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JUL 26 1966



MEMORANDUM FOR DIRECTOR, MOL PROGRAM

SUBJECT: Authorization for MOL Engineering Development

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. The Directive states that OSD approvals normally are required at only two points in the Contract Definition Phase - prior to initiation of CDP (Phase I) and prior to initiation of the Engineering Development Phase (Phase II). DDR&E normally makes these approvals by memorandum to the Department responsible for development of the project and based on this approval the Assistant Secretary of Defense (Comptroller) by memorandum to the Department releases funds. The DDR&E 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.

Relating the events in the progress of the MOL Program to this established procedure, the Secretary of the Air Force on June 28, 1965 submitted a Proposed MOL Program Plan to the Secretary of Defense which requested specific approval and release of funds to enter the MOL Contract Definition Phase. Acting on this proposal, the Secretary of Defense on August 24, 1965 in a memorandum for the President stated:

"Your FY 1966 budget request to Congress included, and the Congress is in the process of appropriating, \$150 million for the MOL . . .

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When these funds were budgeted in December 1964, I indicated I would defer their release until such time as the studies of the nature and value of the program, then underway, were satisfactorily completed. These studies have now been completed. Based upon a thorough review of the conclusions, I recommend -- approval of the MOL for full scale development to begin during FY 1966. The release of the \$150 million in the FY 66 budget and the initiation of contract definition will begin the full scale development."

On August 25, 1965 the President followed this with a national TV announcement instructing the Department of Defense to proceed immediately with the development of a Manned Orbiting Laboratory. A Memorandum for Director MOL from SAF (Zuckert), on the same date, was signed authorizing you, as Director of the MOL Program, to proceed with the development of a Manned Orbiting Laboratory system. These events were followed by a request to DDR&E dated September 10, 1965 requesting the release of \$62.0 million of remaining FY 1965 and initial FY 1966 MOL funds to undertake Phase I activities. Program approval was given by DDR&E on September 20, 1965 followed by release of funds by the Assistant Secretary of Defense (Comptroller) on September 23, 1965. Subsequent approvals and release of funds were made by the DOD during February 1966 for \$40.0 million and June 1966 for \$60.0 million for continuation of the MOL Program.

DOD Directive 3200.9 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 IIM 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, DDR&E by memorandum to the DNRO specifically authorized proceeding with the purchase of support equipment and

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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 IIM launch vehicle.

The foregoing events indicate the DOD intent and willingness, on the basis of the approvals 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 your 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 NOA 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 draft memorandum to the DDR&E requesting concurrence with this funding approach has been given to the Secretary of the Air Force for his approval and signature and I intend to pursue this position for an early decision. A resolution on the funding problem must be available no later than upon completion of contract negotiations and prior to contract signature. The Douglas, McDonnell and General Electric Evaluation & Negotiation Teams are in their final rounds of review on the contractors Phase II proposals. Government position for all three are expected to be established by July 25 and negotiations to be completed by September 1. When a negotiated position is reached, these procurement contracts must be submitted to DCS/Procurement and Production, Headquarters Air Force Systems Command, for review and approval. If at that time, neither the Secretary of the Air Force nor OSD has acted favorably on our Program Plan and Funding recommendation, then at a minimum, a review with the Secretary of the Air Force of our negotiated position with the three contractors would be necessary and further discussion with

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the OSD would likely be required. The qualm of such a situation, if it should happen, would be our relationship with the contractors and the status they assume while a decision is being rendered. I strongly recommend that we do all possible to avoid arriving at this position by bringing all pressure to bear now for an early decision on our recommended program plan.

Contract negotiations with Eastman Kodak for the DORIAN effort also are scheduled to begin very shortly. This procurement will be negotiated as a cost plus fixed fee contract by SAFSP and forwarded to Dr. Flax for final review and approval. I envision no particular problem arising out of this action and feel that there is sufficient support here to allow for continuation with the DORIAN development effort. We will, of course, give our assistance and support as required to assure that overall program integrity is provided.

Similarly, the Titan III development contracts present no immediate problem. These contracts with the Titan III associates are being managed by the Titan III SPO and contract changes to existing development contracts are being made to keep the effort moving until such time that new contracts for MOL booster development are negotiated.

In summary:

a) Except where specifically authorized to deviate, the MOL Program has followed the general policies and practices contained in DOD Directive 3200.9.

b) In every instance where the Department of the Air Force has submitted a request to OSD for program approval and release of funds, such approval and release has been made.

c) OSD has shown a repeated intent and willingness to proceed with orderly engineering development by initiating approvals which specifically involve not only current year releases but also follow-on funding.

d) The Director, MOL by memorandum to the Secretary of the Air Force has submitted a Program Plan and Funding Requirement document containing his recommendation for proceeding

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with the Engineering Development Phase. Accompanying this submittal was a draft memorandum to be signed by the Secretary of the Air Force to the DDR&E. The submission of a recommended Air Force position to DDR&E is in accordance with DOD Directive 3200.9.

e) Contract negotiations with Douglas, McDonnell, and General Electric are scheduled for completion around September 1, 1966. Because MOL Program funds do not meet stated baseline and schedule requirements, Secretary of the Air Force and OSD approval is required before Phase II contracts can be executed.

f) Continuation of the sensor payload and Titan III booster developments by themselves present no immediate problem but funding these efforts must be controlled with consideration given to the total program funding problem.

g) All possible action should be taken to get Secretary of the Air Force concurrence and OSD approval of our recommended program plan.

SIGNED

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

Col. RANDALL SAF-SL

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