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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

August 7, 1981

DIRECTOR  
PROGRAM ANALYSIS  
AND EVALUATION

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Authority: EO 13526  
Chief, Records & Declass Div, WHS  
Date: FEB 03 2016

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SUBJECT: Possible Savings in the FY83-86 Budgets

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SUMMARY

Attached is a rough estimate of the savings that might be possible in the FY83-86 budgets. Two estimates are shown: a "theoretical" level that is achieved by including virtually every suggestion that we have developed to date in response to your and the Secretary's tasking to find savings for the DRB wrap-up session; and a "practical" level that assumes half the suggestions on our current list would be acceptable.

BASIS FOR THE ESTIMATES

In preparing the estimates we assumed that we would continue to meet our readiness objectives, and that there would be no significant cuts in today's force structure, but that we would preclude further expansion of the force structure. We also offset our savings list by the amounts needed to fund the new strategic program (9.5B FYDP dollars in budget authority over the POM levels in FY83-86). Finally, we deducted from the savings list the approximately 2B FYDP dollars a year by which we believe the POM is underfunded.

Even allowing for these offsets, achieving savings of this magnitude would be extremely painful, especially at levels beyond the "practical" limit. Included in the potential Army cuts are large reductions in theater air defense modernization programs that would save about \$1B (FYDP \$) TOA in FY83 and \$5.8B over FY1983-1987. These drastic reductions in air defense programs would be particularly difficult for the Army to accept. While the major combat forces modernization programs such as the M-1, XM-2/3, AH-64, etc, might enjoy a higher priority in most Army eyes, the proposed air defense cuts come at a time when the Army views the threat from enemy air with increasing concern.

Included in the Navy program reductions are proposals that delay the CVN in FY84 to FY85, delete the planned CVN in FY86 and the long lead for a third CVN now in FY87, and delete the ships associated with these CVBGs, saving \$2.6B in FY83 and \$22.8B in FY83-87. This alternative reduces the POM ship construction plan by 16 new ships and one conversion. The Navy would be limited to a total of 13 big deck carriers. With that number of carriers it would be impossible to maintain the present high operating tempo without unacceptable impacts on personnel. We would be forced to limit forward deployments of carrier battle groups to at most one in the Indian Ocean, one in the Western Pacific region and one continuously and one intermittently in the Mediterranean. This will be viewed by our allies and our adversaries as a relaxation of our commitment.



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Included in the Air Force list is the reduction or termination of the F-15 procurement program after the FY1982 buy. This would be a very painful step. Continued procurement of the F-15 aircraft is viewed by the Air Force as absolutely essential to the modernization of its tactical (as well as air defense) forces with capable aircraft systems. Beyond the 432 aircraft procured in FY1983-1987, the Air Force plans to continue F-15 acquisition until at least the early 1990s. In 1984, procurement of the F-15E is started with a total of 197 aircraft bought in FY1983-1987. The Air Force considers the night/adverse weather attack capability planned for the F-15E as a necessary step toward solving one of their most serious deficiencies. They view procurement of substantial numbers of these aircraft as an essential element of their future plans based on its ability to counter threat operations around the clock and most adverse weather situations.

OTHER ALTERNATIVES

Included in the list we have developed is holding civilian end strengths at the FY1982 level. (The POMs propose increases.) We have not attempted to look for other manpower reductions, although over the longer run being more efficient in our use of manpower may be one of the largest potential sources of savings. Approximately half the Department's budget goes to pay manpower costs (including the cost of civilian personnel).

Likewise, there may be potential savings in the manner in which we support our forces. We do not have at this time the information with which to suggest a sensible set of cuts, if any exist. While some might be tempted to cut support costs in an across-the-board fashion, because the effects will not show up for two or three years, this strategy is exactly what got us into trouble in the 1970s.

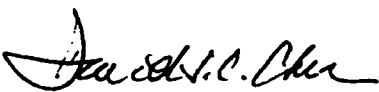
Beyond these alternatives, the only source of further cuts is to cut or drastically alter today's force structure.

CONCLUSION

In short, significant cuts in the budget, given the other requirements we have to fund, appear very difficult to achieve at this time. I would not recommend any lower TOA ceiling than we are currently using.

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FEB 03 2016

  
David S. C. Chu  
Director, Program Analysis and Evaluation

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POSSIBLE SAVINGS FY83-86  
FYDP \$ B

	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>
TOA Cuts				
Theoretically Possible	10.0	10.8	10.1	20.4
Practically Achievable	4.0	4.5	4.1	9.3
Outlay Cuts				
Theoretically Possible	2.5	5.5	7.9	11.5
Practically Achievable	1.0	2.3	3.2	5.3

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5 U.S.C. § 552

If take 5% TOA in  
 83 that is 2.7 b. outlay  
 in 83.

If take 5 b. in TOA  
 will be back to 5% real  
 growth in TOA.

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