

CONTRACTS

SITE SEGMENT

3-4

25 Oct 1972

ISSUE PAPER - KENNEN

1. In July 1972 the EXCOM authorized for KENNEN in FY 73 with the understanding that the program would continue to work toward the October 1976 operational date, pending another review by the Committee in November 1972. The Committee withheld judgement about the FY 74 level until the November 1972 meeting. (At the present time the FY 74 level is held in the NRP forecast at the level which resulted from an EXCOM program decision in November 1971. The FY 75-78 levels currently held in the NRP are also those resulting from the November 1971 EXCOM. However, in view of the July decision and the program actions that have ensued therefrom, these numbers are no longer relevant regardless of the FY 74 level that might be chosen in the November meeting.)

2. In implementing the July decision we have given funding approvals through December 1972 appropriate to the approved FY 73 monies. The Program Office has committed those funds in accordance with an October 1976 launch objective.

3. The program is on schedule, has completed critical program reviews according to plan, and there is no indication at this time that the cost forecasts made in July will not be met. From a technical standpoint the program is proceeding as planned with no unforeseen problems developing since the program started.

4. The FY 74-78 funding requirement to remain on the October 1976 first launch schedule is as follows: (This is the Option 1 presented to the Committee in July from which the approval for FY 73 was derived.)

<u>FY</u>	73	74	75	76	77	78	Total
Kennen (NRP)	[Redacted]						
Total							

5. The issue ^{now} ~~then~~ is whether the KENNEN program should remain on the October 1976 schedule with program funding levels as listed above in paragraph 4, or whether the FY 74 funding level should be held at [Redacted] than is required, accepting the consequences to operational availability, to total program cost and to the FY 75-78 funding levels that may result. Because of the extreme complexity of the program and the interaction between contractors and subcontractors, none of these effects can be precisely defined at this time and could not be defined until contractors were engaged in renegotiation ^a ~~efforts~~ of financial plan and schedules, ^{This activity would} ~~which may~~ take nine months to a year to accomplish. In general, however, the impact of reducing the FY 74 funds by [Redacted] is as follows:

a. The KENNEN Program Office ^{would be required} ~~will~~ evaluate and plan an approach for reprogramming and ~~will~~ begin negotiations with the contractors involved.

b. The prime, the sub and the lower tier contractors ^{would} ~~will~~ be required to replan their program in accordance the NRO/Program Office direction and submit detailed proposals.

c. All this ^{would} ~~will~~ be done in a non-competitive situation ^{in which} ~~and it will~~ be difficult for the KENNEN Program Office to control contractor pressure for increases in schedule or costs.

d. As a result of diversion of manpower resources to fact finding and contractor negotiations required by the change of schedule, and as a result of the lower funding level in FY 74, a delay in launch date, possibly on the order of twelve months, could be expected.

e. The longer program and the probable increase in cost due to renegotiation with contractors in a non-competitive environment would increase total program costs.

Options.

Option 1: Continue with the program development toward the October 1976 first operation date with a program funding level as shown in paragraph 4 above.

Option 2: Hold FY 74 monies for the Imaging Satellite Ground Station to accept the probability of a program slip up to twelve months and leave the funding levels projected for FY 75-78 open until the renegotiation process is complete sometime during the summer of 1973.