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██████████ FLUMPER FROM GENERAL KILPA.  
SUBJECT: PROPOSED FCRC REDUCTION.

1. I HAVE JUST LEARNED THAT THE DEFENSE SUBCOMMITTEE OF THE SENATE APPROPRIATIONS COMMITTEE HAS ISSUED A DRAFT REPORT RECOMMENDING A FUNDING REDUCTION FOR FEDERAL CONTRACT RESEARCH CENTERS ██████████ IN FY 76 AND 77. THE AIR FORCE SHARE OF THIS REDUCTION ██████████ AND THE REDUCTION IN ██████████ FUNDING COMPARISON BETWEEN ██████████ ESTIMATES THAT THIS WOULD ██████████

2. IT IS UNDERSTOOD THAT THE SUBCOMMITTEE WISHES TO REDUCE FCRC EFFORT WHICH SERVES AS AN EXTENSION OF THE HEADQUARTERS STAFF FOR PLANNING AND REQUIREMENTS DETERMINATION FOR THE SECRETARY OF DEFENSE OR THE SERVICES. I HAVE

PAGE 2 ██████████ 1111 T O ██████████  
FORWARD ██████████ SEPARATELY A ██████████ PREPARED IMPACT STATEMENT WHICH ██████████ THE PROPOSED REDUCTION IN MORE DETAIL. IF THE SENATE APPROVES SUCH A DRASTIC CUT THE IMPACT ON OUR PROGRAMS WOULD BE ALARMINGLY SEVERE IN ANY CASE AND POTENTIALLY UNTENABLE. ALTHOUGH WE ENJOY THE HIGHEST NATIONAL PRIORITY, I SEE NO ALTERNATIVE BUT TO COMPETE WITH OTHER SAMSO PROGRAMS IF SUCH A CUT IS FORCED UPON US. I FORESEE SIGNIFICANT RISK TO EVERY MAJOR PROGRAM THAT WE HAVE, THROUGHOUT ALL PHASES OF DEVELOPMENT, LAUNCH AND ON-ORBIT OPERATION.  
3. IN THE LONG RUN THERE ARE ALTERNATIVE WAYS TO SATISFY

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THE FUNCTIONS PRESENTLY BEING PERFORMED BY [REDACTED] PEOPLE, SUCH AS INCREASING OUR BLUE SUIT CAPABILITY OR AUGMENTING WITH RESIDENT CIVIL SERVICE TECHNICAL PEOPLE. NEITHER OF THESE ALTERNATIVES, HOWEVER, APPEARS VIABLE AT THIS TIME. ANOTHER ALTERNATIVE IS CONTRACTING WITH INDUSTRIAL SOURCES FOR SIMILAR SERVICES. SINCE THESE ARE LONG RANGE SOLUTIONS, THEY DO NOT HELP US IF THE PROPOSED CUT IS IN FACT ENFORCED BEGINNING THIS FISCAL YEAR. I HAVE DISCUSSED THE PROBLEM WITH GEN [REDACTED] AND GEN [REDACTED] AND WILL CONTINUE TO WORK WITH THEM TO FIND WAYS IN WHICH [REDACTED] SERVICES COULD BE RESTRUCTURED [REDACTED]

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WITH THE LEAST IMPACT ON THE DIRECT SUPPORT WE REQUIRE FROM THEM, E.G., COULD SOME OF THE LABORATORY WORK BE CUT OUT?

4. AN IMMEDIATE CUT IN THE [REDACTED] WOULD WELL CAUSE REMAINING HIGHLY QUALIFIED HIS PEOPLE TO LOOK FOR OTHER EMPLOYMENT; I WOULD EXPECT THIS TYPE OF EXODUS TO OCCUR ALONG WITH A SIGNIFICANT REDUCTION IN MORALE AND CONSEQUENT LOSS OF EFFECTIVENESS. WHEN COUPLED WITH THE LENGTH OF TIME IT WOULD TAKE TO AUGMENT SAFSP WITH BLUE SUIT, CIVIL SERVICE ENGINEERS OR CONTRACTORS, CONTINUED SUCCESSFUL PROGRAM OPERATION BECOMES A VIRTUAL IMPOSSIBILITY.

5. GENERAL [REDACTED] HAS INFORMED GENERAL [REDACTED] OF THE OVERALL IMPACT OF SUCH A CUT ON THE [REDACTED]

[REDACTED] AND INCLUDED A GENERAL IMPACT ON [REDACTED] I AM AWARE THAT SENATOR MC CLELLAN IS BRIEFED AND KNOWLEDGEABLE OF THE NRP BUT SUSPECT THAT HE IS NOT AWARE OF THE IMPACT THAT HIS PROPOSED CUT WOULD HAVE ON US. I STRONGLY URGE THAT HE BE CONTACTED AND BRIEFED ON THE PROBLEMS IT WOULD CREATE. I UNDERSTAND THAT THE DEFENSE SUBCOMMITTEE OF THE SENATE APPROPRIATIONS

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COMMITTEE RESUME ACTION ON THIS MEASURE VERY EARLY IN DECEMBER; THEREFORE, I BELIEVE TIMELY ACTION IS REQUIRED.

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**IMPACT STATEMENT ON THE EFFECTS ON THE [REDACTED] OF  
APPROPRIATIONS SUBCOMMITTEE REDUCTIONS IN FY 76 FUNDING FOR FCRC'S**

The primary function of [REDACTED] is to support the Space and Missile Systems Organization (SAMSO) located in El Segundo, California. [REDACTED] essentially SAMSO's sole source of civilian technical support in the field of military space systems and ballistic missile reentry systems. Unlike other military organizations involved in weapon system acquisition, SAMSO has essentially no civil service staff technically knowledgeable in its field — that of military space and ballistic missile systems. While many of SAMSO's Air Force Officers have excellent technical training, it is essential that they have the support of a highly competent, technical organization to accomplish their mission. [REDACTED]

[REDACTED] supplies approximately 1200 engineers and scientists to the support of SAMSO.

The impact of the proposed Appropriations Subcommittee reduction of [REDACTED] in FY 1976 in Air Force FCRC ceiling has been investigated on the basis of three assumptions of the reduction assigned to [REDACTED]

[REDACTED] The assumptions for the three cases are defined below:

Case 1. The reduction is applied to the line item funding of all Air Force FCRCs in proportion to the line item funding for each FCRC. In this case the [REDACTED] reduction would be approximately [REDACTED]

Case 2. The [REDACTED] share of the reduction is increased to [REDACTED] to help maintain the FCRCs which have a larger percentage of funding in line item than [REDACTED]

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Space and Missile Systems

Case 3. The total reduction is divided in proportion to the total funding for each FRC. In this case the [redacted] reduction is approximately [redacted] which [redacted] Air Force and [redacted] Navy and Other Defense Agencies.

Relationship of Funding Reduction to Reduction in Force of Personnel

It is assumed that notification of the magnitude of the cut would be received by 1 December 1975. Based on past experience, it would take until approximately 31 December 1975 to identify the areas that would be reduced and the personnel that would be terminated. Assuming engineering and scientific personnel (MTS) are given termination notices on January 2, they would receive four weeks notice and be terminated on January 30 with severance pay averaging ten weeks. It is assumed that the ratio of support personnel to MTS remains at 0.93. Under these assumptions, one MTS and 0.93 support personnel would have to be released for each [redacted] which the funding is reduced. The figure of [redacted] per MTS terminated is the result of being seven months into the Fiscal Year before personnel can be terminated, and the cost of the ten weeks average termination pay.

The total MTS population is 1650 and total support is 1540, giving a total headcount of 3190. Of this, approximately 1192 MTS and 1110 support personnel work in support of Air Force activities. The following table summarizes the impact on personnel for each case:

	CASE 1	CASE 2	CASE 3
Reduction in [redacted] Funding	[redacted]	[redacted]	[redacted]
Number of MTS Released	320	500	670
Percent Decrease of MTS Supporting the Air Force	20.9	42.0	50.2*
Support Personnel Released	300	465	620
Total Personnel Released	620	965	1290

\* Includes 3.4% supporting Navy and Other Defense Activities

In addition to the problem of the funding cuts, the [redacted] presently striving to reduce its costs by approximately [redacted] in order to deliver the target number specified in the Air Force contract. Thus, the impact may be worse than indicated in the following.

Current Assignments of Members of the Technical Staff (MTS)

It is understood that the Subcommittee intended that the reductions be in the "line item" effort. Present [redacted] planning calls for applying 159 MTS to the Air Force line item. Of these, the number applied to "in-house" planning, technology, research, and intelligence, is approximately 97. Thirty are being used in support of programs such as the Air Force Satellite Communications Systems II and III and the Space Test Program. Another 32 are used to support the Air Force in supervising contracts for developing a process to supply critically short UDMH rocket fuel and contracts for space technology developments. Thus, none of these [redacted] MTS serves as "... an extension of Headquarters staff for planning and requirement determination for the Secretary of Defense and the services"--the category of work which the Subcommittee suggested be performed elsewhere.

The allocation of the line item funded MTS is shown in the following table:

<u>Line Item Funded</u>	<u>MTS</u>
Development Planning	41
Space and Missile Technology	56
1 - Space Test Program	12
2 - Space Surveillance	10
4 - Fault Tolerant Space Computers	[redacted]
5 - Spacecraft Charging at High Altitudes	2
7 - [redacted] Technology Tasks	[redacted]
Research and Experimentation	22
Foreign Intelligence	14
Air Force SatCom II/III	18
UDMH Rocket Fuel Process Development	5
<b>Total (49D) Line Item</b>	<b>159</b>

Approximately 980 MTS primarily are performing systems engineering in support of SAMSO on-going flight hardware development programs involving contractor costs which typically run 20 times the [REDACTED]. These include such hardware programs as the Defense Support Program, Titan III and the NAVSTAR Satellite System. This contractor work cannot proceed without the Air Force having this support. 15 additional MTS are working on selected tasks important to SAMSO. Examples are [REDACTED]

[REDACTED] development for future space application. 39 more MTS are employed for other parts of the Air Force such as the Air Force Weapons Lab, [REDACTED], there are a total of 1095 MTS working on activities which would have a serious impact if stopped. The manpower on these tasks is already at or below the minimum level needed to carry out the work. Any reduction would lead to major program delays, probable flight failures, and cost increases at contractors that would be large compared to the reduction [REDACTED]. The allocation of MTS funded from programs and projects other than the "line item" is tabulated below followed by the "line item" total to show the overall distribution:

<u>Funded from Other Programs and Projects</u>	<u>MTS</u>
Space & Missile Flight Hardware Program System Engineering	979
SAMSO Funded RDT&E Tasks	15
Support of Air Force RDT&E Tasks Other than SAMSO	39
<b>Total Funded from Air Force Programs/Projects</b>	<b>1033</b>
<u>Aerospace Line Item Funded (from previous table)</u>	<u>159</u>
<b>Total MTS Supporting Air Force</b>	<b>1192</b>

The following sections will describe the impact of the three cases of reduced funding defined earlier.

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\* Includes 30 for AF SatCom, etc. plus 32 for UDMH, etc. (see Page 3)

Impact for Case 1, [REDACTED] FY 76 Funding Reduction

It is understood that it was the intent of the Subcommittee to reduce "line item" type effort. The table on Page 1 shows that for the [REDACTED] FY 76 reduction of Case 1, 320 MTS would have to be released, whereas from the table on Page 3 only 159 MTS presently are planned to be funded in FY 76 by the [REDACTED] line item. Thus, the funding reduction necessitates releasing 320 minus 159 or 161 additional MTS that support the effort on the major space and reentry systems programs discussed on Page 4. The importance of these programs is such that SAMSO would of necessity have to procure civilian support services in some other manner. Most probably it would have to hire services from a profit-making firm at a cost higher than [REDACTED] and in contradiction to the guidance provided by Congress when [REDACTED] was established; i. e., specifically that work of this type should be done by a non-profit organization. In addition to replacing the 161 MTS that would be dropped from program support, 62 of the 159 MTS funded by the line item also support SAMSO in the technical management of industry contracts. Thus, it would also be essential to replace these MTS.

As pointed out by the report of the Special Study Group on Federal Contract Research Centers established by Dr. John Foster in 1971, if the [REDACTED] were to be abolished, it would have to be reincarnated either as a new element of an existing private organization, a new private corporation or a new in-house government activity. The report also states that in all three cases "... the bulk of the new entities staff would likely be drawn from the present [REDACTED]". Thus, the changes would be primarily cosmetic in nature.

[REDACTED]

Because of the short time between now and the time the [REDACTED] MTS would be released (January 30, 1974), the probable alternative the Air Force would have to choose would be to hire an element of an existing profit-making organization which in turn would hire many of the released [REDACTED] workers to perform the essential tasks. Since there is no ceiling limitation on such contracting and funding is available in the space system programs and other efforts carried on by SAMSO, this course of action would not be proscribed by the Subcommittee's report. Even the alternative of replacing the [REDACTED] with civil service employees (were such available and other limitations could be overcome), would not save money as June 1974 data indicates that the average [REDACTED] salary is 7.5% below that of comparable NASA employees.

Clearly if the Congress wishes to save money, the only effective way is to reduce or cancel some of the space programs contracted with industry for which SAMSO needs [REDACTED] support. As an example, when the [REDACTED] was terminated [REDACTED] underwent a reduction in force of 164 MTS. Since the Air Force's space program has suffered from budget squeezes in recent years, any such cancellations would seriously impair our military space capability, but such program cutbacks or cancellations are the only way in which the [REDACTED] work honestly can be eliminated.

[REDACTED]



Impact for Case 2 [REDACTED] FY 76 Funding Reduction

Case 2 differs from Case 1 in that the [REDACTED] 76 reduction in funds requires a reduction in force of 500 MTS instead of 320 (see table on Page 3). Subtracting the 159 MTS presently planned to be funded in FY 76 by the line item leads to the result that 341 additional MTS would have to be withdrawn from the 1033 listed on Page 4 as presently planned to be funded from Air Force programs and projects. This would be a 33% reduction in the support of high priority military space programs.

.. Again the consequences would be similar to those in Case 1 except that 50 [REDACTED] MTS would have to be replaced by arranging contracts with private industry with even more severe problems than discussed in Case 1. Alternatively if the Congress wishes to reduce [REDACTED] type effort by 500 MTS, it should cancel 33% of the space and reentry systems programs carried on by SAMSO. It should also cancel the industry contractual work being carried out under the items listed in the table on Page 3 under Space and Missile Technology, Air Force Satcom II and III, and UDMH rocket fuel process development. In addition, it should prohibit SAMSO from replacing the effort listed in the table on Page 3 in Development Planning, Research and Experimentation, Foreign Intelligence and In-House Technology Tasks with the equivalent in contracted support. Such cancellations and prohibitions would severely damage the military space capability of the nation, and we do not believe that such reductions are desired by the Congress.

[REDACTED]

Impact for Case [REDACTED] FY 76 Funding Reduction

Case 3 in which [REDACTED] would receive a [REDACTED] reduction in FY 76 would result in having to release 670 MTS and 620 support personnel or a total of 1290 people. As shown by the same table, this is a reduction in support of 56.0% of which 3.4% would come from support to the Navy and Other Defense Agencies. This reduction would amount to approximately 41% in the size of the [REDACTED] and there is considerable question as to whether the [REDACTED] could survive such a large cut-back. Certainly it would make it extremely difficult to hire in highly competent new personnel if requirements increased in later years.

As in Case.2, if the Subcommittee honestly wants to reduce this type of effort, it should cut-back the activities carried on by SAMSO by approximately 56%. Such a cut-back would be extremely damaging to the United States military space and ballistic missile capability and obviously is not the intent of the Subcommittee as the funding for the SAMSO programs and projects has almost entirely been approved as recommended by the Authorization Committee.

Summary

Because we have progressed so far in the fiscal year and because of termination costs, the potential funding reductions for FY 76 intended to reduce "line item" type activities a [REDACTED] the effect both of totally eliminating line item work and also depending on how the cut is allocated among FCRCs of cutting seriously into the support of space and reentry systems hardware programs.

[REDACTED]

It is understood from the Subcommittee report that the intent was to eliminate those activities which "... are an extension of Headquarters staff for planning and requirement determination for the Secretary of Defense and the services." A careful analysis of all the work done for the Department of Defense by [REDACTED] indicates that there are not more than a dozen out of the 1650 MTS who can possibly be considered to be supporting Headquarters staff. Even these few have been selected to provide inputs to Headquarters because the technical competence and breadth of knowledge in the military space field is not available anywhere but at the [REDACTED]. In view of the very small number of MTS whose work could be interpreted as falling within the scope the Subcommittee desires to reduce and because of the circumstances requiring this effort, it is believed completely inappropriate to make funding cuts which would force the [REDACTED] release between 620 and 1290 personnel depending on how the reductions are allocated. These cuts would range from 26.9% to 56.2% [REDACTED] support of the Air Force and Other Defense Agencies. Since SAMSO essentially has no civil service technical support knowledgeable in the space and missile field, it would be necessary for SAMSO to contract with profit-making firms for personnel to replace those lost by the [REDACTED] reduction. Such contracting would increase the cost and be contrary to the Congressional recommendations that resulted in the creation of the [REDACTED]. In addition, it probably would result in the organizations that take over what formerly had been the [REDACTED] work-load hiring many of the released [REDACTED] personnel because of their expertise in the work. Therefore, unless it is the intent of the Subcommittee [REDACTED]

to cut-back the military space programs supported by [REDACTED]  
from 27% to 56% the logical approach is not to reduce the [REDACTED]  
funding. Therefore, it is urgently requested that there be no reduction  
in the funding of the line item or the FCRC ceiling allocated to the  
[REDACTED]

[REDACTED]