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MEMORANDUM

6115X

NATIONAL SECURITY COUNCIL

~~TOP SECRET/BYEMAN~~

ACTION

August 28, 1972

AL

should make within this slip no further.

MEMORANDUM FOR HENRY A. KISSINGER

FROM: ANDREW W. MARSHALL

SUBJECT: KENNEN Program Guidance

BACKGROUND

Last September 23 you issued a memorandum conveying the President's decision to go forward with "the development of the Electro-Optical Imaging (EOI) system . . . under a realistic funding program with a view towards achieving an operational capability by 1976."

Last November the NRO ExCom decided upon a program to develop this system consistent with the President's decision: A [redacted] yearly ceiling, an October 1976 first launch, total program cost FY73-78 of [redacted]. The system code word is KENNEN.

The KENNEN system, when operational, will supply high resolution pictures of selected targets (weather and time of day permitting) within a [redacted]. If the satellite is in the right position to take the picture immediately, the results will be relayed to a ground station [redacted]. But image enhancement, photo analysis, and transmission to the President, or other top level decisionmakers, could take several hours.

On July 27, 1972 you issued a refinement of earlier KENNEN program guidance. (TAB B) Ed David sent you and Cap Weinberger a memorandum on June 13, 1972 asking for further guidance that would allow the NRP ExCom to address CIA program managers' request for additional funds. He viewed as inevitable that tradeoffs between KENNEN funding levels and IOC would be important ExCom issues. (See TAB C for David's memorandum.)

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2

Helms has now come back to you with a memorandum that gives his view of the problem. (See TAB D for Helms' memorandum and its attachment.) Helms' position is summarized below.

In considering how to respond to Helms the following items may be pertinent:

-- Helms was surprised and upset by the July 27 memorandum.

-- It showed that his interpretation of the initial KENNEN decision as giving him a Presidential mandate to get the system by 1976 was clearly no longer valid.

-- His people, as the program managers, have proceeded with a 1976 first launch as the goal. All arrangements with contractors have focused upon that goal rather than on living within the ExCom decision of November 1971 to fix a [] yearly expenditure ceiling.

HELMS' POSITION

Helms' memorandum expresses concern that you may be misinformed as to size of recent changes in KENNEN program cost estimates, and, hence, felt it necessary to issue new guidance. His memorandum is an implicit plea to rescind the July 27 guidance. Helms' people, who are managing the program, would prefer to stay with their program goal of an October 1976 first launch and have other NRP programs absorb the cuts required to obtain increased funds in FY74 and 75, [] and [] respectively, over the November 71 ExCom approved option. He suggests:

-- Holding to the October 1976 operational date.

-- Reconsidering the schedule wherever significant cost increases are imminent, technical problems arise, or a restructuring of NRP priorities is indicated for any other reason.

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3

COMMENT

Helms is mainly playing the role of Director of CIA not of the DCI in his memorandum. In any case:

-- Ed David's memorandum and Phil Odeen's and my earlier memorandum were accurate regarding the size of program cost changes.

-- The real problem is that the NRP budget will be constrained, indeed it will probably be November before totals are clear. The full impact on other NRP programs of shifting more funds to KENNEN cannot be judged yet. A restructuring of NRP priorities may be indicated now. ExCom should address this issue within the new KENNEN guidance you issued that makes clear there is nothing magic about October 1976.

-- There are differences between Helms and David as to the likelihood of future cost increases and/or program slippage. Helms is optimistic, David is not. While there is some reason to believe that KENNEN will not have as many problems as past programs, some future problems are likely.

OPTIONS

Helms' memorandum does not require a reply; overtly it asks nothing of you. It is an information memorandum. You can give Helms no answer. At the September 27 ExCom meeting, David and Rush probably will use the July 27 guidance to argue for slipping the first launch date to March 1977 if the NRP budget appears to require that action.

A second option is a memorandum to Helms that:

-- Reaffirms the July 27 guidance.

-- Points out that the ExCom should now make the necessary decision about KENNEN and other NRP programs in the light of that guidance and current budget prospects.

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RECOMMENDATIONS

I recommend the second option, and that you sign the attached memorandum at TAB A.

The reasons are:

-- It would make Helms feel a little better to get a formal answer.

-- You can make clear that the ExCom should assume responsibility for making the needed decisions on KENNEN taking into account the President's guidance, other NRP program needs, and the budget prospects.

AGREE _____

DISAGREE _____

Phil Odeen concurs.

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THE WHITE HOUSE
WASHINGTON

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MEMORANDUM FOR

DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: KENNEN Program Guidance

Thank you for your memorandum of 10 August. I understand your position.

The intent of the President's July 27 KENNEN program guidance is to provide a framework for decisions by the ExCom. If schedule and funding tradeoffs have to be made in the KENNEN program, for whatever reasons (significant KENNEN cost increases, unexpected technical problems, NRP budget stringency, etc.), the guidance should apply. The ExCom should now consider KENNEN and the other NRP programs this fall as soon as NRP budget totals and other relevant inputs are available.

Henry A. Kissinger

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THE WHITE HOUSE
WASHINGTON

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July 27, 1972

MEMORANDUM FOR


The Deputy Secretary of Defense
The Director, Central Intelligence
Science Advisor to the President

SUBJECT: KENNEN Program Guidance

In view of the recent change in the estimate of KENNEN program cost and schedule, the President has decided that some refinement in previously outlined program priorities is in order.

To meet previous program cost and funding guidelines, the President is willing to accept some slippage in the previously planned October 1976 first launch of the KENNEN system. Priority should, therefore, be given to the maintenance of previously determined program cost and performance specifications with the IOC changed, if necessary, to attain cost and performance objectives.

If, however, it becomes apparent that slippage of more than six months in the planned October 1976 IOC is necessary to meet cost and performance goals, the President desires to reconsider KENNEN program priorities. Consideration will then be given to the feasible trade offs between program cost, schedules, and performance specifications taking into account competing claims for other existing NRP resources.


Henry A. Kissinger

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THE WHITE HOUSE

WASHINGTON

June 13, 1972

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MEMORANDUM FOR

Dr. Henry A. Kissinger
Mr. Caspar Weinberger

SUBJECT: KENNEN Funding

Last November, responding to the President's decision that the KENNEN [] photographic system be developed, the Executive Committee of the National Reconnaissance Program chose a program option responsive to his cost and IOC date constraints.

Subsequent developments have shown that more and earlier funding will be required than previously estimated for a 1976 IOC. This, of course, is not unusual in programs of the length and technical complexity of KENNEN. In particular, the ExCom decision of November planned for an October 1976 IOC at a FY73-78 cost of [] Under present estimates that sum could, with lower confidence than previously, bring an IOC in March 1977. To regain the 1976 IOC date requires an addition of [] largely in FY73-74.

Because of the pressure on intelligence budgets in general, and within the NRP itself from competing SIGINT and other possible photographic needs including capabilities to offset possible anti-satellite actions, it would be useful at this time to have some clarification on the permissible trade-off between funding levels and IOC dates.

May I have your advice? The coming ExCom meeting at which this matter is scheduled to be decided is set for July 14. I will need your input beforehand.

Ed
Edward E. David, Jr.
Science Adviser

KENNEN

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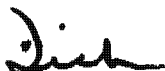
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OFFICE OF THE DIRECTOR

10 August 1972

MEMORANDUM FOR: Dr. Henry A. Kissinger

Per our discussion yesterday, I thought it important to respond to your memorandum promptly. Since Secretary Rush is out of town, I have not coordinated this with the other members of the NRO EXCOM. The Director of NRO, Dr. John McLucas, however, has reviewed it at my request and agrees with the presentation of the costs and the judgments about program confidence.



Richard Helms
Director

cc: Secretary Rush
Dr. David
Mr. Weinberger
Dr. McLucas

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

OFFICE OF THE DIRECTOR

10 August 1972

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Copy 1

MEMORANDUM FOR: Dr. Henry A. Kissinger
 Assistant to the President for National
 Security Affairs

In reference to your July 27 memorandum, subject: KENNEN Program Guidance, I believe there may be a misunderstanding about the Kennen cost and schedule estimates, and I would like to suggest an approach to you which would be consistent with the situation that I believe exists. Although your memorandum assumes that there have been sufficiently large changes in program estimates to suggest the need for adjustment of program priorities, the facts are that after six months into the development program, the total cost has changed very little from that presented to the NRO EXCOM by the Program Office in November 1971. I have attached a letter that was recently sent to Caspar Weinberger describing the program's fiscal history and fund requirements in detail.

While a cost comparison between our current estimate and the November EXCOM fiscal guidance would show an [] increase, I believe a more realistic reference from which to measure cost or schedule changes is the one prepared by the Program Office after the completion of the System Definition Studies in October 1971 based on a January 1976 first launch. Against this reference the cost increase has only been [] Part of this was caused by inflationary effects of the EXCOM's decision in November 1971 to delay first launch from January to the fall of 1976; the remainder is due to administrative decisions concerning contractor and budget structure and to labor rate increases negotiated by the contractors after the October estimates were made. None of the increase is attributable to reassessment of the substance of the work that has to be done.

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Therefore, I do not believe that a change in program emphasis is warranted at this time and would like to see us continue on our current October '76 schedule. We should retain a flexible position on this and be willing to adjust the schedule if significant cost growth is imminent or if technical problems arise. There are no such indications at the present time.

We are therefore recommending to EXCOM that NRO proceed along these lines for two reasons:

First, Kennen represents a sufficiently important improvement to our collection capability, particularly in the potential SALT environment in the late 70's, that I would very much like to have it become operational in 1976 as long as that schedule is consistent with a sensible, well structured development program. This in fact the situation at the present time. We have now completed all our negotiations with our contractors on the assumption of an October '76 first launch and have signed contracts which are favorable to the Government from a cost standpoint. Thus there is every reason to believe that an October '76 schedule is a comfortable one.

Second, and perhaps even more important, we have all been concerned for a long time about the Government's inability to make reasonable estimates about the cost of new system development. In both the CIA and Defense elements of the NRO we have placed great pressure on our program managers and our contractors to make realistic projections. If we ever hope to be successful in instilling this discipline, we must take care to recognize a good job when it comes along. I think it is important that the President and you understand that in the Kennen program at this time we have such an example. You will recall that before going ahead with the Kennen program we spent considerable money on technology and component development to reduce the technical risk and we were careful in our system studies and our cost analysis to be sure we were realistic and objective. As a result, the Kennen program appears to be technically sound, on an achievable schedule with an acceptable cost base.

In view of this, I recommend holding to the October '76 operational date. I think this will be more economic in the long run than stretching out the development to relieve near term budgetary pressures. As indicated earlier in this memorandum, we recognize that we should reconsider this schedule whenever significant cost increases are imminent, unexpected technical problems arise, or a restructuring of NRP priorities is indicated for any other reason.



Richard Helms
Director

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ATTACHMENT



WASHINGTON, D.C. 20503

OFFICE OF THE DIRECTOR

27 JUN 1972

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Copy 4

Copy 1, Ser B

The Honorable Caspar Weinberger
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Cap:

Pursuant to our conversation at lunch on Wednesday, here is the situation with regard to the KENNEN schedule, funding requirements and technology.

Our contractors are currently working on a schedule which would lead to the start of operations in October 1976. If we are to assure the President of 1976 operations, I do not think we should plan first flight any later than that. To maintain this schedule we need to program the following funds:

<u>FY</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>
Imaging Satellite/ Ground Facility	[REDACTED]					
Relay Satellite						

This does not represent a significant change or cost growth over the program constructed at the completion of our system definition competition last October. Although our total six-year cost estimate for the Imaging Satellite/Ground Facility has changed from the [REDACTED] we projected in October to [REDACTED] now, this increase is not due to technical problems or to revised thinking about the substantive tasks that need to be accomplished, but can be attributed to administrative decisions about how contracts would be managed and where certain funds would appear in the budget, to labor union negotiations that were beyond our control, and to the out-year inflationary effects of an Executive Committee decision in November to stretch the schedule.

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The funding plan approved by the Executive Committee last November and currently programmed in the NRP for the Imaging Satellite/Ground Facility is:

<u>FY</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>
Imaging Satellite/ Ground Facility						

This plan would not give us first flight until about March 1977 and would eventually cost more money than the October '76 schedule after we bought equivalent operations and satellite assets.

And so our most important immediate fiscal problem is that we need to add [redacted] in FY 74 to our currently programmed funds to stay on the 1976 schedule. In essence, the additional funds are those needed to return to a general fiscal profile along the lines originally recommended by the Program Office.

There is a long story about why in November the Executive Committee approved a program that was less than needed to maintain 1976 operations and we can go into the details of that with your staff if you wish. Suffice it to say here that in the interest of keeping the overall intelligence budget as low as possible we arbitrarily reduced the levels recommended by our KENNEN Program Office (which was at that time planning for early 1976 operations) and we hoped that even with the reduced levels we could maintain a 1976 schedule. This did not turn out to be the case when the schedule was worked out in detail by the Program Office with our contractors.

From a technical standpoint, we know of no problems that cannot be dealt with in the development program that has been laid out. The satellite sensor, optics, communications and attitude control specifications are being met and the ground equipment engineering is proceeding as planned. Test data, including [redacted] verifies that the overall system will perform effectively.

In sum, we remain confident that the difficult technology problems have been worked out as a result of our efforts over the past three years and that we are dealing with a high confidence schedule and cost projection.

2

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As a final thought, let me comment on your question last Wednesday about the effect of the current arms limitation agreement on our ability to use KENNEN in a SALT environment. During the SALT negotiations we gave special attention to those provisions of the agreement which had to do with maintaining the viability of our planned as well as our current collection capabilities. I believe the agreement signed on May 26 will protect KENNEN to the same degree that they assure non-interference with our current reconnaissance satellites.

/s/ Richard Helms

Richard Helms
Director

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