

MEMORANDUM

## NATIONAL SECURITY COUNCIL

URGENT INFORMATION

August 10, 1973

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DOS REVIEWED 16 MAR 2011 NO OBJECTION TO DECLASSIFICATION

MEMORANDUM FOR: DR. KISSINGER

FROM: PHIL ODEEN *PO*

SUBJECT: FY 75 Defense Program and Budget

This memorandum gives a preview of the FY 75-79 Defense Program and Budget. The Services have submitted their proposed programs and Jim Schlesinger is in the process of reviewing a series of issues raised by the OSD staff.

Two DPRC meetings are scheduled over the next month -- one next week focusing on general purpose force modernization and one on strategic forces, probably in September. A good review in the DPRC of the Services' programs is badly needed. You are well aware that Service preferences have dominated Pentagon force planning for the past several years creating programs consistent with each Service's perception of our strategic needs but in many ways not supportive of our broader objectives. In this regard several disturbing trends are evident in this year's program.

With respect to strategic forces:

-- We are entering the late 1970s relying on two high-risk modernization programs (Trident and B-1) to guarantee the future survivability of our bombers and SLBMs. Our flexibility is limited by the lack of hedge programs such as mobile ICBMs and a viable cruise missile program. Moreover, we are working ourselves into an increasingly untenable position to respond to a failure of SALT II.

-- Even if the B-1 meets specifications, we will need survivable tankers to exploit its full capability.

-- The problem of ICBM vulnerability in the late 1970s is well known to you but DOD's response is confused and uncertain.

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-- We are considering programs costing over \$6 billion over the next five years to modernize our continental air defenses to meet a virtually non-existent threat.

With respect to general purpose forces, cuts in Air Force and Naval force levels are projected and will be worse if OMB's projections of "feasible" levels of defense spending prevail.

-- The Air Force proposes to cut five of the 24 tactical air wings previously programmed for the later 1970s. (We now have 22 wings.)

-- The Navy's fleet readiness is poor and force levels will continue to be cut in FY 75 (by about 27 ships) to fund the Navy's modernization effort. The number of ships in the fleet in FY 75 will be less than half that of 1968. Ship modernization absorbs about 65 percent of all general purpose force investment.

-- Army reserve force manning is falling far short of needs. This will further erode the Army's capability to meet the expanded role given reserve forces under the "total force" concept. Despite projected manning shortfalls, there is little being done to seek ways of restructuring to make better use of available reserve manpower.

Some of these problems may be at least partially addressed and corrected by the internal OSD reviews. (Schlesinger is apparently taking a much more active role in the program review than Laird did.) But there is also a good chance the problem will be exacerbated by the budgetary pressure which is strong again this year - Shultz and Ash are talking of a truly balanced budget for FY 75, which would be the Administration's first.

Service programs total about \$86.5 billion which is about \$6 billion greater than OMB claims is compatible with the President's economic objectives. It is important that you stay involved to ensure adequate funds are provided for defense and that any reductions taken are consistent with our strategic needs rather than determined by the need to keep bureaucratic peace with the Services.

In addition to budgetary pressure OSD believes that Service programs may be underfunded by \$1 to \$3 billion per year due to likely cost growth, faulty Service estimate, etc. If this projected cost growth occurs, forces will have to be cut still further.

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Greater detail of these problems is discussed below.

### STRATEGIC AND THEATER NUCLEAR FORCES

The DOD FY 75-79 program does not reflect any major changes in strategic force levels. However, several changes in modernization programs are steadily boxing in our future strategic force options.

#### Bombers

For example, our bombers will become increasingly vulnerable, and needed hedge programs are being deleted. The vulnerability is in part the result of improved air defense making penetration more difficult and in part a problem of prelaunch survival as the Soviet SLBM force grows. The B-1 does not appear adequate in itself to forestall this vulnerability.

-- As you know, OSD has directed cancellation of the SCAD decoy which could extend the useful life of the B-52 force and provide a technological base for future air-to-surface missiles. In addition, the Navy proposes to delete development of the Submarine Launched Cruise Missile in order to fund a low cost follow-on to the F-14. This will leave us with no air-to-surface programs to shore up (either B-1 or B-52) bomber penetration capabilities in the late 1970s. <sup>1/</sup>

-- The B-1 itself is slowed as a result of recent development troubles and its very large cost may make it impossible to procure adequate numbers. The first B-1 now enters the force in FY 1980 and there are no funds for a survivable quick take-off tanker to provide the B-1 with adequate fuel to reach its targets. Without a more survivable tanker, the effectiveness of the B-1 bomber could be severely degraded.

-- The B-52 bomber force will be reduced as older models are phased out in 1981 leaving a force of 255 B-52/Hs. The B-52s are likely to have difficulty penetrating without an air-to-surface cruise missile in the early 1980s.

<sup>1/</sup> Clements spoke to a reporter the other day and took a strong line on the need for cruise missiles. But we don't have a coherent DOD program yet.

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Land Based Missiles and ABMsTo reduce the vulnerability of our ICBMs, DOD proposes:

-- Full scale R&D for an advanced ICBM program; whether it would be fixed or mobile has not been decided.

-- An ABM R&D effort costing a half billion dollars annually for Safeguard, Site Defense, and Advanced Site Defense to protect ICBMs in the event of a SAL abrogation.

Sea Based Missiles

SLBM programs continue to move ahead but here our flexibility is being eroded as well. The Navy has proposed that the Trident program be reduced to a total of ten ships because of its cost. It is also proposed to delay the availability of the Trident I missile until the early 1980s to coincide with the ship IOC. Backfitting the longer range Trident I missile into Poseidon submarines is, of course, our hedge to submarine vulnerability in the late 1970s, but this option will soon be lost.

Strategic Programs and SALT

The high cost and inflexibility of our strategic offensive force planning in relation to SALT should be the major focus of our discussion in the coming meetings.

With only Trident and B-1 as a source of new launchers we will be in an increasingly untenable position to compete in a launcher competition with the Soviets. For example, the OSD analysis calculates it would cost about \$45 billion to add 500 new launchers to the U.S. inventory in the late 1970s.

Strategic Defense

I understand Schlesinger has directed the Services to cut back sharply on our continental air defenses, a step directed by the President two years ago. But the Services continue to press ahead with an Air Defense Modernization program costing \$6 billion over the next five years. You should press for a rational justification for this allocation of defense resources.

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Tactical Nuclear Forces

Finally, we are embarking on an extensive modernization of our theater nuclear forces with munitions, bombs, artillery rounds, etc., being developed without any clear concept of how they will be used. The improvements are largely focused on improving safety, fuzing options and maintainability, and increasing accuracy through the use of the technology of laser guided weapons.

GENERAL PURPOSE FORCES

The status of our general purpose forces is equally disturbing. Since 1967, force levels have been cut back sharply as a result of the wind down of the war in Southeast Asia and budget pressure caused by increased manpower costs and inflationary increases in the cost of weapons and equipment. The general purpose forces have absorbed the bulk of the budget-related cut backs.

-- The Army has been reduced by five active divisions since the peak of the Vietnam war, but Army force levels will remain stable for the foreseeable future.

-- The Navy has cut its forces by over 50 percent to help pay for modernization. The Navy now projects that the reductions are completed but in fact more force cuts may be necessary if shipbuilding costs increase (OSD estimates Navy programs may be underfunded by as much as \$1.5 to \$2 billion annually).

-- In the past the Air Force has reduced support and readiness in order to save force structure. This has apparently gone as far as it can and the Air Force now proposes to reduce its programmed fighter/attack force by five wings (20 percent) by FY 78.

The readiness of the remaining forces is also a major problem. For example, the General Purpose Forces Issues paper prepared for internal DOD review points out that:

-- Fifty percent of the Navy ships are marginally ready or not ready.

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-- With the expiration of the draft, the reserves are having a difficult time recruiting personnel. The Army expects to be short 65,000 reserve personnel by the end of FY 74, and thus may get worse as the enlistments of those who joined the reserves to avoid the draft expires.

-- The Air Force reserve and Guard are well manned and nearly as ready as the active force. However, over 20 percent of the units are manned with obsolete aircraft, or aircraft unsuited for a NATO war.

A few of the major problem areas are discussed below.

### The Army

Reserve strength is budgeted at about 90 percent of authorized levels because of an anticipated shortfall in reserve enlistments. Without draft pressure next year, some projections show the shortfall could be much greater than indicated by the Army program.

Reserve force levels have been maintained principally because of Congressional pressure, and many of the units are assigned missions of little value or the units would not be ready to deploy for several months, probably after a war in NATO is over. We may want to take advantage of the shortfalls in enlistments to restructure the reserves.

### The Navy

The Navy continues its very ambitious modernization program which absorbs about 63 percent of total general purpose force modernization spending.

The Navy is pursuing what it calls a "Hi-Lo" approach in force modernization. The "Hi" portion consists of very sophisticated and expensive ships such as nuclear carriers, nuclear submarines and large sophisticated destroyers. The "Lo" portion emphasizes cheaper, less sophisticated ships that will allow the Navy to provide the number of ships necessary to cover the various areas of concern.

There are some hopeful indicators that show some progress towards deemphasis of high cost and high technology programs. In particular:

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-- The production rate of attack nuclear submarines has been reduced from 5 to 3 per year.

-- No new aircraft carriers are programmed in FY 75. (Funding is proposed in FY 76-78 for a new carrier, however.)

-- Funding for the costly DD-963 destroyer is in its last year.

At the same time, several new programs represent welcome emphasis on less costly technology:

-- Procurement is started of a Sea Control Ship designed to provide air cover to convoys and shipping at sea but at a much lower cost than carriers.

-- A new class of low cost escorts (patrol frigates) is also underway to supplement the more expensive destroyers.

The major concern regarding the Navy Modernization Program continues to impact on existing force levels. FY 75 was to be the turning point after which Naval force levels would start increasing. However, the FY 75 program submitted this year show a further reduction of 27 ships (7 ASW and Air Defense, 10 Amphibious, and 10 Support Ships) from last year's planned FY 75 force.

If cost growth or budget cuts lead to a further squeeze on the Navy's general purpose forces we can expect force levels and readiness to suffer not the modernization effort. It is interesting to note the actions the Navy is considering in order to provide the funds to procure the 385 F-14 fighters they deem necessary:

-- Reduce the Sea Control Ship Program from 8 to 5 ships.

-- Cancel the replacement of a programmed Fleet Ballistic Missile Submarine Tender.

-- Slip the Trident program in order to gain about \$120 million.

-- Slip the Strategic Cruise Missile Program to gain about \$270 million.

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-- Transfer about \$100 million from the funds to continue the Trident program beyond 10 boats.

-- Transfer \$65 million from Strategic R&D.

Air Force

The major change in the Air Force General Purpose Forces is a reduction in the previously programmed outyear tactical fighter force from 24 to 19 wings. The changes come about from a reduction of 144 in the planned procurement of the new close air support aircraft (A-10) and the more rapid transfer of the F-4 and A-7 from the active forces to the reserves.

The reduction in the buy of the A-10 aircraft is of some concern since it represents a new Air Force decision to reduce its emphasis on the importance of the close air support mission. This aircraft is being designed specifically for the ground support mission in Europe and possesses significant anti-armor capability. Compared to the deep interdiction and air-to-air mission for which the F-111 and F-4 were designed, the close air support mission has never been given adequate attention by the Air Force. (This may partially account for the Army's decision to provide their own close air support via helicopter.)

It is, of course, impossible to say what the proper mix should be between the three Air Force tactical air missions or to challenge Air Force decisions on concrete grounds. However, we should seek the Air Force rationale for their deemphasis of the close air support role before accepting their decision.

Also the Air Force is phasing out or reducing most of the forces that evolved specifically for the war in SEA. These include the Special Operations Force (completely eliminated by FY 76) and major reductions to the Tactical Air Control System and the Electronic Counter Measures (ECM) forces. Also the tactical reconnaissance force is reduced from 23 squadrons (FY 72) to 16 by FY 76. Again, it is extremely difficult to say specifically what the force level needs are but we should investigate the implications of this 30 percent reduction.

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Status of All Volunteer Force

The draft formally ended June 30 but there were no inductions after January 1973 so the services have been relying on volunteers for the last six months. The services ended FY 73 about 1% (25,000 personnel) below their planned strength. Part of this shortage was due to deliberately planning to be short and part was the result of higher quality standards used by the Army and Navy in screening recruits. DOD is confident the services could have met their goal if the old quality standards had been retained.

DOD needs to recruit 362,000 new enlistees in FY 74, about 20,000 more than volunteered in FY 73. The main concern is the Army which must attract about 20% more volunteers than they did last year. The Army has relaxed its quality standards in order to accept more recruits. Despite the fact that the Army achieved only 76% of their recruiting goal in July OSD remains confident that they can achieve their recruitment goals. The next several months will be critical for recruiting and we need to monitor this very closely.

In addition to shortfalls in Army recruiting the services will have difficulty attracting enough doctors and lawyers. A new pay act is before Congress to provide bonus and other pay incentives for the needed specialists. If this legislation is not passed we may have severe problems attracting adequate medical personnel in particular. OMB is directing a major study on alternative solutions to this problem.

The DPRC Review

These issues emphasize the critical need for a coherent review of service planning for FY 75-79. Last year the NSC participation was haphazard and incomplete.

My plan this year is to hold two separate DPRC meetings by mid-September - one on Strategic and the other on General Purpose Force Modernization programs. This will give you a good opportunity to address longer term issues related to our strategic programs and SAL and general purpose force modernization programs and their compatibility with maintaining future force levels. The meetings will also be a good opportunity to draw Jim Schlesinger's attention to the need for critically reviewing Service programs.

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