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27 July 1964

FY 66 FUNDS ALLOWANCES

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1. Starting with the FY 65 base and making adjustments for changes in ceiling authorization, AE and construction costs of new [REDACTED] DD/I has [REDACTED] additional to assign.

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2. As a basis for making the assignments specifics have been drawn from Office Assumption papers as far as possible and also from the unbudgeted requirements column in the FY 65 Operating Budget. Paragraphs 3 and 4 below list these items. No consideration was given for increases in positions.

3. From the Assumption papers the following programs have been identified for additional funds some of which are without specific dollar value:

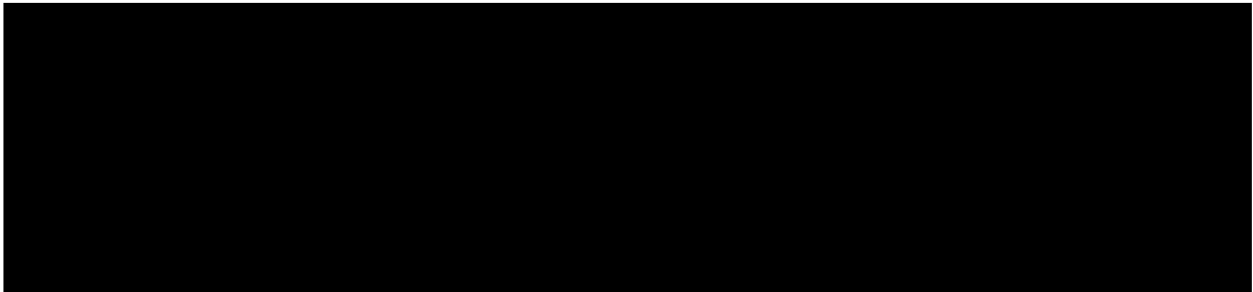
a. Chive -- for equipment for the basic program as it develops and also for operating dually with the present EAM system.

~~b. Mechanical Translation -- for follow-on of the IBM system already begun.~~

c. Translation services -- OCR cites \$475,000 as an additional requirement which includes in part personnel increases.

d. NPIC -- equipment for oncoming systems and analysis of increased input materials.

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4. The following are selected unbudgeted requirements

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which offices would do in FY 65 if funds were available. Again no increases for position augmentation are included:

a. OO/Sovmat -- [redacted] to match the FY 64 level.

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b. NPIC -- [redacted] consisting of

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[redacted] to compensate for the reductions in their R&D program in the Congressional Budget (About [redacted] of this was made up by savings in personal services costs and year end funds.)

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[redacted] for equipment for contractual studies

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[redacted]

5. Recommendation: My recommendation is to give NPIC an additional [redacted] for its R&D program and to give [redacted] the balance to be applied as they best see fit. I would also recommend that DDI create a kiddy of perhaps [redacted] by reserving portions of this additional money in the two offices.

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[redacted]

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ORGANIZATIONAL CHANGES TO BE EXPLORED

CGS - Abolish Operations Center and have OCI Watch absorb NMCC representation.

OBI - Abolish Regional Division and have Editorial Division pick up function and part of positions.

- Abolish OBI as an office and provide for production staff arrangement.

- Plan early review of program to consider further retrenchment.

OCI - Transfer Graphics to ORR Cartographic Division.

- Watch to pick up NMCC representation.

- Reduce Military Division in favor of ORR Military-Economic Research Area.

- Reduce basic intelligence effort.

- Explore merger of ONE and OCI military staffs.

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OCR - Eliminate [REDACTED] position.

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- Reduce Acquisitions Branch and transfer some of this activity to [REDACTED]

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- Reduce FDD exploitation effort.

- Reduce FDD commitment in the [REDACTED] effort, possibly abolishing that office altogether.

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- Eliminate the [REDACTED] and have some of this work done [REDACTED]

- Reduce cataloging.

- Merge MD and SR/MB, and go to two shifts.

DDI EVALUATION OF REDUCTION

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The allocation to DDI of a quota of 36% of the proposed cut [REDACTED] is a serious error of judgment. Indeed no part of this cut should be borne by the Directorate of Intelligence.

Inasmuch as NPIC is excepted, this cut means a reduction of 6.1%, a matter of more consequence than this figure in the abstract would indicate.

- Production demands of the Government and the DCI placed upon the DDI have consistently increased.
- Intelligence information requiring evaluation and collation in order to meet these demands ~~have~~ *Ras* consistently increased.
- Except for NPIC, resources placed at the disposal of the DDI have been periodically reduced (adjusted for the transfer of OSI to DDS&T and excepting NPIC, DDI personnel ceiling has over the last eleven years dropped from [REDACTED]).
- DDI has repeatedly brought to the attention of top management the fallacy of favoring the vast expenditure of funds for technical intelligence (which yields disproportionately lower returns) over the social sciences (upon which all evaluation and judgment ultimately depend).
- More concretely, added technical collection means more flow into the system, requiring more guidance, more processing, more evaluation, more analysis and more reporting, all or much of which must come from the DDI (we have our experience with NPIC as one case in point).

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In short, we believe there now exists an imbalance (between DDI on one hand and DDP and DDS&T on the other) which the present cut accentuates to the detriment of the over-all intelligence effort, noting in particular our statutory responsibilities and those embraced in the services of common concern we have over the years undertaken to provide.

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REFERENCES

- A. DDI Planning Assumptions for the Period FY 1966-69, transmitted to Executive Director-Comptroller under cover of ADDI/M memorandum, 30 January 1964.
- B. Briefing Notes on the Intelligence Directorate, dated January 1964.
- C. DDI Admin Staff memorandum for Executive Director-Comptroller, 7 January 1964, subject: End-of-Year Targets, FY1964 and FY1965.
- D. ADDI/M memorandum for Executive Director-Comptroller, 31 December 1963, subject: Effect on DDI Programs of Reducing FY65 to FY64 and FY63 Levels.
- E. DDI memorandum for Executive Director-Comptroller, 14 December 1963, subject: President's Memorandum on Government Economy.
- F. DDI memorandum for DCI, 18 April 1960, subject: Reductions and Reallocation of Manpower in the DDI Area 1955-1960.

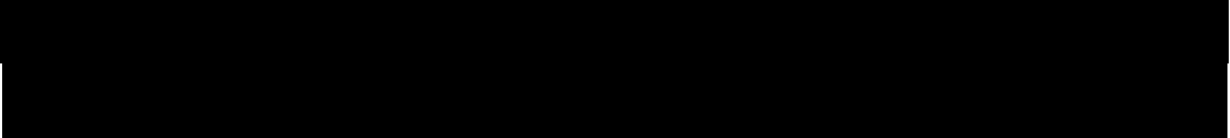
STEPS TO BE TAKEN OR EXPLORED
IN ORDER TO MINIMIZE ADVERSE EFFECT OF
REDUCTION IN FORCE

1. We will seek to have more work done on a contract basis, including possibly setting up a RAND-type facility to do classified research and research support activities. The

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 is a going concern which may provide some of these additional services.

2. We plan to facilitate the placement of displaced personnel by reducing the rolls of personnel now or soon to be eligible for retirement and to whom we have granted extensions for one reason or another. We shall also count on attrition and upon finding within the displaced those qualified, or who can be trained to qualify for NPIC vacancies.

3. We shall identify individuals who, while not marginal performers, are in this new situation surplus to our needs and recommend their separation from DDI.

4. Organizational changes promising relief under the new situation will be proposed, though we are conscious that changes of this kind invariably create new problems which could aggravate the situation beyond making implementation desirable.

5. We shall set up a reserve of slots in the DDI to be used to give relief in those situations where the impact of change has been more detrimental than anticipated either because of errors in judgment or because of unforeseen developments.

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CONCEPTUAL BASIS FOR WEIGHING
COMPONENT PRORATED CUTS

The DDI basis for arriving at a conclusion that all programs are not equally to be taxed for the cut is based upon the premise that national intelligence warrants priority consideration over USIB programs of common concern, Agency intelligence production, and Agency services of common concern. Likewise, USIB services of common concern have priority over Agency intelligence production, which in turn rates ahead of Agency services of common concern.

If we assume straight linear relative importance, we would weigh relative cuts between programs as follows:

- I. National
- II. USIB Common Concern
- III. Agency Production
- IV. Agency Common Concern

1			
2	1		
3	2	1	
4	3	2	1

In applying this formula, we would, for example, take a 1% cut entirely in category IV, or a 3% cut among categories II, III, IV in the relative proportions of 1:2:3. In any case involving a cut of 4% or over, all categories would sustain reductions.

The particular case involves a reduction by FY66 of 6.1% in selected areas (i.e., NPIC was specifically to be exempted).

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REARRANGED BY PRIORITY
WITHIN GROUPS

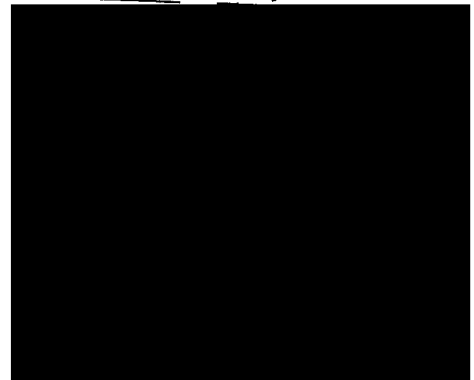
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Calculated
Quota Assigned
Quota

- I. NATIONAL INTELLIGENCE
 - 1. OCI
 - 2. OBI
- II. USIB SERVICE COMMON CONCERN
 - 1. [REDACTED] STATSPEC
 - 2. ORR/Econ
 - 3. FDD
 - 4. BR
 - 5. Contact
 - 6. LY/~~OCR~~ ACQ
- III. AGENCY INTELLIGENCE
 - 1. ORR/Mil
 - 2. RPB
 - 3. GEO/RES
 - 4. ORR-OCI-RS STRAT
- IV. AGENCY COMMON CONCERN
 - 1. OCR/DD/DISEM-OCI/REG ⁶ ²
 - 2. OCI/Watch-CGS/OPS ³ ¹
 - 3. ORR/GEO/CART-OCI/GR ⁴ ¹
 - 4. OCR/SR
 - 5. OCR/LY-ORR/GEO/MAP ¹⁷ ⁴
 - 6. OCR/LS-ODDI/OS ¹ ⁴
 - 7. CGS/CG
 - 8. OCR/FIB



	Calculated Quota	Assigned Quota	25X9
9. OO/SOVMAT			
10. OCR/GR/FILM			
11. OCR/GR/PHOTO			



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SPECIFIC IMPACT OF CUT IN DDI
ON NATIONAL AND AGENCY PROGRAMS

NATIONAL INTELLIGENCE

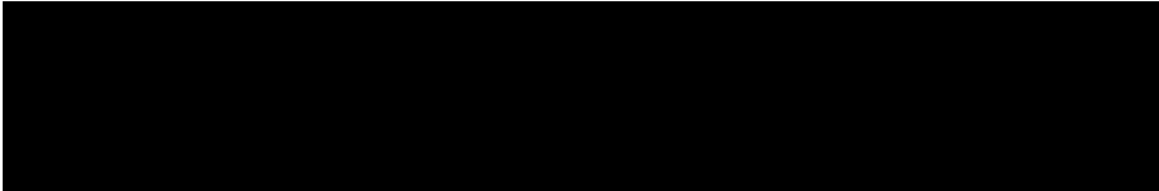
- Reduction of production in OCI resulting in inability to meet the accelerated schedule for the NIS only recently approved by USIB. A reduction in OBI's key role in the NIS program largely to be reflected in production delays and in a drop in quality control.

USIB SERVICES OF COMMON CONCERN

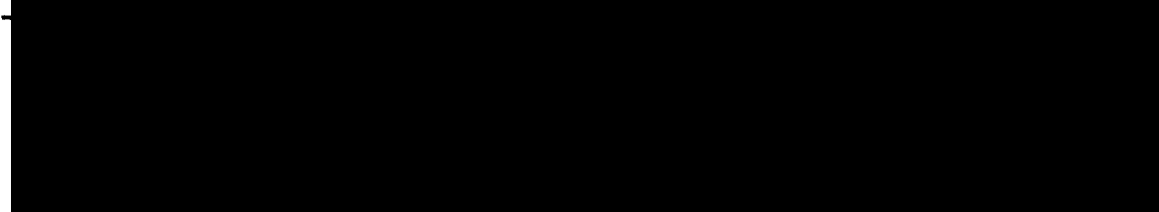
- The exploitation of foreign language publications will be reduced by 10%, as will translation service. Even with success at contracting out some of this work, the net effect will be to provide Community analysts with less coverage (already highly selective), have it less tailored to needs, more condensed than at present, and less timely (adding 1-2 weeks to production time).

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- [REDACTED] coverage will be reduced by 10%, mainly in the S&T field. Unique reference service on international conferences will be abolished.

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- Economic research and analysis will be reduced 10%. This will eliminate all commodity studies on the Free World, virtually all industry studies on Communist economies, and would require some cutback in aggregative research. Primary impact would be in reduction of support for DCI, the U.S. Advisory Committee on Export Policy, the Economic Defense Advisory Committee, the U.S.-Soviet Exchange Program, and the Clandestine Services.

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AGENCY (DEPARTMENTAL) PRODUCTION

- Geographic research will be reduced by 10%, thereby reducing the effort on the USSR (by 15%), Far East (by 12%), and Europe (by 20%). This will decrease operational support to DD/P and DD/S&T, and cut back work on the Army's USSR mapping project (using TKH) by 1/3.
- Basic Handbooks produced by OCI and ORR for the [REDACTED] of DDP will have to be cut out altogether.
- We had planned to augment Military-Economic Research and will still endeavor to do so in view of the importance of this work to Mr. McNamara's efforts in cost effectiveness. If we are unsuccessful in increasing this program we plan to cut out military research on Free World forces and concentrate on the USSR.

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AGENCY SERVICES OF COMMON CONCERN

- DDI Operations Center concept will be scrapped and an attempt will be made to salvage some aspects of it by augmenting the OCI Watch.
- Cartographic and graphic services in support of map production programs, Clandestine Services counterinsurgency programs, publications, and briefings will be reduced slightly where we had planned to increase them.
- Film reference service to the Community, and in particular to Training and the Clandestine Services will be reduced.
- Personality and Ground photo reference service in support of the Community and in particular NPIC and Biographic Register will be so reduced as to make probable the entire elimination of this unique service and its valuable holdings.

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CENTRAL INTELLIGENCE AGENCY

FILE

DDI-3985-64

Memorandum of Conversation

DATE: 15 OCT 1964

SUBJECT : ORR Contributions to Estimates of Soviet Military Expenditures
and Economic Implications

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PARTICIPANTS: Ray Cline, DD/I; [REDACTED] and
[REDACTED] Otto Guthe, ORR

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COPIES TO : DD/I, Ch/CIA/DIA JAG, Ch/E, Ch/M, Ch/D/A, Ch/P/ME, AD/RR and
DAD/RR

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[REDACTED] explained in some detail the variety of requirements within the DOD for estimates of Soviet military expenditures through 1970 and the impact or implications of these expenditures on the Soviet economy. He noted that Mr. McNamara's whole philosophy of forward-planning with regard to US strategic and defense forces required estimates of enemy forces and over-all capabilities.

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[REDACTED] referred to the correspondence between General Carroll and the DCI on DIA's interest in military-economic analysis, between General Carter and General Hawkins or Betts on CIA support to the Threat Analysis Study, and the recent request from DIA for more economic forecasting in the forthcoming NIE. In fact this meeting, held on 6 October in Mr. Cline's office, was sparked by a written request from General Maples to Mr. Cline requesting that duplicates of MRA's computer tapes and programs on Soviet military expenditures be provided to the DIA, but [REDACTED] explained that General Taylor did not wish to have action taken on General Maples' request until he could look into the matter over the next two or three weeks. Mention was made of the reports of the JCS Chairman's Special Study Group, the interests of the Comptroller's office, and the Army's R&D study relating to the Nike X.

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[REDACTED] pointed out that the only components in or out of the Government which have accumulated the data and competence to respond meaningfully to these needs are the Military-Economic and Economic Research Areas of ORR. Components in the DOD, particularly in DIA, are forced to respond to requests for estimates in these fields, and will turn more and more to external research contracts, such as the current SRI and the imminent Rand contracts, if CIA cannot provide the answers. The result of increasing dependence by the DOD on external research for obtaining these types of estimates could be harmful to our national security and cause difficulties in coordination at national intelligence levels.

It was generally recognized by the group that the resources which MRA and ERA could devote to estimates of Soviet military costs and economic impact were quite limited. In particular, the MRA could not, with its current staff, provide what should amount to a service of common concern in the expenditures field. As far as estimates of future Soviet economic developments and adjustments to accommodate estimated military programs are concerned, ERA believes that several cuts could be made in responding to this problem. To date little meaningful work has been done on the problem of studying alternative choices within the Soviet economy as they might develop in association with oncoming Soviet military programs. As a first cut, stop-gap educated estimates are being made for use at the national intelligence level. As a second cut, a small cadre of experienced professional economists (6-10) would be needed to develop a capability to provide a relatively effective ability to respond adequately to a variety of requests from within the community for such estimates. As a third cut, a substantial number of economists (15-20 or more) would have to be trained in the subject matter, in appropriate methodologies, and in knowledge of the source data in order to undertake a long-term systematic study of the economic problem. Such a research group should, if possible, be "in-house." A captive external research organization might permit adjustments in the organization of the Agency's economic intelligence research to permit establishment of such a group.

Mr. Cline expressed the wish that some of the assets available to DIA could be utilized in solving the total problem.

25X1A With respect to the study of Soviet military expenditures, it was generally agreed that the possibility of establishing a center for this purpose should be carefully considered. [REDACTED] believed that General Taylor would be sympathetic to this approach because he realizes that DIA does not have nor could it easily, if ever, develop the competence required. MRA/CIA should administer the center; should have a veto power regarding substantive matters of input and analysis, if and when necessary; and CIA from outside the Directorate of Intelligence or the DIA should provide approximately 10 slots to the center, the incumbents for which would be selected by MRA.

With respect to the study of future Soviet economic developments and the impact of military expenditures of the Soviet economy, it was agreed that the second cut described above should be sought, with at least 5 slots to be provided from outside the Directorate of Intelligence, the incumbents of which would be economists selected and obtained through transfer or recruitment by ERA.

25X1A [REDACTED] was instructed to inform General Taylor that ways are being investigated for responding to DIA's needs as set forth in General Maples' request.

[REDACTED]
OTTO E. GUTHE/
Assistant Director
Research and Reports

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POSSIBLE QUESTIONS TO ASK TO DETERMINE THE NEED
FOR A DETAILED MANAGEMENT SURVEY

1. What is my organization doing?

Do I know in detail the functions that my organization is performing and the reasons that it is performing them.

2. What is my organization supposed to be doing and how does it compare with what is being done?

Is my organization carrying out the letter and intent of the NSCID, DCID, DD/I Instruction or whatever the enabling authorities might be.

3. What is the cost, particularly in manpower, of the functions now being performed?

Do I really know in detail how many men are performing what functions and for what end.

4. What should it be costing me both now and projecting into the future to accomplish the jobs which my organization was set up to perform?

Have I any real method of determining what investments I should make and will have to make in order to carry out my responsibilities.

IMPORTANT POINTS IN THE CONDUCT OF THE MANAGEMENT SURVEY

1. Top Management Direction

The survey must receive the whole-hearted support and personal direction of the AD or at a minimum the DAD.

2. Use Full Chain of Command

All senior managers and supervisors must play an active role in the carrying out of the survey. This is no job for a staff alone.

3. Set Objectives

The objectives of the study must be clearly spelled out ahead of time and be fixed in the minds of all who participate. These objectives, however worded, correspond closely to the questions raised on the preceding page.

4. Validate Responsibilities

It must be proven that the mission and functions being performed represent a valid discharge of the responsibilities assigned the organization. If they cannot be proven necessary they probably should be dropped.

5. Provide Basic Assumptions for Common Understanding

Everyone participating in the survey must work from a common base. Estimates of on-coming workload, validation of functions to be performed, priorities of work to be done, etc., should be established, even if on an arbitrary basis.

6. Create Committees for Cross Check

A Steering Group, comprised of the several senior members of the organization, can be established to direct and monitor the overall activities of the survey. Sub-groups of division chiefs and/or branch chiefs can be used to survey the principal areas of activity and functions being performed in the office. Through this mechanism no individual is left to come up with unilateral statements of facts or projections which cannot be verified.

7. Use Detailed Functional Approach

The functions performed in the office should be isolated and studied as opposed to the normal concept of reviewing the office by sub-organization, namely, division, branch and section. Since the organization was created presumably to carry out the functions it is the functions themselves that are of primary interest.

8. Work in Man-hour Figures, Not Numbers of Personnel

Net man-hours required to perform a given job or function should be determined and then converted to personnel. Estimating the number of personnel can magnify the effect of error and make it harder to determine just how much working time is required for a given function.

9. Creating a Follow-up Mechanism

Some element should be given the responsibility to develop a statistical approach for the continuing examination of the use of manpower within the office. The need for this, the amount of investment to be made and the practicality of producing meaningful results will vary, of course, with the type of activity and size of organization.

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Impact of Proposed T/O Cut on ORR

1. Since FY 1959 ORR has been cut [REDACTED] (these and subsequent figures have all been adjusted and do not include *for example* personnel who have been transferred to the Collection Guidance Staff). Since the beginning of FY 1964, [REDACTED] have been taken from ORR and, in addition, [REDACTED] positions have been deleted. The loss of an additional [REDACTED] would raise the total cut for ORR

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[REDACTED] The total reduction since the beginning of 1964 would be

excludes consideration of the loss of summer time employees; the equivalent of 6-8 man years)

2. These cuts have occurred during a period when ORR was assigned substantial additional responsibilities and while the workload of the Office was sharply increased. These new responsibilities included:

- a. Additional assignments in the field of military intelligence.
- b. A new assignment for coverage of Free World economies, involving support for the NIS, NIE's, national policy papers, [REDACTED] and OCI.
- c. Tremendous increases in policy support generally (there was a 40 percent rise in ad hoc requests on ERA/MRA in the first six months of 1964).
- d. New responsibilities for the Collation Project.

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EXCLUDED FROM AUTOMATIC DOWNGRADING AND DECLASSIFICATION

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e. A large increase in geographic support to the
Clandestine Services.

In addition, requests on Cartography, Map Library Acquisitions,
as well as requests on the Map Library, have increased substantially.

3. Numerous adjustments have been made internally, overtime
is now running at 50,000 hours a year and there has been a large --
and indeed a dangerous -- cutback in our research effort. We
are now turning down important requests for assistance (which we
can list if you wish) and have cancelled or failed to undertake a
large number of research projects which will eventually be needed
in support of the policymakers (these, too, we can list if you wish).

4. If we are obliged to cut an additional [REDACTED] the
trends referred to in the foregoing paragraph will ^{be} accentuated and
we will be obliged to turn down an additional number of important
requests in the future. This is to say nothing of the further
inroads on the research program. I am sure you realize that this
means a weakening of our ability, not only to do research on the
Free World and on military intelligence, but on subjects for which
we have been assigned primary responsibility under DCID 3/1 and
DCID 3/2.

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OAD/RR
6 July 1964

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