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SEP 7 1966

MEMORANDUM FOR THE SECRETARY OF THE AIR FORCE

SUBJECT: Engineering Development Phase of the MOL Program

REFERENCE: Secretary of the Air Force Memorandum for the  
Director, MOL, dated August 20, 1966, Subject:  
Authorization to Proceed with the Engineering  
Development Phase of the MOL Program

The purpose of this correspondence is to inform you of the actions I have taken and intend to take to implement the direction contained in the referenced Secretary of the Air Force memorandum.

I have dispatched to General Berg the directive attached as TAB A. In summary, the Deputy Director has been instructed to: (1) Continue negotiations with major associate contractors, conclude these negotiations without delay, and forward as soon as possible the contract costs and fiscal year fund requirements agreed upon with the contractors; (2) take contractual actions prior to full-scale EDP approval as necessary to protect program lead times and the flight schedule, within the constraints specified in your instructions; and (3) review program plans and schedules to isolate and identify items which can be deferred without adverse schedule impact on the first manned flight in order to minimize FY 1967 funds requirements.

The specific course of action contemplated with respect to contractual activity is the following: Pre-Contract Cost Letters of the format appended as TAB B have been executed to cover Douglas, McDonnell, and General Electric for the month of September. These agreements recognize contractors' expenses incurred during September in contemplation of coverage of this effort in definitive contracts. Costs to be incurred under this arrangement will be limited to specific dollar amounts not exceeding the SPO estimates of expenditures for September. These cost limitations are \$4.0 million for Douglas, \$1.789 million for McDonnell and \$2.0 million for General Electric. In order to minimize the period of time the contractors will be required to finance the above effort, it is planned to execute amendments to the existing Phase IC contracts to cover this interim effort until Phase II contracts are approved.

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It is anticipated that by late October negotiated costs will be available for your review for approximately 80% of the dollar value of the EDP Program. Firmly based cost estimates will be provided for those parts of the program for which negotiated prices will not have been reached. Items in this category relate to the Aerojet and UTC portions of the Titan III effort which will total approximately \$137 million and deferred contract items on the Eastman Kodak, McDonnell, Douglas and General Electric contracts which approximate \$180 million. The Aerojet and UTC contracts are anticipated to be negotiated by November 15 and December 31, respectively. As you know, long lead development effort has been underway with these contractors since early this year. The lateness of the UTC contract negotiation is due to its dependence on the outcome of the selection of a solid rocket booster contractor for the Titan IIID program. The deferred items are such as acoustic and other mission payload segment testing with EKC, remote site operations and airborne spares requirements with McDonnell, field test operations with Douglas and field test operations and the acquisition and tracking subsystem with General Electric.

In summary, I expect to be able to provide you by late October with the firm cost data you require to support a decision on full-scale development of the MOL. Prior to that decision, I will continue to protect the flight schedule, within the funding constraints you have stipulated.

Reference is made to your letter of July 20, 1966. Subject: MOL Program.

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

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Part II. ACTIONS REQUIRED:

The Deputy Director, MOL Program, will continue with

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HARRY L. EVANS, Maj General, USAF

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Fr General Evans to General Berg. This message in 4 Parts.

Part I. PURPOSE: This directive provides interim authorization to proceed with those activities necessary to protect development lead time and the MOL flight schedule.

Part II. BACKGROUND: In a memorandum to the Secretary of the Air Force dated July 20, 1966, Subject: MOL Program Plan and Funding Requirements, the Director, MOL Program, submitted for approval a plan for acquisition of the MOL system. This directive implements the decisions taken by the Secretary with respect to the MOL Program Plan, a copy of which is enroute under separate cover. Part III. ACTIONS REQUIRED:

A. The Deputy Director, MOL Program, will continue with the negotiation of contracts with all major MOL associate

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DR A F T E R

TYPED NAME AND TITLE

O. C. MAY, Jr.  
Major, USAF  
Program Control Division

PHONE 53889

R E L E A S E

SIGNATURE

SIGNED

TYPED (or stamped) NAME AND TITLE

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

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contractors on the basis of the flight schedules and objectives defined in the Program Plan and will prepare for presentation to the Director, MOL Program, at the earliest practical opportunity, the total program cost and cost distribution by fiscal year resulting from these negotiations. Final determination of FY 67 and FY 68 funding levels will not be made by Director, MOL and higher authority prior to review of negotiated costs. You should make every effort to conclude negotiations ASAP. Authorization for full-scale MOL development is withheld, pending review by higher authority of negotiated program costs. B. The Deputy Director, MOL Program, is authorized and directed to obligate FY 66 and FY 67 funds released by the Director, MOL Program, as necessary to protect schedules and development lead times. The rate of such obligation may not exceed the rate recommended by the Director, MOL Program, in the Program Plan. The option to limit FY 67 funds requirements to \$208 million will be protected until January 1, 1967. This authorization will apply only until program approval for full-scale development and, in any event, will not apply beyond January 1, 1967. C. Every possible

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effort will be made to hold FY 67 MOL Funding requirements to the minimum consistent with the schedule and objectives for the first manned MOL flight. The Deputy Director, MOL Program, will review present program planning to identify any items for which initiation of development can be deferred without adverse schedule impact on the first manned flight. Items so identified will be reported to the Director, MOL Program, at the time of review of total negotiated program costs. Part IV. Action is being taken through financial channels to provide \$29.6 million for September and October requirements in accordance with your SAF-SL-4 22543, Aug 66. GP-3

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DEPARTMENT OF THE AIR FORCE  
MANNED ORBITING LABORATORY, SYSTEMS PROGRAM OFFICE (OSAF)  
AF UNIT POST OFFICE, LOS ANGELES, CALIFORNIA 90045



SAFSL-8

Pre-Contract Cost Recognition for MOL Program Engineering Development  
Phase Lead Time Protection, Douglas Aircraft Company

Douglas Aircraft Company  
ATTN: Mr. C. E. Humphrey

1. This letter is to confirm that pre-contractual costs in an amount not exceeding \$4,000,000 will be recognized commencing 1 September 1966 through 30 September 1966. This recognition is based on Douglas Aircraft Company proceeding with subject effort at its own risk in anticipation of a contract being placed for such effort. It should be recognized that in the event that a contract is not placed with Douglas Aircraft Company for such specified effort, any pre-contract costs so incurred will not be reimbursed by the Government nor will such costs be used as the basis for submission of a claim.

2. It is therefore agreed that in the event a contract is placed with you, for the subject described effort, the contractual instrument will contain the following provisions:

**Pre-Contract Costs.**

All costs which have been incurred on and after 1 September 1966 by the contractor in anticipation of this contract and prior to the execution thereof, and which, if incurred after the execution of this contract, would have been considered allowable costs hereunder, shall be allowable costs hereunder; provided, however, such costs shall not exceed \$4,000,000.

LEONARD T. ATKINS  
Contracting Officer