MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

March 11, 1968

If the attached approach is satisfactory to you, I would suggest that, in furtherance of the practice of informal exchanges with the DCI prior to formal action, I expose the proposed memorandum to John Bross for comment.

Alexander H. Flax
Dear Dick:

Over the past several months there has been growing interest in defining methods and procedures for considering the costs of alternative intelligence collection programs to meet specific requirements. There are also under way, both in the DOD and in your National Intelligence Evaluation Staff, efforts to quantify, at least in a relative sense, the value of various kinds of intelligence information at various levels of accuracy, completeness, and confidence. However, I believe that the current problems of relating intelligence collection requirements should be attacked by the best means currently available; we should not defer actions to improve current procedures until more quantitative and sophisticated measures of cost-effectiveness can be developed and validated for a broad range of applications. I would therefore like to suggest a mechanism for effecting coordinated reviews of intelligence requirements in light of their cost implications, based on an extension and formalization of some of the practices which have evolved in the relationships between the National Reconnaissance Office (NRO) and the United States Intelligence Board (USIB).

Although there are currently no formal procedures for USIB review of cost alternatives in collection programs, when the Director, NRO, sees a case in which moderate changes in the requirements statement may have appreciable impact on collection costs, he has been making a practice of referring collection cost data to the USIB and its Committees, so that consideration may be given to the option of modifying requirements in light of cost data. Also, the NRO is sometimes asked by the USIB to provide estimates of costs to meet alternative statements of USIB collection requirements. I note that you have personally encouraged exchanges of this kind.
These procedures for introducing collection cost considerations into the requirements process could be regularized and extended in application by establishing an Intelligence Collection and Exploitation Cost Evaluation Panel under the USIB. The initial responsibility of this Panel would be to collect more broadly the kind of cost information which the NRO has provided informally, as noted above. To the extent possible, the Panel would consider the costs of processing, interpretation, and analysis of the collected data as well as the costs of collection. It would carry out this responsibility by obtaining adequate and comparable cost data on alternative collection programs and related exploitation costs from collection and exploitation organizations such as NRO, NSA, DIA, NPIC and CIA on a timely basis, for consideration by the USIB in formulating major collection requirements.

The next step, consideration of whether satisfaction of the requirements at various levels of accuracy, confidence, and completeness justified the increments of costs associated with those levels, would still be left as a judgmental matter to the USIB and to you as the Director of Central Intelligence. The budgeting and allocation of resources, in light of these collection requirements, other resource needs and overall budgetary considerations, would, of course, remain the responsibility of the operating agencies engaged in collection activities.

Subsequently, if quantitative measures of the value of specific elements of intelligence and the value of various confidence levels in estimates were developed and validated, inclusion of these approaches could be added to the responsibilities of the Panel. In any event, it is probably not to be expected that quantitative measures of an absolute kind would ever completely eliminate the need for subjective judgments by the USIB. The Panel would, however, provide supporting data to permit these judgments to be made in the light of the best quantitative measures available at any given time and insure that the assumptions and limitations of any quantitative study were clearly set forth for the USIB, along with the study conclusions.

It seems to me that this arrangement, or something similar, would have the advantage of meeting our needs on an evolutionary basis. It
would also give us the flexibility to respond to new approaches as they evolved and as we gained experience. I would appreciate your views on this suggestion and would be pleased to discuss it further with you, should you desire.

Mr. Richard Helms
Director of Central Intelligence