

RAC-B-20



APR 21 1969

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## MEMORANDUM FOR THE PRESIDENT

Subject: FY 1970 Intelligence Program Savings

Since your decision on Wednesday, April 9, to terminate the development program for the HEXAGON photographic satellite system and significantly to slow down the Manned Orbiting Laboratory development program, I have taken the following steps:

- As you directed, I informed Secretary Laird and Mr. Helms of the decisions and told them that you intended to achieve these savings in FY 1970 (although they would not be announced as part of the budget reductions), unless there was an overriding reason that they should be continued;
- I have again personally reviewed the added value, costs, and funding schedules of these programs in light of our present capabilities and the arguments of the proponents.

Based upon my further review I have concluded that:

a. Estimated savings for FY 1970 will be about as follows: for HEXAGON termination, -\$115 million in Budget Authority and -\$60 million in outlays, and for MOL stretchout, -\$325 million in Budget Authority and -\$325 million in outlays. However, Defense may take the position that the MOL stretchout is impractical and essentially converts the present flight oriented program to a camera and space technology effort;

b. If savings are to be achieved in FY 1970 for possible application to FY 1971 budget requests, contractual termination and adjustment procedures should begin at once to minimize high continuing costs and termination charges;

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c. These savings will provide flexibility to pursue other projects or new capabilities in FY 1971.

As you recall in making your decision, one of the options you considered was continuing the HEXAGON search system and the cancellation of MOL. On reflection, there may be some additional reasons for considering this option. Politically, it may be desirable to have the better performance of the HEXAGON search to provide greater assurance, for example, to members of the Congress who would be most concerned about our ability to police a strategic arms limitation agreement. Moreover, in terms of added intelligence value, the MOL is the more questionable. Cancellation of MOL and continuation of HEXAGON would provide about the same savings below the presently proposed programs, both in FY 1970 and over the next five years, as your current decision.

	BA savings (in millions)	
	<u>FY 1970</u>	<u>FY 1970-1974</u>
Decision: Terminate HEXAGON and stretchout MOL	-\$440	-\$1,935
Option: Continue HEXAGON and terminate MOL	-450	-1,800

I understand that both Secretary Laird and Mr. Helms plan to appeal the decision. As background for you, I am attaching two papers setting forth the basic reasoning in support of your reductions on each of the programs in question.

(Signed) Robert P. Mayo

Robert P. Mayo  
Director

Attachments

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