



THE SECRETARY OF DEFENSE

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WASHINGTON, THE DISTRICT OF COLUMBIA

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Chief, Records & Declass Div, WHS
Date: DEC 20 2018

26 SEP 1984

MEMORANDUM FOR THE PRESIDENT

SUBJECT: The Proposed FY1986-90 Defense Program

(U) As you are aware, we have recently concluded our review of the FY1986-90 program proposals from the Military Departments. With the amendments I have approved, these will be the basis for our budget submission to you, and, after you have made your decisions, will set the course for our defense effort over the next several years. For that reason, I thought it useful to summarize with this memorandum what the proposed program will accomplish, as well as some of my major decisions this summer, which will be reflected in our budget submission to you.

THE DEFENSE PROGRAM REVIEW

(U) The review is conducted by the Defense Resources Board, chaired by Will Taft in his capacity as Deputy Secretary, and including in its membership both the civilian and the senior military leadership of the Department. The Board begins its deliberations by listening to comments on the program proposals from the commanders of our unified and specified commands--the "CINCs." I find these among the most valuable of the Board's sessions, because they give us an opportunity to hear directly from those in the field, who will be using the equipment and resources provided by the budget you request.

(U) The Board continues its deliberations by debating the major issues in the defense program--perhaps 50 or 60 each summer. These deliberations extend over the better part of a month, with the Board often meeting twice a day for several hours each session. The discussion is free-wheeling and candid--to ensure the defense program meets our most urgent military requirements, and that it uses the taxpayer's dollar efficiently.

MAJOR DECISIONS

(S) As you scan the list of major decisions, I think you will see a pattern to our actions modifying the program proposals of the Military Departments. First, we have protected the key elements of your strategic modernization program. Second, we have continued your emphasis on proper compensation and benefits for our military personnel. Third, we have tried to respond to several of the suggestions made by the CINCs, and we have been sensitive to additional funding requests that would improve our ability to support them (e.g., en route facilities). Fourth, we have insisted on a higher level of readiness than originally proposed by the Army and the Navy. Fifth, we have beefed up our technology efforts, and selected aspects of modernization. Sixth, we have been generally satisfied by the sustainability efforts of the Military Departments. Seventh, we have made few changes to our force structure plans.

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LC, CW Papers, & I:CL 758, Study File 1984, Pres, memo to
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~~(S)~~ Nuclear Forces

-- Restored the Trident submarine recommended for deletion by the Navy in FY1986, thus maintaining the one-per-year building rate announced by you in October 1981.

-- Inaugurated a penetration aids development program for Trident II, based on maneuvering re-entry vehicle technology.

-- Maintained the originally-proposed rate of 48 Peacekeeper missiles in FY1986.

-- Directed that the FY1988 Initial Operational Capability (IOC) for ASAT be maintained and that the full force structure be achieved by FY1994 (but permitted a more realistic production schedule for the missiles).

-- Initiated improved electronics support measures for AWACS, and directed that a review be conducted of other necessary upgrades.

~~(S)~~ Conventional Forces and their Modernization. Most of the service proposals in this area were approved, continuing production of the major items with which you're familiar (e.g., the M-1 tank, F-15s and 16s, the CG-47 cruiser, etc.). But we did make some adjustments--several responding to specific recommendations from the CINCs:

-- Funded an aggressive program for development and deployment of Relocatable Over-the-Horizon Radars: supporting the joint effort with the UK; providing some Norwegian Sea coverage by the end of the decade; and providing coverage of the Western Pacific by the early 1990s. (This responds to a recent message from CINCPAC, urging support for this program.)

-- Directed the Military Departments to fund additional SOUTHCOM requirements for Central America (briefed during the CINCs' presentations to the Defense Resources Board).

-- Directed the preparation of a consolidated plan for remotely piloted vehicles and tactical cruise missiles. (I believe we need to consolidate the Service programs we have in this area, eliminating unnecessary cross-Service duplication, to meet our requirements more efficiently.)

-- Continued aggressive funding for manufacturing technology and selected other technology development efforts (e.g., VHSIC (very high speed integrated circuits)).

-- Increased production rates for three major programs (AH-64, CH-47D modifications, and CH-53Es) to more economical levels.

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(S) Readiness and Sustainability

- Directed that the Army fund at least 93 percent of its depot maintenance requirement in each year of the five-year program.
- Directed the Army to increase helicopter flying hours per pilot as rapidly as possible.
- Maintained a financial backlog of only two Navy ships.
- Funded Navy ship operating tempo at historical levels. (The Navy had proposed a significant reduction.)
- Added \$330M in military construction monies to the FY1986 Army budget, to maintain the standard under which we attempt to replace buildings on a 50-year cycle. (The other Military Departments were meeting this standard.)
- Directed a more aggressive procurement profile for wartime military hospitals, to improve medical readiness.
- Initiated a "two-for-one" matching program to be offered to Korea, to advance the long-stalled program to procure war reserve stocks for allies.

(S) Manpower

- Retained as a reserve for the pay raise all funds previously planned in FY1986 and beyond. If Congress votes a FY1985 pay raise of 4 percent (reduced from your request of 5.5 percent), this will support a FY1986 raise of 7.1 percent, thus providing some "catch-up."

SUMMARIZING THE DEFENSE PROGRAM

- (U) It may be easiest to summarize our defense program by looking back and seeing how our past plans differ from those we now propose, and comparing these plans with what the Congress has actually voted. In doing so, I will contrast the last Carter five-year plan (covering FY1982-86) with your first five-year plan (FY1983-87) and with the next five-year plan (FY1986-90), which I will be submitting to you shortly.
- (U) In making these comparisons, we should remember that there have been several substantial downward revisions in our fiscal limits over the last three years. Interestingly enough, the fiscal limits you have assigned us for FY1986-90 are in rough accord with the extension of what Congress has actually voted for FY1982-84, and the likely outcome for FY1985 (Figure 1).
- (U) To meet these tighter fiscal constraints, major procurements are lower than your original five-year plan. Nonetheless, we remain above the last Carter plan, and the proposed FY1986-90 plan is consistent with what we've achieved with the Congress (Figure 2).

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(S) R&D is an area in which we have done very well--securing much of what we've requested from the Congress (at least in terms of total dollars, if not always for the purposes originally requested). Moreover, the FY1986 level we're proposing is actually above the one envisaged for that year in your first five-year plan (Figure 3).

(S) There has been much debate about the level of sustainability, and our progress in improving this area. We have had difficulty securing Congressional support for our Army ammunition requests, and lower fiscal guidance has compelled some retrenchment in our plans (Figure 4). This is an area, however, where the absolute level of our stocks is better than our allies, and getting too far ahead of them yields diminishing returns. (The annual expenditures on sustainability add to those stocks.)

(S) The picture for Navy ordnance is somewhat better (Figure 5). (It's also the case that our starting point--i.e., the stockage level--was worse.) It appears that we've had better support from the Congress for Navy than for Army ammunition, and we've kept a fairly strong program in the face of increased fiscal pressures. In general, this has also been our experience for Air Force tactical missiles and munitions (Figure 6).

(S) When you look at our proposed program by object of expenditure, Research, Development, Test and Evaluation (RDT&E) grows most rapidly in FY1986 (in real terms), followed by operations and maintenance (O&M), and then procurement. These estimates may change after we've "scrubbed" the pricing and executability of our program in the budget review. If they are maintained, our FY1986 budget request will have a higher real rate of growth in O&M than our FY1985 budget request (as amended in May), while the real rates of growth for both RDT&E and procurement will be somewhat lower than we requested in FY1985.

CONCLUSION

(U) I believe we have shaped, with the help of all concerned, a good program for FY1986 and the period FY1986-90. We can expect some further adjustments, to reflect the resolution of open issues. We've also initiated a number of other study efforts (e.g., possible greater use of reserves in the Navy and the Air Force, adequacy of the Army's equipment inventory) that could lead to significant programmatic adjustments, either in the FY1986 budget or in future years.

(U) I am extremely pleased with the progress of the defense program over the last four years. We are making good on your commitment to the American people for a stronger defense. We look forward to your review of our plan for the next five years, and I am confident that we will have a first-rate set of proposals for you to send to the Congress in January.

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Attachments

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