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THE SECRETARY OF DEFENSE

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WASHINGTON, THE DISTRICT OF COLUMBIA

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September 4, 1982

WHITE HOUSE  
SITUATION ROOM

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report of Defense Activities

Economies and Efficiencies: Immediately upon assuming office in January 1981 you announced a firm commitment to restore our vital defense capability which had eroded over two decades of inadequate commitment of resources and management resolve. In the ensuing months, we believe we have removed many of those inadequacies, and I believe we have made significant progress.

In an effort to increase economies and efficiencies we also have conducted a comprehensive review of impediments to more efficient defense operations. I won't discuss the list of impediments in detail, but they range from statutes, and numerous Congressional prohibitions on management reorganization of multi-service logistics commands and restrictions on contract award methodology to direct regulation of recruiting standards and management of program acquisition procedures. We will be looking carefully at all of these impediments in future months with a view toward working with the Congress and other Executive Agencies to eliminate them or, at least, to minimize their effect. (U)

Navy F-18 Price Negotiations: You may have read media accounts regarding Secretary John Lehman's statements on F-18 contract negotiations with McDonnell Douglas and Northrop in which he indicated the Navy may cancel its contract if current contractor price quotations are not lowered. Frank and I do indeed support the Navy in seeking a lower price for these aircraft and are hopeful that such an agreement can be reached. This situation is fairly unique in that we rarely are blessed with alternatives as attractive as the possible follow-on buys of F-14 and A-6 aircraft if we cannot achieve overall increased capabilities at an economical price through the F-18 purchase. Our preference, of course, is to continue with the F-18 purchase but it is reassuring to know that an alternative is available if we cannot reach an acceptable agreement. (U)

Military Payroll: As you are aware, we were able to make the August 31 military payroll in full and on time by deferring Social Security and tax deposits to the Treasury. However, residual cash balances will be insufficient in several military pay accounts to meet the September 15 payroll. Unless funds

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are forthcoming from an acceptable Congressional Pay Supplemental, many of our uniformed personnel will not be payed on that date. This would be the first time since the 1930s that our services have not been payed on time. In order to make a payroll on the 15th, final action on supplemental funds would be required by September 10th due to the mechanics of payroll preparation. (U)

Progress in People Programs: From the beginning of your Administration we have been working on three major people-oriented problems. These include improvements in readiness and sustainability, making the All Volunteer Force work, and the need to improve working and living conditions for our people, particularly overseas. I am extremely pleased to report that we have indeed made significant progress in each of these areas.

We have improved both material and personnel readiness. Maintenance backlogs that we faced in 1981 have been reduced significantly; our mission capable rates are higher than they were and I believe that we will continue to increase them. Our active and reserve component manpower levels are up, and we are eliminating many grade and skill shortages.

Our current five year program will increase our sustainability significantly. Thanks largely to the increases in FY 1981 and 1982, our days of munitions supply in FY 1983-1987 should be about 10 percent greater than they would have been under the Carter plan. Our supplies of spares and other consumables will also be greater.

The All Volunteer Force is increasingly viable. The quality of our people is up significantly; they are happy with their lives in the military, and we expect to retain as many as we need. This success means that our military forces generally will be more able to accomplish their combat missions.

We are also making progress in improving the working and living conditions of our military people. Our backlog of military construction is reduced each year and the backlog of maintenance and repair is declining. These are significant improvements over previous programs which produced only increasing backlogs. With continued attention to these programs and increased emphasis on people-oriented problem areas I expect to see continued improvement in our military combat capability. (U)

Manpower Assessment: We are extremely pleased with the results of our recruiting efforts in recent months. Our active force strength as of June 30 was 2,107,400. This was 100% of our planned strength level for that time.

Particularly noteworthy is that over 82 percent of all non-prior service accessions had high school diplomas compared to 76 percent for the first nine months of FY 1981. Entrance test scores also increased with 88 percent scoring in the average or

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above average categories on the armed forces qualification test compared to 83 percent last year. Reenlistment rates also continue above the FY 1981 levels with 72 percent of those eligible choosing to reenlist, compared to 61 percent in FY 1981.

These overall improvements are largely a result of improvements in the Army. During the first nine months of FY 1982, the Army enlisted 105 percent of its FY 1982 objective. Eighty-two percent of the Army accessions had high school diplomas (up from 72 percent in FY 1981) and 81 percent scored average or above average on the qualification test (compared to 72 percent last year). Army reenlistment rates continue to be significantly higher, with 77 percent of those eligible electing to reenlist, compared to 70 percent this time last year.

The other three services also met or exceeded their overall enlistment objectives and their quality achievements were as good or better than the same time last year. I believe that these trends continue to indicate that FY 1982 will be a better year than FY 1981, which was the best recruiting and retention year since the inception of the All Volunteer Force. (U)

Ship and Aircraft Material Condition Improvements: A direct result of the retention improvements discussed above has been significant improvement in the material condition of our military hardware. This was most readily seen in operating units of our Seventh Fleet in the Western Pacific during a recent visit by some of our Defense personnel who were briefed on greatly improved results of recent inspections of the material condition of ship propulsion equipment and spaces. The reports of these inspections are more positive than any we have seen in many years. For the first time in ages the Navy is even considering delaying some overhauls due to improved conditions. This is almost unprecedented; all too often in the past ships have barely made it from overhaul to overhaul. The end result, of course, will be that our ships and aircraft will be able to perform more capably in combat and beyond the period when we otherwise would have been forced to retire them. (U)

My Trip to the Middle East: You will have seen my reporting cables and those of Ambassadors Dillon, Lewis and Atherton on my trip, so I will not repeat those here. Suffice it to say the trip seems to be going well. The Israelis were quite cordial, except for Prime Minister Begin's reaction to your initiative, a reaction which is strongly criticized by some in Israel, and several here in Egypt. Overall, I would say the reaction to your initiative has been excellent. (U)

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