WRSA stocks of these munitions are simply distribution problems which can be resolved without addition of FY-86 funds. The Navy POM fully funds this program.

TOA (FYDP \$M) and Manpower (000)

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$)	-5					-5
TOA by Appropriation OPN	-5					-5
Manpower	0					

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~~SECRET~~Large Cavitation Channel, DTNSRDC, Bethesda MD (U)

(U) DESCRIPTION: The Large Cavitation Channel (LCC) will be used to test models of ship and submarine hulls and propulsors to improve their hydrodynamic and acoustic performance. A key feature of the facility will be the ability to simulate prototype cavitation conditions. This hydrodynamic performance data is essential for solving many naval ship and submarine design problems which cannot now be fully anticipated.

(U) RATIONALE: While the project remains a valid requirement, it is deferred for affordability reasons.

	TOA (FYDP \$M) and Manpower (000)					FY86-90
	FY86	FY87	FY88	FY89	FY90	
(U) Major Procurements (Qty/\$)	-45					-45
TOA by Appropriation MCON	-45					-45
Manpower	0					

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INACTIVE SHIP MAINTENANCE

(U) DESCRIPTION: Reduce Inactive Ship Maintenance Program by \$25M in FY-86.

(U) RATIONALE: Revised reactivation prioritization among inactive fleet mobilization assets has required realignment of scheduled surveys and preservation upgrades, resulting in FY-86 cost avoidances totalling \$25M.

TOA (FYDP \$M) and Manpower (000)					
<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>

(U) Major Procurements
(Qty/\$)

TOA by Appropriation
O&MN

-25

-25

Manpower

0

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DON-507

ELF (U)

(U) DESCRIPTION: Reduce FY-86 procurement of ELF shipboard receivers from 90 units to 40 units. Restore equal number of procurement quantities in FY-87.

(U) RATIONALE: OPEVAL of ELF receivers has been delayed to April 1985 as a result of a federal court injunction which stopped construction of transmitter facilities between 31 January and 16 July 1984. Transmitter facilities are required for OPEVAL. Receiver procurement will now begin in FY-86 with 40 receivers and complete in FY-87.

	TOA (FYDP \$M) and Manpower (000)					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) ELF Receivers (Qty/\$)	-50/-22	+50/+23				+1
TOA by Appropriation OPN	-22	+23				+1
Manpower	0					

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DON-508

SSN Reactor Core (U)

~~(C)~~ DESCRIPTION: One D2W reactor core for an SSN can be deleted from the FY-86 OPN appropriation.

~~(C)~~ RATIONALE: There has been a concerted effort to maintain two reactor core vendors over the years to ensure a future surge capability is retained. When POM-86 was prepared, it appeared the fourth SSN in FY-85 would not be funded and there was no FY-86 TRIDENT. To ensure the second vendor would have a minimum level to remain in business, an SSN reactor core was moved forward into FY-86 and outyear requirements rebalanced. As it now appears, the FY-85 SSN and the FY-86 TRIDENT will be funded. The extra core is covered in the SCN account and can be removed from OPN. Outyear requirements will be rebalanced in POM-87.

TOA (FYDP \$M) and Manpower (000)

	<u>FY-86</u>	<u>FY-87</u>	<u>FY-88</u>	<u>FY-89</u>	<u>FY-90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$M)		-1/-43				-1/-43
TOA by Appropriation OPN		-43				-43
Manpower		0				

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DON-509

SPARROW MISSILE (U)

(U) DESCRIPTION: Unit cost savings due to addition of USAF FY-86 procurement

(C) RATIONALE: USAF out-of-court settlement added procurement of 425 AIM-7M to Navy procurement of 1872 AIM/RIM-7M in FY-86. Increased production rate will lower unit cost by approximately 2.5%, permitting funding reduction of \$2.3M in Sea SPARROW and \$7.7M in Air SPARROW with no quantity reduction.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(C) Major Procurements (Qty/\$)		0/-10				0/-10
TOA by Appropriation WPN		-10				-10
Manpower		0				

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DON-510

SIDEWINDER MISSILE (U)

~~(C)~~ DESCRIPTION: Unit cost savings due to USAF FY-86 procurement; plus reduction of procurement quantity by 120 missiles.

~~(S)~~ RATIONALE: USAF out-of-court settlement has added procurement of 700 AIM-9M in FY-86 to the Navy procurement of 1220 missiles plus 1080 Guidance & Control upgrade kits. The additional production rate will lead to unit price reductions totalling approximately \$2.3M in SIDEWINDER and \$0.9M in SIDEWINDER Mods. In addition, the DON inventory of this weapon will reach 94% of programming objective at the end of the FY-86 FDP, permitting an affordability reduction of 120 missiles.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(S) Major Procurements (Qty/\$)						-120/-11
TOA by Appropriation						
WPN						-11
Manpower						0

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DON-511

PHOENIX (U)

~~(c)~~ DESCRIPTION: Limit procurement in FY-86 to 400 missiles.

~~(s)~~ RATIONALE: The SASC and SAC have both recommended substantial reductions in the FY-85 program below the 400 requested. If sustained, these would make the FY-86 request of 500 missiles a steep increase in production rate. In addition, the Navy's initiative to dual-source this missile makes better economic sense if some procurement is deferred to the out-years when the unit price has been driven down by competition. The program is currently underfunded for the POM quantity of 500 missiles; this reduction would leave a fully funded program for 400 missiles.

TOA (FYDP \$M) and Manpower (000)					
<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>

~~(s)~~ Major Procurements

(Qty/\$)

-100/-20

-100/-20

TOA by Appropriation

WPN

-20

-20

Manpower

0

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DON-512

STANDARD MISSILE SM-2 ER (U)

~~(C)~~ DESCRIPTION: Reduce FY-86 procurement by 30 missiles.

(S) RATIONALE: The FY-86 procurement of 500 missiles represents a relatively large increase from the FY-85 request of 255, and was intended to provide for an earlier and economical buyout of this missile. While the Navy believes this approach to be executable, a more conservative strategy in light of current affordability considerations is to reduce this increase to avoid Congressional reductions.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(C) Major Procurements (Qty/\$)						
		-30	-17			-30/-17
TOA by Appropriation WPN			-17			-17
Manpower			0			

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DON-513

STANDARD MISSILE SM-2 MR (U)

~~(C)~~ DESCRIPTION: Reduce FY-86 procurement by 30 missiles.

~~(S)~~ RATIONALE: The POM FY-86 procurement of 830 missiles represents a large increase from the FY-85 request for 475. While the Navy believes that this is executable, a more conservative increase would help to avoid potential Congressional reductions.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(S) Major Procurements (Qty/\$)						-30/-16
TOA by Appropriation WPN						-16
Manpower			0			

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DON-514

WPN BA-2 SPARES (U)

(U) DESCRIPTION: Reduce WPN missile (BA-2) initial spares by an amount corresponding to the proposed missile quantity reductions.

~~(C)~~ RATIONALE: Requirements for initial spares in WPN are proportional to the number of missiles being procured. The POM spares request is based on the initial POM request for missile quantities. The subsequent DRB TOMAHAWK reduction and the proposed Navy offset reductions in PHOENIX and HARPOON will permit a reduction of \$15M in the \$191.5M BA-2 initial spares request.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$)	-15					-15
TOA by Appropriation WPN	-15					-15
Manpower	0					

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HARPOON (U)

~~(C)~~ DESCRIPTION: Reduce FY-86 procurement by 50 HARPOON missiles.

~~(S)~~ RATIONALE: Overall HARPOON assets at the end of FY-86 FDP are 113% of programming objective. While most of this overage is in Air Harpoon, all variants are at least at 90% of objectives and above shipfill. Adequate procurement is programmed for the remainder of the FYDP. Preliminary indications are that the Navy's POM-87 objectives will increase Air and reduce the other variants of HARPOON. An affordability cut of 50 HARPOON missiles is acceptable because of the favorable progress now being made in reaching overall program objectives.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>

~~(C)~~ Major Procurements
(Qty/\$)

-50/-42

-50/-42

TOA by Appropriation
WPN

-42

-42

Manpower

0

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DON-516

SIDEARM (U)

~~(S)~~ DESCRIPTION: Slip initial procurement of SIDEARM to FY-87.

~~(S)~~ RATIONALE: SIDEARM is a highly concurrent development program. USAF withdrawal in POM-86 has left the Navy program underfunded. Flight testing has not begun and OPEVAL will not occur until early FY-86. A slip of one year in initial procurement, to FY-87, would remove the risk and concurrency in the present schedule. Some of the procurement savings are offset by increased Navy requirements for RDT&E due to the USAF withdrawal.

TOA (FYDP \$M) and Manpower (000)

<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
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~~(S)~~ Major Procurements
(Qty/\$)

-151/- 9	0/+3	0/+5	+151/+15		0/+14
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TOA by Appropriation

WPN	-13	+3	+5	+15	+10
RDT&EN	+4				+4

Manpower 0

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ZUNI ROCKETS (U)

~~(C)~~ DESCRIPTION: Level procurement at 16,400 rocket motors per year due to reductions in training consumption.

~~(C)~~ RATIONALE: Since POM development, Navy has concluded that recent reductions in training consumption and programming objectives have improved readiness posture in ZUNI faster than anticipated. A level procurement of 16,400 rocket motors per year vice the initial POM estimate of nearly 30,000 will hold the production line open and permit steady growth without overshooting objectives. In addition, HASC cuts of \$29.6M in the FY-85 request for \$39M indicate a potential for Congressional cuts in the large POM request for FY-86.

TOA (FYDP \$M) and Manpower (000)

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(C) Major Procurements (Qty/\$)	-15	-19				-34
TOA by Appropriation OPN	-15	-19				-34
Manpower	0					

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DON-518

2.75" ROCKETS (U)

*but not cut by STASC
& has been appealed*

(C) DESCRIPTION: Cut FY-86 procurement by \$5M to reduce ramp-up.

(C) RATIONALE: This program grows from \$25.5M in FY-85 (cut by HASC to \$17M) to \$33.8M in POM-86. Although this weapon provides a needed forward-firing defense suppression capability, particularly to USMC aircraft, substantial growth in a relatively unsophisticated weapon is not likely to survive Congressional review.

TOA (FYDP \$M) and Manpower (000)

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
<u>(C) Major Procurements</u> (Qty/\$)	-5					-5
TOA by Appropriation OPN	-5					-5
Manpower	0					

*Taft -
if 85 stays at \$25.5, may restore
here*

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DON-519

5"/54 AMMUNITION (U)

~~(S)~~ DESCRIPTION: Reduce FY-86 procurement by \$35M.

~~(S)~~ RATIONALE: Defense Guidance requires Navy to buy to at least 60 days of supply (100% of program objective) by FY-88 FDP and 90 days of supply by FY-90. The POM FY-86 program represents 36% real growth over FY-85 and buys 118% of program objective by FY-86 FDP and 180 days of supply by FY-90. An affordability reduction of \$35M in FY-86 (out of \$120.2M) will still permit Navy to meet Defense Guidance.

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(S) Major Procurements (Qty/\$)	-35					-35
TOA by Appropriation OPN	-35					-35
Manpower	0					

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DON-520

CHALK EAGLE
(PE 63576N)

(U) DESCRIPTION: Compartmented

(U) RATIONALE Compartmented

	<u>TOA (FYDP \$M) and Manpower (000)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$)	-30					-30
TOA by Appropriation RDT&E	-30					-30
Manpower	0					

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DON-521

TRIDENT (U)

(U) DESCRIPTION: The FY-86 TRIDENT has been priced by DON at \$1815.3M which includes \$248.2M in advanced procurement for the FY-87 and FY-88 ships. The DOD scoresheet requires \$1857M for SLBM Force Structure, which includes \$22M for Kings Bay dredging. The \$19.7M difference is proposed as an offset.

(U) RATIONALE: The DON TRIDENT FY-86 price of \$1815.3M is based on the latest cost estimates provided by the Chief of Naval Material. The \$28M reduction from the JAN FYDP price of \$1843.3M is due to a reduction in the future year advance procurement requirement

DON Price:	1/\$1815.3M
Kings Bay Dredging:	+22.0M
	<u>1837.3M</u>
DOD Scoresheet:	<u>+1857.0M</u>
Offset (Difference):	19.7

	<u>TOA (FYDP \$M)</u>					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$)	-20					-20
TOA by Appropriation SCN	-20					-20
Manpower	0					

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 Chief, Records & Declass Div, WHS
 Date: SEP 29 2016

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DON-522

DDG-51

- (U) DESCRIPTION: The lead ship of the DDG-51 class is to be procured in FY-85. The \$211.0M in FY-86 is advanced procurement for FY-87 ships.
- (U) RATIONALE: Based on recent learning curves for certain advance procurement items which have been consistently delivered early, it is now possible to purchase some of those items in the year of authorization vice long lead.

	TOA (FYDP \$M) and Manpower (000)					
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY86-90</u>
(U) Major Procurements (Qty/\$)	-14	14	-	-	-	0
TOA by Appropriation SCN	-14	14	-	-	-	0
Manpower	0					

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Office of the Secretary of Defense
 Chief RDD, ESD, WHS + 5 U.S.C § 552
 Date: **29 SEP 2016** Authority: EO 13526
 Declassify: X Deny in Full: _____
 Declassify in Part: _____
 Reason: _____
 MDR: 16 -M- 0978

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