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AUG 18 1966

MEMORANDUM FOR DR. FLAX

SUBJECT: Authorization for MOL Full-Scale Development

A memorandum for the Secretary of the Air Force on August 25, 1965 authorized the Director, MOL to proceed with the development of the Manned Orbiting Laboratory System. Phase I definition studies conducted over the past year have been completed and Air Force Evaluation and Negotiation Teams are in their final rounds of review on the contractors' Phase II proposals.

On June 24, 1966 the Director, MOL submitted by covering memorandum to the Secretary of the Air Force a detailed MOL Program Plan and Funding Requirements document with specific recommendations and requests for proceeding with full-scale engineering development. The covering memorandum and document were returned the same date with oral instruction for revision. Based on the guidance received the document was revised and resubmitted to the SAF on July 21, 1966. The revised memorandum proposed an approach for proceeding with full-scale development while at the same time giving realistic recognition to the FY 1967 funding limitation. To date no reply nor additional guidance has been received on this proposed approach.

Department of Defense Directive 3200.9 establishes DOD policies governing Concept Formulation and Contract Definition in the initiation of Engineering Development of major projects such as the Manned Orbiting Laboratory Program. The Directive states that OSD approvals normally are required at only two points; prior to initiation of CDP (Phase I) and prior to initiation of the Engineering Development Phase (Phase II). The DOD approval and release of funds to enter the Contract Definition Phase implies a willingness to proceed with full-scale development if the project as defined during the CDP remains essentially within the cost and schedule limit and equals or exceeds the operational effectiveness stated in the plan submitted with the request for approval. It is felt that the program submitted by the Director, MOL on July 21, 1966 fulfills this criteria.

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DOD Directive 3200.9 also draws a rather distinct line separating Phase I study definition from Phase II engineering development, with approval required to proceed from the former to the latter. This is not the case as experienced for all system segments of the MOL Program. The Titan IIIM launch vehicle and the DORIAN sensor payload, because of their required lead time, are two segments which have progressed into the engineering development phase with DOD approval and consent while Phase I definition studies have continued on other system segments. In early April 1966, DOD, by memorandum to the DNRD, specifically authorized proceeding with the purchase of support equipment and facilities to support the development of the optics associated with the primary sensor for MOL and incremental releases have been made from time to time to fund this effort. A very similar parallel has been followed on the approval and release of funds for development work on the Titan IIIM launch vehicle.

The foregoing events indicate the DOD intent and willingness, on the basis of the approval granted, for the Air Force not only to proceed with the Engineering Development Phase but also to protect development lead time where necessary. The only program limitation, and it is a major one, for proceeding at the defined rate into full engineering development on all segments of the program is the funding deficit in FY 1967 and subsequent years. An approach to work around this limitation was requested in the July 21, 1966 memorandum for the Secretary of the Air Force transmitting the Program Plan and Funding Requirements document. In this approach, you will recall, a request was made to proceed at the MOA rate of \$254 million until January 1, 1967 with the engineering development effort on the schedule and toward the defined MOL objectives. It was proposed further that program requirement be reassessed and a current evaluation be given of our progress at that time. Then, if required, a request for new obligating authority would be made.

The Government position on the contractors' Phase II proposals has been established in our West Coast negotiations and price negotiations are targeted to be completed by September 1, 1966. For the Director, MOL to carry out his assigned responsibilities to the SAF and the government commitments to the MOL contractors, a resolution on the funding problem must be available no later than upon completion of contract negotiations and prior to contract signature by the government. I strongly urge you give this matter your immediate attention and provide the Director, MOL with a decision on the recommended plan. Secretary of the

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Air Force signature to the attached memorandum for Director,
MOL will provide the necessary authorization to proceed with
full-scale development.

SIGNED

HARRY L. EVANS
Major General, USAF
Vice Director, MOL Program

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Dr. Brown

Col Randall/18Aug66/rad

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