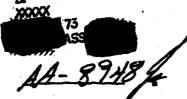
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HALFILE VIA

SERVECT: PROPOSED FORC REDUCTION.

LI 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 THAT THE AIR FORCE SHAPL OF THIS REDUCTION IN FUNDING COMMITTEE BETWEEN BUT OF THE REDUCTION IN FUNDING COMMITTEE BETWEEN B

2. It is understood that the subcurritte vishes to reduce forc 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

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POSED 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
HO 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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TOP SECRET

E FUNCTIONS PRESENTLY BEING PERFORMED BY
PEOPLE, SUCH AS INCREASING OUR BLUE SUIT CAPABILITY OR
ALEMENTING WITH RESIDENT CIVIL SERVICE TECHNICAL PEOPLE.
WEITHER 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
WAYS AN AND WILL CONTINUE TO WORK WITH THE PROPERTY.
WAYS AN AND WILL CONTINUE TO WORK WITH THE PROPERTY.

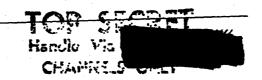
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PACE 2 ANTOPSECRET IMPACI ON THE DIRECT SUPPORT WE REQUIRE WITH ? FROM THEM, E.G., COLLD SOME OF THE LABORATORY WORK BE 4. AN IMMEDIATE CUT IN THE WELL CAUSE REMAINING HIGHLY QUALIFIED HIS PROFILE TO LOOK FOR OTHER EMPLOYMENT: I WOULD EXPECT THIS TYPE OF EXODIS 10 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 ALUE SJIT, CIVIL SERVICE ENGINEERS OR CONTRACTORS. COM INCED SUCCESSFUL PROGRAM OPERATION BECOMES A VIRTUAL IMPOSSIBILITY. 5. GENERAL has informed general CVERALL IMPA SUCH A CUI ON THE AND INCLUDED A GENERAL IMPACT AWARE THAT SENATOR MC CLELLAN IS ERTEFED AND K: ONLEDSEABLE 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 HE CONTACTED AND BRIEFED ON THE PROBLEMS IT WOULD CREATE, I UNDERSTAND THAT THE DEFENSE SUBCOMMITTE OF THE SENATE APPROPRIATIONS

PAGE 1 1 0 P S E C R E T
COMMITTE SUME ACTION ON THIS MEASURE VERY EARLY
IN DECEMBER; THEREFORE, I BELIEVE TIMELY ACTION IS
REQUIRED.
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SAMSO.

IMPACT STATEMENT ON THE EFFECTS ON THE APPROPRIATIONS SUBCOMMITTEE REDUCTIONS IN FY 76 FUNDING FOR FCRC's

The primary function of the Space and Missile Systems Organization (SAMSO) located in El Segundo, California 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.

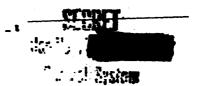
The impact of the proposed Appropriations Subcommittee reduction of FY 1976 in Air Force FCRC ceiling has been investigated on the basis of three assumptions of the reduction assigned to The assumptions for the three cases are defined below:

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 state of the line item funding for each FCRC.

to help maintain the FCRCs which have a larger percentage of funding in line item that



funding for each FGRC. In this case the reduction is approximately which which a Air Force and 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 I 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 which the funding is reduced. The figure of the funding is reduced. The figure of the first at 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 i			
Number of MTS Released	320	500	670
Percent Decrease of MTS Supporting the Air Force	2ú. 9	42.0	56.2
Support Personnel Released	300	465	620
Total Personnel Released	620	965	1290

⁺ Includes 3, 4% supporting Navy and Other Defens. A . aci

In addition to the problem of the funding cuts, the presently striving to reduce its costs by approximately 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 tanning 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 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:

Line Item Funded	MTS
Development Planning	41
Space and Missile Technology	56
1 - Space Test Program	12
2 - Space Surveillance	10
4 - Fault Tolerant Space Computers	
5 - Spacecraft Charging at High Altitudes	2-4
A Tuenous Tuennology Insks	
Research and Experimentation	2.2
Foreign Intelligence	14
Air Force SatCom II/III	18
UDMH Rocket Fuel Provesa Development	:
Total	ine Item
	•••

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 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

development for future space application. 39 more MTS are employed for other parts of the Air Force such as the Air Force Weapons Lab,

, 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.

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:

Funded from Other Programs and Projects	
Space & Missile Flight Hardware Program System Engineering SAMSO Funded RDT&E Tasks Support of Air Force RDT&E Tasks Other than SAMSO	
Total Funded from Air Force Programs/Projects	1033
Acrospace Line Item Funded (from previous table)	
Total MTS Supporting Air Force	1192

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

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

Impact for Case 1, 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 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 line item. Thus, the funding reduction in FY 76 by th 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 measur. Most probably it would have to hire services from a profit-making firm at and in contradiction to the guidance provided a cost higher than by Congress who 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 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." Thus,
the changes would be primarily cosmetic in nature.

Because of the short time between now and the time the

MTS would be released (January 30, 1975), 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

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 with civil service employees

(were such available and other limitations could be overcome), would not

save money as June 1974 data indicates that the avera
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 need port. As an example, when the starminated 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 pework honestly can be aliminated.



Impact for Case 2 FY 76 Funding Reduction

Case 2 differs from Case 1 in that the property 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 I except that 50 ITS 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 t effort by 500 MT3, it should cancel 35% 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 Satcorn 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.



Impact for Case TY 76 Funding Reduction

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 company of t

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 i; 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.

Summe ry

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 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.

It is understood from the Subcommittee report that the intent was to eliminate those activites 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 b licates 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 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 th clease between 620 and 1290 personnel depending on how the reductions are allocated. These cuts would range from 26.9% to 56.2% apport 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 duction. Such contracting would increase the cost and be contrary to the Congressional recommendations that resulted in the creation of the in addition, it probably would result in the organizations that take over what formerly had been ti load hiring many of the release unel because of their expertise in the work. Therefore, unless it is the intent of the Subcommittee

from 27% to 56% the logical approach is not to reduce the 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

