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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

7 SEP 1978

COMPTROLLER
(Administration)

MEMORANDUM FOR THE EXECUTIVE SECRETARY, DEFENSE ORGANIZATION STUDY

SUBJECT: Comments on Departmental Headquarters and National Military Command Structure Studies

As requested by Deputy Secretary Duncan in his memorandum of 13 July 1978, Fred Wacker and I have reviewed the subject Defense Organization Studies. In general, we believe that they identify several of the key organizational issues facing the Department and we concur with the overall thrust of their recommendations. There are, however, a number of considerations bearing on the more important recommendations, which have not been fully articulated, but which must be taken into account before any final decisions are made.

We fully concur with the Departmental Headquarters Study recommendation to strengthen and upgrade the role of the Service Secretaries. We do not concur, however, with the plan to achieve this by increasing their role in Department-wide matters. We strongly believe that the Service Secretaries already have a significant role to play and that they possess the statutory authority necessary to do so. That role, however, does not lie in assuming staff and policy duties currently performed by the Under Secretaries and Assistant Secretaries of Defense, but rather in fully exercising their current statutory authorities as managers of their respective Departments and as representatives of those Departments on the Armed Forces Policy Council. The effective execution of these duties is a difficult, full-time job.

If we must look beyond the Military Departments and the Armed Forces Policy Council to identify a role for the Service Secretaries, then the need for these officials is in serious question. The problem seems to be that, for all of its keen insights, the Departmental Headquarters Study has failed to look at all of the influences surrounding the perceived decline in the role of the Service Secretaries. For this reason, it has presented recommendations to remedy this condition which are out of balance with the causes which have brought it about. The study, for example, has not treated such matters as the quality of appointees, their relatively short tenure, their technical/managerial qualifications to assume management of highly technological and complex programs, or their political role in dealing with Congress, other Federal Agencies, and the public. More significantly, the study fails to examine the erosion of Secretarial authority from within the Military Departments.

The study assumes that DoD centralization is responsible for reduction in the influence of the Service Secretaries, but this is only one of several factors. Recommendations to strengthen the role of the Service Secretaries must address all of these factors before effective options may be developed. The recommendations made in the Departmental Headquarters study are not in themselves sufficient. In fact, if implemented as proposed, they could tend to confuse, rather than strengthen the role of the Service Secretaries in the Department of Defense.

We concur with the recommendations of the National Military Command Structure to provide the CINCs with an input in requirements and resource management matters, and to enhance the role of the Chairman, Joint Chiefs of Staff, both as representative of the CINCs, and as an independent military voice in the resource management process. However, two factors regarding these recommendations require careful consideration.

First, in providing for CINC/CJCS participation in resource management matters, the decision as to how this is to be done is almost as important as the decision to do it. It is extremely important that the PPBS be restructured to provide for CINC/CJCS inputs early enough in the decision-making process to influence outcomes before they become too firmly established. In addition, it must provide a means of resolving differences between the CINCs/CJCS and the Military Departments early in the planning and programming cycles. If implementation of CINC/CJCS participation in the resource management process is not carefully planned, it could well result in indecision and delay rather than improved rationalization of the PPBS.

Second, the recommendations to enhance the individual role of the CJCS, constitute ~~is~~ a revolutionary change in our National Military Command Structure and are fraught with political implications. They may require revision of the National Security Act and, at a minimum, will necessitate coordination with the Congress. Thus while the study's recommendations make sense from the standpoint of management efficiency and effectiveness, they do not address the political factors which must be considered. This will require a more precise understanding of the specific statutory and administrative prerogatives and limitations proposed for the CJCS, as well as an assessment of the receptiveness of the Congress and the public to these changes. The decision to centralize significant new responsibilities in a single military officer is too important to be made solely on management considerations.

Detailed comments on the subject Defense Organization Studies are attached.

(Signed D. O. Cooke)

D. O. Cooke
Deputy Assistant Secretary of Defense

Attachments

Departmental Headquarters Study

1. Recommendation:

"Use the Armed Forces Policy Council (AFPC), as it was chartered, to offer the Secretary of Defense regular and frequent advice in the formulation of Defense policy, restricting membership to civilian and military statutory authorities."

Comment:

Concur. While the individual statutory members of the AFPC have access to the Secretary on issues of direct concern to them, we agree that a collegial approach can be useful in dealing with issues of common interest. It is more likely that common issues of significance can be found among this restricted group and it is also more likely that a small, authoritative group would be able to successfully deal with such issues in relative privacy than in a meeting attended by large numbers.

It is clear that successful implementation of this recommendation, however, will also require more thorough and thoughtful preparation for AFPC meetings than has been the case in recent years. An agenda must be developed which is limited to major issues and which establishes a meaningful priority to their discussion and resolution. Background papers must be carefully thought out and presented in a form which encourages constructive debate. Follow-on actions must be monitored to assure the implementation of Secretary of Defense decisions. It is only under such conditions that implementation of this recommendation can have a positive impact on DoD decisionmaking.

Finally, if this recommendation is adopted, some alternate mechanism must be developed in lieu of the current regular staff meetings to insure continuation of communications between the SecDef and non-AFPC members.

2. Recommendation:

"Establish a Planning Office under the Under Secretary of Defense for Policy, formally linked in liaison to the Chairman, Joint Chiefs of Staff, with assignments including politico-military long-range planning and contingency planning oriented to the formulation of Defense policy guidance and in mutual support with overall national security policies."

Comment:

Concur. The Blue Ribbon Defense Panel and the National Military Command Structure Study, among others, have also identified the need for closer linkages between national security policy, Defense Policy Guidance, and military plans and operations. The organization of the Under Secretary of Defense for Policy offers a logical vehicle for carrying out this objective, either through the establishment of a separate office, or by incorporating the function within an existing office.

3. Recommendation:

"Require the Under Secretary of Defense for Policy to support the Secretary of Defense in the development of Defense Policy Guidance governing the other parts of the Consolidated Guidance, working in close coordination with the Chairman, Joint Chiefs of Staff."

Comment:

In his memorandum of August 14, 1978, subject: "Draft Defense Policy Guidance," Secretary Brown implemented this recommendation.

4. Recommendation:

"Incorporate into the earliest DSARC milestone an analysis of the requirement for the candidate system to meet its primary mission, to contribute to secondary missions, and to assess its value in connection with other planned or operating systems designed to meet the same primary or secondary missions."

Comment:

Concur. It is generally regarded that better measures of effectiveness are required early in the DSARC review process, especially those which relate original objectives to systems performance. The recommendation states a valid objective, but does not shed much light on how to achieve it. Specific arrangements would have to be developed prior to implementation.

5. Recommendation:

"Capitalizing on the orderly, phased program development schedule of the Consolidated Guidance, significantly reduce the budget review process -- eliminating redundant or repetitive program review within the Defense Headquarters and in OMB -- limiting budget review to pricing refinements and the program implications that result from pricing changes and "fact-of-life" changes."

Comment:

Concur. Elimination of repetitive budget reviews is a worthwhile objective. However, this recommendation, as is the case with Recommendation No. 4, is stated essentially as an objective and does not provide a method or means of implementation. In order to accomplish this objective, substantial changes must be made to the current budget review process. We will, for example, require more specific fiscal guidance and realistic budget levels at the beginning of the process, a closer relation between POM's and budget submissions, and a different type of POM review process.

6. Recommendation:

"Re-examine the decision to link manpower, reserve forces, and installations and logistics responsibilities under a single Assistant Secretary of Defense."

Comment:

Non-concur. There may be some validity to the arguments in favor of this proposal, however, the current arrangement has been in existence for a relatively short period of time and should be given an opportunity to prove or disprove itself. Change at this point would be premature. There is no evidence that the current arrangement is on the verge of collapse. Further, the classical span-of-control argument raised by the report is only valid if it is assumed that the Assistant Secretary (Manpower, Reserve Affairs and Logistics) intends to centralize all decisionmaking authority in himself, rather than delegating selected matters to his key deputies. There is no evidence that such is the case. Certainly, a highly centralized,

hierarchical style is not the only management option available to the Assistant Secretary (Manpower, Reserve Affairs and Logistics). A less centralized approach to managing the MRA&L workload may work well within the existing structure.

7. Recommendation:

"Establish flexibility in the procedures governing rotation of Civil Service executive-level personnel within and outside of the Department of Defense."

Comment:

Concur. Greater flexibility in the assignment of Career Civil Service personnel would be of significant benefit to the Department, as it would to other Executive Branch agencies. Implementation of this recommendation, however, is beyond the control of the DoD. Of more direct concern to us should be the development of the mid-level management personnel who are feeding those executive level positions. Without a steady stream of broad-based, highly qualified, and motivated candidates from which to replenish the executive level ranks, flexibility within those upper ranks will be of limited value. The entire process (or lack of a process) by which the Department develops its civilian executives should, therefore, be reviewed and strengthened. At the same time, we should, of course, support Administration efforts to make appropriate changes to Civil Service rules governing career executive positions.

8. Recommendation:

"Make multi-service assignments to Service Secretaries from time to time, instead of to Under Secretaries or Assistant Secretaries of Defense."

Comment:

Non-concur. To an extent, such assignments are already made from time to time, as for example, in designating one of the Military Departments as Executive Agency for a particular activity or function. The report's recommendation, however, appears to contemplate a significant expansion of this type of arrangement; such as, for example, assigning one of the Military Departments responsibility for supervising a Defense Agency. We do not concur with such an expansion for the following reasons:

First, there is an inherent contradiction in this role. At one point, the report suggests that the value of the Service Secretaries lies, at least in part, in serving as spokesmen for their respective Military Departments. The type of assignments that the report recommends be given to the Secretaries, however, requires precisely the opposite -- a non-parochial point of view. It is unrealistic to expect an individual to place his own Service's interests at a par with the interests of the other Services in matters involving important issues. One of the two roles would inevitably become subordinated to the other.

Second, there is a practical problem with resources. The Service Secretaries are not currently staffed to handle this type of responsibility.

And, since each assignment would conceivably be different, manpower requirements in terms of numbers and expertise, would fluctuate from one assignment to another. This would preclude the development of a stable Secretariat capable of supporting the Service Secretary in his new role.

Finally, we believe that the Service Secretaries, under existing authorities and responsibilities, already have jobs requiring their full attention and efforts. If we must look for additional duties to justify the continued existence of the Service Secretaries or to "enrich" their jobs, the need for these officials becomes questionable.

The report focuses on the role of Service Secretaries from a limited perspective -- i.e., their roles in overall DoD management and policy. It has almost totally ignored roles and relationships within their own Services. This is the place to look if one wants to define a strong, meaningful role for the Service Secretaries. In fact, a strong argument can be made that their positions have been eroded considerably more from within their own Services than from outside influences -- that they have in effect abdicated significant authorities and prerogatives to the Service Chiefs. Also, the report almost totally ignores other significant issues relating to the Service Secretaries' "problem;" such as the quality of appointees, their relatively short tenure, their technical/managerial qualifications to assume responsibility for management of a large, complex Department, and their political role in dealing with the Congress, public, and other Federal Agencies. A full treatment of the Service Secretaries must include more than has been addressed in this report.

9. Recommendation:

"Establish a formal role for the Service Under Secretaries oriented to common liaison functions with OSD, in addition to the normal responsibilities of the office."

Comment:

Non-concur. To an extent, the Service Under Secretaries fulfill such a role under current arrangements. We believe, for reasons paralleling those stated in our above discussion of the Service Secretaries (Recommendation No. 8), that the Service Under Secretaries have a meaningful and full-time role to play in managing Service affairs and that efforts to strengthen their positions should be pointed to this direction.

10. Recommendation:

"As a start toward reducing staff layers and individual staff components, authorize the Service Secretaries to eliminate their Assistant Secretaries for Manpower, Reserve Affairs and Logistics' functions, placing reliance for conduct of these functions on the respective Service Chiefs and on the OSD staffs in the two functional areas."

Comment:

Non-concur. This recommendation is inconsistent with the effort to strengthen the Service Secretaries. Without an independent staff, the Service Secretaries can hardly be expected to express strong, independent voices in manpower, reserve affairs, and logistics' matters. The OSD staff and the Service Chiefs, on whom the Service Secretaries would

have to rely for staff advice and assistance under this recommendation, each have a different perspective -- and different organizational loyalties -- than the Service Secretaries. In effect, the Secretaries would have no immediate staff to evaluate programs, recommend policies, and develop positions from the point of view of civilian chief executives statutorily responsible for effective management within their respective Departments.

11. Recommendation:

"Integrate, in each Service, the Research and Engineering Staffs now separately reporting to the Assistant Service Secretary and Service Chief, allowing for joint responsibilities to the Service Secretary and Service Chief; concurrently, the Secretary of Defense should increase the number of the development and acquisition programs falling under the primary management authority of the Services."

Comment:

Non-concur. We have no objection to increasing the number of development and acquisition programs managed by the Services. We do however, object to the manner in which the report proposes to integrate research and development functions within the Military Departments. This recommendation treats the research and development Assistant Secretaries in the Military Departments entirely different than the manpower, reserve affairs and logistics' Assistant Secretaries. No reason for this divergence is given, nor can we see a valid reason for adopting one

principle (abolishment) in the case of the manpower, reserve affairs, and logistics' Assistant Secretaries and another (consolidation with Service Staffs) for research and development.

Further, we have difficulty in understanding how this arrangement will improve management of Service research, development and acquisition programs. It diffuses rather than consolidates management authority and makes it difficult for any one official to effectively manage Service R&D programs.

Recommendations No. 10 and 11 reflect a piecemeal and inconsistent approach to restructuring the Service Secretariats. A more comprehensive and coherent plan is required. One alternative would be to eliminate all Service Assistant Secretaries, provide the Service Secretary with a small (50 to 60) immediate staff of generalists to exercise policy and oversight responsibilities, and have the Chief of Staff report directly to the Service Secretary. At the same time, an effort would be made to integrate civilian executives into Deputy Chief of Staff positions in selected areas, such as resource management. This approach would achieve comprehensive Service headquarters staff integration while maintaining clear lines of authority, responsibility, and accountability. At the same time, it would integrate civilian executive influence directly into the newly consolidated staff, instead of trying to impose this influence solely from the top, as is the case under present arrangements.

This represents only one option. Other approaches are possible, especially if the role of the Chief of Staff is altered in accordance with some of the recommendations of the National Military Command Structure Study. Whatever approach is finally adopted, however, it should be consistent across functional areas and provide for clear, concise lines of authority, responsibility, and accountability.

12. Recommendation:

"Through procedures acceptable to the respective Service Secretaries, provide common access for both the Service Secretary and the Service Chief to the Military Departments' System Analysis, Inspector General, and Audit Service Capabilities."

Comment:

Concur. Conceptually, we agree. However, the Service Secretaries and Service Chiefs already have access to these capabilities through formally delegated authority. If, for some reason, they have chosen not to exercise this authority, it is difficult to see how changing procedures will stimulate significant change in this regard. We do, however, endorse dual access and encourage efforts to facilitate its use.

13. Recommendation:

"Encourage a continuation of the effort already underway to reduce headquarters military staffs by greater dependence on subordinate commands, particularly in the materiel area."

Comment:

Concur. The OSD and Services have implemented this recommendation to a considerable extent already, through the transfer of functions and

people in accordance with the Headquarters reductions mandated by the Secretary of Defense. There may be a few remaining areas where further reductions and transfers can be effected and these should be exploited to their fullest extent. In general, however, we may be fast approaching the practical limit for such actions, and we believe further large scale reductions/functional transfers would do more harm than good.

National Military Command Structure Study

1. Structure and Mission of the Unified and Specified Commands

We generally concur with the recommendations (pages 6 to 24 of the report) pertaining to the organization, structure and responsibilities of the Unified/Specified Commands. We particularly endorse the recommendations to enhance the REDCOM mission and to eventually phase out SOUTHCOM. We also agree with the report's conclusion that the advantages in establishing a Unified Transportation Command and a Unified Strategic Command are highly questionable, particularly in view of the overhead cost involved in creating new headquarters organizations for these activities.

2. Wartime/Crisis Management

We concur with the recommendations contained on page 32 to clarify wartime/crises management arrangements. While flexibility in responding to Wartime/Crisis management requirements is essential, there is a definite need to clarify the chain of command being utilized in each military action, to formalize NCA decisions, and to improve feedback to the NCA in order to avoid confusion and misunderstanding.

We also agree with the need for realistic command post exercises in which senior policy-making personnel participate. In the past it has been extremely difficult to secure the participation of top-level personnel, or even that of their immediate subordinates, in such exercises. There seems to be a new interest in this area, however, and the upcoming "NIFTY NUGGET" exercise has generated a significant amount

of interest and commitment to participate from key policy-makers. Hopefully, this level of involvement can be continued in subsequent exercises. In our opinion, it will take Presidential interest, or at least joint Secretary of Defense/Secretary of State involvement, to assure that this type of participation is maintained in the future.

3. Management of the Unified and Specified Commands

We concur with the recommendations made on pages 38 and 39, to strengthen the roles of the CINCs and the Chairman, JCS in management of the Unified and Specified Commands.

There is a clear need for an integrated look at requirements within the Unified Commands, particularly in such areas as force structure, weapons requirements, and logistics. Ultimately, the strength of forces in the field rests upon their joint capabilities. It is logical, therefore, that requirements for these forces be considered at some point on a joint, rather than component basis. The perspective provided by the CINC in such a process will introduce valuable insight into requirements determination and resource allocation decisions. Implementation of this concept however, must be carefully calculated to ensure that CINC participation occurs early enough in the decision process to have a meaningful impact on the outcome.

The development of a joint readiness and force capabilities reporting system and the formalization of reporting relationships between the CINCs and the Chairman are logical adjuncts to this concept. In the latter

case, we would simply be formalizing a current practice, which should insure the consideration of CINC concerns in the decision-making process.

The recommendation to provide the Chairman, JCS with a formal role in resource allocation decisions is consistent with these other recommendations. To an extent, the Chairman's counsel is currently sought by the Secretary on major resource allocation issues. Formalizing this relationship and expanding it in accordance with the report's recommendation is, however, a major deviation from current law and a revolutionary change in the Chairman's duties. It will require overcoming thirty years of political tradition to implement the necessary changes to the National Security Act. In addition, it will require augmentation of the Joint Staff to support the Chairman in the execution of these new responsibilities. Nonetheless, it is an idea whose time has probably come.

Although we concur with the concepts presented in this section, their implementation will pose significant and complex problems which will have to be resolved before they can be adopted. For example, the entire decision-making process must be revised to provide a vehicle for timely CINC/Chairman/Service coordination on requirements/resource allocation issues, and for the resolution of disagreements between the Chairman and the Service Secretaries.

4. The Secretary of Defense and OSD

We concur with the objective of providing improved national security policy guidance to the JCS and of assuring continual OSD level review of military

operational planning. The functions proposed for the Under Secretary of Defense for Policy should contribute to the accomplishment of this objective. We understand that Secretary Brown and Under Secretary Resor are currently involved in delineating the role that the Under Secretary will play in DoD policy matters.

We do not concur with the recommendation to have the Assistant Secretary of Defense (Program Analysis and Evaluation) report to the Under Secretary of Defense for Policy. The Secretary needs a strong independent analytical capability to serve as devil's advocate in the DoD decision-making process. If the ASD(PA&E) were assigned to the Under Secretary of Defense for Policy it would be difficult, for example, for him to take an objective position in a dispute between the ASD(ISA) and the ASD(MRA&L) involving international logistics matters, or between the Deputy Under Secretary of Defense for Policy and the ASD(C^3 I) in a dispute involving communications matters. The business of the Department is extremely complex. The Secretary must have an element of his staff which is not attached to any program area and which he can task to provide him with independent judgments, advice, and alternatives.

5. The Joint Chiefs of Staff and the Joint Staff

We concur with the recommendations on pages 64 and 65 to revise JCS procedures to strengthen and expand the role of the Joint Staff in the development and staffing of JCS papers. It is difficult to see how procedural changes can effectively make joint staff members transcend parochial interests entirely, especially when major issues are involved. The recommended

changes, however, should help mitigate external influences and, to that extent, they are desirable.

We agree that the Services should commit their most outstanding officers for assignment to joint duty, especially to OSD and the Joint Staff. The Secretary has taken steps to improve the quality of personnel assigned to joint duty. DoD Directive 1320.5, reissued on August 7, 1978, includes the requirement for a joint assignment as a prerequisite for promotion to general/flag rank level. We believe the new directive negates the need to reissue the Gates Memorandum, as has been recommended by the report.

We do not concur with granting the Chairman, JCS the authority to obtain assignment of any requested officer to the Joint Staff. Implementation of this recommendation could result in inequities and oversight of well-qualified officers -- and, quite possibly, to charges that positions on the Joint Staff are filled by the "buddy system." We believe that a referral system providing multiple well-qualified candidates for Joint Staff vacancies would overcome problems regarding the quality of personnel, while at the same time avoiding the potential problems which could arise from implementation of an "assignment on demand" system. Efforts at improving Joint Staff nominees should concentrate, therefore, on ensuring that an ample supply of well-qualified officers are referred for Joint Staff assignment. Perhaps a system providing the Chairman right of first refusal of candidates available for joint duty assignment could be developed.

6. Increasing the Responsibilities of the Chairman, JCS

We generally concur with the report's recommendations contained on page 69

which would expand the role of the Chairman, JCS in dealing with DoD program and budget issues and in management of study, analysis and gaming programs. We also agree that the Joint Staff will have to be augmented to provide him with the proper staff assistance and expertise to carry out these new responsibilities.

We concur that the Chairman has a role to play in the DSARC process, primarily in the determination of whether or not a weapons system meets operational needs. If the Chairman is to acquire additional resource management responsibilities, he certainly should exercise some voice in the DSARC.

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

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MEMORANDUM FOR MR. DUNCAN

SUBJECT: Comments on Defense Resource Management Study (DRMS)

Chapter I. The Defense Resource Allocation Process

Overview. As Fred Wacker mentioned in his memo to you before his absence, we feel the Rice Study is a conscientious effort and raises a number of thoughtful points. Clearly the program/budget review process can and should be simplified. It has grown more structured over the years and simply requires too much detail from the Military Departments and Agencies.

Also Fred indicated:

- the present system is conceptually sound;
- but some problems have arisen mostly due to individual attitudes and perceptions;
- "decisions revisited" result largely from fiscal guidance disconnects, not institutional considerations and;
- more realistic fiscal guidance plus proper ranking procedures should go a long way toward avoiding the revisiting of decisions.

The Defense Resources Board (DRB) can be the vehicle to make necessary improvements. It will provide a forum to review proposals related to the DRMS and to critique various stages of our process. It may also provide a basis for improving communications at the OSD level. We will probably have to be careful, however, to insure that Board actions do not undermine normal staff interactions, which should continue to take place.

The following paragraphs provide more detailed comments:

Combined Program/Budget Review. A combination of these two reviews as suggested by the DRMS may upset or destroy one of the major objectives of the planning and programing effort, namely, the achievement of a balanced defense program. Under the present POM process, the Services are given an opportunity in July, August and September to convert the SecDef program decisions into a balanced plan that will be resubmitted

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to OSD for budget review. That conversion takes the form of revised production and pricing plans, where they are required by program changes, and the resubmission of some issues which they believe should be evaluated further. While that resubmission and the subsequent budget review does involve the revisitation of some decisions, it provides an important opportunity for the services to surface what they consider to be imbalances resulting from the POM decisions.

Under the Study plan, there will be little opportunity for the Services to respond to program changes in a balanced, cohesive fashion. Both pricing and program changes would be promulgated incrementally in the Fall with little or no opportunity for OSD or the Services to reflect on the overall impacts. Pricing and production changes associated with program changes will have to be made very quickly and perhaps with very little Service input. By combining a program and budget review late in the review cycle, we will potentially disrupt program balance.

The DRMS is headed in the right direction by attempting to solve PPBS problems. However, instead of eliminating the separate programing period and combining it with the budget period, the effort should be to simplify the programing effort. At the heart of the DRMS is the impression (correct in our judgment) that the programing system is too bogged down with detail. Programing at POM time is fast becoming a budget review undertaken at a time when appropriate benefits simply cannot be achieved. The programing effort should be on program choices, ranking the preferred choices, and not simply producing large amounts of detail. Program decisions should not be in the form of numbers (of a given type of aircraft in a given fiscal year, for example) nor should dollars for specific logistics areas be "fenced." The determination of procurement programs to satisfy the total objective should be left to the Service, and they should be determined by the Service in consideration of production, cost and feasibility. It is the Services' approach to those considerations that the budget review should address. The fundamental point is that programing is performed in too much detail to help the allocation process. It produces too many decisions in dollar, not programmatic forms. A decision expressed only in dollar terms is not an appropriate product for program review.

Planning Window. The DRMS proposes that the time made available by combining the program/budget review be used as a "planning window" to enhance the planning process in the Department. It is not clear what role the ASD's would play in this enhanced planning process. It is clear that realistic fiscal guidance (constraints) should be injected early in any planning process. We believe the DRMS puts too much emphasis on the selective or incremental aspects of the annual review and this could lead to impressions that the "all other" portion of the FYDP would be left alone. If the budget "scrub" touched any of the "all other" items not specifically challenged in the program part of the review, there could be complaints that such tampering was "out of channels" and didn't provide a chance for reclama during the earlier planning phase. A budget scrub potentially should look at all programs.

Planning Wedge. The "planning wedge" concept for FYDP outyears seems directly counter to the new "affordability" emphasis which attempts to put a cost of ownership pricetag on all new programs. While we have misgivings about our ability to definitively price out concepts, wedges imply one or two year planning for a large part of the FYDP and we have already graduated from that approach.

Decisions Revisited. There would be less revisitation of decisions if the Services would be given more latitude in responding to program decisions, and greater effort should be made in OSD to issue realistic fiscal guidance. When decisions were revisited, it was usually because the Military Department, in selected areas, ignored previous guidance or because new circumstances came up even after publication of the APDM. Those circumstances have occurred largely because fiscal guidance is too high and the program decisions are too restrictive. The Service is saddled in one instance with a budget submission that is too high and in the second instance with line item guidance which is sometimes too narrow. In reality, decisions revisited result largely from fiscal guidance disconnects rather than procedural matters. More realistic fiscal guidance plus good ranking procedures should go a long way toward avoiding the revisiting of decisions.

Needed Improvements. Actions ought to be undertaken along three lines. These include:

- Improvements which are clearly needed and which can be effected quickly, including changes in the CY 1979 PPB cycle.

- Longer-term improvements, also clearly needed, which will begin to pay off in CY 1980 and beyond.

- Changes in the CY 1980 PPB cycle, to be decided in detail by June 30, 1979.

Changes in CY 1979 PPB Cycle. One important change can be made now, internally: use common decision units/decision packages structured by OASD(PA&E) and OASD(C) jointly.

Two more changes in the CY 1979 PPB cycle, will require coordinated effort with OMB. The first of these would involve agreement this spring on a dollar range -- in particular, a low point -- for use in DoD program/budget development. The second would involve OMB setting forth, and then securing agreement on OMB perennials -- in particular, the real rate of O&M growth and agreed obligation/outlay rates to be used.

The final point that could require a change in the CY 1979 PPB cycle involves the precise steps to be taken -- and by which organization -- in connection with ranking during this fall's program/budget review. Any changes should be prescribed in detail no later than June 30, 1979.

Long-Term Improvements. Efforts should be undertaken, starting as soon as possible, to effect needed long-term improvements. These include the steps outlined in DRMS to develop a theory of support, and the performance of quality analysis. In addition, it is essential to take steps to reverse unfavorable personnel trends. These actions will lead to the creation of a capability for year-round analyses of a high order. There should be no procedural problem in applying the results of such analyses, as they become available, to the Defense PPBS.

Changes for CY 1980 and Beyond. The DRMS made several recommendations that may require more than one year's time to implement assuming a decision is made to go that way. For example: (1) eliminating the "busyness" of the current planning system, (2) going beyond a purely incremental PPB approach, (3) creating a planning window extending from January to May, and (4) combining the program/budget review. These points are summarized in the DRMS as follows: "The centerpiece of DRMS proposals is a conscious 'destructuring' of the current PPB cycle through the creation of a planning window extending from January to May and a combined program/budget review extending from August to December."

The suggestion for less programing before, and more during the budget review period misses the point. In fact we should do less programing, but principally by retaining the products of earlier PPB cycles -- not just a single FYDP but the ranking which produces it. (There are probably as many "decisions revisited" in the POM review as in the budget review.) We are working to develop either a separate program or a FYDP annex to keep ranking options available from year to year. In this way, and by eliminating issues that only produce more detailed fiscal constraints the program review can be (1) simplified and (2) destructured rather than deferred.

Defense Resources Board. As long as we keep the DRB in the business of (1) guiding and (2) recommending on exceptional issues, it can eliminate much of the confusion which the components complain comes from each of us in our respective guidance. On the other hand, we can not let the Board take the place of or frustrate normal staff processes for exchanging information and proposals. The DRB might otherwise encourage the deferral of unpleasant coordination or decisions during the program or budget reviews until it actually meets. In this fashion, issues and items can be dropped from DPSs or other decision documents and be deferred for separate Board consideration. When this happens, there is less opportunity for staff analyses to be brought to bear on topics and the record of decisions (such as we have had in the past with DPSs and PBDs) can be weakened or lost entirely. Even the "ranking council" in the most recent budget review made decisions, sometimes significant decisions, with no explanation to the Services or to the OSD staff as to the rationale supporting the decisions. The DRB should not have the same shortcoming.

Chapter II. The DoD Acquisition Process

This section endorses existing acquisition policies but is critical of concurrency, even the amount which presently exists.

The Defense Science Board, current DoD policy makers and revisions to DoD Directives are advocating the need to shorten the acquisition cycle as a major objective of acquisition policies, urging a more flexible approach which would permit greater concurrency throughout system development and procurement. Where we reach balance in the question of concurrency seems to be a system by system decision that can not be set by a procedural standard.

Chapter III. Logistic Support Alternatives

The study observes that the recent emphasis on attempting to increase effectiveness by increasing resource levels could become prohibitively expensive. This is a fact we are well aware of and have been apprehensive about prior to the Study. (This is the principal area where dollar targets have been set in lieu of program guidance after the POM reviews.)

In general the chapter does not offer new approaches but rather restates and summarizes possible shifts in emphasis.

Chapter IV. The First-Term/Career Mix of Enlisted Military Personnel

The discussion and conclusions in general do not represent basic disagreements with the thrust of the current management approach to the enlisted force. The productivity data upon which the optimal mixes are based lack refinement without claiming to be exact, complete or detailed and, as the Study concedes, much additional work would need to be done to determine the optimal mix for each occupational/skill group.

Savings of $1 billion per year appear to be greatly overstated. These are steady state savings based on questionable productivity assumptions that significant reductions in force size can be made without reducing effectiveness. Whatever savings may accrue as a result of changes in the first-term career mix are well into the outyears. This is not to say that the improvements should not be made promptly.

Chapter V. Military Health Care

This chapter summarizes the classical points of view on various areas, but provides no new approaches. It is more a description of what the alternative approaches might be and restates possible shifts in emphasis.

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