

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

~~SECRET~~ Memorandum
~~CONFIDENTIAL~~

TO : R. Mayo, P. Wilhelm, E. Dix

DATE: ²³25 September 1970

FROM : [REDACTED]

SUBJECT: Action Items--Program "C" Reorganization

Encl: (1) Draft set of notes on subject

1. Enclosure (1) has been prepared to help pave the way for reorganization and expansion of Program "C" with minimum interference to the normal workload and particularly the current mission. It is strictly a draft for each of you to react to, so "feel free" to change, add, shoot down, etc.

2. Please submit your views by October 2, 1970

[REDACTED]

Copy to:
J. Trexler

UNCLASSIFIED UPON REMOVAL OF ENCLOSURE.

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5010-108

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Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

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PROGRAM "C"25 September 1970
D R A F TACTION ITEMS

Program Meetings (For discussion with NAVINTCOM)

7107 Status Review (Periodic) *Quarterly before Program Review*Future Mission Planning - *must track Major Competitors*

Long Range Planning

Branch Organization

(See attached list)

Program C Management & Operations Review
(for immediate and near-term improvements)*Handle via Byeman-
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~~Secret~~ [redacted]7107 Status Review

Purpose: To review progress and problems related to 7107 and its mission and schedule; to surface any needs for additional NRL or external action or support; to insure that the job of the Technical Director (HOL) and the NRL team is being performed in a high quality, timely manner, and is responsive to requirements.

Participants: Lorenzen, [redacted] Dix, Mayo and his key personnel, Wilhelm and his key personnel.

Schedule: To be held no less than ^{quarterly prior to Program Review} ~~monthly~~, until delivery.

Records: Brief record of each meeting to be prepared, showing (1) problems considered, (2) decisions made, and (3) any special follow-up actions required.

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~~Secret~~Future Mission Planning

Purpose: To serve as a means of coordinating the principal steps in planning, scheduling, and achieving final approval of the [redacted] to insure that guidance requirements, funding, technical and materiel support, etc. are technically adequate and feasible, and that the mission planning and these related efforts remain "in phase" and coordinated.

Participants: Dix, Mayo, Wilhelm, and others as required.

Schedule: Meetings no less than quarterly.

Records: Brief memorandum report each meeting to Technical Director (HOL) on (1) planning status, (2) any hang-ups of importance, particularly those affecting the character or timing of the mission, and (3) any recommendations to Technical Director and/or other program authority.

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~~Secret~~ [redacted]Long-Range Planning

Purpose: Gradually to build up the competence of personnel and the body of planning data to push advance planning five to ten years ahead; to stimulate and support R&D (related to NRL functions); to promote the application of space technology to the Navy's and DOD missions, as directed.

Participants: Lorenzen, [redacted] Dix, Wilhelm, Mayo, and others, as required (including persons outside EW Division).

Schedule: Meetings no less than quarterly, but perhaps more often until the work is well underway.

Records: To be decided later. Initially, because of his related assignment from NAVINTCOM, Dix will assume the supervision of this function in NRL, taking care to keep NRL planning and discussion private until released by Mr. Lorenzen.

Note: As and when feasible, senior personnel from the proposed Systems Analysis Group and the Advanced Concepts Research Section should be brought in ^{on} this long-range planning.

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~~Secret~~Branch Organization - Action Item List

Any general paper work (consult Sadie Randleman).

New billets--position descriptions, personnel recruitment, ceiling points, etc. to achieve new branch organization. (Coordinate closely with S. Randleman).

Administrative Assistant

Administrative Yeoman

Section Head, Flight Systems

Section Head, Advanced Concepts

Site Engineer, []

Phase I--Urgent

Other key billets, now vacant or
filled by contractor personnel,
for work at NRL.

Phase II--As possible

Key technical functions performed
at contractor's HQ or at Navy
field sites

Phase III--Following
or phased with
other actions above,
but not to interfere

Planning to implement new organization--Transition must be made as opportunity permits (probably won't be orderly) and without disruption. It will take a "lot of doing!"

Key meetings (coordinate with [])--

With DeMark and key program personnel; also with personnel here at NRL.

With [] and Mr. Lorenzen.

Support requirements

Space

Equipment

Budget

Orientation and break-in of Interim Systems Analysis Group

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~~Secret~~Program C Management & Operations Review

It would appear we are in for a very busy and demanding period, during which we somehow have to improve and expand into a bigger role while at the same time continuing to do a high quality job on the current program. (Sometimes called "bootstrapping"). Our aim should be to make both these efforts complement one another. To that end we should have a low-key but potent watch-dog activity to monitor current workload and operations performance. In brief, this watch-dog activity should help insure that not only are the current tasks of Program C being effectively carried out, but that, as the same time, we are building up (in capabilities and experience) in an optimum manner to assume our expanded role, whatever it may turn out to be.

Eventually this function can be carried out, as an example, by the new Administrative Assistant compiling the necessary data and by the Branch Head holding periodic internal meetings with his Section Heads, using such data. Other ideas should be considered.

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MEMORANDUM TO DIRECTOR PROGRAM "C"

23 Sept 1970

Subj: ~~Top Secret~~ NSA stance relative to [redacted] as viewed by R.D. Mayo....

1. Philosophically there has been a climate of neglect toward this program which has extended back to the time that [redacted] and John CONLON left the Fort and moved to other jobs for NSA. This event was simultaneous with the entry of Charles CRAM into [redacted] and the next 1 1/2 years of lack-luster lipservice of a "Dedicated" team torn internally by lack of confidence and indecision....Neglect. In May or June we were surprised by the entry of [redacted] into a position of leadership of the K-46 (dedicated Program "C" processing) Group. We hastened to visit him and made a former report to you on this visit and the one item which remains most vivid...the heavy endorsement made by [redacted] for the P-11 Program, the statements that Program "C" was such a weak contender for Ocean Surveillance in the Ultimate sense. The surfacing of this philosophy so early in his tour at NSA can be interpreted as a manifestation of the thoughts of his senior leader Mr. Ray POTTS, and perhaps others. On this first occasion of our meeting I warmly suggested that our dialog about this program be continued most completely, including a visit to NRL for a thorough program briefing. His visits to NRL have been only to attend meetings and one one occasion to visit [redacted] (Perhaps more our fault than his for not having insisted on his thorough indoctrination))

2. The occasions for NSA input to the the QC (Manual Analysis) Complex have been through Trip reports where they trained the operators of this complex and recognized certain limitations in the instrumentation provided by NRL. The SOP for use of this instrumentation was developed by [redacted] respectively and not from NSA. The particular Trip report of interest was for the period of Feb-69 when MR Roman and Abplanalp along with [redacted] visited the Pacific where the limitation of measurement capability of the [redacted] was recognized and an alternative suggested for employing a Video Disc like the one used at NSA built by MVR or DMI company. In addition to this suggestion another of long standing interest was surfaced and that was for the PRE Synthesizer built by EDL. NRL had for several years tried to purchase this instrument but because of inadequate proprietary position could not select this particular device. Not until [redacted] split into another company which offered a comparable instrument could NRL procure on a competitive basis the synthesizer in question. [redacted] recommendation was made to provide a Light beam Oscilloscope unit was studied at NSA and due to the risks of severe damage by [redacted] error it was felt not to manifest sufficient White-Hat proof qualities to be deployed.

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 About 9 to 10 months ago??? NSG called a meeting with NRL and NSA to provide the emphasis of having [redacted] QC Complex throughout the sites instead of the variety of lash-ups then in existence. The NRL man at this meeting was George PRICE and after the meeting he set out actively to (1) add the two instruments NSA had suggested but to modify them slightly in order to more adequately serve the initial Operational evaluation period which had perviously used the "Spinning Head" mag-tape system, (2) to Human.-engineer the system for operator ease of operation and versatility so that no patching would be necessary and (3) to effect a complete system and get into an operational site for a Shake-down. The first complex was at [redacted] for Sec McLucas in June. It has had extensively operation time at [redacted] and in Pete's Room #123 during the interim. NSA suggested that they write the SOP and we invited them to come to NRL and use the instruments in #123 to gain some experience with the system. Mr. [redacted] and two of his men came to NRL on three occasions to gain this first hand experience, with [redacted] and [redacted] in attendance. Asside from start-up problems with the system having just been assembled in room #123, and several adjustments out of tolerance due to this move,

What transpired after the third visit of the NSA reps to NRL was a request to move the instrumentation to NSA where they could "Swarm" on it and continue the write-up of the SOP. I visited NSA in late August and this was discussed but the request was obscured by the statement that they did NOT have any place for it ~~now~~ at this time. I listened to some exagerations about the (1) Overdriving of a distribution amplifier about (2) a \$12000 (Later determined to be only \$1200) modification in the NSA type videoo disc and its (3) inability to allow use of the Synthesizer for time observations off the disc (a problem that was inherent in their recommended Disc and was not even recognized by our troops during the re-packaging effort of this system). The basic issue is one of a surprizing/^{sudden} interest now manifested by NSA in an effort now in its nineth month at NRL, just prior to it being shipped out to the site for further shake-down...We have interpreted their very indefinite request to move it to NSA as "lip Service" and have moved ahead on our original plan, even to the extent of ordering components for enhancing the other sites with Video-discs and Synthesizers...

~~Top Secret~~
 The confrontation at NRL on Tuesday morning was an attempt to get the exaggarations out of the criticisms by having the charges made in the presence of those by design association) to answer. What developed was an obvious case of NSA being angry that we had not taken their indefinite request more seriously....

~~Top Secret~~ []

Mr Dix witnessed the latter portion of this meeting including the most sticky part where we were charged with "Throwing it together" and I charged Foul etc etc.etc. Mr. Dix continued the meeting on for another hour while I went to see Mr. [] etc. It seems that he (Mr DIX) was able to get the three NSA men [] ABPLANALP AND [] to agree that the design changes were mostly cabling and operator oriented or things that can be altered after the system has a little more operational exposure. It has been suggested that NSA get the third unit with the first already on its way to [] and the second going to [] during the up-date and move into the new building.

Of general interest, the NSA approach to Program "C" is changing particularly in the arena of Processing Doctrine, Software, Hardware and Reporting. These matters have been neglected in the past but they are coming on Stronger now and I predict that in the light of ADM Gaylors new STAR we will see a greater emphasis on this program by all facets of the FORT. It is a healthy sign and one which is long overdue.

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Memorandum To File 22 September 1970
Subj: Meeting with Mr. [] on subject of Augmentation of Prog."C".
Several aspects of this meeting came as a surprise to me.

1- The statement by Mr. [] that NSA had made a request to ~~xx~~ have the funds for the augmentation of the program be passed to NRL through NSA since they involved the procurement of a computer (Processor) system. He followed this statement with another which indicated that he did not concur that such a change in funding procedure was now in order....I replied that we would accept help from any quarter but that in view of the recent manifested differences of opinion this would be a difficult change and certainly not reinforce our very difficult technical effort.

Mr. [] questioned the small amount of our O&M estimate =\$27K/Computer system...he asked about the Domestic computer, Had we overlooked its O&M burden? I had to admit that this was the case and that in the Start-up costs for Logistic spare kit, the costs already indicated would serve both installations. An additional \$18K would be needed to support the O&M burden of this domestic unit.

Mr. [] asked about the NRL Site Coordinator burden @ \$30K/yr. since we were considering this as a new hire, it could not require a full year's worth....I replied that 3/4 year or \$22.5K would be required.

Therefore the FY-71 Funding required is as Follows:::::

2 each SEL-1	System #86 computers	= \$858K	IT E
3 each Priority Data-Extractors (PDE).	. . . 150		IIA
Deployment to []	. . . 24		II D
Software One time costs 115		II B
Equipment O&M			
[] 27		
		3.	
State College 18		
NRL Site Coordinator. 22.5K		
		Total \$1,220,500.00	

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5 NOV 1970

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DEPARTMENT OF THE NAVY
HEADQUARTERS NAVAL MATERIAL COMMAND
WASHINGTON, D. C. 20360

NRL MAIL AND RECORDS

Canc. Jun 1971

IN REPLY REFER TO

NAVMATNOTE 4200

MAT 0212D/gcs

1970 SEP 28 11 09

15 SEP 1970

NAVMAT NOTICE 4200

From: Chief of Naval Material

Subj: Cost Growth Definitions

Encl: (1) Cost Growth Definitions

1. Purpose. To distribute Enclosure (1) which defines "Cost Growth".
2. Background. The term "cost overrun" has been used by many people both within the Government and outside, to refer to varying circumstances wherein some amount of actual or estimated expenditure exceeded some stated or other estimated amount. The variance of these circumstances cause the use of this term to create confusion in the minds of many and to cast improper reflection on the true status of events. In studying the problem in depth, a DOD task force came to the realization that the term "cost overrun" as widely used suffered fatal defects. Thus, the task force started with a general and imprecise term, "cost overrun" and discarded it as unworkable, and replaced it with the term "cost growth", including a structured set of definitions related to it, which are workable.
3. Action. It is requested that the contents of Enclosure (1) be given wide dissemination within your command. Personnel should be advised to use the cost growth definition and its various categories wherever appropriate in management reporting, testimony, official correspondence or speeches, to explain instances of cost growth.

Distribution List:

SNDL: A1 (SO-2 only)
A2A (NavCompt, ONR only)
A3 OpNav
A5 (BuPers only)
A6 (CMC)
41A(MSC)
C4K (PMS)
E3A (ONR LABS)
FKAL (SYSCOMS)
FKL2 (SupShips)
FKP3 (NavPros)
FKR2A (NavPros)
X(144) NavSup Special List

R. G. Freeman, III
Deputy Chief of Naval Material
(Procurement and Production)

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NAVMAI NOTE 4200
15 Sep 1970

"COST GROWTH"

Cost Growth is the net change of an estimated or actual amount from a base figure previously established. The base must be relatable to a program, project or contract and be clearly identified including source, approval authority, specific items included, specific assumptions made, date and amount. The events causing "Cost Growth" must then be identified by one or more of the following categories and the appropriate amount of each shown as "estimated" or "actual." These categories do not necessarily determine whether the cost growth could have been avoided by the Government or contractor or both. They provide the essential visibility and information required to determine the cause of the cost growth.

CATEGORIES

1. Engineering Change - An alteration in the physical or functional characteristics of a system or item delivered, to be delivered, or under development, after establishment of such characteristics.
2. Quantity Change - A change in quantity to be procured, the cost of which is computed using the original cost-quantity estimating relationships, thereby excluding that portion of the current price attributable to changes in any other category.
3. Support Change - A change in support item requirements (e.g., spare parts, training, ancillary equipment, warranty provisions, Government furnished property/equipment, testing, etc.).
4. Schedule Change - A change in a delivery schedule, completion date or intermediate milestone of development or production.
5. Unpredictable Change - A change caused by Acts of God, work stoppage, Federal or State Law changes or other similar unforeseeable events. Unforeseeable events include extraordinary contractual actions under the authority of PL 85-804 except that formalization of informal commitments should be reflected under the other categories, as appropriate and not included under this category.
6. Economic Change - A change due to the operation of one or more factors of the economy. This includes specific contract changes related to economic escalation and the economic impact portion of contract quantity changes computed using the original contract cost-quantity relationship. This also includes changing real dollar amounts in program estimates to reflect (1) revised economic impact or (2) definitized contract amounts.

ENCLOSURE (1)
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NAVMATNOTE 4200

15 Sep 1970

7. Estimating Change - A change in program or project cost due to refinements of the base estimate. These include mathematical or other errors in estimating, changing the base year of the constant dollars, revised estimating relationships, changing from constant dollars to real dollars, etc.
8. Contract Performance Incentives - A net change in contractual amount due to the contractor's actual performance being different than was predicted by performance (including delivery) incentive targets; as differentiated from cost incentive targets; established in an FPI or CPIF contract. This category also includes any changes in amounts paid or to be paid a contractor due to (1) award fee for performance accomplishments under a cost plus award fee contract or (2) the sharing provisions of a value engineering incentive clause included in any type of contract.
9. Contract Cost Overrun (Underrun) - A net change in contractual amount over (under) that contemplated by a contract target price (FPI contract), estimated cost plus fee (any type cost reimbursement contract) or redeterminable price (FPR contract), due to the contractor's actual contract costs being over (under) target or anticipated contract costs, but not attributable to any other cause of cost growth previously defined. Offsetting profit or fee adjustments attributable to cost incentive provisions, if any, shall be considered in determining the net contract cost overrun (underrun).

Enclosure (1)

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