DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1970

2434-4

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

H.R. 15090

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PART 2

OPERATION AND MAINTENANCE

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DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1970

TUESDAY, MARCH 25, 1969.

OPERATION AND MAINTENANCE, ARMY

WITNESSES

MAJ. GEN. L. B. TAYLOR, DIRECTOR OF ARMY BUDGET, OFFICE, COMPTROLLER OF THE ARMY
MAJ. GEN. J. J. HAYES, ASSISTANT DEPUTY CHIEF OF STAFF FOR LOGISTICS (SUPPLY AND MAINTENANCE)
MAJ. GEN. G. J. COLLINS, DEPUTY SURGEON GENERAL
MAJ. GEN. WILLIAM J. SUTTON, CHIEF, ARMY RESERVE
MAJ. GEN. F. S. GREENLIEF, DEPUTY CHIEF, ARMY NATIONAL GUARD
BRIG. GEN. M. G. ROSEBOROUGH, DIRECTOR OF PLANS, PROGRAMS, AND BUDGET, OFFICE, DEPUTY CHIEF OF STAFF FOR PERSONNEL
BRIG. GEN. G. S. BLANCHARD, JR., DIRECTOR OF PLANS AND PROGRAMS, OFFICE, ASSISTANT CHIEF OF STAFF FOR FORCE DEVELOPMENT
BRIG. GEN. C. J. LeVAN, DIRECTOR OF AIR DEFENSE, OFFICE, ASSISTANT CHIEF OF STAFF FOR FORCE DEVELOPMENT
BRIG. GEN. D. P. BOLTON, DEPUTY DIRECTOR OF OPERATIONS, OFFICE, DEPUTY CHIEF OF STAFF FOR MILITARY OPERATIONS
BRIG. GEN. N. E. PEATFIELD, EXECUTIVE DIRECTOR, OFFICE, CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES
BRIG. GEN. W. M. VAN HARLINGEN, DEPUTY ASSISTANT CHIEF OF STAFF FOR COMMUNICATIONS—ELECTRONICS
BRIG. GEN. V. J. FENILI, DEPUTY FOR INTELLIGENCE SUPPORT, OFFICE OF THE ASSISTANT CHIEF OF STAFF FOR INTELLIGENCE
COL. C. W. CHANEY, DIRECTOR OF DEFENSE LANGUAGE INSTITUTE, OFFICE, DEPUTY CHIEF OF STAFF FOR PERSONNEL
COL. F. J. LADD, ASSISTANT DIRECTOR, INTERNATIONAL AND CIVIL AFFAIRS, OFFICE, DEPUTY CHIEF OF STAFF FOR MILITARY OPERATIONS
LT. COL. J. F. BELLOCHI, OFFICE, DEPUTY CHIEF OF STAFF FOR PERSONNEL
LT. COL. J. E. BOWEN III, OFFICE, DEPUTY CHIEF OF STAFF FOR PERSONNEL

COL. GEORGE G. EDDY, CHIEF, PEMA EXECUTIVE DIVISION, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS
ANDREW A. KEYDOSZIUS, PEMA EXECUTIVE DIVISION, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS
LT. COL. W. F. COGHILL, STAFF MANAGEMENT DIVISION, OFFICE OF THE CHIEF OF STAFF
LT. COL. G. L. EGBERT, JR., OFFICE, CHIEF OF STAFF, ARMY
LT. COL. S. R. HINDS, JR., DIRECTOR OF CIVILIAN MARKSMANSHIP, NATIONAL BOARD FOR THE PROMOTION OF RIFLE PRACTICE
LT. COL. R. C. HOCK, OFFICE, DEPUTY CHIEF OF STAFF FOR LOGISTICS
LT. COL. J. W. VANCE, CHIEF, PROGRAMS, BUDGET AND ANALYSIS BRANCH, OFFICE, ASSISTANT CHIEF OF STAFF FOR INTELLIGENCE
MAJ. G. F. HARGIS, OFFICE, ASSISTANT CHIEF OF STAFF FOR INTELLIGENCE, DIRECTOR OF INTELLIGENCE
E. B. ALBER, PROGRAMING OFFICER, DIRECTORATE OF TOPOGRAPHY, OFFICE OF THE ASSISTANT CHIEF OF STAFF FOR INTELLIGENCE
L. J. BARTLEY, OFFICE, THE ADJUTANT GENERAL
PHILIP BRAUNSTEIN, U.S. ARMY PHOTOGRAPHIC AGENCY
R. B. BUCKMASTER, MANAGEMENT INFORMATION SYSTEMS DIRECTORATE, OFFICE, ASSISTANT VICE CHIEF OF STAFF
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W. B. RICE, DIRECTOR OF ADMINISTRATION, OFFICE OF EMERGENCY PREPAREDNESS
C. W. SHULER, MILITARY ASSISTANCE OFFICE, COMPTROLLER OF THE ARMY
MRS. N. A. SIDES, OFFICE, CHIEF OF INFORMATION
G. SORKIN, OFFICE, ASSISTANT CHIEF OF STAFF FOR FORCE DEVELOPMENT
W. TRUPPNER, DIRECTOR, NATIONAL RESOURCES ANALYSIS CENTER, OFFICE OF EMERGENCY PREPAREDNESS

OPENING STATEMENT

Mr. SIKES. The committee will come to order.

Today, the committee begins its review of the Department of Defense request for operation and maintenance funds for fiscal year 1970. This is one of the more complex budget requests which the committee has to consider and one of the most important.

For fiscal year 1970, the Department of Defense is requesting a total of $21,941 million of operation and maintenance funds, an increase of $176 million over the funds appropriated to date for fiscal year 1969. Of course, there is currently pending before the Congress a supplemental request of $756,800,000 for additional operation and maintenance funds for fiscal year 1969. This raises the total estimated amount proposed to be available for the fiscal year to the sum of $22,521,800,000. There is some hope, of course, that funds for fiscal 1970 can be somewhat lower than the total funds eventually appropriated for the fiscal year 1969.

For the last 2 years, we have begun the consideration of the request for "Operation and maintenance" funds by hearing from the Assistant Secretary of Defense, Comptroller, who has presented an overall statement on the general requirements for the funds being requested. Since the Comptroller is presently engaged in supporting the Secretary of Defense in his many appearances before various congressional committees and since we were desirous to move along with these hearings, we have decided to begin with testimony from the Army. We will hear later from the Assistant Secretary, Comptroller, Mr. Moot.

ARMY REQUEST FOR 1970

The Army request for fiscal year 1970 is for a total of $7,596 million a reduction of $209 million below the 1969 appropriation and $467,941,000 below the current amount estimated for fiscal year 1969. We will place at this point in the record various introductory statements supporting this request.

(The information follows:)

OPERATION AND MAINTENANCE, ARMY

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Army, including administration; medical and dental care of personnel entitled thereto by law or regulation (including charges of private facilities for care of military personnel on duty or leave, except elective private treatment), and other measures necessary to protect the health of the Army; care of the dead; chaplains' activities; awards and medals; welfare and recreation; recruiting expenses; transportation services; communications services; maps and similar data for military purposes; military surveys and engineering planning; repair of facilities; hire of passenger motor vehicles; tuition and fees incident to training of military personnel at civilian institutions; field exercises and maneuvers; expenses for the Reserve Officers' Training Corps and other units at educational institutions, as authorized by law; and not to exceed ~~[~~$4,690,000~~]~~ $4,061,000 for emergencies and extraordinary expenses, to 1/ be expended on the approval or authority of the Secretary of the Army, and payments may be made on his certificate of necessity for confidential military purposes, and his determination shall be final and conclusive upon the accounting officers of the Government; ~~[~~$7,805,000,000~~]~~ $7,596,000,000, of which not less than ~~[~~$280,000,000~~]~~ $225,000,000 shall be available only for 2/ 3/ the maintenance of real property facilities. (5 U.S.C. 503, 3101, 3109, 5342, 5702-04, 5724-27, 5730, 5742, 5912, 5941, 5943, 5944, 7903; 10 U.S.C. 1037, 1071-85, 1481-88, 2602, 2674, 2675, 3012, 3013, 3062, 4302, 4331-4355, 4505, 4536, 4741; 31 U.S.C. 22a; 37 U.S.C. 404; 39 U.S.C. 4169; 40 U.S.C. 523; 50 U.S.C. App. 761; 60 Stat. 810; Department of Defense Appropriation Act, 1969.)

1/ Change in the amounts in the limitation for emergencies and extraordinary expenses.

2/ Change in amount to be appropriated.

3/ Change in the floor for maintenance of real property facilities.

DEPARTMENT OF THE ARMY
Operation and Maintenance, Army

Program and Financing (in thousands of dollars)

	19 68 actual	19 69 estimate	19 70 estimate
Program by activities:			
Direct Obligations:			
1. Operating Forces	3,705,816	3,486,928	2,974,005
2. Training activities	652,042	667,770	667,551
3. Central supply activities	1,829,583	1,823,434	1,760,539
4. Depot materiel maintenance and support activities	690,489	803,769	798,119
5. Medical activities	355,490	375,615	387,539
6. Army-wide activities	785,142	800,607	877,513
7. Army Reserve and ROTC	111,430	105,818	130,734
Total direct obligations	8,129,992	8,063,941	7,596,000
Reimbursable obligations:			
1. Operating forces	286,655	257,321	257,321
2. Training activities	46,961	45,153	45,153
3. Central supply activities	243,724	253,683	247,800
4. Depot materiel maintenance and support activities	94,237	38,082	38,082
5. Medical activities	123,272	131,944	142,360
6. Army-wide activities	74,669	59,937	57,836
7. Army Reserve and ROTC	2,447	1,848	1,848
Total reimbursable obligations	871,965	787,968	790,400
Subtotal	9,001,957	8,851,909	8,386,400
Intrafund obligations	-94,547	-94,000	-94,400
Total obligations	8,907,410	8,757,909	8,292,400
Financing:			
Receipts and reimbursements from:			
11. Federal funds	-535,700	-480,490	-484,871
13. Trust funds	-154,116	-138,233	-139,493
14. Non-Federal sources a/	-80,416	-72,128	-72,786
21. Unobligated balance, start of year, military assistance orders (69 Stat 438)	-29,355	-22,169	-19,052
24. Unobligated balance available, end of year military assistance orders (69 Stat 438)	22,169	19,052	19,802
25. Unobligated balance lapsing	44	-	-
Budget authority	8,130,036	8,063,941	7,596,000

a/Reimbursements are principally for sales of surplus U.S. Government property (10 U.S.C. 4621, 4625, and 4627; 22 US.C. 2315 and 2316)

	1968 actual	1969 estimate	1970 estimate
Budget Authority:			
40 Appropriation	6,995,132	7,805,000	7,596,000
41 Transferred to other accounts	-880	-876	-
42 Transferred from other accounts	1,135,784	+617	-
43 Appropriation (adjusted)	8,130,036	7,804,741	7,596,000
44.10 Proposed supplemental for wage-board increases	-	40,600	-
44.20 Proposed supplemental for civilian pay act increases	-	66,200	-
40 Proposed supplemental for Southeast Asia	-	152,400	-
Relation of obligations to outlays:			
71 Obligations incurred net	8,137,178	8,067,058	7,595,250
Obligated balance, start of year:			
72.40 Appropriation	785,290	1,003,056	1,145,114
72.49 Contract authorization	125,999	136,165	142,165
Obligated balance, end of year:			
74.79 Appropriation	-1,003,056	-1,145,114	-1,277,529
74.49 Contract authorization	-136,165	-142,165	-
77 Adjustment in expired accounts	10,132	-	-
85 Increase in indefinite contract authorization of prior years (adjustment in expired accounts)	10,166	6,000	-
90 Outlays, excluding pay increase supplements	7,929,545	7,688,300	7,582,500
91.10 Outlays from wage board supplemental	-	39,400	1,200
91.20 Outlays from civilian pay act supplemental	-	64,200	2,000
90 Outlays from proposed Southeast Asia supplemental	-	133,100	19,300

Object Classification (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Personnel Compensation:			
11.1 Permanent positions	1,940,322	1,889,645	1,924,065
11.3 Positions other than permanent	98,664	115,268	122,460
11.5 Other personnel compensation	104,080	108,762	108,765
11.8 Special personal service payments	5,014	5,677	5,646
Total personnel compensation	2,148,080	2,119,352	2,160,936
Direct Obligations:			
Personnel compensation	1,951,905	1,947,302	1,983,345
12.0 Personnel benefits	146,556	145,913	152,225
13.0 Benefits for former personnel	220	200	200
21.0 Travel and transportation of persons	174,287	166,899	161,394
22.0 Transportation of things	996,960	974,608	900,864
23.0 Rent, communications, and utilities	251,508	248,617	233,205
24.0 Printing and reproduction	44,400	44,048	41,356
25.0 Other services	1,855,450	1,850,368	1,700,590
26.0 Supplies and materials	2,152,199	2,143,015	1,917,449
31.0 Equipment	554,236	540,821	503,332
32.0 Lands and structures	950	950	925
41.0 Grants, subsidies, and contributions	200	200	200
42.0 Insurance claims and indemnities	104	100	100
Total direct obligations	8,128,975	8,063,041	7,595,185
Reimbursable Obligations:			
Personnel compensation	196,175	172,050	177,591
12.0 Personnel benefits	12,740	11,201	12,641
21.0 Travel and transportation of persons	7,242	5,286	6,088
22.0 Transportation of things	44,794	43,591	41,791
23.0 Rent, communications, and utilities	48,436	44,543	44,390
24.0 Printing and reproduction	1,599	1,116	1,329
25.0 Other services	207,682	198,244	188,870
26.0 Supplies and materials	294,735	261,768	265,030
31.0 Equipment	58,462	50,069	52,595
32.0 Lands and structures	100	100	75
Total reimbursable obligations	871,965	787,968	790,400
Subtotal	9,000,940	8,851,009	8,385,585
Intrafund obligations	-94,547	-94,000	-94,000
Total, Department of the Army	8,906,393	8,757,009	8,291,585

	1968 actual	1969 estimate	1970 estimate
Department of State:			
Personnel compensation:			
11.1 Permanent positions	183	106	96
12.0 Personnel benefits	7	2	2
21.0 Travel and transportation of persons	215	199	180
22.0 Transportation of things	118	105	95
23.0 Rent, communications, and utilities	87	80	72
25.0 Other services	140	203	184
26.0 Supplies and materials	253	179	162
31.0 Equipment	14	26	24
Total, Department of State	1,017	900	815
99.0 Total obligations	8,907,410	8,757,909	8,292,400
PERSONNEL SUMMARY			
Total number of permanent positions	335,008	313,674	317,746
Full-time equivalent of other positions	21,106	24,267	25,781
Average number of all employees	345,672	332,318	334,759
Average GS grade	6.7	6.9	6.9
Average GS salary	$ 7,816	$ 8,398	$ 8,400
Average salary of ungraded positions	$ 6,571	$ 6,771	$ 6,780
Department of State			
Total number of permanent positions	37	35	30
Average number of all employees	46	35	30
Average salary of foreign nationals	$ 1,117	$ 1,117	$ 1,117

Mr. SIKES. We have with us today to present the Operation and Maintenance request of the Army, Major General Taylor, director of the budget, who will be supported by the various program directors responsible for the areas in which the funds are being requested.

General Taylor, I presume that you have a prepared statement.

General TAYLOR. Yes, sir; Mr. Chairman, I do.

Mr. SIKES. Would you proceed.

General TAYLOR. Mr. Chairman, I have a condensed statement. In the interest of the committee's time, if it is agreeable with you, I will read that and put the balance of the statement in the record.

Mr. SIKES. Please proceed—Mr. Lipscomb?

Mr. LIPSCOMB. General Taylor, when you give this very comprehensive and detailed statement, what budget are you talking to?

General TAYLOR. I am talking to the budget that was submitted in January, sir.

Mr. LIPSCOMB. And when was that prepared?

General TAYLOR. That budget was prepared during October, November and December, Mr. Lipscomb. It was completed around the first of January, and forwarded to the Congress late in January.

Mr. LIPSCOMB. Now, through the public media and statements that have been made, there are known to be suggested changes in the Department of Defense budget. Are you going to speak to any changes that are anticipated for operation and maintenance, Army?

General TAYLOR. No, sir; Mr. Lipscomb, I am unable to do so at this time because I do not have any decision as to what those changes, if any, will be. We have, as you have correctly observed, been reviewing the budget but what the final decisions will be from the standpoint of the Secretary of Defense and the Bureau of the Budget I do not know at this time, sir.

Mr. LIPSCOMB. If during the presentation of the Army operation and maintenance budget we know of areas that should be discussed where there are actually changes, will you be prepared to give us new figures?

General TAYLOR. Sir, I can give you new figures as I know them, but I am unable to say that those would be the final figures as approved by the President and submitted to the Congress as amendments, if there are any.

Mr. LIPSCOMB. I am just a little at a loss as one member of the committee, to know just how to approach this, because evidently there are going to be changes and you will not be testifying to actually what the situation is.

General TAYLOR. Sir, there undoubtedly will be changes. Now, what the final approved change will be I am not in a position to say. I am sure you appreciate my position.

Mr. LIPSCOMB. Yes; I understand.

General TAYLOR. As an example, the committee, I believe, is to be briefed Friday on the new Safeguard system. The moneys that I am speaking to in the statement today are for the old system.

Mr. LIPSCOMB. It is a known fact right from the outset that your statement is out of date as far as the Sentinel system is concerned, no matter what the decision is.

General TAYLOR. Yes, sir.

PROCEDURES FOR PRESENTATION OF REQUEST

Mr. SIKES. This presents a very difficult situation for the committee and for the Army. There is no point in either of us spinning our wheels; if we are talking about something that is not going to be valid next week or the week after it is hardly worthwhile discussing it.

General TAYLOR. Mr. Chairman, if I may—and again, I am talking from lack of knowledge of decisions—but it would seem to me that if what I think could happen in the way of amendments or changes, the major change, of course, would be in the Safeguard system. The other changes are not terribly significant insofar as this budget we would be talking about during these hearings.

Mr. SIKES. I am going to suggest that you simply pass over the areas in this request where you anticipate major changes. We can go back to them when we know what the changes are.

There is no point in having two hearings, and getting two different versions. So in the areas that you anticipate significant changes and you do not feel that you have the facts sufficiently in hand to justify presenting them to the committee, pass over them and go to the areas that, as far as you know, are substantially the funds that the Congress will be asked to appropriate.

General TAYLOR. Yes, sir.

Mr. SIKES. Can we assume that you are on sound ground in talking about new policies, new programs, changes that will significantly affect the budget?

General TAYLOR. Yes, sir. I could say, sir, that as I know it today the only significant change is in the old "Sentinel" system as opposed to the "Safeguard" system.

Mr. SIKES. Of course, that one appears to be drastically modified and there would be no point in discussing last year's plan at this hearing.

General TAYLOR. That is correct, sir.

Mr. SIKES. We can pass over that one.

(Discussion off the record.)

Mr. SIKES. Let's go ahead. You give us the figures you now have and we can consider the new figures when they are available, but omit items which are significantly different, like the Sentinel system.

General TAYLOR. Very well, sir. You want the entire statement?

Mr. SIKES. That is right.

GENERAL STATEMENT

General Taylor.

General Taylor, Mr. Chairman and Members of the Committee:

It is a privilege to appear before you to present the fiscal year 1970 Operation and Maintenance, Army appropriation request, less the Reserve Operation and Maintenance program which was presented as a part of the Reserve Components presentation.

INTRODUCTION

In the preparation of this appropriation request, continued support of combat operations in Southeast Asia and continued improvement of combat and operational readiness of the remainder of Army forces were emphasized. Additionally, programs required for the health and safety of our troops are also included in this budget.

The Operation and Maintenance, Army appropriation provides support for the Army's operational and training activities. The request for fiscal year 1970 totals $7 billion 596 million, or approximately 29 percent of the total Army direct budget plan. The request for fiscal year 1970 represents a net decrease of $468 million from the revised fiscal year 1969 level of $8 billion 64 million. The proposed supplemental appropriation requests of $106.8 million, involving civilian personnel pay increases, plus $152.4 million for additional Southeast Asia support are included in the revised fiscal year 1969 total.

The Operation and Maintenance, Army appropriation for fiscal year 1970 will support an average active Army strength of 1,516,800 including 725 reimbursables, as compared to 1,518,300 for fiscal year 1969.

In addition, we are continuing to support the Free World Military Assistance Forces (FWMAF). These include forces of the Republic of Vietnam, Republic of Korea, Thailand, and the Philippines. Our budget for fiscal year 1970 provides for a significant strength increase in the Republic of Vietnam Armed Forces (RVNAF).

The Operation and Maintenance, Army appropriation for fiscal year 1970 includes an estimated $4 billion 288 million for support of Southeast Asia and related activities. The decrease of $570 million from the revised fiscal year 1969 level of funding for Southeast Asia reflects the changing patterns of combat activity and revised loss projections. The principal reductions in our estimate for Southeast Asia are related to assumed reduced consumption of supplies, continued drawdown of stockage already in the theatre, and associated transportation cost reductions accounting for the bulk of the decrease. We are continuing, however, and accelerating our build-up and modernization of the Republic of Vietnam Armed Forces and our Southeast Asia estimates reflect an increase of $35.8 million for this purpose.

Non-Southeast Asia activities for this appropriation represent approximately 43 percent of the total request. The level of funds for fiscal year 1970 is $3 billion 308 million compared to the revised fiscal year 1969 level of $3 billion 206 million. Of significance in this $102 million increase of non-Southeast Asia activities are the added costs for the SENTINEL program, education of dependents overseas, medicare program, and the transfer from Military Assistance Program of the costs of maintaining the NATO International Military Headquarters.

Our request includes funds to support a civilian personnel end strength of 340,177 in fiscal year 1970. This is a net increase of 4,632 over the civilian employee end strength of 335,545 included in the fiscal year 1969 budget. Significant increases are reflected in Project Transition, SENTINEL, Joint Uniform Military Pay System, and increased technician support to the U.S. Army Reserve.

The support costs for operating and maintaining our installations, both overseas and within the United States, are included in each of our budget programs identified as the project account "base operation." These costs cover the operation of posts, camps, stations and other military installations and include field maintenance of materiel, real property maintenance, repair and utilities, logistic services and local welfare activities. Costs for this purpose for fiscal year 1970 are estimated at $1 billion 285 million, a net decrease of $36.3 million from the revised fiscal year 1969 level. This decrease is the offset of a combination of increases and decreases, the largest being in reductions of real property facilities maintenance. Increases include items such as the logistical support of the overseas dependent school system and Project Transition.

I will now cover each of the budget programs within the Operation and Maintenance, Army appropriation.

BUDGET PROGRAM 2000 - OPERATING FORCES

The Operating Forces Budget Program provides for the activation, deployment and operational needs of the Army's combat, combat support, and combat service support forces located in the Continental United States, Alaska, Hawaii, and 13 foreign countries. It also provides the operating costs for some 49 installations on which these forces are based. These funds finance the activation and training of Army units required to meet our worldwide security commitments, operation and maintenance of organic equipment, repair parts, consumable supplies, maintenance of training facilities and troop housing, exercises and maneuvers, and special tactical activities. This program also finances most of the Operation and Maintenance, Army costs including medical support, incurred in Vietnam in support of our forces. The readiness of all other forces in terms of state of training, combat effectiveness and serviceability of equipment is, in large part, dependent on this program.

The $2 billion 974 million requested for Budget Program 2000 in fiscal year 1970 is a net decrease of $512.9 million from the revised fiscal year 1969 level. This reduction is attributable, in the main, to projected Southeast Asia requirements which have been adjusted based upon an assumed decline in the level of combat intensity, plus the continued drawdown of stockage already in theatre.

I will now discuss in some detail the major changes in each of the five accounts comprising the Operating Forces Program.

Account 2009 (Base Operation). In addition to the mission accounts, to be discussed subsequently, this account provides most of the installation support for Army activities in Germany, Italy, Panama, Hawaii, Okinawa and Korea, plus certain large Continental United States installations such as Forts Bragg and Lewis.

A total of $731.3 million will be required in fiscal year 1970 to maintain and operate the installations needed to support the operating forces. As compared with fiscal year 1969, this is a net reduction of $27.5 million. The increased requirements for fiscal year 1970 are for repair parts for new equipment, $2.7 million, and logistical support of overseas dependent schools, $4.2 million. The major decrease is $34.4 million for maintenance and repair of real property facilities.

Account 2020 (General Purpose Forces). This account provides mission funds for the direct operating expenses of all active Army combat, combat support, and combat service support forces, excluding Army Air Defense Command. A requirement of $1 billion 648 million is projected for fiscal year 1970. This is a net decrease of $413.2 million from fiscal year 1969. The principal decrease involves reduced Southeast Asia requirements. Notable increases are $9.7 million for repair parts for new equipment; $9.6 million for the improved Pershing program; $5.1 million for Army Target Missile Systems; and $1.9 million for providing the Army's new subdued insignia, formerly financed by Military Personnel, Army.

Account 2030 (Army Air Defense Command). This account provides mission funds for the operation of the Army Air Defense Command (ARADCOM). As a component of the North American Air Defense Command (NORAD), ARADCOM is charged with the responsibility for the air defense of certain designated locations within the Continental United States. We are requesting $34.0 million for fiscal year 1970 which represents a net increase of $1.5 million over fiscal year 1969. The major increase is for the SENTINEL System, $7.5 million, offset by decreases due to reduction in NIKE Hercules batteries, $1.3 million, and $4.7 million for leased communications.

Account 2040 (Field Exercises). This account provides the funds for maneuvers and exercises which directly support the Army's objective of maintaining an effective fighting force. This program, $24.6 million, is at about the same level as fiscal year 1969 and is divided into three activity accounts.

Joint Chiefs of Staff Directed Exercises are primarily strategic mobility exercises and are projected to cost $7.1 million.

Joint Chiefs of Staff Coordinated Exercise Program is primarily for minor exercises requiring coordination of the Joint Chiefs of Staff. We are requesting $1.9 million for fiscal year 1970.

Army Training Exercises are programed at $15.6 million. These funds support all field and command post exercises prescribed and conducted by Army Commanders.

Account 2050 (Special Tactical Activities). This account groups a series of functions associated with tactical forces and is directly related to the combat readiness of our operating forces plus support of Free World Military Assistance Forces. These functions range in scope from instruction and training teams at $0.4 million, to the support of Free World Military Assistance Forces at $361.9 million. The fiscal year 1970 program of $536.3 million is $74.2 million less than the re-

vised fiscal year 1969 level. The major decreases are for Free World Military Assistance Forces, $62.3 million and for Classified Projects, $12.1 million, offset by increases for combat development activities and Republic of Vietnam Armed Forces modernization, $32.8 million.

BUDGET PROGRAM 2100 - TRAINING ACTIVITIES

This program provides for the support of individual training in the Army. It finances the operation of Army Training Centers, Army Schools, Aviation Training, the United States Military Academy, and joint service schools where the Army is the executive agent. It also provides for the education of our personnel at military and civilian colleges and universities, as well as for training devices and publications used throughout the Army.

Recruit training for fiscal year 1969 includes an estimated input of 522,300 which includes 71,300 from the Reserve components. For fiscal year 1970 we are projecting an input of 576,900, of which 116,200 represents Reserve Enlisted Program personnel.

Flight training for fiscal year 1969 includes an estimated 7,470 aviator graduates, consisting of 6,870 rotary wing pilots and 600 fixed wing pilots. For fiscal year 1970 we are projecting an increase of 50 Marine Corps pilots for a total of 7,520 aviator graduates. A total of 200 Marine Corps pilots are to be trained by the Army in fiscal year 1970.

Our professional training program for fiscal year 1969 includes an estimated 9,804 personnel being trained in both long and short courses. Of this amount 5,100 are being trained at the Defense Language Institute. For fiscal year 1970 we are estimating that 8,325 personnel will be trained in long and short courses, with the language training load remaining the same.

Our higher level senior service college training load, about 1,600 students in fiscal year 1969, is projected to remain near that level in fiscal year 1970.

Our request for fiscal year 1970 totals $667.6 million, approximately the same as the revised fiscal year 1969 level.

Account 2109 (Base Operation). This account provides for the operation and maintenance of the 17 installations where the primary mission is training. The request for this account for fiscal year 1970 is $278.3 million, a net reduction of $5.2 million from the revised fiscal year 1969 level of $283.5 million. This is partly due to reduced school loads in Army service schools, reduced level of real property maintenance activities, and reductions in civilian personnel employment. Partially offsetting increases provide for training center support costs for increased recruit training and aviation training.

Account 2110 (Specialized Training). This account provides for the operation of the Army school system and separate courses--those of the combat arms, the technical, administrative and specialist schools and courses, and area schools. The request for this account for fiscal year 1970 is $160.0 million, as compared to the revised fiscal year 1969 level of $157.9 million. The net increase in this account of $2.1 million is due primarily to the Air Defense and the Army Target Guided Missile Training Programs. This has been partially offset by reductions in the mission costs associated with reduced training loads in service schools and civilian personnel reductions.

Account 2120 (United States Military Academy). This account provides for the operation of the United States Military Academy at West Point. The request for this account for fiscal year 1970 is $9.9 million, as compared to the revised fiscal year 1969 level of $9.8 million. The increase of $0.1 million is required to continue the expansion program which began in fiscal year 1965 and is proceeding on schedule toward an enrollment of 4,417 cadets by fiscal year 1972. The projected enrollment for fiscal year 1970 of 3,907 cadets is an increase of 208 from the fiscal year 1969 enrollment of 3,699 cadets.

Account 2130 (Professional Training). This account provides for advanced schooling of selected military personnel in civilian institutions, industrial establishments, and senior Army and joint services colleges. The request for this account for fiscal year 1970 is $25.1 million, as compared to the revised fiscal year 1969 level of $26.5 million. The net decrease of $1.4 million is due to projected reductions of short course training at civilian institutions and associated Temporary Duty and per diem costs. The Army uses the civilian institutions for both long and short course training when we have a specific requirement for training that the Army has no in-house capability to provide, or that can be conducted more economi-

cally at civilian institutions. The load and expense levels for the senior Army and joint services colleges are projected for fiscal year 1970 at approximately the levels in the current fiscal year.

Account 2140 (Training Devices and Publications). This account provides for the procurement, fabrication and distribution of certain training aids and devices. The request for this account for fiscal year 1970 is $17.7 million, a slight increase from fiscal year 1969. The major increase is for modification of aircraft training aids for the CHINOOK and COBRA Helicopter Trainers and the MOHAWK Aircraft. The program for training aid centers, printing of training publications, and for production of recordings, film strips and training films is maintained at about the same level as fiscal year 1969.

Account 2150 (Recruit Training). This account provides for the operation of Army Training Centers. The request for this account for fiscal year 1970 is $64.8 million, as compared to the revised fiscal year 1969 level of $64.4 million. The net increase is due to the projected increase of 15,900 in the recruit training load and the increase in the Army preparatory training program to increase the reading ability of new inductees. This is partially offset by decreases in civilian personnel employment.

Account 2160 (Flight Training). This account provides for the operation and maintenance of Army flight training facilities located at Fort Rucker, Alabama; Fort Wolters, Texas; and Fort Stewart/Hunter Army Airfield, Georgia. The request for this account for fiscal year 1970 is $111.7 million, as compared to the revised fiscal year 1969 level of $108.6 million. The net increase of $3.1 million is required to train an additional 50 Marine Corps pilots, provide graduate training for qualified pilots, establish an Aviation Warrant Officer Career Program, and expand a computer system for aircraft maintenance control and personnel management at the Army flight training facilities.

BUDGET PROGRAM 2200 - CENTRAL SUPPLY ACTIVITIES

This budget program provides for operating and maintaining central supply facilities. The Central Supply Activities program finances the operation of the Army's worldwide supply system. We must maintain the most economical system in peacetime, yet assure that we have an effective and responsive system for supporting emergency or war conditions.

The support provided by this program is essential if we are to achieve maximum benefit from our weapons. Without adequate logistical support we cannot achieve our objective of combat effectiveness. It is essential to provide adequate resources to maintain our capability for logistical support of combat operations.

This program finances the Army's supply functions above station level. It includes procurement and related functions; supply depot and supply management office operations; support activities for the provision of reserve industrial capability; and certain transportation costs, to include the operation of port terminals (except in the Republic of Vietnam) and related transportation service facilities both in the Continental United States and overseas. The $1 billion 760.5 million requested for Budget Program 2200 in fiscal year 1970 is a net decrease of $62.9 million from the revised fiscal year 1969 level of $1 billion 823.4 million. The major increases recognize primarily the additional funding for SENTINEL, $13.3 million, and the increased personnel costs from realignment of financial responsibilities and wage increase annualization, $13.2 million. Major decreases result from workload projections of anticipated reduced consumption in Southeast Asia, improved utilization of materiel already in Southeast Asia, improved civilian employee productivity, and a more austere maintenance level of real property and facilities.

Operations in Southeast Asia, a significant part of this request, are primarily supported by the Continental United States logistical system and the supply and movement of materiel to Southeast Asia.

Account 2209 (Base Operation). This account provides funds for the operation and maintenance of facilities in support of central supply activities. The request for this account for fiscal year 1970 is $186.1 million, a net decrease of $7.4 million from the revised fiscal year 1969 level of $193.5 million. This decrease is based on a reduced level of maintenance of real property facilities.

Account 2210 (Central Procurement Activities). This account provides for the pay and other expenses of personnel engaged in the centralized acquisition of supplies and equipment for the Army and the administration of certain contracts which are the responsibility of the Army.

The fiscal year 1969 contract execution program involves approximately 48,200 contracts valued at $10.1 billion. For fiscal year 1970 we are estimating the workload will encompass an additional 300 contracts.

The request for this account for fiscal year 1970 is $118.3 million, as compared to the revised fiscal year 1969 level of $119.2 million. Funds requested for procurement operations represent a decrease of $0.9 million which reflects essentially the effect of management improvement actions and increased personnel productivity.

Account 2220 (Operation of Supply Depots). This account provides for the operation of supply depots in the Continental United States, U.S. Army, Europe and U.S. Army, Pacific (except Republic of Vietnam), including receipt, storage, preservation and issue of supplies in support of worldwide military operations. The operation of the 25 depots and 11 depot activities in the Continental United States, and 42 similar activities in overseas commands, (less Vietnam), is provided for in this request. This account for fiscal year 1970 is $224.9 million, a net decrease of $3.4 million as compared to the revised fiscal year 1969 level of $228.3 million. Decreases reflect the adjustments due to redistribution of existing stocks in Southeast Asia, and the effect of an estimated reduction in supply requirements in Republic of Vietnam. Included in this project are partially offsetting increases resulting primarily from increased support for the expanded Army Republic of Vietnam, Pershing System improvement and the civilian wage board pay raise.

Account 2230 (Supply Management Operations). This account provides for the operation of the seven National Inventory Control Points, Army Class Manager Activities in the Continental United States and an overseas Inventory Control Point in Europe. This includes the inventory management and supply cataloguing of approximately 1.2 million items and the processing of six million line items in customer requisitions submitted worldwide. The request for this account for fiscal year 1970 is $130.9 million, as compared to the revised fiscal year 1969 level of $136.1 million. The decrease of $5.2 million reflected in fiscal year 1970 is principally due to the management improvements in the control of inventory in Southeast Asia which, in turn, reduces the supply actions placed on the National Inventory Control Points.

Account 2240 (Industrial Preparedness Operations). This account provides for those activities designed to assure the production capability needed to support emergency procurement programs and to decrease the time required to attain scheduled production rates in times of emergency. This includes the maintenance of inactive government owned industrial plants, the inactive portions of government owned contractor operated plants and inactive production equipment. The request for this account for fiscal year 1970 is $31.5 million, approximately the same as the revised fiscal year 1969 level. The request will provide for maintenance and protection of inactive facilities at 24 installations in the Army's Industrial Plant Reserve; for costs for maintenance and protection of the Army's reserve of production equipment; and for limited acquisition of station operating equipment at industrial installations operating under the Army Industrial Fund.

Account 2250 (Transportation Services). This account provides for second destination transportation costs including materiel shipments from depots to an ocean port by land and air; shipments overseas by sea and air; redistribution shipments in the Continental United States or overseas areas; and the costs of loading and unloading vessels in the Continental United States and certain overseas ports. The request for this account for fiscal year 1970 is $862.9 million, as compared to the revised fiscal year 1969 level of $927.0 million. The $64.1 million net decrease represents an assumed reduction in combat activities in Southeast Asia, adjustments due to utilization of stocks presently in country, and a reduction in Airlift rates.

Account 2260 (Military Traffic Management). This account provides for the Traffic Management Services furnished to the Department of Defense by the Military Traffic Management and Terminal Service. This includes the transportation of persons, troop units, equipment, supplies, Army Post Office mail and personal property within the Continental United States and to overseas commands. The request for this account for fiscal year 1970 is $18.5 million, approximately the same as the revised fiscal year 1969 level.

Account 2270 (Other Logistics Services). This account provides for certain miscellaneous logistics activities including: production engineering for stock fund and Procurement of Equipment and Missiles, Army (PEMA) items; procurement standardization; real estate administration; and facilities investigation and studies. The request for this account for fiscal year 1970 is $69.0 million, as

compared to the revised fiscal year 1969 level of $63.6 million. The $5.4 million increase is attributable primarily to a transfer of civilian personnel costs from the PEMA appropriation for production engineering.

Account 2280 (Logistics Control and Direction). This account provides for the primary managerial effort required to operate the Army's logistics system less, Research, Development, Test and Evaluation functions, at commodity commands subordinate to Army Materiel Command, Sentinel System Command, U.S. Army, Europe, and U.S. Army, Japan. These commands coordinate and direct the efforts of inventory control points, procurement offices and supply depots and are responsible for large groupings of supplies and materiel--aircraft, weapons, ammunition, and electronics. The request for this account for fiscal year 1970 is $118.5 million, as compared to the revised fiscal year 1969 level of $105.6 million. The $12.9 million net increase is due primarily to the expansion of the SENTINEL System, with minor changes in other activities.

BUDGET PROGRAM 2300 - DEPOT MATERIEL MAINTENANCE AND SUPPORT ACTIVITIES

The Depot Materiel Maintenance and Support Activities budget program provides the funds necessary to assure combat serviceability of Army-owned materiel through depot level maintenance and related maintenance engineering services, to include field support. The activities financed in this program seek to improve and maintain materiel readiness by extending the usefulness of equipment in the authorized Army inventory. This objective is accomplished in four ways:

First: Unserviceable economically repairable equipment in the Army's inventory is overhauled, thus renewing its useful life.

Second: Technical assistance and maintenance publications are provided to the using units to ensure that the soldier in the field knows how to use and maintain his equipment.

Third: Maintenance engineering serves to ensure the maintainability and reliability of equipment from the design stage throughout its useful life.

Finally: Capital equipment is provided to depot maintenance facilities to ensure that overhauled equipment will perform in accordance with exacting specifications.

Requirements for this program are determined in terms of quantity and cost of weapons and support systems to be overhauled or repaired in Army depot maintenance facilities. Further, a portion of this work is performed by private industry through contractual services since our in-house capability cannot accommodate the entire workload.

Factors governing the magnitude of support include: strength, composition and deployment of forces; quantity and condition of equipment on hand; and the mobilization base. These factors are governed by the level of readiness, and equipment modernization and combat development plans. A basic consideration in determining the size of this program is the heavy usage of equipment in Southeast Asia. Additionally, the requirements for cyclic overhaul, or a system that schedules periodic returns of materiel to depots for maintenance, is another consideration. The $798.1 million requested for fiscal year 1970, is a net decrease of $5.7 million from the revised fiscal year 1969 level of $803.8 million.

Account 2329 (Base Operation). This account provides for funding of local headquarters command administration; local maintenance and management of facilities; field maintenance; and five maintenance facilities in Germany. The request for this account for fiscal year 1970 is $6.0 million. There is no appreciable change to this account from the revised fiscal year 1969 level.

Account 23X0 (Weapons/Support Systems Maintenance). The request for fiscal year 1970 of $602.5 million for this account will provide the funds for the overhaul, repair, analytical rework, inspection and test of major end items, to include missiles and aircraft, plus secondary items such as automotive engines and transmissions. This is a net decrease of $14.5 million from the revised fiscal year 1969 level of $617.0 million.

A considerable amount of the work planned for fiscal year 1970 is being generated by the additional density of major items in the hands of troops, increased usage of aircraft, and the use of equipment under adverse conditions in Southeast Asia. Increases are programed in aircraft, missile systems, ships, and rail equipment. Combat vehicles and the commodity group remain at about the same levels. The other five categories: automotive, construction, electronics/communications, armament and general equipment have leveled off slightly below their fiscal year 1969

programs. Since depot maintenance overhaul provides combat serviceable equipment, every effort is made to recover unserviceable, economically repairable major items and assemblies.

Account 23K0 (Materiel Support). This account provides for the procurement of Basic Issue List Items necessary to make an end item complete after it has been overhauled and prior to issue. The request for this account for fiscal year 1970 is $15.7 million, an increase of approximately $0.7 million from the revised fiscal year 1969 level of $15.0 million.

Account 23L0 (Maintenance Support Services). This account finances maintenance technical engineering services and assistance provided by Army civilian maintenance specialists and contractors in direct support of all levels of maintenance and in the development of Army-wide maintenance concepts and plans. Additionally, it provides for pre-issue engineering to ensure that we have sound maintenance planning to support new weapon/support systems, and the maintenance technical data and publications required to maintain Army equipment.

The request for this account for fiscal year 1970 is $173.9 million, as compared to the revised fiscal year 1969 level of $165.9 million. The $8.0 million net increase relates to capital equipment and new equipment training.

BUDGET PROGRAM 2400 - MEDICAL ACTIVITIES

This program provides for medical, dental and veterinary support of the Army worldwide, with the exception of facilities located in Vietnam and Thailand which are financed through Budget Program 2000, Operating Forces. Budget Program 2400 does, however, provide for the treatment and care of sick or injured Army personnel evacuated from Vietnam to fixed hospitals in both the Pacific theatre and the Continental United States.

The Army Medical Service is dedicated to the task of maintaining and improving the health of the soldier, in peace and war, and thereby conserving the fighting strength of his unit and of the Army. In carrying out this task, the Army Medical Service assembles, develops and applies all knowledge that will contribute to this primary mission. This includes the development of standards for selection and classification of personnel, promotion of physical and mental well-being, prevention of disease and injury, and treatment of the sick and injured. To fully support this mission, the Army Medical Service must continually improve and develop preventive and therapeutic medicine; it must operate and maintain modern medical treatment facilities staffed with highly trained personnel in all fields of endeavor; and it must conduct a continuous training program for its personnel in order to keep abreast of latest developments.

Additionally, the Army Medical Service administers the Uniformed Service Health Benefits Program pursuant to the Dependent's Medical Care Act, as modified by Public Laws 85-861 and 89-614. Included is in-patient and out-patient medical care furnished dependents of active duty personnel, retirees, and dependents of retirees in both military and civilian facilities. Also included is a program of health services, training, special education and rehabilitation for handicapped dependents of active duty personnel.

The functions of the Army Medical Service are numerous and widely scattered. Our first concern now is to insure the sick and wounded in Vietnam continue to receive the finest care that can be provided by modern medical science. This begins with the combat medical aidman and can start a chain of events involving the Army Medical Service air ambulances, medical facilities within Vietnam, hospitals within the Pacific Command, a smoothly coordinated evacuation network from the overseas areas to the United States, and finally a hospital near the patient's home that is equipped and staffed to provide whatever special care may be required.

During the fiscal year 1970, it is estimated that 8.3 million patient days of care will be provided by Army medical facilities. Of this number, 5.1 million patient days represent active duty Army patients including an estimated 2.2 million patient days for Vietnam evacuees. The remaining 3.2 million patient days represent Army dependents and other beneficiaries. In addition, there will be an estimated 23.9 million patient visits to medical clinics and 7.7 million dental treatments.

We are requesting a total of $387.5 million for fiscal year 1970 to provide for the medical care workload just presented and other related activities which make up the total mission of the Army Medical Service. This is a net increase of $11.9 million over revised fiscal year 1969. The increase is attributable primarily to the increases in workload and costs related to the civilian medical care program,

$9.4 million; increased procurement of equipment principally for new medical facilities under construction, $4.1 million; increased cost of medical care in non-Army facilities, $0.6 million; offset to some extent by a reduction in civilian personnel, $1.3 million.

Account 2409 (Base Operation). This account provides for expenses in connection with operating and maintaining the Army medical installations and activities under The Surgeon General, to include personnel services, maintenance, management, and logistics services. The request for this account in fiscal year 1970 is $12.9 million, as compared to the revised fiscal year 1969 level of $13.8 million.

Account 2410 (Office of The Surgeon General). This account provides for the administration of the Army Medical Service at departmental level, including pay of civilian personnel, temporary duty travel, printing and reproduction requirements and other services. The request for this account in fiscal year 1970 is $3.6 million. A slight decrease occurred due to the reduction of the level of employment of civilian personnel.

Account 2420 (Patient Care in Army Facilities). This account provides for medical and dental services through the operation of medical centers, hospitals and dispensaries. The care and treatment of sick or injured Army personnel evacuated from Vietnam to fixed hospitals either in the Pacific Theatre or Continental United States is financed by this account. Our request for fiscal year 1970 for this account is $224.7 million, an increase of $4.3 million from the revised fiscal year 1969 level of $220.5 million. The increase is due mainly to the procurement of equipment for new medical facilities under construction.

Account 2430 (Health Benefits in Non-Army Facilities except those Administered by Executive Agent). This account provides for medical and dental care of Army personnel by Federal facilities outside the Department of Defense, facilities financed by the Army Industrial Fund and civilian facilities outside the area of the Executive Agent, and provides for physical examinations of reserve personnel in civilian facilities. The request for this account is $13.1 million, $0.2 million higher than the revised estimate for fiscal year 1969 of $12.9 million. This increase is due principally to an increase in the active duty patients placed in facilities of the Veterans Administration pending separation from military service.

Account 2440 (Health Benefits Administered by Executive Director). This account provides for the administration of the Dependents Medical Care Program and certain health services, training, special education and rehabilitation for handicapped dependents of active Army personnel. The request for fiscal year 1970 is for $84.4 million, as compared to the revised fiscal year 1969 level of $75.0 million. The net increase of $9.4 million is attributable to rising medical costs, $5.1 million, and $4.3 million for increased workload.

Account 2450 (Medical Training). This account provides for the training of Army Medical Service personnel through training programs in Army medical facilities, in schools of other Federal agencies, and in civilian institutions. The request for fiscal year 1970 is for $12.7 million, approximately the same as the revised fiscal year 1969 level. A net decrease of $0.1 million is attributable to a savings due to a reduction in the programed training load in Army medical facilities, offset by an increase for increased student load and tuition costs in civilian facilities.

Account 2460 (Armed Forces Examining and Entrance Stations). This account provides for the medical examination of enlistees and inductees for the Army, Navy, Air Force and Marine Corps at approximately 74 Armed Forces Examining and Entrance Stations. The request for fiscal year 1970 of $10.0 million is an increase of approximately $0.4 million from the revised fiscal year 1969 level. This is attributable to an increase in the number of physical examinations that are to be performed.

Account 2470 (Other Medical Activities). This account provides for those essential medical activities not directly associated to other accounts of this budget program. These include such activities as Army medical laboratories, veterinary services, regional dental laboratories, optical fabrication and repair facilities, and the Armed Forces Institute of Pathology. For fiscal year 1970, we are requesting $26.1 million. This is $1.3 million less than the revised estimate for fiscal year 1969 and is due to a reduction of $0.7 million for procurement of equipment, and $0.6 million due to a reduction in civilian employment.

BUDGET PROGRAM 2500 - ARMY-WIDE ACTIVITIES

The Army-wide Activities Budget Program supports a variety of activities essential to overall command and administration of the Army to include: departmental and major field command headquarters; recruiting and the operation of examining and induction stations; processing of incoming military personnel; morale and welfare services; education of dependents overseas; administrative, finance and audit services; communications and pictorial services; intelligence activities; and services for the Department of Defense.

Our fiscal year 1970 request is $877.5 million, a net increase of $77 million from the revised fiscal year 1969 level of $800.6 million. The increase is attributable to adjustments in a number of projects and programs, the most significant being the $16.6 million increase in overseas dependent education and $28.7 million transferred from the Military Assistance Program for the International Military Headquarters - NATO.

Account 2509 (Base Operation). This account provides for the operation and maintenance of 12 Army installations and for the installation support activities where Budget Program 2500 is the carrier program and has the primary mission. The request for this account for fiscal year 1970 is $47.8 million, as compared to the revised fiscal year 1969 estimate of $46.8 million. The net increase of $1.0 million includes a transfer from Research, Development, Test and Evaluation Appropriation to Operation and Maintenance, Army for base support operations at Fort Huachuca, Arizona, $2.3 million; minor repairs, supplies and equipment for base operations, U.S. Army, Europe, $0.4 million; mapping, geodesy and cryptological activities, $0.3 million; and Project Transition, $0.2 million. Offsetting decreases are made up of maintenance of real property facilities, $1.6 million, and civilian personnel reductions, $0.5 million.

Account 2510 (Headquarters, Department of the Army, except The Surgeon General). This account provides for the operation of the executive offices of the Department of the Army engaged in the formulation of plans and policies and the direction and supervision of subordinate agencies and commands. The request for this account for fiscal year 1970 is $77.5 million, as compared to the revised fiscal year 1969 estimate of $73.5 million. The net increase of $4.0 million includes the costs for the occupancy of the Forrestal Building, $1.8 million, support costs of government buildings, $2.2 million, and the Defense telephone system, $0.4 million. Offsetting decreases are for administrative supplies and office equipment, $0.4 million.

Account 2520 (Major Field Command Headquarters). This account provides for the operation of the major Army field commands subordinate to the Department of the Army. It provides funds for the office of the commander and all elements of the general, special, administrative and technical staffs. The request for this account for fiscal year 1970 is $103.5 million, as compared to the revised fiscal year 1969 estimate of $106.1 million. The net decrease results from a reduction in civilian personnel employment, $3.6 million. Offsetting increases include the Continental Army Command Automated Systems Support Agency, $0.7 million, and travel and supplies for the Headquarters of the Army Field Commands, $0.3 million.

Account 2530 (Personnel Processing and Personnel Support Services). This account provides for activities including the operation of the Armed Forces Examining and Entrance Stations for the four military services, recruitment of Army personnel and disposition of remains. The request for fiscal year 1970 is $56.9 million as compared to the revised fiscal year 1969 estimate of $60.2 million. The decrease of $3.3 million results from civilian personnel reductions, $2.2 million, and equipment costs, $1.1 million.

Account 2540 (Overseas Education of Dependents). This account provides for overseas education of minor dependents of Department of Defense military and civilian personnel. The request for fiscal year 1970 is $71.4 million, an increase of $16.6 million from the revised fiscal year 1969 estimate of $54.8 million. The increase provides for increased enrollment, increased teacher staffing including guidance counselors, a school nurse program, pay raise for school teachers, and price increases for tuition schooling.

Account 2550 (Army-wide Communications and U.S. Army Photographic Agency Activities). This account provides for the Strategic Army Communication System, the Army's portion of the Defense Communications System. The $189.6 million requested for fiscal year 1970 reflects a net increase of $16.3 million over fiscal year 1969.

The major increases consist of $4.8 million for additional leased communication costs to support the on-going programs associated with the Automatic Digital and Automatic Voice Network; $10.3 million for operation and maintenance of the Integrated Communication System - Far East, ground terminals for the Defense Satellite Communication System and Communication Centers Army-wide.

Account 2560 (Evaluation Activities). Classified.

Account 2570 (Mapping, Charting and Geodesy). Classified

There is a $6.0 million increase in the classified submission relating to these two accounts.

Account 2580 (Administration). This account provides for operation and support of field activities administered by Department of Army Headquarters; U.S. Army support or contribution to International and/or Joint Headquarters and Agencies; Department of Army Headquarters support of specialized field activities, administrative services, Washington, D.C. Support Services, and other Army-wide personnel support services. The request for fiscal year 1970 is $173.6 million, as compared to the revised fiscal year 1969 estimate of $135.3 million. The net increase of $38.3 million includes U.S. contribution in support of the International Military Headquarters and Agencies - NATO, $28.7 million; Joint Uniform Military Pay System, $4.9 milion; reimbursement to the U.S. Post Office Department, $4.4 million; the Civilian Career Executive Institute, $1.0 million; automatic data processing equipment, transportation and civilian personnel servicing functions associated with the occupancy of the Forrestal Building, $1.0 million; the U.S. Army Pacific Field Systems Agency, $0.6 million; reimbursement to the Employee Compensation Fund, $0.7 million; and the Department of Defense Wage Fixing Board, $0.3 million. An offsetting decrease is for civilian personnel reductions, $3.1 million.

Account 2590 (Joint Projects). This account provides for operating and maintaining inter-defense activities for which the Army is assigned administrative, or executive agent responsibility, to include international activities supporting national policy principally in the field of inter-American relations, and the Unified Command Headquarters in Europe and the Caribbean. The request for fiscal year 1970 is $8.7 million, an increase of $0.6 million from the revised fiscal year 1969 level. This increase is for improvement of the command and control facilities at U.S. Army Southern Command and U.S. Army European Command.

CONCULSION

Mr. Chairman, in conclusion, the Operation and Maintenance, Army request represents a decrease of approximately $468 million from our revised fiscal year 1969 level.

Principally, this is in the area of support to Southeast Asia and is associated with the completion of our U.S. Forces buildup in Vietnam. Additionally, as mentioned previously, our projected consumption requirements in Vietnam have been reduced. This projection is based upon an assumed decrease in the level of combat activitiy, coupled with a drawdown of anticipated usable supplies currently in Southeast Asia.

This appropriation request represents our minumum requirements for operating and maintaining Army forces. No flexibility exists, therefore, to provide for increased support requirements which may occur as a result of a higher intensity of combat activity.

At this time, members of the Army staff are prepared to discuss in whatever detail the Committee may desire the programs supported by this appropriation request.

Mr. SIKES. Thank you very much, General Taylor. General, is not the Marine Corps pilot training program reimbursable?

General TAYLOR. No, sir. That is in our budget.

Mr. SIKES. Will the aviation warrant officers be flying officers?

General TAYLOR. Yes, sir.

Mr. SIKES. That was a very modest statement you made about the Army medical program in Vietnam. I hope the American public realizes what an absolutely magnificent job has been done for our personnel in Vietnam by the Army Medical Service and by others who are responsible for medical treatment there. It is very clear that nothing approaching this has ever been done by any country anywhere for its people. It is a magnificent story which everyone should know about.

Mr. DAVIS. General Taylor, "Geodesy" is a new term to me. What does it mean in relation to Army operations?

General TAYLOR. We will get you a definition of it, Mr. Davis. We have an engineer here who can provide that information.

Mr. SIKES. We would like to have the definition read.

Mr. DAVIS. It is pretty impressive, Mr. Chairman. It says:

A branch of applied mathematics that determines the exact positions of points and the figures and areas of large portions of the earth's surface, the shape and size of the earth, and the variations of terrestial gravity and magnetism.

Mr. SIKES. You would expect that to cost a lot of money.

Mr. DAVIS. It is a combination of geography and navigation.

ASSUMPTIONS AS TO COMBAT LEVEL IN VIETNAM

Mr. SIKES. If there should be a continuation of combat activity by our forces in Vietnam at something approaching the current level, does that mean the budget figures you have given us will no longer be valid?

General TAYLOR. Mr. Chairman, that would be my judgment today. If it continued at or near the present level for the full fiscal year 1970, I question whether we would have enough to support it.

I am speaking now of Southeast Asia support in the way of supplies, field fortifications, transportation, and that type of resource support.

EXCESS INVENTORIES IN SOUTHEAST ASIA

Mr. SIKES. In your concluding statement you mentioned a drawdown of usable supplies currently in excess in Southeast Asia. Is it anticipated that we will be able to begin to some extent to live off the shelf, as was the case after the Korean war?

General TAYLOR. Yes, sir; that is the assumption we have made in this budget. We do know we have long supplies in Southeast Asia. We are making every effort today to determine how much of that long supply is usable and can be utilized without having to repurchase. An estimate was made of long supplies in order to reduce the request.

Mr. SIKES. Is the current policy that all such supplies will be utilized by U.S. forces worldwide or free world forces in Vietnam, rather than to declare them surplus and make them available to other foreign countries or for other purposes?

General TAYLOR. Yes, sir; that is correct. First of all, we would give first priority to Southeast Asia, to include the free world forces which

we are supporting in this area. Finally, then, we do screen other worldwide commands if there is nothing that can be utilized from the long supplies by United States or free world military assistance forces in-country. So, every effort is being made to utilize them one way or another, not only in the Army, but all services, worldwide, before they would be declared surplus for other foreign countries or other purposes.

Mr. SIKES. Does this budget provide for redistribution of any supplies that may be in excess to Southeast Asia?

General TAYLOR. Yes, sir; it does. We have an on-going effort in Okinawa at the present time working in this area, attempting to screen all of the requirements for Southeast Asia as well as all the Pacific Command's requirements.

ESTIMATED SURPLUS SUPPLIES

Mr. LIPSCOMB. General Taylor, over the past number of years, particularly since the war in Vietnam intensified, the Department of Defense has been extremely poor in its estimates of the costs of the Vietnam war.

This budget is based on a reduction in the level of effort there, and it is also based upon continued drawdown of stocks already in the theater. Can you tell us how you arrived at this surplus supply figure?

General TAYLOR. The figure for the estimated long supplies, Mr. Lipscomb, is an estimated figure based entirely on judgment, since we had not at the time the budget was put together an inventory of those supplies, and we did not know what the total amount was. An estimated figure of $621 million was used.

Mr. LIPSCOMB. What kind of supplies are you talking about?

General TAYLOR. We are talking about spare parts, class 2 and 4 supplies which fall in that area, fortification material, POL. These are the types of supplies that we normally purchase and ship over there.

Possibly I should ask General Hayes to expand further on the types of supplies we are talking about that would fall in the long supply category, Mr. Lipscomb.

Mr. LIPSCOMB. I would like to hear that, but is this just a guess?

General TAYLOR. At the time this budget was put together, sir, the estimate of the usable long supplies was the best estimate from personnel who had made visits to Southeast Asia, had viewed the materiel on the ground, but it had not been inventoried at that time so we did not have an actual figure of on-hand supplies that were usable that could be offset at that particular time.

Since that time an inventory has been made. I think General Hayes can speak to this.

CAUSES FOR OVERSTOCKAGE

Mr. SIKES. Before you get to that, how did the overstockage occur? Was it a buildup in anticipation of a combat level which did not take place, or was it poor judgment?

General TAYLOR. If I may go back, sir, I can give you the basis upon which this occurred.

Back in the late fall of 1965 when the 173d Airborne Brigade and the 1st Division (Air-Mobile) went into Southeast Asia, the then

commander found it was necessary to have additional combat troops, and the buildup commenced rather rapidly and continued through 1966 and well into 1967. These were combat troops that were going to the Republic of Vietnam.

At the time the combat troops were called for and approved to go into Southeast Asia, our contingency planning, at that time, called for the logistical or support-type troops to be called from the Reserve components. Of course, we did not have mobilization. As a result, we had to organize, train, and equip the logistical units to follow the combat units into the theater. Normally they would have accompanied the combat troops into the theater. Since they did not, we have a system during an emergency which we call push-type supplies. This is a case where supplies are automatically pushed into the theater without requisitions in order to support those combat troops.

This we did. We did it, I think, for possibly a year to a year and a half, in order to support those troops; but during that period of time when all those supplies were arriving, we did not have those logistical troops to receive, store, inventory, and properly take care of them.

As we organized the troops and as we were able to deploy the troops to the theater, it then became their job to take the supplies incountry and attempt to inventory them, store them, and properly care for them.

Mr. SIKES. Why were not logistical forces made available earlier?

General TAYLOR. I think it was a matter of timing as to the situation that the commander in Southeast Asia found himself confronted with, a nation that was in very weak condition from the military point of view. He had to have troops in there to support those people and that nation. It was a case of time in order to get the logistical troops organized and trained, barring a mobilization and callup of Reserve troops, which did not happen.

Mr. SIKES. The one thing which would be inexcusable from the standpoint of the Army, is to need supplies for combat and not have them. That is what would be criticized most—if you ran out of something that you needed to carry on combat operations.

General TAYLOR. Yes, sir; we would.

Mr. SIKES. You will get some criticism for shipping too much material in there, but I would rather err on the side of too much than on the side of not enough.

General TAYLOR. This is the way we saw it, sir, not knowing exactly what would be needed. Being in that type of environment and that type of war for, I think, the first time in our history, we did not know exactly what would be required.

Mr. SIKES. The next question is: How soon did you realize there was an overstockage, and how soon did you start to try to do something about it?

General TAYLOR. Sir, I think it was realized approximately a year ago.

General HAYES. In mid-1967.

General TAYLOR. At which time the Department of the Army did start to do something about it.

Mr. SIKES. What did the Department start to do about it at that time?

General TAYLOR. First of all, the Department of the Army sent numbers of people to South Vietnam for the purpose of assisting the then logistical troops going into the country to help identify, inventory, and store this materiel that was on the ground in the ports and build warehouses so it could be properly inventoried and taken care of.

LACK OF SUPPLY PERSONNEL

Mr. SIKES. Have you calculated the loss from damage for lack of storage?

General TAYLOR. May I defer to General Hayes? I do not know whether we have a figure on that.

General HAYES. Mr. Sikes, I do not think there has been any specific computation of Vietnam losses that were due to storage outdoors. As a matter of fact, they have not been excessive. The problem of the buildup of supplies in Vietnam was because of the lack of adequate numbers and types of personnel, because we were faced with the problem of not only not having enough of the logistical units, but the personnel were also inexperienced in that type of operation in an overseas theater. So there grew up——

Mr. SIKES. This puzzles me. I do not want to interrupt your train of thought, but why, as late as mid-1967, wouldn't we have trained people to handle this requirement?

General HAYES. The major problem was that we were turning people over there every 12 months, so they were constantly going in with new people. Before the units and individuals who were there could sufficiently carry out a program, they were on their way home and you had fresh people coming in all the time. This added to the problem.

But because of the inflow of supplies in order to assure the adequacy of support for the combat troops, there grew up a situation, for example in the "Fish Market" area in Saigon, where stacks of supplies just sat there, and the problem was really knowing what they had.

So the accomplishing of an inventory of stockage on hand, both quantity and type, became the most critical problem.

The Army Materiel Command provided teams of professional logisticians, primarily civilian employees out of our depots in the CONUS area, who went over as a project counter team, actually down in the depot areas, to assist in the identification, quantification, and the accomplishment of an inventory in the various locations.

Then as they built the big depot at Long Binh so they could get away from crowded conditions in the Saigon area, which added to the problem because there wasn't any space really to do a real warehousing job--then they rewarehoused and went in with actual knowledge of stocks on hand.

At this time, about mid-1967, Okinawa was establishing the capability to run a processing effort on what were known as the "gray boxes." They had been stacked in Vietnam, in the monsoons and in the sunshine, for so long that the boxes themselves had gotten that gray, weatherbeaten hue. So the gray box program actually shipped out, retrograded to Okinawa, those boxes which essentially had never been opened. At Okinawa the opened items were identified, processed, and a great percentage were later shipped back for use in Vietnam.

Mr. SIKES. Since mid-1967, has the overstockage increased or decreased?

General HAYES. The overstockage has materially decreased. As a matter of fact, the usage of the supplies that were retrograded has been significant. We have $237 million worth of retrograde receipts on Okinawa. We have consumed $132.9 million of those so far in current operation. This, of course, includes items funded by other appropriations in addition to O. & M.A.

Mr. SIKES. Can you provide estimates of the overstockage at mid-1967?

General HAYES. I would have to get an estimate. I do not have that with me.

Mr. SIKES. Provide it, if you can. Then will you give us the estimated overstockage at 6-month intervals subsequent to that. Can you give us the overstockage that you anticipate is there today?

General HAYES. All right, sir.

(The information follows:)

VALUE OF SUPPLIES RESHIPPED TO OKINAWA

Value of long supplies in South Vietnam in July 1967 may be estimated from data currently available through the recently established Pacific Utilization and Redistribution Agency (PURA), and inventory data reported following the completion of the first wall-to-wall inventory in Vietnam. The inventory was completed in January 1969. Applying the value of materiel retrograded to Okinawa and other Pacific areas from Vietnam since July 1967, it is estimated that Army-owned long supplies in Vietnam were valued at $570 million in July 1967; $520 million in December 1967; $435 million in July 1968, and $253 million December 31, 1968. The last figure is based on actual inventory of stock funded materiel on the records of the Inventory Control Center, Vietnam. The report excludes certain air and medical supplies assigned to the 34th General Support Group (aviation) and the 44th Medical Brigade, and military construction items financed by the "Military construction" appropriation.

TOTAL OF EXCESS INVENTORY FOR ALL SERVICES

Mr. SIKES. If I may, for the record, I would like to ask if the figure used was an all-service figure, or was it Army alone?

General HAYES. These are retrograde receipts into Okinawa. I assume these are Army.

Mr. SIKES. Are the figures, for all the services available to you?

General HAYES. I do not have them here.

Mr. SIKES. If they are available, supply them for the record.

General HAYES. We can get the figures that have been reported to the agency for screening, but that would be only what is reported by the Air Force and the Navy.

(The information follows:)

During the period April 1, 1968, to February 28, 1969, the military services reported that a total of $590.3 million in redistribution materiel was available to the PACOM Utilization and Redistribution Agency (PURA). The Army reported $428.2 million. The Air Force reported $103.7 million. The Navy reported $38.1 million; and the Marine Corps reported $20.3 million. Reports of redistributable assets are received monthly. Consequently, the above data do not include the total of all assets potentially available. The data include stocks in Thailand, Okinawa, Japan, Korea, Hawaii, and Guam, as well as Vietnam. It should be noted that the Army materiel available for redistribution includes not only stock-funded items but items funded by other appropriations also. Materiel reported to PURA is screened against all service requirements in the Pacific prior to being released to the wholesale inventory managers in the continental United States for application against worldwide requirements.

PROCEDURES USED TO REDUCE INVENTORIES

Mr. SIKES. I want a listing of the procedures the Army has put into effect and the date that you put them into effect to reduce the overstockage, and I want you to tell us how effective these procedures are. Apparently you have reduced this inventory considerably.

General HAYES. Yes, sir.

General TAYLOR. Yes, sir.

(The information follows:)

Project Counter Teams I and II to SVN (March–November 1967) conducted depot location surveys, physical inventories at all echelons of supply, reviewed and purified prescribed load lists (PLL's) of in-country units, reviewed and purified authorized stockage lists (ASL's) for in-country activities, and provided on-the-job training (OJT) in all phases of supply.

Project Counter Teams III and IV to SVN (February–September 1968) completed depot location surveys and physical inventories and identified and classified depot inventories to include excesses. They also provided training in supply procedures to include the establishment and maintenance of PLL's and ASL's and the computation of levels.

Project Counter Teams I and II to Thailand (May–October 1967 and June–October 1968) provided assistance in conducting locater surveys and physical inventories; and reviewed, purified, and provided training in all phases of supply emphasizing establishment and maintenance of PLL's ASL's and the computation of levels.

PURM/PURA—The project for utilization and redistribution of materiel in the Pacific area (PURM) was established by the Secretary of Defense on November 24, 1967. The purpose of the project is to identify long supplies and imbalances which resulted from the speed and magnitude of the logistical buildup in Vietnam, and redistribute these supplies to satisfy valid requirements elsewhere in the DOD supply system. Commander in Chief, Pacific, was directed to establish a special agency on Okinawa to maintain an inventory and supervise redistribution of identified overstockages of all military services. The agency is known as the PACOM utilization and redistribution agency (PURA).

The overall PURM plan was approved by OSD on March 1, 1968, and implemented in PACOM on a test basis on March 8, 1968. A test of the plan was conducted on a semiautomated basis until June 30, 1968. A PURA-dedicated computer was installed and programed during June and July 1968 and on August 1, 1968, PURA became operational on a fully automated basis.

Since implementation of the project, the PACOM component commands and FMFPAC have nominated $590 million of redistributable assets to PURA for screening, resulting in the redistribution of $136 million.

Project Clean (November 1967–December 1968) was established by CG 1st Logistical Command to purify stock records and reconcile backorders and dues-in on a cyclic basis. Phase II of this project identified the forward area stocks which were not moving and had them evacuated out of country. Phase III did the same at direct support units (DSU's) and general support units (GSU's). (Both phases II and III have been overtaken by Project ThruPut). Phase II initiated a program for reviewing the additions of items to the ASL. Over $38 million of net cancellations have been acknowledged.

Project Count (September-December 1968) was the Army's first "perimeter-to-perimeter" physical inventory conducted under combat conditions. Immediately following this, there was a significant increase in demand satisfaction and a decrease in material release denial at each depot. Phase II began in February 1969 and is scheduled to be completed in August 1969. Its objectives are to insure, through 6-month cyclic inventories, that all supply data are current and accurate and to further reduce excesses, the supply pipeline and the number of high priority requisitions.

Project ARMS (Army master data file reader microfilm system) began in May 1967 with the delivery of the microfilm readers to SVN. There are now over 200 in country. Data essential to requisitioning and lower echelon supply management has been extracted from the massive Army master data file and placed on microfilm. This selected data is arranged in FIIN (stock number) sequence and is contained in a set of 14 microfilm cartridges. This data is updated monthly.

This project supplies current management data in an easily and rapidly retrievable form which facilitates editing and processing of requisitions, provides a consolidated source of catalog data, reduces the maintenance of large volumes of supply catalogs, allows quick and accurate validation of stock numbers, facilitates identification of possibly invalid FSN's, and assists in physical identification of materiel.

The Retrograde Program was initiated in the summer of 1967 to insure the evacuation of excesses and unserviceable reparables from the SVN, an active theater of operations. This is unique in the history of the U.S. Army. About 435,000 short tons were evacuated from SVN during the 13-month period ending December 1968. The objective for the remainder of fiscal year 1969 is about 15,000 short tons per month.

Project Thru-Put began in October 1968 and provides for forward units to seek assistance from the support commands in identifying excesses, reporting them to the DSU and arranging for immediate delivery of critical supplies. For those supplies not required at the DSU, a request is forwarded direct to the USA Inventory Control Center, Vietnam, for disposition instructions which are required to be provided within 48 hours.

Project Edit: As a result of a special 1st Logistical Command review in October 1968, a special project to assure compliance with editing procedures for requisitioning was initiated. This also requires the establishment of quality controls at each echelon of supply, after-the-fact reviews and the development of a handbook in this regard for ready use at all operating levels.

Project Castles and Flags: Procedures were developed in November 1968 for intensive management review of engineer and signal construction materiel requisitions to reduce these on-hand stocks to a manageable level.

Project Level has just recently begun in the 1st Logistical Command. The supply management improvement programs described above have improved the reliability of the data base, provided better intelligence of demands, and visibility of supplies in transit to the degree that serious consideration can now be given to a reduction in stock levels. This will reduce funding requirements for stockage, prevent losses through deterioration of excesses, and decrease cost in terms of money and manpower for the storage, handling, shipping, and in-storage maintenance of supplies. The initial objective will be to reduce the 60-day pipeline (requisitioning objective) of the DSU/GSU's by 25 percent. Each support command will select a model DSU/GSU to test feasibility of reducing levels without significantly degrading customer support. At the depot level, emphasis will be placed on further reducing the order/ship times. These have been reduced in the past year from 150 days to 90–135 days based on the specific materiel category. Maximum effort will be made to reduce receiving and shipping time and at the same time explore the possibility of obtaining increased airlift from CONUS to SEA. As assured airlift is obtained, decreases in the stockage levels will be made.

Special reconciliation.—In January 1969 all open requisitions for USARV on hand at CONUS supply sources (AMC, DSA and GSA) were identified and records were hand-carried to the USAICCV to be reconciled with their records. Upon completion of the reconciliation, the due-in records of the USAICCV were reduced by $41.8 million.

Management review and financial control of 1st Logistical Command requisitions.—In January 1969 policies and procedures were published requiring the review of requisitions being submitted to out-of-country sources of supply to justify the essentiality of the requirement by quantity and dollar value. The approval/authority established is as follows:

APPROVAL AUTHORITY FOR OUT-OF-COUNTRY REQUISITIONS

Approving authority	Principal items	Secondary items and repair parts
Commanding General, 1st Logistics Command	Over $1,000,000	Over $500,000.
CO, USAICCV	$500,000 to $1,000,000	$250,000 to $500,000.
Director of Requirements	$200,001 to $500,000	$100,001 to $250,000.
Chief, Commodity Division	$100,001 to $200,000	$25,001 to $100,000.
Chief, Commodity Branch	$25,001 to $100,000	$10,001 to $25,000.
Items managers	$0 to $25,000	$0 to $10,000.

Note: Dollar value criteria is based on the total value of a single requisition or the total value of separate requisitions for the same item requisitioned during the same processing cycle.

TYPES OF ITEMS IN LONG SUPPLY

Mr. SIKES. Am I to assume it is not now a serious problem?

General HAYES. I won't say it is not a serious problem, because to me the proper utilization of supplies is always a serious question, but there were several other programs instituted last year in 1968 which further added to getting a handle on the problem—in addition to identifying and taking care of stocks that already existed. These two projects were known as Project Stop, and a later one Project Stop-See, where we took specific classes of commodities which were already identified as being in long supply, and first USARV stopped the requisitioning, then the Army Materiel Command stopped any further shipments, and finally canceled the shipments that were moving toward Vietnam. Together STOP/SEE programs have resulted in $228 million of requisitions canceled and $15.4 million of shipments frustrated as of the end of February 1969.

Mr. SIKES. In what areas did the major overstockages occur? What specific types of items?

General HAYES. The kinds and types of items were base cantonment equipment, paper products, construction materials, items of that type.

Mr. LIPSCOMB. Cranes?

General HAYES. No, sir. As a matter of fact, in the long supplies we find none of our critically needed major items of equipment.

Mr. SIKES. Spares?

General HAYES. Spare parts in significant quantities have not been reported except in one category, in the electronics area, where there have been quantities reported in that Federal stock group. Primarily, they are the DSA electronic spares, although the Electronics Command has some as well. By and large, the Electronics Command is utilizing all reported quantities that they have, either to meet existing requisitioning or to cut off procurement here in the United States.

Mr. SIKES. I would like a more detailed breakdown giving general information on the type and quantity of spares.

General HAYES. All right, sir.

(The information follows:)

The following types and quantities of electrical and electronic equipment components (Federal stock group 59) are in long supply in the Pacific Area. These items represent the accumulation of that item in the Pacific Area, regardless of owning service.

Nomenclature	Stock No.	UI	Quantity
Cable assembly, telephone, 4 conductors	5995 224 4837	EA	4,369
Cap, electrical, plastic body	5975 807 3775	EA	10,200
Capacitor, variable, vacuum dielectric	5910 577 9360	EA	261
Conduit, metal, rigid, thick wall, npt, w/coupling	5975 284 5971	EA	15,117
Conduit, steel, flexible, unshield	5975 284 7004	CL	43,876
Connector, plug, electrical	5935 164 0220	EA	12,247
Electrode set, carbon, lighting	5977 285 0251	CN	1,019
Electron tube	5960 889 4209	EA	517
Type 1R4-1294	5960 188 3953	EA	14,989
Type 2C43	5960 114 4654	EA	4,565
Type 2J42	5960 107 7590	EA	185
Type 3ACP2A	5960 583 4237	EA	2,122
Type 5725	5960 879 5079	EA	34,475
Type 5893	5960 262 0226	EA	3,993
Type 6550	5960 985 8984	EA	7,186
Type 6781	5960 844 5823	EA	353
Type 7034	5960 985 9059	EA	12,722
Filter, radio interference	5915 999 7338	EA	530
Fuse, cartridge, normal instantaneous	5920 646 4631	EA	16,112
Handle, handset-plastic	5965 377 0044	EA	10,159
Insulation, tape, electric	5970 644 3167	RO	158,763
Insulator, end cap	5970 807 3775	EA	47,703
Insulation, sleeving	5970 189 5898	CT	27,117
Mast, 1-piece construction, aluminum, enamel finish	5985 839 8489	EA	5,174
Relay, armature	5945 188 5631	EA	1,633
Relay, solenoid	5945 578 2066	EA	1,017
Resistor	5905 855 6131	EA	37,200
Splicing kit	5975 657 2183	EA	1,499
Switchbox, fusible	5930 956 2479	EA	4,530
Switch subassembly	5930 322 5467	EA	386
Terminal board, plastic	5940 238 8493	EA	2,303
Transistor, germanium	5961 843 2289	EA	1,642
Transformer, audiofrequency	5950 647 7016	EA	1,960
Transformer	5950 647 0037	EA	7
Tube, flexible, nonmetallic, electrical	5975 284 7865	FT	241,405

Mr. ADDABBO. In this same vein, was much of this building material left over when they did away with the building of the hamlets?

General HAYES. I wouldn't say it was solely with respect to the hamlets. It was with respect to everything that was going on in Vietnam, such as base camps. Primarily, this was tied into military operations.

LOSSES TO PILFERAGE AND SPOILAGE

Mr. ADDABBO. The surplus could have also lent itself to the pilfering and black marketeering if we had such poor control over inventory; is that correct?

General HAYES. Only if it got out——

Mr. ADDABBO. If you didn't know where it was or how much you had, then it could have easily taken legs and walked.

General HAYES. I have to admit it could; yes.

Mr. SIKES. How much of your current estimates for supplies and spares are to offset pilferage? In order words, how effective is your pilferage control now?

General TAYLOR. Sir, I would like to go back to 1965 and 1966 again, if I could. I think during that period of time pilferage probably had reached its peak. I have not been in the country since 1966, but since that time there have been many measures taken to prevent pilferage as well as spoilage through warehousing, through the actual placing of military police in the holds of ships, accompanying convoys from dockside to the warehouse, so that I would say today the pilferage is minor compared to that period of time; plus the fact I think pilferage is in the more personal-desired items, where it can come out of some other means, such as the exchange system, and possibly to some extent the commissary.

Mr. SIKES. Can you give us an estimate of the losses now from pilferage and spoilage, percentagewise?

General TAYLOR. Sir, I would like to verify this, if I may. I would say—and I cannot attach a dollar figure to this because I do not have it with me—but it is running about 1 percent of exchange sales, I think.

(Clerk's note: Subsequently information provided the committee states that losses are actually 3.9 percent of exchanges sales.)

Mr. SIKES. Compared to what in 1966? Supply that for the record.

General TAYLOR. I certainly will. I think it was around 5 to 6 percent, but I would like to verify that.

(The information follows:)

LOSSES—SAIGON ARMY COMMISSARY—PERCENTAGE OF LOSSES TO SALES

	1966 [1]	1969
Sales	$3,978,305	$6,889,434
Losses (spoilage, wastage, pilferage)	$109,750	$221,244
Percent of losses to total sales	2.76	3.2

[1] From Apr. 1 to Dec. 31, 1966. (U.S. Army assumed responsibility from U.S. Navy on Apr. 1 1966.)

ARMY AND AIR FORCE EXCHANGE SERVICE PILFERAGE AND SPOILAGE LOSSES IN VIETNAM

The total exchange system in Vietnam is operated by the Army and Air Force Exchange Service (AAFES). The losses of exchange merchandise in Vietnam to include the total accountability losses at the depots, the losses that occur from transportation from depots to the retail outlets, the accountability losses at the retail outlets, plus all breakage and spoilage (but excluding battle damage or hostile fire damage) is:

[Dollars in millions]

Year	Accountability losses		Spoilage and damage losses		Total	
	Amount at cost	Percent to sales	Amount at cost	Percent to sales	Amount at cost	Percent to sales
Fiscal year 1967	$4.1	2.7	$2.1	1.4	$6.2	4.1
Fiscal year 1968	8.3	2.6	4.8	1.5	13.1	4.1
Fiscal year 1969	9.0	2.5	5.0	1.4	14.0	3.9

EXPLANATION OF LOSSES

During the period April 1, 1967, through December 31, 1967, military cargo valued at $195,607 (approximately 0.03 percent of total value) was lost in ports, depots, and in transit. The pilferage rate subsequently has been reduced approximately 50 percent through the following techniques:

(a) Use of military guards at holds of ships for contract discharge operations.

(b) Use of U.S. military drivers and trucks to deliver PX supplies and other sensitive or readily marketable commodities.

(c) Tighter controls on truck movements, to include trip ticket controls, road patrols, radio reports of arrivals and departures, accounting for loading and offloading times, helicopter surveillance, and more highway check points.

(d) Increased use of locked and sealed containers to move cargo through to depot or ultimate consignee.

(e) Improved fencing, lighting, and guarding at depots and supply points.

(f) Tighter controls on cargo documentation and cargo accounting.

(g) Improved liaison with Vietnamese law enforcement agencies.

USE OF OVERSTOCKAGE TO SUPPORT FREE WORLD FORCES

Mr. SIKES. You are requesting additional funds for supplies and spares in support of the Vietnamese and other free world forces in South Vietnam. Do you anticipate that you can utilize current overstockage for the supply of these forces or are you including some of the current overstockage in the supplies that they are scheduled to get?

General TAYLOR. To the extent that the usable supplies are available against their requisitions, they are being supplied from those long supplies today.

Mr. SIKES. That is calculated into this budget?

General TAYLOR. Yes; that is true, sir.

Mr. SIKES. Do you want to provide a breakdown for the record?

General TAYLOR. I was just going to say our unknown quantity here is just that, just what is that usable long supply figure, until we get a complete handle on our inventories and the material that has retrograded.

Mr. SIKES. Mr. Addabbo?

JOINT SERVICE USE OF OVERSTOCKAGE

Mr. ADDABBO. General, on the overstockage in inventory, is notice of whatever is in that inventory being given to the Marines, the Navy, to see if they could possibly make use of it?

General TAYLOR. Yes, sir. They are also being screened so that if there is anything there that is usable for which they would normally requisition back to their supply area here in the United States, the requisition would not come forward but it would be filled there and given to them. In other words, the services are working this among themselves. If the Air Force has something available that the Army or Navy can use it will be used rather than requisitioning the new items.

General HAYES. As a part of the project for redistribution of supplies in the Pacific area—the Project for Utilization and Redistribution of Material—Project for Utilization and Redistribution, Agency system—we are publishing a catalog which is sent around to all of the customers in the Pacific area and even elsewhere worldwide, of all of

the high dollar value stocks. That is not only high dollar value items but where there are sizable quantities of excess. This has all been identified. This is on the PURM–PURA "wheel." If anyone has a need for supplies he can submit his requisition to the wheel and they will constantly screen them through automatic data processing equipment which they have. I have here the latest catalog dated March 10, 1969.

Mr. ADDABBO. If one of the other services does not need the identical item that you have there but something similar to it, would they requisition it?

General HAYES. That is the purpose of this catalog. This is not in a machine format but has full nomenclature and description which is adequate, so that they can make that very determination. We sent a cataloging team out the first part of January to work in Okinawa on the approximately 4,000 lines in this high-value category in order to do just exactly that. With only a Federal stock number (FSN) the man might miss the very item that he can use as a substitute, but when he can look at a hard copy such as this he can tell. For example, we have the famous case of long supplies of paper cups of all sizes, types, and descriptions but all under different FSN's. If the man in a field requisitions a paper cup he might find one out of stock as far as his direct support unit or depot is concerned, but the Army or another service may have another size of cup that he could use perfectly well. That was one of the reasons this catalog was developed in order to assure that interchangeability and substitutibility would be considered as far as drawing down these excess supplies.

INITIATIVE TO CORRECT OVERSTOCKAGE PROBLEM

Mr. SIKES. Secretary McNamara issued a directive on November 24, 1967, on the utilization and redistribution of excess material in the Pacific area. Was this the beginning of the Army's interest in this matter or had the Army identified the problem and taken steps prior to that time?

General TAYLOR. The Army had taken steps prior to that time. I refer to General Hayes' comments concerning the project where we sent civilian employees from the Army Materiel Command as Project Counter, to start the inventorying of these supplies.

Mr. SIKES. When was that?

General HAYES. It was during the period when I was with AMC that they were over there. I could find out specifically when the first team went. Project Counter–1 got to Vietnam in 1967.

General TAYLOR. May we verify the dates?

Mr. SIKES. Yes, for the record.

(The information follows:)

Project Counter Team

	Date arrived in country
Vietnam:	
I	Mar. 18–24, 1967
II	Sept. 29, 1967
III	Feb. 3–4, 1968
IV	July 5–6, 1968
Thailand:	
I	May 29, 1967
II	June 3, 1968

Mr. SIKES. Provide, if you will, for the record your estimate of the overstockage at the time the Army initiated its own efforts, the amount of overstockage as of the date of Mr. McNamara's directive of November 24, and the amount of overstockage at the time the former Assistant Secretary of Defense, Mr. Morris, made his inspection trip in the spring of 1968.

(The information follows:)

It is estimated that $570 million of long supplies existed in Vietnam at the time of the initial dispatch of Project Counter Teams (March 18–24, 1967). Approximately $520 million of long supplies existed in November 24, 1967, following evacuation of material beginning in July 1967. At the time of the inspection trip of former Assistant Secretary of Defense Morris, June 24–July 6, 1968, retrograde shipments would have reduced the overstockage to $435 million. It should be noted that these dollar estimates may include some items funded by appropriations other than O. & M.A.

Mr. LIPSCOMB. Mr. Chairman.

Mr. SIKES. Yes, Mr. Lipscomb.

STOCKAGE AND PIPELINE OBJECTIVE IN VIETNAM

Mr. LIPSCOMB. I believe they were going to give us an estimated figure for the stock that is overstockage now. Do you have a figure for that?

General HAYES. I do not have a figure. The inventory was completed about the 14th of January. General Heiser, the Commanding General of the First Logistics Command over there, is now computing his requirements based on a level that he wants to hold, based on present conditions, of not to exceed ——— days of stock in Vietnam. It may be that supplies are "long"; that is, longer than the requisitioning objectives in Vietnam, but not truly excess as far as the requirements for all the troops in the Pacific are concerned.

Mr. SIKES. What period do you consider the optimum objective for stockage in Vietnam now?

General HAYES. The ——— day level is now the optimum that we are shooting at, both to get up to in certain cases and to stay at in others.

Mr. SIKES. Does that apply to all types of supplies?

General HAYES. No, sir. By and large, I can give you the specific breakdown by category.

Mr. SIKES. Supply it for the record.

(The information is classified and was provided the committee.)

Mr. SIKES. Do you have further questions on this subject, Mr. Lipscomb?

Mr. LIPSCOMB. It is ——— days now. What was it a year ago?

General HAYES. I would estimate it would have run approximately ———. The reason I hesitate is because there are authorized retention levels in addition to the normal operating levels which were being held in-country. The retention level is the quantity above the requisitioning objective that General Heiser is trying to reduce as long supplies in-country.

Mr. LIPSCOMB. In broad terms, a year ago it was about ——— days?

General HAYES. On the average.

Mr. LIPSCOMB. On the average, what was it in 1967 or 1966?

General HAYES. I don't know, sir. I can try to find out.

General TAYLOR. Well, we will try to find out, Mr. Lipscomb. I don't know whether we would actually know.

(The information is classified and was provided the committee.)

EXCESS NOT DISCLOSED TO COMMITTEE DURING HEARINGS ON 1969 REQUEST

Mr. LIPSCOMB. According to the record which we established, on April 22, 1968, when you were testifying, General Taylor, you stated the reduction in stockage levels in Vietnam represented a decrease of 70 days in the Vietnam pipeline.

General TAYLOR. Yes, sir; that is true.

Mr. LIPSCOMB. Also in getting down to this matter last year it was asked "Why was there a reduction made in the pipeline?" All we were told was: that it improved our supply system, we have improved our delivery system, we have improved our ports in Vietnam, and therefore some reduction could be taken in that area.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. That was in April. Do you mean that you did not know we had an overage a year ago?

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. Why didn't it come up at that time?

General TAYLOR. In our budget, as I testified there, the pipeline which is calculated to represent so many dollars to support the pipeline in numbers of days from the continental United States into Southeast Asia at that time, as I recall the pipeline was calculated to be at about ——— days, Mr. Lipscomb. In that budget, which is the fiscal year 1969 budget, we had reduced that 70 days to ——— days.

Mr. LIPSCOMB. What is the ——— days?

General TAYLOR. The reduction from ——— days in the pipeline to ——— days represents the 70-day reduction that I was speaking to at that time.

Mr. LIPSCOMB. I don't want to get this confused, but what about the ——— days?

General HAYES. That is total level of supplies that would be retained in-country.

General TAYLOR. That is in-country, on the ground, as opposed to the time that it takes to get it from the continental United States into the country.

Mr. LIPSCOMB. If you reduce the pipeline figure—that is what we are talking about—getting it out of this country into the other country; is that right?

General HAYS. That is correct; yes sir. That has been reduced, the pipeline.

General TAYLOR. The pipeline.

General HAYES. Continental United States to Vietnam.

Mr. LIPSCOMB. Yes, from the continental United States to Vietnam, that is the pipeline.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. A year ago you reduced that by 70 days?

General TAYLOR. By 70 days; yes, sir.

Mr. LIPSCOMB. So the reason that you reduced it a year ago was because the Army had too much stock in-country. That is what you told me today.

General TAYLOR. Sir—and I would like to have General Hayes check me on this, when I talk about pipeline—this really is the result of a more efficient system of transmitting requisitions to the supply source from the standpoint of packing, crating the supplies, and getting them on their way to Southeast Asia. This represents that number of days' reduction.

"GUESTIMATE" OF OVERSTOCKAGE

Mr. LIPSCOMB. What I am trying to get to here, is how do you justify to this committee the appropriating of large sums of money for supplies to our forces in Vietnam when we should have known a year ago that we had an oversupply there? You reduced your request for fiscal year 1969 by $262 million but not once was it mentioned that you reduced that because we had an oversupply.

General TAYLOR. Sir, at that time I think we were aware that there were long supplies developing in Southeast Asia, but at that time we did not know what those long supplies represented by commodity, or what they were. The budget that we were then discussing had been based upon what we had known up to that period of time, as to past experience in Southeast Asia. As it developed from that point on—and you were quoting the April testimony, I believe you said—further actions were taken to the point where now we have, as General Hayes mentioned, completed the inventory and we have taken further reductions on what we estimated as being usable out there. I would not sit here today and say that we are 100 percent right in the calculation that we have made because I still do not know what the actual usable long supplies are.

Mr. LIPSCOMB. All you have told us here today is that the Army has a lot of supplies overstocked in Vietnam and you are going to put the particulars in the record. We work here with dollars. You have not given us any dollar amounts. We now are just working on a hit or miss basis; isn't that right, right at this moment? You are just guessing.

General TAYLOR. Yes, sir; other than the amount of money that I mentioned which has been reduced as a result of these actions.

Mr. LIPSCOMB. Yes. You have reduced the amount, a decrease of $512.9 million.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. That is $512,000,000. But you have no idea how you did it.

General TAYLOR. No, sir. This was a judgment factor. This is a judgment at the time the budget was made up.

One of the things that we are uncomfortable about is the fact that while there are long supplies, Mr. Lipscomb, there is a difference between long supplies and usable long supplies. The problem stems from the little history which I mentioned a little bit ago when we had the PUSH supply system of items being sent out there, unrequisitioned, shipped out there. Undoubtedly there were items included in those shipments that were not needed and could not be used by the troops with the equipment that they took incountry.

Mr. LIPSCOMB. I am getting a little tired of working on the supplemental budget basis, Mr. Chairman. The next thing we know, we will have another supplemental budget in here that we have got to work on in a hurry in order to get help to our men in Vietnam. It just seems inconceivable to me that with all the computers, accountants, and technicians and all of the compiled statistical data that we have over in the Pentagon, or have had, that now at this date we are told of a great oversupply and overstockage, an excess of stock; and yet the combat intensity over there, as far as I can tell, is still pretty high. It just does not make sense to me.

But I should be able to think it out, probably.

General TAYLOR. No, sir. May I respond?

Mr. LIPSCOMB. Yes, I would be glad to have you respond.

General TAYLOR. Mr. Lipscomb, this is the first time in the history of our country that we have ever conducted a war where we have attempted for the first time to institute in an active theater of operations any type of financial inventory accounting or actual monetary controls. Even this was not started until, I guess it was, 1968.

General HAYES. 1968; right.

General TAYLOR. 1968, after the war had been going on for a period of 2 years, we are now attempting to do this. I think we are well on the way. But this is part of our problem. We have never attempted to have an actual inventory of supplies on hand in an active theater of operations, nor have we attempted in the past to maintain a strict monetary accounting system in-country. We actually have not instituted financial accounting, per se, in-country, but it is in the theater at Headquarters USARPAC at this particular time and we are now starting to make improvements. I am not trying to tell you that we will be perfect because I would be foolish.

Mr. LIPSCOMB. I do not expect you to. You just happen to be across the table. I am not being critical of the present officers but I have never before been under the impression, sitting on this side of the table, that we have been other than carefully prudent about appropriating money and sending supplies necessary to our men over there. I thought that the Department had the best available system to do this—to get these supplies over there. In fact, I have thought from time-to-time that we have been too close in what we sent. There was a time a few years back they were short of clothes, and they were short of ammunition in some areas. You remember the shortages talk.

Well, at that time we were being criticized because we were holding it too much in line. So I have never had the impression that we have been just shipping supplies out, tires and all the rest of these things, without adequate authorization or adequate invoices and whatever you use to account.

General TAYLOR. Sir, it was only that early period of time that this happened, until such time as we could get the thing under control.

Mr. LIPSCOMB. This really intensified in 1965, did it not? Did it start in 1965?

General TAYLOR. Yes, sir. That is when we started to put combat troops into South Vietnam.

BASIS FOR ESTIMATING OVERSTOCKAGE

Mr. LIPSCOMB. I think how we got into all this was the fact that I wanted to get down to some realistic, basic facts as to how you made the decision or made the estimate of the decline in the level of combat intensity plus the continued drawdown of stockage already in-theater. I think all we can do now is say it is a guesstimate.

General TAYLOR. Sir, this is a judgment, it is estimated. It was based pretty much on the last three quarters of calendar 1968 combat intensity at that time.

Mr. LIPSCOMB. How much did the Army ask for in their original budget in this area?

General TAYLOR. For "Operations and maintenance, Army" sir?

Mr. LIPSCOMB. Right in this area that we are discussing here, budget program 2000.

General TAYLOR. Sir, I do not have the budget program 2000 figure. I have the overall figure.

Mr. LIPSCOMB. If you do not have it, could you for the record indicate what the original request was for budget program 2000—Operating forces, what the Office of the Secretary of Defense cut, what you reclaimed and what the figure is now?

General TAYLOR. Yes, sir. Now, this is with relation to the supply problem or the total program, the total 2000 program?

Mr. LIPSCOMB. You say this in your statement: $2,974 million requested for budget program 2000 in fiscal year 1970 is a net decrease of $512,900,000, the total for Operating forces.

General TAYLOR. Yes, sir; I will be happy to furnish it.

Mr. LIPSCOMB. The Army did ask for more, did it not?

General TAYLOR. Yes, sir; yes.

Mr. LIPSCOMB. So somebody else discovered the overstockage.

General TAYLOR. I am sorry, sir?

Mr. LIPSCOMB. Somebody other than the Army must have discovered the overstockage then, or you would not have asked for more.

General TAYLOR. No, sir; no sir. The Army knew that they had a long supply situation, Mr. Lipscomb, and did take it into consideration. It is an estimate, however; as always, there are different judgments at different levels and the figure is finally arrived at.

DEFENSE DEPARTMENT REDUCTIONS TO ARMY REQUEST

Mr. LIPSCOMB. Could you also include the itemized list of what was reduced by the Office of the Secretary of Defense and what you reclaimed?

General TAYLOR. Yes, sir; we will be happy to.

(The information follows:)

The fiscal year 1970 "Operation and maintenance," Army budget program 2000 submission to Office of the Secretary of Defense was $3,662.3 million. Various budget reductions totaled $712 million. The Army reclaimed $327.1 million and

$23.7 million was restored. The budget program 2000 submission to Congress is $2,074 million.

[In thousands of dollars]

Budget decisions	OSD adjustments	Army reclama	OSD restoration
Operation, Tactical Forces aircraft	−12,800		
Other support activities	−7,797	7,797	+842
Revolutionary development cadre—RVN	+2,694	9,100	
JCS directed and coordinated exercises	−9,000		
Classified project	+50		
RVN supplies and materiel	−252,700	211,100	
Air pollution abatement program	−228		
Army civil defense training	−92	30	
Real property maintenance	−34,398	34,398	
Automatic data processing	−11,400	11,400	
Reactor support activities	+1,700	−1,000	
Air Defense Forces	−409	158	
SENTINEL	+69	−69	
Man-year costs	−2,859		
Military assistance activities	+6,700		
Administration and associated activities	−905	905	+228
Reduction of costs in Europe	−31,455	13,222	+10,869
General Purpose Forces	−155,103	7,499	+10,500
Additional submissions	−19,845	9,100	+2,052
Strategic and Reserve Forces air defense	−10,624	10,286	−552
General Purpose Forces air defense	−9,992	9,992	
Civilian employment	−3,169	3,169	
Southeast Asia attrition and consumption	−160,000		
Miscellaneous	−387		−251
Total	−711,950	327,087	+23,688

The $512,900,000 is a net decrease between the fiscal year 1969 estimate of $3,486,900,000 and the fiscal year 1970 request of $2,974,000,000 and is the result of the following:

Decreases:

Maintenance of real property	$34,398,000
Southeast Asia requirements	513,900,000
Air defense batteries	5,971,000
Total	554,269,000

Additions:

Repair parts for new equipment	12,396,000
Logistical support, overseas dependent education	4,184,000
Replacement of subdued insignia	1,850,000
Pershing program	9,554,000
Army target missile systems	5,139,000
SENTINEL	7,531,000
Field exercises	490,000
Special tactical activities	225,000
Total	41,369,000
Net decrease	512,900,000

PROBLEM OF UTILIZING LONG SUPPLY ITEMS

General HAYES. May I raise one point, Mr. Lipscomb, since I am the one who is handling the PURM-PURA project—though I am not defending the program 2000 budget. There is one thing that should always be kept in mind. Despite how good this catalog is and how much excellence there is, you cannot use one of these items to meet some other requirement except very seldom as a substitute. So if General Blanchard's people need supplies to support them that are not on this

list, they have got to have funds to get them or else we are going to be back in the zero balance situation.

Mr. LIPSCOMB. Your example of a paper cup sure is not a good example——

General HAYES. No, sir.

Mr. LIPSCOMB (continuing). Because I should think they could use a paper cup almost regardless of size.

General HAYES. They can, and we are forcing them to do it.

Mr. LIPSCOMB. But you did use paper cups as an example.

General HAYES. Yes, because paper cups was one of the things that got into long supply.

Mr. LIPSCOMB. I hope that there are instructions out that if they do not have the right size they can use another size.

General HAYES. Yes, sir.

General TAYLOR. There certainly are.

Mr. LIPSCOMB. But that is not the way your testimony was represented.

General HAYES. No; I think you misunderstood me. What I said was when you requisition solely with a Federal stock number and you do not get a hit at your primary source of supply, the machines have no way of looking and telling that there is another size that can be used. This takes somebody to do that and it takes a knowledge that the long supply is available some place else.

Mr. LIPSCOMB. That is all I have.

SHIP TURNAROUND TIME IN SOUTHEAST ASIA

Mr. SIKES. For a time we had a great deal of problems with ships awaiting dock space to unload in Southeast Asia. I assume that problem has been under control for some time. What is the present average length of time, the turnaround time, for a ship in port?

General TAYLOR. General Hayes, can you answer that? Is it 7 days?

General HAYES. It varies I think by the type of commodity being unloaded.

Mr. SIKES. In 1965 ships sometimes were held up for 60, 80 days. What is the situation now?

General HAYES. Essentially, the ships are not held up, tied up any longer than it takes to normally unload the ship. Reefers are a little bit different from the POL ships, or standard cargo ships.

Mr. SIKES. I understand. There is no waiting for space to get to the dock and unload?

General HAYES. No, sir.

General TAYLOR. Normally not; no, sir.

Mr. SIKES. Then it should average about 10 days, I would assume.

General TAYLOR. I was thinking 7 days but I would like to verify that figure also.

Mr. SIKES. Very well.

(The information follows:)

The current average turnaround time for cargo ships in RVN is 10.2 days.

COMBAT RATES ASSUMED IN FISCAL YEAR 1970

Mr. SIKES. Is this budget based on the anticipation of continued combat in Vietnam through fiscal year 1970?

General TAYLOR. Sir, it is; it is based upon combat through fiscal 1970, but at reduced intensity rates as compared to the present time.

Mr. SIKES. What would happen to your estimates if the Paris peace talks should suddenly become productive: They have not been so in all the months they have been in progress, but if they should and there should be peace at the end of calendar 1969, then what would that do to your figures?

General TAYLOR. Sir, I would say that we would have to sit down, based on the planning of how troops were to be redeployed and recalculate the budget. There would certainly be some savings, particularly from the combat consumption point of view. However, there would be additional costs from the standpoint of retrograding equipment, getting it ready for retrograde, retrograding it, as well as deploying troops. So while I think there would probably be some savings, there would be offsets in order to get them out of there.

Mr. SIKES. But this budget is based on a continuation of combat throughout fiscal 1970.

General TAYLOR. Yes.

Mr. SIKES. I think wisely so. We have seen nothing to give very much hope that there will be a change.

Mr. LIPSCOMB. Off the record.

(Discussion off the record.)

SUPPORT OF FREE WORLD FORCES

Mr. SIKES. Do the increases in the current budget for Vietnam represent increases in Vietnamese forces or for increased levels of activity by Vietnamese forces, or both?

General TAYLOR. Sir, I think that would be answered both, because there is an increase in the RVNAF strength to a figure of ——— for fiscal 1970.

Mr. SIKES. Will you provide a breakdown of the two?

General TAYLOR. Yes, sir.

(The information follows:)

The increases in the current budget are best divided into costs of increased logistical support (which represents greater firepower, mobility, and communications from modernization) and costs of increased strength (which reflect greater numbers actively engaging enemy forces).

	Millions
Strength increase	+$32.8
Logistic support	+3.0
Total	+35.8

Mr. SIKES. Are there increases in this budget for the forces of other Southeast Asian countries?

General TAYLOR. Yes, sir, there are.

Mr. SIKES. Will you provide a breakdown for the record on that?

General TAYLOR. Yes, sir.

(The information is classified and was provided the committee.)

REDUCED LEVELS OF COMBAT ACTIVITY IN FISCAL YEAR 1970

Mr. SIKES. I note on page 2 of your statement you speak of the decrease of $570 million from the revised fiscal year 1969 level of funding as representing changing patterns of combat activity and

revised loss projections. At the end of that paragraph you say that there is an increase of $35.8 million because of buildup in modernization of the Vietnamese armed forces.

I would assume, but I would like for you to substantiate this, that you are not saying that we can accomplish as much for $35.8 million in support of the Vietnamese forces as we could for $570 million for our own forces? There is no connection between the two?

General TAYLOR. No, sir. This is phase I modernization program, this $35 million that you are looking at. It has to do with the ——— strength which is a part of that program and it also has to do with transportation items for equipment being furnished to those people. So it would fall in budget program 2000 and 2200. There may be a little amount in 2100 for training.

REDUCTION IN FUNDS DUE TO ANTICIPATED USE OF LONG SUPPLIES

Mr. SIKES. Let me explore this from another direction. The Army is presenting a budget request $467,941,000 below the current estimate for fiscal year 1969. To what extent do these reductions result from the fact that we have overfunded in recent years, principally in the area of Operating Forces and General Supply Activities?

General TAYLOR. Sir, since we have some long supplies, this could be I presume, interpreted as overfunding but certainly not to our knowledge at the time. We had to pay for whatever was shipped out there and it was shipped on a need basis.

Mr. SIKES. I would assume that this is primarily based on a reduced level of activity rather than overfunding.

General TAYLOR. The net reduction of $468 million that you speak of here, yes, sir; that is related to reduced activity and the long supplies.

Mr. SIKES. And not to overfunding?

General TAYLOR. No, sir; no.

Mr. SIKES. Is there any connection

General TAYLOR. It is a difficult question for me to answer, sir.

Mr. SIKES. Do you want to prepare an answer for the record?

General TAYLOR. We do have long supplies out there and we are going to utilize those to the extent that we can so that part of that $468 million is a reduction because of that and the balance would be——

Mr. SIKES. Tell us for the record what part of it is oversupply, if you can do so.

General TAYLOR. Very well. I will attempt to develop that.

(The information follows:)

That part of the $468 million reduction specifically associated with the projected utilization of excess supplies on hand is $173.6 million.

POSSIBILITY OF FURTHER BUDGET REDUCTIONS

Mr. SIKES. Has this budget request been scrubbed sufficiently by the Army and the Office of Secretary of Defense so that you feel it is the minimum at which the Army can operate at the foreseen level of operations?

General TAYLOR. Sir, if these assumptions we have made materialize, we will be able to get by, in our opinion.

Mr. SIKES. You think this is the minimum on which you can get by?

General TAYLOR. I think this is the bare minimum.

Mr. LIPSCOMB. General, you are already aware of the fact that there are proposed additional cuts and increases, both, in your budget. So your answer concerns me a little bit.

General TAYLOR. Sir, depending upon what these final decisions are, I think they will relate to program. Now, if program is reduced you can also reduce funds, but it depends on what program is reduced as to what funds can be reduced. Have I helped you any?

Mr. LIPSCOMB. I want to be sure that the record is clear. You say that your budget is at a very minimum. You also say in your closing that if the combat intensifies that you will need more money. You say that there is no leeway, no flexibility left with your request as it now stands and today is March 25. Now, we are going to show a reduction from what you were talking about and it is going to be classified, much of it. So it concerns me how this record is going to look. We cannot talk about some of these things item for item on the floor of the House and substantiate the Army's request.

General TAYLOR. Sir, I can only respond by saying that the budget that we are talking about today, which was submitted to the Congress in January, was based upon combat in Southeast Asia for the full year of fiscal 1970 with reductions having been taken on an estimated long supply availability, usable long supply availability, and on decreasing combat intensity. If those assumptions materialize based upon this budget we are talking about now, I would think that we could probably get by with the funds we are requesting. Now, when we move from that point to the current budget review that is going on—and my not having firm final decisions, I am saying that if the Secretary of Defense and the President do make program changes downward then funds relating to those program changes downward would come out of the budget. By the same token, if they change a program to increase it or add something new, then additional funds to go along with that decision would be required.

Mr. LIPSCOMB. Would it be correct to say that in actuality your budget hasn't been, as the chairman said, completely scrubbed, that there are programs that would be desired by the Army but are not absolutely necessary? For example, the Civilian Career Executive Institute, this wouldn't break the Army if it was canceled, would it?

General TAYLOR. No, sir.

Mr. LIPSCOMB. Or if we did not start Project Value or if we did not put so much into Project Transition or Project 100,000? In other words, we could scrub these down a little bit and it would not affect the capability of the Army; isn't that right?

General TAYLOR. To conduct a war; no, sir.

Mr. LIPSCOMB. All right. We are talking about the whole budget.

General TAYLOR. This is the best estimate known to us at the time the budget was submitted, sir, based upon approved programs.

Mr. LIPSCOMB. What we are trying to do here is to maintain a high level of capability for the military to perform its obligation to our country.

General TAYLOR. We would concur in that.

Mr. SIKES. And credibility.

Mr. LIPSCOMB. And credibility.

So the fact is that on some items that may not have a high priority, it could be scrubbed a little further without endangering that capability.

General TAYLOR. Yes, sir.

Mr. SIKES. Have you completed your answer?

General TAYLOR. We were talking about a decrease in this budget..

Mr. SIKES. This estimate is based on a reduced level of combat overseas. Are there any other areas in which a reduction in costs is reflected, or is the committee to assume that all other costs are up this year; wages, shipping costs, et cetera?

General TAYLOR. No, sir; there are other reductions, sir.

Mr. SIKES. Where?

General TAYLOR. In our base operations account. In 1968 and 1969 we had a maintenance repair floor in the act of $280 million. In 1970 we are using a request of $225 million, or a reduction of $55 million.

OTHER REDUCTIONS IN COST

Mr. SIKES. Why don't you prepare a statement for the record which will show any other areas where there are actual reductions in cost. Also, tell us how you achieved these reductions. Then outline for us, percentagewise, the major areas of cost increases such as wages, shipping, et cetera.

General TAYLOR. I can do that; yes, sir.

(The information follows:)

OTHER REDUCTIONS

Following are significant areas, other than those based upon a reduced level of combat activity in Southeast Asia, which reflected reduced costs in the fiscal year 1970 budget as compared to the revised fiscal year 1969 budget:

[Dollar amounts in millions]

Item	Reduction	Reason
Maintenance of real property	$54.6	Reduction based on the cost of projects accomplished in fiscal year 1968 that would have been financed in fiscal year 1970.
Air defense	11.3	———
	22.3	Fiscal year 1970 savings resulting from the inactivation of the 25 Nike batteries in fiscal year 1969.
	1.9	Fiscal year 1970 savings resulting from the reduction of the air defense system [———].
Professional training	1.4	Reduction in the number of Army personnel to be trained at civilian institutions.
Air transportation services	5.3	Rate reduction for commercial mail and for cargo and passengers flown by the Military Airlift Command.
Civilian employment	24.1	Reduction achieved through increased productivity, management improvement actions, and program reductions.
Cargo handling	6.1	Reduction in industrial fund rate structure.

Many of the cost rate changes from fiscal year 1969 are unidentifiable in the budget per se. Following is a tabulation of those that can be identified:

Item	Change (percent)
Medicare	+6.8
Ungraded civilian personnel wages	+2.5
Shipping (transportation):[1]	
Military Airlift Command:	
Cargo	−2.7
Passengers	−9.3
Commercial airmail	−20.0
Cargo handling	−6.4

[1] These costs rate changes were effective Jan. 1, 1969.

However, many of the program or project increases in fiscal year 1970 can be compared to the estimated fiscal year 1969 costs on a percentage basis. These increases, reflecting both the level of activity and the rate changes are as follows:

Item	Change (percent)
Armywide communications	+9.2
Overseas dependent education	+30.0
Intelligence and mapping activities	
Medicare	+12.5
Project transition	+21.5

SAVINGS THROUGH BETTER MANAGEMENT

Mr. SIKES. Has the Army initiated, during the current fiscal year, any new management improvement or other practices which are intended to improve efficiency and contribute to cost reductions in O. & M.? Items such as communications systems and automatic data processing programs which we discussed last year, in this connection? What has happened in this general field of cost reduction since we were together last year?

General HAYES. As far as ongoing programs for cost reduction, of course, the regular OSD program for cost reduction is continuing in 1969–70.

Mr. SIKES. I want to know what the Army has done on its own in the last 12 months to reflect reductions in O. & M. activities.

General TAYLOR. Offhand, sir, I cannot give you any projects but I can go back to the beginning of the fiscal year with the Revenue and Expenditure Control Act, with which I am sure you are most familiar. Reductions were taken in the Army's budget at that time, which involved operations as well as civilian employees.

I am sure that we have improvements. I regret that I just cannot give you definite projects here today.

Mr. SIKES. If you can locate them will you list them for the record?

General TAYLOR. I certainly will.

(The information follows:)

SAVINGS FROM MANAGEMENT IMPROVEMENTS

The Army estimates a cumulative total savings of $16,783,000 during the first two quarters of fiscal year 1969 as a result of Army initiated practices to reduce operations and maintenance costs and achieve greater efficiencies. The following are selected examples of improvements included in the $16.8 million:

Title	Savings in thousands
1. Private line service rather than AUTOVON	$353.9
2. Manual review of machine programed stock accounting ledgers	1,241.2
3. Application of value engineering techniques	2,211.3
4. Piggyback air shipment of UH-1 helicopter to RVN	2,825.9
5. ADP systems improvements such as purchase rather than lease of components; replacement of equipment with newer and faster equipment; and intense review of recurring reports to reduce their frequency and required copies	769.7
6. Elimination of 11 general supply support units	2,820.0
7. Intensified management of replacement closing issue points	240.0
8. Management improvements in the maintenance of real property	592.0
9. Revision of automated control of trainees system	456.5
10. Merger of certain headquarters elements in USAREUR	871.0

In addition to the improvement actions listed above that are identified as specific savings to O. & M., all of the Army's management practices and systems contribute, either directly or indirectly, to the many facets of the Army's program funded by the O. & M. appropriation. These contributions, although not always quantifiable in dollar savings, improve efficiency, enhance the decisionmaking process, and greatly facilitate the acquisition and utilization of Army manpower and materiel resources. The following operational management improvements are representative of the tremendous effort the Army is making in this field:

TITLE AND DESCRIPTION

1. Force accounting system: Provides a single authoritative source for force structure data.

2. The Army authorization document system: Defines the requirements and authorizations for all Army units in being and the programed force projected 1 and 2 years into the future.

3. Cancellation of unessential reporting burdens: Objective is to reduce reporting workload. To date in fiscal year 1969, an estimated 40,000 man-hours have been made available for more productive work through the elimination or revision of various reports.

4. Program to improve the management of Army resources: The recommendations of this project currently being implemented will improve the efficiency of the planning, programing, and budgeting of all Army appropriations.

5. Modular force planning system: Provides an accurate and responsive method of determining the support force required for a specified number and type of combat battalions within a theater of operation.

6. New equipment personnel requirements summary: This automated system computes the impact on Army manpower programs caused by the planned introduction of new equipment into the Army force structure.

INCREASES

Mr. SIKES. You state on page 2 that the fiscal year 1970 request includes an estimated $4,228 million for the support of Southeast Asia-related activities, a decrease of $570 million below the revised estimate for Southeast Asia for fiscal 1969. Would this indicate that all of the reductions for 1970 were made in the Southeast Asia area and that, in fact, you have increased the request for support of activities in areas other than Southeast Asia by $102 million? Is that a correct assumption?

General TAYLOR. Sir, we had a net decrease in Southeast Asia of $570 million. I am rounding this number. We had a net increase in non-Southeast Asia of $102 million, for a net reduction of $468 million in the budget.

Mr. SIKES. You have increased areas other than Southeast Asia. Is this a necessary thing?

General TAYLOR. Yes, sir. I can enumerate those increases, sir.

Mr. SIKES. For the record.

General TAYLOR. Very well, sir.

(The information follows:)

The increase in non-Southeast Asia activities of $102 million is a net figure. Significant items included in that net increase are:

Item	Increase in millions
International military headquarters of NATO	$28.7
Overseas dependent education	20.8
Sentinel	26.9
Medical workload/medicare/hospital equipment	14.7
Support/occupancy of Government buildings	5.0
Projects value, transition, and subdued insignia	4.0

Mr. SIKES. Thank you very much, gentlemen.

The committee will be in recess until 10 o'clock tomorrow.

WEDNESDAY, MARCH 26, 1969.

TROOP WITHDRAWALS FROM VIETNAM

Mr. SIKES. General Taylor, yesterday we discussed troop strength and its effect on operation and maintenance cost in Southeast Asia. The press has been rather full of speculation about possible troop withdrawals. There seems to be something in the air that there may be some troop withdrawals. Does this budget envision any such troop withdrawals?

General TAYLOR. No, Mr. Chairman. The fiscal 1970 budget does not. As a matter of fact, the budget is intended to support U.S. forces in-country at approximately ——— troops and also the ——— Vietnamese troops that I spoke of yesterday.

Mr. SIKES. General Taylor, will you prepare for the record some estimates on the effect of the withdrawals of, say, 50,000 troops, starting on July 1, 1969, or on January 1, 1970. Can you do that?

General TAYLOR. Yes, sir. Unless you would give me the guidelines, there is phasing involved, Mr. Chairman, and we would start, as I understand your question, withdrawal on July 1 or January 1 for that

number of troops, but I do not believe we are capable of getting that number out on that date.

Mr. SIKES. I know that. This has to be a phased operation. We understand that.

General TAYLOR. Yes, sir.

Mr. SIKES. What we want is a ball park figure. We know you cannot give us exact figures.

General TAYLOR. I will do that starting July 1, 1969, and January 1, 1970.

(The information follows:)

The following is furnished in response to a hypothetical question concerning the withdrawal of 50,000 troops from Vietnam:

By withdrawing these troops from Vietnam beginning July 1, 1969, but retaining them in the Army, approximately $230 million in operating appropriations would be saved in the fiscal year 1970 budget. By withdrawing these troops beginning January 1, 1970, approximately $100 million in operating appropriations would be saved in the fiscal year 1970 budget.

These estimates are based on a phased withdrawal of troops between July 1, 1969, and December 31, 1969, and between January 1, 1970, and June 30, 1970.

CIVILIAN EMPLOYMENT

Mr. SIKES. Turning to the subject of civilian employment, General Taylor, what has been the Army's reduction in civilian personnel strength as a result of the Revenue and Expenditure Control Act of 1968?

General TAYLOR. Mr. Chairman, I have a representative from the Assistant Chief of Staff for Force Development in charge of that program. If I may, I would like him to respond.

Mr. SIKES. Of course. The committee expects you to call on your back-up witnesses at any time you need them.

Mr. SORKIN. Under the operation of section 201 of Public Law 90-463, the results of which are reflected in the 1969 column of the estimate, the Army has reduced 12,936 end strength. This is the number lower than we would have had without the operation of this law. In the appropriation, "Operation and maintenance, Army," the proportionate amount of this projected decrease is 7,989. The total estimate for all personnel in the Department of the Army is lower by approximately 13,000. That is in the full-time permanent category of employees.

Mr. SIKES. How close is the Army to the June 30, 1966, ceiling on civilian personnel?

Mr. SORKIN. We are attritting at the rate of approximately 4 percent a year. The latest figures I have are through the month of January. We are slightly above the projected savings anticipated in this estimate, but we expect to get down by the end of February. All of the February data is not in yet. Due to the surge in retirements which we experienced in February, we think we will be just about on the target that we anticipated.

As you know, the public law does not require actual reductions in force. It depends on actual attrition. Our attrition experience is just about what we anticipated it would be. Roughly 1 percent a month.

Mr. GARRITY. Are you projecting that you will meet your June 30, 1966, ceiling?

Mr. SORKIN. I think we will be very close to it. Of course, you cannot ever project the rate at which employees will quit, but we seem to be running, I would guess, within 400 or 500 of the number we anticipated in this estimate.

SOUTHEAST ASIA EMPLOYEES EXEMPT FROM REDUCTION

Mr. SIKES. How many employees does the Army now have in Southeast Asia who are exempt from the provisions of the Revenue and Expenditure Control Act?

Mr. SORKIN. Included in this estimate are 57,566 employees whom we consider exempt under the Russell amendment to the Appropriation Act.

These are people physically located in the Southeast Asia countries.

Mr. SIKES. Is that an increase or a decrease over the number on board last year?

Mr. SORKIN. Sir, it is an increase.

Mr. SIKES. How much of an increase? What were the figures last year?

Mr. SORKIN. The 57,566 number is approximately 17,000 higher than the number we actually had on board June 30, 1968. However, it is not an increase over the number we had in the original 1969 budget request. In other words, we are still programing the same numbers of people for the Southeast Asia countries that we had in the original budget request.

All of these people, of course, were not on board when we started the fiscal year, which means we still have quite a bit of hiring to do, particularly in Vietnam.

Mr. SIKES. What is your proposed level for the end of fiscal year 1970 in Southeast Asia?

Mr. SORKIN. The numbers there would go down by approximately 1½ percent. Again, we programed the same numbers of people in Southeast Asia in fiscal 1970. However, the Army was required to assess the normal productivity reduction, which is approximately 1.6 percent. So, we are about 1½ percent lower in 1970 than we were in 1969.

REVENUE AND EXPENDITURE CONTROL ACT

Mr. LIPSCOMB. General, for the record, could you put in the following tables:

The reduction applicable to the 1969 O. & M. appropriation resulting from the Revenue and Expenditure Control Act of 1968.

General TAYLOR. Yes, sir.

(The information follows:)

The reduction applicable to the O&M,A under the Revenue and Expenditure Control Act of 1968 for fiscal year 1969 is $400.0 million in NOA and $375.5 million in Outlays.

OTHER PERSONNEL COMPENSATION

Mr. LIPSCOMB. A breakdown of other personnel compensation which is shown on page 5 of the justification book in the amount of $108,762,000.

General TAYLOR. I will, sir.

Mr. LIPSCOMB. Also, how much for overtime.
General TAYLOR. Yes, sir.
Mr. LIPSCOMB. For the record, Mr. Chairman.
Mr. SIKES. Yes. That will be good.
(The information follows:)

BREAKDOWN OF OTHER PERSONAL COMPENSATION

[In thousands of dollars]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Overtime and holiday [1]	74,044	58,778	58,781
Sunday and nightwork differential	11,855	13,424	13,424
Post differential and cost of living [2]	13,441	19,650	19,650
Other:			
Premium, hazardous duty [3]	990	3,760	3,760
Tet, Christmas bonus, etc. [4]	3,750	13,150	13,150
Total	104,080	108,762	108,765

[1] Overtime decrease represents the current limitation, rather than requirements.
[2] The bulk of this increase relates to the U.S. nationals recently assigned to Southeast Asia countries (Okinawa, Thailand, Vietnam) who receive post differential and other allowances.
[3] Premium pay includes special pay for munitions workers, firefighters, and additional rates of pay applicable to chemists, engineers, medical officers, accountants, etc. Semiannual or other bonuses are part of the pay of foreign and U.S. nationals in Okinawa, Korea, the Canal Zone, Thailand and Vietnam. Also included is the additional pay of employees serving at irregular rates of pay under the savings provision of the Classification Act.
[4] A large portion of the pay of direct-hire foreign nationals, such as Vietnamese, Thais, and Ryukyuans, is included in the "Other personal compensation" category. Total pay for these employees is still relatively low ($850 to $1,800).

COMPENSATION FOR OVERTIME

Mr. SIKES. Since we are on the subject of overtime, can you compare overtime for fiscal 1968, the estimate for 1969, and the projected for 1970? Do you have that?

General TAYLOR. Yes, sir; I think we have it, Mr. Chairman.

Mr. SORKIN. Mr. Chairman, is the question directed to O. & M., Army?

Mr. SIKES. Yes.

Mr. SORKIN. The overtime and holiday pay, both categories, we have in this appropriation request is actual for 1968, $74,044,000; estimated for fiscal 1969, $58,778,000; and estimated for fiscal 1970, $58,781,000.

Mr. GARRITY. If the total personnel compensation request of $108 million remains approximately the same, what is increasing if overtime is decreasing?

Mr. SORKIN. Of course, that category includes quite a few other items, such as premium pay, night differential, overseas allowances, cost of living allowances in the overseas commands, and things like this. Without an actual analysis of it, which I do not have with me, we could not tell you exactly, but in general, those categories do go up as your base pay goes up. They increase in direct relationship.

Mr. LIPSCOMB. Perhaps in the tables that I requested, instead of doing it for just 1 year, we ought to do it for 3 years and it would better explain the trend.

General TAYLOR. We can do that, sir.

Mr. SIKES. How many people do these overtime figures represent?

Mr. SORKIN. We do not convert the overtime to man-years, but in terms of additional people, if we did not have the overtime, we could get a rough idea of the equivalent number of people, by dividing $7,000 (our average pay) into the $58 million amount.

Mr. SIKES. Would you require the overtime if you were not bound by the Revenue and Expenditure Control Act?

Mr. SORKIN. The commands have indicated, sir, that the amounts of overtime required are higher due to the Revenue and Expenditure Control Act. However, we have a control on overtime, and each command is give a certain limitation. The Secretary of the Army is the only one who can raise the overtime amount which each command is permitted to pay. That is the reason we are generally programing approximately the same amount. It is considerably less than the amount that would be actually required by the commands.

General TAYLOR. Mr. Chairman, from all of the reports and discussions with commanders, I think this is an area where they are having difficulty. I think this is generally true in almost every command, because we have made reductions not only in our permanent-hire employees, but particularly overseas we have made reductions of foreign national employees. These are constantly being brought to our attention, in headquarters from all commanders.

PERSONNEL PROVISIONS OF THE REVENUE AND EXPENDITURE CONTROL ACT

Mr. SIKES. Would you say we are paying more because of the personnel provisions of the Revenue and Expenditure Control Act than if we were not bound by that act?

General TAYLOR. Sir, I am not in a position to prove this mathematically to you this morning, but I can say that particularly in our overseas areas, I think it is costing more, for this reason: Where we have reduced foreign nationals, that means a soldier is going to have to do some of these things. I am speaking now of our maintenance area, particularly some of the areas involving communications which must be manned 24 hours a day.

Mr. SIKES. It would seem to me in certain areas we are swapping the devil for the witch. We have not gained anything.

General TAYLOR. This is what is happening. Where we lose the employee and cannot replace him—and, of course, we cannot—then we have to accomplish the job and we have only one source to turn to, and that is the soldier.

Mr. SIKES. When there is work which must be done, it appears to me the operation of the act is harmful and may be more costly.

General TAYLOR. I agree with you, sir.

EFFECT OF REVENUE AND EXPENDITURE CONTROL ACT ON 1970 BUDGET

Mr. SIKES. If the personnel provisions of the Revenue and and Expenditure Control Act remain in effect, can reductions be made in the 1970 budget request for personnel?

General TAYLOR. Sir, on a general basis, I would say any increases that we have in the 1970 budget are directly tied to those programs coming into being in 1970. As one example, we have the program that I mentioned yesterday, the Joint Uniform Military Pay System. I believe there are 900 employees involved in this activity. This is the

sort of thing we are faced with. If we were to reduce any further, I think the hurt and the expense will be that much greater in all activities.

Mr. SIKES. If it should remain in effect, however, what will be the result on your personnel cost computations?

Mr. SORKIN. If the law remained in effect, then whatever strength we had on June 30, 1969 would become the takeoff point for further attrition in fiscal 1970. Since our attrition rate is running at roughly 4 percent a year, this would mean our full-time permanent category of employees would be less by 4 percent at the end of fiscal 1970. The savings on that would amount to about 2 percent of the man-years.

In this appropriation, our current experience is about 8,000 in end strength per year, which means a projection of the public law into fiscal 1970 would result in a savings of approximately 4,000 man-years.

Mr. SIKES. Would you place a projection in the record giving dollar, personnel, and overtime, as nearly as you can estimate them, in the event the law were to remain in effect?

General TAYLOR. Yes, sir.

Mr. SIKES. I would also like to have for the record estimates of reductions which would be applicable to O. & M., procurement, and R.D.T. & E.

General TAYLOR. On the same basis?

Mr. SIKES. Yes.

General TAYLOR. Yes, sir.

(The information follows:)

Additional reductions in the full time permanent category of employees which are estimated for fiscal year 1970, assuming continuation of section 201, Public Law 90-364 are as follows:

	End strength	Average employment	Personnel funds
O. & M., Army	8,365	4,183	$29,063,000
R.D.T. & E.	389	194	2,315,000

No employees are paid directly from Procurement funds. Personnel engaged in procurement activities are paid from O&M, A. While it is believed that further reductions in the workforce will create additional overtime requirements, firm data is not currently available which can be used as a basis for an estimate.

CIVILIAN PERSONNEL STRENGTH BY APPROPRIATION

Mr. SIKES. Now will you compare for the record the estimated civilian personnel strength of the Army for fiscal year 1969 with that at June 30, 1966, by title of the Department of Defense Appropriation Act?

General TAYLOR. Yes, sir; we can do that.

(The information follows:)

CIVILIAN PERSONNEL STRENGTH COMPARISONS, FISCAL YEARS 1966-69 BY TITLE OF DOD APPROPRIATION ACT

	June 30, 1966	June 30, 1969
Operations and maintenance, Army	280,488	335,545
Research, development, test, and evaluation	17,257	15,246
Procurement of equipment and missles, Army	1,337	.....
Promotion of rifle practice	21	.....
Army industrial fund	60,995	79,424
O. & M., Army National Guard [1]	171	158
Total [2]	360,269	430,373

[1] Excludes National Guard technicians who were State employees in fiscal year 1966.
[2] Above data includes all direct-hire employee strength; i.e., full-time permanents, temporaries, part times and intermittents. Data, by appropriation, relative to actual full-time permanent employment, was not maintained in fiscal year 1966.

CIVILIAN PERSONNEL INCREASES FOR OPERATION AND MAINTENANCE

Mr. SIKES. I note on page 3 of your statement that the civilian personnel end strength for fiscal year 1970 is to increase by 4,632 above the estimated end strength for fiscal year 1969. I believe the committee has been advised that the total increase for new or expanded activities during fiscal year 1970 will be in excess of 7,000 employees.

Again for the record, provide a schedule showing this increase in personnel and the activities with which they are to be associated.

General TAYLOR. Very well, sir.

(The information follows:)

Summary of O. & M. Army civilian manpower increases fiscal year 1969 to fiscal year 1970

Activity	*Year end increase*
Increased requirements in Thailand for expanded workloads and support of newly completed facilities	491
Sentinel (all activities)	1,641
Project Transition (all budget programs)	106
U.S. Army board for aviation accident research modernization program to permit expanded statistical analysis and evaluation projects for aviation accidents	36
Programed increase for base operations. (See statement on p. 54.)	775
Increased MAP training	21
Increased support for flight training	461
NAPALM (national ADP program for Army Materiel Command logistics management), development of a standard logistics system	288
Restoration of spaces to permit continued Army host activities at Boston Army Base	31
Expanded maintenance requirements in support of SEA operations	124
Increased support to Conus Army hospital operations resulting from SEA activity	519
Project JUMPS (Joint Uniform Military Pay System), 1 year, one time requirement to implement new DOD requirements	900
Project MECCA (Management of Enlisted Careerists, Centrally Administered), implementation of new personnel management program	35
Increased U.S. Army Reserve technician support	1,627
Repair parts supply operations, Army National Guard support from the Regular Army	30
Programed increase approved for strategic Army communications operations	44
Expansion of Department of Army command and control system	6
Total	7,135

REASON FOR INCREASED CIVILIAN STRENGTH

Mr. SIKES. Can you tell us why there is this large increase in civilian personnel strength for fiscal year 1970?

Mr. SORKIN. We would have to pick out the actual increases and give you a statement, I think, Mr. Chairman, because the increases that we have in this estimate for 1970 are for specific activities.

(Off the record.)

Mr. SIKES. Can you provide the answer?

Mr. SORKIN. The major increases in fiscal 1970 above the fiscal 1969 level are for the increase in the SENTINEL program, which amounts to 1,641 people above the 1969 level. Also, we have certain increased projects, such as Project Transition, approximately 106 additional people; and the Joint Uniform Military Pay System—JUMPS—which was discussed yesterday, 900 additional people. This, incidentally, is a temporary increase, for 1 year only. The program is underway.

Mr. SIKES. Why don't you complete that answer for the record.

General TAYLOR. Very well, sir.

(The information is provided on page 52.)

Mr. LIPSCOMB. Why would there be a difference between what you have just reported and what General Taylor's prepared statement says? For instance, on the SENTINEL program in General Taylor's statement it is indicated 1,732. You just reported 1,641.

General TAYLOR. May we verify that figure?

Mr. LIPSCOMB. Maybe you can straighten out the record.

He reported on JUMPS 950, and you reported 900.

General TAYLOR. In my statement; yes, sir. Let us verify that, if we may, sir. At this moment, I cannot account for the difference.

(The following was supplied later:)

(The correct figures have been verified to be 900 for JUMPS and 1,641 for SENTINEL.)

PERSONNEL INCREASES FOR VARIOUS PROGRAMS

Mr. SIKES. There is a request for 83 additional employees for Project Transition. What is the necessity for that increase?

General TAYLOR. Sir, I think I can give you a general answer on that. I believe we had—and I would like to verify these figures—approximately 42 installations which were involved in Project Transition at about this time last year. That was expanded to 55 installations at the time we received the House Appropriations Committee report indicating a desire not to expand this program further. It was stopped at that time, and the relationship is involved now with the program we have today of the 55 installations.

Mr. SIKES. There is a request for an additional 775 personnel for base operational support. Briefly, why is this necessary? Then you can detail it for the record.

Colonel HOCK. I missed the figure in your question, sir.

Mr. SIKES. You request an additional 775 for base operational support. The committee would like to know the need for the positions these 775 persons will be employed to fill. Tell us the necessity for them. Tell us, briefly, what is involved: then, give us the details in a prepared answer for the record.

Colonel HOCK. Additional personnel, sir?

Mr. SIKES. Yes.

Colonel HOCK. I will have to ask Mr. Sorkin if he can give me a hand on that. My net change reflects only the "Budget project 2009" level. I cannot relate civilian personnel back to the "Base operation 9000" accounts by individual budget program.

(Off the record.)

Mr. SIKES. Are you ready to answer?

Colonel HOCK. Within total base operations, sir, I project a change in man-years of minus 6,000 man-years for 1970.

Mr. SORKIN. I can give a general explanation here.

In the development of the 1970 estimate, as you know, we reverted back to the original program on the assumption the public law would be rescinded. In redistributing personnel required in each of the programs, we did not go back to the original program that every budget program had.

This particular program's requirements were slightly higher than the end strength in 1969. In others, we reduced somewhat.

Mr. SIKES. This is still a little hazy. I have before me a list of net program changes, fiscal year 1969 to fiscal year 1970. One of the significant increases is 775 personnel programed for base operational support. Is this right or wrong?

Mr. SORKIN. This is correct, sir; for the 2000 program.

Mr. SIKES. Then, for what will you be using the additional 775 people?

Mr. SORKIN. They are being used in the general areas of base maintenance, field maintenance, repairs and utilities at the installations.

Mr. SIKES. Why do you require that additional number?

Mr. SORKIN. Sir, we have reduced to the point that our facilities are not being maintained to the required standards.

Mr. SIKES. You are paying for past sins when you had to cut lower than you should have? Is that what you are doing?

Mr. SORKIN. We are just too low in many of these activities.

Mr. SIKES. When that is the case, just tell the committee what the problem is. We understand how those things can happen. I would rather have the record complete.

In what particular areas did you cut so low that you are not able to carry on your work properly, so that, now, you have to build back up to repair the damage that was done, or to catch up?

Mr. SORKIN. We can provide that.

Mr. SIKES. Will you do that for the record?

General TAYLOR. Yes, sir; we will, sir.

(The information follows:)

The increase of 775 civilians in base operations funded from BP 2000 is the net change resulting from increases and decreases in personnel planned for year-end fiscal year 1970 for all commands. In those commands for which increases are requested, personnel retrenchments, and drawdowns required by implementation of section 201, Public Law 90-364, have caused cutbacks below minimum essential requirements during fiscal year 1969 in such activities as materiel and facilities maintenance, security guards, transportation, grounds, utilities services, and operation and maintenance of local communications-electronic networks. Manpower shortages, already have reduced essential utility, custodial, fire protection, and guard services. Laundry service is being delayed and commissary hours have been shortened at several installations. Most of the increase—513 spaces—is for the U.S. Continental Army Command which uses a majority of the base operation workforce. Since the increases of 775 will take place throughout the year, comparative average employment for fiscal year 1970 will be less than fiscal year 1969. The increase in civilian employees will also partially offset a programed reduction in fiscal year 1970 of 740 military assigned to base operations activities.

SUMMER EMPLOYMENT PROGRAM

Mr. LIPSCOMB. Is this additional 775 related in any way to the so-called summer employment program?

Mr. SORKIN. No, sir. None of the summer employment programs are projected in the budget, either in the current year or the future year budget.

Mr. LIPSCOMB. How do you finance it?

Mr. SORKIN. Off the record, sir, we "eat" it.

General TAYLOR. He is saying we absorb it, Mr. Lipscomb. We have had this program for 2 or 3 years, and we have never really been given funds. We have them for about 3 months, and we must pay them out of the funds we have.

Mr. LIPSCOMB. If it is a valid program, it should be a valid line item for justification purposes here.

General TAYLOR. That has been our belief, sir.

Mr. SORKIN. That has been the Army's position, sir, but the Bureau of the Budget and the Secretary of Defense have never permitted the Army to budget for the various youth programs that we have carried out in the past.

General TAYLOR. That is correct, sir. That does not mean we will not continue to ask for the funds. If we can get them approved, we should have them.

Mr. LIPSCOMB. General Taylor, do I understand that you did ask the Office of Secretary of Defense for the funds?

Mr. SORKIN. We included it about 2 years ago, and it was deleted, which meant, in effect, we absorbed the cost twice. Since that time the Secretary of Defense has issued a policy statement which indicated we would absorb the cost of these programs.

In effect, we are not permitted to budget for them.

Mr. LIPSCOMB. Could you now, for the information of the committee, tell us what this has cost in the last 2 years and what is estimated for fiscal year 1970?

General TAYLOR. I am sure we can give that estimate.

Mr. SORKIN. I can tell you what it cost in 1968—$13,750,000 was the cost of these several programs in fiscal 1968.

Mr. LIPSCOMB. Have you an estimate for fiscal 1969?

Mr. SORKIN. It would be approximately the same level, I would imagine.

Mr. LIPSCOMB. How many people are in this program?

Mr. SORKIN. Last year we reached an employment on June 30, 1968, of 19,679. That used up almost 4,000 man-years.

Mr. LIPSCOMB. Where do you use these people? How do they fit into the Army's program? What do you do with them?

Mr. SORKIN. These people are actually used in almost every activity we have, particularly on the base operations type of activity where they can be used in any of the roads and grounds activities or the simple labor jobs around an installation.

General TAYLOR. I can expand upon that. I was talking to a commander from one of our installations yesterday morning. During the summer period when the schools are out, these youngsters are employed actually on the installation. He referred to base operations and the upkeep of the installation and trying to do these necessary tasks which

we would normally do either with regular civilian employees or military personnel, for that matter, if we had them.

Mr. LIPSCOMB. Do the entire 19,000 work in the military or Department of Defense area?

Mr. SORKIN. We are just speaking of the Army, sir.

Mr. LIPSCOMB. The 19,000 are just Army?

Mr. SORKIN. Yes, sir. That is all appropriations. We use quite a few in research, development, and testing. We use quite a few, also, in military construction and industrial fund activities.

Mr. LIPSCOMB. Do you place any of these people in other agencies of Government? Are you footing any of that bill?

General TAYLOR. Not outside of the Army, sir.

Mr. LIPSCOMB. Can you say whether this Army program is the total DOD program, or is it even larger? Does it go through the Navy?

Mr. SORKIN. It is much larger than this, sir. This is just our piece of it. The Navy and Air Force have similar programs.

Mr. LIPSCOMB. Mr. Chairman, for the record at this point, could we get the total summer employment program?

Mr. SIKES. That would be very worth while. Will you provide that for us?

General TAYLOR. Yes, sir; we will make an effort to get that, sir.

Mr. LIPSCOMB. For fiscal 1968 and estimated for 1969 and 1970. If we can get the entire program so we can see what this is drawing off in the way of military funds.

General TAYLOR. Would you like a little more narrative with that as to what they are used for? I gave you one example, sir.

Mr. LIPSCOMB. If you would. We would like as much information on the program as we can get.

General TAYLOR. Very well, sir.

(The information follows:)

SUMMER YOUTH EMPLOYMENT PROGRAM

In 1965 President Johnson announced a youth opportunity campaign designed to provide employment during the summer months for the needy or disadvantaged youth. This program has continued each summer and is limited to the 50 States. The executive agency designated to provide the necessary guidance and monitorship of the program is the Civil Service Commission.

The summer employment program for youths is designed for youth ages 16 through 21. It includes high school students and may include the college graduate in the social and physical sciences who is pursuing an advanced degree. This program helps both management and the individual. It permits the installations and activities to accomplish required work that has been left undone during the year due to expanding missions and shrinking work forces. For the individual it provides training in good work habits and job experiences intended to encourage further education or the full use of present education. Youths are used in such jobs as laborers, clerks, clerk-typist, mechanic helpers, engineering and scientific aides. The summer program greatly assists the Department of the Army in competing with private industry and other Federal agencies for the future college graduate to meet the continuing need for highly qualified employees in a wide variety of professional, technical, and managerial positions. For example, the Corps of Engineers uses college engineering students to perform such tasks as laboratory testing, onsite construction inspection, soils analysis and drafting. This gives the student important semiprofessional experience during the summer months and provides the corps the best means for recruiting the graduate engineer. Many students after becoming familiar with the corp's engineer programs accept permanent employment with the corps after graduation.

Actual fiscal year 1968 costs for the Department of Defense are shown in the following table. Fiscal years 1969 and 1970 costs are estimated to be at approximately the same level.

	June 30, 1968		
	End strength	Man-years	Dollars
Army	19,679	3,979	$13,717,000
Navy	14,599	2,690	10,759,000
Air Force	10,195	2,336	8,362,000
Defense agencies	4,204	1,126	3,419,000
Total	48,677	10,131	36,257,000

It has been the policy of DOD not to budget specific additional funds in support of the youth programs. Funds included in the budget are based on review and evaluation of workload requirements. DOD support of and participation in the youth program is not intended to "make" work for these young people, but rather to exploit those situations in which meaningful work opportunities can be afforded to young people while accomplishing valid and required workload.

PERFORMANCE OF SUMMER EMPLOYEES

Mr. SIKES. I would also like to know the Army's feelings on whether this is the optimum way to accomplish the work that is being done, or whether this is, in effect, a good will program, a make-work program.

General TAYLOR. Yes, sir. I think we have a man present who has actually experienced this program.

General HAYES. Mr. Sikes, I had the opportunity as an installation commander in the Chemical Corps to utilize the summer youth employees, and I would say the greater portion of the people are used not solely for base operations type functions, but we get the young students, engineering and scientific students, in our installations, and this is probably one of the best recruiting methods we have for attracting the high-class student into the Government service.

Mr. LIPSCOMB. Do I remember correctly that there are two classes of people that you include in the summer program? There are the college students of engineering and technical background——

Mr. SORKIN. If I may expand on the program, I have loosely called this the youth program. Actually, in past years we have had four different categories that we call the youth program. The first is the youth opportunity campaign. That was the program to hire underprivileged youths from the cities to give them work experience during summer months.

Mr. SIKES. This is a make-work program for the underprivileged? Is that not what it is?

Mr. SORKIN. It is a program that the Vice President sponsored for the past 4 years.

Mr. SIKES. Are you saying the same thing I am saying?

Mr. SORKIN. The second, the Youth Opportunity-back to school program is a program to give part-time employment to underprivileged children with the objective of keeping them in school, giving them work and some money on a part-time basis several days a week, several hours a day.

The third was the program to employ people under 22 from regular civil service registers. These people are used in those areas where we normally employ summer, seasonal work—for example, in laundries.

The fourth is the one that General Hayes just mentioned, which is the office and science assistants examinations, employing mainly college students during the summer months. It is intended to give them work experience in the Federal Government with the objective of persuading them to make the Government their career.

Mr. SIKES. Aside from the obvious advantages to young people of having these employment programs—and no one discounts that, and that is why we have the programs—aside from the advantages to the young people themselves, could the Army do a better job with regular personnel?

Mr. SORKIN. That gets back to the question of whether this is make-work. Although I am not in the personnel business, the personnel people tell me that these young people are really making an excellent contribution to our workload. In many cases they fill a regular slot.

I had a young college girl myself who worked with me for 2 years, and she just carried a regular job just like any of our other people.

I might also mention, Mr. Lipscomb, that section 201 of Public Law 90–463 has in effect knocked out all except the youth opportunity campaign portion of this youth work program, because all of these people, the three categories remaining, are now under the temporary limitations of the law.

LIMITATIONS AND COST ON YOUTH EMPLOYMENT PROGRAM

Mr. DAVIS. Where do we find this cost? Is this listed under positions other than permanent, or under other personnel compensation? Where do we find it?

General TAYLOR. Sir, I do not believe you will find it per se in the budget, but it probably would be carried in the area other than permanent employees.

Mr. SORKIN. Full-time equivalent in other positions includes all of these categories we have just been discussing.

Mr. LIPSCOMB. I certainly do not see the rationale here. Actually, what you are doing is hiding this. What you are required to do is to hide it. It also confuses the people as to the size of the military budget as such.

Mr. SORKIN. Sir, in past years in the various youth programs, even though we did not get the money to employ these people, they were excluded from the personnel limitation, from the ceilings. Now we are subject to the provisions of the public law which prevent us from hiring not only full-time permanent employees but gives us a man-year limitation on the use of the other types of people, temporaries, and part-times.

Mr. LIPSCOMB. You expressed concern over the personnel limitations. I also express concern over the amount of funds that are going into this without knowledge of the people who have to vote on the Defense budget. I also tie this in to the present campaign of people complaining about the size of military spending, thinking it is all for the purpose of war, for instance.

I believe we should set forth in the record as clearly as we can the funds that are involved and the numbers of people, just as we requested.

General TAYLOR. We will do so, sir. We will bring it out very clearly.

Mr. LIPSCOMB. If we have in there the total amount in DOD in all branches, it would be very clear.

General TAYLOR. I agree, sir. I think the American public should know these things, because there are contributions being made that do not show up in the budget as line items.

Mr. GARRITY. If I understand you correctly, what you are doing now is eliminating the other three categories of youth employment and really depriving deserving college students and other individuals of obtaining summer employment that they would like to have.

General TAYLOR. I think that is true under the provisions of the law, sir. I do not believe we are trying to deprive anyone, but we are trying to live within the requirements of that public law.

Mr. GARRITY. Is that primarily because the other three categories were considered temporary or part-time employees, and the youth opportunity campaign employees are now in a separate category?

Mr. SORKIN. That is generally correct.

PERSONNEL INCREASE FOR JOINT UNIFORM MILITARY PAY SYSTEM

Mr. SIKES. You are requesting 900 additional employees for the Joint Uniform Military Pay System (JUMPS). Can you not use the people now associated with military pay accounts to carry out the requirements of this project?

General TAYLOR. Sir, this project, as we have referred to it, is the Joint Uniform Military Pay System. What is happening here, to answer your question specifically, is that we are attempting to put on computers at a centralized point all of the military pay accounts. This is a get ready program in order to do this.

Of course, the people now handling the pay accounts are spread throughout the world with our combat units and in separate finance sections. So, they just are not available to be at the central point where the programing must be done and the testing must be done in order to get the thing, if you will, on the air so it can be effective on the date it is to go into being, which I think is fiscal 1971.

Mr. SIKES. Is this a one-time, 1-year cost?

General TAYLOR. Yes, sir, that is what we understand. It is a 1-year requirement.

Mr. SIKES. You estimated an increase last year. What was the history of that?

General TAYLOR. I recall the amount of money. I think it was approximately $800,000. However, because the program slipped, sir, this was one of the items that we gave up under the Public Law.

RESOURCES MANAGEMENT PROGRAM (PROJECT PRIME)

Mr. SIKES. How many additional civilian personnel does the Army anticipate employing in fiscal year 1970 to carry out the resources management program?

General TAYLOR. The resources management program, sir, I believe is Project Prime, as we understand it. For that particular project we have not requested any personnel or funds, but that is not to say we could not use them.

Mr. SIKES. Are there questions on civilian personnel?

Mr. LIPSCOMB. Mr. Chairman, do you think we will have a hearing or some kind of update on Project Prime servicewide? I do not think we ought to take the time now.

Mr. SIKES. I would assume that we would.

Mr. LIPSCOMB. Are there any funds in the Army O. & M. budget for the implementation of Project Prime?

General TAYLOR. No, sir, there are not, Mr. Lipscomb. As a matter of fact, we have noted the committee's desire in the House report of last year concerning funds regarding this project. In effect, we looked at it as a special item of interest.

If any additional funds were to be placed in such a program, we recognized we had to come back to the committee to talk about it. We placed that same restriction on our field commands, that they would not utilize any additional funds for this program.

Mr. LIPSCOMB. But you still implement it?

General TAYLOR. Yes, sir, we are implementing it.

Mr. LIPSCOMB. That makes it pretty tough.

General TAYLOR. It is very difficult.

Mr. LIPSCOMB. We are going to have further hearings on Project Prime, departmentwide, later on this year, and we will get into this later.

General TAYLOR. Yes, sir.

Mr. SIKES. Are there any further questions?

Mr. LIPSCOMB. No, Mr. Chairman.

CONTRACT MANAGEMENT STUDIES

Mr. SIKES. Turning to the subject of contract management studies, I would like to have inserted at this point in the record a schedule of the contract management studies undertaken during fiscal years 1968, 1969, and those proposed for fiscal 1970.

(The information follows:)

CONTRACT MANAGEMENT STUDIES

Management studies are an essential part of the Army's management process. These studies are undertaken to develop improved management systems and processes, to assist in solving significant management problems, and to keep abreast of the latest management techniques and innovations. Contracts for management studies are undertaken only after extensive evaluation by HQ, DA. Each request to contract for a management study is evaluated to insure that an urgent need exists, to preclude duplication, and to substantiate that DA does not have the in-house capability for the particular study. Final approval authority for these contracts rests with the ASA(FM). Strict criteria are applied prior to approval to contract for these studies.

CONTRACT MANAGEMENT STUDIES, FISCAL YEAR 1968—OMA

The following listing identifies the 17 individual OMA funded management studies contracted during fiscal year 1968. These fiscal year 1968 contracts cost approximately $3.4 million.

Study title	*Cost in thousands*
Design and development of an integrated facilities system (phase IIA)	$1,180,000
Intensive management of secondary items	315,000
Expansion of cost information reports to tanks and combat vehicles	25,000
Operating and maintenance cost of Army aircraft	25,000
Alternative logistics concepts for U.S. Army, Europe	99,500
Five-year aeronautical depot maintenance workload and resource plan (fiscal year 1968 extension)	28,360
Integrated materiel readiness, supply and maintenance management information system	324,881
Master plan for U.S. Army electronic warfare	251,577
Program to improve management of Army resources—phase II (PRIMAR—II)	455,927
Department of the Army vocabulary of information elements	111,088
Statistical analysis of logistics data bank	29,163
Cost factoring system for force readiness projections	155,665
Operating costs of the 1st Cavalry Division (Airmobile) and the 4th Infantry Division in South Vietnam	76,110
Evaluation of potential and performance of Army civilian personnel	40,000
Management study of the counterintelligence research file system	24,945
Study of the Army authorization documents system vertical structure	78,149
Army intelligence systems analysis (phase II–A)	216,474

CONTRACT MANAGEMENT STUDIES, FISCAL YEAR 1969—OMA

The following listing identifies 16 individual management studies so far identified as planned for contract during fiscal year 1969. The total estimated cost for these contracts for fiscal year 1969 is $1.6 million. Several of the studies originally planned for fiscal year 1969 have been reprogramed for fiscal year 1970 because of fiscal year 1969 funding shortages. Other planned studies were not approved for contract (approximately $0.2 million); some of which will be performed by Army personnel. In addition, about $1.8 million worth of management studies have been reviewed by DA and returned to sponsoring agency for reevaluation.

Study title	*Cost in thousands*
Management study of the civilian health and medical program of the uniformed services	$67,640
Methodology for development of an Army logistics system master plan	48,000
The evaluation of the effectiveness of logistic support of Army aircraft in RVN	95,000
Integrated time-phased program of major tasks in providing mission essential logistic support for the Sentinel system	9,000
Logistics studies of selected areas	520,000
Information systems development and management control	180,000
Department of the Army vocabulary of information elements	160,315
Methods and procedures for economic analysis of proposed investments in weapon systems	13,600
Army aviation unit operating costs in RVN	22,000
Development of an improved Army weapon system cost model	49,000
Recruitment, training, and utilization of volunteers in the Army Community Service (ACS) program (phase V)	23,000
Sample surveys of selected personnel projects	160,000
Measurable determinants of officer quality and the development of a composite index of officer quality	80,000
Assessment of employment and utilization of civilian personnel	50,000
Retention of quality senior officers	40,000
Library support to Army personnel for career advancement and job performance	35,000

CONTRACT MANAGEMENT STUDIES FISCAL YEAR 1970--O. & M.A.

Contract management studies planned for fiscal year 1970 are estimated to cost $4.0 million. The following data indicate areas in which contract management studies are being planned, plus a level-of-effort for cost planning. It is not expected that all contract study proposals will be approved. Just as in prior years, some will not meet the existing criteria, while others may not be started because of funding shortages.

General areas	*Cost estimate in millions*
Develop bases for designing the optimum intermodel, integrated, logistics distribution system for support of RVN and ultimately for worldwide adaptation; effort will also define supporting systems and equipment requirements. Develop comprehensive and integrated maintenance/supply policy and procedure compendium, which will include data needed by each operating level--national inventory control points to user/maintenance and supply technician. Define and develop the logistical methodology for the supply and maintenance functions of the theater Army Support Command system. Evaluate maintenance concepts in terms of cost effectiveness; analyze repair parts reliability to determine stock-level requirements; and determine deterioration factors affecting stock levels. Develop logistic criteria and guidelines in the preparation of qualitative and quantitative materiel requirements and for rehabilitation cycles	$3.7
Develop techniques for rapid air defense weapon systems cost estimating through various options and fluctuations in force structure. Design base of operating and maintenance costs for Army aircraft by type, model, series, and worldwide area. Define relationships between prototype and production costs to effect estimates of production hardware costs. Develop improvements in methods and procedures for economic analysis of future Army investments. Development of method to effectively estimate Army weapon systems costs. Develop estimating procedures to determine estimates for personnel, facilities, and materials in Army installations in response to broad goals and operating concepts of the Army. Analyze division force requirements in Southeast Asia. Investigate and determine effective procedures and functions for long-range management information systems and supporting resources. Develop more effective correlation techniques between force accountability at the installation level and that maintained at DA	.7
Design personnel measurement systems incorporating predictors of successful performance and increased efficiency. Develop uniformity and standardization of accident reporting, collection, and analysis procedures. Define concepts for effective staff assistance, to include successful performance factors, qualifications of staff personnel, and functional relationships provided by staff to management. Develop basis for service school requirements and workload variations effected by force structure fluctuations. Establish community service officer training requirements, guidelines of performance and evaluation of program operations. Analyze readiness capabilities of reserve component in relationship to active forces and assess effects on training requirements	.5

CONTROL OF MANAGEMENT STUDIES

Mr. SIKES. For fiscal year 1970, you are asking an additional $3.3 million for contract management studies. What do you expect to accomplish with this increase?

Let me preface that by saying that last weekend I was handed a stack of papers that was almost as thick as this justification book. That represented studies that are taking place at one military base. It appears to me that we are using an awful lot of manpower for very little purpose. I am not enthusiastic about the proliferation of studies. They seem to be increasing in number all the time.

Now answer the question.

General TAYLOR. Sir, we discussed a year ago this problem of management studies and the intention the committee has concerning them.

The Department of the Army has made this an item of very special effort. We have a procedure now which puts every tentative or requested study through a very severe screening before it is ever approved. In other words, before the commands can even initiate a study, they must come to the Department of the Army Headquarters, and the Comptroller of the Army is charged with the responsibility of determining whether or not, point 1, can that study be handled within the Army's capability in-house; and, number 2, what is the requirement of the study that if it cannot be handled in-house, that would require it to be done by a contractor.

Mr. SIKES. One question would automatically occur to me at that point. What you are doing sounds a little like an additional study.

Is the total number of studies going up or down?

General TAYLOR. I think our best estimate is that the management studies are staying at about the same level.

ACTUAL COST OF 1969 AND 1970 STUDIES

Mr. SIKES. Why do you need an additional $3.3 million?

General TAYLOR. Sir, I was not aware of that figure of $3.3 million. Our estimate for 1969, the figures that I have, we believe we may need approximately $3.3 million in 1969, and our estimate is about $4.9 million in 1970, or an increase of approximately $1.6 million.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. The list provided the committees shows that for 1969 Army studies will cost only $1.6 million. The difference between——

General TAYLOR. I think, sir, the list we provided were those studies that have already been approved for fiscal 1969. The figure I am quoting is our estimate of those studies that could possibly be approved between now and June 30. I believe this is correct, Mr. Chairman.

Mr. SIKES. What additional costs and how many additional studies do you anticipate for fiscal 1969?

General TAYLOR. At best, sir, this is an area where we have a great deal of difficulty attempting to set up a program in advance. We attempt to find out at the beginning of the fiscal year from our commands what they anticipate will be required. These change during the course of the fiscal year. Our only control is that when they change, the command must come in and advise the headquarters as to what they are changing or what the requirement is.

It is at that point that they are screened and it is determined whether there is duplication or there is real necessity for it. In the final analysis, any contract management study must be approved by the Assistant Secretary for Financial Management.

Mr. SIKES. I think you are repeating yourself. It sounds very much like what you told us last year. The cost is going up. Why would that be?

General TAYLOR. One reason that the costs could be going up, sir, is the fact that we do not have the employees to accomplish some of these because of the reductions we have taken under the public law, the attrition that has taken place, and people have not been reemployed or replaced.

Mr. SIKES. I would like a listing for the record of the studies that you anticipate will still be undertaken in fiscal 1969.

General TAYLOR. Yes, sir.

(The information follows:)

STUDIES ANTICIPATED TO BE UNDERTAKEN IN FISCAL YEAR 1969

STUDY TITLE

Methodology for development of an Army logistics system master plan.
Evaluation of the effectiveness of logistic support of Army aircraft in RVN.
Integrated time-phased program of major tasks in providing mission essential logistic support for the Sentinel system.
Management study of the civilian health and medical program of the uniformed services.
Information systems development and management control.
Department of the Army vocabulary of information elements.
Methods and procedures for economic analysis of proposed investments in weapons systems.
Army aviation unit operating costs in RVN.
Development of an improved Army weapon system cost model.
Sample surveys of selected personnel projects.
Assessment of employment and utilization of civilian personnel.
Retention of quality senior officers.
Logistics studies of selected areas.
Library support to Army personnel for career advancement and job performance.
Derivation of exploitable relationship among variables in U.S. Army accident data.
Cost analysis of selected weapons systems.
Analysis of the support requirements for limited war.

CONTROL OF CONTRACT MANAGEMENT STUDIES

Mr. SIKES. I would like for the record a comparison of the 1969 program and the 1970 program which would indicate what, if any, measure of control has been placed on the operation of management studies. I would like a summation of what you think has been gained in fiscal 1969 through this type of study.

General TAYLOR. Very well, sir.

(The information follows:)

CONTROL OF CONTRACT MANAGEMENT STUDIES

During fiscal year 1968 the Army initiated tighter controls over the use of contractors to conduct management studies. This is reflected by the fact that for fiscal year 1968 major DA commands and agencies submitted a total of 38 requests for contract study approval with a total estimated cost in excess of $6 million. ASA (FM) granted approval on only 17 of the most urgent study requests. These 17 contract studies cost approximately $3.4 million. In addition to the screening at the HQ, DA level, each major command and agency subjects their contract study requests to considerable screening before submission to HQ, DA. The fiscal year 1968 plan presented to you at this time last year indicated a requirement level of $4.7 million, however as stated above, only $3.4 million were approved. It is expected that the control measures will continue to screen out a very high percentage of these contract study requests and assure that only the most urgent and worthwhile contract studies are approved. Last year the Army estimate for contract management studies for fiscal year 1969 was approximately $5 million. Currently, through the application of control measures, the estimate for fiscal year 1969 is revised to only about $3.4 million. Similar for fiscal year 1970, requirements have been identified for about $4.9 million of contract management studies. It is anticipated that many of these requirements will not survive the test of the control measures and only the most urgent and bona fide requests for contract will win approval.

The following summaries are a sample of contract management studies that have been completed recently, or upon which in-process evaluations have been made:

STUDY TITLE

Integrated time-phased program of major tasks in providing mission essential logistic support. (Contracted in fiscal year 1969.)

EVALUATION

Contractor provided a time-phased program for controlling the development and installation of Sentinel logistic support. A 2,000-event network was developed covering 16 functional areas, through the first site installation. Timing of civilian hires and urgency of the tasks precluded accomplishing the job in-house.

STUDY TITLE

Career motivation of Army personnel—junior officers (contracted in fiscal year 1967).

EVALUATION

Through rigorous and sophisticated methodology and sampling techniques, some of which were used for the first time in a study of this nature, it has been possible to gain a better indication of the relative importance which should be attached to various junior officer problems and to determine what areas should be improved to increase junior officer retention. Results are now being translated into sound, feasible, and specific Army policy, e.g., increasing educational opportunities for junior officers with minimum formal education. It is deemed prudent to provide further education to the highly motivated junior officer who possesses few academic credentials, thus providing long-range benefits to the service since this group is likely to make up a measureable number of the career senior officers of the future.

STUDY TITLE

Intensive management of secondary items and repair parts (contracted in fiscal year 1968).

EVALUATION

The contract developed procedures which have been incorporated in PRIMAR recommendations and accomplished the basic mission of better training of supply analysts. Two basic new concepts were developed by the contractor which have since been incorporated in the PRIMAR study and approved by the Chief of Staff, U.S.A. They are:

A procedure for the intensive management of repair parts for selected weapons systems, which shows that back orders were reduced by an average of 65 percent for the items controlled. A procedure for keeping commodity commands and higher headquarters apprised of the status of supply of items related to selected weapons systems together with actions which were performed during the prior month and actions planned for the following month. In addition, the contractor developed a training course for the NICPs on the use of the Army stratification system for intensive management and conducted two 1-week courses for training NICP instructors, and developed an ALMC training package for the AMC project officers.

STUDY TITLE

Program to improve the management of Army resources (PRIMAR). (Contracted in fiscal year 1968.)

EVALUATION

Contractual work has been completed on the PRIMAR project. Army staff efforts have been completed on the study phase, and installation of the improvements is underway. An improved Army planning system and a readiness measurement system were approved during fiscal year 1969 from which benefits will accrue in the future. Major gains in resource management will be made during fiscal year 1970 and subsequent years as the system becomes operational. The improved system will facilitate more efficient programing and budgeting.

STUDY TITLE

Department of Army vocabulary of information elements (DAVIE). (Contracted in fiscal year 1968.)

EVALUATION

The Army received initial computer listings of DAVIE on December 31, 1968. Copies of this initial listing are being used presently as the source of information for responding to OSD requests for data requirements information. The use of the existing DAVIE information has improved Army response time to OSD and, in part, reduced the cost of producing this information. The DAVIE listings are being used to identify and select functional and operational areas most in need of standardization and reduction of the data base, and in developing the related DA data standardization plan for fiscal year 1970. Further, the DAVIE listings are used as a reference source in controlling the proliferation of new information elements during review and coordination of new or revsed publications and reports.

STUDY TITLE

Cost factoring system for force readiness projection (COFACTS). (Contracted in fiscal year 1968.)

EVALUATION

COFACTS will be operational in July 1969. No benefits will accrue during fiscal year 1969. However, the operational system will provide management with rapid, reproducible, quantitative assistance in force structuring, budgeting, and deployment planning during future years. COFACTS will be a valuable tool in evaluating changes to current or planned force related programs.

STUDY TITLE

Statistical analysis of logistics data bank. (Contracted in fiscal year 1968.)

EVALUATION

The methodology developed by this study is being refined. The system will not be operational until fiscal year 1970. When completely installed, the Army will have the capability to validate data maintained in the data bank at the Major Item Data Agency (MIDA) and to assign a level of confidence to data used ultimately by top management officials in DA, OSA, and OSD during decision-making process.

DATA PROCESSING STANDARDIZATION STUDY

Mr. SIKES. In fiscal 1969, you are continuing the Army "Vocabulary of Information Elements Study," which is a carryover from fiscal 1968. The total invested thus far is $271,000.

We discussed this last year. Can you tell us what has been accomplished in this program in the interim period?

General TAYLOR. Colonel Egbert, I believe, can address that.

Mr. SIKES. Colonel?

Colonel EGBERT. Sir, a large number of data elements, information elements have been identified from Army regulations, report requirements, manuals, and other documents, and placed in the file. The total number of information elements so far identified is 130,000.

Mr. SIKES. Once it gets in the file, then what happens? Does it stay there?

Colonel EGBERT. Sir, at the present time the file is being used to assist the Management Information Systems Directorate——

Mr. SIKES. How does it assist them?

Colonel EGBERT. By providing information to assist standardization of data. As I am sure you are aware, the systems in being today have

difficulty communicating with each other because the information elements they contain are not standard. There are a number of standardization programs.

Mr. SIKES. What kind of system are you talking about?

Colonel EGBERT. Sir, they are computer-based systems; those that are automated.

Mr. SIKES. Why aren't they compatible, one with the other?

Colonel EGBERT. For the most part, sir, because they have been developed at local installations to meet local requirements.

Mr. SIKES. Aren't your studies simply telling us what we already know?

Colonel EGBERT. No, sir. I was pointing out that the standardization programs are designed to assist in solving the problem of communication between systems and the lack of compatibility. At the present time the information data which have been identified are in a file, and a plan has been developed not only to continue the effort, but also to install a computerized system which will use this file, update it automatically, and make it accessible to all the users of automated systems in the Army.

Mr. SIKES. Why cannot standardization be cranked in at the time the systems are developed, rather than trying to interpret the differences after they are developed?

Colonel EGBERT. Sir, there is no inventory or catalog of existing information elements. This has forced the development of this program, which will identify those elements being used.

Mr. SIKES. I would like to know how many people are participating in management studies at the end of fiscal 1968 and anticipated 1969 and proposed 1970. How much is the new ADP system going to cost for this vocabulary?

General TAYLOR. I think we have a man who can discuss that.

Mr. BUCKMASTER. Sir, at the moment the DAVIE project is undergoing reevaluation. The initial fiscal year 1969 contract has terminated, and we are now determining how we are going to proceed to put it to best use.

Mr. SIKES. How much has it cost thus far?

Mr. BUCKMASTER. I believe Colonel Egbert has that figure.

Colonel EGBERT. Approximately $271,000 to date.

Mr. SIKES. What are the estimates of future cost?

Colonel EGBERT. The initial estimate of proceeding with this program was $150,000.

Mr. SIKES. Is this generally the history of these studies? One simply generates another? As soon as you have all the files filled, you have to build a new warehouse for new files to file more studies?

Mr. BUCKMASTER. If I may address myself to that, in connection with DAVIE the end product is an automated file, as Colonel Egbert mentioned, of information elements. The need for this is to provide a point of departure for systems standardization across the board over many projects which the Army has under way. This makes available to the systems designer a standardized base of information from which, as he designs his system, he extracts those information elements which are standardized and puts them to use. As we now ex-

pand our program to develop standardized systems, designers will draw upon this information which is available through our inventory of data elements and use this in the design of established projects.

Mr. SIKES. That is a logical answer, but why could that not have been done initially as a part of the development of the system itself? Would that not have been possible?

Mr. BUCKMASTER. Sir, I think we have a situation in the Army and throughout not only the Defense Department, as well as in Government and industry, where we are learning as we develop advanced automated information systems. The initial applications of automatic data processing were not standardized efforts, but were unique systems for particular installations.

At present, we are undertaking several major system standardization activities, and we do have need for the output of a contract such as DAVIE. This has been a growth and evolution as we have progressed toward system standardization in recent years.

Mr. SIKES. Do you know what DOD is doing in this area?

Mr. BUCKMASTER. Yes, sir. DOD has a data standardization program which is directed by the Office of the Assistant Secretary of Defense for Information.

Mr. SIKES. Does it complement or duplicate yours?

Mr. BUCKMASTER. It complements it.

Mr. SIKES. Are they meshed?

Mr. BUCKMASTER. Yes, sir; they are. There is a provision under the OSD program for appropriate information elements to be standardized throughout the Defense Department. There are essentially two efforts. One is the overall OSD effort to standardize information elements throughout the Defense Department. Within the OSD framework, the Army has its own program to standardize information elements of particular use to us.

STUDY ON ARMY COMMUNITY SERVICE PROGRAM

Mr. SIKES. In 1969, you are undertaking a study of "the recruitment, training, and utilization of volunteers in the Army community service program." I would like to have some background information on this for the record. Tell us now, specifically why it is needed.

General ROSEBOROUGH. Sir, as you know, the Army community services program is a new undertaking in the Army. After it was under way, it was decided to examine it——

Mr. SIKES. What is it?

General ROSEBOROUGH. The Army community services program is a program that is operated under Army supervision largely by volunteer personnel, mostly Army wives. It is designed to provide services and assistance primarily to Army families in matters concerning finances, education, facilities for training and care of handicapped children, the problems associated with relocating from one base to another, sometimes on short notice. For instance, a husband has to leave on short notice, leaving the family behind to move and find quarters.

This has been instituted Army-wide. It is supervised by active duty personnel. As I said, most of the workers are volunteer wives of Army personnel on the bases.

After this got under way, it was felt that it should be examined with a view to standardizing it to provide the lessons learned from one base to another, and eventually to the development of a manual, for the use of the individuals who run this program and for the instruction and guidance of the volunteers who participate in it.

That is what this study is about, sir. It is eventually to come up with handbooks describing how this activity should be carried out.

Mr. SIKES. How much will the study cost?

General TAYLOR. It is estimated at $23,000.

Mr. SIKES. It sounds like a useful study. The community service program is, of course, a very useful one. You can amplify your remarks for the record.

(Amplification follows:)

ARMY COMMUNITY SERVICE

One of the major developments to take place in the U.S. Army in recent years is the development of the Army community service program. This new program accepts as a basic tenet the concept of a military community in which the need for coordination of health, welfare, and morale services has been elevated to a level of primary concern for which the Army community itself must take primary responsibility.

As essential element of the Army community service program is the use of volunteers, since at the present time there are very few professional personnel assigned to this function, and it is not anticipated to increase this number substantially during the next few years. Volunteer activity, then, is seen as the essential element for achieving the specific mission of the Army community service.

The use of volunteers, however, requires a complete range of new, specifically designed activities on the part of the professional staff. No volunteer program can succeed without careful attention to such factors as recruitment, selection, training, and on-the-job supervision. Many volunteer programs throughout the country have failed or are in danger of failing because insufficient care is given to these fundamental aspects of a volunteer program.

In 1968, the University of Maryland School of Social Work, under contract with the Department of the Army, began a study to examine the function of volunteers in the Army community service in regard to their recruitment, selection, training, and appropriate assignment. This examination of the total process and the use of volunteers in other social systems was designed to develop materials in the form of a manual or handbook which would provide guidance for maximum and sustained support of the Army community service program by volunteers.

The study was divided into five phases. Phases 1 through 4 were designed to progress from the gathering of background data through the preparation of a draft manual to be submitted to the Department of the Army staff for review and comment prior to final revision. The fifth phase was suggested by the contractor on a contingency basis and would provide for a number of conferences involving both Army community service staff and Army community service volunteers for the purpose of testing the concepts and programmatic suggestions contained in the manual. The estimated cost of this final phase of the study was $23,000.

A draft of the Army Community Service Manual was submitted to Department of the Army on March 1, 1969. After initial review of this manual, the Army decided that the final study phase of evaluation and test of the manual could be conducted by the Army without a $23,000 extension of the contract.

STUDY ON PERSONNEL SURVEYS

Mr. SIKES. Now will you give us some information on the "Sample surveys of selected personnel projects," which is to cost $160,000?

General ROSEBOROUGH. Sir, this study is designed to examine the validity of the various samples that are used in surveys to reach con-

clusions in the personnel area, to determine what a minimum sample should be, what is an optimum sample that will insure an acceptable degree of statistical reliability.

Mr. SIKES. It is not clear what you are doing. Could you give some specific examples.

General ROSEBOROUGH. Yes, sir.

We conduct many surveys among our military personnel to find out what makes them enlist, what makes them reenlist, why they go AWOL, et cetera. This is done on a sampling basis.

We take the results of these surveys and samples and draw conclusions from them and institute new policies.

The purpose of this study is to examine all of these surveys and samples that we take to determine whether or not we are sampling a large enough base for the results to be valid and our conclusions to be proper.

Mr. SIKES. This is a study of studies.

General ROSEBOROUGH. Yes, sir; this is a study of whether or not the management techniques that we are now using in order to develop approved policies in the management of personnel are really good, or whether they can be improved.

Mr. SIKES. What is the answer? Are they good? Can they be improved? If so, how?

General ROSEBOROUGH. Sir, the study has not yet been initiated, but without going to the study, I think we could reach the conclusion that certainly our methods could be improved. Exactly how, we do not know. We may be wasting funds by taking too large a sample when a smaller one would do. On the other hand, we may be reaching results which are inconclusive or draw the wrong conclusion because the sample is too small.

Mr. SIKES. Why is it necessary for you to contract for this information with sources outside the Army? Do you mean to tell me that the Army does not know as much about its own people and its own problems and operations as a contractor that you would employ for these purposes?

General ROSEBOROUGH. I think we are experts in the information obtained from these surveys, but when it comes to the techniques for obtaining the sample, how large it should be, how the questions should be phrased on the survey, we think there are people outside the Army with more expertise.

Mr. GARRITY. Really, in effect you are having an outside consultant firm come in and tell you how to operate a statistical sampling system. Is that correct?

General ROSEBOROUGH. I think probably that is correct, sir. It may be an oversimplification, but I think essentially what we are doing is examining our sampling techniques to see whether or not they are valid.

We conduct many surveys, as I am sure you know, some small and some large. The coordination between them perhaps is not what it should be. Perhaps we could conduct one survey that had 20 questions on it that would eliminate 10 surveys with two questions each, because of the lack of coordination and lack of understanding of the people who are going about the survey.

For example, to be facetious, perhaps we could conduct an annual survey that asked all the questions which on a broad base, would g' us all the required information at one time rather than have a surv. every month on a different subject.

Mr. GARRITY. Do you not have, in the Army, in management activities and personnel, people who have been trained in statistical sampling and who are capable of giving you this sort of information right now, if they just sat down and took a couple of days to figure out what you are doing and what you need?

General ROSEBOROUGH. I think not, Mr. Garriety. Otherwise, I do not think we would be proposing this study.

I would like to check that out and provide an answer for the record.

(The information follows:)

The Army has some capability for conducting sample surveys and performing the necessary statistical analysis of survey results. Survey requests, however, far exceed this capability. The Army is attempting with this study proposal to determine whether its methodology and sampling techniques are sufficient to provide statistically reliable data at the least possible cost.

General TAYLOR. If I may expand on that a little bit more, I think probably we do have some types of people like this employed in the Army, but they are employed on a requirement that is a day-to-day, month-to-month requirement, as opposed to having someone available to solve a given project such as General Roseborough is speaking about.

This is one of the problems we are faced with constantly, including in my own office, where we are requested to detail people for 3 months, 6 months, or even up to a year, for a given project. We do not have those people available to detail for those periods of time. That is one of the contributing factors, Mr. Chairman.

Mr. SIKES. Are there questions on management studies?

CONTRACT FOR STUDY OF PERSONNEL SURVEYS

Mr. LIPSCOMB. Could you tell us who the contract is with for the sample surveys of selected personnel projects?

General ROSEBOROUGH. The contract has not been initiated and the contractor has not yet been selected.

Mr. LIPSCOMB. Are you negotiating with anyone?

General ROSEBOROUGH. I am not certain at the moment, sir. We have several studies that are supported by the 1969 program which have not yet been initiated. If I may, I would like to check that and provide it for the record.

(The information follows:)

A management study proposed entitled "Sample Surveys of Selected Personnel Projects" is currently being prepared within the Department of the Army staff. Contract negotiations will not begin until finalization of contract specifications, review by Army staff elements, and approval by the Assistant Secretary of the Army (Financial Management).

STATUS OF STUDIES

Mr. LIPSCOMB. Then all of these studies—information on which is being inserted in the record—have not been put into operation yet?

General ROSEBOROUGH. Some have and some have not, sir.

Mr. LIPSCOMB. Could you tell us which ones have not?

General ROSEBOROUGH. Of the ones that I have in this program, sir——

General TAYLOR. Sir, I think I will have to verify that, because these are what we call the program studies. I will give you the information as to those that have been approved and underway, and those that have been approved but not yet commenced, if that is satisfactory.

Mr. LIPSCOMB. Yes, General.

(The information follows:)

FISCAL YEAR 1969 CONTRACT MANAGEMENT STUDIES (OMA)—STATUS

Study title	Preparation	Evaluation	Approval	Contract
Methodology for development of an Army logistics system master plan.				X
Evaluation of the effectiveness of logistic support of Army aircraft in RVN.			X	
Integrated time-phased program of major tasks in providing mission essential logistic support for the Sentinel system.				X
Management study of the civilian health and medical program of the uniformed services.				X
Information systems development and management control	X			
Department of the Army vocabulary of information elements				X
Methods and procedures for economic analysis of proposed investments in weapon systems.				X
Army aviation unit operating costs in RVN				X
Development of an improved Army weapon system cost model			X	
Sample surveys of selected personnel projects	X			
Assessment of employment and utilization of civilian personnel	X			
Retention of quality senior officers	X			
Logistics studies of selected areas	X			
Library support to Army personnel for career advancement and job performance.	X			
Derivation of exploitable relationship among variables in U.S. Army accident data		X		
Cost analysis of selected weapons systems		X		
Analysis of the support requirements for limited war	X			

STUDY FOR CAREER ADVANCEMENT

Mr. LIPSCOMB. Could you tell us something about the study "Library Support to Army Personnel for Career Advancement and Job Performance." First of all, is this study underway?

General ROSEBOROUGH. No, sir. It is another that has not yet been initiated. The contractor has not yet been determined.

Mr. LIPSCOMB. Go ahead.

General ROSEBOROUGH. This study is designed to determine what library support in terms of material and services is required to provide Army personnel with facilities for study and self-development in the performance of their assigned duties.

This arose from an expressed need from the field to assure the wide availability of this type of material to Army personnel for their own self-development and for assistance in carrying out of their day-to-day professional duties.

We hope to gain from this study a picture of the kind of library program that we have, and compare that to what our requirements are, to see if we are doing the best job of supporting our people with the resources that we are now employing, and whether or not any further resources in this area are indicated.

Mr. LIPSCOMB. You do not know this now?

General ROSEBOROUGH. No, sir. It is possible that over the years we have not had as effective a library program as we should for this purpose.

This program is to support military personnel in self-development associated with the performance of their duties, as opposed to recreation and off-duty reading. We feel our program up to now may not have been as effective as it could be.

This may be an area in which we could improve our personnel in their performance and their value to the Army, and at the same time increase their motivation and retention by improving their skill and enhancing their opportunities for promotion.

This is the professional or official side of the library activity, as opposed to the recreational side.

Mr. LIPSCOMB. Does this have anything to do with Project Transition?

General ROSENBOROUGH. No, sir. This has to do with onduty people, their own development, their continuation in their careers, and the improvement of their job performance.

Mr. LIPSCOMB. Then the Department of the Army vocabulary and information elements. Is this a study that has been initiated and is going on now?

General ROSENBOROUGH. I believe that is the matter that Colonel Egbert and Mr. Buckmaster were discussing previously.

Mr. LIPSCOMB. I did not recognize it.

Mr. BUCKMASTER. Yes, sir; that is the DAVIE contract which has been completed.

OPTIMUM LOGISTICS STUDY

Mr. LIPSCOMB. There is programed for fiscal year 1970—at least planned—a study with a cost estimated at $3.7 million to develop bases for designing an optimum intermodel integrated logistic distribution system, and so forth. I will place this description in the record.

(The information follows:)

DESCRIPTION OF STUDY

Develop bases for designing the optimum intermodel, integrated, logistics distribution system for support of RVN and ultimately for worldwide adaptation; effort will also define supporting systems and equipment requirements. Develop comprehensive and integrated maintenance/supply policy and procedure compendium, which will include data needed by each operating level—national inventory control points to user/maintenance and supply technician. Define and develop the logistical methodology for the supply and maintenance functions of the theater Army support command system. Evaluate maintenance concepts in terms of cost effectiveness; analyze repair parts reliability to determine stock level requirements; and determine deterioration factors affecting stock levels. Develop logistic criteria and guidelines in the preparation of qualitative and quantitative materiel requirements and for rehabilitation cycles; $3.7 million.

Explanation.—The general area described here covers five broad categories within the logistics field. These have been selected because it is felt that further improvement in the management procedures, processes, or operational techniques in these categories will pay dividends. Most of the management improvement innovations being directed in these categories are to be accomplished with in-house expertise. Yet, it is expected that some requirements may be identified as meeting the criteria which indicate that better solutions can be accrued through the services of contract management consultant firms. As these peculiar requirements are identified only the most worthwhile ones, in terms of efficiency, will be approved as contract management studies. An equivalent level of effort to fiscal year 1969 is anticipated in fiscal year 1970.

Mr. LIPSCOMB. Yesterday we had a long discussion about overstockage in Vietnam. It appears that this study that is planned in the amount of $3.7 million goes right to the point that we were discussing yesterday. Is that correct?

General TAYLOR. Sir, I believe I am correct in stating that this information that we have furnished concerning the 1970 studies for $3.7 million is more than one study.

I would like General Hayes to address this.

You are correct in the matter of what you have read about a study concerning the logistics system. I would like General Hayes to pursue what the study is and is proposed to be.

Mr. LIPSCOMB. I am going to work for a moment from what I have in front of me. This is a long explanation.

For instance, it evaluates maintenance concepts in terms of cost effectiveness; analyze repair parts reliability to determine stock level requirements; determine deterioration factors affecting stock levels; develop logistic criteria and guidelines in preparation of qualitative and quantitative material requirements; and rehabilitation cycles.

Am I wrong in remembering the testimony yesterday that this is what you have been bringing your logistics system in line with?

General HAYES. You are correct, sir.

Mr. LIPSCOMB. Now what are you going to do? Conduct a study to find out if you were right?

General HAYES. No, sir.

Mr. LIPSCOMB. Have you been applying any funds to a study already?

General HAYES. This is a general statement of the entire logistical area. This is not a single study. It is a summation, if you will, a shopping list of possible areas for consideration for management studies in 1970. It does not reflect the amount of money which is in the budget.

Mr. LIPSCOMB. It says contract management studies, fiscal year 1970, just an estimate, "Develop basis for designing the optimum intermodel integrated logistics distribution system for support of RVN and ultimately for worldwide adaptation."

Yesterday you gave us some encouragement as to improvements being made in Southeast Asia, specifically Vietnam. Now you tell us that you want to spend in this area $3.7 million to conduct a study on what you have been doing.

General HAYES. Specifically, the $3.7 million area is broken into two sections—the figure of $2.355 million in the budget program 2200, and $1.33 million in budget program 2300, which is the maintenance area.

BUDGETARY FOR CONTRACT MANAGEMENT STUDIES

This total figure of $3.685 million, or $3.7 million as indicated here, is the shopping list that has come in from the entire logistics area, the Army Materiel Command, the overseas theaters, and the logistics data systems agency, as potential areas for contractual studies in 1970.

The first thing is, this list has not been scrubbed by the review that General Taylor referred to yesterday, either in DCSLOG itself or by the Assistant Vice Chief of Staff of the Army.

So this is, if you will, the maximum that could be spent in this area in 1970 if all the studies were approved.

As far as program director, as I am, with respect to 2200 and 2300, there is not that much money in the budget. So, at best, we have an equivalent figure to this year, which is about $670,000, so that unless there were savings in some other aspect of those two programs, we would not have the money to carry out all the studies.

Mr. LIPSCOMB. If we appropriate the money here and you justify that amount of money, you mean it would not be available to you if it was approved as a valid study?

General HAYES. If it were approved as a valid study by the review process, the question would ultimately come, "Are there funds available to finance it?" And that would depend on the status of obligations of the 2200 and 2300 money at that point in time in the year.

Mr. DAVIS. How do we relate the $3.7 million to which Mr. Lipscomb referred, to the $670,000 to which you have just referred?

General HAYES. In 1969 this is, if you will, the level that we expect out of 1969 funds that will be expended for contractual studies in these areas. There will not be any more than that.

Mr. DAVIS. How does that relate to the $3.7 million that you are estimating for 1970, which Mr. Lipscomb asked you about?

General HAYES. It is related in that it is for studies in the broad area of logistics that will be accomplished this year. The $3.7 million for additional studies, if you will, is possible for 1970.

General TAYLOR. The $3.7 million figure that you are looking at, Mr. Davis, as General Hayes has explained, is an accumulation of what the commands would desire to do if the funds were available and if these studies were approved.

In other words, this is an estimate based upon their submissions, that we have at the present time of what they would like to do, what they see their requirements as.

It does not mean that they would necessarily be approved and accomplished in fiscal 1970 because, as General Hayes has mentioned, it would depend upon where we were at the time a given study surfaced to the point of saying, yes, we should have this done.

So, this is an estimated amount, based upon what the commands say they would like to do, as they see it now, for the future.

Mr. DAVIS. How do we sit here and exercise any judgment on the amount of money that either is to be or ought to be provided for this purpose?

General TAYLOR. Sir, I can only repeat, this is an area where we are dealing in the future. We attempt to get as good a feel as we possibly can from the commands as to what they see their requirements are. This is the only thing we have to work with at this time.

In other words, we cannot tell the commands to come in and screen it at this point in time to the point that we can say this would be necessarily a study required in fiscal 1970.

Mr. DAVIS. How are we to exercise any judgment as to whether it is required if you cannot tell us? That is what I am trying to get at.

When we mark up this bill, how can we exercise any judgment?

General TAYLOR. This is our best estimate. What I am saying is that if we look at this sheet of paper, if we had the funds, we estimate there would be a maximum of $4.0 million, if they were all approved, spent in fiscal 1970 on studies. That is our best estimate.

Mr. LIPSCOMB. In other words, you are telling us that you are asking for an over-all amount of money for the total program throughout the budget, and if you do not need the money for some purpose other than studies, studies will get it? So, you justify here $3.7 million in this

particular case. If you need the money someplace else, the study will not go ahead.

General TAYLOR. Sir, as an example, in the Budget 2200 area, which is central supply, that particular program is based on the number of personnel involved, the number of supply actions that are taken, again projected on the best past experience factors that we have. As we proceed through the year, things do change in that program. We may have money becoming available from attrition in the employee area, as an example, at which time, if that happened and if the Deputy Chief of Staff for Logistics felt he had to accomplish one of these studies, he might apply it against that study.

APPROPRIATING BY LINE ITEM

Mr. LIPSCOMB. If by any chance this committee saw fit to line item this in the budget and say, "for management studies," in this particular area, $3.7 million, you could use that money for no other purpose, is that not right?

General TAYLOR. If the committee so limited it, yes, sir.

Mr. LIPSCOMB. If that was the case, it might make your 2200 account short by $3.7 million.

General TAYLOR. Based upon the way the budget is submitted, yes, sir, that could happen.

Mr. LIPSCOMB. So, when you justify this before the committee, it is only illustrative and a way of justifying a certain total amount of money in the budget?

General TAYLOR. Based upon the program as we know it, sir, as to the workload that we have to accomplish.

COMPLIANCE WITH COMMITTEE REPORT

Mr. LIPSCOMB. I know you spend a lot of time before this committee, and this committee spends a lot of time on this side of the table, but many of our hours, along with Mr. Davis' comment, apparently are completely wasted. Maybe it gives us a good education but we have no proof, that as we exercise judgment, whether or not you are having too many studies or too few studies or improper studies. Is that not about the case?

One of the things we particularly pointed out in the report last year from this committee was that there ought to be a reduction and a reevaluation of the number of studies that the military services in total put into effect. That has not been the rule of the appropriation request that is before us, either yours or any others. They come in for more money. It does not make any difference.

General TAYLOR. Sir, I think we have tried to limit our studies. I am speaking from memory now, without the testimony in front of me. I believe that it may have been for fiscal 1969, and possibly 1968. I do not recall. But I was using the figure that it was estimated that $5 million would be the maximum that we would utilize, again based on estimates; and today, as I see it, for fiscal 1969, the maximum that we would spend, as I used the figure earlier, I think it is estimated now, if everything were approved that we know of, potentially for 1969, approximately $3.3 million.

So, we are aware of the committee's interest in this area and, to the best of our ability, we try to hold that to what we consider to be a reasonable figure.

We are in an area, really, where it is so difficult to know in advance exactly what is required, because requirements are constantly coming up that are unforeseen to us when we are sitting here attempting to justify dollars for a given subject at this point in time.

Mr. LIPSCOMB. You have thousands of people all over the Department of the Army thinking up studies.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. That is all I have, Mr. Chairman.

Mr. SIKES. Mr. Davis.

Mr. DAVIS. Nothing at this point.

OFF BASE HOUSING

Mr. SIKES. Does the Army still have an Off Base Housing Division?

General ROSEBOROUGH. Yes, sir. Actually it is the Office of the Department of the Army Housing Coordinator.

Mr. SIKES. What is the estimated cost to support that operation for fiscal year 1970 and fiscal 1969?

General ROSEBOROUGH. Sir, may I provide that for the record? The costs are mostly in the military personnel area. There may be slight O. & M. costs, but they are insignificant. I do not have the figure.

Mr. SIKES. Do you know whether the cost is up or down?

General ROSEBOROUGH. It is the same, sir. The office has been manned at the same level of personnel and the same level of operations, and the funds are essentially the same.

Mr. SIKES. In the material you provide for the record include the number for each year.

General ROSEBOROUGH. Yes, sir.

(The information follows:)

	Fiscal year 1969	Fiscal year 1970
Military personnel costs	$58,687	
Operations and maintenance	2,000	

This office which is staffed with four military personnel is scheduled to be eliminated as a separate activity on June 30, 1969. The functions of this activity will be absorbed by the Directorate of Military Personnel Policies, Office of the Deputy Chief of Staff for Personnel. Military personnel will be reassigned to other Department of Army activities.

(The information requested on the Army off-base housing referral program is as follows:)

The Army off-base housing referral program for fiscal year 1969 includes 84 civilian man-years at $700,000 in the family housing management account and 125 military man-years at $815,000 in the military personnel, Army appropriation. Included in fiscal year 1970 are 145 civilian man-years at $1,350,000 in the family housing management account and 183 military man-years at $1,190,000 in the military personnel, Army appropriation.

BASE OPERATIONS COST

Mr. SIKES. Turning to base operations cost, I would like to have you put in the record a schedule showing the breakout of your overall request for support of base operations.

(The information follows:)

Description	Total	Budget program						
		2009	2109	2209	2309	2409	2509	2609
Fiscal year 1968 actual	1,446,911	825,567	295,147	222,986	14,341	15,493	46,488	26,889
Fiscal year 1969 estimated	1,321,027	758,854	283,544	193,470	5,852	13,755	46,776	18,776
Decreases, total	68,536	34,398	16,317	13,201	170	1,050	2,308	1,092
1. Maintenance and repair of real property activities	54,600	34,398	8,928	7,474	170	900	1,638	1,092
2. Civilian personnel—Man-years, average salaries, and productivity	8,341		5,438	2,083		150	670	
3. Army Service School load	1,951		1,951					
4. Logistic support of central supply activities	1,764			1,764				
5. Support of advanced aerial fire support system	516			516				
6. Support of CHAPARRAL/VULCAN and improved HAWK	294			294				
7. Reduced support, Southeast Asia due to attrition and consumption	1,070			1,070				
Increases, total	32,223	6,874	11,062	5,793	348	162	3,325	4,659
1. Annualization wage board pay raises	2,291			1,996		162	133	
2. Civilian employees in USAR support	265							265
3. Project transition	1,159			944			215	
4. Support of Army training centers	6,710		6,710					
5. Army aviation support	4,352		4,352					
6. RVNAF/FWMAF support	871			871				
7. Installation support of USAR activities	1,758							1,758
8. Repair parts for new equipment	5,090	2,690						2,400
9. Logistic support of overseas dependent education	4,184	4,184						
10. Retention of Brooklyn Army Terminal	1,300			1,300				
11. Transfer of R. D. T. & E., Fort Huachuca	2,250						2,250	
12. Increased support of miscellaneous activities	1,993			682	348		727	236
Net change	−36,313	−27,524	−5,255	−7,408	+178	−888	+1,017	+3,567
Fiscal year 1970 programed	1,284,714	731,330	278,289	186,062	6,030	12,867	47,793	22,343

BASE OPERATION, FISCAL YEAR 1970 PRESIDENT'S BUDGET ANALYSIS OF BUDGET CHANGES BY 9000 AND 2X09 ACCOUNTS (DIRECT OBLIGATIONS)

[In thousands of dollars]

Description	9010	9020	9030	9040	9050	9060	9070	9080	9090	Total
Fiscal year 1968, actual	112,527	160,268	45,518	226,402	141,896	282,712	35,309	142,732	299,547	1,446,911
Fiscal year 1969, estimated	94,027	175,902	44,418	217,685	139,917	215,727	23,661	127,171	282,519	1,321,027
Decreases (total)	1,240	1,433	361	2,504	617	40,380	10,860	6,955	4,186	68,536
1. Maintenance and repair of real property activities						38,421	10,719	5,460		54,600
2. Civilian personnel, man-years, average salaries and productivity	815	939	216	1,659	193	1,036	51	883	2,549	8,341
3. Army Service School load	151	277	79	321	156	360	25	227	355	1,951
4. Logistic support of central supply activities	125	47	17	208	130	302	35	211	689	1,764
5. Support of advanced aerial fire support system	43	11	3	72	34	58	10	49	236	516
6. Support of Chaparral/Vulcan and improved Hawk	23	7	3	41	18	33	6	28	135	294
7. Reduced support, Southeast Asia, due to attrition and consumption	83	152	43	203	86	170	14	97	222	1,070
Increases (total)	1,844	9,466	1,833	6,740	3,151	2,269	291	1,035	5,594	32,223
1. Annualization wage board pay raises	307	169	5	556	220	468	40	184	342	2,291
2. Civiliam employees in USAR support	29	40	9	58	6	32	1	24	66	265
3. Project transition			1,159							1,159
4. Support of Army training centers	829	972	476	1,381	562	549	50	293	1,598	6,710
5. Army aviation support		3,549		803						4,352
6. RVNAF/FWMAF support	71	19	6	122	57	98	17	83	398	871
7. Installation support of USAR activities	244	316	18	264	145	193	16	140	422	1,758
8. Repair parts for new equipment		3,745		1,075					270	5,090
9. Logistic support of overseas dependent education		200		1,764	1,800				420	4,184
10. Retention of Brooklyn Army terminal	89		78	232	7	467	47	45	335	1,300
11. Transfer of R.D.T. & E., Fort Huachuca	189	238	75	348	280	329	34	137	620	2,250
12. Increased support of miscellaneous activities	86	218	7	137	74	133	86	129	1,123	1,993
Net change	+604	+8,033	+1,472	+4,236	+2,534	−38,111	−10,569	−5,920	+1,408	−36,313
Fiscal year 1970 programed	94,631	183,935	45,890	221,921	142,451	177,616	13,092	121,251	283,927	1,284,714

SUPPORT OF ARMY TRAINING CENTERS

Mr. SIKES. There is an increase of $6.710 million for the support of Army training centers. Why is this increase necessary?

Colonel HOCK. The line item increase of $6.7 million is for the support of Army training centers reported in budget program 2100.

This is related to the base operations support of training activities, and is related to increased pilot output.

Mr. SIKES. Altogether?

Colonel HOCK. Yes, sir. The Army aviation increases $4.5 million. This will include certain direct and general support maintenance of about $1.1 million, certain Government-furnished material about $2.8 million, and increased POL costs of $351,000.

The major impact will be in the 9020 area, "Materiel maintenance," which will increase some $3.549 million.

Mr. SIKES. Your total increase for the base operation cost for Army training centers is $6.710 million. You have accounted for $4 million-plus of that amount.

General ROSEBOROUGH. Mr. Sikes, this is related to the increase in the average training load in the training centers for 1970 over 1969.

Colonel HOCK. May I further clarify, sir, that I am speaking to the line item "Army Aviation."

Within the Army training centers support, I show an increase of $6.710 million. This is to support, as the General pointed out, the increased training load, base operation support cost at the P–2100 finance level.

Mr. SIKES. In what areas is there an increase in the training load?

Colonel HOCK. Primarily in basic training, sir. Professional training is going down.

Mr. SIKES. Are you taking in more people this year?

General ROSEBOROUGH. Yes, sir. Our training load would be greater this year, Mr. Sikes. This goes back to the consideration of whom we are taking in at the end of 1969 and carry forward into the load figures in 1970.

I am sure you are familiar with this. Our overall load in 1970 is calculated at 205,000, versus 189,100. This $6 million is associated with the support of that additional training load.

Mr. SIKES. Does that mean the Army retention rate is down?

General ROSEBOROUGH. Not necessarily, sir. This is a cyclic thing based on what happened 2-years ago and what our losses have been for a number of reasons over time, and how it impacts on the particular fiscal year that we are talking to.

Mr. SIKES. What is the retention rate now as compared to a year ago?

General ROSEBOROUGH. Sir, it is running about the same. Around 23 percent for officers. For enlisted personnel the reenlistment rate for the first term Regular Army is about 19 percent which is down from last year at this particular time.

RETENTION OF BROOKLYN ARMY TERMINAL

Mr. SIKES. There is a request of $1.3 million for the retention of the Brooklyn Army Terminal. When was it decided to retain the terminal?

General TAYLOR. Sir, I can furnish the date for the record, but we knew about it during the budget season last October–November.

Mr. SIKES. Had you not planned to release that?

General TAYLOR. We had planned to release that, sir, and that was changed and taken off the release list last fall.

Mr. SIKES. What were the circumstances that justified a change in the decision?

General TAYLOR. General Hayes, will you address that, please?

General HAYES. In October, 1968, the Army received notification from the Assistant Secretary of Defense that changing conditions had prevented the relocation to other areas of the Military Traffic Management Service and the Military Sea Transport Service elements that had been housed there at the Brooklyn Terminal, and that DA should withdraw the declaration of excess as far as the Brooklyn Terminal, and GSA should suspend its disposal action, which had already commenced.

They indicated there would be continued use by the two Traffic Services elements for at least 2-to-3 more years.

Mr. SIKES. Is the $1.3 million associated entirely with the operation of the terminal?

General HAYES. Upkeep, maintenance and operation, because it had been in excess status since 1965, and there had been little or no work done in the intervening years.

Mr. SIKES. What is the comparative cost in the last year of full operation? Do you want to supply that for the record?

General HAYES. I will have to supply that for the record, sir.

(The information follows:)

The terminal was placed in excess status during fiscal year 1965; therefore the last full year of operation was fiscal year 1964. However, the Military Traffic Management and Terminal Service was established in fiscal year 1965 and specific records covering terminal operations in fiscal year 1964 are not available. The earliest information available relates to fiscal year 1965. There were no BPA 2209 major maintenance and repair projects in fiscal year 1965; $24,000 was expended in fiscal year 1968; about $1.5 million will be obligated in fiscal year 1969 from current funding; and $1.3 million has been requested for fiscal year 1970 in the fiscal year 1970 President's budget. The program for the last 2 years reflect the results of the removal of the terminal from the excess list in November 1968.

Mr. SIKES. Will there be a modernization program, or simply an updating of maintenance?

General HAYES. This is just an updating of maintenance, so it will be in usable condition for a 2- or 3-year period.

Mr. SIKES. Had operations actually been suspended there?

General HAYES. They had been.

TRANSFER OF R.D.T. & E. FUNCTIONS AT FORT HUACHUCA

Mr. SIKES. You are asking an increase of $2.25 million because of a transfer of R.D.T. & E. projects to the Communications Command at Fort Huachuca.

Colonel HOCK. The $2.2 million increase in base operation support there is the result of the reimbursement transfer from the R.D.T. & E. appropriation to the O. & M.A. appropriation. The dollars specified here are those dollars in the past fiscal year's budget for R.D.T. & E. which will now go to O. & M.A.

BULK MILK DISPENSER

Mr. SIKES. Are any funds included in the Army budget for the purchase of bulk milk dispensers?

Colonel HOCK. No, sir; there are no funds in the fiscal year 1970 budget for the purchase of bulk milk dispensers for use in CONUS.

STANDARDIZATION OF BEDS AND MATTRESSES

Mr. SIKES. Has the Army completed its standardization of beds and mattresses?

Colonel HOCK. Yes, sir. That program, to the best of my knowledge, was completed in 1969.

General TAYLOR. May I address that question, Mr. Chairman.

I believe we did say a year ago when we were discussing budget program 2000 requirements that that program was completed. I have had occasion during the past year to look into this program, and it has not been completed entirely.

Although we do not specifically have funds in the 1970 request for it, there are other budget programs that are involved, and certainly some day we will some way or another have to provide new beds and mattresses so the Army as a whole is equipped.

Mr. SIKES. Are there any funds in this budget for that purpose?

General TAYLOR. No, sir; not in fiscal year 1970.

Mr. SIKES. I would like for the record a statement showing the full cost of the project.

General TAYLOR. Including those that have not been budgeted for?

Mr. SIKES. Yes.

General TAYLOR. Yes, sir. I would be happy to.

(The information follows:)

1. The DOD standardization program for the military services included the conversion from the 30-inch beds and cotton felt mattresses to 36-inch beds with innerspring mattresses.

2. The Army was authorized a conversion program of 646,312 beds and mattresses; 479,466 beds and 443,468 mattresses have been procured. The remaining requirement, end fiscal year 1969, is 166,846 beds and 202,844 mattresses.

3. OMA budget program distribution is:

[Dollars in thousands]

	Total		2000		2100		2500		2600	
	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars
Authorized:										
Beds	646,312	$19,466.9	294,446	$8,868.7	314,235	$9,464.8	15,799	$475.8	21,832	$657.6
Mattresses	646,312	19,260.1	294,446	8,774.5	314,235	9,364.2	15,799	470.8	21,832	650.6
Total		38,727.0		17,643.2		18,829.0		946.6		1,308.2
Procured:										
Beds	479,466	14,441.5	285,001	8,584.2	186,864	5,628.4	3,355	101.0	4,246	127.9
Mattresses	443,468	13,215.3	284,326	8,472.9	155,497	4,633.8	3,355	100.0	290	8.6
Total		27,656.8		17,057.1		10,262.2		201.0		136.5
Remaining requirement:										
Beds	166,846	5,025.4	9,445	284.5	127,371	3,836.4	12,444	374.8	17,586	529.7
Mattresses	202,844	6,044.8	10,120	301.6	158,738	4,730.4	12,444	370.8	21,542	642.0
Total		11,070.2		586.1		8,566.8		745.6		1,171.7

NOTES

1. Data reported by ZI Armies and MDW to CONARC.
2. Cost includes 2 adapters per bed and 2 covers per mattress.
3. Costs not reduced by stock fund credits received for usable beds which may approach $2 million.

Mr. SIKES. Questions on base operations cost?
Mr. LIPSCOMB. No questions, Mr. Chairman.
Mr. DAVIS. No questions.

MAINTENANCE OF REAL PROPERTY

Mr. SIKES. The Army proposes to reduce the amount restricted to the maintenance of real property facilities by $55 million, from the $280 million made available in 1969 to $225 million for 1970. Why is this reduction proposed?

General TAYLOR. Sir, that is a part of the overall budget review. This is the amount approved for inclusion in the 1970 budget.

Mr. SIKES. Was this upon the recommendation of the Army?

General TAYLOR. No, sir. The Army recommended the normal—I use the word "normal"—recommended it for the full $280 million that we had during the past couple of years.

Mr. SIKES. Does this represent a reduction in maintenance level and an increase in deferred maintenance?

General TAYLOR. Sir, Colonel Hock can speak more specifically, but it will not reduce our backlog of deferred maintenance. As a matter of fact, I think our backlog will probably go up as a result of this.

Colonel HOCK. The $54.6 million in our estimate will result in probably about a $30 million growth in the backlog of essential maintenance and repair (BEMAR). Theoretically, the entire $54.6 million could result in increasing the backlog of maintenance.

However, in discussion with the engineers, we have taken certain actions to divert a larger portion of this cut to the minor construction area, thereby absorbing a greater portion in the 9070 minor construction area, so more of the money available will be able to go into the 9060 maintenance of real property account.

So, our best estimate at this time is that the total level of the BEMAR backlog will go up about $30 million in fiscal 1970.

Mr. SIKES. In what particular areas will this reduction be felt most?

Colonel HOCK. Sir, are you speaking to zones, such as overseas, or to the type of activity?

Mr. SIKES. The type of activity.

Colonel HOCK. Sir, it will generally be felt worldwide. I have a rough estimate of how the engineers propose to distribute this.

Mr. SIKES. You may provide that for the record.

General TAYLOR. I think we probably would do a better job of it, sir, if we did.

(The information follows:)

REDUCTION OF MAINTENANCE AND REPAIR OF REAL PROPERTY

Type of installation	Activities			
	Total	Maintenance of real property, 9060	Minor Construction, 9070	Other engineering support, 9080
Total	$54,600	$38,421	$10,719	$5,460
Posts, camps, and stations	34,398	24,078	6,880	3,440
Training centers and schools	8,928	6,250	1,785	893
Supply depots	7,474	5,232	1,495	747
Depot maintenance	170	119	34	17
Medical	900	630	180	90
CONARC Headquarters, intelligence and communications	1,638	1,147	327	164
Reserve	1,092	965	18	109

EFFECT OF DEFERRED MAINTENANCE

Mr. SIKES. I am quite concerned about these reductions in maintenance of real property. I do not think this is a healthy thing.

General TAYLOR. We have a serious problem in Europe, Mr. Chairman. We are not cutting into that backlog at all. As a matter of fact, as you are well aware, we are occupying some pretty old facilities over there, and they get worse year by year.

Mr. SIKES. Are we not building up headaches? Eventually, will we not have to pay the piper for this neglect?

General TAYLOR. I am fearful this will happen, particularly when we are still deferring some of our military construction.

Mr. SIKES. I would like a complete statement on this for the record, and I would like to have the facts.

General TAYLOR. Very well, sir.

(The information follows:)

The Army budget estimate for the fiscal year 1970 operation and maintenance appropriation was reduced $54.6 million for maintenance of real property during review by higher authority. The Army recommendation for the maintenance of real property (MRPF) floor was also reduced by $54.6 to $225.4 million for fiscal year 1970.

The major impact of this reduction will be in the maintenance and repair of real property function. This will result in an increase of an estimated $31 million in the backlog of essential maintenance and repair (BEMAR). Reportable BEMAR includes only requirements in terms of projects over $10,000. The Army's backlog of deferred maintenance in projects under $10,000, which are not included in the BEMAR estimate, will also increase by $7.4 million. In addition there will be a decrease of $10.7 million in minor construction and alterations and $5.5 million for other engineering support associated with maintenance and repair of real property. The Army programed part of the total reduction to the minor construction function in order to reduce the impact on BEMAR.

The estimated changes in BEMAR by command are shown in the following table:

BACKLOG OF ESSENTIAL MAINTENANCE AND REPAIR

[In thousands of dollars]

	Fiscal year 1969	Fiscal year 1970	Increase
Total	211,150	242,200	31,050
CONUS total	48,800	68,700	19,900
CONARC	33,760	49,700	15,940
AMC	10,080	12,900	2,820
Other	4,960	6,100	1,140
Overseas total	162,630	173,500	11,150
Europe	141,350	146,000	4,370
Pacific	16,450	22,000	5,550
Southern Command	970	1,500	530
Alaska	3,300	4,000	700

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. Since you are reducing your operating costs for Southeast Asia by $520 million and increasing programs in other areas by approximately $120 million, why did you not take some of that money and put it into the maintenance of real property, instead of reducing it?

General TAYLOR. Sir, I do not believe, in the final analysis, we had that choice. When we made the recommendation for the level that we desired and it was reduced, we did reclama this particular item, and it was not approved. I do not believe that we had that opportunity.

With reference to the amount of money increase in non-Southeast Asia, those increases were in specific programs that were increased, which I have here and can furnish you.

Mr. SIKES. The real answer is that this was an arbitrary decision beyond your control?

General TAYLOR. That is correct, sir.

Mr. SIKES. Who made the decision?

General TAYLOR. The Office of the Secretary of Defense, sir.

Mr. SIKES. We had to work for that answer.

General TAYLOR. I did not intend it, sir.

Mr. SIKES. Are there questions on the maintenance of real property?

Mr. LIPSCOMB. No questions, Mr. Chairman.

Mr. DAVIS. No questions, Mr. Chairman.

BASE OPERATION COST OF TRAINING CENTERS

Mr. SIKES. Let's return to base operations costs. Mr. Garrity.

Mr. GARRITY. In answering a question regarding the increase in base operations costs for the support of Army training centers, an increase of $6.7 million, you said it was because of the increase in training rate.

During the Military Personnel, Army, hearings, it was implied the training rate was not going to increase. As a matter of fact, the end-year strength of the Army is decreasing, both in enlisted and officer personnel.

How do you reconcile this increase with a decrease in actual strength?

Colonel HOCK. I am addressing here one type line item. It comes from the DCSPER people and relates to Army training centers. The total strength in all training activities may very well come down, but in this one particular type of training as it affects base operations, there is an increase.

General TAYLOR. General Roseborough can expand upon the answer, Mr. Chairman.

General ROSEBOROUGH. I gather we are attempting to relate the average training center load to the changing end strength of the Army.

These are not directly relatable. As I pointed out earlier, in the first place the load involves about 5 months of accessions during the previous fiscal year, which will affect the load in the subsequent fiscal year. So we are out of phase with respect to fiscal years.

Further, the net strength of the Army at the end of the year could go up or down, but the composition and the turnover you have during the year produces the training requirement.

For example, suppose 2 years ago we had a very large increase in the Army and a lot of draftees came in that get out in this particular year, then without any change in the end strength you would have a higher training load because you have to train new people to replace those who are getting out. That is why the two figures do not necessarily relate.

First, they are out of phase by fiscal year and, second, the training requirement is, you might say, almost independent of the end strength of the Army. Obviously, if it went up, you would have a higher requirement.

OPERATING FORCES

Mr. SIKES. Turning to "Operating forces." We will now consider your request for budget program 2000.

I would like inserted in the record at this point the summary justification page.

(The page follows:)

OPERATION AND MAINTENANCE, ARMY—OPERATING FORCES

[Dollar amounts in thousands]

Title	Actual fiscal year 1968	Estimate fiscal year 1969	Estimate fiscal year 1970
Base operation	$825,567	$758,854	$731,330
General purpose forces	2,290,192	2,061,040	1,647,782
U.S Army Air Defense Command	23,939	32,477	34,037
Field exercises	15,715	24,089	24,579
Special tactical activities	550,403	610,468	536,277
Total direct obligations	3,705,816	3,486,928	2,974,005
Personnel requirements:			
Average number of all employees	120,270	115,213	118,520
Number of employees at end of year	120,149	123,373	126,033
Total personal service obligations	529,786	547,149	581,695

SAFEGUARD COMMUNICATIONS NETWORK

Mr. SIKES. Under the request for Air Defense Command, you show an increase of $12.690 million for communication networks over the actual for 1968. Why is this increase necessary?

General TAYLOR. General LeVan, from the Assistant Chief of Staff for Force Development.

General LEVAN. Mr. Chairman, the increase is due to the additional SAFEGUARD-SENTINEL cost moneys which are included. Army Air Defense Command communication costs were reduced something over $4 million during fiscal year 1969.

Mr. SIKES. Do you anticipate a modification of this figure under the revised program?

General LEVAN. The SAFEGUARD system manager, General Starbird, will address that in his testimony, sir. I expect such a change may occur.

Mr. SIKES. In the hearings last year, we discussed the need for a dedicated communications network for the SENTINEL. Subsequent to these hearings, we were advised that the communications system for the SENTINEL system would not be dedicated.

Information provided the committee now indicates a large dedicated communications network outside of the control of DCA is still planned.

Have you discussed this dedicated network with the Defense Communications Agency and the Office of the Secretary of Defense?

General LEVAN. Again, sir, this question is in the purview of the SAFEGUARD or SENTINEL systems manager, General Starbird.

I know he has negotiated with the Defense Communications Agency in the development of his communications plan.

Mr. SIKES. The point is, will this be required, regardless of the time the SENTINEL program takes?

General LEVAN. I cannot address that, sir. He needs two communications plans. I do not know which one is the subject at this time. He needs one for the site installation. This is more or less a management communications plan while he is building the sites.

In addition to that, he needs a tactical communications plan.

Mr. SIKES. All right, we will come back to this later.

BASE CLOSURES

On August 16, 1968, the Army announced that 23 NIKE-HERCULES sites and seven headquarters installations would be closed to reduce fiscal year 1969 expenditures as required by the Revenue and Expenditure Control Act of 1968.

The committee was advised that as a result of this action there would be a saving in the operation and maintenance funds for 1970 of $31.695 million.

You are reducing the request for the Air Defense Command for fiscal 1970 by a total of only $440,000. Where are the other savings reflected in the O. & M. budget request?

General LEVAN. The reductions in Army Air Defense Command, sir, of 25 HERCULES firing batteries at 23 sites and seven headquarters, at an estimated fiscal year 1969 total cost saving of $20.207 million of which $9.4 million is O. & M.A. The estimated O. & M.A. savings are reflected in budget programs, other than 2030, for the most part.

Mr. SIKES. Why do you not spell out exactly where they are, for the record?

General TAYLOR. Very well, sir.

Mr. SIKES. I would like, for the record, a schedule showing, by budget project, the original request for fiscal year 1969 and the reductions actually realized or to be realized from the closing of these missile sites. Also, show the savings for fiscal year 1970.

General TAYLOR. Very well, sir.

Mr. LIPSCOMB. Is it correct that the announcement put out by the Department of Defense indicated a savings of $31.695 million?

General LEVAN. I would have to verify that, Mr. Lipscomb. I do not recall precisely.

Mr. LIPSCOMB. I notice you used the figures of some $20 million.

General LEVAN. Yes, sir. Those are not the O. & M.A. costs alone. I do not know how other appropriations might be affected.

Mr. LIPSCOMB. In answer to Mr. Sikes, you are going to put into

the record where the reductions came as far as the $20 million is concerned.

General LeVan. Yes, sir.

Mr. Lipscomb. What happened to the additional $11 million that I mentioned?

General LeVan. I will have to verify that figure, sir. It is another appropriation, I assume. I do not know. I am addressing only fiscal year 1969 O. & M.A.

General Taylor. Sir, in that closing there were National Guard sites as well as Active Army. I think we can get the figure. Then I can also verify the figure you used, I believe.

Mr. Sikes. For clarification, why don't we ask that they have the specific information when they return at 2 o'clock.

Mr. Lipscomb. All right, Mr. Chairman.

Mr. Sikes. Can you do that?

General Taylor. We will certainly try, Mr. Chairman.

Mr. Lipscomb. There is a fact sheet that we obtained after the announcement, dated August 20, 1968, which might help you.

General Taylor. We will look at it, sir. That was an Army communication?

General LeVan. I have the fact sheet.

Mr. Sikes. Are you prepared to discuss it now, or do you wish to wait until 2 o'clock?

General LeVan. I would prefer to wait until 2 o'clock.

Mr. Sikes. Very well. Thank you, gentlemen.

The committee will resume its hearing at 2 o'clock.

AFTERNOON SESSION

Mr. Sikes. The committee will come to order.

Mr. Lipscomb, you had the witness.

Mr. Lipscomb. I believe when we recessed, Mr. Chairman, we were discussing the closing of the NIKE-HERCULES sites and the savings gained from that closing.

Mr. Sikes. That is correct.

General Taylor. Yes, sir, Mr. Lipscomb. You asked us if we could take a look at these figures over the lunch hour. I know General LeVan is working on this but I don't know that we have an answer.

General LeVan. Mr. Lipscomb, I have identified the figures. The total savings, all appropriations, which I estimated at $20.207 million included the $9.406 million O. & M.A. which you have in your fact sheet for fiscal year 1969. The same paper included $31.695 million O. & M.A. savings for fiscal year 1970 and succeeding years. These figures were based on the OSD estimate in August, at the time of the release. During the lunch hour I did not have time to verify them. I would like to do so and provide it for the record, if I may.

Mr. Lipscomb. Very good.

(The information follows:)

The program for ARADCOM amounted to $95.5 million for budget program 2000 in fiscal year 1969 and $101.9 million for budget program 2000 in fiscal year 1970. The inactivations resulted in reductions of $4.9 million in fiscal year 1969 and $21.8 million in fiscal year 1970 for budget program 2000. The remaining amounts are support costs which appear in other budget programs and were reduced as follows:

[In thousands of dollars]

	Fiscal year 1969	Fiscal year 1970
BP 2000	$4,914	$21,851
BP 2100	104	208
BP 2200	2,371	5,602
BP 2300	1,438	2,876
BP 2400	471	942
BP 2500	108	216
Total	9,406	31,695

UNDERGROUND NEWSPAPERS AT ARMY BASES

Mr. SIKES. Turning to another subject, my attention has been directed to an underground newspaper allegedly published by GI's at Fort Belvoir. Do you have the facts on that situation, General Taylor?

General TAYLOR. We know about this newspaper. I believe General Roseborough can discuss this matter.

Mr. SIKES. All right.

General ROSEBOROUGH. Sir, I would characterize the information that we have as somewhat preliminary. As it is known to the Army now, there is a newspaper, a copy of which is here, being prepared and distributed in the military installations around the Washington area.

Mr. SIKES. May we see it on this side of the table?

General ROSEBOROUGH. Surely.

To the best of our knowledge, this paper is being distributed, prepared, and published here in the city as opposed to on the installation. As best we can determine, there have been no Government funds or Government personnel on duty involved in this publication.

The impact of the publication on our various installations is being evaluated.

Mr. SIKES. Where is it being distributed?

General ROSEBOROUGH. Fort Belvoir is the only place where we have located the publication.

Mr. SIKES. In what quantities is it being distributed?

General ROSEBOROUGH. I do not have the information available at this time. The newspaper indicates that out of 4,000 printed only 950 had been distributed on military installations. The commanders of these installations are attempting to determine the extent to which this is being distributed and its impact, if any, on the morale and discipline, at the installation.

Mr. SIKES. You mean, you are unable to find out where it is being printed and who is writing it and who is distributing it?

General ROSEBOROUGH. I don't know that now, Mr. Chairman. This has just occurred. I don't have that information. If we do have it in the Army, I would be happy to provide it for the record.

So far, no action has been taken with respect to controlling the dis-

tribution or publication of this paper. Our authority to ban such a publication exists. If the installation commander determines that this is having a serious adverse effect on his activities, he can recommend suspension, and, with Department of Army approval, this suspension could be extended into a ban.

The physical distribution of the paper on the bases is within the purview of the base commander and he can control this, the distribution of the publication or anything else, for that matter.

Mr. SIKES. The publication itself says they are going to have a party on the 29th of March at St. Francis Hospitality House at 1620 S Street, Washington, D.C.

General ROSEBOROUGH. Yes, sir.

Mr. SIKES. So maybe this will give you some information to go on. This is one antiwar publication which is being distributed surreptitiously at a military base. It would appear to me that this would require some prompt action on the part of the military.

For further information, it says that they need money and you can send them the money at Post Office Box 6585, T Street Station, Washington. It gives the code number also.

So it should not be too hard for you people to find out about it if anybody wants to—and I think I would want to if I were in a position of authority in the Army. It does not look like a very healthy type of publication.

General ROSEBOROUGH. No, sir. It is not regarded as such. I would not want to convey that the Army doesn't know more about this than I do. I am sure this is being very actively pursued to whatever conclusion appears to be appropriate.

Mr. SIKES. General Taylor, will you call this to the attention of the intelligence areas in the Army? Would this be under their purview to find out what the score is?

General TAYLOR. Sir, it certainly would. And I will do more than that, I will find out this evening when we return from these hearings. They have been following this sort of thing. If you do desire, sir, we would be happy to give you a report on it.

Mr. SIKES. All right. Thank you.

(NOTE.—Additional hearings held by the committee appear on pages 171 to 180.)

Mr. LIPSCOMB. According to the paper here, there are four such papers being published throughout the country.

General ROSEBOROUGH. I suspect that there are probably even more than that. We are aware of these publications wherever they surface.

Mr. LIPSCOMB. Other GI papers, they list in this paper there are eight, really.

General ROSEBOROUGH. Yes, sir. This newspaper, according to my information, is the first that has surfaced here in the Washington area.

OTHER REDUCTIONS IN OPERATING FORCES FUNDS

Mr. SIKES. Now, back to our discussion of operating forces fiscal requirements. Please detail for the record the savings to be realized in other Army appropriation requests other than the closing of the missile sites.

General TAYLOR. Yes, sir.

(The information follows:)

Other reductions in the fiscal year 1970 budget request for the operating forces are $531.7 million associated with Southeast Asia requirements and $34.3 million in maintenance of real property.

OTHER BASE CLOSURES

Mr. SIKES. On December 11, 1968, the Army also announced the closing of certain air defense sites at the Panama Canal. It was stated that a savings of $1,500,000 in fiscal year 1969 and $4 million in each succeeding year would be realized. What savings will you actually realize in fiscal 1970 by the closing of these sites? First, for the record, recount what sites are to be closed and then tell us, now, what savings it is presently anticipated will be made.

General LEVAN. Mr. Chairman, with your permission, that information was also, to my knowledge, based on the OSD estimate at the time and I would like to verify that and provide the information for the record.

Mr. SIKES. All right.

(The information follows:)

There were two air defense sites closed in fiscal year 1969. Both were HAWK missile firing batteries; ———. The savings are:

[In thousands of dollars]

	Fiscal year 1969	Fiscal year 1970
O. & M.A.	$961	$2,870
(BP 2000)	(568)	(1,130)
(BP 2100)	(12)	(12)
(BP 2200)	(182)	(182)
(BP 2300)	(142)	(1,489)
(BP 2400)	(47)	(47)
(BP 2500)	(10)	(10)
MPA	565	1,616
PEMA		130
Total	1,526	4,616

FIELD EXERCISES

Mr. SIKES. For field exercises you are requesting $24,579,000, an increase of $8,864,000 over the actual expenditure for fiscal 1968. As I recall it, your field training exercises have been rather severely restricted and cut back in very recent years because of the requirements of the Vietnamese war; is that right?

General BLANCHARD. That is correct, sir.

Mr. SIKES. Is this increase in training an effort now to get back on a more satisfactory level of training?

General BLANCHARD. That is also correct; yes, sir.

Mr. SIKES. Is that the sum total of the increase? Is that the whole story?

General BLANCHARD. The increase is in the JCS coordinated exercises and in the Army training exercises directed, in general, to the objectives that you mentioned.

Mr. SIKES. If you have not done so, list the training exercises that will be held and the costs of each.

General BLANCHARD. Yes.

(The information follows:)

The following is a list of the training exercises that will be held in fiscal year 1970 and the cost of each exercise:

Fiscal year 1970 Joint Chiefs of Staff directed and coordinated exercises

[In thousands of dollars]

JCS directed exercises:	
Exotic dancer	90
Deep Furrow 69	200
Reforger II	6,800
Total JCS Directed	7,090
JCS coordinated exercises:	
Flintlock 2	175
Acid Test II	55
Green Express	125
High Heels 69	50
Central America III	35
Arctic Express	100
SEATO CPX	151
Halcon Vista V	4
Snowtime	785
Bold Shot/Brim Fire	80
Pathfinder Express III	250
Dawn Patrol	100
Total JCS coordinated	1,010
Total JCS directed and coordinated exercises	9,000

Fiscal year 1970 U.S. Army training exercises

[In thousands of dollars]

U.S. Continental Army Command:	
LOGEX 70	600
Minor Exercises	75
Total CONARC	675
U.S. Army, Europe:	
Merry Mood	250
Regimental CPX	200
Infantry Division CPX (2)	500
Quick Train I and II	1,028
Signal Field Exercises (4)	600
Corps Artillery FTX (2)	800
Brigade FTX's (13)	3,175
Division FTX's (3)	3,554
Corps CPX (2)	908
Minor Exercises	875
Total USAREUR	11,890
U.S. Army, Pacific: Minor exercises	928
U.S. Army, South: Minor exercises	22
U.S. Army, Alaska: Minor exercises	215
U.S. Army Air Defense Command:	
Systems training program	1,621
Minor exercises	9
Total USARADCOM	1,630
U.S. Army Strategic Communications Command: Support of minor exercises	126
Observer and evaluator travel	93
Total Army training exercises	15,570
Total field exercises	24,570

JOINT CHIEF OF STAFF EXERCISES

Mr. SIKES. For fiscal year 1970 you plan to conduct 15 JCS-directed exercises in addition to the regularly planned Army exercises. Will you be able to carry out all of these if the Vietnamese war should continue?

General BLANCHARD. It is our best estimate that we will be able to carry these out. Of course, as time progresses if we are unable to carry them out we will necessarily cancel them.

Mr. SIKES. Have you, in fact, fallen behind in needed training of this nature as a result of the Vietnamese war?

General BLANCHARD. I think that the answer to that lies in the fact that every commander always feels that he is behind, and certainly restrictions imposed by personnel turbulence and other activities do require additional training in numerous commands.

Mr. SIKES. Training is, of course, a necessary part of your program. These Army exercises are essential to proper training and coordination of the forces, and I would think that you would want to stress them and try to make up for the time lost.

General BLANCHARD. That is the objective, sir.

Mr. SIKES. But is the estimate realistic? If the war goes on it would appear that you would probably have more scheduled here than you are actually going to be able to conduct. Is that a reasonable statement?

General BLANCHARD. I think only time will tell.

Mr. SIKES. I hope I am wrong, but I would like to have your opinion.

General BLANCHARD. This is based upon present projections made at the time this was made up, at the level of the Vietnamese war then, as you have indicated. Now, it is very hard to tell what other extenuating circumstances may arise during the summer months and later that may possibly postpone or cancel operations. We certainly hope to execute all these that are indicated.

Mr. SIKES. Does the fact that many of the uniformed personnel have participated in actual combat lessen the need for the training exercises of this nature?

General BLANCHARD. Certainly, it does for the individual in terms of the individual training, but these exercises are largely directed at the team, battalion, regimental, brigade, an dhigher. In these types of exercises this is still required despite the experience of wartime which is extremely valuable.

COMBAT DEVELOPMENT ACTIVITIES

Mr. SIKES. Under Project 2050 you are requesting $43,300,000 for the combat development activities. I would like to have for the record an analysis of the amount of each for the various activities to be supported by this request, and I would like to have also the amounts obligated for fiscal years 1968 and 1969 in these areas.

(The information follows:)

The following activities are funded in Project 2050 under "combat development activities." The amounts are actual for fiscal year 1968 and estimates for fiscal years 1969 and 1970.

[In thousands of dollars]

	Fiscal year 1968 actual	Fiscal year 1969	Fiscal year 1970
Combat Development Command	$25,240	$26,891	$26,119
USACDC Experimentation Command	(11,352)	(11,141)	(12,088)
USACDC Automatic Data Field Systems Command	(934)	(685)	(685)
USACDC Combat Arms Group	(2,690)	(2,604)	(2,299)
USACDC Institute of Land Combat/Institute of Special Studies	(1,369)	(3,284)	(2,860)
USACDC Combat Service Support Group	(3,082)	(3,104)	(2,794)
USACDC Institute of Nuclear Studies	(199)	(199)	(199)
USACDC Combat Support Group	(2,969)	(3,229)	(2,854)
USACDC Institute of Advanced Studies	(844)	(844)	(759)
USACDC Institute of Combined Arms and Support	(477)	(477)	(407)
USACDC Data Processing Field Office	(1,122)	(1,122)	(972)
USACDC Institute of Systems Analysis	(202)	(202)	(202)
U.S. Army Forces Southern Command	9	9	9
U.S. Army Alaska	51	51	51
U.S. Army Air Defense Command	1,208	1,208	1,208
U.S. Army Security Agency	3,772	3,772	3,772
U.S. Army Materiel Command	7,578	7,578	7,578
Subtotal	37,858	39,509	38,737
Troop tests	5,341	3,712	4,563
Total combat development activities	43,199	43,221	43,300

FIELD EXERCISES

Mr. SIKES. Mr. Lipscomb, do you want to ask your field exercise questions at this point?

Mr. LIPSCOMB. Yes, Mr. Chairman.

Mr. SIKES. Very well.

Mr. LIPSCOMB. General, a year ago there was a request made for field exercises in the amount of $28,590,000. Have you any estimate right now how much your field exercises for fiscal 1969 are going to cost?

General BLANCHARD. Yes, sir; but I am at a loss here. Our estimate at this particular time is the estimate stated—your $28,590,000——

Mr. LIPSCOMB. That is for fiscal 1969.

General BLANCHARD. Last year's.

Mr. LIPSCOMB. That is what I am speaking of.

General BLANCHARD. Fiscal year 1969 column for this year's budget is $24,089,000—a reduction of $4,501,000.

Mr. LIPSCOMB. Last year you justified before the committee $28,590,000?

General BLANCHARD. Yes.

Mr. LIPSCOMB. Now you tell us that your estimate is $24 million.

General BLANCHARD. Yes.

Mr. LIPSCOMB. What happened there?

General BLANCHARD. A congressional reduction of $4,100,000 and a reprograming action to support high-priority requirements of $401,000 makes the difference of $4,501,000 between those two figures.

Mr. LIPSCOMB. What exercises have you conducted this year so far?

General BLANCHARD. I will have to supply that for the record, sir, in terms of actual completion. You are aware of some of them, such as the Reforger exercise recently completed, perhaps the largest exercise. I can add specifically for the record those which have been completed.

(The information requested follows:)

The status of the fiscal year 1969 field exercise program is as follows:

[Dollars in thousands]

Exercise	Budget	Status
Reforger I	$6,800	Completed, final cost not available.
Focus Retina	210	Completed, cost report not in.
Snowtime Series	585	4 of 6 completed, presented cost for the first 3 exercises plus full year contracts are $547.3.
High Heels	15	Completed, costs $164.3.
Deep Furrow	94	Completed, costs $57.
Bold Shot/Brimfire Series	70	4 of 5 completed, cost for first exercise $13.
Golden Rod/Fallex	499	Completed, cost $1,732.5.
Pathfinder Express	200	Completed, cost $54.3.
Flintlock I	5	Completed, cost $20.7.
Acid Test I	50	Completed, cost report not in.
Garrison Map	5	Do.
Leprechaun Laughter Series	0	4 of 6 completed, costs for 3 exercises are $45.
Other JCS exercises	167	Scheduled.
Army training exercises	15,389	$5,425 has been expended on training exercises through January 1969. The various exercise programs normally start with small unit training and progress to the level where major exercises can be held at brigade, division, and corps level. The remaining $9,964 is required to fund the currently scheduled exercise programs.
Total fiscal year 1969	24,089	
Total amount costed	8,059	
Completed but no cost data available	7,122	
Total	15,181	

Mr. LIPSCOMB. Have you to this point told us how you estimated the use of the $24 million for field exercises for fiscal year 1969?

General BLANCHARD. As requested by Mr. Sikes, we will furnish what those exercises are. The amounts programed for them, also. Will this satisfy your requirement?

Mr. LIPSCOMB. You cannot give us something to consider right now?

General BLANCHARD. Yes, sir. I can go into detail on any one of them.

COST OF PROJECT REFORGER

Mr. LIPSCOMB. For instance, how much did Project Reforger cost us?

General BLANCHARD. $6,800,000 was released in November of 1968 to the Army for that purpose. Later, for the total allocation for the exercise, $11.5 million, of which $4.7 million went to the Air Force and $6.8 million to the Army. We allocated that $6.8 million, to Europe $6.3 million and to CONARC $500,000. The complete reports on the actual costs totals are due in Headquarters, Department of the Army, on the 12th of this May.

Mr. LIPSCOMB. Are you saying that Project Reforger cost the Army $6.8 million?

General BLANCHARD. That was the amount that was allocated by the Army to the two commands for the exercise; yes.

Mr. LIPSCOMB. All right. What are some of the others that you have, other exercises?

General BLANCHARD. JCS-directed exercise, Exotic Dancer, scheduled in May–June 1969; final costs are not available.

Mr. LIPSCOMB. Is that going to take place?

General BLANCHARD. Yes, to the best of my knowledge.

KOREAN EXERCISE

Exercise Focus Retina, which you have just read about a couple of weeks ago, is in progress and costs are not available at this time. The estimate was $210,000 for that exercise.

Mr. LIPSCOMB. Which one is that?

General BLANCHARD. That is Focus Retina, in which a unit from the Continental Army Command moved overseas to Korea.

Mr. LIPSCOMB. $210,000, did you say?

General BLANCHARD. That was the estimate I have.

Mr. LIPSCOMB. That is not possible.

General BLANCHARD. The largest amount of that is paid for by the Air Force. I am talking about Army funds.

General TAYLOR. That is a small unit. It is not comparable to Reforger. The Air Force uses tactical aircraft and they paid the transportation on that.

Mr. LIPSCOMB. Are there 2,500 troops involved?

General TAYLOR. That is close, I think.

General BLANCHARD. I don't have any further detail. I can give details on the exercise and on the costs, but the fact of the participation, as I remember it, is that it is a brigade reenforced. Of course, Air Force is furnishing the primary costs involving transportation.

Mr. LIPSCOMB. The United Press reported the Army began airlifting 2,500 troops to South Korea yesterday, March 9. It goes on:

A combat exercise featuring what the Pentagon calls the longest direct paratroop drop in history—750 paratroopers all from the 82d Airborne Division at Fort Bragg will parachute to South Korea from the same plane that they boarded in North Carolina.

General BLANCHARD. That is a battalion, approximately, those numbers that you referred to. The total, I suspect, includes considerably more, the total that you referred to considers probably also those troops actually already in Korea. May I furnish that information for the record?

Mr. LIPSCOMB. You don't think $210,000 is the right figure; do you?

General BLANCHARD. That is the figure I have, sir, and I will check to be sure.

Mr. LIPSCOMB. Fine.

(The information follows:)

Focus Retina is a new exercise in this year's budget. It was approved by the Joint Chiefs of Staff in May 1968.

The estimated cost for Focus Retina is $210,000. USCONARC's portion is $60,000 and USARPAC's is $150,000. The final costs for the exercise will not be available until June. The units that participated in the exercise were airborne units and have very little heavy equipment, thereby keeping the exercise costs down. The Air Force funds for all airlift costs invoved. An airborne brigade consisting of two airborne battalions, an airborne artillery battalion and other support elements deployed from CONUS to Korea, conducted an airborne assault into the maneuver area. In conjunction with United States and Republic of Korea forces based in Korea they then participated in field training exercises. This exercise demonstrated our capability to rapidly deploy CONUS-based forces ot the Far East other than Southeast Asia.

Mr. LIPSCOMB. Was that exercise planned last year when you asked for the request of $28 million?

General TAYLOR. I would like to verify it, but I do not think that was planned at that time, Mr. Lipscomb. The situation existing in the vari-

ous countries, and so forth, sometimes affects these exercises where one would be canceled and a new one would take its place.

General BLANCHARD. This is a JCS-directed exercise and is not Army-directed specifically.

General TAYLOR. I don't think it was in last year's original plan.

Mr. LIPSCOMB. Thank you, Mr. Chairman.

SUPPORT OF FREE WORLD FORCES

Mr. ANDREWS. What is the total amount included in the total O. & M. budget request for the support of free world forces? What countries' forces will these funds support and in what amounts?

General TAYLOR. The total amount for free world forces in the O. & M. budget is $595,500,000. That will support the free world military assistance forces, including the Army of the Republic of Vietnam troops, it will also support the Republic of Korea troops, the Thailand troops, and we have a small number of Philippines in-country. If you would like totals I can give them to you, sir.

Mr. ANDREWS. I wish you would, General.

General TAYLOR. For 1970 the Republic of Korea will have ——— there will be ——— Royal Thai troops, and it is planned that the Republic of the Philippines will have ——— and there is a small number of ——— called miscellaneous that I cannot break out for you at the moment.

Then the Vietnamese troops will total ———

Mr. ANDREWS. Give us a breakdown now with respect to the dollars. ———

———

Mr. ANDREWS. Now, General, what does this represent?

General TAYLOR. Sir, this in the case of Vietnam, ——— million, is class 2 and class 4 supplies. That is, spare parts for vehicles, fortification materials, organizational equipment for those troops, the same as our troops receive. That is a general answer, sir.

Mr. ANDREWS. Do you buy them spare parts?

General TAYLOR. Yes, sir; organizational clothing and equipment.

Mr. ANDREWS. Who pays their pay?

General TAYLOR. The Vietnamese pay their own pay, sir. We do not pay Vietnamese Army personnel.

Mr. ANDREWS. ———

General TAYLOR. Well, sir, we do not pay the Vietnamese troops that I am speaking of in the Vietnamese Army. ———

Mr. ANDREWS. Do you furnish them any food?

General TAYLOR. Yes, sir; in those cases we do.

Mr. ANDREWS. I am talking about the Vietnamese as a whole, the ——— million.

General TAYLOR. In the "Military personnel appropriations," we do, yes.

Mr. ANDREWS. I am talking about this $595 million figure.

General TAYLOR. Not in this amount of money; no, sir.

Mr. ANDREWS. All of that is clothing and hardware?

General TAYLOR. Clothing, spare parts, fortification material, wherever there is travel required for which they are reimbursed, that sort of thing.

Mr. ANDREWS. Now, this country does pay the pay and subsistence for these troops?

General TAYLOR. No, sir.

Mr. ANDREWS. They do not?

General TAYLOR. No, sir.

Mr. ANDREWS. ———

General TAYLOR. Subsistence, yes, sir; but not pay.

Mr. ANDREWS. Who pays the subsistence; the Army?

General TAYLOR. The Army, sir, yes; out of the military personnel appropriation.

Mr. ANDREWS. All right. Tell us more about the pay of the troops, who is responsible for that?

General TAYLOR. The Vietnamese Government.

Mr. ANDREWS. Does our Government give any money to make those payments with?

General TAYLOR. No, sir, not to my knowledge, certainly not through this appropriation.

Mr. LIPSCOMB. You would not have military pay for free world forces in O. & M., anyway.

General TAYLOR. No, sir. I said the subsistence comes from the "Military personnel, Army" appropriation.

Mr. ANDREWS. He says that all of this ——— million, which is part of the $595 million for the free world forces in South Vietnam, represents clothing, hardware, spare parts.

General TAYLOR. Yes, sir, that is correct.

Mr. LIPSCOMB. This is just the operation and maintenance part of it.

Mr. ANDREWS. I understand. I had a question, though, that I think we ought to get clear in the record at this time, if we can. This country does pay, one way or another, the pay and subsistence for those troops, does it not?

General TAYLOR. Sir, your question, if pay is involved—subsistence, yes. Subsistence is paid from the military personnel account. But pay for the Vietnamese Army troops, to my knowledge, this Government does not, certainly through any military appropriations, pay those troops.

Mr. ANDREWS. That answers my question.

Now, is the same thing true with reference to O. & M. funds for Korea, Philippines, Laos, and Thailand, the amounts that you have given us?

General TAYLOR. Yes, sir.

Mr. ANDREWS. For clothing, spare parts, and certain items of equipment?

General TAYLOR. Yes, sir. It includes the transportation of those troops from Korea to Southeast Asia, and from Thailand to Vietnam.

Mr. ANDREWS. What is the reason for the large increases?

General TAYLOR. In the case of the Vietnamese troops, their strength is increasing. They are going up to ——— total, and I am not sure that I have readily available the figure that they were at last year.

Mr. ANDREWS. Supply it for the record.

General TAYLOR. Yes, sir.

(The information is classified and was provided the committee.)

INCREASE IN SOUTH VIETNAM TROOP STRENGTH

General TAYLOR. There is an increase in troop strength in the case of the Vietnamese Army that causes that figure to rise.

Mr. ANDREWS. We have read that the administration wants to beef up the South Vietnamese forces.

General TAYLOR. Yes, sir.

Mr. ANDREWS. Is there no money in this budget to carry out that intention?

General TAYLOR. Yes, sir.

Mr. ANDREWS. They figure $900 million, I believe.

General TAYLOR. I don't recognize that figure. There is some money in here—I think you are speaking about the modernization phase 1 or phase 2. There is a small amount of money in here in connection with that, which again is tied to the strength increase and it is also tied to transportation, that is, second-destination transportation for equipment that is being procured through the procurement appropriations, to ship it to South Vietnam.

Now, this is an area, Mr. Chairman, that earlier the chairman suggested that when we come to a point where the budget revision could affect an item that we might pass over that until such time as the budget amendment decisions have been made. This is an area that would be affected somewhat.

Mr. ANDREWS. We are talking about the plans that you made some time ago for fiscal 1970 for O. & M. for the free world forces.

General TAYLOR. Right, sir.

Mr. ANDREWS. There is a slight increase over 1969.

General TAYLOR. There is, sir.

Mr. ANDREWS. I believe that increase is $35.8 million, according to your statement.

General TAYLOR. Yes, sir.

Mr. ANDREWS. Now, will you provide for the record a list of the various types of support being given and the amount for each country forces being supported?

General TAYLOR. Yes, sir.

Mr. ANDREWS. We have touched on that but you can elaborate on it for the record.

(The information follows:)

The amount and type of OMA support (excluding AID/DOD realignments) for FWMAF in fiscal year 1970 is as follows (dollars in millions):

Country:	*Dollar (amount)*
South Vietnam	
Korea	
Philippines	
Laos	
Thailand	
Total	595.5

COUNTRY AND TYPE SUPPORT

South Vietnam: Organizational clothing and equipment, repair parts, other supplies for normal operations and combat consumption, plus associated transportation and depot maintenance costs.

Korea: Organizational clothing and equipment, repair parts, other supplies for normal operations and combat consumption, plus associated transportation costs.

Philippines: Organizational clothing and equipment, repair parts, other supplies for normal operation and combat consumption, plus associated transportation costs.

Laos: ———.

Thailand: Organizational clothing and equipment, repair parts, other supplies for normal operations and combat consumption, training support of a Thai brigade in Thailand, plus associated transportation costs.

VIETNAM MILITARY-CIVILIAN ASSISTANCE PROGRAM

Mr. ANDREWS. What is the request this year for the military-civilian assistance program in Vietnam?

General TAYLOR. The amount that we have been talking about is really military assistance. Are you referring to the AID/DOD program, sir?

Mrs. ANDREWS. The military- civilian assistance program in Vietnam.

General TAYLOR. The amount that we have in this budget for that program for the AID/DOD program, as we refer to it, for fiscal year 1970 is $55.5 million.

Mr. ANDREWS. Will you give us a breakdown of that for the record?

(The information folows:)

The AID/DOD realinements by country and project for fiscal year 1970 are as follows:

[Dollars in millions]

Vietnam:	
MEDCAP	$3.5
Medical supply	6.3
Railway sabotage replacement	1.4
GVN police, commodity support	6.0
Highway maintenance	21.1
Ports and waterways, commodity support	0
Revolutionary development commodity support	4.2
Vietnam TV	3.1
Chlieu Hoi program	2.1
Port handling and off-loading charge	1.0
Public safety telecommunications	1.5
Sub-total	50.2
[Deleted]	5.3
Total AID/DOD	55.5

Mr. ANDREWS. Although the overall request for fiscal year 1969 decreases, we note that you plan a new project for the public safety telecommunications in the amount of $1,500,000. What is the purpose and nature of this program?

General BLANCHARD. There are several parts to that, Mr. Chairman, of which this is one. AID established a village/hamlet radio system in 1961. The equipment they purchased was not compatable with the military and police radios. In fiscal year 1968 the program was expanded and standardized. AID still provides all repair, maintenance, and technical assistance and MACV provides the commodity support. The $1.5 million is for the replacement communications equipment and spare parts for this system. This is a joint effort as opposed to RVN TV which is fully funded by the Army.

VIETNAMESE TELEVISION

Mr. ANDREWS. Describe briefly for us the television program.

General BLANCHARD. Yes. In this program the U.S. Information Agency and the Joint U.S. Public Affairs Office in Saigon serve, under a joint agreement, as agents for the Department of Defense and the Department of the Army. The television programs are broadcast through the largest portion of Vietnam from the standpoint of population, and it includes support for pacification, urban stability, and national unity. It is a considerable program and it has had, in terms of those who have evaluated it, considerable importance in Vietnam.

Mr. ANDREWS. Where are the television broadcasts beamed from?

General BLANCHARD. Presently there are transmitters in Hue and Can Tho in the First Corps area.

Mr. ANDREWS. Are there any programs being beamed from planes?

General BLANCHARD. Yes, sir. The Blue Eagle aircraft, so-called, which are aircraft beaming television broadcasts particularly in the Qui Nhon area. While they do not have a station yet in Qui Nhon, they are broadcasting, in the Second Corps area.

Mr. ANDREWS Who is responsible for that program, the Army or the Air Force?

General BLANCHARD. The Navy pays for the aircraft themselves. They are Navy-funded.

Mr. ANDREWS. Who operates the planes from which the programs are transmitted?

General BLANCHARD. I believe the Navy does. This is confirmed, the Navy also operates them, sir.

Mr. ANDREWS Do you know how well that program is operated, General? The request was submitted a year ago for the purpose of equipping those planes for these programs. Do you know anything about it now?

General BLANCHARD. I know only really that I have watched broadcasts in Vietnam that were beamed by the aircraft and it was a successful type telecast.

Mr. ANDREWS. What type programs are they? Are they reruns of American programs?

General BLANCHARD. No, sir. I have here a description of some of the type programs on a weekly basis that are presently being beamed.

General BOLTON. Last year during the Tet offensive when some of the transmitters were blacked out, the Blue Eagle flights picked up the tab in some of those areas where we did not have transmitters.

General BANCHARD. The types of programs being used on the TV program schedule are news programs——

Mr. ANDREWS. You can put that in the record, General.

(The information follows:)

An average of 25 hours are broadcast weekly on the Vietnamese television station. News, information, and education make up about 60 percent of the current schedule. Types of programs are:

News
English lessons
Music
Science
Health
Religion
Culture and art
Women's show
Children's shows
Quiz show
Variety show
Drama
The Vietnamese army
Allied countries
Reformed or traditional opera
Feature films

Mr. ANDREWS. Would you say that the television programs in South Vietnam have been successful, General Bolton?

General BOLTON. As I say, during the Tet offensive it was very good. I have watched it in the villages and General Blanchard has also for some time. I think it is an immensely successful information media that allows us to get to the population.

Mr. ANDREWS. What about television sets in the hands of the South Vietnamese?

General BOLTON. They are being provided and they are usually provided through this same program, the Joint U.S. Public Affairs Office (JUSPAO) people in the villages. In the small village you won't find them in every house or shack but you will find them mounted on the main street of the town.

Mr. ANDREWS. Sort of a community-type program?

General BOLTON. Community program, with their own generator, that sort of thing.

General BLANCHARD. It is estimated there are over 200,000 of these TV receivers now in use in South Vietnam.

Mr. SIKES. How is the program being funded with respect to making available the TV sets? How is that funded?

General BLANCHARD. This is done, as I explained before, sir, by a DOD fund transferred from USIA through the JUSPAO offices in Saigon.

Mr. SIKES. What are the plans for fiscal 1970 for making additional sets available?

General BLANCHARD. They plan to continue on with the work toward a station in the Qui Nhon area, primarily to continue to expand the number of hours programed per day.

Mr. SIKES. What about the availability of sets?

General BLANCHARD. I am not familiar with the program to increase the number of sets for this next year.

Mr. SIKES. Are these Vietnamese language broadcasts?

General BLANCHARD. That is correct.

Mr. SIKES. Could you provide a breakdown of the reasons for the increase of $500,000 for this program?

General BLANCHARD. I can, sir.

(The information follows:)

The fiscal year 1970 Vietnam television, a subprogram of the AID/DOD realinement program, increased $584,000 in the following areas:

	Fiscal year 1969	Fiscal year 1970	Changes
Equipment	$877,500	$1,352,500	+$475,000
Contractual services	531,000	542,000	+11,000
Shipping	219,000	313,000	+94,000
Travel, outside Vietnam	13,038	17,038	+4,000
Total increase			+584,000

REVOLUTIONARY DEVELOPMENT PROGRAM

Mr. SIKES. For the "Revolutionary development commodity support program" you are requesting an additional $1.2 million. What is that?

General BLANCHARD. The RD cadres, as they are referred to, are charged with initiating and directing programs to regain the confidence of the villagers and the hamlet dwellers in Vietnam.

Mr. SIKES. Why do you call it revolutionary?

General BLANCHARD. This is almost a literal translation from the Vietnamese. This is a revolutionary development not in the sense that we accept it quite in the English translation.

Mr. SIKES. What, specifically, is it?

General BLANCHARD. These are, sir, cadre teams, 59-man Vietnamese teams recruited from the local areas largely in which they work. They are centrally trained at Vung Tau in the training center there for 13 weeks, and then they are deployed to various hamlets throughout South Vietnam. The center itself has a capacity of approximately 7,500 students at any one time. The concept is that after any local area is cleared of the VC, by the GVN and U.S. forces, the trained RDC team is recruited from the area and assigned to the village or hamlet where it remains for an indefinite period of time gaining gradually the acceptance of the people as a result of their good behavior. They help to explain the Government's program, by their examples create good impressions upon the people. One section of the teams is involved in a census and helping the people to state their own grievances and determine what their own requirements are.

Mr. SIKES. Is this an attempt to actually provide a liaison between the people and the Government, which to them has largely been an unknown quantity heretofore?

General BLANCHARD. I think that is an important part of the RD cadre program; yes, sir.

Mr. SIKES. Are these teams permanently assigned or are they only assigned for a stated period of time to the villages?

General BLANCHARD. The plan is that they are for an indefinite period of time. The plan, as I know it, was that until that particular hamlet is completely pacified that team stays in that area. It may move at a later time.

Mr. ANDREWS. May I ask a question, Mr. Chairman?

Mr. SIKES. Yes.

Mr. ANDREWS. General, have there been any hamlets or villages or areas that have been completely pacified?

General BLANCHARD. In the area in which I was in Vietnam, in Binh Dinh, the 1st Air Cavalry Division, there were a number of teams that moved from one hamlet to another, by definition having completely pacified this particular hamlet.

Mr. ANDREWS. You mean, they have gotten rid of the enemy?

General BLANCHARD. The VC and the VC infrastructure both having been eliminated as adjudged by the Vietnamese, in this case.

Mr. ANDREWS. Frequently I see cases of where shacks are set afire, burned, and the statement is made: "We had to destroy the village to save it." I am sure you have heard of that.

General BLANCHARD. I spent 2 years in Vietnam, sir, and have seen that happen.

Mr. ANDREWS. What is the morale of the people who lived in those little huts?

General BLANCHARD. I have seen several different kinds of reactions.

Mr. ANDREWS. That is, when our people tell them, "We had to destroy your city" or "destroy your home to save it"; what is their reaction?

General BLANCHARD. Their reaction is usually one of resigned acceptance and understanding. They have gone through this type of thing previously and they are perhaps the most patient and understanding people in the world on this type of problem. They have had VC infrastructure probably living in their village for a considerable period of time. They are aware of the fact that when an organized VC or NVA unit enters the hamlet that there is no solution but to get it out. They usually leave the area as the friendly troops move in and they are encouraged to do so.

Mr. ANDREWS. Where do they go and who looks after them? Do they leave the area?

General BLANCHARD. Normally they will go to friends' houses outside the area or to a friendly district capital. They will be looked after by the district chief who is responsible for them and by the American advisors where the district chief assists, and also the district organization.

Mr. ANDREWS. Thank you.

SUCCESS OF REVOLUTIONARY DEVELOPMENT PROGRAM

Mr. SIKES. What is the total being requested for the revolutionary development program?

General BLANCHARD. For the fiscal year 1970 program, $69,690,000.

General TAYLOR. Sir, I think that figure is incorrect.

In this appropriation, sir, the O. & M.A. is $37,741,000.

Mr. SIKES. That is a very sizable amount. Certainly the objective is laudable. Do you feel that the success that has been enjoyed is sufficient to justify the continuation of the program?

General BLANCHARD. Yes, sir; I do. I do not think there is any question about it.

Mr. SIKES. GAO has issued a report which recommends some changes. Are you familiar with that report?

General BLANCHARD. No, sir; I am not.

General TAYLOR. I do not believe so. I am not, sir. I don't know that I have anyone here who is.

Mr. SIKES. Let me select a few areas. I would like your comments.

GAO has found there is a need for improving reliability of the system because certain U.S. evaluators need more training in the techniques and procedures of the system. Is that valid?

General BLANCHARD. I think that is a valid statement, as it would always be. When you figure the individuals who are doing the evaluating are both military personnel and civilian personnel and that you have to get into the hamlet and the village in order to make the evaluation.

Mr. SIKES. It also states that the U.S. evaluators are unfamiliar with the Vietnamese language and culture. There isn't very much they can do to lead unless they have information on which to base their leadership.

General BLANCHARD. You are aware of the training programs which the services have for teaching Vietnamese and also, I am sure, of the difficulties of mastering that language, and I am sure that you can always do more in understanding another country's nationals. I think a great deal is done, however, with a minimum of language requirement.

General BOLTON. I would point out really, also, that we are advisers. We are not the leaders. We are advisers to the Vietnamese leaders. This is the way you have to work if you are going to make it anything permanent. So anybody who would presume that we should be leading these people when we have an eventual goal to leave the country, I think is probably on the wrong track.

Mr. SIKES. There is some criticism of the effectiveness of the evaluators because their assignment is of such short duration. Is that valid?

General BLANCHARD. It is true their assignment in many cases is only a year long and that in that length of time it is very difficult.

Mr. SIKES. Are the evaluators civilian or military?

General BLANCHARD. It depends. There are some civilian and some military, in my experience. In both cases the length of tour is comparatively short. It would be desirable to have been there for 10 years, but I think they can do a perfectly reasonable job without knowing it in detail and also taking into consideration the comments that General Bolton made.

Mr. SIKES. The report says that the evaluators do not always have the benefit of the experience of their predecessors. Why would they not be given the benefit of the experience of their predecessors?

General BLANCHARD. I am unable to answer that, sir, because there is an extensive program, as you know, of lessons learned, there is an extensive orientation program. I am not at all sure that I understand why this should occur. There may be cases where the GAO people got into situations where there was no overlap of individuals but, even so, the lessons learned in summary of operations should be helpful.

General BOLTON. I would point out that we have a program that has just come to fruition. It is not down to the local level yet but, for instance, we now have 44 province senior advisors who as a result of some special inducements are there for a minimum of 18 months to 2 years. They go through a 6-months' course there with the State Department and the military.

This is an attempt to get continuity in the very key positions. You cannot do this sort of thing on a wholesale basis when you are talking 14,000 advisors countrywide. But there are definite attempts to encourage and to give these people extra inducements in the very key

positions where they advise the province chiefs. This in itself is a good program.

Mr. SIKES. How long has the program been in effect?

General BOLTON. I would say having left in December that probably we arrived at this point of the 44 province senior advisors being in this category in the fall. The program started about 15 months to 1½ years ago here in the States. The recruiting of people, sending them to school, to language school, and that sort of thing.

Mr. SIKES. This report that I have been quoting from is to the Committee on Foreign Affairs of the House of Representatives, and it is through their courtesy and permission that it has been made available to this committee.

Now, what is the difference between the revolutionary development program and the revolutionary development commodity support program?

General BLANCHARD. I can only answer that the program would have to be the overall program and the commodity support, just as it is indicated, is the support for that program in terms of the school and the actual people on the ground.

General TAYLOR. Sir, the revolutionary development cadre program that we have been talking about is funded through the O. & M. appropriation. Now, the revolutionary development commodity support item is under the AID–DOD program also included in the OMA appropriation. But the AID–DOD portion supports the popular forces dependent housing program and it also has the public safety telecommunications between hamlets.

Mr. SIKES. The programs seem to be increasing. Is this something that is going to continue or do you anticipate you are reaching a leveling-off period?

General TAYLOR. Sir, I don't know that there is a plan to increase it. I could stand corrected. The program that has now been developed with these advisors that General Bolton spoke of, I would believe is probably leveling off, but would continue for some period of time as long as there is a VC infrastructure existing in any one of the hamlets or communities.

Mr. SIKES. Are there any new programs to be started in fiscal 1970 of this general nature?

General BLANCHARD. Not to my knowledge.

General TAYLOR. I am not aware of any.

General BOLTON. For instance, there is one program which is not new but where they have a set goal of getting a certain amount of the population under what they call relatively secure conditions. I think it goes from something like 70 percent of the population that they are trying to get them to a point of 90 percent of the populaion who are able to live under relatively secure conditions.

LAND REFORM

Mr. SIKES. General, you are fresh back from Vietnam. Are reforms being instituted? I am thinking of land reforms, et cetera, of the type that we understand are seriously needed in Vietnam. Or is our effort primarily one of indoctrination? Can you tell us?

General BOLTON. I think there is a combination of both, sir.

Mr. SIKES. What land reforms are being effected?

General BOLTON. Iwould say in the past month or 2 months—and I am trying to think of the minister's name—he has been replaced and they have gone into very serious planning on initiating land reforms instead of talking and promising about them. It is expected that this should come out, should start to bear results during fiscal 1970.

Mr. SIKES. Would this be the sort of thing that can really be effective in impressing the villagers with the good faith and intentions of their government?

General BOLTON. Yes, sir; I think it probably would.

In other words, what I am saying is that there is increased activity at the higher governmental level in this field right now.

Mr. SIKES. I take it it is still in the talking and planning stage rather than the implementation stage.

General BOLTON. Well, I think maybe it is a little better than that. I think it is better organized at the higher level as a result of some of the recent appointments.

Mr. SIKES. Do the Vietcong when they are in control of a village actually accomplish this distribution of property and other things which have an immediate appeal to the landless peasant? What do they do?

General BOLTON. I think they promise them, sir. I have no evidence or knowledge, during the time that I have been there, that they have actually—they have driven off some of the people and given it to some others, but I have no knowledge that they have done anything more than promise this.

OPERATION OF VIETCONG VILLAGES

Mr. RHODES. Would you yield at that point, Mr. Chairman?

When the VC take over a village and later the ARVN Forces, or our own, move back in, what does the Vietcong cadre do? Is it inclined to stand and fight or do they run away in order to fight another day? What is their tactic?

General BOLTON. I think those that are not exposed stay and go underground. Those that are in the open, obviously identified or can be identified, tend to go back into the jungle.

Mr. SIKES. Wouldn't it be hard to keep the identity secret in the average village?

General BOLTON. Of some of the people; yes, sir.

Mr. SIKES. Have you ever heard of the back fence village gossip?

General BOLTON. Yes, sir; but just because you go back in there doesn't mean those people are going to tell you.

Mr. ANDREWS. Is that the reason that you hear frequently it is hard to tell your friend from the foe over there?

General BOLTON. Not necessarily.

Mr. ANDREWS. Have you heard that?

General BOLTON. Yes, sir; I have.

Mr. ANDREWS. How long were you over there, sir?

General BOLTON. A total of 33 months, sir.

Mr. ANDREWS. Continuously?

General BOLTON. Yes, sir.

Mr. ANDREWS. Do you think conditions were much better when you left than when you first got there?

General BOLTON. Yes, sir.

Mr. ANDREWS. You do?

General BOLTON. I think they are much better.

Mr. ANDREWS. I am glad to hear that.

Mr. SIKES. Are you speaking militarily, or about the attitude of the villagers, or a combination?

General BOLTON. I think a combination. I would say that we have many more people on our side. I would say on the negative side we have increased the number of defectors from the VC back to the friendly side. The Chu-Hoi program is better, the elections are going on, people are voting, the administration of the Government is being felt. There are people joining this self-defense force. Whether they are going to be effective militarily or not doesn't impress me nearly as much as the fact that the man is willing to identify himself with the Government by taking a Government weapon and keeping it in his house. I think the military has gone forward a very great deal. I think the territorial forces have improved. The districts' administration, provincial administration also. We have district intelligence centers where they are now working in a cooperative effort, the police, the order of battle-type intelligence, that sort of thing. There is an exchange of information and it is all going a lot better.

Mr. SIKES. This type of improvement in the understanding of the villagers of their own Government, their interest, their participation, their confidence in us is, of course, essential if what we are trying to help create out there is going to survive once we are gone. There must be some means of disseminating the type of information that will contribute to this situation. Is this the principal means, the revolutionary development program?

General BLANCHARD. Certainly this is one of the means.

Mr. SIKES. What are the others?

General BLANCHARD. There are other means of information. The Vietnamese Information Service itself does a good deal of dissemination of information. There are newspapers, of course, radio broadcasts, TV broadcasts which we mentioned, and an extensive governmental flow of information down to the key man, the village chief and the hamlet chief, in this process. Then there is dissemination from him.

Mr. SIKES. I take it we are just getting into the sort of thing that the Commies have been doing for years. They have been spreading their propaganda by any means available to them for years. Apparently we have not done very much to sell our side of it until recently. Isn't that about right? That is, we and the Government of South Vietnam.

General BLANCHARD. I think there has been a good deal done to spread the information.I am not sure it has been very effective.

Mr. SIKES. Are we doing enough now? I think that is a very important field.

General BLANCHARD. I think there is considerable improvement, Mr. Sikes, in what has been done.

Mr. SIKES. Do you recommend that more be done, ostensibly in preparation for these people assuming the responsibility for their own destiny within a reasonably short time?

General BLANCHARD. Well, I think the people in Saigon and in the administration feel that it is moving forward as fast, in terms of support, as it can move under the circumstances and that the material support is moving as fast as it can be absorbed in most areas.

Mr. SIKES. What is your feeling on that, General Bolton?

General BOLTON. I think that is right. I think what we are talking about is priorities. One of the things you want to recognize, the revolutionary development cadre thing started in the summer of 1966, but to get this thing to start to snowball and to be effective takes time, the first thing that we had to get all along was security. You must recognize that there is a dearth of skills in a country that has been at war for 20 years. Therefore, you have to sort of put your priorities on the things that are important at the time while you are planning to do more in the future. I am compelled to agree that the priorities are pretty well established now and they are coming along. As I say, just the fact that they have a goal to get 90 percent of the population relatively secure by the end of this year is a tremendous thing.

Mr. SIKES. What degree of success do you think we actually are having in overcoming the difficulties under which we work when we try to gain the confidence of the South Vietnamese? First of all, we are the wrong race, he certainly cannot have as much confidence in us initially as he would in one of his own race. Next, we fought over his country. We have bombed extensively. Does he take all of this in stride and still have confidence in us or does he just wish that both sides would go away and let him alone?

General BOLTON. I would say that he would be delighted if both sides would go away and let him alone.

Mr. SIKES. Since that is not the case, then, are we making any progress in establishing confidence?

General BOLTON. Yes. But it is taking time. As you bring out, there is the wrong color, we are foreigners, we are the last ones in there, and the other people were French. It takes a little time to overcome this. I think it is gradually being done. We got into this thing, you know, sort of like painting a moving train; we did not start the program out, we got into it when the situation was in pretty bad shape. So we have to go with them.

Mr. SIKES. Do you have anything to add?

General BOLTON. I think what Colonel Ladd has called to my attention—he is also one of the most experienced around here—he points out that we should recognize, as I said, that we were advisers to them and pacification is a Vietnamese program, we advise them in it. So our success or failure is through working with the recognized officials and working on building it into something. Maybe I was there so long that I identify with the friendlies rather than with the others.

Mr. SIKES. Colonel, do you have anything to add to what has been said?

Colonel LADD. Not really, sir. I think General Bolton was referring earlier to General Khiem, the minister of pacification, who has been put in charge of coordinating the programs of all of the Vietnamese departments, the Department of Agriculture, the Ministry of Interior, the Ministry of Defense, and I believe he is the minister General Bolton referred to earlier.

This program includes what you mentioned, land reform, and many other programs are under his monitorship also.

REFUGEES RELOCATION PROGRAM

Mr. SIKES. Is there now a productive program for refugees? A long time ago when I was out there—as time goes—I was very distressed at the fact that the refugees generally had nothing to do except sit and wait for a handout, which is the worst thing that can happen to anybody.

Colonel LADD. Yes, sir. There is a program with respect to refugees.

Mr. SIKES. Is it effective? Are their abilities and skills actually being utilized for their own good?

Colonel LADD. Yes, sir. First, the Government of Vietnam is trying, as soon as it can, to encourage refugees to go back to their own homes. Those who do not want to go to their own homes are resettled in other areas and they attempt to get them employment. The Vietnamese have a program for financing this. Those who go back to their own area get a certain amount of money, not as much as those who are resettled who, of course, have to rebuild their own homes. I think the conditions where you see the refugees counts. The program ongoing now is to considerably reduce the total number of refugees that exist. It is a very complex and difficult program, as you know. Those, for instance, up around Khe Sanh and Lang Vei were eventually, most of them, moved into the Danang coastal area of the I Corps. The Government just could not send them back to their homes. These people provide real problems for the Government.

Mr. SIKES. Does anyone have an estimate of the number of refugees now as compared to a year ago?

Colonel LADD. Yes, sir; I have it. In December of 1968 there were 1,328,517. That is what they had then. I will have to add up the present figures for you, sir. I have it broken down by corps.

There are roughly 1.3 million now, sir. They are attempting to bring those down to less than 1 million as soon as they possibly can.

Mr. SIKES. Is the number up or down from a year ago?

Colonel LADD. It is down from a year ago, sir. Of course, as you know, the number of past Tet offensive refugees this year is practically nil compared to the refugees following the Tet offensive of last year.

Mr. SIKES. Are there any comments from anyone here on this general subject?

General TAYLOR. The only comment I could make is from briefings, because I have not been in the country for 3 years now.

With reference to the pacification, if you will, I do recall in one briefing the mention of this GAO report which was considered as a helpful report, in that they are adopting some of the things that the General Accounting Office has recommended.

From the briefings that I hear from the standpoint of the pacification program, the rather complex methods of how to measure a given area as to whether it is secure or degrees of secureness are improving.

Mr. SIKES. Are there any questions?

GOVERNMENT–VIETCONG TALKS

Mr. ANDREWS. During the last day or two, it has been announced that the President of Vietnam said he would meet with the Vietcong for the purpose of discussing peace. That came as a surprise to me, since he has been so adamant in the past. What is your impression? He has changed his mind?

General BOLTON. He has changed his public utterances. He has come to realize that they probably are not going to go away. I think before you could say that this is a drastic change of mind, you would have to find out what his position is in the sort of meetings that he has agreed to.

In other words, if he agreed to meet and tell them the same thing he has been telling them, only tell it to them face to face rather than through the news media—I do not think we are to the point that we can say he has changed his mind, that he has gone softer or has gotten harder.

I think he is also becoming a little more confident in his ability to discharge his role as President of the country.

Mr. SIKES. Can the elected government and the Liberation Front work together in Vietnam without being taken over by the Communists in a few years?

General BOLTON. This is one I would have to beg off on.

Mr. SIKES. Let us go off the record.

(Discussion off the record.)

MEDICAL TREATMENT OF CIVILIANS

Mr. SIKES. Are there any funds in the 1970 budget request for the medical treatment of civilians?

General TAYLOR. In the AID/DOD there is an amount which I have here.

Mr. SIKES. I would like you to provide this information for the record for fiscal years 1969 and 1970.

General TAYLOR. All right, sir.

(The information follows:)

The supply of medicine to military medical civic action teams, a subprogram of the AID/DOD realignment program, is estimated at $3.5 million in fiscal years 1969 and 1970. This program is conducted by United States and other free world medical personnel throughout Vietnam. The primary mission of these medical personnel is to provide medical care to Vietnamese civilians as part of the overall civic action programs. These funds will be used to cover the cost of medical operating supplies such as expendable drugs, bandages, and surgical instruments.

SELF-HELP SHELTER PROGRAM

Mr. SIKES. Is there a self-help shelter program?

General TAYLOR. Yes, sir.

Mr. SIKES. Provide for the record the funds for that.

General TAYLOR. Very well, sir.

(The information follows:)

The planned level of assistance in the form of materials and supplies for the self-help shelter program for Vietnamese Army dependents is $8 million in fiscal year 1969 and $9.2 million in fiscal year 1970.

Mr. LIPSCOMB. Is that not an area, General, in which you anticipate certain changes?

General TAYLOR. Yes, sir; but not in the AID/DOD portion, sir.

(The following additional information was provided for the record:)

The success of the self-help shelter program is dependent upon the participation of the Vietnamese Army in constructing the dependent shelters. The work has been slow because of the keen competition for available manpower for this program and tactical operational requirements. The program has been reoriented by providing construction materials and supplies as commodity support to the Republic of Vietnam defense budget dependent housing program. The work will be accomplished by contract construction.

PSYOPS PROGRAM

Mr. SIKES. And in the PSYOPS channel B program, is there anything in that area?

General TAYLOR. Yes, sir. You said channel B, Mr. Chairman? Yes, sir; there is.

Mr. SIKES. Provide the amounts.

(The information follows:)

Channel B, Vo Tuyen Vietnam, is financed by the Army and considered essential for use by the Vietnamese Armed Forces as an information, indoctrination, entertainment, and psychological warfare radio network. The initial plans envisioned a 20-kilowatt station in Saigon with nine repeater stations throughout Vietnam. During the Tet offensive in 1968, four repeater stations were destroyed, and a change in concept was initiated whereby the 10 stations would be reduced to four high-power stations at Quan Tre, Danang, Qui Nhon, and Nha Trang. In fiscal year 1969, $2 million is programed for completion of the four stations. The fiscal year 1970 budget requests $1 million for continued operation and maintenance of the stations.

Mr. DAVIS. What are we talking about in this PSYOPS channel B program?

General TAYLOR. The channel B program is a radio network out of Saigon, and this is a Vietnamese operated station. It is in concert with the Vietnamese Armed Forces where they use time from the civilian government for the purpose of orientation of the military as well as the civilian population. But this is radio as opposed to TV.

CHIEU HOI PROGRAM

Mr. DAVIS. What is the Chieu Hoi program? I believe you mentioned that.

General BOLTON. Chieu hoi is a program to attract defectors from the Vietcong and VA ranks over to the government.

Mr. DAVIS. I am not sure I understand why we refer to this as an AID/DOD realinement here. Has there been some change in the basis of funding? Is that why we talk about it in that fashion?

General TAYLOR. Sir, that title is a carryover from the days when the Army was assigned responsibility for this portion of the program. It is under coordination between the Ambassador in Saigon, and they call it JUSPAO, Joint U.S. Public Affairs Office and COMUS/MACV. It is a coordinated program within Vietnam under the supervision of the Ambassador.

Mr. DAVIS. The execution of it, then, is handled by at least three or four different agencies, but all of the funding is handled under the Army appropriation; is that correct?

General TAYLOR. This portion that you see here, sir, is.

Mr. SIKES. What degree of success would you say you have had with the channel B program?

General TAYLOR. I do not know whether General Bolton or the colonel can respond to it.

Colonel LADD. It is quite successful, sir. It is heard by the Vietnamese troops in the field. It is one of the only sources of central government information that they have.

My work there was with them, primarily. I think the program is very valuable in presenting what is going on countrywide. They have programs of national and international news, some cultural programs and a few of Vietnamese soap opera type.

HIGHWAY PROGRAM

Mr. SIKES. There is a decrease in highway maintenance of $2 million, from $23.1 to $21.1 million. Is the highway situation such that you are over the hump and the maintenance problems are less?

General BLANCHARD. No, sir; but in one case a number of bridges were estimated as having to be rehabilitated which do not have to be rehabilitated, and a certain number of miles of highway which originally were determined to have to be redone are now no longer required.

Mr. SIKES. What is your success in keeping the highways open now?

General BLANCHARD. It falls into the same general line as the questioning that the two of us were addressing. By comparison with earlier times, the highways would be considered almost wide open in many of the main highway areas. Commodities travel back and forth between the cities at a much greater rate than they did.

VIETNAMESE RAILROAD

Mr. SIKES. In what areas is the railroad now operating?

General BOLTON. I can give you a little bit on that.

From Danang to Hue—this may not be all-inclusive—from Qui Nhon all the way down to Cam Ranh Bay; from Cam Ranh Bay down to Phan Rang, which is the lower end of II Corps; from Saigon out to Bien Hoa, and occasionally out to Long Xuyen Province, which leaves you a gap between II and III Corps.

Mr. SIKES. Most of it is operating now?

General BOLTON. No, sir; not most of it yet.

And the railway from Dalat down to Phan Rang operates occasionally.

The biggest thing, I think, is that there are increased tonnages on those segments that are operated, especially out of the Saigon area into the Long Binh-Bien Hoa area.

PROJECT TRANSITION

Mr. SIKES. There is a request for $5,780 million for Project Transition under the budget program for operating forces. What is the total amount in the O. & M. budget for this project?

General TAYLOR. About $10 million, sir.

Mr. SIKES. There is an increase of about $2 million in this program. Why is that?

General ROSEBOROUGH. It is primarily the full year cost of the level at which we were last August, when it was decided we should not expand the program further. We kept it at that level. So, this represents the difference between part of a year and the whole year for 55 installations, plus the fact at those installations where it is conducted there has been an increasing interest in the program and more participation.

Mr. SIKES. I would like to have for the record a schedule showing the funding for Project Transition by budget programs, for fiscal 1969 and for fiscal 1970.

General TAYLOR. Yes, sir.

(The information follows:)

FUNDING SCHEDULE FOR PROJECT TRANSITION BY BUDGET PROGRAM FOR FISCAL YEARS 1969 AND 1970

(In thousands of dollars)

	1969	1970
Budget program:		
2000	5,713	5,780
2100	2,505	3,179
2200	138	1,092
2400	391	391
2500	16	61
2800	0	142
2900	56	84
Total	8,819	10,719

PROJECT REFERRAL

Mr. SIKES. How much is included in the O. & M. budget for Project Referral?

General TAYLOR. Sir, I do not believe there is any money in this budget for Project Referral.

Mr. SIKES. Who is going to support it?

General TAYLOR. The information I have, sir—and this is very recent—I understand the defense electronics supply activity will operate it, and it will be under OSD sponsorship.

Mr. SIKES. For purposes of the record, tell us what the project is and what you are seeking to accomplish.

General TAYLOR. Yes, sir.

Mr. SIKES. Is it considered this is a necessary project?

General TAYLOR. Sir, as I understand it, this is the result of a tri-service and OSD effort started about a year ago, in which they are attempting to aline, if you will, retired military personnel with those skills that can be utilized, particularly in a high social utility. Teaching is one profession, as well as private industry.

As I understand it, when this project is officially on the air, if you will, it will be applied only to retirees of the services, and then it will be an operation of matching those people with the skills desired by both private industry and the Government.

Mr. SIKES. There are those who hold that when an officer reaches the age of retirement, he should be capable of obtaining a civilian position on his own, without being retrained or given any employment service. I think this committee understands the reasoning and what is being done, but for the record provide an answer for that question.

General TAYLOR. Very well, sir.

(The information follows:)

PROJECT REFERRAL

The pool of retired military personnel constitutes a national resource of unique and diverse skills and talents. Each year about 60,000 to 65,000 military men and women retire. Of this number, over 51,000 are enlisted personnel. At the present time, the average age of retiring military personnel is 45 years. Most of them need and seek full time second careers. The Department of Defense has a deep obligation to the men and women who have served a full career in uniform to assist them to the appropriate extent possible as they move on to new opportunities for useful employment.

For some years, the Department of Defense, in cooperation with other Government agencies, notably the Department of Labor, has been conducting a program to counsel retiring military personnel on potential employment opportunities. Now each military department arranges periodic group retirement counseling sessions at the installation level. The sessions are aimed at men with 12 to 18 months remaining before retirement. They consist of presentations by the U.S. Employment Service, Veterans' Administration, Civil Service Commission and the like and cover general labor market conditions, problems confronting the retiree and service available to assist him in obtaining employment.

Participation in the current program is encouraged by local commanders but is not mandatory. The individual is offered help in connection with preparation of resumes, testing, individual counseling, training, and filling out applications.

To date, no special effort has been made to promote the utilization of the skills and talent of retirees in an optimum way, where optimum considerations include (1) the national good, and (2) the benefit of the individual retiree.

The Department of Defense is developing a plan to expand and further upgrade the preretirement assistance provided military personnel seeking second careers after their retirement from military service. This plan, Project Referral, is being developed in recognition of the vast reservoir of unique skills represented in the increasing number of military personnel scheduled for retirement from the Armed Forces, and of their potential continued contribution to the national interests.

Under Project Referral, a computerized DOD referral service will be established. The referral service will have the mission of (1) systematically inventorying the preferences and skills of retirees, and (2) referring registrants to prospective employers in both the public and private sectors. Registration in the program will be on a voluntary basis for all retiring servicemen and women.

Implementation of the new program will be accomplished as follows:

(1) Detailed planning and development of automated procedures to support the referral service is now underway.

(2) Full implementation of the program is scheduled for March 1970.

PROJECT VALUE

Mr. LIPSCOMB. As long as we are discussing Project Transition and Project Referral, you are beginning a new project entitled "Project Value," funded in the amount of $218,000 at the start, I believe.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. Could you explain what Project Value is?

General ROSEBOROUGH. Yes, Mr. Lipscomb.

This is a coordinated program between the Department of Defense and the Department of Labor to provide training and eventually employment for some of the disadvantaged people in our country.

First, there are 41 cities in which this program is being carried out. The individuals in those cities are selected for training. The Defense Department finds positions that they anticipate they will have vacancies in, generally at the basic skill level, such as warehouseman, et cetera.

These people are taken on board and given a short period of formal training, followed by apprentice-type training for a period of 9 months, during which time the Department of Labor pays the cost of the employee. The Department of Defense's obligation, in addition to providing training on the job, apprentice-type training, is to have this individual hired at the end of that training against one of the vacancies that they expect to exist in this type of work force.

This is the concept of the program.

Mr. LIPSCOMB. What do you mean by disadvantaged people?

General ROSEBOROUGH. The term "disadvantaged people" as used in connection with the program refers to "Those young men and women whose social adjustment and environment have previously precluded them from entering the labor force."

Mr. LIPSCOMB. Are you responsible for this program?

General ROSEBOROUGH. For the budgetary aspects of it only, sir.

Mr. LIPSCOMB. I want to ask what that means. Can you explain it?

General ROSEBOROUGH. I could only give you my opinion of what it is, Mr. Lipscomb.

Mr. LIPSCOMB. I wonder what that does mean. What age people are we talking about? How in the world did the Army get tied up in a program like this?

General ROSEBOROUGH. It is all services, sir. It is an effort on the part of the Department of Labor to get large employers, such as the Defense Department, to assist in the training and integration into the work force of people who without this assistance would not be able to perform satisfactorily in our society.

Mr. LIPSCOMB. Who is going to give the remedial education part of the program?

General TAYLOR. As I understand it, the Department of Labor will pay for their training, and the only part we have in it is providing coordinators and counselors. Isn't that correct?

General ROSEBOROUGH. That is correct, sir.

Mr. LIPSCOMB. If you provide the coordinators and counselors, you will be providing the remedial education part of it?

General ROSEBOROUGH. No, sir. The coordinator in the cities where we are given the responsibility for providing coordinators, works with the various defense agencies in the particular city to find out what job positions are available and to arrange for the training of the people in the program to qualify them for those positions. He performs a coordinating function. The counselor's role is to follow the individual during the training and, as the term implies, to counsel him and to help him adjust so he can become an effective employee.

Mr. LIPSCOMB. Where does he get this remedial education?

General TAYLOR. We may have to look into this further and provide an answer to that.

(The information requested follows:)

The remedial education given to Project Value enrollees is provided by the Department of Labor. This training will be developed and funded by the agency designated in each metropolitan area by the Department of Labor, normally the local community action agency.

Mr. LIPSCOMB. General, what are you being asked to do here? Project Value is a Defense-wide program. Are you really being asked to take an estimated $218,000 out of your budget and give it to somebody to do the job? Is that really what is going on here?

General TAYLOR. It is an effort between the Department of Defense, the Department of Labor, and the Civil Service Commission. As I understand it, they hope to employ a total of about 5,600 disadvantaged youths in some 41 metropolitan cities.

The Army's share of these youths will be approximately 1,350. The $218,000 that is in our budget is for four coordinators and 25 counselors as General Roseborough was explaining.

General ROSEBOROUGH. The Department of Labor stands the cost for the remedial training, sir, but exactly how it is carried out, I am not sure.

Mr. LIPSCOMB. How many people do you plan to have in the program? I understand this estimated $218,000 is for personnel costs.

General ROSEBOROUGH. Yes, sir; that is for the Army personnel who would be counselors and coordinators in the areas where Defense has designated us as the host and asked us to provide the counseling.

Mr. LIPSCOMB. How many people do you plan to have in the program for this $218,000?

General ROSEBOROUGH. The total defense program estimate is 5,600, with 1,350 for the Army.

Mr. LIPSCOMB. No. How many civilian employees and how many military employees, counselors?

General ROSEBOROUGH. Four coordinators and 25 counselors.

Mr. LIPSCOMB. For $218,000?

General ROSEBOROUGH. Twenty-three man-years, sir, estimated at $200,000, plus $18,000 for supplies for this operation.

Mr. LIPSCOMB. Will these be new employees that you will hire, or will you take them out of your present labor force?

General ROSEBOROUGH. They will be new spaces that will be authorized, sir. The individuals to fill them perhaps will come from the present labor force because of their experience and knowledge in the area. Some of the counselors may be hired new.

Mr. LIPSCOMB. Are these both military and civilian?

General ROSEBOROUGH. These are all civilian.

Mr. LIPSCOMB. Inasmuch as this is a new program and the first time that we have had an opportunity to see or hear about it, would it be possible to put in the record at this point a complete explanation of the program beyond what you have done here, the whole program? There must be someplace in Government that we can pick up the whole program.

General TAYLOR. Yes, sir; we will make every attempt to get it and insert it.

(The information follows:)

PROJECT VALUE

Under an agreement, approved October 30, 1968, with the Department of Labor, the Department of Defense (DOD) initiated a special program to recruit, train, and employ 5,625 socially and economically disadvantaged youth, primarily school dropouts from urban ghettos, in DOD installations located in 41 metropolitan areas in the Nation. With the exception of one area, Salt Lake City/Ogden, these areas include many of the largest areas which have substantial minority unemployment. In Salt Lake City/Ogden it is planned in collaboration with the Bureau of Indian Affairs, to recruit, train, and employ 115 Indian youths, primarily from the Navaho Reservation.

Under Project Value, resources and funds are provided by the Department of Labor under the Economic Opportunity Act to recruit, provide remedial education, and to pay the salaries of the enrollees during a period of training not to exceed 9 months. The youths will be assigned to DOD installations in the 41 metropolitan areas for on-the-job training. Upon completion of training and qualification in a civil service examination they will be employed in regular entrance level civil service positions. The positions to which they will be assigned are not make-work positions, but regular work force hiring needs created by employee turnover. These entry level positions are those where attrition experience has shown that vacancies occur frequently and a continuing recruitment need exists.

Overall DOD coordination of the program is accomplished in the Office of the Secretary of Defense in cooperation with the Military Departments and Defense Supply Agency headquarters. In each area one DOD activity is assigned the responsibility for coordinating the local program in that area, in conjunction with the Department of Labor representative in that area.

Project Value commenced in January 1969 with enrollment of trainees to be phased in the program by June 30, 1969. The program's progress is being monitored by an ad hoc committee comprised of the Office of the Secretary of Defense, Army, Navy, Air Force and Defense Supply Agency representatives and through monthly reports submitted by local DOD coordinators in the participating metropolitan areas.

The DOD, as the Government's major employer, recognizes a responsibility to participate in the general effort by Government and industry employers to assist the hard-core unemployed receive skills training and to enter into productive employment. Such efforts are in consonance with the provisions and objectives of the Economic Opportunity Act. Project Value not only meets the objectives of the act without affecting the basic mission responsibility of the DOD but it also provides a manpower resource of persons trained to meet civil service requirements for entry level positions. Project Value is similar to many industry programs which have been initiated in cooperation with the Department of Labor.

REQUIREMENT FOR PROJECT VALUE

Mr. SIKES. What is the real requirement for the Army to be in Project Value? It is a Labor Department program. What is your function in it?

General ROSEBOROUGH. Sir, as one of the employers in the Department of Defense, of course, we provide the training and employment area for the program.

Mr. ADDABBO. How many of these men have gone into the program?

General ROSEBOROUGH. I do not believe the program has actually been initiated. There was a meeting just a month or so ago, I believe, of coordinators to get it off the ground. I do not think it is underway as yet.

There are similar programs, I understand, which have been run in the past by the Department of Labor, and will be incorporated under the umbrella of Project Value.

The philosophy or concept of the program is that these people will be trained for jobs that have a fairly large turnover—in a large warehouse for example. They are excess while they are being trained for the 6- to 9-month period. Then as vacancies occur through normal attrition, having had this training, these people are then employed to fill the vacancies. There are no extra jobs created for them from the Defense point of view.

The Department of Labor pays their salaries during the time they are in this training status.

Mr. ADDABBO. They will be employed at the end of the 9-month's training?

General ROSEBOROUGH. That is correct, sir. The philosophy is that they will be employed and, presumably, right in the installation where they have been trained. That is the whole concept of it. The number of people taken in is against this anticipated attrition based on our experience.

Mr. ADDABBO. I would contemplate possibly you may have peace in Vietnam and, therefore, warehousing may slow down and there may be personnel released in the next 9 months. Or am I being overly optimistic?

General TAYLOR. I hope you are not being overly optimistic. I do think if such a thing should happen, we would be faced with quite some problem here in redeploying our troops out of Vietnam as well as all of the equipment that goes with those troops. The equipment which is not necessary for active training use has to be brought back here and put in proper storage. So, there would be some period of time where there would be a requirement for personnel.

Mr. ADDABBO. If my memory serves me correctly, I think we appropriated money for one of the departments last year to work on the problem of redeployment.

General TAYLOR. I cannot respond to that.

Mr. LIPSCOMB. The Office of the Secretary of Defense has had studies going on in this area for some time.

General TAYLOR. I am sure planning is going on in the area of post-Vietnam reaction. Of course, we do this all the time.

Mr. LIPSCOMB. Will these people have to qualify as valid Civil Service employees?

General ROSEBOROUGH. Yes, sir. They will have to meet the standards of any other employee at the time that they come under full-time employment.

Perhaps I gave the wrong impression, that we are only training warehousemen. I was merely using that as an example of the basic skills—plumbers, electricians, carpenters—any of the types of skills the Defense Department employs in large numbers and where there is a fairly large turnover and where people of this type could be expected to be trained up to the level where they could qualify as civil service employees.

Mr. LIPSCOMB. Do you suppose part of the remedial education program will be how to pass the civil service exam?

General ROSEBOROUGH. Sir, I would not say directly. I would say all our training would be pointed toward that end, without addressing itself to that subject per se.

Mr. LIPSCOMB. Our goal is always to build up the efficiency and capability of the military services.

SUBDUED INSIGNIA

Mr. SIKES. Where do you get the term "subdued insignia"? You have a program of $1,850,000 for worldwide use of a subdued insignia. What does the name imply?

General TAYLOR. We have an example of what we are talking about. The insignia which you are probably familiar with, and such as we have on, is bright in color. The subdued insignia is the insignia that has been adopted within Vietnam which is more difficult to see and does not mark an individual as a target. This is being adopted throughout the Army for training purposes.

Heretofore it has been funded through the "Military personnel, Army," appropriation, but because we made a determination within the Department that it is organizational-type equipment, it has been transferred to O. & M.

Mr. SIKES. Why have subdued insignia, other than in combat areas? I should think a man would want to show his rank and get what benefit he can from it.

General BLANCHARD. It provides for a more realistic approach to the use of combat and field clothing as applied to troops engaged in combat maneuvers and field training. It is an organizational item. Of course, when we first went to Vietnam, there was a requirement for replacing what we had.

Mr. SIKES. What happens when we get out of Vietnam? Nobody will be shooting at us then. Would you let a man go back to wearing the more distinctive insignia?

General BLANCHARD. I think it makes sense to have a unit which is practicing for possible deployment in a combat environment, in the uniform in which he will be actually deployed and with the insignia.

Mr. SIKES. Are there questions in this area?

(No response.)

PROJECT REFERRAL

General TAYLOR. If I may, for a moment, with reference to Project Referral, it has been on my mind for some years that there should be some type of mechanism in our society so these people retiring from the service at what I consider to be a fairly early age can be matched to jobs which would utilize their skills.

I think we have a tremendous waste of manpower with the retirement at the age that our people are retiring. In that respect, I personally am in favor of such a system from the standpoint of manpower availability and what they have to offer.

TRAINING ACTIVITIES

Mr. SIKES. Now we will take up "Budget program 2100," training activities. We will insert the summary justification page in the record at this point.

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(The page follows:)

OPERATION AND MAINTENANCE, ARMY

[Dollar amounts in thousands]

Budget project account	Title	Actual, fiscal year 1968	Estimate	
			Fiscal year 1969	Fiscal year 1970
2109	Base operations	$295,147	$283,544	$278,289
2110	Specialized training	155,208	157,943	159,977
2120	U.S. Military Academy	9,639	9,823	9,947
2130	Professional training	25,738	26,463	25,054
2140	Training devices and publications	19,793	17,085	17,738
2150	Recruit training	58,406	64,351	64,840
2160	Flight training	88,111	108,561	111,706
	Total	652,042	667,770	667,551
	Personnel requirements:			
	Average number of all employees	43,962	43,601	42,021
	Number of employees at end of year	46,070	43,053	42,796
	Total personal service obligations	304,156	313,811	304,997

Mr. SIKES. The budget request for fiscal year 1970 is practically the same as for 1969. Could this program not have been reduced in cost?

General ROSEBOROUGH. No, sir. This level is more coincidence than intentional. It is primarily influenced by an increase in the training load in our training centers, offset to some extent by a decrease in the load we expect in our Army school system.

Maintaining the same size Army and the same size war that we have going on, I do not feel that the training program could be expected to be reduced by any great order of magnitude.

INCREASE FOR PROJECT 100,000

Mr. SIKES. You request $2 million for Project 100,000. Will you tell us what is involved here?

General ROSEBOROUGH. Yes, sir. This represents the full year cost of the full implementation of Project 100,000. It is primarily associated with the Army preparatory training, which is a 3- to 6-week training program given to people who come in the Army who have not yet reached the fifth grade reading level. These costs are associated with the provision of that training.

Mr. SIKES. What is the total O. & M. cost for that project?

General TAYLOR. The total O. & M. is $4.6 million in fiscal 1970, as opposed to $5.8 million in fiscal 1969.

Mr. SIKES. I would like to have for the record a schedule showing the comparative cost between fiscal years 1969 and 1970, by budget program.

General TAYLOR. Yes, sir.

(The information follows:)

The comparative O. & M., Army, costs for Project 100,000 in fiscal years 1969 and 1970 are shown below by budget program:

[In thousands of dollars]

	Fiscal year 1969	Fiscal year 1970
Budget program:		
2000	$1,778	$570
2100	2,147	1,922
2200	473	352
2300	235	505
2400	551	688
2500	597	555
2800	62	40
Total	5,843	4,632

CONSOLIDATION OF JUDGE ADVOCATE GENERAL'S SCHOOL

Mr. SIKES. Has further consideration been given to the consolidation of the Judge Advocate General's School with that of the other military services?

General ROSEBOROUGH. Yes, sir. This matter has been studied by the Judge Advocate General.

Mr. SIKES. There is no enthusiasm up there for it, is there?

General ROSEBOROUGH. No, sir. We feel the requirements of a lawyer in the Army and his understanding of Army organization and procedures and the circumstances under which Army soldiers serve, justify a separate school for their training.

Mr. SIKES. Would it not be adequate to have a separate branch of the same school?

General ROSEBOROUGH. This is possible, Mr. Chairman. It would mean, of course, the establishment of a joint facility with certain common levels of training with perhaps an advanced course, if you will, or separate course for people from the various services.

Mr. SIKES. Would that not result in a savings?

General ROSEBOROUGH. Sir, this would depend on an analysis of what the new facility would cost to provide versus the savings at the present time. I think this might be debatable.

Mr. RHODES. Two or 3 years ago, the Judge Advocate General of the Army wanted very desperately to get a new facility at Charlottesville. Maybe it would be more accurate to say the University of Virginia wanted him to get a new facility at Charlottesville so they could take the old one back.

Has anything been done to provide new facilities for the Judge Advocate General's School?

General ROSEBOROUGH. Sir, if I may, I would like to research that and provide an answer for the record. I am not familiar with that.

(The information requested follows:)

NEW FACILITIES AT THE UNIVERSITY OF VIRGINIA

As part of its continuing expansion program the University of Virginia is planning to establish within the next 3 years a completely new law school—graduate business complex situated on a portion of the campus considerably removed from the present location of the law school. Because the Judge Advocate General's School is dependent upon certain facilities of the University of Virginia Law School, primarily its excellent law library, the Judge Advocate General's School is programed to move to this new location at that time. The new facilities, which will be considerably larger than those now occupied and, having been designed with the advantage of over 15 years' experience, better suited to the requirements of the Judge Advocate General's School, will be constructed by the State of Virginia and will be leased to the Army in essentially the same manner as the present facilities. Negotiations are presently being conducted between representatives of the University and the U.S. Army Corps of Engineers to determine proper recompense for the buildings to be rented.

Mr. RHODES. I am not going to argue with the witness, of course, but it is true that the lawyers who work for the Army, the Navy, the Marine Corps, and the Air Force, have to administer the same Code of Military Justice. They comply with the same types of laws and restrictions insofar as contract and other legal matters are concerned. In advising their men, they have to have the same knowledge of the laws of estates, the laws pertaining to descent and distribution, probate, wills, and the like.

It seems to me there is so much more of identity in the type of training needed by the military lawyers of all branches than there is diversity, that really serious consideration should be given to having one JAG school, at the very least, we should begin the training of the JAG officer with his counterparts in the other services. It may be necessary to specialize the JAG officer later on and give him a particular type of Army training that he does not get at the all-services school, but you do a lot of this, anyway. To me, General, your answer is not satisfactory at all.

General ROSEBOROUGH. As I am sure you are aware, sir, there is a certain amount of cross training done now. For instance, the Navy trains the legal clerks for everyone.

Mr. RHODES. I am well aware of that. You still have three JAG schools for officers.

COST OF WOMEN'S ARMY CORPS BASIC TRAINING SCHOOLS

Mr. SIKES. Prepare for the record a schedule showing the total amount requested for fiscal years 1968, 1969, and 1970, for the Women's Army Corps Officers School, and the student load during those years.

Provide the same information for the Women's Enlisted School.

(The information follows:)

The total Operations and maintenance, Army dollar amount and student loads for fiscal years 1968, 1969, and 1970 for the Women's Army Corps Officers School and Enlisted School are:

[Amounts in thousands]

School	Fiscal year 1968			Fiscal year 1969			Fiscal year 1970		
	Load	Input	Amount	Load	Input	Amount	Load	Input	Amount
WAC OCS	6	17	$2,587	11	30	$2,650	10	30	$2,650
WAC enlisted school	296	1,610	53,662	387	2,097	54,850	384	2,080	54,850
Total	302	1,627	56,249	398	2,127	57,500	394	2,110	57,500

Load is not total output, but daily average of students in training.
Military personnel, Army, appropriation dollars are not included.

Mr. SIKES. Does this request for training include any funds for new programs, projects, or schools to be instituted in 1970? I am not talking about the Women's Army Corps now. I am talking about any new programs, projects or schools in training activities.

General ROSEBOROUGH. No, Mr. Chairman; it does not.

BASIC TRAINING AT FORT BLISS, TEX.

Mr. SIKES. On November 18, 1968, the Army announced that it was reducing the size of its training base and phasing out basic combat training at Fort Bliss, Tex.

Has the Army changed its mind on this? Apparently there was a reversal on this decision.

General ROSEBOROUGH. Yes, sir; they have changed their mind and reversed their decision on closing out the training facilities at Fort Bliss.

Mr. SIKES. What is the reason?

General ROSEBOROUGH. It is primarily associated, sir, with plans for the anticipated release of the Reserves and having to bring on additional personnel to replace them when they leave. That is one of the principal reasons.

Another reason might be that our action at that time was perhaps a little bit more severe and more austere than events required.

Mr. SIKES. During the hearings on military personnel, Army, we discussed the early out program of the Army for fiscal years 1969 and 1970, and the accession into the Army at a level number each month to achieve a better Army training base.

Has the rate of accession input into the Army on a level basis each month been planned in order to require the continuous operation of these training bases?

General ROSEBOROUGH. If I understand your question, it addresses our ability to keep our training base filled at a level throughout the year; is that correct?

Mr. SIKES. That is part; the other part is: Is it necessary to continue all of your training bases in order to accomplish this?

General ROSEBOROUGH. Yes, sir, it is. We train, of course, both the Active Army basic trainees and the Reserve personnel. At the present time there continues to exist a backlog of personnel in the Reserves

who require this training. As I am sure you are aware, we use this so as to maintain a level fill throughout our training base.

Mr. SIKES. Have you been able to establish a rate of accession input at a level basis each month?

Mr. DONATH. Yes, sir; we exert a degree of influence on monthly accessions and, to the extent that requirements permit, are able to level off input to the training base. Fluctuations in Active Army requirements due to unanticipated losses through combat or for administrative reasons are counterbalanced to some degree by adjusting the level of REP input. There are practical constraints which make it difficult for this to be completely effective, particularly when requirements fluctuate widely or major changes in policy are made. Our experience in maintaining a level base has been excellent over the last 6 months.

EARLY OUT PROGRAM

Mr. SIKES. Are you using the early out program in order to accomplish this?

Mr. DONATH. No, sir; the early out program was set up primarily to reduce turbulence, not for the purpose of leveling the base.

Mr. SIKES. How many do you plan to release during fiscal 1970 under the early out program?

Mr. DONATH. I do not have that answer.

General ROSEBOROUGH. If I may, I would like to provide that for the record.

(Classified information was provided the committee.)

TRAINING SCHOOL AT OBERAMMERGAU, BAVARIA

Mr. SIKES. The Army has a large training school at Oberammergau, Bavaria. What type of training is given at that school?

General ROSEBOROUGH. This is part of the European school system. I have a list here.

Mr. SIKES. Provide it for the record.

(The information follows:)

The type of training available at the Army school at Oberammergau, Bavaria is automatic data processing, intelligence, logistics, maintenance, and readiness, military police training, NATO weapon systems, communications-electronics, and weapons assembly.

Mr. SIKES. What basis is used to select students to attend the school?

General ROSEBOROUGH. These students are selected by the commands within the U.S. Army-Europe to meet requirements for training and retraining people.

Mr. SIKES. How is the enrollment at the school determined?

General ROSEBOROUGH. It is a function of the requirement of the units in the theater, along with the capacity and capability of the school.

Mr. SIKES. If a man possesses a particular MOS, is assigned to the European theater and there is no need for his particular skill, is he assigned to this school to be trained in another MOS?

General ROSEBOROUGH. This is one of the purposes for the school, yes.

Mr. SIKES. How would he be assigned there for training? Why not train him in a new MOS before he is sent to Europe?

General ROSEBOROUGH. It is rather complex. Naturally, our system is to provide to overseas command their requirements in the grade and MOS which they require. Sudden withdrawal of personnel from a command such as Europe to meet emergency requirements, for instance in Vietnam, will change what their requirements are and require them to retrain other people. Plus the fact, sir, that our imbalance as a result of having such a large force in Vietnam, and the requirements to support it at 100 percent, results in our having excesses in some MOS skills that have to be utilized somewhere until they have to go back to Vietnam.

PILOT TRAINING

Mr. SIKES. For the record, tell us how many pilots the Army plans to train in fiscal 1970 for both fixed wing and helicopter aircraft.

(The information follows:)

FISCAL YEAR 1970 PROJECTED PILOT TRAINING REQUIREMENTS

	Fixed wing	Rotary wing	Total
Army	600	6,720	7,320
Foreign military		1,205	1,205
U.S. Marine Corps		200	200
Total	600	8,125	8,725

Mr. SIKES. For the record insert a schedule showing the pilot production in fiscal 1968, 1969, and 1970, in both fixed wing and helicopters.

(The information follows:)

AVIATOR PRODUCTION FISCAL YEARS 1968-70 FIXED WING AND ROTARY WING

	Fiscal years		
	1968 actual	1969 estimate	1970 estimate
Fixed wing	600	600	600
Rotary wing	4,745	7,050	8,125
Total	5,345	7,650	8,725

Mr. SIKES. For the record provide a schedule showing the total cost of this training by type and the average per pilot produced.

(The information follows:)

TOTAL AVIATOR TRAINING COSTS, FISCAL YEARS 1968-70, BY TYPE

[In thousands of dollars]

	Actual, fiscal year 1968	Estimate	
		Fiscal year 1969	Fiscal year 1970
OMA:			
OMF (BPA 2109)	$42,453	$43,780	$47,186
Mission (BPA 2160)	88,111	108,561	111,706
Total	$130,564	$152,341	$158,892
Individual pilot training costs:			
Rotary wing	18,339	20,337	20,387
Fixed wing	13,989	15,528	15,578

Note: Military personnel, Army appropriation costs are not included.

Mr. SIKES. After 1970 will there be an excess of pilots in the Army in either category?

General ROSEBOROUGH. No, sir.

PROFESSIONAL TRAINING

Mr. SIKES. The last couple of years we have had an extended discussion of various types of professional training being provided by the Army. We have generally concluded that a review of this type of training should be made. Has the Army undertaken reviews in this area during the past 12 months?

General ROSEBOROUGH. Yes, sir. Our reviews in this area are continuing, to include an annual review of all of the positions that the Army has designated as requiring people with advanced degrees.

Mr. SIKES. Provide for the record any information available on what has come about as a result of those reviews.

(The information follows:)

Each year since 1963, the Army Educational Requirements Board (AERB) has reviewed previous validations, acted on requests for new validations and formulated recommendations to strengthen and improve overall management of the Army civil schools program. The result of the 1968 review is as follows:

a. Army agencies submitted 1,592 requests for new positions requiring validation. Of these, the AERB validated 1,207 new positions including 397 Army Medical Department (AMEDD) positions and did not validate 385 positions including 107 AMEDD positions. There were 1,183 deletions to previously validated positions including 467 AMEDD positions.

b. Changes in field of study were made for 204 positions. These were made:

(1) At the request of the military command concerned.

(2) By the AERB after analysis of job description, the contents of the validation request submitted by the field and in some cases, consultation with representatives of the command concerned.

(3) By the AERB in order to achieve maximum utilization of the trained individual.

c. In cases where a high degree of technical skill and limited military experience were required in the authorized grades of lieutenant or captain, the positions were not validated as an Army training requirement and accordingly are included in the total deletions above but were given the specification that they be filled by officers entering the Army with requisite skill. The AERB "specified" 43 newly requested positions and 64 previously validated positions. Adding these to the previous total there are now a total of 1,324 specified positions.

d. The AERB submitted and approved 72 additional requests for validation. These actions were taken as a result of: efforts to establish uniform requirements among similar organizations; consultations with representatives of appropriate organizations; Army policy.

e. At the conclusion of the 1968 AERB, 8,724 positions were recommended for approval; of these 3,008 were AMEDD and 5,716 were Army other than AMEDD.

Mr. SIKES. Have there been any schools eliminated?

General ROSEBOROUGH. No, sir.

DEFENSE INFORMATION SCHOOL

Mr. SIKES. Is there still a need for the Defense Information School?

General ROSEBOROUGH. Yes, sir.

Mr. SIKES. Elaborate that for the record.

(The information follows:)

The Defense Information School is the only training establishment within the Department of Defense that meets the information training needs of all DOD components. The school trains the public affairs, information, and broadcast specialists that are assigned to world-wide duty positions by the Army, Navy, Marines, Air Force and Coast Guard.

There has been an increased emphasis in public affairs and information training within the service as evidenced by the increased training requirements provided to the Defense Information School. This requirement has been to train a larger number of personnel and to provide variations in the curriculum. Training of information and public affairs specialists is a continuing requirement that must be satisfied by the Defense Information School.

ARMY MANAGEMENT SCHOOL

Mr. SIKES. Has thought been given to consolidating the Army Management School with schools of this type being conducted by the other services?

General ROSEBOROUGH. If I may, in the interest of time, I would like to provide that for the record.

Mr. SIKES. What is the answer? No, but; or yes, but?

General TAYLOR. That has been reviewed, Mr. Chairman.

Mr. SIKES. Provide the detail for the record.

General TAYLOR. Yes, sir.

(The information follows:)

Consolidation of schools, to include the Army Management School, is under continual review. However, there is a shortage of physical facilities within the services to accommodate the management training requirement. This situation precludes the consolidation of schools.

The defense management education and training program was established to avoid duplication of management training courses. The staff of the Defense Management Education and Training Board, which includes Army membership, is charged with the responsibility to continuously review single component (service) courses in search of opportunities for the establishment of Defense management courses. As a result, many courses at various management schools have been designated as Defense courses because they meet the training requirement of all services and this has resulted in the elimination of duplicatory single-component courses.

One of the three management courses taught at the Army Management School is a Defense course. The other two courses are Army peculiar and are not considered to be duplicative of those taught at other services' management schools.

COST OF OPERATING THREE SERVICE ACADEMIES

Mr. SIKES. Will you provide for the record a schedule similar to the one appearing on page 677 of last year's hearings, showing the cost to operate the three military academies?

General TAYLOR. Yes, sir.

(The information follows:)

SERVICE COMPARISON

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
ARMY			
Operation and maintenance	$20,529,000	$21,594,000	$23,035,000
Military pay	$13,656,000	$15,399,000	$16,440,000
Pay and allowances of cadets	$8,365,000	$9,628,000	$9,999,000
Total	$42,550,000	$46,621,000	$49,474,000
Average number of cadets	3,238	3,488	3,610
Average cost per cadet	$13,141	$13,366	$13,705
NAVY			
Operation and maintenance	$17,622,000	$20,649,000	$21,873,000
Military pay	$9,217,000	$9,773,000	$9,613,000
Pay and allowances of midshipmen	$10,598,000	$11,179,000	$11,166,000
Total	$37,437,000	$41,601,000	$42,652,000
Average number of midshipmen	4,094	4,138	4,161
Average cost per midshipman	$9,144	$10,053	$10,250
AIR FORCE			
Operation and maintenance	$20,350,000	$21,644,000	$22,853,000
Military pay	$13,252,000	$14,582,000	$15,577,000
Pay and allowances of cadets	$8,194,000	$9,300,000	$10,020,000
Total	$41,796,000	$45,526,000	$48,450,000
Average number of cadets	3,192	3,414	3,724
Average cost per cadet	$13,094	$13,335	$13,010

ACADEMIC PROGRAM AT WEST POINT

Mr. SIKES. Now, what has happened to the academic program at West Point during the last year? In what ways has it been improved scholastically?

General ROSEBOROUGH. We have a list of the electives that have been introduced into the curriculum during the past year, plus electives that have been approved for introduction in the 1969–70 academic year which I can read off, if you like.

Mr. SIKES. Provide them for the record.

(The information follows:)

The following electives were introduced into the curriculum at the Military Academy for the 1968–69 academic year:

Introduction to fine arts.
Introduction to music.
Space sciences.
Expositors of 18th and 19th century American thought.
Modern American criticism—20th century attitudes reflected in American Prose.
Specific topics in physics.

The following electives have been approved for introduction into the curriculum at the Military Academy for the 1969–70 academic year.

Individual computer science project.
Physical geology.
Individual research project (environment).
Solid state physics.
Advanced topics in electrical engineering.
Introduction to applied aerodynamics.
Applied solid mechanics.
Individual research project (mechanics).
Contemporary Chinese writing.
Readings in Chinese culture.
Soviet Russia literature.
Soviet expository writings.
Military readings in Spanish.
Seminar on major British authors.
Seminar on major American authors.
Individual military history project.
Social psychology.
International economics and economic development.

IMPROVEMENTS IN SCHOLASTIC PROGRAM

Mr. SIKES. What else has been done to raise the scholastic level at West Point?

General ROSEBOROUGH. Two highlights perhaps, sir, are the continued and expanded use of educational television to assist in instruction, plus the expansion of the computer center on which we train the cadets in the use of computers and their application to various instructional and management techniques after graduation.

Mr. SIKES. Are you giving graduate courses?

General ROSEBOROUGH. No, sir, not per se, though many of the courses that are given there could qualify for a graduate level credit at other institutions. It is a bachelor degree-producing institution only.

Mr. SIKES. What is your policy now toward repetition of subject matter which a student may have had at another institution of college or university level prior to entering the Academy?

General ROSEBOROUGH. The system permits an individual in that category to take a validating examination to show that he is qualified in that subject. In which case he is given credit for this, and then allowed to select another subject from among these electives that I mentioned in lieu of that course. He is not required to repeat the instruction.

Mr. SIKES. Has consideration been given to instituting higher degrees for those men who can qualify within their prescribed 4 years of training for a degree beyond the baccalaureate degree?

General ROSEBOROUGH. Sir, may I ask Colonel Bowen to speak to that?

Colonel BOWEN. Yes, sir. This question is under constant review at the Military Academy, as it was last year.

Mr. SIKES. That is what I thought. When is something going to be done besides reviewing it?

Colonel BOWEN. Sir, they are going into major areas of concentration, these being the basic sciences, applied sciences, engineering, national security and public affairs, and humanities.

They are not at this time giving a major, because they still feel at the Academy their mission is to give a broad basic education.

Mr. SIKES. What is the Academy's policy toward inviting the constructive criticism or suggestions—not necessarily criticism—from leading educators toward the improvement of its academic processes?

Colonel BOWEN. They would take this into consideration, sir.

Mr. SIKES. Do they do it now?

Colonel BOWEN. Yes, sir.

Mr. SIKES. What do they do?

Colonel BOWEN. The Middle States Association is at West Point right now, that is the accreditation association, and they are reviewing the entire curriculum. It may well be that they will suggest that the academy go toward a majors program. I don't know at this time.

Mr. SIKES. Do you have access to any reports or recommendations that have been made available to West Point as a result of surveys in, say, the past 12 months?

Colonel BOWEN. No, sir.

Mr. SIKES. Do you know if there are such?

Colonel BOWEN. No, sir, I don't believe there are.

Mr. SIKES. Let's go beyond the Middle States. Does West Point really go out to try to get the best information that might be available on suggested improvements?

Colonel BOWEN. I am sure they do, sir. They send their instructor cadres during part of the summer to various institutions to learn new teaching techniques.

Mr. SIKES. Why don't you research that question and see what you can come up with in the way of actual recommendations that have been obtained by West Point, if any, in the past 12 months and what has been done with them.

Colonel BOWEN. Yes, sir.

(The information follows:)

REVIEW OF CURRICULUM AT ACADEMY

The Military Academy exerts a considerable effort to solicit ideas and new innovations from outside sources in a continuing effort to keep the USMA curriculum as current as possible. Many of these new ideas are absorbed into the curriculum, however, it is most difficult to identify curriculum changes as being the direct outgrowth of a specific outside influence, since no records have been maintained as to credit some particular source. Major curriculum changes which result from outside information or recommendations are necessarily known. Such an example would be the work done by a committee formed by the American Mathematical Association. This committee did a general study on the undergraduate programs in mathematics. The present USMA mathematics programs at USMA are patterned after the recommendations made by this committee.

The following is a list of major areas where USMA receives academic information from outside sources. New innovation in the USMA curriculum would normally result from a composite of ideas from the sources listed.

(*a*) Each year in June, the Dean at USMA attends the American Society of Engineering Education. A 4-day conference at which over 200 institutions are represented. The purpose of the conference is to review and discuss the content of curriculum at various schools. Also included is an exchange of ideas on new teaching methods.

(b) Each year the superintendent and dean attend the Annual Conference of the American Council on Education. The theme of last year's conference was "Trends in Higher Education" and was an exchange of ideas on curriculum innovations.

(c) Within the USMA faculty are represented memberships in 108 professional societies. Approximately each week, some member of the faculty attends professional society meetings where new trends in various academic disciplines are discussed.

(d) Each year the American Physical Society sponsors the Eastern Science Conference at Yale University. USMA attends this conference which has as its purpose the demonstration and explanation of new trends in an undergraduate physics curriculum.

(e) The largest source of new curriculum ideas comes from the 25 percent of the faculty which changes each year. These officers arrive at USMA from graduate schooling with the latest texts, research, and curriculum developments from the school which they attended. The permanent professors of the departments talk to their new instructors to gain new ideas. As a result, minor changes in course content might be made at department level or if the idea would result in a major change, then such a recommendation would be transmitted to the dean. The changes in the USMA curriculum directly resulting from this source of information cannot be identified, however, it is considered that the impact is significant.

(f) During the past 12 months, the curriculum at the U.S. Military Academy has been reviewed by one professional educator group. This group, the evaluation team representing the Middle States Commission of Institutions of Higher Education, conducted an in-depth review of the curriculum during the period 16–19 February 1969. This group was headed by Dr. John J. Meng, executive vice president of Fordham University. When final action on the review is completed by the Middle States Commission, the report of the evaluation team will be reviewed in depth by the U.S. Military Academy. Accepted recommendations will be implemented.

Mr. SIKES. Questions? Mr. Addabbo.

TRAINING OF FOREIGN NATIONALS AT SERVICE ACADEMIES

Mr. ADDABBO. At the Military Academies how many foreign nationals are we training?

Colonel BOWEN. Seventeen.

Mr. ADDABBO. Will you give us a breakdown by country?

Colonel BOWEN. In the Class of 1969 that will graduate this June there are two from Costa Rica, one from El Salvador, one from the Philippines, and one from Chile; in the second class, there is one from the Philippines, one from Nicaragua; in the class of 1971, one from the Philippines; two from Jamaica, one from Thailand, one from Korea; the class of 1972, the present plebe class, there is one from Panama, one from the Philippines, one each from Jamaica, Korea and Uruguay.

Mr. ADDABBO. Do you have any in the Naval or Air Force Academies?

Colonel BOWEN. Yes, sir.

ACTIVE ARMY DIVISIONS SUPPORTED

Mr. ADDABBO. General Taylor, how many active Army divisions will this budget support?

General TAYLOR. It is 19⅔, sir.

RECRUIT TRAINING

Mr. ADDABBO. How many men will men will the Army give recruit training to in fiscal year 1970?

General TAYLOR. We have an input of 576,900 which equates to an average load of 205,000.

RECRUIT TRAINING CENTERS

Mr. ADDABBO. The opening or closing of any recruit training centers anticipated?

General ROSEBOROUGH. No, sir.

General TAYLOR. I do not believe so, Mr. Addabbo; no, sir, not in the present planning.

PROFICIENCY PAY/VARIABLE ENLISTMENT BONUSES

Mr. ADDABBO. How much retention benefit is being derived through proficiency pay and variable reenlistment bonuses?

General ROSEBOROUGH. May we provide that for the record?

Mr. ADDABBO. Yes.

(The information follows:)

The proficiency pay program is an effective incentive for retaining personnel beyond the initial reenlistment. The variable reenlistment bonus is even more effective, but applies only to first term reenlistments. In the 1967-68 time frame, over 6,000 additional reenlistments were directly attributable to these programs. A recent survey of personnel who have received the variable reenlistment bonus revealed that 43 percent definitely would not have reenlisted without the bonus and another 27 percent probably would not have.

HELICOPTER PILOT TRAINING

Mr. ADDABBO. What percentage of the Army pilots being trained will be helicopter-trained?

Colonel BELLOCHI. Out of the 7,325 pilots we are training in fiscal year 1969, approximately 600 will be fixed wing and the remainder will be rotary wing.

Mr. ADDABBO. What percentage will be warrant officers?

Colonel BELLOCHI. About half; half commissioner officers, and half warrant officers.

TRAINING FOR VIETNAM

Mr. ADDABBO. What is the minimum amount of training time a serviceman receives before being sent to Vietnam?

General ROSEBOROUGH. Four months, sir.

Mr. ADDABBO. Is this training being reviewed to see if it should be increased or decreased in any way?

General ROSEBOROUGH. Yes, sir. Since the advent of the war in Vietnam there has been an additional week added to the advanced individual phase for those infantrymen going to Vietnam. That is the only formal increase that has been made to the recruit training since the beginning of the war.

SURVIVOR BENEFITS FOR FREE WORLD FORCES

Mr. ADDABBO. With regard to the supporting troops received from other nations in Vietnam, have we accepted any obligations concerning survivor benefits for the next of kin?

General TAYLOR. ———.

PROJECT 100,000

Mr. ADDABBO. With the revision in the reduction of standards relative to the acceptance of men for military service, what has been the net effect of these revisions?

General ROSEBOROUGH. This is the Project 100,000. I think probably the most significant effect is to extend the training time for those individuals who we found could not meet the fifth grade reading level through this Army preparatory training program I mentioned. This runs from 3 to 6 weeks extra training.

Mr. ADDABBO. I have no further questions, Mr. Davis.

ARMY PREPARATORY SCHOOL

Mr. DAVIS. What is the source of your input and what are the criteria used for entrance into the Army Prep School?

General ROSEBOROUGH. The Army preparatory training for these people not up in reading?

Mr. DAVIS. No. That is a new subject.

General ROSEBOROUGH. The Army Preparatory School. Colonel Bowen.

Colonel BOWEN. An individual who is in the service applies through his company commander, through the commandant of the prep school. What we do is review his high school record. If he has taken college boards we will review those. The general criteria are, if his college boards are in the 500's or near 500, and if he is in the upper half of his high school class; there is no test to go to the prep school as such.

Mr. DAVIS. Your entire input is from the enlisted personnel of the Army?

Colonel BOWEN. All military; yes, sir. There are some that come from other services, though very, very few.

Mr. DAVIS. This is a 1-year course?

Colonel BOWEN. Yes, sir. It starts in August and ends in May.

Mr. DAVIS. And if they successfully complete this course do they have the normal expectation of then being entered into the Military Academy?

Colonel BOWEN. Yes, sir. It is competitive. We have 180 appointments. Last year we put 121 boys into the Academy. So we had other appointments available. However, it just recently went to that figure, with the increase in the Academy, it jumped 54 appointments to 180. The appointments are Secretary of the Army appointments.

DEFENSE LANGUAGE INSTITUTE

Mr. DAVIS. I note that something in excess of 5,000 personnel are to attend the Defense Language Institute. Where is that located?

Colonel CHANEY. Sir, the headquarters is at the naval station here in Washington, at Anacostia Annex. We have a school there, which is called the east coast branch. We have another school for foreign languages at the Presidio of Monterey, Calif., where we have the west coast branch. We also have DLI Support Command at Fort Bliss, Tex. These are for foreign language training. In addition to that, we have the English language school at Lackland Air Force Base, Tex.

Mr. DAVIS. Who would be attending these schools, the four of them?

Colonel CHANEY. Taking the foreign language side, the DLI was set up to meet the training requirements in foreign languages of all the services, officers and enlisted. So we train Army, Navy, Air Force, and Marine personnel against the requirements stated to us by each service.

Mr. DAVIS. These requirements come from what source?

Colonel CHANEY. They come to the Defense Language Institute from the personnel offices of each service, and the development of the requirements by each service is a service responsibility.

Generally speaking, I can say the commander in the field states what he needs by virtue of his experience there. They know the needs, certain numbers trained to a certain skill level to do a certain job. These again are reviewed at each echelon and finally decided at service level in terms of the available manpower, many times. Now, many times the command has a greater requirement than can be met; for example, in a given time frame because language training has a long leadtime. If the requirement is not determined well ahead of time you cannot meet it in a given time frame.

Mr. DAVIS. This is full-time attendance?

Colonel CHANEY. Yes, sir. At DLI-operated schools, every individual is attending a full-time, intensive language training course. This is his duty.

Mr. DAVIS. These are practically all either commissioned or noncommissioned officers that take these courses?

Colonel CHANEY. Not necessarily; no, sir. We have many that are lower than noncommissioned officers. They go across the board.

Mr. DAVIS. Let's take a young man who has just finished basic training. Would there be a chance that he might attend one of these schools?

Colonel CHANEY. Yes, sir; there would be.

Mr. DAVIS. And this would be likely if he is going to be—they certainly would have to be long-term-enlistment people.

Colonel CHANEY. Not necessarily. Let us take a student studying Vietnamese because this is of current interest. Also a very large number of requirements are in Vietnamese. In Vietnamese we have 12-week courses. It is perfectly feasible to meet lower proficiency level requirements in Vietnamese by putting the young soldier who has completed basic training into Vietnamese course and he still has adequate time to serve a normal tour in Vietnam.

Mr. DAVIS. What part of your people who are going to Vietnam would have had language training in Vietnamese, just as a rough guess?

Colonel CHANEY. Offhand, our requirements are on the order of 5,000 to 6,000, talking about this fiscal year.

General ROSEBOROUGH. That would be compared to about 350,000 people that we are sending to Vietnam.

Colonel CHANEY. Right.

Mr. DAVIS. Would these be likely to be men who were in detached rather than organized combat units?

General ROSEBOROUGH. The large majority of them go to the military adviser type of assignment, but in the organized units we do have interpreters, people who read enemy documents, and this kind of thing who are in the active units, but numberswise I would say the large majority go to the advisers and they range all the way from colonels, who are these Province advisers that General Bolton addressed earlier all the way down to an individual just out of basic training who may be simply an interpreter or an interrogator, or something of that sort.

Mr. DAVIS. Is there a substantial amount of competition for attendance at these schools, generally?

Colonel CHANEY. Large numbers are volunteers, but in Vietnamese the Army could not get enough volunteers for Vietnamese, so we have men taking Vietnamese who are not volunteers for language training.

Mr. DAVIS. What would be your normal source of trainees at your English language training school?

Colonel CHANEY. The English language side, sir, is English language for foreign military personnel. The source, of course, is the country which has a requirement for its personnel to be trained in U.S. service schools where obviously the requirement is adequate knowledge of English. So to assure that he is able to comprehend the instruction, those countries which cannot equip him well enough in English send him to English language school to obtain the necessary proficiency before he enters training.

Mr. DAVIS. That is all, Mr. Chairman. Thank you.

Mr. ADDABBO. Thank you very much, General.

The committee will stand adjourned until tomorrow morning at 10 o'clock, when we will take up Army-wide activities.

THURSDAY, MARCH 27, 1969.

ARMY-WIDE ACTIVITIES

Mr. SIKES. The committee will come to order.

We will now take up the request for Army-wide activities. A total of $877,513,000 is requested for fiscal 1970, which is an increase of $92,371,000 over the actual obligations for 1968 and $76,906,000 over the estimate for fiscal 1969. I would like to have in the record at this point the summary justification page.

(The information follows:)

OPERATIONS AND MAINTENANCE, ARMY—ARMYWIDE ACTIVITIES

[Dollar amounts in thousands]

Title	Actual, fiscal year 1968	Estimate	
		Fiscal year 1969	Fiscal year 1970
Base operations	$46,488	$46,776	$47,793
Headquarters, Department of the Army (except the Surgeon General)	75,709	73,529	77,459
Major field command headquarters	103,312	106,131	103,547
Personnel processing and personnel support services	53,410	60,205	56,900
Overseas education of dependents	38,349	54,828	71,443
Armywide communications and pictorial services	183,552	173,305	189,585
See classified submission	137,999	142,495	148,459
Administration	138,975	135,260	173,622
Joint projects	7,348	8,078	8,705
Total	785,142	800,607	877,513
Personnel requirements:			
Average number of all employees	50,546	53,354	53,082
Number of employees at end of year	50,489	48,234	48,686
Total personal service obligations	436,369	464,999	469,008

EXPLANATION OF INCREASES

Mr. SIKES. There is a substantial increase here. Do you want to explain the reason?

General TAYLOR. Yes, sir, Mr. Chairman.

The two large amounts that cause an increase, of course, are the transfer of the International Military Headquarters of NATO into the O. & M. A. budget for fiscal 1970. In addition, we have an increase in the education of dependents school program which the Army is executive agent for in Europe. Those are the two large ones, accounting for $45 million.

Then we do have the uniform military pay system with the code name of JUMPS, that we have discussed. We have an increase in reimbursements to the Post Office, a slight increase in the cost for the Forrestal Building which we are now starting to occupy. Also, we have an increase due to the Army being assigned the reponsibility for leasing and maintaining certain other Government buildings here in the Washington area—I believe there are three of them.

Mr. SIKES. I would like to have a breakdown of these added costs for the record.

(The information follows:)

Increases in Army-wide activities

Fiscal year 1969 estimate	$800,607
Increases:	
International military headquarters and agencies—NATO	+28,659
Increase for overseas education of dependents	+16,615
Net changes for classified submission	+5,964
Joint uniform military pay system (JUMPS) Army	+4,900
Post Office Department reimbursements	+4,412
Defense Satellite Communiction System	+3,800
Supplies, materials, and contractual services for communications centers and systems	+3,327
Support of Government buildings	+2,158
Forrestal Building occupancy cost	+2,963
Automatic voice network (Autovon)	+2,856
Transfer from R.D.T. & E. appropriation to O. & M.A. for base operations support	+2,250
Integrated communications system Far East costs	+1,600
Automatic digital network (Autodin)	+1,549
Command control and communications center costs	+1,400
Communication tariff increase	+1,159
Career executive development institute	+1,000
Increase for USCONARC automated system support agency	+669
Employees compensation fund	+665
U.S.A. Pacific field systems agency	+600
Improvement and Modernization Projects for Army-wide communications activities and the U.S. Army Photographic Agency	+592
Leased circuits, site survey, supplies, and equipment for the automatic message processing system	+586
Continued development of comand and control for U.S. SOUTHCOM and U.S. EUCOM	+586
Personnel center workload increase	+438
Increase base operations, Europe	+417
Federal telephone system	+427
Defense telephone expense	+360
Support of cryptological and mapping	+310
Department of Defense wage fixing board	+308
Disciplinary barracks	+246
Project Value	+218
Project Transition	+215
Increased cost for meals, lodging, and supplies, Armed Forces examining and entrance stations	+214
Reductions:	
Civilian Personnel Compensation	−9,858
Maintenance of Real Property Facilities	−1,638
One-time equipment costs	−1,243
Administrative TDY, supplies and materials	−868
Reduction for commercial communication leases	−550
Contractual assistance	−400
Fiscal year 1970 estimate	877,513

SUPPORT OF INTERNATIONAL MILITARY HEADQUARTERS

Mr. SIKES. When was the Army assigned the responsibility for the support of the international military headquarters and agencies of NATO?

General TAYLOR. Last November, sir.

Mr. SIKES. How much is being requested for this item?

General TAYLOR. $28,659,000, I believe is the figure, sir.

Mr. SIKES. What were the comparative amounts for the support of these agencies in fiscal 1968 and fiscal 1969 in the military assistance program?

General TAYLOR. Sir, I will have to check that to be sure. It is in that vicinity.

Mr. SIKES. Provide it for the record.

(The information follows:)

Comparable obligations for fiscal year 1968 are $25,016,000 and $22,583,700 for fiscal year 1969.

Mr. SIKES. Why was the change made? Why is it now being assigned to the Army?

General TAYLOR. Sir, the infrastructure program, which is also part of NATO but pertains to construction, was transferred to the military construction budget in 1968.

Mr. SIKES. Why?

General TAYLOR. The purpose being that it is felt that the NATO headquarters is in being because of the military requirements existing and commitments in Europe, and therefore the infrastructure as well as the support of the headquarters should be in the military budget.

Mr. SIKES. How much of the cost of this headquarters operation is borne by the United States?

General ROSEBOROUGH. Sir, this is determined on the basis of a formula which allocates the cost to the participating nations. There are some portions of NATO support in which France participates, in which case the costs are divided among 15 nations; and others such as military activities in which France does not participate. Then there is a 14-nation distribution.

The U.S. portion under the 15-nation formula is 25 percent. Their portion under the 14-nation formula is 30.16 percent.

Mr. SIKES. We always seem to pick up the lion's share of the tab in anything in which we are involved.

Mr. LIPSCOMB. Mr. Chairman.

Mr. SIKES. Mr. Lipscomb.

Mr. LIPSCOMB. Do you have authority in the law now to go through the military?

General TAYLOR. For the NATO headquarters, sir? I believe it is being requested in this Appropriation Act, sir.

Mr. LIPSCOMB. Do you have authority which was effective prior? As I understood it, you expended money in 1969 for this purpose.

General TAYLOR. Not for this.

Mr. LIPSCOMB. This is the first time?

General TAYLOR. Not for headquarters support, sir, but for infrastructure program in the military construction budget; yes, sir.

Mr. LIPSCOMB. So if by chance the request for authorizing legislation does not go through the total route through Congress, this would be deleted from your budget?

General TAYLOR. I would say, sir, if it was not approved by the Congress for the NATO support, or support of NATO headquarters, if it is not included then, of course, we could not support it.

Mr. LIPSCOMB. You have spent no money for fiscal year 1969 for this purpose up to this time?

General TAYLOR. No, sir.

Mr. LIPSCOMB. Thank you, Mr. Chairman.

Mr. SIKES. Do the other member nations pay the part of the costs that they are assigned?

General TAYLOR. Yes, sir, Mr. Chairman; they do. As General Roseborough stated, we have the breakout under the 15-nation formula as well as under the 14-nation formula.

Mr. SIKES. Does France pay their part in the activities in which they participate?

General TAYLOR. Under the 15-nation formula they pay 17.1 percent.

Mr. LIPSCOMB. Are any of them in arrears in their payments?

General TAYLOR. I am not aware that they are, sir, because this is an operational type thing, operational money, which is day-to-day operational funds, and I am not aware of any arrears.

Mr. Shuler, do you have any information that would indicate otherwise?

Mr. SHULER. I have none. We have no information of any country in arrears.

Mr. LIPSCOMB. You have no information, but have you ever checked it?

Mr. SHULER. We have not checked this, sir.

General TAYLOR. I think we had better try to verify and specifically answer your question.

Mr. LIPSCOMB. All right.

(The information follows:)

The financial procedures of NATO governing the support of international military headquarters provide that each participating nation will make settlement as early as possible, in principle within 1 month, from date of the assessment for support of the international military headquarters. No precise time limits for making payments are prescribed. Countries are generally prompt and make payments within a reasonable time. Experience indicates that the average time for making payments is 2 months. In light of these considerations no country is in arrears.

POSSIBILITY OF A MORE EQUITABLE DISTRIBUTION OF NATO COSTS

Mr. SIKES. Since the NATO program, which all of us support, is going to benefit Europe primarily, has any effort been made with the European nations to pick up a larger share of the cost? It does not seem exactly right that we should pay a fourth or more than anybody else is paying.

General TAYLOR. Sir, not directly connected with the NATO headquarters support that we are speaking of today; I do know that there are efforts being made on a government-to-government basis with the foreign countries to get them to increase their share of support, not only in this area but other areas, specifically Germany. In

addition to that—and I believe the Congress has been notified of it—member nations have, I believe, agreed to attempt to reimburse the United States for some of the costs that we have suffered as a result of our move out of France. I believe this is going to be done on a quarterly basis commencing the fourth quarter of this fiscal year and for the full fiscal year 1970.

Mr. SIKES. Provide the details on that, including the amounts.

General TAYLOR. I certainly will.

(The information follows:)

On January 9, 1969, the NATO Defense Planning Committee composed of all NATO members except France agreed that extraordinary costs which the United States incurred in relocating facilities from France would be cost-shared by the alliance up to a maximum of $96 million. Because the U.S. normal cost share in the alliance is 29.08 percent, the net reimbursement to the United States would be approximately $67 million.

The reimbursement will be in the form of a credit of up to $4 million against the U.S. quarterly contribution to NATO. The credits will begin in the fourth quarter of fiscal year 1969 and will be contingent on NATO approval of relocation projects and related cost data.

As a result of the NATO decision, the budget authority request for military construction, Army was reduced by $16 million for fiscal year 1970.

SUPPORT OF HEADQUARTERS OFFICE FOR RYUKYU ISLANDS

Mr. SIKES. How much is in the Army budget for the support of the headquarters office for the Ryukyu Islands?

General TAYLOR. Sir, there was a transfer from the Ryukyuan appropriation. I believe there are 10 employees involved in the Department of Army Headquarters. I am trying to recall the figure.

Mr. SIKES. Was this previously funded under MAP appropriations?

General TAYLOR. Mr. Chairman, I believe that was under the appropriation, "Administration, Ryukyu Islands, Army," in connection with the Army's responsibility there.

Mr. SIKES. Provide the amounts.

(The information follows:)

Funds in the amount of $152,000 to provide for personnel costs of seven Army civilian employees of the Ryukyuan Affairs Division, Deputy Chief of Staff for Military Operations, Headquarters, Department of the Army, are included in the operation and maintenance, Army budget for fiscal year 1970. During fiscal year 1969, an additional 10 employees assigned to this office were supported by the administration, Ryukyu Islands, Army appropriation. Responsibility for support of these 10 employees at a cost of $111,000 was transferred to operation and maintenance, Army beginning in fiscal year 1970. Since there has been no concurrent transfer of personnel spaces and funds from the administration, Ryukyu Islands, Army appropriation, the Army will be required to support these personnel from available fiscal year 1970 operation and maintenance, Army resources.

Mr. SIKES. Why and when was this responsibility transferred to the Army?

General TAYLOR. It was transferred just during the budget season last fall, sir.

Mr. SIKES. Why was it made an Army responsibility?

General TAYLOR. The High Commissioner's office in Okinawa is an Army responsibility inasmuch as the commanding general of the Ryukyuan Islands, who is also an Army officer, wears two hats, sir, if you will, as commanding general as well as HICOM.

His headquarters staff is on the High Commissioner's side, but in the Department of the Army headquarters in our Deputy Chief of Staff for Military Operations office, they work for the Army Command as well as for the High Commissioner's office. These are the people we are talking about here.

Mr. SIKES. In what program is this funding now carried?

General TAYLOR. It would be in 2510, sir.

Mr. SIKES. Provide the amounts which were appropriated under administration, Ryukyu Islands, Army, for fiscal years 1967, 1968, and 1969 for this account.

General TAYLOR. Very well, sir.

(The information follows:)

In these years, the administration, Ryukyu Islands, Army appropriations for these 10 personnel of the International and Civil Affairs Directorate, Deputy Chief of Staff for Military Operations, DA, were as follows:

Fiscal year 1967	$98,000
Fiscal year 1968	101,000
Fiscal year 1969	104,000

FORRESTAL BUILDING

Mr. SIKES. How much is in the Army O. & M. budget for the occupancy or other costs related to the Forrestal Building.

General ROSEBOROUGH. Sir, the total costs for fiscal year 1970 are $3,582,000 which includes the $360,000 in the budget item support of Government buildings.

Mr. SIKES. How much was provided last year?

General ROSEBOROUGH. $1,500,000 was provided last year, sir.

Mr. SIKES. Does this complete the cost of moving into the Forrestal Building?

General ROSEBOROUGH. The funds that are requested for fiscal year 1970, sir, will complete the costs of moving into the Forrestal Building as well as the support costs for fiscal year 1970 for the operation of that building.

Mr. SIKES. Is the building now occupied?

General ROSEBOROUGH. No, sir. It is scheduled to be occupied in the near future; some estimates as early as next month, but a more reasonable one is probably in July. It is nearing completion. The interior is not yet complete.

Mr. SIKES. This is the third year, as I recall, that money has been in the budget for the occupancy of the Forrestal Building. What has been happening to that money?

General TAYLOR. Sir, you are quite right. In fiscal 1969, in that budget for that year, when we were here a year ago we were requesting, I believe, $2.4 million. Following our appearance before the committe and during the summer months when it was relooked at from the occupancy point of view, it was determined that we would not need the full $2.4 million—and I am speaking from memory now. I believe we needed $1.5 million during fiscal 1969, and there was a $900,000 reduction made.

Mr. SIKES. What was the money used for that was appropriated last year?

Colonel COGHILL. The $1.5 million that General Taylor made reference to was for the one-time costs in connection with the administrative services, part of the total furniture buy and some ADP costs in connection with conversion to third-generation equipment.

Mr. SIKES. What would the current appropriation be used for?

Colonel COGHILL. The current appropriation will be used to finish the OSD-directed furniture buy, for ADP operations, and there are a few costs in there for supplies and personnel. Most of it is one-time costs for fiscal year 1970. The recurring costs are in the nature of rental for the ADP computer, personnel, supply, and bus-service costs.

Mr. SIKES. I would like a schedule showing the breakdown of the expenditures contemplated.

Colonel COGHILL. Yes, sir.

(The information follows:)

FISCAL YEAR 1970 FORRESTAL BUILDING EXPENDITURES CONTEMPLATED

[In thousands of dollars]

	Total	1 time	Recurring
urniture	1,642	1,642	
Postal, personnel	72		72
Correspondence and message center, supplies	1		1
Library:			
Personnel	46		46
Periodicals	3		3
Building administration, personnel	81		81
Relocation cost	60	60	
Transportation:			
Personnel	32		32
Teleticket rental	1		1
DOD bus service	33		33
Telephone cost	100	100	
Civilian personnel services, copier and Magnofax rental	10		10
Guard service	200		200
Automatic data processing:			
Personnel	66	66	
Computer rental	594		594
Systems conversion	150	150	
Equipment maintenance	31	31	
Equipment purchase	60	60	
Transportation of things	6	6	
Medical services	259		259
Communications	135		135
Total	3,582	2,115	1,467
(BPA 2510)	(2,005)	(1,802)	(203)
(BPA 2580)	(1,183)	(313)	(870)
(BP 2400)	(259)		(259)
(BP 2900)	(135)		(135)

OTHER GOVERNMENT BUILDINGS

Mr. SIKES. What is the total amount in the O. & M. budget for the support of Government buildings?

General ROSEBOROUGH. $2,158,000, sir, for the support of buildings that the Army is responsible for.

Mr. SIKES. That is an additional amount; is it not?

General TAYLOR. Yes, sir; I believe it is.

Mr. SIKES. What is the total amount?

General TAYLOR. Do you have the total?

General ROSEBOROUGH. I believe this is the total amount.

General TAYLOR. You believe this is the total?

General ROSEBOROUGH. Yes; the total of the four buildings for fiscal year 1970.

Mr. SIKES. Let's go off the record for a moment.
(Discussion off the record.)

DEFENSE TELEPHONE SYSTEM

Mr. SIKES. What is the total amount in the O. & M. request for the defense telephone system?

General ROSEBOROUGH. The total amount in BPA 2510 is $2,010,000.

Mr. SIKES. What type of system is it?

General ROSEBOROUGH. It is a normal local telephone communications system.

Mr. SIKES. Is this an additional system to the other communications system in the Department of Defense?

General ROSEBOROUGH. No, sir. It merely represents an expansion and an increase in costs for the operation of this same system, but more subscribers and a larger operation.

OTHER GOVERNMENT BUILDINGS

Mr. SIKES. Now, let's go back to the funds for the support of the Government buildings. Mr. Garrity.

Mr. GARRITY. What type of support does this cost represent?

General ROSEBOROUGH. Bus service, guard service, relocation costs, administrative services, telephone, mailrooms, and then the big amount is the lease costs for the buildings themselves.

Mr. GARRITY. Is this a reimbursement to General Services Administration?

General TAYLOR. Mr. Garrity, I do not believe it is, until such time—the way this thing works, as I understand it, is that when we are assigned responsibility for a Government building we take it over and operate it until such time as the General Services Administration can provide for the same type of operation in their budget request to the Congress. When they do, it drops out of our budget and they pick it up.

Mr. GARRITY. This is for new buildings you will occupy during 1970?

General TAYLOR. Sir, I think we are already into some of these buildings. The buildings specifically are the Commonwealth Building in Roslyn, Va.; the Melpar Building out at Bailey's Crossroads which we are occupying and have occupied; the Hoffman Building and, of course, the new building, the Forrestal Building.

CONARC AUTOMATED SYSTEMS SUPPORT AGENCY

Mr. SIKES. You are requesting an increase of $669,000 for the CONARC automated systems support agency. What is the purpose of this Agency?

General ROSEBOROUGH. Sir, this is a centralized agency whose purpose is to oversee the various automated systems that operate under CONARC, to perform research, systems design, analyze systems, do programing, and to monitor the use of resources in the development of these systems, orient personnel in the operation and use of them, and then to provide assistance and technical reviews as these systems are being developed.

It is not an agency which operates the system themselves, but assists in their development and coordination so that they are done efficiently and will integrate with one another.

Mr. SIKES. There is also an automatic data processing command. What is the relationship between the automated systems support agency and the automatic data processing command?

General ROSEBOROUGH. The computer systems command, sir, is being established at the Department of the Army level and its function is similar to that of CONARC on a Department of the Army-wide basis, whereas the automated systems support agency is CONARC's own management agency to supervise and oversee its systems.

Mr. SIKES. When was the CONARC agency established?

General TAYLOR. Two years ago, I believe, Mr. Chairman.

Mr. SIKES. What is the total cost included in this request for the automated systems support agency?

General ROSEBOROUGH. $1,963,000.

COMMITTEE RECOMMENDATION REGARDING REVIEW OF ADP SYSTEMS

Mr. LIPSCOMB. It was our understanding last year before the committee that there would be a thorough review and analysis of all systems. Do you know whether or not this has been undertaken?

General TAYLOR. Sir, it has been undertaken and I will have later today Mr. Buckmaster, when we talk about some of these systems such as Napalm and Cosmos, and I believe he can give you a very good picture on what is going on in this entire area. This is under the Assistant Chief of Staff's office at the present time.

Mr. LIPSCOMB. Could you tell us, inasmuch as you are requesting the money here, has the recommendation of the committee been adhered to or observed where we recommended that future expansion of all systems should be held in abeyance until this review is completed?

General TAYLOR. Sir, I certainly believe that the committee's desires in this respect are being considered in this entire ADP area. I cannot tell you what the future planning is. Again, I would like to, if I may, defer until Mr. Buckmaster is here, who is very familiar with this.

ARMY RECRUITING STATIONS

Mr. SIKES. How many recruiting stations does the Army have in the United States?

General ROSEBOROUGH. 947 recruiting stations, sir; 39 main stations and five district headquarters.

Mr. SIKES. Are there any outside the United States?

General ROSEBOROUGH. No, sir.

Mr. SIKES. I would like to have for the record the total operating costs for all recruiting stations, including O. & M. and military personnel costs.

(The information follows:)

OPERATING COSTS FOR RECRUITING STATIONS

[In thousands of dollars]

	Fiscal years		
	1968	1969	1970
Military personnel appropriation	$18.8	$19.9	$19.3
Operations and maintenance, Army	11.9	12.1	11.5
Total	30.7	32.0	30.8

OVERSEAS DEPENDENTS EDUCATION PROGRAM

Mr. SIKES. We will discuss the overseas dependents education program with the Office of the Assistant Secretary of Defense for Manpower and Reserve Affairs later. Tell me generally, however, why you are asking for an increase of $16,615,000.

General ROSEBOROUGH. These increases involve the implementation of some approved programs which were only partially implemented in 1969, some new programs and an increase in student enrollment.

Mr. SIKES. For instance?

General ROSEBOROUGH. Additional teachers for kindergarten, handicapped students, special subject areas in the elementary grades, and teachers for the host nation program. In addition for fiscal year 1970 there is an increase in enrollment. A school nurse program has been instituted. There is an increase in the number of teachers to meet the standard staffing criteria prescribed by OSD. There is an increase in guidance counsellors, also to meet this staffing criteria. Then there are certain price changes involving pay raises and tuition fee school increases.

Mr. SIKES. Provide a breakdown for the record which describes the necessity for each of these items, as well as a description of the item.

(The information follows:)

For approved programs which were partially implemented in fiscal year 1969 because of diversion of funds for increased enrollment---------- $3,400,000

An additional $3,400,000 would have been required if the program level approved for fiscal year 1969 had been achieved. In order to meet the requirement for unanticipated enrollment during fiscal year 1969, several programs were partially deferred such as the host nation, kindergarten, special education and special subject teachers.

Increase in enrollment---------- $1,650,000

The enrollment forecast in fiscal year 1969 was based upon a troop reduction in Europe. This reduction, which was partially accomplished by withdrawing unfilled spaces from some understrength units, did not result in the actual loss of people that was anticipated by the school enrollment forecast. Consequently, actual student enrollment exceeded the forecast. Funds for the education of these students in fiscal year 1969 were obtained from the curtailment of programs discussed above. In fiscal year 1970, $1,650,000 is required.

School nurse program---------- $808,000

The need for a sound school health program with qualified nurses is fully recognized by American Public Health Authorities and such programs are an integral part of a great number of school systems throughout the United States. During fiscal years 1966 and 1967, school systems in the United States have hired more than 10,000 nurses under provisions of title I of the Elementary and Secondary Education Act. In the past school nurses have been employed in some overseas dependent schools and salaries of these persons were usually paid from funds generated locally by such activities as Parent-Teachers Associations, or Dads' Clubs.

OSD program/budget guidance for fiscal year 1970 includes a standardized school health program and it provides for staffing of the program on the basis of one nurse for each 1,000 students for grades kindergarten through 12. Based upon the projected enrollment for the European area, Department of the Army has programed 121 nurses at a total cost of $808,000 for fiscal year 1970.

Increase in teachers to meet OSD staffing criteria..... $2,851,000

The OSD staffing criteria which are patterned after improved staffing trends of better schools in the United States requires an increased number of teachers next year. This increase will provide for a lower pupil-teacher ratio in order to more effectively meet the needs of children in our smaller schools. It has not been possible to maintain the present pupil-teacher ratio of 25 to 1 and still provide a range of subjects offerings in smaller secondary schools in the United States.

In addition, the improved staffing guidance increases the authorization for remedial reading teachers and similar specialists for the elementary schools. Present staffing provides only one remedial or developmental or developmental teacher of reading for every 1,500 students.

The improved staffing guidance increases the authorization for remedial teachers for every 50 children who require this remedial service. Similar staffing improvements are called for in the areas of art, music, and physical education in the elementary grades where very few specialists have heretofore been available.

Textbooks and library books..... $2,543,000

Commencing in fiscal year 1969 textbooks and library books in the European area as directed by OSD, will be procured through the local stock fund. The change in accounting procedures was initiated effective July 1, 1968 (fiscal year 1969) directing that obligations (and expenses) for deliveries from local stock funds will be recorded upon delivery rather than when ordered.

Increase in guidance counselors to meet OSD staffing criteria..... $1,196,000

This improved staffing criterion provides increased resources for the personal services of the pupils. Problems of adjustment, often aggravated by the highly transient and mobile life of our children, will undoubtedly be eased as our overseas schools follow stateside standards of providing increased guidance services in the lower grades.

Price changes:

a. Pay raise for Public Law 86-91 employees (teachers) ($425 per Public Law 86-91 employee).....	$2,363,000
b. Within-grade increases for employees (Public Law employees, $240; GS employees $282).....	1,394,000
c. Tuition fee school increase (due to rising costs).....	410,000
Total.....	16,615,000

SCHOOL NURSE PROGRAM

Mr. SIKES. I note that you have inreased enrollment. Is that to be the case despite the fact that we have brought some people back from Germany?

General ROSENBOROUGH. Yes, sir. This is an increased enrollment over the estimate we made at the time the plan was developed to bring people back. This is due to the fact that there was some understrength in Germany at the time. So in effect some of those returns were really the return of spaces rather than people. Also, the mix of the people has resulted in this enrollment being our experience as opposed to our estimate.

Mr. SIKES. You are proposing to spend $808,000 for the 121 school nurses. Why is it considered necessary to institute this program?

General ROSEBOROUGH. Sir, may we have a man from our dependents education program, Mr. Bartley from the Adjutant General's Office answer?

Mr. BARTLEY. We, first of all, receive our guidance from OSD for all these programs. This was in there for the dependents' schools on a one nurse for each 1,000 students basis by area, including all children, kindergarten through grade 12. So this is the enrollment anaeipated for fiscal 1970.

Mr. SIKES. This is the first time this has been done. Why is it considered necessary to institute the nurse program?

Mr. BARTLEY. We have received throughout the years services from the medical facilities in overseas areas. They have done a very fine job, but with the greater emphasis on the health education program, they are just not capable of providing the assistance required from the personnel we do have available. We are going into a greater amount of family life, sex education, personal health, and so forth.

Mr. SIKES. One nurse per thousand pupils is not going to help very much in the matter of medical education or health education.

Mr. BARTLEY. No, sir. They will be assisting teachers and helping teachers with planning lessons in health education and so forth.

Mr. SIKES. Where will you get the nurses? They are in short supply.

Mr. BARTLEY. They tell us that there are a number of nurses already in these overseas areas, dependent wives of military and civilian personnel in these areas. They think that there will be no problem recruiting people for the jobs.

Mr. LIPSCOMB. Why don't they just hire them to be a regular teacher and get them right into the system?

Mr. BARTLEY. Right now it is planned that they will be, if at all possible, a teacher-nurse, fully qualified as a teacher and RN also. They can be used as a teacher or nurse, either one.

Mr. SIKES. Do you realize that this budget has gone up nearly 50 percent in a 2-year period?

Mr. BARTLEY. Yes, sir. Fiscal year 1968 reflects costs for Army only. Fiscal years 1969 and 1970 represents costs for all services in Europe under the current system.

Mr. SIKES. Is that a foretaste of the future?

Mr. BARTLEY. Sir, we are still somewhat behind the national average in the United States with perpupil costs being expended for the children, when you leave out the unique costs which school systems in the United States do not have, such as travel for teachers, et cetera. So we are still below that average as computed by the National Education Association and the U.S. Office of Education. The costs continue to rise in the United States and I do not know—if we keep pace ours undoubtedly will have to continue going up also.

Mr. SIKES. What is the estimated cost of the kindergarten program for fiscal year 1970?

Mr. BARTLEY. I do not think I have that breakout here. I will have to provide it. I have it for 1969.

Mr. SIKES. How much is it for 1969?

Mr. BARTLEY. $2.7 million.

Mr. SIKES. Provide it for 1970 also.

(The information follows:)

The fiscal year 1970 estimated cost of the kindergarten program is $3.4 million.

Mr. SIKES. Mr. Lipscomb.

CIVILIAN CAREER EXECUTIVE INSTITUTE

Mr. LIPSCOMB. One of the increases in this account is for the Civilian Career Executive Institute, $1 million. How much are you expending on this for fiscal year 1969?

General TAYLOR. In the Civilian Career Executive Institute we have no funds in the 1969 budget nor are we expending any, Mr. Lipscomb. May I say this is one of the items under consideration in our budget review.

Mr. LIPSCOMB. Inasmuch as this committee recommended abolishing this in the Army budget in the past, only last year in fact, why does it come back again and what do we have to do to kill it off?

General TAYLOR. Sir, we recognized the committee's feelings on this facility and organization, but sometimes things get into the budget that are just beyond our control from the standpoint of the level of the people that are sitting here today.

Mr. LIPSCOMB. Maybe it would be interesting to know how it does get in the budget. We were very specific in our report last year. We knocked out the money. We made a recommendation as to how it could be handled. Now, how does it reappear? If you are not responsible——

General TAYLOR. Well, I can only respond, sir, that in both the Department of the Army and in the Office of Secretary of Defense it was felt this was a most desirable organization to establish in order to train those people of the higher civilian grades and military grades. This was also the result of a study which was made at the request of this committee a year and a half or 2 years ago, I believe, at which time it was looked into from the standpoint of possible duplication with other Government educational facilities, and I believe it was found not to be duplicative. It was based upon that study as well as the continuing need that it found its way into the budget that was submitted on January 15.

Mr. LIPSCOMB. This is one of the items that the new Secretary of Defense may recommend reducing?

General TAYLOR. Yes.

Mr. LIPSCOMB. I think that is another item to his credit. So we do not have to consider it any further now, I would guess.

General TAYLOR. I would say no, sir.

FORRESTAL BUILDING

Mr. LIPSCOMB. Going back to our discussion on the Forrestal Building, I was reading last year's hearings and there was an insert on page 633 of part 4 which said the total cost of $2,347,000 is required for fiscal year 1969 for the purchase of new furnishings to replace nonusable, furniture for the Army activities to be moved to the Forrestal Building. How much are we going to spend on new furniture in fiscal year 1969?

Colonel COGHILL. In 1969 we will be spending $616,000 out of that package of $2.347 million.

Mr. LIPSCOMB. $616,000?

Colonel COGHILL. $616,000. This will represent replacing approximately 25 percent of the open work area furniture, desks and chairs of the Army personnel.

Mr. LIPSCOMB. How much were you allocated for furnishings for the Forrestal Building for fiscal year 1969 in the budget?

Colonel COGHILL. That was it, sir, $616,000.

Mr. LIPSCOMB. Do you still estimate that the furniture that you need for 1969 will cost $2,347,000?

Colonel COGHILL. There is a slight difference there, but it comes to approximately that amount. We have in what we addressed today, $1,642,000 for fiscal year 1970 to complete the OSD requirement of the $2.347 million Army share of the furnishings.

Mr. LIPSCOMB. I am trying to get the figures to work out to see how much it has either increased or decreased.

Colonel COGHILL. It has decreased by $89,000.

Mr. LIPSCOMB. Was there any further thought given to using some of the furniture that had been used before at other locations?

Colonel COGHILL. Yes, sir. Even with the total package we would go in with 224 units of our persent furniture. The replacement on the others would be in two areas, to replace nonusable furniture or to replace furniture that was not suitable to the design standards of the Forrestal Building as directed by the OSD package to us.

Mr. LIPSCOMB. Do you still have as a consultant an interior decorator, or whatever it was?

Colonel COGHILL. Not as a consultant. OSD let a contract about three years ago to a civilian firm that did the survey and recommended the furnishings for the building.

Mr. LIPSCOMB. How much are they being paid for fiscal year 1969?

Colonel COGHILL. There are no costs. That was a one-time contract back in fiscal year 1967 or 1968. It was $168.000.

Mr. LIPSCOMB. And that is the total extent of that contract, $168,000?

Colonel COGHILL. Sir, this was handled by OSD, not by the Department of the Army. This is what I have been told. It was a one-time contract. All the furniture is standard GSA furniture that they recommended.

Mr. LIPSCOMB. Thank you, Mr. Chairman.

Mr. SIKES. Questions, on my right?

DRAFTING OF MEDICALLY UNQUALIFIED MEN

Mr. ADDABBO. General, under Account 2530, Personnel Processing, Support Services, I and many of my colleagues have received numerous complaints from constituents where men were drafted who should not have been drafted for medical reasons and who were immediately released from the service when found not medically qualified. Under this account you are decreasing by $3.3 million these various facilities where these men should be given immediate and close medical attention or medical examination to prevent men being taken in who should never be taken in and possibly aggravating injuries or medical histories that they have had. How can you justify this reduction when we do have this problem, which is also costing the Government many thousands of dollars in later claims?

General TAYLOR. Sir, the reduction in this instance pertains to civilian personnel which stems, of course, from the Revenue and Expenditure Control Act as well as certain equipment costs that were onetime in fiscal 1969 and not required in fiscal 1970. If I may go just a bit further, this subject was discussed during the military personnel appropriations hearings with General Heaton, the Surgeon General. He is certainly aware of this problem and is trying to do everything he can to keep the very men that you are referring to from ever coming into the service.

Mr. ADDABBO. The civilian personnel are being replaced by military personnel, is that the situation?

General TAYLOR. Sir, this is difficult for me to answer because I really do not know, but it could be; it could be in certain instances that military personnel may be needed to replace a civilian in those critical areas.

Mr. ADDABBO. In other words, whereas we possibly may obtain a reduction here, there may be an increase some place else to offset this decrease?

General TAYLOR. That is possible, sir.

U.S. CONTRIBUTION, NATO

Mr. ADDABBO. Under your "Account 2580, administration," you show an increase of $38.3 million which includes U.S. contribution to NATO of $28.7 million. In the last year or so we have closed bases in France and now we have under discussion the situation with respect to certain bases in Spain. In view of the closings in France and the redeployment of those forces, wouldn't there be a cutback rather than an increase in the contribution to NATO?

General TAYLOR. Sir, not necessarily. In the case of France, for which we have the code name of Freloc, when we moved all of our troops in our logistical installations out of there those troops and installations were moved into Germany or in some cases for certain items into England for storage. So there was not necessarily a reduction of costs from the standpoint of the Freloc move out of France. Insofar as NATO is concerned, there has ben no change from the standpoint of the U.S. contribution both in forces, as well as funds, for the support of that headquarters. That is what this increase of $28.6 million this year in our budget shows. It has previously been carried in the MAP budget but because of the relationship to military forces for which NATO was established, it was transferred to the operation and maintenance, Army, budget, proposed transfer, in fiscal 1970.

Mr. ADDABBO. This increase will in no way contribute toward a possible increased bounty to Spain for keeping our bases open there?

General TAYLOR. No, sir; there should be no connection here, Mr. Addabbo.

BASE CLOSURES

Mr. ADDABBO. General, is there expected to be any further openings or closings of any other installations?

General TAYLOR. No, sir, there are none in this budget being presented today.

Mr. ADDABBO. Is there any study being made with respect to possible future closing of installations based upon a possible peace in Vietnam? Is any study being conducted at the present time?

General TAYLOR. Sir, the only way I can respond to this is that we are constantly studying all of our installations from the Army's point of view and, of course, in connection with OSD from the standpoint of post-Vietnam activities. What the outcome of that will be I cannot tell you today because no decisions have been made other than continual planning.

Mr. ADDABBO. We are not going to get caught in the same bind—according to the testimony of yesterday—of not knowing what to do with these men to be redeployed from Vietnam in case of peace?

General TAYLOR. No, sir.

BROOKLYN ARMY TERMINAL

Mr. ADDABBO. Is there any action being taken relative to the reopening or the complete closing of the Brooklyn Army Terminal in New York?

General TAYLOR. Sir, that was taken off the closing list, I believe last fall, when a decision was made on that.

General HAYES. Yes.

General TAYLOR. It is now back. We do have funds in the fiscal 1970 budget for the maintenance and support of that base.

Mr. ADDABBO. Relative to the Brooklyn Army Terminal, General, will this become a completely reactivated terminal?

General TAYLOR. General Hayes, can you speak to that? I am not able to, sir.

General HAYES. I really cannot answer the question completely. The action that is funded in this budget is primarily to provide office space for the facilities which are going to continue to be there for at least the next 2 to 3 years. With respect to its full operation as a terminal facility, I think the answer to your question is essentially, no.

Mr. ADDABBO. Will there be any additional personnel assigned to the terminal?

General HAYES. Not in this action. This is to continue to provide working space for the people who are physically located there now.

Mr. ADDABBO. Will it be given any additional activities?

General HAYES. Not that I know of.

Mr. ADDABBO. Thank you.

RENTAL OF COMMERCIALLY OWNED BUILDINGS

Mr. SIKES. Back on the subject of the buildings which we discussed a little earlier, I would like to have a schedule of the dates when you have moved into or are planning to move into the four additional buildings, commercial buildings.

General TAYLOR. Very well.

(The information follows:)

The four additional buildings discussed for Army occupancy were Commonwealth Building, Hoffman Building, Melpar Building, and Forrestal Building. Only three are defined as commercial buildings. These are the Commonwealth, Hoffman, and Melpar Buildings.

Army occupants moved to the Melpar Building in June 1968. The move into the Commonwealth Building was accomplished in September and November 1968.

The Hoffman Building is scheduled for completion in May 1969 and Army occupants will begin the move at that time.

Mr. SIKES. Why is it necessary to have these additional buildings? We have the Forrestal Building.

General ROSEBOROUGH. Sir, in general, the Defense Department and the Army in particular have found it necessary to lease a number of small bits of office space around the city over the years. Recently, it has been concluded that it is more economical to consolidate these into a few buildings so as to centralize such services as guards, mail, et cetera, for more efficiency. This represents that consolidation. I am not able to give you a complete trail on just exactly who was moved in but this is the concept under which this is done.

ACTIONS TO REDUCE ARMY STAFF

Mr. SIKES. Was any consideration given to stopping this mushrooming of bureaucracy in the Department of Defense so that you would not need the additional space?

General TAYLOR. Sir, I am not sure I have anyone here that can speak authoritatively to your question.

Mr. SIKES. Have any of you protested this constant increase in personnel in the Department of Defense?

General TAYLOR. On the one hand, the reductions that are being experienced this year under the Revenue and Expenditure Control Act is contributing somewhat to a slowdown of what you are referring to.

Mr. SIKES. That is what was imposed on you by the Congress. I want to know what you people are doing to get the numbers down, on your own. Do you want a little time to prepare an answer to that?

General TAYLOR. I think that would be helpful.

(The information follows:)

FISCAL YEAR 1970 DEPARTMENTAL CIVILIAN MANPOWER

ACTIONS TO REDUCE ARMY STAFF

The Army staff has been emphasizing for many months, during scheduled manpower surveys, the identification of operational functions performed by Army staff agencies which could be performed by lower commands. For example, in 1968, the Office of the Chief of Staff manpower survey team recommended that certain medical staff functioning be performed in a medical command. A study team is now evaluating this proposal. Similarly, a formal proposal to transfer functions involving 2,000 spaces in two other Army staff agencies downward to a major Army command is undergoing evaluation by the agencies concerned. These functional decentralization efforts are related to the formal surveys and analyses conducted on a continuous basis by 14 management analysts in the Manpower Control Branch and the Organization and Special Programs Branch of the Staff Management Division, Office of the Chief of Staff. The major purpose of these efforts is to improve organizational structure; eliminate functional overlap; match manpower and workload; and identify functions which should be transferred downward to lower commands. Recommendations of these management analysts on manpower spaces and changes to organizational structure are personally reviewed by the Secretary of the General Staff and the Vice Chief of Staff.

Mr. WHITTEN. Off the record.

(Discussion off the record.)

NEED FOR ADDITIONAL OFFICE SPACE IN THE FACE OF DECLINING EMPLOYMENT

Mr. SIKES. Was the decision to occupy new buildings and to acquire additional space made before or after the reductions which have been imposed by congressional action?

General ROSEBOROUGH. The Army was assigned these responsibilities by DOD in memoranda of August 1, 1968, September 10, 1968, and September 25, 1968, the dates on which we were assigned these buildings.

Mr. SIKES. When were the manpower limitations imposed?

General TAYLOR. It was right after the release or approval by the Congress of the Revenue and Expenditure Control Act.

Mr. SIKES. Did you modify your requirement for building space when you knew you were going to cut down on personnel?

General TAYLOR. I am not sure it is exactly relatable, sir. As General Roseborough mentioned earlier, this is really a combination of consolidating activities from various offices, and certainly there would be a reduction of personnel involved.

Mr. SIKES. I see no corresponding reduction in office space. You are acquiring new buildings, presumably for more people.

General TAYLOR. We may be able to put together for you, sir, information as to the space that was occupied and no longer occupied as a result of this consolidation.

Mr. SIKES. I would like to have that.

General TAYLOR. Possibly that would show a savings.

Mr. SIKES. That would be helpful.

General TAYLOR. Very well, sir. We will try.

(The information follows:)

COMPARISON OF OLD AND NEW OFFICE SPACE

Army occupants	Present and proposed location		Former and present location		
	Square feet	Personnel	Location	Square feet	Personnel
	Commonwealth Building				
USADATCOM	43,350	461	Pentagon	5,000	77
			Fort Myer	7,700	130
			Army Map	15,000	254
SAFEGUARD Office	30,875	174	City Bank Building GSA lease	11,500	174
Behavioral Science	36,500	168	Tempo A	30,000	168
Research Laboratory DCSLOG	53,000	531	Pentagon	10,000	376
			Tempo E	25,000	155
	Hoffman Building				
Assistant Chief of Staff for Intelligence	21,805	176	Carlyn Springs GSA lease	14,000	176
Comptroller of the Army	1,500	12	....do	1,500	12
U.S. Army Audit Agency	1,800	11	Nassif Building	1,000	11
Institute of Land Combat	60,000	364	Fort Belvoir	2,600	364
USA Strategic Communications Command	40,600	375	Munitions GSA-Government	22,000	199
			Suitland Army Installation	13,000	152
			St Asaph and Montgomery	5,000	24
New common facilities, i.e., credit union, post office and building commandant service center	5,350	12			
	Melpar Building				
TAG	67,000	367	Pentagon	50,000	367

Department of the Army activities located in the National Capital region as listed above have relocated or are scheduled to relocate to new office space in the Commonwealth, Hoffman, and Melpar buildings. These moves are being made to alleviate space and administrative management problems resulting from substandard space allocations and fragmentation of activities. The majority of activities are being relocated to larger offices which will allow individual space allocations approximating the General Services Administration standard. Relocation of the U.S. Data Command, Behavioral Sciences Research Laboratory, and Headquarters, U.S. Army Strategic Communications Command will provide for consolidation of these activities currently located in multiple facilities in Washington, D.C., Alexandria, and Arlington, Va., and Suitland, Md.

BACKFILL CREDIT ON VACATED OFFICE SPACE

Mr. SIKES. Were you in space other than the Pentagon when you moved into the other commercial buildings?

General ROSEBOROUGH. Yes, sir. These activities come from a variety of locations around the city, come from the Pentagon, some from Fort Myer, Army Map Service, Tempo A, Tempo E., Fort Belvoir, the Munitions Building, Suitland, and the Nassif Building.

Mr. SIKES. Did you move from any commercial space into other commercial space?

General ROSEBOROUGH. Yes, sir; from the Nassif Building is the only one.

Mr. SIKES. Do you get a backfill credit on this particular move?

General ROSEBOROUGH. If I may amend my previous answer, sir, there are four commercial facilities from which we moved.

Mr. SIKES. As you move out of those into other buildings you should receive some credit for unused rental, should you not?

General ROSEBOROUGH. I would have to get an answer to your question. I am sure we did include that in the contract.

Mr. SIKES. And see if that is reflected in this budget.

General ROSEBOROUGH. Yes, sir.

(The information follows:)

Rental credit was received from the General Services Administration for the following buildings:

Building: [Dollars in thousands]	Amount of credit
Carlyn Springs	$78
Nassif Building	5
St. Asaph and Moptgomery	25
Total	108

The budget increase of $2.1 million is the net increase after application of the above credit.

Mr. SIKES. Are there other questions on this subject?

(No response.)

COMMUNICATIONS

EXPLANATION OF INCREASES

Mr. WHITTEN. Turning to communications, why are you requesting a net increase of $16.280 million for your communications operations?

General VAN HARLINGEN. Sir, the increases appear in a number of places.

First, the Defense Satellite Communications System requires an increase of $3.8 million. Some of these operations were previously funded in the R.D.T. & E. program.

In addition, there is a large communications system in the Far East, not Southeast Asia but the Far East, which requires more people to operate.

Mr. WHITTEN. What one is that?

General VAN HARLINGEN. This is the Army portion of a chain of communications which comes from the Philippines all the way up to Japan and Korea. The Army operates portions in the area of Okinawa and Taiwan.

Mr. WHITTEN. What is the name of this and what makes it necessary? What conditions have changed? Did the *Pueblo* have anything to do with this?

General VAN HARLINGEN. The Defense Communications System between the Philippines, Korea, and Japan is being upgraded, enlarged, and improved. The Army operates a portion of this system which will require an increase in O. & M. costs.

Mr. WHITTEN. What is behind all of this? It is being upgraded and increased. What is the reason for it, do you know?

General VAN HARLINGEN. There have been insufficient communications, actually, between areas such as Okinawa, where there is support, and down in the Philippines and across Southeast Asia.

Mr. WHITTEN. Insufficient. What makes you use that word? What is it that you have not had that you should have had in the way of communications?

General VAN HARLINGEN. The rate at which data can pass, sir, and also the telephone system as well as the quality.

Sir, there are a number of items which make up the cost.

Mr. WHITTEN. Would you itemize those for the committee?

General VAN HARLINGEN. Yes, sir.

The command, control, and communications centers increase $1.4 million. That includes improvements in the Department of the Army command and control centers and at the STRATCOM command and control center. It also includes consolidated communications to all the services at the new buildings which are to be occupied.

Mr. WHITTEN. Recalling the Revenue and Expenditure Control Act of last year, what part of the Army was exempted from the operation of the act? The point I raise here is, is this a way to get within the limitations of that act? You have not told us anything yet that has been going on that you did not keep up with. You say this has been speeded up a little bit, but I cannot see so far in the record that you have shown us any failure to get it fast enough already. I do recall that the war in the Far East was made an exception in the Revenue and Expenditure Control Act. That would be one place where you might get manpower if you could put it under that title as against some other.

I am just raising that as a possibility.

General VAN HARLINGEN. Actually, the Southeast Asia manpower costs were reduced from previous years.

Mr. WHITTEN. Not by the act itself.

General VAN HARLINGEN. No, sir, not by reason of the act. The items which I just recited, sir, for example, the new communications centers and the new buildings, are for a capability that has not existed because the need has not existed.

Mr. WHITTEN. What improvements has the Army initiated in its communications operations as a result of the committee's report of last year? Is this in the nature of following the committee's report that you asked for this increase for new buildings?

General VAN HARLINGEN. The communications, of course, follow actually moving to the new buildings. There is no choice but to provide communications. This includes communications for all the services, I should add, sir, the Army, Navy, and Air Force.

Mr. WHITTEN. What does this new communications consist of? What kind of system is it?

General VAN HARLINGEN. The communications center and message distribution centers in the three new buildings.

Mr. WHITTEN. These are new buildings and new equipment, nicer quarters.

General VAN HARLINGEN. No, sir. They will be new facilities because the buildings are new. In addition, there are a number of other items I would like to go over in answer to your question, sir.

The overseas AUTOVIN system, which is the digital network under the Defense Communications Agency worldwide, is increasing the number of terminals by 120 over the previous year.

The AUTODIN system has expanded to the overseas area, and the lease of communications between those will require an increase in cost.

The Federal telephone system, which is a pro rata charge to the Army, is being increased.

There are general tariff increases which need support, although it is not used by the Army, for the Office of Emergency Preparedness.

There are improvements in the national defense warning network which are required, which we fund.

These are all relatively modest items, but they add up to the total of $16 million, sir.

Mr. WHITTEN. You leave me a little cold. We are familiar with the *Pueblo* and various and sundry other things. Despite our problems, financial and otherwise, I do not think you have made a very good case. These are just some words. I cannot see that you have had any problems that this will correct or any change that this will bring about. You may have it, but as far as I can tell you have not said it.

General VAN HARLINGEN. The installation of the AUTODIN outlets worldwide certainly increases the speed of communications by reason of changing from manual to automatic switching of messages, the automatic recognition of higher precedence messages, which has been a problem.

The expansion of the AUTOVON overseas also permits pre-emption of lines for higher precedence calls from overseas back to the States, and vice versa.

Mr. WHITTEN. I am imposing on the Chair, but I cannot help but believe, from last year's investigation and this year's reports, plus all the flareup on the *Pueblo*, that we some years ago got hooked with the idea that we need to keep up with what is going on all around the world, and we are still stuck with that. We may have reached the point

that it is immaterial and we cannot get the United Nations to let us do anything about it.

Are we still operating what we set out to do, to keep up with what is going on in the world? Is this part of that?

General VAN HARLINGEN. Under other programs, sir, the cost of automatic switching for intelligence purposes is carried. We do not have that in this. This is the general command and control system which I am talking about and through which the orders proceed to subordinate elements to speed up communications.

Mr. WHITTEN. In Okinawa, the Philippines, or Korea, has there been any change to cause you to spend this money?

General VAN HARLINGEN. Yes, sir.

Mr. WHITTEN. What is that change?

General VAN HARLINGEN. I believe the importance of those areas is continually increasing, particularly Korea.

Mr. WHITTEN. You mean the danger?

General VAN HARLINGEN. Yes, sir.

Mr. WHITTEN. You recall our report last year. Did you eliminate any decidated systems or circuits as a result of that report?

General VAN HARLINGEN. Sir, the Army use of dedicated systems is extremely small to begin with. Those which are funded in this program are largely for the National Warning ———. Those which are still in the program——

COMMUNICATIONS IN EUROPE

Mr. WHITTEN. What is the situation in Europe?

General VAN HARLINGEN. There are two major areas funded by this program, sir. One is the alerting network from Headquarters, USAREUR, to major subordinate commands, a single network. The other is leased lines for the Armed Forces radio network. Those are the only dedicated circuits in that area. The rest are shared commonly with the defense communications system.

Mr. WHITTEN. What is the occasion for holding onto these and not putting them on the defense communications setup?

General VAN HARLINGEN. When the defense communications system in Europe is completely integrated into the AUTOVON, the automatic voice network, systems such as the alert system can be carried by the DCS because by then, automatic pre-emption on alert will be possible. At the present time that is not the case.

Mr. WHITTEN. What is the time estimate on when that will be possible?

General VAN HARLINGEN. I will have to provide the exact answer for for the record, sir.

(The information follows:)

PLAN FOR INTEGRATING DEDICATED SYSTEMS INTO THE DEFENSE COMMUNICATIONS SYSTEM

The Secretaries of the military departments were initially, in 1966, directed by the Secretary of Defense to initiate action and plan for the integration of any existing dedicated networks into the defense communications system (DCS) switched networks, earliest practicable and consistent with the operational availability of the DCS AUTOVON and AUTODIN switches in the United States and the overseas areas. Governing criteria for integration of the dedicated networks

into the DCS common user switched network is based upon fulfillment of customer essential needs, evaluated in the light of cost effectiveness.

The integration of each dedicated network into the common-user switched environment is based upon the availability of resources and the technical features provided by the defense communications system (DCS) switched systems. The Secretary of Defense made provisions for short term retention of selected dedicated networks/circuitry, to provide the user assurance that the DCS switched systems would provide service equal to or better than that provided by the dedicated configuration. Actual dates of phaseout of the various dedicated networks are dependent upon a determination that the user's requirements can be met by the switched subsystems of the DCS (feasibility studies), and customer satisfaction with the service provided.

Some military departments dedicated networks/circuitry (both leased and government-owned systems) have been and are scheduled to be phased into the DCS subsystems. Those integrated have followed the activation of AUTODIN in CONUS and overseas, and the AUTOVON in CONUS. Further integration of voice circuitry await the activation of AUTOVON overseas.

The Defense Communications Agency, in conjunction with the military departments, activated the networks review panel on September 10, 1968. This panel has provided for the scheduling of some 50 networks for feasibility study during fiscal year 1969/fiscal year 1970 with the accomplishment of maximum integration as its goal. The remaining dedicated networks, some forty in number, are scheduled for review during fiscal year 1971/fiscal year 1972. The latter grouping of networks are highly critical command and control with unique characteristics not easily duplicated in the DCS, or so vital to the national posture as to warrant system demonstrated capability and reliability before integration. Experience gained in studies conducted during fiscal year 1969/fiscal year 1970 should assist considerably in developing techniques for integrating the more critical networks scheduled for later study.

The Department of the Army fully supports the Secretary of Defense's program for integration of dedicated networks and circuits into the DCS switch system as rapidly as possible dependent upon the availability of resources and the operational establishment of the AUTOVON/AUTODIN switches overseas. The operational cutover, and technical capability with the DCS switches to absorb the overseas dedicated network facilities is the pacing factor. Further, the Department of the Army is in complete accord with the DOD objectives wherein integration of networks will achieve improvements and effect cost economics resultant. As of current date, an ongoing MILDEP/DCA study is completely reviewing the remaining dedicated networks for phasing into the DCS switched system. The Armed Forces Radio Network (AFRN) is planned for study and analysis of integration feasibility in the fiscal year 1971/fiscal year 1972 time frame. The U.S. Army Europe (USAREUR) Alert Network is scheduled for integration into the DCS switch system in mid 1970. Neither the AFRN nor the USAREUR Alert Network can be absorbed in the DCS AUTOVON system in Europe until construction, installation and operational cutover of the remaining Europe DCS switches is accomplished during the period March 1970 through 1971.

COMMUNICATIONS IN THE UNITED STATES

Mr. WHITTEN. What is the situation in the United States in the same area?

General VAN HARLINGEN. The alert networks in which the Army is interested do make use of the automatic voice network, the DCS system.

CONSOLIDATION OF COMMUNICATIONS AND MESSAGE CENTERS

Mr. WHITTEN. What is the overall status in the consolidation of communications and message centers? How do we stand today?

General VAN HARLINGEN. The Army is developing at several places different types of equipment which will permit this. One of these is the AMPS, the automatic message processing system, at Fort Ritchie.

We are also investigating other systems which will permit effective and efficient consolidation.

That is the direction the Army is taking, because otherwise consolidation would merely move people doing manual functions from one place to another.

Mr. WHITTEN. Have you gotten instructions out to the field yet on these consolidations?

General VAN HARLINGEN. The field has been alerted that this is a requirement, sir. The planning of this is being centrally managed because of the need to have a rationale for equipment to work.

Mr. WHITTEN. Are you trying to speed this up or slow it down?

General VAN HARLINGEN. Sir, the Army is very much in favor of this.

Mr. WHITTEN. When do you anticipate having an adequate plan to detail the consolidation of these centers, where feasible, throughout the world?

General VAN HARLINGEN. I will have to answer that one for the record, sir.

Mr. WHITTEN. I am advised that you have to report quarterly to the Secretary of Defense. When was your latest report, and what did it consist of?

General VAN HARLINGEN. I will provide that, sir.

Mr. WHITTEN. That is mighty good, but we might not see the record. Isn't there anybody here who knows?

(No response.)

Mr. WHITTEN. Provide it for the record, then.

(The information follows:)

In a letter published on November 14, 1968 Army field activities were directed to take long-range actions to achieve this consolidation. On March 20, 1969 a new letter was published consolidating the instructions in the previous documents and recasting the urgency to an immediate rather than a long-range objective.

In addition to the guidance contained in the March 20, 1969 letter, further guidance is contained in a plan for the "Consolidation and Automation of Communications Centers and Message Centers (CACTUS)" scheduled to be published in July 1969. A detriment to rapid accomplishment of the consolidation objectives is the fact that high initial costs, which are not funded, are involved. The current emphasis, therefore, is on improving the management of the telecommunications system by integrating the responsibility under the communications-electronics staff officer.

The last report was dated February 18, 1969 and consisted of a list of those communications centers and message centers which have been consolidated or which are under consideration for consolidation. The next report is due April 15, 1969 and will consist of a complete list of all Army communications centers and message centers, with identification of those centers which have been consolidated or are under consideration for consolidation.

DEFENSE SATELLITE COMMUNICATIONS SYSTEMS

Mr. WHITTEN. What is the total amount in this budget request for the defense satellite communications system, and why are you asking for an increase of $3.8 million?

General VAN HARLINGEN. The total amount, sir, is $8.068 million, an increase of $3.8 million. The total will operate 15 ground stations, eight of which have been previously funded by the R. D. T. & E. program. The increase is to pick up the difference between the R. D. T. & E. funding——

OTHER LEASED LINES SYSTEMS

Mr. WHITTEN. In addition to the amounts provided for Autovon and Autodin, you show a request of $20.288 million for other leased lines systems. What are these other systems?

General VAN HARLINGEN. Sir, that is ———.

(Discussion off the record.)

Mr. WHITTEN. Who operates your communications systems in Southeast Asia? and is there an increase in cost?

General VAN HARLINGEN. There is no increase, sir.

The operation of that system has been by contract largely until during fiscal year 1968, at the end, a portion of that system which was operated by contractor was taken over by the military to reduce it to its present level.

At the same time, the total system was increased during that fiscal year by about 50 percent. We are operating it with a portion of contractor assistance for the maintenance only and for certain supply activities for items which are not yet established in the Federal supply system.

That is the substance of the cost throughout that system in both Thailand and Vietnam.

MAINTENANCE OF SEA COMMUNICATIONS EQUIPMENT BY CIVILIAN CONTRACTORS

Mr. WHITTEN. Who are your contractors, and how many do you have in Southeast Asia to keep up your equipment?

General VAN HARLINGEN. There are two major contractors. One in Thailand, Philco-Ford Corp., and one in Vietnam, the Page Communications Corp. They are the present contractors.

Mr. WHITTEN. Are they U.S. contractors operating with local labor, or how is that handled?

General VAN HARLINGEN. The majority of the so-called O. & M. personnel of those companies are U.S. citizens. They do have some foreign nationals, such as Filipinos and Australians, but they are a minor number.

DIFFERENTIATION BETWEEN FAR EAST AND SOUTHEAST ASIA

Mr. WHITTEN. It appears to me perhaps there is an increased cost of $1.6 million after this change. Am I correct in that?

General VAN HARLINGEN. Yes, sir; I spoke to that separately. It is closely related. That is the system between the Philippines and Japan. That is the Far East, not Southeast Asia.

Mr. ADDABBO. Did I understand you to say there was no increase?

General VAN HARLINGEN. In the Southeast Asia portion of this system.

Mr. ADDABBO. We have testimony before us on account 2550, a total increase of $16.3 million, of which $10.3 million is for "Operation and maintenance" of integrated communications system.

General VAN HARLINGEN. Yes, sir. That is not an increase. That is the same as in the previous fiscal year.

Mr. ADDABBO. But the statement says net increase. The statement before me, on page 32, under account 2550, says the net increase is $10.3 million.

General VAN HARLINGEN. Sir, that is not in Southeast Asia.

Mr. GARRITY. Some part of it relates to Southeast Asia.

General VAN HARLINGEN. A portion of the total amount is in Southeast Asia, but there was no increase in that portion.

Mr. LIPSCOMB. Maybe you ought to use the same term they do, Far East costs, and then you will get it. Are you pinpointing South Vietnam, Southeast Asia?

General VAN HARLINGEN. South Vietnam and Thailand, sir, are defined here as the Southeast Asia portion.

Mr. LIPSCOMB. Are we talking about the integrated communications system, Far East costs?

General VAN HARLINGEN. Far East is a different area. That is the area I first addressed, which covers the system between the Philippines, Japan, and Korea.

Mr. WHITTEN. It comes back to the fact that we are using Southeast Asia and Far East as two different things, and for that reason the questions do not pin it down. Is that what you are saying? The increase is in the Far East and not in Southeast Asia?

General VAN HARLINGEN. Not in Southeast Asia, yes, sir.

Mr. WHITTEN. What are the increases in the Far East that you have not already covered?

General VAN HARLINGEN. I believe I have covered those in my earlier statement, sir.

MAINTENANCE OF SEA COMMUNICATIONS EQUIPMENT BY CIVILIAN CONTRACTORS

Mr. WHITTEN. I had just asked you about the contractors for maintenance of this equipment. Were these corporations founded for the purpose of taking on these contracts, or did they exist prior to that?

General VAN HARLINGEN. Both of these contractors were in the business long before the time of these contracts.

Mr. WHITTEN. Has the Army developed any capability to take over this job in case it should become necessary?

General VAN HARLINGEN. The Army has increased its capability over the last few years. We have established training for this type of equipment, and gradually have replaced, as I indicated, a large number of them.

Mr. WHITTEN. Where has that taken place, and to what degree?

General VAN HARLINGEN. It took place in Southeast Asia during the past 18 months, in which you will note a net decrease of over $6 million for the operation of the system, even though the system itself during that time has expanded in extent on the order of 50 percent.

Mr. WHITTEN. What are you paying these contractors?

General VAN HARLINGEN. They were cost-plus up until last year, and now they are on a negotiated contract.

Mr. WHITTEN. That is all interesting, but it does not answer my question.

General VAN HARLINGEN. I do not have the specific figures. I will give you the figures——

Mr. WHITTEN. Give us what it was under cost-plus, and compare that with the present operations under the negotiated contract. You do not know whether it has improved? Is it better or worse, financially?

General VAN HARLINGEN. The total cost of the contracts is considerably lower than it was, yes, sir, some $6 million.

(The information follows:)

In fiscal year 1968 the contractors were responsible for the complete operation and maintenance of an end total of 65 sites in Southeast Asia. The contracts for these services amounted to $20.5 million.

During fiscal year 1969, the system will reach an end total of 91 sites. Service contracts were negotiated to allow the Army to assume operational responsibility for sites as personnel became available. Military personnel were trained and will operate the 56 sites in South Vietnam by the end of fiscal year 1969. Maintenance support continues to be performed by contractor personnel. Total contracts for all required services for the IWCS will amount to $13.7 million.

Competitive contracts for required fiscal year 1970 services are now in the negotiation phase.

WORLD MILITARY COMMAND AND CONTROL SYSTEMS

Mr. WHITTEN. How much is included in the Army's program for the support of the worldwide military command and control system?

General VAN HARLINGEN. The national military command system portion is $3.263 million for fiscal year 1970.

Mr. WHITTEN. How is that used? Is that just put in a common pot, or is it for particular activities?

General VAN HARLINGEN. No, sir. The Army has responsibility for message center activities in the command center at the Pentagon. We also have responsibility for operation of similar activity in a classified location, and for tie lines between the two.

Mr. WHITTEN. Is that a single responsibility, or does it mean all of you are in on it? Do the other services duplicate what you are talking about?

General VAN HARLINGEN. They do not duplicate the portions the Army does.

Mr. WHITTEN. How much is in this budget for the support of the interagency communications system and the operating cost of the special facilities?

Mr. PHILLIPS. I am Robert Phillips, Director of Emergency Operations for the Office of Emergency Preparedness.

(Discussion off the record.)

MALLARD COMMUNICATIONS SYSTEM

Mr. WHITTEN. How much is in this budget request for the support of the Mallard communications system?

General VAN HARLINGEN. There is none in this budget, sir.

Mr. WHITTEN. Where would that appear?

General VAN HARLINGEN. That would be in the research and development area, sir.

Mr. WHITTEN. Does anyone here have information on that?

General VAN HARLINGEN. I am unable to speak to research and development; no, sir.

ARMY SATELLITE COMMUNICATIONS AGENCY

Mr. WHITTEN. In what appropriation is the support cost for the Army Satellite Communications Agency?

General VAN HARLINGEN. The O. & M. is in this program, sir.

Mr. WHITTEN. What is involved in that?

General VAN HARLINGEN. The operation of 15 of the ground stations includes some Satellite Agency personnel. The larger part of the Satellite Agency, again, is R.D.T. & E.

Mr. WHITTEN. Do you have a breakdown of what part of the cost goes to that operation, or is it mixed in with the other activity?

General VAN HARLINGEN. It is a rather minor part. I do not have the exact figure, no, sir.

Mr. WHITTEN. Will you supply it for the record?

General TAYLOR. Yes, sir.

(The information follows:)

The U.S. Army Satellite Communications Agency (USASCA) is the Army project manager for Satellite Communications with responsibility for providing the ground environment for all DOD satellite communications systems.

Administrative costs, to include pay of personnel, for the operation of the USASCA totals $951,000. Logistical costs in support of the mission of the USASCA totals $1,100,000. Included in this support is the cost of transportation of terminals for deployment or redeployment and supply management operations. These costs appear in the supply and maintenance areas of the O. & M. appropriation.

Mr. SIKES. Mr. Addabbo.

Mr. ADDABBO. ———.

(Discussion off the record.)

INCREASE IN COMMUNICATIONS COSTS

Mr. ADDABBO. General Taylor, this item shows an increase of $16.3 million over 1969, approximately $5 million over 1968. Would it be possible to get a breakdown of that $16.3 million, how much is built-in increase due to increase in salaries and the increased cost of communications, and how much in that $16.3 million is for new services and new equipment?

General TAYLOR. We will certainly try, sir.

(The information follows:)

EXPLANATION OF INCREASED COMMUNICATION COSTS

The $16.3 million increase in fiscal year 1970 provides $80,000 for salary increases and $16,200,000 for increases in the cost of operating existing communication systems and/or ongoing programs. The increase provides for no new services

in the sense of system expansion nor does it provide for purchase of new equipment. A detailed breakout follows:

Communication costs:	
Leases:	
Autodin	$1,549,000
Autovon	2,856,000
Federal telephone system	427,000
Total leases	4,832,000
Operation and maintenance:	
Defense satellite communication system	3,800,000
Integrated communication system—Far East	1,600,000
Command and control and communications	1,400,000
Supplies, materials, and contractual services	3,327,000
Total O. & M	10,127,000
Salaries	(34,000)
Improvement and modernization	592,000
National Military Command System	586,000
Total	17,296,000
Offsets:	
Audiovisual	−66,000
Operation and maintenance	−400,000
Alternate National Military Command Center	−550,000
	−1,016,000
	16,280,000

Mr. ADDABBO. I have no further questions.

Mr. SIKES. Mr. Lipscomb.

Mr. LIPSCOMB. I would like to ask about the Office of Emergency Preparedness.

(Discussion off the record.)

Mr. LIPSCOMB. This is very valuable to peacetime operations, is it not?

Mr. RICE. It is very valuable.

OEP ASSISTANCE IN DISASTER RELIEF

Mr. LIPSCOMB. Was not this system for national emergencies used in the California disaster?

Mr. RICE. It is used for very practical reasons during other than a nuclear attack or extreme national emergency situation; yes, sir. It also gives us the opportunity to exercise and validate and test the capability in peacetime.

Mr. SIKES. Do you need a special system just to handle California disasters?

Mr. RICE. No, sir.

Mr. LIPSCOMB. The Office of Emergency Preparedness did work on the California disaster.

Mr. RICE. Disaster relief, sir, is another one of our responsibilities, a separate but related responsibility.

Mr. LIPSCOMB. I will say the Office of Emergency Preparedness certainly performed outstanding service during that situation out there.

Mr. RICE. Thank you.

Mr. LIPSCOMB. They are still doing so.

Mr. RICE. I might say the disaster relief program is another one of Mr. Phillips' responsibilities, and I think they have done an outstanding job.

Mr. LIPSCOMB. They performed a timely and very valuable service.

Mr. RICE. Thank you.

Mr. LIPSCOMB. These are funds in your budget that you are not using for combat purposes.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. I think things like this ought to be pointed out in the military budget. I think many people have the impression that the defense budget is all used for military purposes, but here is a service that is nonmilitary and performs a valuable peacetime service.

Thank you, Mr. Chairman.

NONMILITARY ITEMS IN THE ARMY BUDGET

Mr. SIKES. I find more and more activities that are at least pseudo-military in scope appear in the military budget. The public, of course, does not realize the extent of recent expenditures which are charged to the military but are only in part military in function.

Has an effort ever been made to total projects of this nature to see how much of a semimilitary nature is carried in the military budget?

General TAYLOR. Mr. Chairman, I do not believe we have done that for the public record. I do believe we have various areas that you are speaking of.

Mr. SIKES. Could they be listed without too much difficulty?

General TAYLOR. I would be happy to.

Mr. SIKES. I think it would be useful to have that in the record.

General TAYLOR. I would like very much to put that in future opening statements.

Mr. LIPSCOMB. Many of these things that the military perform are in your budget because of your expertise and the way that you get them done. They are really for the good of our country domestically.

General TAYLOR. That is very true.

Mr. SIKES. As Mr. Lipscomb has said, you do an excellent service. The operations are well carried on. I think it would be useful for the general public to have a better understanding of these services and their costs.

General TAYLOR. We will be happy to do so.

(The information follows:)

NONMILITARY PROJECTS

The fiscal year 1970 budget includes the following readily identifiable projects of a semimilitary nature directed toward the betterment of society and mankind:

[Amount in fiscal year 1970 budget, in millions of dollars]

Project title	
Office of Emergency Preparedness	
Project value	0.2
Project transition	10.7
Civil disturbance directorate	0.3
Project 100,000	4.6
Overseas dependent education	81.7
General education development	10.3
Civil defense	4.3
Department of Defense programs originally funded by the Agency for International Development	55.5

(CLERK'S NOTE. See page 101 for analysis of $55.5 million.)

JOINT PROJECTS

EXPLANATION OF INCREASES

Mr. SIKES. Now on 2590, joint projects, the request for fiscal 1970 is $8.7 million, an increase of $6 million from the revised fiscal year 1969 estimate, and this is for the improvement of the Command and Control Facilities at the U.S. Southern Command and U.S. Army European Command.

Break those out and tell us how much is for each.

General ROSENBOROUGH. Yes, sir.

Mr. SIKES. Provide that for the record. Tell us why the increase is necessary.

(The information follows:)

JUSTIFICATION OF INCREASED FUNDS FOR COMMAND AND CONTROL FACILITIES AT THE U.S. SOUTHERN COMMAND AND U.S. ARMY EUROPEAN COMMAND

The increase of $0.6 million in 2590 over fiscal year 1969 for USSOUTHCOM and USEUCOM is for improvements with respect to automation of the function of acquiring, processing, disseminating or reporting operational information required by the respective commanders and the JCS. This information ranges from the location and current readiness status of units, strategic weapons systems, to the characteristics of ports and airfields. The command centers of these commands are subelements of the Worldwide Military Command and Control System. This system is made up of the facilities, communications, equipment, personnel and procedures required for the strategic direction of the Armed Forces. The National Military Command Center is the apex of the worldwide system and it is directly connected to the command centers of the unified and specified commands, service headquarters, and other DOD agencies. Automation of these functions is now essential to the effort of making information available to commanders at the various echelons in time for it to be a factor in their judgment in the exercise of command.

In early 1966 decisions were made to install a computer to support the USSOUTHCOM Command Center. In late 1967 USCINCSOUTH's concept for installation and use of the computer was approved. Efforts are now underway to acquire a surplus Government-owned computer for installation in fiscal year 1970. $315,000 is required for placing the computer into operation. $140,000 of this is required for contractual assistance for systems analysis, design, and programing of the USSOUTHCOM applications.

Personnel currently assigned to USSOUTHCOM do not possess the skills and expertise to accomplish this task in the time frame required; $125,000 is required for the purchase of supplies such as magnetic tapes, punched cards, print paper, spare parts and pay of additional personnel to operate the equipment. The remaining $50,000 is required for utilities and communications and TDY and transportation associated with the training of ADP analysts and programers assigned to the headquarters.

The USSOUTHCOM ADP system is somewhat unique in that the central computer will serve the command and control needs of the component commands through the use of remote inquiry equipment. An additional bonus is also gained in that applications of the intelligence data-handling system and the military assistance program will also be handled on this computer.

In the case of USEUCOM, $271,000 are required for improvements to the currently installed and operating ADP system. As a matter of background, the relocation of Headquarters, USEUCOM from France required considerable restructuring of the USEUCOM command and control system. Due to the criticality of this headquarters, efforts were made to speed the reinstallation of the system in Germany and improve the responsiveness of the system as well. Considerable progress has been made along these lines. A new functionally designed command center facility has been completed and occupied and communications are in and operating. A computer fully dedicated to support of the command and control system was installed and in operation in July 1968. The current capability of this computer equipment poses the requirement to initially increase the level of effort so that more effective use can be made of the equipment. This increase in effort is temporary and should phase down in fiscal year 1971 when the large initial workload to get programs operating smoothly will be completed. The second basic reason for the increase is the now-pressing need to insure compatibility of the system with the equipment, elements of information, programs and procedures for the exchange of operational information between Headquarters, USEUCOM and the USEUCOM component commands. As in the case of USSOUTHCOM, USEUCOM requires contractor assistance initially to provide the skills and expertise for analysis necessary to identify these requirements and improve the design of the programs and procedures. This will facilitate the timely exchange of operational information.

INTER-AMERICAN RELATIONS

Mr. SIKES. I would like some more information on the Inter-American relations, what is being done in that general area, whether the program is being expanded over prior years.

Quite frankly, I am wondering whether the cost is fully justifiable in that I would assume our primary mission there is missionary work. We have never fought a war in that hemisphere. I do not question the desirability of having our people in the hemisphere, and I would rather not leave a vacuum by taking them out.

I would like some discussion of the requirement for the size of the operation that we have there.

General ROSENBERGER. Sir, in the first place, the size for 1970, the level of funding is exactly the same as for 1969.

These funds support primarily official visits, support the Joint United States-Brazil-Mexico Defense Commission, and the conduct of official functions by the Chairman of the U.S. Inter-American Board and the delegation of the U.S. Inter-American Board as well as the translation into Spanish of certain Army field and technical manuals that we feel would be helpful to those countries.

I believe anything further than that, any observations as to how valuable a program this is to us nationally, and so forth, I would have to merely give my own opinion or prepare a statement for the record.

Mr. SIKES. I would like something for the record on this.

General Roseborough. I do recall that our relationship with these South American countries was very helpful to us in the days of the Cuban crisis, as I am sure you recall, also.

Mr. Sikes. You can prepare something for the record.

(The information follows:)

FUNDS FOR INTER-AMERICAN ACTIVITIES

In September 1965 Department of the Army was assigned as executive agent for the U.S. Southern Command which includes responsibilities for functions associated with Inter-American Activities. These functions which include translation of U.S. Army field and technical manuals, secretarial services, and official representation, complement other U.S. programs in Latin America such as the military assistance programs and the Alliance for Progress. In support of U.S. objectives the activities are in furtherance of improved bilateral as well as multilateral relationships.

The program is relatively modest; $242,000 for both the fiscal year 1969 and fiscal year 1970 budget estimates. Approximately 70 percent of the funding requirement is to finance the cost of translating and printing U.S. Army field and technical manuals in the Spanish language. The translation program was initiated in 1950 and is accomplished at the U.S. Army School of the Americas, Panama Canal Zone. Over the years these manuals have been distributed to the Latin American Armies and have served to give those forces ready access to U.S. tactical doctrine. The technical manuals have significantly contributed to the proper operation and maintenance of U.S.-supplied equipment. The manuals are also used extensively by the U.S. military groups and mobile training teams that assist in the training of Latin American Armies. Other benefits of the translated manuals are derived from their use by Latin American armies for civic action programs and the development of doctrine for counterinsurgency operations.

The Army was assigned the responsibility of providing secretarial support to the Joint-Brazil-United States Defense Commission and the Joint-Mexico-United States Defense Commission by the Joint Chiefs of Staff in December, 1950. A Secretary is assigned to the Joint-Brazil-United States Defense Commission to provide secretarial services for the U.S. Delegation to that Commission. Another secretary is assigned to the Joint-Mexico-United States Defense Commission in fulfillment of the requirement in the terms of reference which prescribes that the United States will provide the secretariat of record at meetings between the two countries. In addition to providing secretarial services, the secretary functions as an interpreter-translator for the Commission

Funds are also required for travel to Latin American conferences by U.S. military members of the Inter-American Defense Board and Director, Inter-American Defense College. The United States engenders goodwill and strengthens its diplomatic relations through these representations, participation in Latin American Conferences, representative functions on behalf of the United States, and the repaying of social obligations. In addition, the recognition afforded by U.S. participation in national holiday ceremonies of Latin American countries serves to solidify the relations between these countries and the United States.

Mr. Sikes. Are there other questions in this area?

MEDICAL EXAMINATIONS

Mr. Addabbo. Account No. 2530 shows a decrease of $3.3 million. In checking the statement on account 2460, on page 27 of the statement, Armed Forces Examining and Entrance Stations, we find an increase of $10 million.

Mr. Sikes. I think that is in the next item, intelligence, which we are going to get into.

Mr. Addabbo. 2530 and 2460.

General Taylor. 2460 versus 2530?

Mr. Addabbo. Right.

General Taylor. Sir, the increase in 2460, which is Armed Forces Examining and Entrance Stations, under the medical program, is about $400,000. The total program in 2460 is $10 million for 1970.

Mr. ADDABBO. $9.6 million is attributed to increased number of examinations.

General TAYLOR. Sir, the $9.6 million is for fiscal year 1969. The request for fiscal year 1970 is $10 million, or an increase of approximately $400,000. This increase is attributed to increased examinations, and that is for all Services as well as the Army, Mr. Addabbo.

Mr. ADDABBO. We still have a saving of $3.3 million?

General TAYLOR. Under 2,530, we still have a savings, yes, sir. That is a reduction.

Mr. ADDABBO. That is all.

Mr. SIKES. We will begin this afternoon at 2 o'clock with "Intelligence activities," and the first item will be a discussion of the anti-Army newspaper which is being published and distributed at Fort Belvoir. Are you prepared to discuss that?

General TAYLOR. Yes, sir, we are, Mr. Chairman.

Mr. SIKES. Thank you, gentlemen.

Afternoon Session

Mr. SIKES. The committee will come to order.

ACTIVITIES OF ANTI-WAR GROUPS

PUBLICATION OF UNDERGROUND NEWSPAPERS

We will consider intelligence activities later, but first I would like to discuss the antiwar, anti-Army newspaper which was called to the attention of the committee yesterday. Off the record.

(Discussion off the record.)

Mr. SIKES. General Taylor, what can you tell us about the production, backing, distribution, et cetera, and the Army's policy on publications whose policy appears to be contrary to that of support for the country and its military forces?

General TAYLOR. Mr. Chairman, I have General Fenili from the Assistant Chief of Staff, Intelligence Office, who will be happy to talk to that problem.

Mr. SIKES. Would you proceed.

General FENILI. I will address this paper specifically now, and then if later you want to explore this subject overall in more depth I have someone who can cover it more in detail.

Mr. SIKES. All right.

General FENILI. This particular paper was surfaced primarily at the Army hospital at Fort Belvoir on the third of March. It is one of 14 similar underground newspapers published throughout the nation in cities that are near major military installations and purported to be written by soldiers on military posts. Available information indicates that this paper is sponsored and possibly published by the "Washington Mobilization Committee To End The War In Vietnam."

Mr. SIKES. Who are they?

General FENILI. They are the local antiwar group which, while generally independent in its activities, has supported the National Mobilization Committee in the nationwide antiwar goals.

POSSIBILITY OF COMMUNIST INFLUENCE

Mr. SIKES. Are they a Communist front group?

General FENILI. No, sir. The National Mobilization Committee is the one which is headed by Mr. Bellinger, sir. That was the group that sponsored the march on the Pentagon in October of 1967.

Mr. SIKES. What are they, just nuts?

General FENILI. Primarily they purport to be antiwar people. They are counter to anything that supports the war in Vietnam.

Mr. SIKES. Have you or the FBI investigated their connections to see what motivations they have, whether they do have Communist affiliations or Communist leaders?

General FENILI. Yes. ———. To the extent that these organizations might lead to situations wherein Federal troops might have to be used, why, we remain cognizant as to what they are up to.

Mr. SIKES. You have not answered the question. Does investigation show that they do or do not have Communist affiliations, or have there been such investigations?

General FENILI. ———. There is no indication of any direct tie back to Communist organizations.

Mr. SIKES. They are an antiwar group?

General FENILI. Primarily so.

Mr. SIKES. An antiwar group?

General FENILI. Yes, sir.

Mr. SIKES. They organized the march on the Pentagon, among other things?

General FENILI. Yes.

Mr. SIKES. This publication, "Open sights" says "For GIs, by GIs". Is it written by GI's?

INVOLVEMENT BY SOLDIERS ON ACTIVE DUTY

General FENILI. ———. It is currently being investigated, as is normal, by the post commander at Fort Belvoir, by the commanding general of the military district of Washington insofar as it might turn up, say, at Fort McNair or Fort Myer.

Mr. SIKES. How widely is it distributed? Do you know what the numbers are?

General FENILI. We have been able to locate 20 copies of this particular paper, sir. We do know, of course, that there are similar types of underground newspapers published elsewhere.

Mr. SIKES. With this type of printing it is not going to have very wide distribution.

General FENILI. That is correct.

Mr. LIPSCOMB. Is that an original copy of it or is that just a copy?

General FENILI. Here is an actual copy of it.

Mr. SIKES. Mimeographed type of thing?

General FENILI. Offset printing.

Mr. SIKES. Offset printing.

General FENILI. Yes. They list in this particular copy the fact that there are eight others that they know of. We have pinned it down to 14 total similar type papers. They always try to make it appear as if the soldiers are directly involved. We know of no particular instances

where soldiers have been found to be directly involved. If and when we should find them directly involved and were the paper found to be printed on post, then we, the military, would be in position to take some action.

Mr. LIPSCOMB. You have found former GI's directly involved, I take it?

General FENILI. Yes, sir. We have found them; in many instances they are former GI's.

SERIOUSNESS OF THREAT POSED BY ANTIMILITARY GROUPS

Mr. SIKES. I take it that you do not consider it a serious matter? It is something of a nuisance but not a threat; is that correct?

General FENILI. It is always a threat, sir, but we don't feel that it is a major threat at this particular time. We think that the publicity that it gets is out of proportion with the extent of participation—and, of course, I believe they try to get this publicity—this is why the Washington Post can get the details it does. No; the program that the Army has taken is to try not to treat the symptom but try to treat the cause, try to motivate soldiers that do come into the Army against this sort of thing, and in most instances, sir, there are not very many soldiers who are swayed by this kind of thing. Usually when something like this turns up on a post, it is turned into the commanding officer by the soldier.

Mr. SIKES. Has this happened rather frequently, this type of thing? Does it get started rather frequently around military posts?

General FENILI. It has. I would like, if I might, to call on Mr. Braunstein, who is a retired lieutenant colonel, in counterintelligence work, who works for our counterintelligence analysis branch which keeps track of this kind of information.

INVOLVEMENT OF CIVILIAN ORGANIZATIONS

Mr. SIKES. Of course, it is obvious that not everyone in uniform is happy with the service or happy about being in uniform. A certain amount of that is inevitable. There is going to be a certain amount of letting off steam. Apparently though, from what you have said, this is not even a venture by Army personnel insofar as you know?

General FENILI. As far as we know, and we are fairly certain with regard to this, it is normally a civilian-sponsored organization. They will try to make contact with the soldiers to assist them, to act as distribution points and the like, just for instance as when they set up the coffee houses nearby to provide a place where soldiers who would listen would come and discuss with them antiwar themes and the like. Here, too, this has not had a great impact.

Mr. SIKES. They also say in their columns that they were going to endeavor to have women at the meeting.

General FENILI. At the party.

Mr. SIKES. Women and beer are pretty good bait.

General FENILI. Yes, sir.

POSSIBILITY OF TREASON

Mr. SIKES. Does this thing smack of a measure of treason, though, in trying to undermine the morale of Army forces and to encourage them to take actions that could be injurious to the country itself?

General FENILI. If it were to go to that point where it would instigate, incite soldiers to do this kind of obstructionist activity, it could, yes; but we have no evidence that it has.

Mr. SIKES. Apparently nobody is paying too much attention to it except the Washington Post.

General FENILI. Well, it gets a lot of publicity, sir: Washington Post, TV, the people who are involved want it known that it is going on. They are seeking publicity. As a result, it appears to be a major thing. We do not think it is a major thing. It is a definite threat, we watch it very closely and the Army has definite programs to try to counter the effect of this sort of thing.

Mr. SIKES. All right.

Colonel?

OPERATION OF ANTIMILITARY GROUPS

Mr. BRAUNSTEIN. Sir, one of the manifestations also observed was the actions of some of these groups throughout the country, primarily the antiwar groups that are interested in protest against the Vietnam war, interesting the soldier to participate in demonstrations against the war with them. This has been manifested in several articles that made the newspapers. These individuals are told to stand up for their GI rights, the constitutional right of free speech which is maintained as being abridged by not being able to say what they think about the war while in the military.

This has happened frequently throughout the country. ———.

We are trying to determine who actually is behind it, what their motives are, and are they trying to cause trouble with morale and discipline in the Army? We find that there are certain organizations and groups of organizations who are making a more concerted effort than others.

In general, there are various resistance groups in most of the major cities located near the larger military installations. Some of these organizations have set up the coffee houses that the General mentioned and have also set up headquarters whereby they have meetings and are able to try to get the soldier down to speak with him and ask him to stay in the service and speak out against the war.

The newspapers that have appeared, we are trying again to determine if these organizations are not sponsoring these newspapers. We have found some evidence that they are doing just this. We have been able to associate them with the newspapers. All of these newspapers maintain or try to maintain the idea that the paper is printed on a military post by the GI; but so for, while the GI's may have been found in some instances to contribute articles or to disseminate the information on a military post, the paper itself, that they are not actually runing presses on military posts and putting out such papers.

In general, that is about the size of what effect these newspapers have had. Any specific questions, I could direct my answers to those if you like.

RESISTANCE INSIDE THE ARMY (RITA)

Mr. LIPSCOMB. Would you bring us up to date on the group called Resistance Inside the Army, RITA?

Mr. BAUNSTEIN. Yes, sir. Resistance inside the Army or RITA, the acronym, is more a generalized feeling or it is a generalized phrase used to depict dissidence which appears among certain individuals in the service. In actuality, RITA or dissidence among soldiers took the form first of individual acts. These acts were more or less failure to obey orders or the desire not to eat or bear arms. They were pretty much on an individual basis. This took place in 1966 and 1967.

As the war progressed we found that there were more deliberate instances of dissidence and we discovered that there was an attempt by certain individuals who had backgrounds of association with leftist organizations who were trying deliberately to make difficulty. One individual who was in this category that made considerable headlines was an individual by the name of Andrew Stapp.

Mr. LIPSCOMB. You say that in the past tense.

Mr. BRAUNSTEIN. Right. He is no longer in the service.

Mr. LIPSCOMB. Right. But he is very active now.

Mr. BRAUNSTEIN. Right; he is. He is the father, so to speak, of the American Serviceman's Union, so-called, which purports to be attempting to unionize the Army.

Mr. LIPSCOMB. He also publishes a paper like this.

Mr. BRAUNSTEIN. That is correct.

Mr. LIPSCOMB. Entitled, "The Bond."

Mr. BRAUNSTEIN. He publishes the Bond.

SERIOUSNESS OF THE PROBLEM

Mr. LIPSCOMB. Both of you gentlemen have tapped this subject very lightly up to this moment, I think. I mean, you have left the impression that it is no problem—or have I been wrong?

General FENILI. Well, as I indicated, we know there are 14 such newspapers. We do know there are these various organizations. We did not name them all for you. ———.

Mr. LIPSCOMB. But I do not think, as intelligence officers, you should leave this committee with the idea that this paper is no problem and the fact that RITA is a thing of the past. The fact is that you have followed RITA to the extent that over a year ago you connected over 23 organizations worldwide with RITA; the fact is that the newspapers in Moscow continually publish material from these papers on both Moscow radio and newspapers. You mentioned here there was no Communist link. Mr. Stapp was in the press, in the Wall Street Journal, just a week ago criticizing "The Green Beret," a motion picture. The fact is that—well, I am not going to make your case here. If the Army is not worried about it——

General FENILI. What I am saying, Mr. Lipscomb, is that there is no direct contact, of any of these organizations that we can determine, to a direct Communist link. So far as the Communists making great propaganda of what these organizations do, they surely do. These people help them very, very much in their activities. As I indicated, we felt it was a threat but it is not a direct threat that we feel is going to

undermine the Army, either in a local situation or in an overall situation. Now, we do know about these organizations, ——— I have not run down through the list of them. I can give you the listing.

Mr. LIPSCOMB. But you do know about them. Then as an explanation to this committee, you said that you hope that your training efforts will offset it.

General FENILI. Yes, sir; yes, sir. This is the way we feel we can best offset it; a positive approach rather than what I will refer to as a negative approach. In other words, treating the cause, which is the individual. If we can get to the individual when we get him into the Army and motivate him to want to be a part of that Army, and also if he does encounter this kind of activity, have him motivated to the point where he will report it and not become part of it, then we will undermine the activities of these particular organizations. Yes, we are going to watch them ———.

I also have to indicate that to the extent that their activities are not directly connected with the military, if they are out in the civilian community then, of course, we ———.

Mr. LIPSCOMB. I hope that your investigative work brings this all out. I mean, as you well know, Mr. Stapp was in the military with two other fellows and it all started there while you observed him——

General FENILI. Yes, sir.

Mr. LIPSCOMB (continuing). Getting started. I suppose. But if it can be done once, it certainly can be done again.

Esquire magazine had a very detailed article on this. I suppose that you have researched that out. It was on coffeehouses and other things.

General FENILI. Yes, sir. Esquire magazine, for instance, caused us a little bit of difficulty in that, if I remember correctly, the commander down at Fort Hood did not want to allow that particular issue of it to be on the magazine counters at Fort Hood and, in fact, had them removed. But the protests were that great from these same-type organizations as well as some others, civil liberties organizations, that we had to retract with regard to that.

Mr. LIPSCOMB. Is it not a fact that one of Mr. Stapp's friends with whom he served in the service turned up to be one of the deserters this week?

General FENILI. Do you know about that?

Mr. BRAUNSTEIN. No; that was not—you are speaking of ex-Private Perrin who was one of the founders of an organization known as RITA in Paris, France. I believe that would be the individual.

Mr. LIPSCOMB. I did not check that out.

CURRENT ACTIVITIES OF RITA

Mr. BRAUNSTEIN. Yes, sir. I did not mean to indicate to you, sir, that we considered RITA as a thing of the past. What I was attempting to show was that initially RITA manifested itself as individual actions. Lately, in the past year or so, the actions of RITA have changed. There has been an examination to show that in actuality not only individual acts but acts of organizations in the Army, if we can consider the American Serviceman's Union an organization that exists in the Army; there is a question as to whether this is true or not. No one, I don't believe, can estimate the number of individuals who

belong to the American Serviceman's Union. Mr. Stapp makes a claim of some 5,000 servicemen, which includes the Army, Navy, Air Force, and Marines. In addition to such an organization there is much activity that is categorized as RITA which is not in the Army itself but directed at the soldier.

The activities such as the coffeehouse, the serviceman's newspaper, which are generated outside of the military, directed at the soldier himself, getting him to participate in antiwar activities and to speak out for his so-called rights. This, in kind, pursues the entire gamut of RITA, starting out as initially protests by, say, the Fort Hood three, Sammis, Mora, and Johnson; and going down through Levi and people of that nature to the present. We could even take the original pray-in that took place at Fort Jackson about a year ago, where these people went to the chapel, and it progresses on down to where now the serviceman is actually made the prey of organizations whereby they go to him and say "Stand up for your rights, stand up against the war, we will help you, we will help get lawyers for you." But we have also unearthed evidence which is rather interesting in that the serviceman now is saying "I don't really need a lawyer. You are telling me that that is fine, I can stand up for my rights, but I don't need a lawyer, I don't want to get myself in that deep." We have already come across that, as far as they are concerned, for protection outside of the need for a lawyer. They are not interested in getting court-martialed, in other words.

General FENILI. We have in the Department of the Army Staff the Morale and Discipline Committee, one of several standing committees. One of its functions is to exchange information on this type of activity. Another action we have taken is to instruct this committee to look into this dissident activity and exchange information on it as it becomes available. This enables us to keep commanders at various echelons aware of all available information on the subject, particularly cleared and evaluated information.

Mr. LIPSCOMB. Are these groups participating in any way in criticizing the courts-martial that are being held on the west coast?

Mr. BRAUNSTEIN. Yes, sir.

General FENILI. Yes, sir; all of these are the same organizations.

Mr. BRAUNSTEIN. The same people. Actually, who are they? They are leftists, new left people, pacifists, antiwar people, just about anyone who feels that he does not particularly care for what goes on at the present time.

Primarily in regard to the war in Vietnam, or for any other cause that would look a likely target for their jibes.

Mr. LIPSCOMB. I am personally glad that you explained further on the matter.

Mr. BRAUNSTEIN. Yes, sir.

Mr. LIPSCOMB. I recognize the right of free speech and individual privileges, but at the same time I recognize it can endanger the security of our country.

Mr. BRAUNSTEIN. Yes, sir. We are well aware of that.

Mr. LIPSCOMB. So actually from just observing it on the outside, from public notices and what I can gather, it seems to be growing in magnitude and not reducing in its significance.

UNDUE PUBLICITY GIVEN TO DISSIDENT GROUPS

Mr. BRAUNSTEIN. As the general pointed out, unfortunately the press sometimes give, we feel, an undue amount of publicity to a given activity. The fact that these activities are prejudicial to morale and discipline is well recognized.

Mr. LIPSCOMB. Just like one of the articles that was carried in one of our national news magazines, there was an editorial entitled "They Do Not Want To Kill." That was picked up and publicized in the Literary Gazette over in the Soviet Union in November. I mean, they just picked it up and put it all over the world. Then I understand that at least the deserters claim they have a newspaper that is published and has a distribution of 25,000 inside of Western Europe.

Mr. BRAUNSTEIN. They do. There are several newspapers printed. One is called The Second Front. The question is actually, where is it produced? It is either in France or in Sweden, but it is a combination of those deserters who are in both France and Sweden; and also there is a publication known as Act, which is published by the deserters who are in France at the present time. The RITA organization puts out Act.

General FENILI. We recognize that the activity is widespread, that it gets a lot of publicity. There are not a lot of people involved, though, in any of these organizations. None of them are mass organizations. They are small organizations. They do have quite an impact. They are receiving our attention.

Mr. LIPSCOMB. The impact is not only on the military; the impact also gets into our civilian population.

General FENILI. This is true, sir, and, of course, that goes beyond the jurisdiction that we have.

Mr. LIPSCOMB. The way it is played up in the press, contributes to the problem.

General FENILI. Yes. Then when you have statements such as are being made in the current Atlantic Monthly and by the types of individuals who make such statements, the impact gets real, real bad.

Mr. LIPSCOMB. You are referring to the present issue?

General FENILI. I did not say which one, sir.

Mr. LIPSCOMB. Thank you very much.

Mr. SIKES. Questions, on my right?

Mr. ANDREWS. Mr. Chairman.

Mr. SIKES. Mr. Andrews.

EFFECT OF THE NO-WIN POLICY IN VIETNAM ON TROOP MORALE

Mr. ANDREWS. Are you a civilian or are you in the service?

Mr. BRAUNSTEIN. I am retired from the Army, sir.

Mr. ANDREWS. You can answer my questions, then.

Mr. BRAUNSTEIN. Yes, sir.

Mr. ANDREWS. Without prejudice.

Mr. BRAUNSTEIN. Yes, sir.

Mr. ANDREWS. Or fear of what may befall you.

Since we are talking about the morale of the troops I have had hundreds of them come to my office since this war started 8 to 10 years ago and the chief complaint was that they did not feel like we were fighting to win. I agreed with them. I made speeches all over the lot expressing my suspicion that we were not fighting to win and expressing the hope, if that be true, then we get out of there as quickly as possible. I think the former administration had the reputation of pursuing a no-win policy and the wrath of the American people fell on it. But during all of the last administration—and I do not want to make a political speech—but during all of the last administration I did not see, neither did I hear in this committee behind closed doors, a statement from a high ranking administration official that we were not fighting to win and following a no-win policy.

Now, today for the first time, the headlines of the noon edition of the Evening Star quotes the Secretary of State, Mr. Rogers.

Secretary of State William P. Rogers told Congress today "we are not seeking a military victory, nor do we want military escalation in Vietnam."

Now, I am sure within the next 24 hours every serviceman in South Vietnam will have read or heard about that statement from the Secretary of State; namely, that we do not want a military victory.

Now, my question is: Since we are speaking of the morale of our troops, what effect will a statement like that coming from the chief spokesman of the present administration have on the morale of our servicemen in South Vietnam?

Mr. BRAUNSTEIN. That is a good question, sir.

Mr. ANDREWS. It is an admission that we are following a no-win policy.

Let me quote again what he said:

We are not seeking a military victory, nor do we want military escalation in Vietnam.

That is the Secretary of State. Now, when those young men who are being killed at the rate of 250 to 500 per week read that, again my question: What effect, in your opinion—and I believe you are somewhat of an expert on troop morale—what effect will that statement have on the morale of the young men in South Vietnam and on the mothers and fathers of those who are down there and those who have been killed and wounded and maimed for life?

Mr. BRAUNSTEIN. I may state, sir, it would be difficult for me to predict what effect this would have on the morale of the troops. I can give a personal opinion. It would probably be not good. I also feel that what appears in the press from time to time is made use of by the very organizations that we were just discussing.

Mr. ANDREWS. That was going to be my next question.

Mr. BRAUNSTEIN. Yes. This I can tell you with more authority than the other, without question it has happened in the past. They have seized the statements of individuals who are in high places in the United States and used them for their own benefit.

Mr. ANDREWS. If we are going to pursue a policy of no win, this war has already lasted 8 or 9 years, and it could well be with us 20, 30, or 40 years from now. The French were down there about 100 years. Russia, in my opinion, has no interest whatsoever in trying to bring this war to a conclusion. They have never had it so good. They are spending about $1 billion a year on keeping their most powerful potential enemy pinned down. Eleven thousand young men have been killed since our enemy agreed to sit down and to talk about peace. And they are just about as near a formula today, in my opinion, as they were when they argued 8 weeks about what shape the table was to be.

I have about reached the point where I do not want to vote another dime for the military, if they are not going to fight that war to win. I am not lecturing you, I am getting it off my chest.

Mr. BRAUNSTEIN. Yes, sir.

Mr. ANDREWS. I have an idea that I cannot get an argument out of you.

Mr. WHITTEN. I point out that when Mr. McNamara was Secretary of Defense, the most I ever heard during his tenure was that we hoped to win by proving to them that they could not win. I do not know that this means a change from that policy, but I take it from the newspaper article that they are giving up any hope of winning by proving to the enemy that he cannot win.

Mr. ANDREWS. Now, there is the quotation. You read it.

Mr. WHITTEN. It is exactly as you read it. No military victory. Now, this is an intelligence group. I do not know who else can speak up. Let me ask you: Do you see any hopes of winning unless you win militarily?

Mr. BRAUNSTEIN. Sir, again I would have to make a personal answer.

Mr. WHITTEN. Off the record.

(Discussion off the record.)

Mr. ANDREWS. Will the gentleman yield?

Mr. WHITTEN. Yes.

Mr. ANDREWS. I do not want to belabor this question, but I just cannot conceive, even in a wild nightmarish dream, or come to the conclusion that this great country of ours cannot win the war if we wanted to, with our Air Force, Navy, and Army, and the sophisticated weapons. But I will tell you one thing, with statements like that out of the highest echelons of Government, you are going to have a morale problem on your hands, in my opinion, that would make the 53,000 deserters you had last year look like a small number, when another 12 months rolls around.

Mr. SIKES. Thank you, gentlemen.

INTELLIGENCE ACTIVITIES

Turning to intelligence activities, for fiscal year 1970 you are requesting ——— for your intelligence activities. This is an increase of ——— over the actual amount obligated for fiscal year 1968 and ——— over the estimated obligations for fiscal year 1969. Tell us something about the changes, with particular reference to improvements in intelligence operation since we were here a year ago.

General FENILI. You mean the changes with regard to the increases in the money we are requesting?

IMPROVEMENTS IN INTELLIGENCE OPERATIONS

Mr. SIKES. First I want to know about improvements in intelligence gathering and distribution operations. What improvements can you tell us about?

General FENILI. Well, I believe we have improved our capabilities in Vietnam. We do, in fact, now have a fine organization there. It was improved over last year to where we can ———.

I am talking now in terms of the human intelligence activities of collection by humans on humans.

We believe we have made an improvement in that area, ———

IMPROVEMENTS IN VIETNAM OPERATIONS

Mr. SIKES. What specifically are you doing in Vietnam? I realize you may have to sanitize this record. What specifically are you doing in Vietnam that you were not able to do a year ago, either through human or machine intelligence gathering procedures? For instance, can you now photograph through jungle canopy and tell us what is under it?

General FENILI. ———.

IMPROVEMENT IN HUMAN INTELLIGENCE GATHERING

Mr. SIKES. Are you able to place greater reliance upon human intelligence gathering procedures?

General FENILI. Yes, sir; we sure can, because the system that we developed primarily in 1967, and improved through 1968, has improved a great deal. We have an automated capability there to where we have a fine data base, both with regard to what we glean from interrogation and from document exploitation as well as materiel exploitation, plus a data base on the enemy's activities in a given area, so that ———.

With regard to the enemy's activities, as I believe you know, he tried to mount offensives after Tet in May, in August, in September, and then in December. We could learn about those activities ——— and were able to offset his attempts. We believe this is primarily due to ———

IMPROVEMENTS IN INTELLIGENCE WORLDWIDE

Mr. SIKES. Are you in a position to tell about our progress in intelligence gathering in the rest of the world, Army intelligence, of course? Are we able to say that we have made similar improvements other than in South Vietnam?

General FENILI. ———

NEED FOR INCREASED FUNDS

Mr. SIKES. There seems to be a leveling off of activity, generally, not at the moment but generally in South Vietnam. No one can predict, of course, what is going to happen there after this present operation of ours is over. However, you are asking for more money than you had last year. Now, most of the predictions for the war indicate some lessening of activity. Why would you need more money for intelligence?

General FENILI. We have not asked for more money to be allocated for the Southeast Asia area, sir. Our major increases are, one, in the mapping area for gravity surveys, additional automatic data processing requirements, aircraft costs, the helicopters that we use in our mapping surveys, and some mapping contracts for production purposes.

We have increased expenditures in our intelligence data handling system. This is a system which began in 1966. I must admit that really this is behind the power curve. We should have had this before. So there are moneys here for equipment rental as well as for external assistance in providing additional automatic data capability to the commands.

There have been civilian personnel cost increases primarily due to pay raises. We have an increased expense in the components of the defense special security communications system, ———

This is primarily to improve the in-station handling which will permit for automatic relay rather than the manual switching of tapes. This is all part of our intelligence communications system, ———

IMPROVED MANAGEMENT OF INTELLIGENCE OPERATIONS

Mr. SIKES. There has been an improvement in management of intelligence operations, for instance headquarters management. In what specific ways?

General FENILI. Actually, this past year we have reorganized within the office of the Assistant Chief of Staff for Intelligence under our new Chief, with an eye to this specifically. In the human collection area we have consolidated two organizations that we have had operating from this level, controlling the human collection from this level which supplements what is done in the Commands. We are actually pointing toward an intelligence center as a long-range improvement. In particular, we ———

We think in that particular area that we have had some real gains.

Mr. SIKES. Does the Army have sufficient freedom of action in its intelligence gathering and evaluation under the consolidation of the Defense Intelligence Agency?

General FENILI. I would be less than honest if I did not say that we think we are a little bit overmanaged. It is not to the degree that it hampers our activities completely. We think that some major improvements have been made in this area in the past year also by working out with DIA the kinds of activities that we think they should give us more broad guidance and leave it up to us as to just exactly how we do it. But we are permitted, of course, to do collection. In the past it has been a rather laborious procedure to get—approval for specific operations.

Mr. SIKES. Do you get sufficient freedom of action in the field? For instance, in Vietnam, where it would seem to me that you would be seriously handicapped if you were not given the freedom of action that you need there?

General FENILI. No problem there, sir, none whatsoever. That is under the joint commander out there and he runs the show. It is coordinated insofar as activities with other intelligence agencies are concerned. But the J–2, he is the man in charge of the intelligence activities out there. We are not encumbered one bit. So there is no complaint there. We think we are doing a real fine job.

POSSIBILITY OF COLLECTING TOO MUCH INFORMATION

Mr. SIKES. Do you find yourselves in the position where in an effort to get all the information that may be usable to you you are in the position of getting too much information? Or can the information be screened at its source? Do you have people who are sufficiently able and well trained so as to screen intelligence at the source and not clog up the lines with too much information?

General FENILI. This is a problem, sir. This is what I was hinting at when I indicated we were going to try to be able to keep the level of expertise up to the point where we do in fact have true professionals. ——— We do have a good school to train them in. We think we give them an excellent course. I must say we are motivating them well, they are well motivated. This is true of these young troops, whether they are in Vietnam or—I came out of Europe a year ago where we had second lieutenants doing majors' jobs and these people are all well motivated.

ABILITY TO RECRUIT SUFFICIENT STAFF

Mr. SIKES. Are you having difficulty getting enough people, enough bodies to do the job? When I say enough bodies, I mean also people with sufficient ability to do the job.

General FENILI. In the civilian area, at times we do have difficulties but there is no great discrepancy in this particular situation. At the moment, as I indicated, the Military Intelligence Branch is fairly new. We will not be up to the total strength—I am speaking now in terms of officers—of 7,200 until about July of this year. We do expect to be up to that strength in July of this year, although we will have the imbalance of a preponderance of new individuals. It is going to take us, I would say ——— before we have the level of experience in the branch that we would like to have. When the Reserves were not called up it was quite a blow to us because the experience that we normally plan to use in a wartime situation is in those MI detachments, which are universities, staffed by people who are very intelligent or who may be part of a corporation and can handle technical intelligence and the like. When you have to take new people and train them through the cycle it makes it a bit more difficult. But we do think that we have got good people.

POPULARITY OF INTELLIGENCE AS A BRANCH OF SERVICE

Mr. SIKES. There have been times when the miltiary service—Military Intelligence was not considered the most desirable of the Army's branches. I was in it.

Has that situation changed? It has gone up and down. There have been times when there were not too many people who wanted service in Military Intelligence.

Do you have strong interest in service in Military Intelligence now or is it largely a matter of being assigned to the job?

General FENILI. There is very strong interest, now that we have a branch. Number two, Vietnam made believers in intelligence out of all the operations people who used to be primarily concerned with the terrain objectives that you would take. In Vietnam the terrain objec-

tives don't count. We have got to know who the enemy is. So everyone realizes that the intelligence is important and in that respect we have gotten a real shot in the arm.

Mr. SIKES. I am glad to hear that.

SCIENTIFIC AND TECHNICAL INTELLIGENCE

For the record, you are requesting an increase of ——— for scientific and technical intelligence. On what basis is this large increase being requested?

(The information was provided the committee and is classified:)

CIVILIAN EMPLOYMENT

Mr. SIKES. How many civilian employees does the Army intelligence operation now employ?

General FENILI. Evaluation activities has ——— direct hire civilians authorized for fiscal year 1969.

Mr. SIKES. How many additional civilian employees do you intend to hire during fiscal year 1970?

(The information was provided the committee and is classified:)

STUDY OF ARMY INTELLIGENCE SYSTEM ANALYSIS

Mr. SIKES. During 1968 you had a study made of the "Army Intelligence System Analysis" (phase II–A) which cost $216,474. What did this study involve and what did it accomplish?

General FENILI. The study, Army Intelligence Systems Analysis, was undertaken to apply the principles of operations research/systems analysis (OR/SA) to problems in Army intelligence and to develop more efficient and effective systems, structures and processes.

Contractor support was used because qualified Army OR/SA personnel were not available. The philosophy has been to use contractors only as an interim measure as the required "in-house" OR/SA capability was developed by the Army.

The study (phase IIA) of the Army Scientific and Technical Intelligence (S. & T.I.) System was a planned follow-on of the problem definition phase, and represented the initiation of the execution phase, the application of OR/SA. It was supported by the Stanford Research Institute. The Army S. & T.I. system was selected for initial study because it was entirely new, due to the creation of the U.S. Army Materiel Command.

The contractor's study report has been found useful for increasing the effectiveness of the Army S. & T.I. system. Findings were made concerning centralization of S. & T.I. production, the organizational position of production facilities, and improvement of the responsiveness of the system to S. & T.I. consumers. The study provided a comprehensive investigation that cataloged a large number of existing problems, the most significant of which identified the relationship between existing production procedures and the degree of satisfaction of using Army agencies. The contractor report has been staffed, and the resulting comments are being used to prepare recommendations on how to improve the Army S. & T.I. system. The recommendations will focus on better S. & T.I. support to users, and Army production and manage-

ment improvements. The study, in addition to its substantive conclusions, provided an opportunity for OACSI staff officers to monitor and evaluate a study of an Army intelligence system, contributing to their fund of experience and on-the-job training.

The contract with Stanford Research Institute for support to the S. & T.I. study was terminated on November 30, 1968. No further contractor support is contemplated in this area.

MANAGEMENT AND SCIENTIFIC STUDIES

Mr. SIKES. Are you having any management or scientific studies made during fiscal year 1969, and what is your intention for 1970?

General FENILI. No management study contracts were initiated in fiscal year 1969. However, participation is being provided by the Combat Operations Research Group, a nonprofit organization, to assist the Army Threat Analysis Group is an in-house effort to develop ———. There are three scientific external assistance contracts that have not yet been finalized ———.

CONSOLIDATION OF INTELLIGENCE SCHOOLS

Mr. SIKES. Have you given any further consideration to the consolidation of the Army Intelligence School with the Defense Intelligence School?

General FENILI. The consolidation of the U.S. Army Intelligence School (USAINTS) with the Defense Intelligence School (DIS) has never been considered by Department of the Army nor, so far as the Army knows, by the JCS or OSD since the missions of the two schools vary greatly in purpose and scope.

The USAINTS has the mission to train selected Department of the Army personnel in all phases of combat intelligence, counterintelligence, and area intelligence activities, selected Department of Defense personnel in all phases of intelligence collection operations and other designated personnel in industrial security management and procedures.

The DIS conducts courses of instruction related to DOD intelligence functions designed to: prepare military personnel and civilian for high positions in the national and international security structure; prepare personnel for duty in the military attache system; and assist career development of DOD military and civilian personnel assigned to intelligence functions.

Department of Defense Directive 5105.21, Defense Intelligence Agency (DIA), directs DIA to develop plans for the integration of DOD intelligence and counterintelligence training programs, career development programs for intelligence personnel, general support programs, and other intelligence activities of the military departments. To carry out this mission, DIA conducts a continuing review of all intelligence training to determine if common intelligence skill and training requirements can be satisfied at a single school. Common standards and training are effected wherever practicable and feasible. As a result of this review, the Army has the mission of providing HUMIT training for all of DOD.

MILITARY PERSONNEL IN SOUTH AMERICA

Mr. SIKES. What is the total number of military personnel assigned in South America?

General FENILI. We can make that available for the record.

Mr. SIKES. Can you tell me how many ——— in South America?

General FENILI. I can give you an answer with regard to the ——— that we have in South America.

Mr. SIKES. For Latin America, in this hemisphere.

General FENILI. Unfortunately, I do not have that. I have a total figure.

Mr. SIKES. Provide for the record a listing of the total number of military personnel ——— in South America, by country and by branch of the service.

(The information was provided to the committee and is classified:)

Mr. SIKES. I ask these questions about Latin America because there is criticism of the number of Americans stationed in Latin America, civilian and military. There is a growing concern that we may be spending more money on missions than is necessary.

The Clerk will provide you with a rather lengthy article which appeared in the Washington Star in January on this subject, which you can use to prepare an answer.

(The information follows:)

U.S. MILITARY REPRESENTATION IN LATIN AMERICA

U.S. Military Groups (MILGPS) are present in 17 Latin American countries at the request of the host governments to provide technical advice and assistance to their military establishments and to administer the military assistance program (MAP). Antecedents of these organizations were the separate U.S. Army, Navy and Air Force missions which were established in Latin American countries under a variety of bilateral agreements, many dating back to the early 1940's and before. In 1965, the Secretary of Defense approved the organization of a unified military organization, the U.S. military group (USMILGP), in lieu of the separate service missions. The missions were redesignated as the respective service sections of the USMILGP.

An exhaustive study of MILGP strengths was initiated in January 1968 as a part of the President's directive to reduce personnel overseas. This study, together with a study within the Defense Department, will result in cuts of 33 percent in MILGPS by fiscal year 1971. The recommendations of the U.S. Ambassadors were considered in every case. In no instance did any Ambassador recommend the elimination of the MILGPS. As of April 30, 1969, there were 559 military personnel on assignment to MILGPS in Latin America.

MILGP functions differ from those of military attaches. The attache is a diplomatic officer and is a member of the staff of the chief of the diplomatic mission. His primary purpose in-country is to report military and politico-military intelligence information. There are many benefits derived by the U.S. from MILGP's in Latin America. They provide military advice to our Ambassadors as well as to members of the country team. They provide a relationship of mutual trust and confidence with the armed forces of the country and assure that military assistance plans and programs are adequately formulated as well as properly administered.

The selection process for members of USMILGPS is carefully tailored to insure that inferior personnel are not assigned to MILGPS. The system is definite in setting forth required qualifications in personnel requisitions and in insuring that replacement personnel meet these standards. MILGP chiefs are approved by the Departments of Defense and State, by the U.S. Ambassador and the host government. All personnel assigned to MILGPS down through the senior enlisted ranks are required to have language capability to the extent that they can participate effectively in all general conversations and can discuss particular interests with reasonable ease.

MILGP personnel are generalist-type advisors. It would be financially prohibitive to maintain a large group of specialists in each MILGP. Specialist skills, as required, are furnished by mobile training teams during short periods of temporary duty. The training of Latin American military personnel in the U.S. and the Canal Zone supplements MILGP advisory efforts as MILGPS were never intended to be self-sustaining training units.

MILGPS receive administrative support from both the Defense and State Departments as well as the host country. The Department of Defense reimburses the State Department for such support as communications, office space, mail handling and related services under shared administrative support cost arrangements. Similarly, the State Department reimburses the Defense Department for such services as flights in MILGP aircraft. However, if the Embassy request can be accommodated on the same flight which support a Defense Department requirement, as is often the case, there would be no charge. Under the terms of the various Mission and Military Assistance Agreements, the host countries also provide substantial administrative support to the MILGPS for such items as transportation, services and office facilities.

MAPPING, CHARTING, AND GEODESY

Mr. SIKES. Would you tell us what geodesy is, General?

General FENILL. Let me call on Mr. Alber to give you a rundown.

Mr. SIKES. That is what everybody did yesterday

Mr. ALBER. I am Mr. Alber, from the Office of the Assistant Chief of Staff for Intelligence.

Geodesy is the science of measuring the size and shape of the earth.

DIFFERENCE BETWEEN GEODESY AND MAPPING

Mr. SIKES. What is the difference between that and mapping?

Mr. ALBER. Its primary use is for mapping and missile-firing. In mapping it is used as the framework for the maps themselves. For missile-firing, of course, it has many contributions. One is ascertaining the distance and direction from the launch site to the target. Second, the identification of the target itself. Third, the orientation of the missile itself in its firing position; and the effects of in-flight missiles.

Mr. SIKES. You did better than we were able to get yesterday.

For mapping, charting, and geodesy, you are requesting ——— or an increase of ——— over fiscal 1969.

Break out the purposes of this increase and the justification for it.

(The information provided the committee is classified:)

IMPROVEMENTS IN MAPPING OPERATIONS

Mr. SIKES. Now will you tell us generally what is your progress in this field at this time. The committee is reasonably familiar with it, but what significant improvements have been made in the last 12 months, and what are the big jobs immediately ahead?

Mr. ALBER. Our progress in meeting the requirements at present is quite slow, frankly. We have made progress of about 3 or 4 percent on our total requirements.

The reasons for this are increased requirements due to changes in the political situation, plus the fact that the maps themselves go out of date.

We have high hopes, however, for the future, ——— and we believe ——— we will be able to increase our production ——— over the current rate.

Mr. SIKES. Are you able to show any increase in participation by friendly governments in mapping of their own areas? We have had to carry at least part of the load. Is that picture improving any?

Mr. ALBER. Yes, sir; it is.

Mr. SIKES. How much?

Mr. ALBER. We have 84 mapping agreements. Fifty-three of these are direct Defense Department agreements with the countries concerned, and the remaining are State Department agreements, but we are the recipients of the maps.

The maps that we receive are used to update our maps, for source materials for new maps, and in some instances they can be reproduced in nearly facsimile form. We are quite active members in cartographic conferences with NATO nations, CENTO nations, and SEATO nations. Through these cartographic conferences there are established areas of responsibility for the various nations to do their mapping.

Through the efforts of the Defense Intelligence Agency, Great Britain and Canada have been quite active in our medium-scale mapping program.

Mr. SIKES. Give us some specific information on the increases in contributions by the nations with whom we have mapping agreements for work done in their countries, for the record.

(The information follows:)

The Latin American countries have in recent years developed cartographic agencies which have become quite efficient and production overall in Latin America increased by 20 percent in fiscal year 1968. Continued increases are expected in this and in future years. The efforts of the Inter-American Geodetic Survey (IAGS) under USARSO in providing technical training, assistance, and logistical support have greatly contributed to this increased production.

During recent discussions with the Iranians, they indicated a willingness to increase their contribution in the cooperative United States-Iranian mapping program. A formal proposal is being staffed through the MAAG to Iran which provides for Iran to accept production responsibility for nearly 75 percent of the large-scale maps previously programed for U.S. production.

Contracts have been let with Spain to perform a field edit of sheets compiled by the United States. However, because of limited funding, efforts are being made to have Spain do this within their own resources.

The United States has been contracting with Norway for mapping of that country in order to expedite production. However, because of limited funding this arrangement has been discontinued. The mapping produced by Norway with its own resources will continue to be available to the United States under the terms of the map exchange agreement.

MANAGEMENT IMPROVEMENTS IN MAPPING OPERATIONS

Mr. SIKES. If there are management improvements other than those you have discussed which have been incorporated into this operation in the past 12 months, provide that information for the record.

(The information follows:)

With the assistance of the North American Rockwell Corp., the U.S. Army Topographic Command has initiated the implementation of an automatic data processing system. The concepts of this system were obtained under a previous contractual arrangement. It is designed to provide the command with the capability, capacity, and responsiveness necessary to satisfy information processing requirements covering the scientific computing requirements; data storage and retrieval; and plans, production, and administrative management. There were 30 separate management improvement projects incorporated into the program during the past 12 months representing an estimated savings of $370,000. These projects have been audited by the Army Audit Agency. The improvements were in methods and techniques in the mapping and reproduction processes and through modification of equipment with in-house resources.

Mr. SIKES. Provide a listing of projects or countries in which mapping actually has been done.

(The information follows:)

The current status of mapping is as follows:

LATIN AMERICA

Since April 1946, the Inter American Geodetic Survey (IAGS), a subordinate command of the U.S. Army, Southern Command, has been carrying out Army's responsibilities in a collaborative mapping program with Latin American countries. Operations are conducted under diplomatic agreements negotiated by the Department of State. Agreements have been made with all Latin American countries except Uruguay and Argentina. However, agreements are no longer in force in Mexico, French Guiana, Cuba, and Haiti. Mapping operations are primarily accomplished by the host country with an objective to develop self-sufficient national cartographic agencies. IAGS provides support including equipment, supplies, technical training and assistance, and the performance of functions that the local agencies cannot do satisfactorily. ———. However, in recent years country agencies have become quite efficient and production in fiscal year 1968 increased by 20 percent overall in Latin America. ———. Portions of the remaining countries have also been mapped.

AFRICA

Map coverage has been completed of most requirement areas of North Africa. Field survey operations are being conducted in Ethiopia and Liberia and are scheduled for completion in fiscal year 1970. Large-scale maps have been produced of various African countries from mapping received through exchange agreements. Interim medium scale (1:250,000) map and air chart coverage using available material has been produced to meet current planning requirements of STRICOM. Emphasis is now to be given to STRICOM city map requirements.

MIDDLE EAST

Field surveys providing for the procurement of geodetic control and field classification data are continuing in Iran in a joint United States-Iranian effort. The production of maps is being increased by both countries to meet commitments. ———.

EUROPE

———. The Western European countries are maintaining their own mapping.

Spain.—A cooperative mapping program with Spain has been in work since 1950. Aerial photography was flown by the U.S. Air Force and USATOPOCOM has compiled the maps. For a number of years, contracts have been let with Spain to perform a field edit of these sheets. However, because of reductions in contract funds, the last block of sheets cannot be contracted and ———.

Portugal.—A cooperative mapping agreement exists with Portugal which provides U.S. map compilations for color separation, drafting, and reproduction.

Norway.—A cooperative agreement exists with Norway whereby the United States contracted with Norway for mapping of Norway in order to expedite production of requirement areas. Contract fund reductions will no longer permit the continuation of this arrangement. However, the mapping produced by Norway with its own resources will continue to be provided to the United States under the terms of the map exchange agreement. ———.

SOUTHEAST ASIA

The cooperative agreements initiated in 1952 with the countries of Southeast Asia were major contributing factors in the United States having completed most of the basic mapping prior to the current military operations in Vietnam. During the past years, we revised the 1:50,000 scale maps of Vietnam, Laos, and Cambodia, revised the 1:250,000 scale joint air and ground charts, produced a new large scale series of 870 pictomaps of South Vietnam, North Vietnam, and Laos and numerous special map products and printed operational stocks. We have programmed in fiscal year 1970 to upgrade the pictomap coverage as required and revised the 1:50,000 scale maps of Thailand.

CHINA

USSR

UNITED STATES

The U.S. Geological Survey (USGS) has the responsibility for the production of maps of the United States. The Army undertakes mapping only where special products are required or where USGS has not had the opportunity to include it in their program. Such mapping is limited to military installations and training areas. During the 1950's, the Army produced the medium scale (1:250,000) map series of the United States to satisfy a military requirement. At that time, the USGS indicated no civilian requirement. This series has been accepted by USGS for maintenance. Also, during that time frame the Army in cooperation with the U.S. Geological Survey and the U.S. Coast and Geodetic survey produced the large- and medium-scale map coverage of Alaska.

JAPAN

The Army cooperated with Japan to map the Japanese Islands. Maintenance is now being performed by Japan.

PACIFIC ISLANDS

The Philippine Islands, Taiwan, and other Pacific Islands have been mapped by the U.S. Army.

INCREASE IN MAPPING COSTS

Mr. SIKES. Is the cost of the mapping program—and I include charting and geodesy as well—to continue to ease upward a little from year to year? Are we ever going to get this job done in the foreseeable future and begin to taper off?

Mr. ALBER. ———. We can see in the medium-scale map requirements, 250,000 scale, completion in about ———. We can foresee the completion of the large-scale map requirements through a compilation stage, not necessarily all on the shelf, but the highest priority maps on the shelf, in about ——.

There will be some additional increases in dollars in future years. One area would be in the automatic data processing area, where with our new sophisticated systems we will require third generation, high-speed computers. We have one indicated in this hearing. Actually, there was one last year. However, we lost our funds last year and have been unable to procure it.

The average cost of salaries has gone up in recent years. There have been repeated increases in personnel salaries.

I think that about covers it.

Mr. SIKES. Questions, Mr. Lipscomb?

SHIPMENT OF SUPPLIES TO NORTH VIETNAM

Mr. LIPSCOMB. General, could you bring us up to date on the volume and type of supplies that are arriving in North Vietnam from the U.S.S.R. and Eastern European countries during the past year?

General FENILI. The figures we have so far as military aid is concerned for 1968, from Communist China there was ———and from the U.S.S.R., ———. The totals for 1965 through 1968: U.S.S.R. to North Vietnam was ——— for Communist China, it was ———. These are, as I said, purely military aid.

Mr. LIPSCOMB. What I would like to know is whether you can tell us the quantity or volume and the numbers of equipment items and

supplies that arrived in North Vietnam during the past year, what does your data show?

General FENILI. The principal Soviet military aid was ———.

Mr. LIPSCOMB. Pick out several of the items, like motor vehicles, tanks, and some of the important items that have been shipped in the past year.

General FENILI. Just during the last year, all right.

Mr. LIPSCOMB. How many trucks have arrived, according to your information, in the past year from the Soviet Union and Eastern European countries?

General FENILI. Major Hargis, have you any details on that?

Major HARGIS. No.

General FENILI. I have totals rather than breakdown.

Mr. LIPSCOMB. Do you have amounts of money?

General FENILI. No; quantities, over a period rather than for the 1 year.

Mr. LIPSCOMB. You must have some sort of record of the ship arrivals and the types of goods in the past year since the stoppage of the bombing.

General FENILI. Yes, sir. This we would get through DIA as it is fed back through various reporting systems, either directly from MACV or any other agencies. This is, of course, compiled by DIA. We do not get the raw data. We get the finished data from DIA.

Unfortunately, mine is in money totals by year, but the totals with regard to equipment are for the period 1965 to 1968.

Mr. LIPSCOMB. Last year we had quite a discussion on wheeled vehicles arriving from the Soviet Union, Rumania, and other places. For the record someone submitted the numbers of vehicles and the types that were there. Maybe it can be done again.

General FENILI. We can; yes, sir.

(The information provided the committee is classified:)

VACANCIES IN CIVILIAN POSITIONS

Mr. LIPSCOMB. Mr. Sikes in one of his questions asked about your civilian employment. Can you give us the civilian vacancies as of June 30, 1968, and what your civilian vacancies are as of this time or the latest date you have the information, say, as of February 28?

General FENILI. I cannot give you a specific total. I do have figures as of December 31, 1968, but not complete totals. 1969, because of the civilian freeze, is a rather abnormal year. Normally this would run about 2 percent. This year in some organizations it is running as high as 10 percent.

This is partly due to the fact that the cuts had to be taken by attrition, with the cut effected by rehiring only 3 for every 4 losses.

As you can see, an agency that has a high turnover is going to have much greater losses than one that has just minor turnover.

Certain organizations, for instance our Intelligence Command, which has a total authorized strength of ——— has a deficiency of only ———.

I do not have totals worldwide. I can cite——

Mr. LIPSCOMB. If you do not have the figure, there is a statement on civilian vacancies on page 649 of last year's hearings, and we would like the same information up to date.

General FENILI. I will provide that.

(The information follows:)

In regard to civilian vacancies, on June 30, 1968, there were 441 direct hire vacancies. The latest tabulated figures as of December 31, 1968, show 141 civilian vacancies.

REDUCTION IN FUNDING REQUIREMENTS

Mr. LIPSCOMB. One of the reductions in your request comes from the closure of the technical sensor program. Are you closing out our technical sensor program, or is this just a reduction in your program?

General FENILI. Sir, that is a one-time, most unusual occurrence. ———. I can make the details available to the staff, if you want me to. That is just one instance.

Mr. LIPSCOMB. Is this specific project for the barrier?

General FENILI. No, sir.

Mr. LIPSCOMB. Your funds were not bled for the barrier?

General FENILI. No, sir. Those all came from the OSD, primarily.

Mr. LIPSCOMB. How is it that you are able to reduce the request for security countermeasures equipment?

General FENILI. Sir, the explanation here is that the major purchase of equipment for expanding the counterintelligence activities in Southeast Asia will be completed by June 30, 1969, and will result in a lower requirement because of that.

We have gotten up to the requirement, which was an increase based on the needs in Southeast Asia.

Mr. LIPSCOMB. This indicates you have completed a project that you had in the works.

General FENILI. That is correct.

Mr. LIPSCOMB. This will bring you up to the capability that you need?

General FENILI. That we need in Southeast Asia. This is specifically for that.

ADEQUACY OF FUNDS AND PERSONNEL FOR SOUTHEAST ASIA

Mr. LIPSCOMB. You referred twice to the fact that you did not have ———.

General FENILI. I am talking about——.

Mr. LIPSCOMB. We were discussing Vietnam when you made that statement.

General FENILI. At that particular time I indicated we were doing fine in Vietnam. We have ———.

In order to have all the ———.

Mr. LIPSCOMB. Are you short of any financial help in Southeast Asia to do the job you have to do?

General FENILI. No, sir.

Mr. LIPSCOMB. You are not short any personnel?

General FENILI. As far as Southeast Asia is concerned, what they ask for they get ———.

Mr. LIPSCOMB. You are also saying that you ———.

General FENILI. Yes, sir. ———.
Mr. LIPSCOMB. ———.
General FENILI. I would say that ———.
Beyond that ———.
I would have to give you ——
Mr. LIPSCOMB. Are you talking about civilians or military?
General FENILI. Military, primarily.
Mr. LIPSCOMB. What did the Revenue and Expenditure Control Act do to the military as far as manpower? Nothing.
General TAYLOR. Nothing, sir.
Mr. LIPSCOMB. Why should that make you short?
General TAYLOR. The general is talking about his military units over there. I think the figure that was used on ——— during the military personnel hearing.
Mr. LIPSCOMB. I thought he was lower than that.
General TAYLOR. The general said ———.
The Expenditure Control Act did not have any effect on military personnel except where units were taken out as a whole, but that did not affect our manning.
Mr. LIPSCOMB. That affects your dollars.
General TAYLOR. It affects the dollars and reduces our strength.

PRESENT CONDITION OF ARMY INTELLIGENCE

Mr. LIPSCOMB. Are you satisfied that Army intelligence is in better shape today than it was a year ago when we were being so critical on this committee?
General FENILI. Yes, sir; I really am.
Mr. LIPSCOMB. For the record, are you going to be able to spell out why you feel this way?
General FENILI. We can spell that out. We have made changes in organization, changes in management procedures.
Mr. LIPSCOMB. I think Secretary Clifford submitted a letter to our committee about some changes that were made.
Inasmuch as we appeared to be very critical last year on all intelligence activities, I think if you could spell out for the record a statement as to how you have improved your situation, it would be helpful.
General FENILI. We will do that, sir.
I think you were particularly critical last year, as everyone was of intelligence, because of the Tet. The extremely critical attitude last year may well have been caused by the fact that the Tet offensive supposedly caught us napping, and everyone was critical primarily of intelligence.
It is true in some cases intelligence missed, and to that extent there have been improvements during the year. We did know when the enemy was intending to launch a new offensive.
We will give you something for the record as to why we think we have improved over last year, sir.
Mr. LIPSCOMB. I do not think Tet was the only reason we were critical. We were critical because of the very detailed investigative report which everyone in a position of responsibility had a chance to see. I was interested to see if you had tried to cut down on non-

essential items. That is very difficult to determine in the intelligence field, I know. Tet was not the only problem.

General FENILI. I had forgotten about that.

Mr. LIPSCOMB. One of our concerns was that it was reported before the committee that all the trucks going into North Vietnam came from Red China. We had to correct that. They came from a different place. That raised some questions in our minds.

I feel, myself, that there has been some improvement and some change.

Thank you, Mr. Chairman.

(The information follows:)

IMPROVEMENTS IN ARMY INTELLIGENCE DURING THE PAST YEAR

During the last year there have been major efforts to improve Army intelligence throughout the world. This includes improved courses at intelligence schools as well as reorganizations and consolidations of intelligence units to increase efficiency and better utilize approved resources. The effectiveness in Vietnam is illustrated by the fact that we were able to detect enemy intentions to mount offensives in May, August, September, and December of 1968; thereby allowing the U.S. field commanders to take timely countermeasures.

In mapping, charting and geodesy, the ACSI staff has been reorganized in order to reinstate the General Staff supervision which was eliminated incident to the reorganization following the activation of DIA and to provide greater DA visibility to these activities. Additionally, the U.S. Army Topographic Command has been established. This command combines the former M.C. & G. staffs of the Chief of Engineers, the Engineer Topographic Laboratories (ETL) and the Army Map Service (AMS)' and assumes under a single command the former production elements of AMS and the laboratories of ETL. Both of these changes will contribute toward better control and command emphasis.

During the last year, there have been major efforts throughout the world to improve Army intelligence. The Military Assistance Command, Vietnam, ———. The security of these units is high but progress has been made. ———. Departmental presence at high level ——— will be re-established by first quarter of fiscal year 1970.

Assignment to Army control. ———. This action will be completed in last quarter of fiscal year 1969 or first quarter of fiscal year 1970.

Three ad hoc study groups under direction of the ACSI were initiated during the third quarter of fiscal year 1969 to review all aspects of the ———. These groups are reviewing all Army activities and doctrine in these fields and preparing recommendations for the establishment of complete Army systems including improved capability to support Army contingency responsibilities. Activities of the three groups should be completed during fiscal year 1970.

A military occupation speciality (MOS) producing course, of 6-weeks length, to qualify officers in MOS 9301 (tactical intelligence officer) was established in March 1968. This course better prepares young officers to serve as intelligence staff officers prior to field assignment.

A 2-week Southeast Asia course has been in operation for 1 year which must be attended by all military intelligence personnel completing the tactical intelligence officer course prior to assignment to Southeast Asia. This course reduces the in-country orientation period and permits the officer to be more capable in the performance of his duties immediately upon arrival.

Approximately 100 graduates of the newly established unattended ground sensor systems school arrived in Vietnam early this year. Initial reports have indicated that the resulting increase in technical capability has resulted in a large rise in use of available materiel and in the interest of tactical commanders in employing it.

Much new and improved equipment has been forwarded to the field—specifically Vietnam.

In October 1968 the ACSI created a planning group to study the organization and management of intelligence collection activities assigned to his office. As a result of this study several recommendations for improvement in the management and efficiency of these assets were made. These future improvements include:

The consolidation of the ——— under a single command. This will permit closer coordination and direction of a single function and provide a means to more readily utilize personnel in support of a successful operation regardless of its category.

The establishment of a support base for intelligence collection activities of Army Component commands. ———. Establishment of management procedures provided for a thorough review of all on-going ———.

ROLE OF ARMY INTELLIGENCE

Mr. WHITTEN. General, we have heard communications and intelligence, in turn, as you know. Our questions are rather general in nature, but they concern me greatly.

We seem, in my opinion, to have gotten started on setting up a military intelligence organization, and then we got the Vietnam war which justified the continuation of this. We have gone through years when the then Secretary of Defense said we expected to win by proving to the enemy they could not win.

As was pointed out earlier, today's newspaper quotes the present Secretary of State as having said we have no intent or desire to win militarily or to escalate the war.

What concerns me—I want you to direct your mind to this—is how many intelligence services do we have? Army, Navy, Air Force, and Defense, I know. How many others are there?

General FENILI. DIA and the Central Intelligence Agency.

Mr. WHITTEN. What is your place in the Vietnam operation?

General FENILI. We provide the units, we provide the personnel.

Mr. WHITTEN. What is the Army's place, the Army generally, in this operation?

General FENILI. Primarily we provide the units. So far as the Department of the Army is concerned, our responsibility is to provide——

Mr. WHITTEN. Limit yourself to intelligence. I am asking about the Army. What part is the fighting Army playing in the operation?

General FENILI. Army overall?

Mr. WHITTEN. Yes. You may speak generally, and then enlarge in the record.

General TAYLOR. The Army overall is at approximately ——— strength. We have 8⅓ divisions in Vietnam. These are supported by combat support units and many aviation companies.

I would say the majority of the effort is being borne by the Army in Vietnam.

POSSIBILITY OF COLLECTING TOO MUCH DATA

Mr. WHITTEN. Perhaps I should go into a general statement of why I asked that.

Last year I happened to be here when we made some inquiry and asked questions based on an investigation by the committee of defense intelligence activities. To me, it appeared that we had too much acquisition of intelligence material. The record then showed the Defense Intelligence Agency had 517 linear feet of intelligence reports that had not even been analyzed, and that it came in at a rate such that it took about 8 days for an intelligence report to be reviewed at high level.

To answer that, they came around with the fact that the hot intelligence was held in the field.

Since then, the hearing having been printed, numerous folks have called us, some of whom I know, some of whom I do not, saying one of our problems is that beginning after World War II we set out to keep up with the world, and we entered into contracts with various and sundry contractors many of whom were big companies that just did this on the side. Now we have so much intelligence data that when something like the *Pueblo*, *Liberty*, or Tet offensive comes up, we do not have anybody with the intelligence data at their fingertips to act because we have so many folks gathering so much intelligence that it does not amount to usable intelligence but amounts to a Sears, Roebuck catalog.

What I am telling you is oversimplified, but that is what the record leads me to believe.

ROLE OF THE VARIOUS INTELLIGENCE ACTIVITIES IN VIETNAM

You have told me your operation. What part does your intelligence play in what you do over there, what part does the Central Intelligence Agency play, what part does the Defense Intelligence Agency play, and what part does Air Force intelligence play, and which one do you depend on?

General FENILI. As I indicated, that is a joint operation over there. All the intelligence is under the joint commander, under the J–2, with all operations reporting back through the local commanders and back to Saigon, where the primary data base is maintained and the reports are analyzed.

Mr. WHITTEN. May I interrupt to ask by whom, by what unit? When it comes back to Saigon for analysis, who is in charge of that operation?

General FENILI. Headquarters of the Military Assistance Command, J–2.

Mr. WHITTEN. In the intelligence community, who has charge of it?

General FENILI. This is military, sir. This is the joint operation.

Mr. WHITTEN. Defense Intelligence?

General FENILI. No.

Mr. WHITTEN. Central Intelligence?

General FENILI. No, sir. So far as that is concerned, right there that is a joint one, yes, which would report back to the Defense Intelligence Agency.

Mr. WHITTEN. This is Army, Navy, and Air Force?

General FENILI. This is correct.

Mr. WHITTEN. Do you have to get clearance back here before you can use the intelligence that you get there?

General FENILI. No, sir.

Mr. WHITTEN. Do you have to counsel with the Air Force and with the Navy before you can act on the intelligence?

General FENILI. No, sir.

COORDINATION OF INTELLIGENCE DATA IN VIETNAM

Mr. WHITTEN. If you have one set of intelligence and they have theirs and you can go your way and they can go their way, how is it brought together? You say you do not clear with them.

General FENILI. All operations in Southeast Asia are under the commander in Southeast Asia. All activities are coordinated by him. If it is intelligence, that is all coordinated by his J–2. Anything the Air Force or the Navy does out there that is part of that operation, it is all coordinated there.

The same with regard to activities with the Central Intelligence Agency. They also are coordinated.

Mr. WHITTEN. Do you have to wait at that level for clearance from Washington, from the Defense Intelligence Agency or the Central Intelligence Agency, or can the commander in Saigon act on the joint intelligence of the three people reporting to him?

General FENILI. That is correct. The commander in the field. If he is operating on any particular limitation, then it is as a commander and not because of Defense Intelligence Agency's jurisdiction. He is working, in fact, through the commander in chief, Pacific, who is the next boss.

So far as his acting on intelligence that is available to him in the field that falls within his mission, he acts on it right then and there.

Mr. WHITTEN. What if the Central Intelligence Agency has information that qualifies or modifies or changes that which you think you have, do they send that information to the man in the field in Saigon?

General FENILI. Yes, sir; they do.

Mr. WHITTEN. And the Defense Intelligence Agency does the same thing?

General FENILI. The Defense Intelligence Agency has no one in the field, sir.

Mr. WHITTEN. They are a central clearing house.

General FENILI. They are here at this level. All the units in the field are under the joint commanders, and they are provided by the services.

ABILITY TO ACT ON INTELLIGENCE DATA

Mr. WHITTEN. In this operation, almost from its inception, the information that you get in the field has to come back here and go through the clearinghouse, go to the White House and receive approval before you can even pick out your targets. Have we not fought the war that way?

General FENILI. Not so far as it pertains to the day-to-day operations out there that confront the units that are there and insofar as the commander there feels he needs to take action to perform his mission.

If what he might want to undertake had some wider ramifications which may be subject to certain limitations which I do not know about—

Mr. WHITTEN. Could you get one of the other intelligence agencies to advise you?

General FENILI. What I mean is, this is a command matter.

Mr. WHITTEN. You do not know?

General FENILI. It is not an intelligence matter, sir. So far as the intelligence is concerned, no. The only intelligence which you might be alluding to where there is some argument about what comes back here before it is used in the field, is ——— and this, too, is no longer a limitation. What the commander needs in the field, he gets in the field.

Mr. WHITTEN. You refer to the fact if he wants to go outside the operation. We have been fighting a battle out there, and the man in Saigon can act on the general intelligence of the three services as long as he stays within the perimeter of the football field.

General FENILI. Yes, sir, insofar as using that intelligence.

Mr. WHITTEN. What if the enemy will not let you do that? You have to stay within the perimeter of the football field, but what if he will not stay there?

General FENILI. The commander out there has his guidance, sir, as to what he can do. He is operating based on guidance he has received from the commander-in-chief, and that is the limitation that is on him, as I understand it.

Mr. ANDREWS. That is what we read in the paper.

General TAYLOR. That is one of the limitations I spoke to earlier in answer to one of your questions.

MORALE OF THE TROOPS IN VIETNAM

Mr. WHITTEN. This war concerns me, as it does Mr. Andrews.

I was interested in your earlier statement. When the Reserves stayed in training and were not called out to give you a shot in the arm, and as long as we have a "no win" policy, the soldiers in the field might not have had any morale under those conditions. Has intelligence studied that question to any degree?

General FENILI. No; I do not think we are asked to study that. Insofar as the morale of the troops is concerned, sir, the commanders out there pretty well indicate to the troops who are with them why they are there and why they are fighting. I do not think there will be any great impact on their morale. There might be if other people make a great to-do about this. We find the troops are pretty well motivated.

In talking to commanders and those who are there fighting the war, they are doing a good job and sticking right with it.

PRODUCTION OF INTELLIGENCE

Mr. WHITTEN. I do not want to belabor this question, but especially having gone through this question with the Defense Intelligence Agency last year and the Army Intelligence Agency, when you find this big backlog of intelligence information backed up 517 linear feet not even analyzed, and it takes 8 days to get to it, I cannot help but believe after the Bay of Pigs, we just set another agency on top of four that we already had. I think you have just confirmed that

the Central Intelligence Agency is a central clearinghouse to which all the rest go.

General FENILI. They are the primary production agency.

Mr. WHITTEN. I am familiar with that word because they used it last year. "Production" means to make up or put out.

General FENILI. No, sir. What that means, sir——

Mr. WHITTEN. You obtain intelligence information, but when you produce intelligence, would you not say you create it?

General FENILI. No. You create it from raw information. The production process merely means that you have evaluated what it is that has been reported to you, and then you come out with finished intelligence. That is what we get. We are not in the pure production business except in the scientific and technical area, and we are also concerned in the counterintelligence.

Mr. WHITTEN. This might be taken that I was trying to drag you around without much success, General, but when you take the *Liberty*, the *Pueblo*, and the Tet offensive of last year and you have so many intelligence activities, you cannot help but wonder if we are not bogged down by reason of the very nature of the dispersion of responsibility.

You have just said that the three services in the field get raw intelligence, that it comes back here and is produced by Defense Intelligence Agency, but you said you acted on what you know in the field, that you did not wait for them to analyze it and decide what it meant. You act on it in the field; is that right?

General FENILI. That is correct. This is combat intelligence, sir. This is the intelligence that has fleeting value. In other words, it is intelligence that tells you where the enemy is and tells you what the enemy is about to do, and then you as the commander in the field, know that you have to act to countermand it.

When we talk about production, we talk about order of battle, the long-range study, or the matter of assessment of the current situation at this level for use at this level.

INTELLIGENCE AT THE TIME OF THE TET OFFENSIVE

Mr. WHITTEN. You had intelligence that the enemy was concentrating in places from which he could later move in on all the cities last year during the Tet offensive. The decision was also made to have half of the South Vietnamese Army released for the holiday season. Was that decision made by intelligence people in Saigon, or did that come back here to be produced by the production agency, the Defense Intelligence Agency? Who made that mistake?

General FENILI. I do not really know if I can answer that completely, sir. Quite obviously, the decision so far as letting the South Vietnamese go, I believe, was a decision which they, the South Vietnamese, made. I was not here at the time, so I cannot think back——

Mr. WHITTEN. You are just rationalizing, rather than speaking from your own information?

General FENILI. Sir, I was not here at that time.

Mr. WHITTEN. Where were you located then?

General FENILI. I was in Europe. I came back here just about the time that all happened.

MEANS OF IMPROVING INTELLIGENCE OPERATIONS

Mr. WHITTEN. I am not making too good a record, I suppose, but it is because it is so widely dispersed and so hard to understand, and we have seen it fail so often.

Can you tell me what might be done to improve the organization and the coordination or perhaps the bringing into one agency of this whole operation so you would have a head and a second in command, and on down the line, instead of having about five or six different groups that under some circumstances act on their own?

General FENILI. Actually, the services are all under the Defense Intelligence Agency so far as intelligence is concerned.

Mr. WHITTEN. You are under them in that you take orders from them or you supply your information to them?

General FENILI. They supply us the finished information. They have the production capability except in certain limited areas. The reporting channel from the joint command is back to the Defense Intelligence Agency.

OUTSIDE CONTRACTS FOR THE PRODUCTION OF INTELLIGENCE

Mr. WHITTEN. Have you any contracts for this intelligence information, or is that entirely an operation by the Defense Intelligence Agency?

General FENILI. Only in the threat analysis area do we have contracts, just in areas where we do not have the capability.

Mr. WHITTEN. Can you tell me in how many locations you have such contracts and how many contractors there are? You may give me your best information and then answer for the record.

General FENILI. I will have to give you a more precise answer later. There are two contractors that I can point to specifically at this point. In one case the contractor has not yet been determined.

(The information follows:)

The only ongoing external assistance contract now in existence for the Threat Analysis Group is with the Combat Operations Research Group located in the Washington area and is related specifically to the field or threat analysis.

There are several other external assistance contracts in the scientific and technical intelligence area not specifically related to threat analysis. A list of those contracts has been provided separately to the Committee.

Mr. WHITTEN. How long have you had those contracts, and how long have you contracted out this job of obtaining intelligence? Answer roughly now, and you can provide the answer for the record.

General FENILI. Actually, this matter of threat analysis is a new field that we have gotten into. Threat analysis in the Army used to be done by the agencies that needed a threat analysis.

The Army recognized that it would be better to have one agency do it, and that is when we set up our Threat Analysis Group as a class 2 activity under the Office of the Assistant Chief of Staff for Intelligence.

Mr. WHITTEN. Do you pay the contractor on the amount of intelligence they supply, on a piece-rate basis, or by the hour, or by the contract?

General FENILI. I am not sure of that. I will provide an answer on that, sir.

(The information follows:)

All contractors are paid on a contract basis.

Mr. WHITTEN. If you pay them enough, they will come up with some information.

General FENILI. In addition to detailed supervision by project officers, these contracts are supervised by what we refer to as the Project Advisory Group, which then meets and takes a look at the contract plan of study, and conducts in-process reviews. They insure that in fact this study is going in the right direction.

Mr. WHITTEN. Are these contractors American organizations, corporations, and are their personnel American nationals, or are they foreign?

General FENILI. Mainly American. As I understand it, sir, I know of none that are not American organizations.

NEED FOR INTELLIGENCE OFFICERS IN VIETNAM

Mr. ANDREWS. In view of the fact that the administration has announced through its chief spokesman, the Secretary of State, that we will not pursue a win policy in Vietnam, that we will not try to seek a military victory in Vietnam, that there will be no escalation in Vietnam, I would like to know whether or not you think it is necessary for you to have as many intelligence officers in Vietnam in the future as you have had in the past? Does not that announcement relieve you of a lot of your intelligence work?

General FENILI. No. As long as we have the forces there, sir——

Mr. ANDREWS. I did not say forces. The statement that I referred to made no mention of troop withdrawal, except under long-range possibilities which I predict will never occur. The statement simply said categorically we are not trying to win militarily.

As I understand the function of your office, you are to supply our military people in Vietnam with targets to permit them to try to win militarily, to destroy the enemy.

That is not our policy down there now. So, back to my question: Since they have relieved you of many of the duties you have performed in the past, do you not think that your budget as far as Southeast Asia is concerned would be a good place for this committee to save a little money?

Do you understand my question?

General FENILI. I understand your question, sir. He did not say that we were there to lose.

Mr. ANDREWS. I did not say that. Let me quote exactly what he said. I thought you heard it the first time I read it.

General FENILI. I have to say what it is he did not say.

Mr. ANDREWS. It is so important to the American people, it made the front page headline. This is the first time our "no win" policy has been spread all over the world.

If you cannot answer that question, General, you may answer it for the record.

(The information follows:)

We will need as many intelligence personnel in Vietnam because this statement has not changed intelligence requirements in that country nor the military missions assigned to COMUSMACV.

Mr. LIPSCOMB. What kind of contractors are these that you are beginning to work with? What does this mean?

General FENILI. Let me read some of the titles of the studies.

Mr. LIPSCOMB. First, what kind of contractor? Who does this kind of work?

General FENILI. For one, the first one is Combat Operations Research Group, CORG, which works very closely with the Combat Development Command at Fort Belvoir.

Mr. LIPSCOMB. Is that a nonprofit organization or a profitmaking outfit? Is this purely a military operation? What is it?

General TAYLOR. Sir, I do not know what it is.

Mr. LIPSCOMB. Have you any other contracts, General Taylor, with CORG?

General FENILI. Yes; I think there are others. As I indicated, CORG works closely with the Combat Development Command.

We have contracts with RAC, Research Analysis Corporation, and with Stanford Research Institute.

Mr. LIPSCOMB. Are they not already doing these threat studies for the Office of Secretary of Defense, Systems Analysis Group, and other agencies of our Government?

General FENILI. The first threat analysis pointed to specific use. I would say those you are referring to are in the strategic area. Ours are also in the strategic area, but more directly related to force development, for instance.

Mr. LIPSCOMB. Where does this show up in your budget? There has been no disclosure of a new program.

General FENILI. It is not a new program, sir.

Mr. LIPSCOMB. I thought you just said it was new.

General FENILI. There is none in this new budget. I was referring to activities in the fiscal 1969 budget.

Mr. LIPSCOMB. All right; where did it show up in the 1969 budget?

General FENILI. It would show up under 2560.3, "Intelligence management and support."

If you want me to, sir, I can provide details for the record.

Mr. LIPSCOMB. It says here:

> The net increase of ——— in Account No. 3506.3 consists of increased civilian personnel costs of ——— a net increase of ——— in "Other operating costs."

Last year, was the fact that you were going into contractual arrangements justified before us?

General FENILI. I would have to supply the answer to that, sir.

Mr. LIPSCOMB. This appears to be a one-time cost if you do not have any plans this year. What did you do, contract for several years or something?

General FENILI. I am not sure on this one.

Colonel VANCE. I cannot get into the details, sir. There was some money, as I remember it, in 1969 for this, but there is no money in the fiscal year 1970 budget for the Threat Analysis Group, for external assistance or contractual support.

Mr. LIPSCOMB. Have you firmed up any of these contracts at this time? I do not understand why you feel this is a necessary thing for

fiscal year 1969 and then, all of a sudden, in fiscal year 1970 you just drop it and yet you have ongoing studies, evidently. I do not know the terms of your contracts.

Colonel VANCE. No, sir; they are not ongoing contracts. They were for fiscal year 1969.

In our review before OSD, they cut out our request for fiscal year 1970 funds for the Threat Analysis Group.

Mr. LIPSCOMB. But you say you do not have these all firmed up yet, is that right?

Colonel VANCE. For fiscal year 1969, I cannot answer the details of the status.

Mr. LIPSCOMB. If they are not worthy enough to go ahead with in 1970 and you have not firmed up your contracts for 1969 yet—and this is almost April 1—why not save a few more dollars and not go ahead with it, and then contact OSD and let them get what you want.

General TAYLOR. May we look into this and supply answers to your questions on this?

Mr. LIPSCOMB. Yes. Just for our information, General Taylor, why wouldn't this show up on the list of contracts that we had before us yesterday?

General TAYLOR. Sir, I cannot answer this. I am not familiar with the study. I really do not know what it is. This is what I would like to look into and see what it is, what its classification is—not from the security point of view but what type of study it is. I am not sure, and I do not believe we have anyone here who can speak to it.

General FENILI. I know we have no management studies.

General TAYLOR. We will look into it.

Mr. LIPSCOMB. If that is the case under that account, then the explanation in here as to what the increase is for is not complete, because this just lists under this Account 2560.3, pay increases and a little operating cost increase.

General TAYLOR. For fiscal 1970, yes.

Mr. LIPSCOMB. If you had a one-time cost in 1969, your increase would be much larger.

General TAYLOR. It should be.

(The information follows:)

The Army Intelligence Threat Analysis Group (ITAG) has no external assistance funds in the fiscal year 1969 or 1970 columns of the budget. However, in fiscal year 1969 the Army provided funds from within existing Army resources for use by ITAG. These funds were provided by the Army commands who requested the intelligence threats. External assistance in the threats analysis area is required because the Army does not have an in-house capability to develop such studies to the extent required. Therefore, a contract has been negotiated with the Combat Research Group, a nonprofit organization, for development of ———.

There are contracts being negotiated for ———. In these cases ITAG monitors the contracts and reviews the intelligence output resulting.

In fiscal year 1970 funds were not included in the budget for ITAG because the Office of the Secretary of Defense and Defense Intelligence Agency (DIA) had not clarified the proper role of the services in the threat projections area. In February 1969, the matter was resolved by OSD and Army was given approval to conduct certain threat studies.

Mr. LIPSCOMB. It would be helpful if you would provide for the record a list of all your technical service contracts connected with intelligence operations.

(The information provided the committee is classified.)

Mr. WHITTEN. I just wonder if you know any contractors that you feel are qualified to make a study of our intelligence operation and could come up with a simplified answer as to how better to coordinate and bring about quicker and sounder results.

General FENILI. I surely don't.

Mr. RHODES. I have no questions.

Mr. WHITTEN. Turning to a continuation of the questions asked earlier by Mr. Sikes, I would like to read these questions into the record, and I would like you to supply an answer, if you will, subject to further interrogation.

PUBLIC AFFAIRS, PUBLIC RELATIONS AND PUBLIC INFORMATION

First, how much are you requesting for public affairs, public relations and public information activities and under what budget programs are these funds?

(The information follows:)

There is $2,320,000 in the O. & M.A. budget under budget programs 2000, 2200 and 2500 for public information activities at Headquarters, Department of the Army, OCINFO metropolitan field offices, major Army commands and unified commands.

HOMETOWN NEWS CENTERS

Mr. WHITTEN. Why cannot the Army consolidate its hometown news center operations with those of the Navy and the Air Force?

(The information follows:)

The Army Home Town News Center is responsive to Army orientated needs and Army personnel by virtue of their familiarity with the Army; are best equipped and motivated to tell the Army story through the home town news program. The timely processing of stories and pictures is facilitated by the standardization of procedures which relate to such things as training cycles, annual field exercises and other activities of the Army. Consolidation would require personnel to be retrained in the matter of language and command structure and additional communication facilities would be required.

Mr. WHITTEN. Why are you going to automate your home town news center operations?

(The information follows:)

ADP services would improve Center output and increase economy of operations. Human error and oversight will be eliminated in the media selection system and certain other operations which can be adapted to ADP services.

Response time in serving media will be dramatically shortened, with the certain result that an even greater percentage of Center releases will be used at home town media. News is one of the most perishable of commodities; its interest diminishes as it loses timeliness; therefore quicker response by the Center will insure that a higher proportion of the material released will pass the critical evaluation of editors and news directors for "freshness" or timeliness.

With a capability to serve more media more quickly, the Center can come closer to its objective of public service to those Americans with sons, husbands, fathers, brothers, and friends in uniform—and contributing to soldier morale and performance by reporting his achievements and activities to the people of his home town.

PUBLIC INFORMATION OFFICE

Mr. WHITTEN. Why does the Army need a public information headquarters office organized along the same lines as that of the Office of the Assistant Secretary of Defense, Public Affairs?

(The information follows:)

Although the organization of the Office of the Chief of Information does parallel that of the Office of the Assistant Secretary of Defense for Public Affairs, this is not a duplication. It is a functional breakout to provide for direction of purely Army activities within overall DOD direction and permits close coordination in areas where there is common interest.

The Office of the Assistant Secretary of Defense (PA) in accordance with Department of Defense Directive 5122.5, July 10, 1961, performs many functions in the performance of his responsibilities. Perhaps the most germane to this discussion is the following:

> "Provide policy guidance to the Department of Defense on public affairs matters and approve public affairs aspects of actions which have national or international significance in the fields of public information and community relations."

The quote defines the DOD interest as being at national and international level. The Office of the Chief of Information, Department of the Army, provides support to DOD for Army actions that are of interest at those levels. The public affairs aspects of actions of less than national or international levels are the responsibility of the Army. Thus, the Office of the Chief of Information functions not only in support of DOD but also complements DOD in covering the regional and local aspects of public affairs that DOD is neither staffed nor structured to do and which are uniquely of single-service interest. Details of planning and execution of the purely single-service program remain with the services.

Mr. WHITTEN. Is there any duplication between the operations of your public affairs offices and that of the Office of the Assistant Secretary of Defense for Public Affairs?

(The information follows:)

No. There is no duplication between the two offices. As was stated in answer to the previous question, the Chief of Information, Department of the Army, supports DOD in its activities at national and international levels and complements these activities at the major subordinate command and installation levels.

OFFICE OF DIRECTORATE FOR CIVIL DISTURBANCE PLANNING OPERATIONS

Mr. WHITTEN. What is the amount included in this budget request for the Office of the Directorate for Civil Disturbance Planning and Operations?

(The information may be found on p. 206.)

Mr. WHITTEN. When was this Office established and what is its purpose?

(The information follows:)

The Office of the Directorate for Civil Disturbance Planning and Operations was established with an effective date of April 22, 1968. Its purpose is to enable the Department of Defense to respond with forces and with speed to directives from the President to control multiple concurrent disorders; to develop civil disturbance plans for all military departments and services and force requirements to support such plans; to establish a civil disturbance watch team located in the Army Operations Center; to supervise and coordinate the execution of approved civil disturbance operational plans; to develop and supervise communications-electronic support relating to civil disturbances; to monitor intelligence, training and logistics activities relating to civil disturbances. The Directorate monitors the development and testing of civil disturbance control measures and equipment and the review and updating of appropriate training directives to insure that all services and components are trained in the most advanced techniques of civil disturbance control. The Directorate develops policy concerning military support in all matters relating to civil disturbances.

Mr. WHITTEN. What is the total cost in the Department of Defense budget for Civil Disturbance Planning and Operations?

(The information follows:)

The total cost in the Department of Defense budget for Civil Disturbance Planning and Operation for fiscal year 1970 is as follows:

MPA, $1,658,000.—Pay for military personnel assigned to the Directorate for Civil Disturbance Planning and Operations. (Note: No increase in end strength of the Army was occasioned by formation of the directorate).

O. & M.A., $900,000.—Leased communications lines; $272,000, Office, Director for Civil Disturbance Planning and Operations.

NGPA, $12,600,000.—Pay for unit training assemblies to train the National Guard for its role in civil disturbances.

Mr. WHITTEN. In connection with the Office of the Directorate for Civil Disturbance Planning and Operations, we note that you are going to use $164,000 of "operation and maintenance" funds for 1969 to relocate the Army Operations Center in the Pentagon. What is the purpose of this project and what will be the total cost?

(The information follows:)

The purpose of the project to relocate the Army Operations Center is to provide adequate facilities to enable the Army to provide immediate support for operations directed by the Joint Chiefs of Staff through the National Military Command Center and respond, at the direction of the President, to situations involving the commitment of Federal Forces at the request of a Governor or State legislature to deal with civil disturbances. The present facility has proved marginally adequate in dealing with international situations. It would be possible to continue operations in the present center if the only factor involved were potential international contingencies, however, the experience of the Army in April 1968 in dealing with the disorders following the death of Dr. Martin Luther King indicated that an enlarged operations center was absolutely necessary for proper military response.

The relocation and expansion of the operations center in no way affects the policies governing the commitment of Federal troops in civil disturbance situations.

The cost of the Army Operations Center is as follows:

O. & M.A.	$164,000
PEMA	471,000
MCA	2,200,000
Total	2,835,000

These costs include construction of the facility, relocation, and installation of communications electronic equipment.

Mr. WHITTEN. Mr. Lipscomb.

COST OF DIRECTORATE FOR CIVIL DISTURBANCE

Mr. LIPSCOMB. General Taylor, could you supply or give us the information with respect to the costs associated with the Office of the Directorate for Civil Disturbance Planning and Operations?

General TAYLOR. Yes. The cost for the operations of that office, Mr. Lipscomb?

Mr. LIPSCOMB. Yes. Include operation and maintenance by program and the MPA as well as other costs that are known.

General TAYLOR. Yes, sir; I can.

The O. & M.A. cost for 1969 is $336,800. That is "Budget program 2580," $334,800; and in "Budget program 2100," is $2,000.

The "Military personnel, Army," cost is $1,658,000 for fiscal 1969. That is for the operations, sir, for fiscal 1969.

For fiscal 1970 the total cost is estimated at $272000. In "Budget program 2500" $270,000; in "Budget program 2100," $2,000.

"Military personnel Army," cost is the same $1,658,000.

Mr. LIPSCOMB. On these figures now, what are we discussing—the Office of Directorate for Civil Disturbance Planning and Operations? Do these include any of the costs that were involved in any disturbances?

General TAYLOR. No, sir.

Mr. LIPSCOMB. Just the operation of the Office?

General TAYLOR. This would be just the operation of the Office, Mr. Lipscomb. Any of the disturbances that took place were accounted for separate and apart, let me put it that way, and then only a net cost basis.

STAFFING OF THE DIRECTORATE FOR CIVIL DISTURBANCE PLANNING AND OPERATIONS

Mr. LIPSCOMB. How large an office is this?

General TAYLOR. I believe that at one time a year ago there were around 180 people. May I verify this? Now, I think they are down to 161 people, military and civilian.

Mr. LIPSCOMB. How many military?

General TAYLOR. 151, because there are 10 civilian employees, so it would be 151, with 10 civilians.

Mr. LIPSCOMB. What is the staffing? What rank general officer is at the head of it?

General TAYLOR. There is a lieutenant general heading up the Civil Disturbance Office, sir. Then there is an Air Force general officer, major general I believe, as the deputy, and then—I do not have the composition from there on. I can furnish that.

Mr. LIPSCOMB. If you would for the record, please.

(The information follows:)

The Office, Director for Civil Disturbance Planning is staffed with 161 personnel as follows:

Army:	
Officers:	
Lieutenant general	1
Colonel	10
Lieutenant colonel	42
Major	19
Warrant officer	1
Total	73
Enlisted:	
E-9	1
E-8	5
E-7	11
E-6	7
E-5	35
E-4	11
Total	70
Air Force:	
Major general	1
Colonel	1
Lieutenant colonel	3
Total	5
Navy: Commander	1
Marine Corps: Lieutenant colonel	2

Civilian:	
GS-11	1
GS-10	1
GS-9	1
GS-8	1
GS-6	5
GS-5	1
Total	10

Totals:	
Army:	
Officers	73
Enlisted	70
Air Force	5
Navy	1
Marine Corps	2
Civilian	10
Grand total	161

DEFENSE COSTS IN CONNECTION WITH CIVIL DISTURBANCES

Mr. LIPSCOMB. For the record also, could you bring up to date the schedule which would be entitled "Defense costs in connection with civil disturbances," for fiscal year 1969?

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. There was one prepared by EASD on September 10, 1968, which would be a starting point.

GENERAL TAYLOR. September 10, 1968?

Mr. LIPSCOMB. Yes.

General TAYLOR. Very well, sir.

(The information follows:)

Defense costs in connection with civil disturbances

Troop deployment costs: [1]	
April 1968 civil disturbances:	
Army	$3,943,491
Navy	16,000
Air Force	823,760
Standby	1,431,919
Total	6,215,170
Poor people's campaign, June 1968	793,000
Chicago Convention, August 1969 (fiscal year 1969)	1,324,169
Civil disturbance planning and operations (estimates for fiscal year 1969): [2] O. & M.A. (Office, Director for Civil Disturbance Planning and Operations)	336,800
Leased communication lines	1,252,000
MPA	1,658,000
RPA	1,800,000
R.D.T. & E.	995,000
Total	6,041,800

[1] Figures do not include the cost of military pay for the personnel involved. Costs include out-of-pocket expenditures for transportation, supplies, and services.

[2] Cost of relocating the Army Operations Center is not included. These costs are shown on p. 1770.

FUNDS OWED TO THE U.S. ARMY BY INTERNATIONAL ORGANIZATIONS

Mr. LIPSCOMB. Does "Operation and maintenance, Army," support any outside activities such as the U.S. Arms Control and Disarmament Agency or any specialized group such as that?

General TAYLOR. No, sir; not in "Operations and maintenance, Army"; no, sir.

Mr. LIPSCOMB. Does the "Operation and maintenance, Army," or the Army itself have any outstanding debts owned to it by any international organizations or groups whatsoever that you may have helped in one way or another, such as the United Nations for operations in the Congo, or Biafra?

General TAYLOR. I am not aware of it, Mr. Lipscomb, but I would like to double check it for the purposes of having the record correct.

(The information follows:)

As of December 31, 1968, the Department of the Army was owed a total of $556,846.38 by the United Nations, for services rendered during U.N. operations in the Congo. A breakdown of this amount by appropriation is not available at the present time. Claims for payment of this delinquent account have been processed through the Department of State, which has indicated that funds for payment will very likely not be available in the foreseeable future.

FUNDS FOR SUPPORT OF PUBLIC INFORMATION OFFICES

Mr. LIPSCOMB. In the hearings for the 1969 fiscal year, on page 665, you offered information as to certain public relations and public information offices. Would you insert for the record an up-to-date chart showing both fiscal years 1968, 1969, and estimated fiscal year 1970?

General TAYLOR. We certainly will.

(The information follows:)

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
U.S. Army, exhibit unit	$388,000	$370,000	$370,000
U.S. Army, hometown news center	358,000	337,000	335,000
Chief of Information Field Offices, New York City and Los Angeles	41,000	46,000	46,000
Total	787,000	753,000	751,000

REDUCTION IN THE NUMBER OF PUBLIC INFORMATION AND PUBLIC AFFAIRS OFFICES

Mr. LIPSCOMB. Last year in our committee report we talked about reducing some of the activities in public information and public relations offices. Has there been anything done in this regard in the fiscal year 1970 request?

General TAYLOR. Sir, the only thing I can speak to on that would be the effect of the public law on any civilian personnel, and I do not have the numbers but I would be happy to check that.

Mr. LIPSCOMB. There has not been any reduction except for the Revenue and Expenditure Control Act?

General TAYLOR. I am not aware of any, sir.

Mr. LIPSCOMB. We made the recommendation in our report that activities relating to public affairs, public relations, and public information in the Office of the Secretary of Defense, and Defense agencies,

and the military services could be substantially reduced without any adverse effect whatsoever on Defense operations. The number of press releases, news publications, and the like could be reduced with substantial savings.

I have not been able to determine in the justification sheets any action in this regard.

General TAYLOR. Sir, I would have to repeat that the only reductions that I know of would be in the civilian personnel area and I would like to verify the number that have been reduced there. We have Mrs. Sides here.

Mrs. SIDES. I am from the Office of Chief of Information. The keynote is responsiveness. Right now the Chief of Information receives more than 100 requests each day from the public for information. The information program has been on an austere basis. Frequent analyses indicate that we are operating at a minimum of staff and funds.

Mr. LIPSCOMB. What are you talking to now; public information?

Mrs. SIDES. Yes, sir.

EXAMPLES OF PUBLIC INFORMATION SERVICES

Mr. LIPSCOMB. Could you give us some examples of public information services?

Mrs. SIDES. Of course, information is current news and anything pertaining to the Army that the public is interested in, the requests that come in from individuals, from a private in the Army or his parents to requests from news media. We answer about 100 queries a day.

Mr. LIPSCOMB. You are not speaking to press releases or news publications, or are you? Is this part of your public information program?

Mrs. SIDES. Press releases have to be cleared through the Department of Defense.

Mr. LIPSCOMB. You mean, the Army does not issue any of their own?

Mrs. SIDES. The Army prepares, but does not issue public press releases from Headquarters, Department of the Army; no, sir.

Mr. LIPSCOMB. The Army releases no press releases of their own making?

Mrs. SIDES. I would have to verify this.

Mr. LIPSCOMB. They have the Home Town News Service.

Mrs. SIDES. The Home Town News Service provides information about individual soldiers to the soldiers' hometown newspapers and radio stations.

Mr. LIPSCOMB. And other things?

Mrs. SIDES. No, sir. These are just on individual soldiers to the hometown.

Mr. LIPSCOMB. Maybe because of the lateness of the hour, we could have submitted for the record what we are talking about with respect to public information.

General ROSEBOROUGH. Yes, sir.

(The information requested follows:)

Release of information is defined in AR 360-5 as dissemination of (official) information (on military matters) to the public, whether upon Army initiative or external request. It includes written releases, still pictures, motion picture film, question and answer interviews, audiotape recordings, articles for publication in printed media or broadcast via radio or television, and oral or written responses to queries.

Information in any form concerning the overall plans, policies, programs, or operations of the Department of Defense, Department of the Army, or the National Government is normally released at the seat of Government by the Department of Defense.

Commanders below Headquarters, Department of the Army, are authorized to release * * * information to local media which is wholly within the mission and scope of their commands.

NEED TO CURTAIL PUBLIC INFORMATION SERVICES

Mr. LAIRSCOMB. Certainly in these times of shortage of money, you could take a hard look at public information and see what is a little extra and is not doing a job. I do not know if you have looked at your program since a year ago when we felt that there were things being done that could be cut down. Have you looked at your publications?

Mrs. SIDES. Yes.

Mr. LAIRSCOMB. And every one was necessary?

Mrs. SIDES. Yes, sir.

Mr. LAIRSCOMB. How many publications do you think you have control of?

Mrs. SIDES. All of our publications are intended for internal use. The major publication is the Army Digest.

Mr. LAIRSCOMB. Is that the only publication the Army produces?

Mrs. SIDES. It is the largest one.

Mr. LAIRSCOMB. It is the largest; yes.

Mrs. SIDES. The major one.

Mr. LAIRSCOMB. But what other one?

Mrs. SIDES. The Army news features, Army photo features. This information is prepared for use in Army unit newspapers. It is disseminated on request to civilian newspapers.

Mr. LAIRSCOMB. Would you take a look at that, General?

General TAYLOR. We certainly will.

(The information follows:)

INTERNAL PUBLICATIONS OF THE ARMY

The command (internal) information program is designed to develop in all members of the Army an understanding of the Department of the Army and their role within it in order to increase their motivation for service. Its general objective is to increase the effectiveness of all members of the service by providing information to increase understanding and thereby motivating individuals to perform to the limit of their ability.

The materials produced to support this internal information program supplement those produced by the Department of Defense. A list of materials produced

by the Office of Chief of Information to support the command (internal) information program follows:

Item	Purpose	Frequency
Army Digest (magazine)...	To furnish timely and authoritative information on policies, plans, operations, and technical developments of the Army.	Monthly.
Officers' Call (pamphlet)...	To provide information of particular or special application to officers.	As needed; approximately 2 per year.
Troop Topics (pamphlet)...	To serve as either an instructor's guide for informal instruction or for individual distribution on subjects of general interest and relatively timeless.	As needed; approximately 4 per year.
Special pamphlets.....	To provide information on special subjects to members of the Army.	As needed; approximately 2 per year.
Posters.....	To call attention to special programs	Do.
Command comment.....	A periodic compilation of timely statements by top-level Army and Government officials on important topics affecting the Army which provides background information to keep recipients up to date on latest Government thinking. Sent to Active Army, National Guard, and Reserve general officers, information officers, civilian aides, Active, Reserve, and National Guard units.	As needed; approximately 4 per year.
One Army Newsletter.....	Lend collateral support to the U.S. Army Reserve and National Guard by providing information about matters concerning their activities.	Quarterly.
Command information fact sheets.	To furnish timely information about new policies and procedures affecting Army personnel to Active and Reserve component units and information officers.	As needed; approximately 24 per year.
Speech file service.....	Furnishes selected speeches by senior officials on subjects of current interest. Sent to information officers, Reserve and National Guard advisers and units.	As needed; approximately 16 per year.
Army news features, Army news photo features.	To provide news and photo features as a service to editors of Army newspapers and for use on bulletin boards. Approximately 1,500 clipsheets are sent to civilian newspapers which have requested the service.	Weekly.
Materiel fact sheets.....	To provide factual data about Army material and equipment to information officers, service schools, ROTC, Reserve and National Guard advisers.	As needed; approximately 10 per year.

Mr. LIPSCOMB. If there has not been any action taken, we might as well find out.

General TAYLOR. We can compare programs from a year ago, and the program as of today.

ARMY DIGEST

Mr. LIPSCOMB. I mean, I cannot believe that the Army Digest, which is well read and has good articles in it, is your only publication in the Army. I just seem to believe that you have others.

Mrs. SIDES. This is not a public information publication. This is internal.

Mr. LIPSCOMB. It is internal, but widely distributed?

Mrs. SIDES. Yes, sir.

Mr. LIPSCOMB. I am not any longer internal to the Army, and I get it. At least, I do not think I have again come that close to becoming a part of the Army. I used to be.

Mrs. SIDES. I am only speaking to those responsibilities of the Chief of Information. There are other publications that are also internal.

The Chief of Information is responsible for only information publications.

(The information follows:)

Since 1946, when Army Digest was started, copies have been sent to both Houses of Congress for distribution to its Members. Purpose of this is to keep Congress informed of the activities of the Army and its soldiers. Upon request, copies are also provided to outside agencies and organizations. An example is the April 1969 issue which carried an article on the 20th anniversary of NATO. Because of their interest in the article the Department of State requested 200 copies of this issue of the magazine. Additionally, 3,000 copies of each issue are made available for sale through the Government Printing Office.

Mr. LIPSCOMB. I do not know at this point whether the Army has anything to do with it, but the Air Force, I am sure, and maybe others have a service that is circulated around the Pentagon of a digest of the news each morning. I was just wondering if there was any thought given to the fact that we could combine these and get it all into one.

Mrs. SIKES. This has been studied and there has been some effort to do this.

Mr. LIPSCOMB. That is what I am talking about, action, saving money, get the Army more money for rifles perhaps, or intelligence.

General TAYLOR. Let us develop this further for you.

Mr. LIPSCOMB. Very well.

(The information follows:)

The Department of the Air Force is now charged as executive agent for the Department of Defense with publishing and distributing to all DOD components a compilation of selected current news, editorials, and features concerning defense affairs. Army's only responsibility is to make distribution to the Army staff.

Mr. MAHON. Thank you very much, ladies and gentlemen.

We will resume at 10 o'clock tomorrow.

FRIDAY, MARCH 28, 1969.

CENTRAL SUPPLY ACTIVITIES

Mr. SIKES. The committee will come to order.

We will now consider the request for "Central supply activities," and will insert in the record at this point the summary justification page.

(The page follows:)

OPERATION AND MAINTENANCE, ARMY—CENTRAL SUPPLY ACTIVITIES

[Dollar amounts in thousands]

Title	Actual fiscal year 1968	Estimate	
		Fiscal year 1969	Fiscal year 1970
Base operations	$222,936	$193,470	$186,062
Central procurement operations	114,433	119,207	118,317
Supply depot operations	196,543	228,251	224,927
Supply management operations	124,031	136,090	130,864
Industrial preparedness operations	32,550	31,759	31,453
Transportation services	971,125	927,035	862,941
Military traffic management	17,509	18,430	18,511
Other logistic services	57,404	63,598	68,992
Logistics control and direction	93,002	105,604	118,472
Total	1,829,583	1,823,434	1,760,539
Personnel requirements:			
Average number of all employees	75,203	82,074	82,258
Number of employees at end of year	79,927	82,136	82,073
Total personal service obligations	$613,933	$656,241	$664,936

ARMY SUPPLY OPERATIONS

Mr. SIKES. General, is there someone here who is prepared to discuss supply operations generally, and to tell us about specific improvements since last year which you feel should be a part of the record?

General TAYLOR. Yes, Mr. Chairman. We have General Hayes, who is the representative from the Deputy Chief of Staff for Logistics, and I believe he can discuss the supply problems as well as supply improvements and what we are working toward in the way of improvements in the Army.

Mr. SIKES. You mean with General Hayes in charge you still have problems?

General HAYES. I just got there last October, Mr. Chairman.

Mr. SIKES. All right, General, you may proceed.

General HAYES. I would like to lead off by taking page 201, which is the general, overall summary of "Operation and maintenance, Army," which indicates that for fiscal year 1970 the total budget request for this project, of which I am the budget director, is $1,760,539,000, a reduction from the 1969 figure of approximately $63 million.

In part, this reduction is the result of the actions which have been taken in the area of supply management, the better control of inventories, during the past year.

I would like to break up the segments of the world and discuss them from the standpoint of overseas and then continental United States.

INVENTORY OF SUPPLIES IN VIETNAM

The area of greatest interest, obviously, is Southeast Asia. In Southeast Asia there have been significant improvements in getting our hands on what the status of supplies actually is. We have completed the first perimeter-to-perimeter, wall-to-wall inventory that I think has ever been taken in a combat theater of operations. As General Taylor indicated yesterday, for the first time in combat we have gotten a handle on the dollar value; that is, a financial inventory calculation of our assets in a combat theater of operations.

Mr. SIKES. I want to offer my congratulations, because I agree that undoubtedly this is the first time it ever has been done in combat.

Before you go further into that—I do not mean this to be a critical question, because I do think it is a laudable thing—what are the manpower requirements, and do you have a manpower problem in that area? Most people assume you do not have the manpower to take that kind of inventory.

General HAYES. Mr. Sikes, I think you have put your finger on probably the greatest problem we had in accomplishing the inventory, manpower, both in terms of quantity and, more importantly, in terms of quality.

It was accomplished to a great extent through the utilization of our professional supply people from the United States who were sent to Vietnam to assist the First Logistical Command in the mission that they had. I would not want to deny the fact that the effort, the push, the request for it came from over there in Vietnam, their interest in improving their capability to handle their problem on the ground in the theater of operations.

Mr. SIKES. How many additional people were required, and for how long? You may supply that for the record if it is not immediately available.

General HAYES. Project counter teams, which we mentioned the other day, were one of the significant temporary duty groups of people

who worked actually in the depots in accomplishing the depot count. I will get for the record the specific numbers of each counter team.

(The information follows:)

NUMBER OF PERSONNEL AND AVERAGE IN-COUNTRY DATES FOR EACH TEAM

Project counter team	Personnel	Dates
Vietnam:		
I	493	Mar. 24 to Aug. 19, 1967.
II	155	Sept. 29 to Dec. 15, 1967.
III	442	Feb. 3 to July 1, 1968.
IV	258	July 6 to Dec. 15, 1968.
Thailand:		
I	18	May 29 to Sept. 15, 1967.
II	27	June 3 to Oct. 30, 1968.

Mr. SIKES. Are they permanently assigned, or were they sent on TDY?

General HAYES. They were sent on temporary duty (TDY) in some cases for up to 180 days. It was primarily to assist in the accomplishment of the specific inventory.

Mr. SIKES. The cost of the inventory itself should be small in comparison with the advantages. I presume you are going to point these out.

General HAYES. Yes, sir.

We had in RVN a total of 531 additional people, not all during the same period but from time to time during the past year. I think, Mr. Sikes, I must say here for the record that I think a great deal of the credit for the push and emphasis on this is due to my predecessor, who testified to this committee last year, Maj. Gen. Joe Heiser, who is commander of the First Logistical Command over there and who is struggling with the magnitude of this problem.

I would like to give you a few specific items that have been significant improvements.

The physical inventory has been completed. That has resulted in a net gain of some $60 million in assets identified. They have instituted a variable order ship time by materiel category based on issue experience. They reduced the lines in the ASL, authorized stockage level lines by 11,595. They reduced fringe lines by 8,579.

The institution of Project Stop and Stop/See, which were joint ventures between the Department of the Army and the people in Vietnam, I think has done more to assure that we did not continue to proliferate the excesses getting into Vietnam, permitting getting our hands on the inventory and then pulling ourselves out of it through the redistribution process, probably more than any other thing in the distribution area.

They have reduced the unidentified Federal stock numbers in the theater from 79,921 to 46,000.

They reduced the records where they had no unit prices from 45,000 to 31,000.

They leveled off the O. & M.A. supply requirements as you saw reflected in budget program 2000.

We have reconstructed, or perhaps I should say we have really constructed for the first time a good demand entry file. We are now moving to base the demands by June 30 of this year to place an item

on the authorized stockage list, six demands in 360 days as contrasted to three that we had in the past. General Heiser is now at four; five by May, and six by July 1.

They have standardized throughout the Pacific on the 3–S system, and it has been decentralized all the way down to the depots in Vietnam. They are now functioning on it. That is one of the capabilities we now have of getting reports and data.

Mr. SIKES. What is the 3–S system?

General HAYES. It is their standard supply management system, which is controlled from the USARPAC Headquarters.

I would like, for the record, to place a brief analysis of what the 3–S system is and how it works specifically.

(The information follows:)

STANDARD SUPPLY MANAGEMENT SYSTEM

BACKGROUND

In the Army, in the field segment of the Army logistics system, the USARPAC standard supply system (3–S) represents a significant example of improved logistics support operations through use of standardized, centrally designed and controlled computer programs. The available data processing equipment is not capable of making a complete supply cycle on a daily basis because of the large volumes of transactions at some locations. This is to be corrected by competitive selection of more modern, faster equipment.

The 3–S system is designed to accomplish wholesale supply and related financial missions in support of theater level inventory control and depot operations of USARPAC. The system is fully operational in Hawaii, Japan, Okinawa, and Korea.

A modified system providing for central supply management of the USA Inventory Control Center and stock control of three accountable depots was installed in USARV in the fall of 1968 and is fully operational.

Responsibility for central design and control of 3–S is accomplished at USARPAC Headquarters.

SYSTEM DESCRIPTION

The system is designed to provide for integrated data processing with supply transactions as the primary operations and the updating of related financial records as a byproduct of processing supply transactions. Processing in general is sequential by "batches." Applications are segmented into daily, weekly, monthly, quarterly, and so forth. It is functionalized by major application which facilitates tailoring to satisfy only those applications desired. Generally, the daily processes provide for input validation, posting of receipts and adjustments, issues to include on-line substitutions, automatic back order establishment and release, asset listings for management review, referrals to Conus supply sources for direct delivery to customers, updating of financial ledgers and customer billings. High priority transactions are extracted for special handling. One or more requisitions only "short cycles" can also be run daily. Depot replenishment action can be taken daily or on a periodic basis with selection by materiel categories. Demand-and-order ship time files are updated monthly. Requisition objectives are recomputed as desired by materiel category managers. Due-in files are processed as part of the daily cycle. Customer followup's are answered as part of each cycle.

Although the system is primarily supply management and stock control oriented, support is furnished to depot storage operations in: statistical sampling of open inventory; locator survey cards; pre-positioned material receipt cards and depot movement forms; multiple location printing on shipping documents; and listings of open shipping documents by storage age groupings.

General HAYES. I think those were the major improvements in the Pacific other than the PURM-PURA project, the utilization of excess materiel and the redistribution, not only to other areas in the Pacific, but elsewhere in the world, and the actual utilization of excess.

INVENTORY OF SUPPLIES IN EUROPE

Moving to Europe, we now have eliminated the 7th Army inventory control point. Everything is flowing to the supply and maintenance agency. They have gotten on top of the problem as a result of digging out from under FRELOC. They now have completed their inventories, and their supply situation is better in Europe.

They have accomplished a tremendous amount of redistribution within the theater in Europe in an effort to make up the shortages existing within the theater from assets that are actually in the theater, and also assure the reserve in Europe, as we pointed out in connection with the GAO report. I think the supply situation in Europe is markedly better than it was a year ago.

INVENTORY MANAGEMENT IN THE UNITED STATES

Within the continental United States I think we must look at the Army Materiel Command as the major wholesale commodity management activity. Here the emphasis on the intensive management of high dollar value items has been probably the major effort within the management area in AMC.

During the year 1968, AMC completed the class II and IV depot inventory, which is the first that had been done since AMC came into being. As was testified to the committee last year, they had completed the class V inventory the year before. Both were accomplished on target.

So, from my level on the general staff, I can look with a pretty sound feeling that the people in the field have a good handle on the status of our stocks, what we actually have, and a pretty good figure of what its condition is. Our reporting system is getting better. I think the accumulation of the actual asset data rapidly enough in today's environment remains a problem that we will struggle with during the year to come; so, we can, from my side of the family, provide better support to the people who are responsible for the PEMA appropriation as well as for program 2000.

I think that is a broad-brush, general statement of the posture with respect to supply management and supply operations during the past year and where we stand today.

Mr. SIKES. That is encouraging.

INVENTORY PROBLEMS

What are the principal problems that you have not been able to overcome?

General HAYES. The first and the most difficult problem on the wholesale side is the fact that our national inventory control points are not on a standard system. Each NICP has ADP equipment which grew up and probably is a partial hangover from the old technical service system.

The Napalm project, which you were briefed on last year, is the major effort toward improving that, but it is still in the future. It will not be until 1970 or 1971 that we will feel the results of it.

So, wholesalewise, I think one problem is the ability to have a system for our inventory management that can be relied upon. Most of our NICP's are really at the saturation level on the present ADP equipment. The Missile Command and the Aviation Command are probably in the best situation in that regard as compared to the others.

With respect to the field, I think a delivery system which will get items where they are actually needed as directly as possible is a problem area. We are currently working and planning with AMC and the overseas theaters in this regard.

Mr. SIKES. We would have thought that particular problem could have been solved a long time ago. Why not?

General HAYES. Here I will have to state somewhat my personal opinion looking at it from the side.

Mr. SIKES. We would welcome your personal opinion.

General HAYES. For the last several years, as you know, I was especially interested only in turbine aircraft engines, and I saw that with intensive management it is possible. But I think the real reason is the magnitude of the hundreds of thousands of items and the buildup that it took with respect to the rapid introduction into a theater of operations of our troop forces, that we stayed behind the power curve. It was not due to the fact that people were not making efforts. I am sure they were, because I saw it when I came into AMC Headquarters. I see it all around me in DCSLOG and in the Army agencies. I see it elsewhere in the General Staff.

So, it hasn't been that the people have not been trying. Maybe we have tried too many things and have not finished any one of them.

We have constantly been striving for improvements before we actualy get under our belt, and are completely satisfied with the system we have at the moment. However, I think I see that settling down. I think it is better than it was a year ago.

From my personal viewpoint, that seems to me to be the major problem.

REDUCTION IN FUNDING REQUIREMENTS FOR SUPPLY MANAGEMENT

Mr. SIKES. You are showing a reduction of $63 million in this budget program. However, you have many new mechanical innovations that have been placed into operation to assist in obtaining better supply management. Could there not have been a larger reduction in view of these improvements?

General HAYES. I think the reason there is not a larger reduction that those improvements have reflected in the net is the fact that we have increases in this project which are offsetting. The principal of these were the increased costs for the ARVN and free world forces, which in this program amount to some $20 million more than in 1969, and the Sentinel system increases, which amount to $13,356,000. These two combined are marked increases which are offsetting this.

Mr. SIKES. I assume that the modifications which we anticipate in the Sentinel program will affect this total.

General HAYES. Quite possibly.

General TAYLOR. We expect that they will, sir.

General HAYES. As yet, I have no indication what will be the impact of the change.

GAO REPORTS ON SUPPLY MANAGEMENT

Mr. SIKES. Since last May, GAO has issued at least five reports on the inefficiency of supply management activities in the Department of the Army. These are—

1. Need to improve the Army Tank-Automotive Command supply management data system.
2. Need for improvement in the processing of requisitions for material.
3. Need to improve management of Army supplies in Vietnam.
4. Need to improve requirements computations for expensive missile repair parts.
5. Need to strengthen control over incoming U.S. aid cargo in Vietnam.

There may be other reports of which this committee is not aware. We do not have any knowledge of reports which have been issued in the Department of Defense on this subject.

There have been supply and management training programs in operation for a number of years in the various management and command agencies which have been established for better supply control, and new ADP equipment has been installed. It would appear that you still have a great distance to go.

I was quite pleased with the encouraging statement which you made earlier, but now I would like you to touch on each of these in turn, and give me your comments on them.

ARMY TANK-AUTOMOTIVE COMMAND SUPPLY MANAGEMENT DATA SYSTEM

We will start first with No. 1, the need to improve the Army Tank-Automotive Command supply management data system. Are you familiar with these reports?

General HAYES. Yes, sir.

Mr. SIKES. Do you want to touch on that one?

General HAYES. Yes, sir.

Since the date of the data which was accumulated by the GAO personnel and the issuance of that report, there has been a significant improvement in the Tank-Automotive Command in the intervening period up to now. Actually, the accumulation of data in that report is well over a year old.

Mr. SIKES. In each of these, touch briefly on the essential facts as of today, and then add to your statement for the record.

General HAYES. As a matter of fact, in talking to the GAO representatives myself, personally, they are quite happy with the improvements that have come about since their previous report.

PROCESSING OF REQUISITIONS FOR MATERIAL

Mr. SIKES. All right, No. 2, need for improvement in the processing of requisitions for material.

General HAYES. This area is one that I referred to with respect to the NICP's. There still is a need for improvement in the processing of requisitions.

Mr. SIKES. How can it be improved?

General HAYES. Probably the best improvement will be the completion of adequate ADP capability within the NICP's in the overseas areas, although the overseas areas by now are pretty well taken care of.

Mr. SIKES. We have been providing this equipment for years. Where is the deficiency?

General HAYES. The deficiency today is in the inability to handle the gross volume of the NICP's with the second-generation computers which they have. With NAPALM, the whole NICP system will be on third-generation computers with a capacity to handle the volume of workload.

This is just like the situation in Vietnam. We were behind the power curve with respect to capability to handle the job. Also, I must say that the NICP's have been short of qualified personnel in the computer sciences field.

Mr. SIKES. What is being done to overcome that particular problem?

General HAYES. Within the Army Materiel Command there is an intensive recruiting effort and training, including on-the-job training. Our great difficulty is that we have a tremendous turnover. We get a punch card operator or a computer programer and get him trained in the Govenment, and we just cannot compete with private industry. So, we are providing a training ground. It helps the country as a whole but in Government, as has occurred in other professional areas in the past, we are feeling this in the computer field.

Mr. SIKES. The matter of skilled workers, then, is the principal problem. It is not a lack of planning or training, but inability to keep them because you cannot compete with industry? Is that the greatest problem?

General HAYES. That is the great career problem, yes, sir, in that field. I think, however, I must say that we probably are facing a national problem in this area, and we are taking our share of it. I think you probably could talk to people who are in the computer business, and maybe there has been too great a proliferation of people offering this type of services countrywide. We are all trying to hire them.

Mr. SIKES. Does it make sense to continue to buy equipment if you cannot obtain and hold the personnel to operate it?

General HAYES. I think here we are on the horns of a dilemma. Without this equipment we know we are going to continue to fall on our face, with the workload that we have. We must have the mechanical contrivance or the people will do us no good. We must intensify our recruitment actions to get the qualified people in terms of both numbers and capability to utilize the technology that is now available to handle this workload.

MANAGEMENT OF ARMY SUPPLIES IN VIETNAM

Mr. SIKES. No. 3, need to improve management of Army supplies in Vietnam.

General HAYES. I think I have already addressed myself to that. Again, between the time of the GAO report as published and today, there have been marked improvements that I alluded to. The GAO is currently over there right now with a resurvey to reassure themselves as to the progress.

REQUIREMENTS COMPUTATIONS FOR EXPENSIVE MISSILE REPAIR PARTS

Mr. SIKES. No. 4, need to improve requirements computations for expensive missile repair parts.

General HAYES. This is an area where I am not as familiar with the basis of the GAO report as I am on the others. However, I know that the Missile Command has been addressing itself to the GAO conclusions in this area with respect to their capabilities. This is our best equipped command. It also is the one that is not facing the Vietnam workload as the others, so it is best equipped for its current workload.

In my own feeling, their requirements computations are sounder than some of the other NICP's. I would like to analyze this in detail and put it in the record as to how I see it as of right now on this specific problem.

Mr. SIKES. Very well.

(The information follows:)

As pointed out in the report, the Army agreed with the GAO findings and initiated various corrective actions. Some of the more important of the corrective measures taken by the Army are as follows:

(*a*) Better preparation of supply control studies.—Regulations for preparation of supply control studies now require that items with annual procurement and/or rebuild of $1 million or more be designated for special management. This management requires review of these items each month and preparation of a new supply control study whenever demand indicates a 20 percent increase or decrease in current projections. A complete supply control study on these items is made not less frequently than quarterly. Requirements and assets below the CONUS depot level are also considered, i.e., requirements and assets in overseas commands and CONUS posts, camps and stations. Thus these items are very intensively managed.

(*b*) Improved asset and transaction reporting.—The Army Material Command has assumed ownership and accountability for oversea depot assets on approximately 1,800 high dollar value secondary items including those referred to in the preceeding paragraph. As AMC owns these items, the applicable NICP's in CONUS are provided daily transaction reports on assets of these items in the overseas depots. This constitutes a considerable improvement from quarterly status reports, which were previously received from the overseas commands on these items. A corollary benefit is that the NICP's also receive more accurate demand criteria/data on these items since individual demand transactions are received for each requisition processed.

(*c*) Review of supply control studies.—Supply control studies that involve annual procurement or rebuild of $500,000 or greater at the U.S. Army Missile Command are reviewed by the systems project managers and appropriate supervisory echelons and are actually approved by the commanding general. In addition, for the items referred to in subparagraph *a* above which have annual procurement value of $5 million or greater, a copy of the supply control study is forwarded through Department of the Army to the Assistant Secretary of Defense (I. & L.). The supply control studies for these items are given a very intensive review both by staff elements in Hq USAMC and the Department of the Army, prior to forwarding to ASD (I. & L.).

CONTROL OVER INCOMING U.S. AID CARGO IN VIETNAM

Mr. SIKES. No. 5, need to strengthen control over incoming U.S. aid cargo in Vietnam.

General HAYES. This report I have heard of, but I do not know anything about it. I think it probably should be addressed to AID unless we are handling it for them.

I have here with me a representative from Transportation who is familiar with the transportation area, if you would like a few brief words on it.

Mr. SIKES. The report was addressed to Army and AID, and the report was as of May 15, 1968.

Yes, I would like a brief statement on it, and then you can elaborate for the record.

General HAYES. Mr. Nichols, can you address yourself to that?

Mr. NICHOLS. I am Mr. Nichols from Transportation, and I am not in a position to comment on this GAO report. I have not seen the final outcome of it. I can submit it for the record.

Mr. SIKES. It is dated May 15, 1968. Has your agency not had an opportunity to study this?

Mr. NICHOLS. I have not seen it. My agency presumably has, sir.

Mr. SIKES. Will you prepare a statement for the record on it?

Mr. NICHOLS. Yes, sir.

(The information follows:)

Control actions taken by the Department of the Army to safeguard AID cargo moving through military ports to first destination follows:

(*a*) Use of military guards aboard ships.

(*b*) Use of U.S. military guards to escort sensitive supplies or readily marketable commodities.

(*c*) Tighter controls on truck movements, to include escorted convoys, trip tickets controls, road patrols, radio reports of arrivals and departures, accounting for loading and off-loading times, helicopter surveillance, and more highway check points.

(*d*) Increased use of locked and sealed containers to move cargo through to depot or consignee.

(*e*) Tighter controls on cargo documentation and cargo accounting.

(*f*) Improved liaison with Vietnamese law enforcement agencies.

INSTALLATION AND OPERATION OF ADP SYSTEMS

Mr. SIKES. For the record, how much is included in this budget request for the operation of the various automatic data processing supply systems?

General HAYES. I will have to get that specific figure for the record for all ADP.

Mr. SIKES. All right.

(Staff note: Information is included in the data provided at p. 233.)

CENTRALIZATION OF SUPPLY MANAGEMENT OPERATIONS SYSTEM (COSMOS)

Mr. SIKES. At the request of the committee, the General Accounting Office made a study of the implementation of the Army's new Centralization of Supply Management Operations System (COSMOS) to determine whether it had been properly planned and whether it met the criteria set forth in the GAO report to the committee of March 13, 1968. I believe that you have copies of the reports.

It is the opinion of GAO that the development of COSMOS was initiated independently of other ADP supply systems with no assurance that it would be compatible with or would fit into an integrated Army logistics system.

Was this system acquired without assurance that it could be integrated into the other Army logistics systems?

General HAYES. It has not been implemented. Currently COSMOS is in a test situation in the 6th Army area only. It is a test system. There will undoubtedly have to be modifications and improvements in

the ADP portion of it before the system is ready to be extended. It is being evaluated at the present time.

However, it is working very successfully within the 6th Army area as a central ICP for Conus.

Mr. SIKES. In its report GAO states that the Army recognized various shortcomings in the development of this system and the need to take steps to control and coordinate the development of all the systems. GAO was unable to conclude whether the steps to be taken will be effective, inasmuch as the various involved systems are still under development and all related studies of the Army have not been completed.

The Army was to have completed its evaluation of the COSMOS and other supply management ADP systems by mid-January of this year. Has this examination been completed?

General HAYES. It has not been. The target period for the completion of this reevaluation is now set for the third quarter of fiscal year 1970.

Mr. SIKES. Why is so much time required?

RELATION OF COSMOS TO COCOAS

General HAYES. I think we get over into another system, COCOAS, which is also under test within the Continental Army Command.

Mr. SIKES. What is that?

General HAYES. It is a system under test at Fort Sill. This falls under the Conarc class I automated systems in the Conarc command structure. It is designed to provide the installation commander with a standard automated system that in essence takes everything on a base—personnel, adjutant general, supply, all requirements—into one integrated system as opposed to COSMOS which is in the supply area only.

Mr. SIKES. Is this another example of fragmentation of the problem rather than an overall attempt to solve the problem with one system? If you need this, why do you need COSMOS, and vice versa?

General TAYLOR. May I ask Mr. Buckmaster to address these systems. I think it falls in the Assistant Vice Chief of Staff's area from an overall systems point of view.

Mr. SIKES. All right.

Mr. BUCKMASTER. I am from the Office of the Assistant Vice Chief of Staff, Management Information Systems Directorate.

The question which you have just asked with respect to the relationship between COSMOS and COCOAS in fact goes beyond just those two systems.

With respect to COSMOS, the Department of the Army yesterday made a decision which has placed it in deferred status pending further development and evaluation of both the COCOAS and COSMOS projects.

The problem essentially does not confine itself to the COSMOS-Cocoas interface area which GAO identified. Back in November of 1967, the Chief of Staff directed a project called the study of management information systems support, or SOMISS, which was to be conducted within my directorate, the Management Information Systems Directorate, to look at the Armywide problem of proper support of information systems.

This study was conducted and completed in May of 1968. It was coordinated with the commands and with the DA Staff and was approved by the Chief of Staff in July 1968.

The SOMISS study provides the base for long-range improvements and intermediate improvements in the entire picture of information systems. It does this in a number of ways.

One central issue in this study was recognition of the responsibility for requirements determination for information systems. If we go back historically and look at how we have applied automation through the years, it was initially obtained by an organization in, for example, the supply area or the personnel area, where we were dealing with large numbers of requisitions or large numbers of people.

These applications grew in a fragmented fashion, over time, as people began to use computers.

The problem now is how to bring all of this fragmentation under control and to get systems standardization.

Through the Somiss study we identified a number of things which needed to be done, one of which was the responsibility of the Army Staff for functional information systems as they operate at each organizational echelon. This is what we call a requirements determination funtion which must be accomplished as a prerequisite to system design. In order to provide the proper capability to support these functions, each DA Staff agency has been requested to prepare plans for an Information Systems Office (ISO), which will be a part of the DA General Staff agency. The ISO will be supported by a Class II activity in the system design function for the systems which will operate at each organizational level involved.

So DCSLOG, for example, will be looking at its functional logistics information systems from DCSLOG level right down to the bottom.

The DA staff is working on plans for these class II activities right at the moment.

ESTABLISHMENT OF A COMPUTER SYSTEMS COMMAND

In addition, a decision was made to establish what is to be called the U.S. Army Computer Systems Command (USACSC). This command is to be activated next Monday at Fort Belvoir, Va. The Automatic Data Field Systems Command, which has been working on the Army's automatic data systems for the Army in the field is to be the nucleus for this new command.

The Computer Systems Command will be assuming responsibility for the centralized design, programing and maintenance of many of the standard multicommand systems which we have been discussing. As of next Monday, USACSC will be activated and, on a phased basis, over the next year they will be assuming these projects.

I am going down to U.S. CONARC Tuesday to discuss with them the assumption by the Computer Systems Command of responsibility for the COCOAS and COSMOS projects. In addition, they will be assuming the responsibility for the USARPAC 3S system which General Hayes mentioned earlier.

REPLACEMENT OF COSMOS BY COCOAS

Mr. SIKES. If COCOAS works out as you hope it will, will that eliminate the need for the COSMOS system?

Mr. BUCKMASTER. Sir, that has not been determined at this point in time. What has been determined is that for the time being we will continue the COSMOS project in 6th Army since it is an operational system supporting 6th Army in their requirements today.

Mr. LIPSCOMB. What is this COCOAS system? Is this another new one?

Mr. BUCKMASTER. No, sir. The COCOAS project has been underway, in fact, under one name or another, for several years.

Mr. LIPSCOMB. What other names can it go by? There is nothing in our record about COCOAS. Where does it start to appear?

Mr. BUCKMASTER. The COCOAS automation requirement was approved in September 1965. It is a project for the CONARC class I installations, and will involve standard automatic data processing equipment, and standardized computer programs, at 36 selected class I installations in CONUS.

Mr. LIPSCOMB. How much do you have in the fiscal year 1970 budget for this project?

General HAYES. Mr. Lipscomb, that is in program 2000. It is not in this budget.

Mr. LIPSCOMB. Why is he talking about it in your budget?

General HAYES. Mr. Sikes asked about COCOAS.

Mr. SIKES. Do I understand that project COSMOS has been suspended pending further studies on COCOAS?

Mr. BUCKMASTER. That is correct, extension of COSMOS outside of 6th Army will be deferred until such time as COCOAS is tested and evaluated in prototype.

Mr. LIPSCOMB. Let us go back to program 2000.

Mr. SIKES. Let me ask this one question, first.

That being the case, does that include the buildings which were funded last year in the military construction program? What is their status?

Mr. BUCKMASTER. Sir, if I am not mistaken—and I will have to verify this—the only construction for COSMOS to date has been at 6th Army, where the prototype is located. The COSMOS system as it is operating at 6th Army will continue to support the 6th Army, pending further DA evaluation.

Mr. SIKES. Part of it is in operation. And that will continue?

Mr. BUCKMASTER. Yes, sir.

Mr. SIKES. And there are studies on future application of COSMOS?

Mr. BUCKMASTER. That is correct, sir. It is conceivable if the COCOAS project works out successfully it might be possible to phase out the COSMOS system in the 6th Army, but this would be sometime in the future.

Mr. SIKES. Would the buildings then be usable in the COCOAS system?

Mr. BUCKMASTER. Yes, sir; they would.

Mr. SIKES. In connection with my previous question, bring us up to date on this.

General TAYLOR. Yes, sir; we will. I think it will remain on a test basis, but let us verify it and put it in the record.

(The information follows:)

STATUS OF COSMOS SYSTEM

There is approximately $3.3 million in the fiscal year 1970 budget for COSMOS. On March 27, 1969, the Vice Chief of Staff, Army, determined that a decision as to which supply system (COSMOS or COCOAS) would to adopted as the CONARC supply management system would be deferred until the systems can be compared. If a decision is reached to adopt COSMOS, the system cannot be extended before fiscal year 1971 due to the need for additional development before the present 6th Army system will meet requirements of the other four CONUS armies. If the decision is to adopt COCOAS, it will be necessary to continue COSMOS in 6th Army until COCOAS can be installed as a replacement. The presently occupied facilities at the Presidio of San Francisco will still be required under either situation. Award of construction contracts for 3d Army, 4th Army, and the CONARC Supply Management Center facilities approved for fiscal year 1969 has been deferred and will not be made until a decision is reached.

(Clerk's note: The following additional information was subsequently provided the committee.)

DEPARTMENT OF THE ARMY,
OFFICE OF THE SECRETARY OF THE ARMY,
Washington, D.C., May 28, 1969.

Hon. GEORGE H. MAHON,
Chairman, Committee on Appropriations,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This letter is to inform you of a recent decision by the Department of the Army concerning an automated system under development that is known as COSMOS (Centralization of Supply Management Operations). This developmental effort, which is being accomplished in the 6th U.S. Army area, has been discussed during prior hearings with several of your subcommittees.

A Department of Defense policy requires the development and evaluation of a prototype system for those automated systems to be installed in multi-installations. In accordance with this policy the Army recently conducted an evaluation of the COSMOS prototype system. It was determined that this system was not ready for extension to other CONUS Army commands and that a second evaluation will be required. The reevaluation of COSMOS will be expanded to encompass a comparison with the supply subsystem associated with the automated system being developed for CONARC class I installations, titled COCOAS (CONARC Class One Automated System). In essence this involves a comparison of centralized supply management at CONUS Army level (COSMOS) versus decentralized management at the installation level (COCOAS supply subsystem), in order to determine which supply management concept and related ADP system will be adopted as standard for the future. Plans to conduct this comparative evaluation are now being prepared.

Pending the results of the comparative evaluation mentioned above the Army has deferred actions related to the future extension of COSMOS to other CONUS armies, including suspension of contract awards on fiscal year 1969 MCA projects associated with the COSMOS program.

Sincerely yours,

WILLIAM A. BECKER,
Major General, GS, Chief of Legislative Liaison.
J. R. BROWNELL, JR.,
Colonel, GS, Deputy Chief of Legislative Liaison.

COST OF COCOAS IN 1970

General TAYLOR. Your question, Mr. Lipscomb, is how much is in the budget for COCOAS, I believe.

Mr. LIPSCOMB. That is correct.

General TAYLOR. I do not believe I have an exact figure. I would like to verify this, if I may. I think there is possibly $3 million to $3.5 million in Budget program 2000. I would like to verify it.

(The information requested follows:)

$4.4 million is included in the fiscal year 1970 O & MA budget for COCOAS.

COST OF ALL ARMY ADP SYSTEMS

Mr. LIPSCOMB. Let us go back to the question, then, of how much is included in this budget request for the operation of the various automatic data processing supply systems.

General HAYES. I will have to give you a complete figure if you want the cost of operation of our ADP equipment in the NICP's.

Mr. LIPSCOMB. General, there are probably 20 witnesses sitting back here. That figure is someplace in this room.

General TAYLOR. May I address this, sir? We have furnished the committee an estimate for fiscal 1968, 1969, and 1970, on the rental costs of ADP, and we have also furnished information on overall costs, which would include a great deal more than just rental.

I would like first to qualify this on the basis that for 1968, I think there is no question about the figures. For 1969, these are the presently programed figures. These figures have come from the commands as a result of a special request in January. For 1970, the figures in response to both questions are again command requirements figures.

As far as the exact dollars in the budget for the continued operation of this ADP program, I would have to say that there is very little additional money, with the exception of budget program 2800, which we discussed yesterday, over that presently programed for 1969.

Mr. LIPSCOMB. You haven't said anything yet, General. Let's answer the question the best we can. There is a lot of money in here for operation of ADP. How much is it?

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. All we are asking is how much is included in this budget request for the operation of the various automatic data processing supply systems. You know we have a fact sheet before us.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. Why don't we have the answer, and then you tell us that that fact sheet is correct or not correct or just an estimate and that you will supply the right figure.

General TAYLOR. That fact sheet is correct to the best of our ability.

Mr. LIPSCOMB. Instead of our sitting on this side of the table giving your answers for you, somebody answer the question.

General TAYLOR. For fiscal 1969 for ADP rental costs, we have programed $70.64 million, sir. For fiscal 1970—this is what I was attempting to explain—the commands have come in with a programed figure for ADP rental costs of $97.3 million, but they will not get that amount of money because we do not have it in the fiscal 1970 budget in that amount. It will be in the vicinity of $70 million or $71 million.

Mr. LIPSCOMB. What do you estimate the rental of ADP equipment is for fiscal year 1970 in O. & M.?

General TAYLOR. Sir, I feel it will be in the vicinity of $70 million for all appropriations of which about $16 million will be O. & M.A.

Mr. LIPSCOMB. For fiscal year 1970?

General TAYLOR. Yes, sir.

Yesterday we discussed the IDHS system in budget program 2800. It will be in that vicinity.

Mr. LIPSCOMB. We have a fact sheet in answer to a question, an estimate for fiscal year 1970 for major Army commands, worldwide military command and control system, national ADP program for AMC logistics management, centralization of supply management operations system, and intelligence data handling system. Do you have that one?

General TAYLOR. Yes, sir; I do.

Mr. LIPSCOMB. That totals $97.319 million for fiscal year 1970.

General TAYLOR. Yes, sir. I spoke to that a few moments ago on the basis that that is what the command requirement is, but we do not have that money in the budget. There is a difference between what they require and what they would do if they had unlimited resources, as opposed to what we have and what we are able to give them.

Mr. LIPSCOMB. Is there any possible way that the Congress can get an idea of the vast amount of funds that is being spent on ADP? In the Army, for instance? Is there just any way? Every time we start digging into this, they come up with a new system or a new program or a new study.

You have so many people making studies and working out systems, you cannot get help to run the machines.

General TAYLOR. Sir, the best figures I can give you today are the ones I am using. We are now establishing in our accounting structure, which will be effective on July 1 of this fiscal year, so we can capture the data for giving you the information you desire.

Mr. LIPSCOMB. The staff asked a question earlier that you provide a separate sheet of ADP costs by appropriation, including O. & M. It shows a total estimated net cost for 1970 of $463,564,000. Could you tell us whether or not that particular fact sheet has any validity at all now? That was question No. 8.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. Will you be able to use that fact sheet in answering any questions before the committee this morning?

General TAYLOR. Sir, I would have to speak to the fact sheet as we have given it to you on the same basis that I spoke to the ADP rental fact sheet. We have given you there the 1968 cost. We have given you the 1969 and 1970 programed cost.

Mr. LIPSCOMB. So that when future questions are asked this morning you will be able to answer with some type of figure and will not have to say you will look it up or something?

General TAYLOR. We will certainly try, sir.

Mr. LIPSCOMB. That is what we did on question No. 4 that the chairman asked. It was said it would be looked up for the record and submitted for the record.

General TAYLOR. We admit that in this ADP field we do not as yet have the controls that we want, but, as Mr. Buckmaster has explained, we are attempting to do this very thing.

Mr. LIPSCOMB. I cannot speak for the others, but when you cannot give us figures or we cannot discuss funds on something like this, we are just shooting in the dark. We have to know how much money you are asking for and to what use it is being put.

General TAYLOR. We appreciate this, sir.

Mr. LIPSCOMB. If you answer that you will submit it for the record when the figures are right before us, then we have no chance to inquire or to find out additional detail.

This session was not very helpful, but thank you, Mr. Chairman.

Mr. SIKES. Have you a question, Mr. Slack?

Mr. SLACK. Yes, Mr. Chairman.

LOGISTICS DOCTRINE AND SYSTEMS OFFICE

General Taylor, what is this item "Logistics Doctrine and Systems Office"?

General TAYLOR. May I ask General Hayes to respond to that, sir.

General HAYES. The Logistics Doctrine and Systems Office is an element of the Deputy Chief of Staff for Logistics that is involved in the analysis of the development of logistics doctrine for the Army logistics systems worldwide.

Mr. SLACK. How much is requested in the 1970 budget for this organization?

General HAYES. $2,373,000.

Mr. SLACK. How many persons will be employed in this organization?

General HAYES. 131 civilians, 58 military.

Mr. SLACK. The next item is Logistics Doctrine, Systems and Readiness Agency. Tell us what that is and the difference between that and the one I just referred to.

General HAYES. The figures introduced in the record previously are specifically for the agency. The numbers 131 civilians and 58 military and the $2,373,000 are for the Logistics Doctrine, Systems and Readiness Agency.

Mr. SLACK. What about the Logistics Doctrine and Systems Office? How many do you have there, or is this all one ball of wax?

General HAYES. The office is a headquarters element within DCSLOG. The fiscal year 1970 budget estimate for BP2500 includes approximately $601,000. There are 32 civilians and 14 military in this office, which is in the Headquarters element of the Office of the Deputy Chief of Staff for Logistics. The Agency is in the field.

Mr. BUCKMASTER. I would like to come back to one thing I mentioned earlier in connection with the SOMISS study. The LDSO is the DCSLOG organization which we call the Information Systems Office, and LDSRA is the class II activity supporting DCSLOG and the detailed design of their functional information systems.

I mentioned a moment ago the role of the Information Systems Office and the class II activity for systems support, and LDSO is the governing organization within DCSLOG in the systems area, with LDSRA doing the systems design in this area.

LOGISTICS SYSTEMS SUPPORT CENTER

Mr. SLACK. What can you tell us about the Logistics Systems Support Center?

Mr. BUCKMASTER. I cannot address that, sir.

General HAYES. The Logistics Systems Support Center is a field activity of the Army Materiel Command outside the Washington area.

Mr. SLACK. How many persons are employed in this category or how many do you anticipate employing in the 1970 budget?

General HAYES. I do not have the specific personnel breakdown with me on the numbers of people. They are in the dispersed activities under the Headquarters, Army Materiel Command.

Mr. SLACK. Can you tell us how much is requested in the way of appropriations for fiscal year 1970 for the Logistics Systems Support Center?

General HAYES. No, sir; I cannot at the moment. I can get that figure.

Mr. SLACK. Will you supply that?

General HAYES. Yes, sir.

(The information follows:)

The fiscal year 1970 request for the Logistics Systems Support Center, Chambersburg, Pa., is $2,070,000. This organization is authorized 198 civilian employees for fiscal year 1970 which is essentially the same as for fiscal year 1969.

NATIONAL ADP PROGRAM FOR AMC LOGISTICS MANAGEMENT (NAPALM)

Mr. SLACK. There is one which follows that; namely, the national ADP program for AMC logistics management. What can you tell us about that?

General HAYES. That is the NAPALM systems development. That is a program rather than an organization, the long-range development for the wholesale inventory control points of a standard system, and this falls within the area of ADP operations.

Mr. SLACK. Have you another appropriation item in the budget for this NAPALM?

General TAYLOR. Yes, sir, we have. We have two different breaks on that. For fiscal 1970, from the commands we have a requirement figure of $36 million, as opposed to this year's program of $33.5 million. That is the ADP rental cost. In the total cost for NAPALM, which would be more than just O. & M.A., for fiscal 1969, there is a cost of $128.4 million, which would involve all appropriations, all computer-owned as well as rental costs, as well as personnel costs.

For 1970, the commands would like $133 million, but it is just not included in the budget.

PARTICIPATION BY PRIVATE BUSINESS IN ARMY SYSTEMS DEVELOPMENT

Mr. SLACK. Have the military had any consultation with the private business community for recommendations and assessments on the various data processing and other items we have been discussing here?

Mr. BUCKMASTER. Yes; we have had extensive conversations with them.

Mr. SLACK. With whom did you discuss this?

Mr. BUCKMASTER. Are you addressing yourself to NAPALM specifically, sir, or are you talking about all systems?

Mr. SLACK. I am talking about the items I have mentioned here. In other words, have you counseled with private industry to get recommendations and judgments and determinations as to whether this would be an efficient operation?

Mr. BUCKMASTER. Yes, sir; we have had recent discussions with several industrial activities. I.T. & T. was consulted as recently as 4 weeks ago concerning their overall approach to information systems management.

Mr. SLACK. These people you have consulted with were under contract?

Mr. BUCKMASTER. No, sir. These were visits at our request to go up there and discuss their automatic data processing problems with them. In fact, the Assistant Vice Chief of Staff and the Director of Management Information Systems both were at I.T. & T. within the last month and discussed specifically this problem. Periodically we go out and meet with the larger users of ADP in industry and swap information back and forth with them.

Mr. SLACK. Did they make a recommendation on the setting up of these various systems?

Mr. BUCKMASTER. No, sir; they did not make that recommendation. This was developed within the Army.

Mr. SLACK. Thank you, Mr. Chairman.

PRACTICABILITY OF EXTENDING COSMOS

Mr. SIKES. GAO believes, referring again to the report, that because of the number of unsolved problems which appear in the prototype tests, it is not practical to extend COSMOS during fiscal 1970.

Is that in part the reason that COSMOS has been suspended?

General TAYLOR. I would hesitate to say that is the total reason. I was not present when the decision was made, but the decision has been made that it will not be expanded at this time.

Mr. SIKES. How much money is reflected in this decision which otherwise would have been used for the expansion of the COSMOS system in fiscal 1970 and for the remainder of fiscal 1969?

You may supply the answer for the record.

Do I understand that COSMOS will continue to function at 6th Army?

Mr. BUCKMASTER. Yes, sir.

Mr. SIKES. Differentiate in your answer the funds which will be required for COSMOS and in what budget items they are included. Break that out separately from the amount for expansion which will not be required.

General TAYLOR. Very well, sir.

General HAYES. I would like to get on the record here the fact that in the 1970 budget pending before you, the exact figure for COSMOS is $3.255 million, which is at the present level. There are no funds for its expansion in the 1970 budget as presented to the Congress.

(The information follows:)

No funds for the extension of cosmos were included in either the fiscal year 1969 or fiscal year 1970 budget requests beyond the amount required for operation of the prototype at the Presidio of San Francisco. A fact sheet provided to the committee prior to hearings included an estimated $1.5 million requirement for extension in fiscal year 1970; however, this amount was deleted from the Army budget prior to its finalization. Funds requested for continued operation of the COSMOS prototype in fiscal year 1970 total $3.3 million and are included under budget program 2200, Centralized Supply Activities. This amount will be augmented by offset savings in BP-2000 to the fiscal year 1969 level.

Mr. SIKES. I am not sure whether this question has been asked totally or in part. I will ask it again, and supply the answer for the record.

What is the total amount included in the request for Central Supply Activities for the rental and operation of ADP equipment for supply management purposes?

(Note: Requested information is included in the data provided at page 233.)

Mr. SIKES. I would like for the record a schedule showing the various ADP supply management systems and the estimated cost of operations for fiscal years 1968, 1969, and 1970.

(Note: Requested information is included in the data provided at page 233.)

Mr. SIKES. The request for the NAPALM system has been increased by $10.283 million over the amount obligated for fiscal year 1968.

For the record, tell us why there has been this large increase.

(The information follows:)

O. & M.A. budget estimates for the NAPALM project are included in the data supplied at page 233. The NAPALM project has not been expanded in the fiscal year 1968–69 period. The dollars for fiscal year 1968 and fiscal year 1969 are for ongoing operations and continuing development. The extension of the system originally planned for fiscal year 1970 has been curtailed and it is now proposed that the system will be installed in three new locations in the third and fourth quarters, fiscal year 1970, subject to favorable evaluation of the ongoing prototypes. The increases from fiscal year 1968 to fiscal year 1969 and from fiscal year 1969 to fiscal year 1970 are primarily due to increased personnel costs, overtime, and TDY.

Mr. SIKES. I would like to know what is the total amount in the operation and maintenance budget for the rental of all ADP equipment.

(The information follows:)

The total amount included in the fiscal year 1970 O. & M.A. budget for rental of all ADP equipment is $45.5 million.

Mr. SIKES. Going back to the report of GAO that Mr. Slack was referring to, we have here on page 27 a long list of abbreviations, which I will supply for the record, many of which refer to data processing equipment and systems of one type or another. This might help straighten this ADP systems problem out.

(The list follows:)

APPENDIX IV

LIST OF ABBREVIATIONS

ADFSC—Automatic Data Field Systems Command.
ADP—Automatic data processing.
ALMS—Automated Logistics Management Systems Agency.
AMC—Army Materiel Command.
CASSA—Conarc Automated Systems Support Agency.
CDC—Combat Developments Command.
COCOAS—Conarc Class I Automated System.
CONARC—Continental Army Command.
CONUS—Continental United States.
COSMOS—Centralization of Supply Management Operations.
CSS—Combat Service Support System.
DCSLOG—Deputy Chief of Staff for Logistics.
GAO—General Accounting Office.
LDSO—Logistics Doctrine and Systems Office.
LDSRA—Logistics Doctrine, Systems and Readiness Agency.

LSSC—Logistics Systems Support Center.
NAPALM—National ADP Program for AMC Logistics Management.
NICP—National Inventory Control Point.
PCR—Program change request.
QRICC—Quick Reaction Inventory Control Center.
SCC—Stock Control Center.
TDA—Table of distribution and allowances.

Mr. SIKES. I would like for the record a schedule showing the various systems for which funds have been requested, and the amounts obligated for fiscal years 1968 and 1969 and proposed for 1970.

(The information follows:)

AUTOMATIC DATA PROCESSING O. & M.A. COSTS

[In thousands of dollars]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Major Army systems:			
1. Centralization of Supply Management Operations System (COSMOS)	4,033	4,510	3,255
2. USAREUR Supply and Maintenance System (S. & M.A.)	3,205	3,902	3,914
3. USARPAC Standard Supply System (3S)	(1)	12,662	14,768
4. Seventh Army Card Processing System (SEACAPS)	247	415	360
5. Direct Support Unit/General Support Unit (DSU/GSU)	700	500	500
6. National ADP Program for AMC Logistics Management (NAPALM)	84,965	85,248	88,098
7. Combat Service Support System (CS3)	7,708	9,152	10,049
8. CONARC Class I Automated System (COCOAS)	1,113	2,361	4,447
9. Personnel Management and Accounting Card Processors (PERMACAP)	2,752	3,030	3,931
10. Intelligence Data Handling System (IDHS)	3,951	5,121	6,905
11. Worldwide Military Command and Control System (WWMCCS)	1,560	3,447	5,700
Other systems and ADP operating costs	98,746	106,217	117,348
Total, ADP-O. & M.A. costs	208,980	236,565	259,275

1 Not available.

Note: Systems 1 through 5 are dedicated supply management systems. Systems 6 through 8 are multifunctional systems with supply management applications included. The above information has been estimated on the basis of available administrative/technical data since the current Army management structure does not identify ADP costs at departmental level. The management structure is undergoing revision at this time for the purpose of providing the mechanism for surfacing these costs in future fiscal years.

POSSIBILITY OF ELIMINATING SOME ADP SYSTEMS

Mr. SIKES. As you have noted, there is considerable concern on this side of the table that you are falling all over yourselves in these systems that are being developed, and that the end product may be confusion rather than clarification.

Mr. BUCKMASTER. If I may respond to that, sir, this is the reason that the Chief of Staff has approved the SOMISS study and the establishment of the Computer Systems Command to bring these major systems efforts under control and to insure that they are effectively developed and operated.

Mr. SIKES. Would it not be simpler to abolish some of them?

Mr. BUCKMASTER. I do not believe so, sir, not in the Army today.

Mr. SIKES. You are a part of the system, and you naturally would not think so.

General TAYLOR. I think the answer to that question is that with the approval of this study and the establishment of this centralized command, it could well happen that some of these would drop out.

Mr. SIKES. For the record, tell us the function of the new command and to whom it will report.

(The information follows:)

U.S. Army Computer Systems Command, located at Fort Belvoir, Va., reports to the Assistant Vice Chief of Staff, Army. Its mission is to (*a*) serve as the principal Army developer of multicommand ADP systems and perform the functions of project management for assigned systems; (*b*) design, integrate, program, test, document, install, and maintain standard multicommand ADP systems responsive to functional requirements as directed by Headquarters, Department of the Army; (*c*) provide technical assistance to Army staff agencies and major Army commands in the execution of their respective roles in the planning, design, development, installation, operation, and maintenance of multicommand ADP systems; (*d*) insure effective communications-electronics planning and support for multicommand ADP systems in coordination with the Assistant Chief of Staff for Communications-Electronics and major Army commands; (*e*) conduct software research programs in coordination with the Chief of Research and Development as required to support multicommand ADP systems.

NOTE.—The term "multicommand ADP systems" as used in this statement includes those ADP systems encompassing functional applications which should be highly similar and closely integrated in two or more major Army commands to minimize expenditure of resources and to reduce variances in procedures and training.

RESPONSIBILITIES OF THE VARIOUS ADP COMMANDS

Mr. GARRITY. What is the difference in function between your office and this new command that is to be set up?

Mr. BUCKMASTER. Mr. Garrity, the management information systems directorate in the Office of the Assistant Vice Chief of Staff has the overall responsibility for the Chief of Staff for information systems and automatic data processing, Army-wide.

The Computer Systems Command is an organization which will address itself to detailed design, development, and maintenance of multicommand standardized information systems which are for use throughout the commands of the Army.

Our office is the approving authority for information systems and ADP, although new computer main frames must be approved by the Assistant Secretary of the Army for Financial Management, the senior ADP policy official of the Army.

Mr. GARRITY. What is the difference, then, between the new command being established and the command that was just set up for CONARC which we discussed yesterday or the day before?

Mr. BUCKMASTER. As I mentioned a moment ago, I am going to CONARC on Tuesday. The purpose of that trip is to arrange the phase-in of portions of the CASSA organization to the Computer Systems Command.

Essentially, the CASSA performs two functions at present. One is the development of the CONARC educational system, which is an in-house command system for CONARC. The other project is this COCOAS project which we have been discussing. The COCOAS project and the personnel and the funds from the CASSA organization will be transferred to the Computer Systems Command by July 1.

Mr. GARRITY. Thank you.

CONTINUALLY INCREASING COST OF ADP SYSTEMS

Mr. SIKES. Let us get to the heart of the committee's concern. I think it is very easy to show this by referring to the costs of automatic data processing systems for fiscal 1968, which totaled $271 million, from all appropriations; for fiscal 1969, $339 million; for fiscal

1970, $463 million. That means in the short period of 3 years you propose essentially to double the cost of these operations.

What is the end? How far are you going with this? Is it worth the money you are asking for?

General TAYLOR. May I say insofar as fiscal 1970 is concerned, again this is a command requirement figure, and that kind of money is just not in the fiscal 1970 budget. It will be at almost the 1969 level, with the exception of the one that we spoke of yesterday, in which there is a slight increase.

Further to expand upon the balance of your question, of where we are going——

Mr. SIKES. Am I to understand the figures I quoted are what you wanted to spend?

General TAYLOR. Sir, for fiscal 1970, that is what the commands have reported to us that they would like to spend.

Mr. SIKES. That emphasizes my question even more strongly. What is the end? When are we to reach a leveling off point? We could soon have this up to a billion dollars a year at this rate.

General TAYLOR. I would hope this thing is under control and being brought under control more so every day with the actions that are presently going on.

Can you expand on this?

Mr. BUCKMASTER. The need to bring it under control was the basis for the Chief of Staff's approval of the SOMISS study, sir. In fact, on his approval document he wrote:

> I do not expect a recommendation made in the interest of improved efficiency of the Army staff to cost additional spaces.

We do see, based on our projections, a reduction in automatic data processing costs in the future.

Mr. SIKES. What will be the rank of the officer in comand of the new Computer Systems Command?

Mr. BUCKMASTER. I believe that is set up on the TD as a major general position, and he will be reporting directly to the Assistant Vice Chief of Staff, who in turn reports directly to the Chief and the Vice Chief.

Mr. SIKES. When you get to the point that you have a major general in command of computers, haven't you run this thing in the ground?

Mr. BUCKMASTER. No, sir. We had a major general in the Office of the Chief of Staff in this function as far back as 1963. The Chief of the Management Information Systems Directorate, my immediate superior, is a brigadier general, sir.

Mr. SIKES. Mr. Garrity.

COMMITTEE'S REPORT ON IMPLEMENTATION AND EXPANSION OF ADP SYSTEMS

Mr. GARRITY. What recognition did the Army give to the committee's report of last year on the fiscal year 1969 appropriation?

General TAYLOR. Sir, this is in connection with the committee's report. During the review of our budget under the Expenditure Control Act, the reductions that were taken again would apply in the civilian personnel field that are applied in the ADP area.

Mr. GARRITY. The committee stated last year, and I quote from House Report No. 1735:

Although pleased with the effort that is being put forth in the review and control of these management systems—

Referring to the management of ADP operations—

the committee believes that until such time as these newly established offices have had an opportunity to review the various systems now in existence and those being planned for the future, expansion of all systems should be held in abeyance.

From the testimony this morning, we have indication that you are going forth with a number of new systems. I want to find out why you went forth with these systems without obtaining the committee's sanction.

General TAYLOR. I do not believe we have gone forth with new systems. We are attempting with the Computer Systems Command and the actions that have been taken by the Chief of Staff to do exactly what the committee is asking.

Have we any new systems?

Mr. BUCKMASTER. No, sir.

I would like to address several aspects of that, if I may, Mr. Garrity.

To my knowledge, we did not proliferate any new standard systems which we have had under development. At the time of last year's hearings, these systems were already currently under development. I refer here to systems such as NAPALM, COSMOS, and COCOAS. These were ongoing developmental efforts.

As each of these reaches the final stages of development, they are scheduled for a prototype evaluation. In the case of NAPALM, this is being accomplished out at St. Louis. In the case of COSMOS, as we have discussed, it is being done at the Presidio. In the case of COCOAS, it is being done down at Fort Sill.

These are prototype operations, and the decision to expand these systems beyond the prototype has not been made. We are working on the prototypes and, as they are approved, they will be expanded.

There have been major activities since last year's hearings to try to get these under control. For example, in the NAPALM area, there was established a NAPALM steering group which was chaired by the chief of my directorate, with participation from the Office of the Assistant Secretary of the Army for Financial Management, the Office of the Assistant Secretary of the Army for Installations and Logistics, and representatives from DCSLOG and AMC. It is to review the plans for the NAPALM project and to try to get them back on the track where appropriate.

Mr. GARRITY. May I interrupt, please.

I am addressing the total Army request for ADP systems, not just those regarding central supply activities. I will give you an illustration.

In fiscal year 1968, the actual obligations for the Intelligence Data Handling System was ——— million. In 1969, it is ——— million. For 1970, you are planning to spend ——— million.

If that is not an expansion of the system, what is this money to be used for?

General TAYLOR. Sir, this was brought up yesterday. This was an information system within the intelligence community that was approved back in 1966, I believe the general officer referred to yesterday.

I also mentioned this morning that there would be some slight increase in that area in fiscal 1970.

Mr. GARRITY. The committee said that future expansions of all systems should be held in abeyance. We did not specifically say supply, intelligence, or anything else. The committee said all systems.

We think what you are saying, General, is in direct opposition to what the committee said last year.

So we do not intend to take it any further at this time. If you wish to comment, you may.

General TAYLOR. The only other comment that I could add is that from a cost point of view we have gone into additional computers in South Vietnam. I do not have a cost figure with me this morning, but it does relate to our entire supply activity down there. Further, of course, I personally cannot contribute anything more.

Mr. SIKES. Are you familiar with the comments of the committee in last year's report on this subject?

General TAYLOR. Yes, sir; I am, I certainly am. I think the assistant vice chief's office where this responsibility rests is also aware of it.

Mr. SIKES. Did you or anyone else discuss with the committee the question of expansion despite this language?

General TAYLOR. No, sir; I did not, sir. I do not know, but I don't believe anyone else has discussed the matter with the committee.

Mr. BUCKMASTER. No, sir.

Mr. SIKES. Do the recommendations of the committee have no weight down there?

General TAYLOR. They certainly do, Mr. Chairman. We are very much aware of the committee's feelings not only in this area but in every area where the committee has expressed itself.

Mr. SIKES. Questions, on my right?

Mr. ANDREWS. No.

Mr. SIKES. On my left?

COMPUTER SYSTEMS COMMAND

Mr. RHODES. I am not at all clear as to what this Computer Systems Command is supposed to do. Could you run it past me again? This looks like the creation of another echelon which will probably end up by somebody trying to build a larger empire. We have been down this road before.

Could you address yourself to that?

Mr. BUCKMASTER. Yes, sir.

Our intent is to do exactly the opposite of that, sir. The mission of the Computer Systems Command simply stated is for the design, programing, and maintenance of standardized automated systems which have multicommand applicability; that is, information systems which operate outside of a single command in the Army.

The rationale behind the establishment of the Computer Systems Command is that at the present time these systems are not standardized—some of them are—but there are many which could be standardized but which are not. As a result of that, we have computer program-

ers and systems analysts scattered throughout the Army who are performing the same function. Therefore, we may have two or three groups of people doing essentially the same thing.

Let us take a simple case such as a payroll system. If there is no centralized direction for the development of a standardized payroll system then each separate unit has to do this individually.

By establishing a command and identifying those areas where we have major payoff potential in terms of developing standardized information systems, we will do so. By doing this, then, we will reduce the requirements for analysts and programers scattered throughout the Army.

Mr. RHODES. This is going to be an even bigger thing than I thought it was. You are actually going to get into the business of standardizing procedures by the use of computers?

Mr. BUCKMASTER. Yes, sir.

Mr. RHODES. Wouldn't this more properly fall in some other part of the Department of Defense? Shouldn't this be a DOD function, if you are going to do this?

Mr. BUCKMASTER. Sir, there are some standardized DOD systems.

Mr. RHODES. That is what I thought.

Mr. BUCKMASTER. Yes.

Mr. RHODES. Aren't you setting up something which duplicates some DOD activity?

Mr. BUCKMASTER. No, sir; not in any way. We in no way duplicate the standardized development activities of OSD.

Mr. RHODES. Now, in the report of this committee in the last Congress on our Defense appropriation bill, on page 28 we state that the "Office of Secretary of Defense has assumed the leadership for better planning and use of these large computerized management systems. On June 7, 1968, the Deputy Secretary of Defense directed that the management function for review of all facets of automatic data processing management systems be assigned to the Office of Assistant Secretary of Defense, Comptroller."

Mr. BUCKMASTER. Yes.

Mr. RHODES. What you have just described to me, I would certainly analyze as falling under the Office of the Assistant Secretary of Defense, Comptroller, if that order means anything. Why is this new command in this field?

Mr. BUCKMASTER. Sir, the Office of the Assistant Secretary of Defense, Comptroller, and within that Office the Deputy Assistant Secretary of Defense for Information, handles the overall policy with respect to the use of automatic data processing equipment throughout the Defense Department.

Mr. RHODES. Isn't that a fair description of what you just told me this new command was going to do for the Army?

Mr. BUCKMASTER. No, sir. Within the Office of the Assistant Vice Chief of Staff we have essentially two basic responsibilities, one of which is for the centralized direction and control of information systems; and the other is the centralized selection and acquisition of automatic data processing equipment. OSD establishes the policy, sir, and we do the selection and the acquisition in the ADP area. This is centralized.

Mr. RHODES. Are you getting any guidance and control from the Office of Secretary of Defense?

Mr. BUCKMASTER. Yes, sir. We are indeed; specifically, in the logistics area as an example.

Last summer there was a meeting held at Fort Ritchie to look at the logistics systems of the three services. As a result of this, OSD has recently created a task group which has as its mission improvements in the logistics systems of the Defense Department. This is a direct result of that effort.

Mr. RHODES. Has the Assistant Secretary of Defense, Comptroller, approved the establishment of this Army Computer Systems Command?

Mr. BUCKMASTER. No, sir. That was done within the framework of the Department of the Army, approved by the Chief of Staff.

Mr. RHODES. In light of what was said in the report of this committee, I should think it would be a very good idea for somebody to check this matter with the Assistant Secretary of Defense, Comptroller, to see whether or not this duplicates anything he is doing or intends to do.

Mr. BUCKMASTER. Sir, it has been checked out.

Mr. RHODES. You just told me it was not approved by him.

Mr. BUCKMASTER. It was not approved by him, no, sir; but he is aware of it and has been given the report and has provided no specific comment on it.

Mr. RHODES. He did not disapprove of it?

Mr. BUCKMASTER. That is correct, sir. He definitely did not disapprove of it.

The Deputy Assistant Secretary of Defense for Information, General Carter, chairs what is called the OSD/ADP Policy Committee which consists of representatives from the services. I am one of the Army representatives on that committee and we meet at least once a month. This kind of information is exchanged, sir. I think there is very close communication between the services and that particular office.

Mr. RHODES. It seems to me that there is a great amount of duplication of effort in this whole computer field. You have programs going in all directions. I am just at a loss to know the difference between COCOAS and COSMOS except that one of them is a prototype for the 6th Army, and the other one appears to be on some sort of a basis of expansion within the Army itself.

DIFFERENCE BETWEEN THE COSMOS AND COCOAS SYSTEMS

Can you give me a cogent explanation of the difference between COSMOS and COCOAS except the difference which I have just given?

Mr. BUCKMASTER. I will try, sir. The Cocoas is designed for the class 1 installations within CONARC. There are 36 of these installations which are involved in the COCOAS project.

Mr. RHODES. I can read that as well as you can. I know that. All right. Now you go on from there.

Mr. BUCKMASTER. Yes, sir. The systems cover the area of personnel, administration, and supply.

Mr. RHODES. All right. Now, what does COCOAS do?

Mr. BUCKMASTER. That is the COCOAS.

Mr. RHODES. All right.

Mr. BUCKMASTER. The COSMOS is a supply system, does not include the personnel and administration portion that we do have in Cocoas.

Mr. RHODES. Tell me this: Are you using the computers involved in COCOAS to their full capacity? Couldn't these same computers, with the use of long-distance telephones and all, take on the functions of COSMOS?

Mr. BUCKMASTER. Sir, this is one of the reasons that we have withheld the extension of the COSMOS system, to determine if the supply portion of COCOAS cannot do the job. If it can, then we will not extend the COSMOS system.

Mr. RHODES. Is COCOAS an adaptation of the Air Force base level system phase II?

Mr. BUCKMASTER. No, sir; it is not an adaptation of that. It is designed, in a sense, for somewhat the same purpose but it is not an adaptation of the Air Force system.

Mr. RHODES. It is for the same purpose?

Mr. BUCKMASTER. Yes, in general.

NEED FOR CENTRALIZATION OF ALL ADP PROGRAMS IN DOD

Mr. RHODES. I wonder why the DOD could not provide these capabilities for all of the Services instead of the Air Force having one and the Army having one and—I am very sure that Navy is going to have one, too. They always do.

Mr. BUCKMASTER. I think, sir, it probably comes down to the fact that centralized design of such a system would not support the Army, Navy, or Air Force to the degree that it should. There are differences between running an Air Force base and running a class I installation in the Army.

Mr. RHODES. There are differences, but there are great similarities, too.

Mr. BUCKMASTER. Yes.

Mr. RHODES. I am not at all persuaded by that statement.

Mr. BUCKMASTER. Well, sir, to give you an example in which this is being done, is the JUMPS system, joint uniform military pay system.

Mr. RHODES. Right. That I guess is on a separate set of computers.

Mr. BUCKMASTER. Yes, sir; but it is a centrally directed systems design.

Mr. RHODES. I think we should be working, Mr. Chairman, toward more standardization in the whole Defense Establishment and more universal use of the computers to their full capacity rather than having the three services doing this. I thought this was what we meant when we put this direction in the committee report here. I certainly have the very strong feeling that the armed services are not complying with what I would say was a pretty definite statement by this committee.

I hope this will be reviewed by them. Thank you very much.

Mr. SIKES. General Taylor, I think that these questions and the discussion will show the concern of the committee that the Army and the Defense Department are contributing to confusion rather than simplifying this problem by development of too many systems, by overexpansion within the systems, and we hope it is something that you will look at very carefully. I think it is obvious that this committee is going to look at it very carefully.

General TAYLOR. Sir, I can assure you this will again be brought to the attention of our superiors in the Department of the Army.

Mr. SIKES. I would like to say, Mr. Buckmaster, you have made a good witness on this subject.

Mr. BUCKMASTER. Thank you, sir.

Mr. DAVIS. Mr. Chairman, may I ask a couple of questions?

Mr. SIKES. Of course.

CENTRALIZATION OF SUPPLY MANAGEMENT OPERATIONS (COSMOS)

Mr. DAVIS. General, in the report to our committee prepared by the Comptroller General and submitted to us under date of January 16, 1969, relating to the centralization of supply management operations system, have you had an opportunity to examine this report?

General TAYLOR. Sir, I believe I have seen that report.

Mr. DAVIS. In appendix 5, on pages 28, 29 and 30 they do attempt to set forth what they refer to as background on designations of responsibilities for system development and logistics concepts in the Army. So far as you know, is that a valid presentation of the purported relationships of these various systems?

Mr. BUCKMASTER. I think that would have been modified, sir, by the decision that the Chief of Staff made on the Study of Management Information Systems Support. I believe that would have changed it. I am not fully aware of the details of that but I know there have been some changes with respect to the responsibility.

Mr. DAVIS. At the time, though, it was a valid summary, was it not?

Mr. BUCKMASTER. Yes.

Mr. DAVIS. What does COSMOS do that is not being done or capable of being done under the other ongoing systems that you have in operation?

General HAYES. I think we have the contrast here between a multipurpose, multifunctional computer system for a base and a dedicated system for a complete Army area. If I could compare the COSMOS system, the COSMOS establishment in the 6th Army area is more closely parallel to the ICP operation in the AMC area, in its commodity commands. It is a central requisitioning and inventory-control activity for the Army commander, which is, in essence, taking the requisitions, controlling the inventories and processing the requests to the wholesale inventory system for an entire Army area.

The COCOAS system is a local installation, computerized setup which will take care, on a computer, of all of the information that an installation commander needs. If it works, I really see that the two systems are complementary, that they are not competing in the sense that I think some of the questions have indicated.

Incidentally, COSMOS has been studied in detail solely as a dedicated supply system. We have not in the logistics area addressed trying to expand it to take care of other activities. Its capacity design has been to handle the volume of requisitions and the control of stocks within an Army area.

The proposed extension of COSMOS has solely been to extend it to the five Army areas and possibly to CONARC headquarters so that we will have something in CONUS which compares to our situation in the overseas theaters or to the major NICPs at the wholesale level.

Mr. DAVIS. If I understand this now, the other systems that we are talking about could be considered as being farther along in development and application so that you are now committed to the development of them on an Army-wide basis; is this true?

General HAYES. I cannot address myself to COCOAS as to its commitment Army-wide. CONUS-wide, Continental Army Command, that is within the Zone of Interior, COSMOS would be committed solely to the United States as well, and it is in operation. As a matter of fact, if it stopped, the 6th Army area would be incapable of processing their requisitions and supply management.

Now, it certainly, from the long-range standpoint—and here we go into further proliferation—it could be considered to be integrated into an overall system at the Army commander's level which is above the COCOAS. In other words, if you have the installation computer serving the local commander and feeding into an Army area commander, thence to CONARC—and I don't know whether that is in the concept of COCOAS or not—but as far as COSMOS is concerned it then, at the commander's level, could integrate.

Mr. DAVIS. Is COSMOS the only one here that we are talking about that is what must be termed a prototype? In other words, you are just trying to, as I understand it, try this thing out in the 6th Army?

General HAYES. Yes.

Mr. DAVIS. And then you are going to stop and evaluate it and make a decision as to whether or not to attempt to apply it to the other Continental Army areas; is this correct?

General HAYES. With the exception of the one word "stop." Because once committed in the 6th Army area we are going to continue to march with it so it can handle the day-to-day business for the Army commander. We are at that stage now where it is in operation. It has made some significant improvements within the supply area only for the Army commander in the 6th Army area. We are now going to assess: Should we do this in the other Army areas? In other words, place their supply management at a single centralized point within the Army area rather than have it multifaceted directly from the installations to our wholesale NICPs.

Mr. DAVIS. Tell me how this is contemplated, to tie this in not only with our geographical Army organizations within the continental United States but with actual organizations in the field? How does this get all tied together?

General HAYES. Within CONARC in the United States, all of our troops are stationed at some post, camp, or station. Their requisitions for supplies from a unit level go to the post and are supplied by a post supply. The post supply runs a small stock. They replace that stock through the requisitioning process.

At the present time in the Army areas, other than the 6th, every single post runs its stock level requisitions for the various commodities of items directly to the wholesale NICPs. Not true in the 6th Army area; they run them to the 6th Army COSMOS centralized control point, and if there is long supply on one post and a need at another, they can cross-level supplies, a thing that cannot be done in any other Army area.

So that the Army commander has a better control and handling of, No. 1, his inventories which exist, and, No. 2, his use of the operating funds under budget program 2000.

We are testing whether or not this is really a more effective economical method of doing it than the timeworn traditional way we have been doing it in the past and that we are still doing in the other Army areas.

That is the whole philosophy of trying to test the COSMOS principle. It never started out to be anything other than a single dedicated supply management system and was not intended to be proliferated to the remainder of the Army. It is purely to solve the problems in the United States, Continental Army United States.

Mr. DAVIS. I am bothered by one other phase of this thing. I remember we made a great deal a few years ago of setting up a uniform accounting and supply system for the armed services.

It looks here as if we have a number of un-uniform systems of handling this, not only within the Army itself but I have not heard anything this morning that convinces me that there is any attempt being made at uniformity of handling these things among all the branches of the armed services at the Department of Defense level. Am I wrong in this?

General HAYES. I think your impression is probably correct. However, as far as the Office, Secretary of Defense, and the Assistant Secretary for installations and logistics, there is a definite effort in order to make as closely parallel the logistical management systems within all of the services; they did develop independently, no question about it. Whether looking at it at this point in history is too late—it is later than perhaps even the Secretary of Defense would like to do it, maybe later than the Congress would like to do it, later than I as a citizen would like to do. But the problems within the services have been that you are wrestling with this massive requirement to provide the supplies and equipment to the troops, to know where they are, what the requirements computations should be, affect the procurement and try to prevent us from wasting money—or spending too much to do the job.

Mr. DAVIS. COSMOS is a prototype only for the Army, then. If your evaluation of this is favorable, have we a right to expect that the concept will be developed not only within the Army but within all branches of the services?

General HAYES. I am sure that if it was successful to the point of being a much more economical, much more efficient system, that one of the first things that would happen we would probably be briefing the Navy and the Air Force on it—as they brief us on their systems. And if it is capable of being adopted directly, which might not be the case, at least for the Air Force, possibly the Navy—as a more closely geographical system over their installations—but I would see no reason why it would not ultimately be adopted, or some facets of it. We are looking at the Navy and Air Force systems all the time from the standpoint of attempting to steal good ideas from them.

I think in the logistics field there is less, if you will, parochialism—among the services than maybe there is in other areas. We are constantly interchanging ideas with the logisticians in the Air Force and the Navy in an attempt to try to see how we meet, because we are all facing the same kinds of problems. Our users are a little bit different. They aren't exactly the same when you get out to the end of the line.

Mr. DAVIS. Mr. Chairman, would it be practicable to have whoever is in the best position to do this in light of the response that was given to take care of this situation? There are some things in here that perhaps may not be up-to-date as of now, speaking of appendix 5 to the Comptroller General's Report to this committee. That report does give a three-page summary of the responsibilities of the related concepts in connection with this. Now, if we could have this brought up to date I think it would make a valuable insertion in the record and would get the relationships of these various programs straightened out. I would like to have that done, if there is someone here who will take the responsibility.

Mr. SIKES. You will see that this is done?

General TAYLOR. We will certainly try. We will coordinate this with Defense because I believe that there is an interlocking here that should be brought out.

(The information follows:)

ADDITIONAL BACKGROUND ON DESIGNATION OF RESPONSIBILITY FOR SYSTEMS DEVELOPMENT AND LOGISTICS CONCEPTS IN THE ARMY

Appendix V, GAO report to the House Appropriations Committee, dated January 16, 1969, is updated to read as follows:

DESIGNATIONS OF RESPONSIBILITY FOR SYSTEMS DEVELOPMENT IN THE ARMY

The Deputy Chief of Staff for Logistics (DCSLOG) is responsible for the continuing development and control of the Army's logistics systems and supporting automation programs. The Assistant Deputy Chief of Staff for Logistics (Doctrine, Systems and Readiness) is responsible for supervising this effort through a Logistics Doctrine and Systems Office (LDSO), established in May 1967, and a field element—the Logistics Doctrine, Systems and Readiness Agency (LDSRA). The LDSO and supporting field agency provide for the centralized general staff direction of the Army-wide program of logistics systems development by promulgating design criteria and management techniques to be used in detailed systems design and development.

A major responsibility of the Director, Management Information Systems, Office of the Assistant Vice Chief of Staff, Army is the coordination of multifunctional (i.e., logistics, finance and accounting, personnel, etc.) automated systems development for multicommand use (e.g., systems that can be used in more than one command). DCSLOG is responsible for design criteria, compatibility, and interface of the logistics elements of these multifunctional systems with the other segments of the Army logistics system.

ARMY LOGISTICS CONCEPT

The overall Army logistics system comprises three basic segments; the wholesale segment, which procures, stores, and distributes materiel and supply for the Army, worldwide; the Army in the field segment, comprising the overseas commands and the deployable forces in CONUS; and the CONUS retail segment, comprising the five CONUS numbered Armies and the posts, camps, and stations within each Army.

Responsibility for the development and maintenance of the logistics systems, under the control and direction of DCSLOG, for each of these segments has been assigned to the U.S. Army Materiel Command for the wholesale segment and to the U.S. Army Computer Systems Command for the CONUS retail and Army in the field segments.

The Army Materiel Command (AMC), which has established the Automated Logistics Management Systems Agency (ALMSA) in St. Louis, Mo., for the development, control, and maintenance of automated systems in the CONUS wholesale area, the primary system being the national ADP program for AMC logistics management (NAPALM). Additionally, the Logistics Systems Support Center (LSSC) at Chambersburg, Pa., in coordination with ALMSA, has been assigned the responsibility for central design and development of the depot level

system SPEEDEX (systematic project for electronic equipment at depots, extended).

The U.S. Army Computer Systems Command (USACSC) is responsible for the development of automated systems for all Army multicommand data processing systems. This command is also charged with bringing together existing ADP projects. Included in their scope of responsibility are the combat service support system (CSS), the Quick Reaction Inventory Control Center (COCOAS), system, Conus Army and installation level automated system (COCOAS), COSMOS system, and USAREUR and USARPAC supply systems.

The Department of the Army's organization for logistics systems development and the basic programs are illustrated in the chart on the following page.

Mr. SIKES. By way of conclusion, the GAO has suggested that their recommendations on centralization of supply management operations, et cetera, be brought to the attention of the appropriate officials in the Department of Defense and the Army. This the committee has done.

WILDLIFE MANAGEMENT AND RECREATIONAL PROGRAMS

Now, General Taylor, last year, in the last Congress, a bill was passed to authorize support through appropriated funds for wildlife management and recreational programs on military reservations. Is there any money in this budget or any other Army budget, to your knowledge, in support of this legislation, to implement the legislation?

General TAYLOR. No, sir, Mr. Chairman, there is no request in fiscal 1970 for funds for that appropriation. It has been established as a revolving fund, I believe is the proper nomenclature, whereby the receipts from sales——

Mr. SIKES. That has been in operation for some time.

General TAYLOR. Yes, sir.

Mr. SIKES. The bill to which I referred provides for direct appropriations in support of the program.

General TAYLOR. Right, sir.

Mr. SIKES. Was there a request that such funds be provided?

General TAYLOR. Yes, sir. The Army did make a request. However, it was not approved.

Mr. SIKES. In what amount?

General TAYLOR. Sir, I am trying to find the number. I just cannot recall the amount the Army requested.

Mr. SIKES. Will you make it available when you can?

General TAYLOR. Yes, sir. I think it was in the amount of $500,000 but I would like to verify that.

(The information follows:)

The Department of the Army originally requested $478,000 in appropriated funds for fiscal year 1970 to support the wildlife management and outdoor recreation program. It was decided subseqently that this request would be deferred for reasons of economy.

ARMY STOCK FUND

Mr. SIKES. The committee is now ready to discuss the operations of the Army Stock Fund.

General Hayes, you have a statement. Will you proceed, please.

General HAYES. Mr. Chairman and members of the committee, I am Major General Hayes, Assistant Deputy Chief of Staff for Logistics (Supply and Maintenance) in the Office of the Deputy Chief of Staff for Logistics, Department of the Army. Subject to Department

of Defense and Army regulations. I am responsible for the program management of the Army Stock Fund. This entails both its supply and financial aspects.

Looking over the background of this last year, I noted that you had been given this background. So I am going to leave that out this time. No further changes in the stock fund operation have been made beyond those reported last year in the statement for the fiscal year 1969 budget.

As you know, the Army Stock Fund encompasses both wholesale and retail operations. Our national inventory control points, under the direction of the Army Materiel Command, compute worldwide requirements for Army-managed secondary items and procure stocks from commercial suppliers or governmental manufacturing arsenals. These stocks are bought by the other commands with their stock funds for sale to the Army users. The retail command stock funds are also used to finance needed supply of items managed by other Defense services and other Government agencies. Army-appropriated funds are used to reimburse the retail command stock funds.

My discussion will cover the Army Stock Fund operations for fiscal year 1969 and the proposed operations for fiscal year 1970.

In December, as a part of the President's fiscal year 1970 budget formulation, the fiscal year 1969 program was revised based upon the latest data available on sales and the status of inventories on hand and on order.

The following table sets forth in summary the original program for fiscal year 1969 as it appeared in the President's budget for fiscal year 1969, the program as currently approved by the Secretary of Defense and the proposed program for fiscal year 1970.

[In millions of dollars]

	Fiscal year 1969 program (President's budget)	Revised fiscal year 1969 program	Fiscal year 1970 program (President's budget)
I. Sales:			
Wholesale	1,396.8	1,322.4	1,273.0
Retail	2,869.1	2,784.2	2,844.7
Total	4,265.9	4,106.6	4,117.7
II. Obligations:			
Wholesale	1,365.7	1,094.4	1,161.0
Retail	2,743.0	2,645.7	2,923.3
Total	4,108.7	3,740.1	4,084.3

The fiscal year 1969 program was revised downward as a result of a significant decrease in demands for stock fund items during fiscal year 1968 from what had been planned in the President's budget for fiscal year 1968. The drop in demands was caused by improved supply management techniques in Southeast Asia which led to reduction in stockage objectives and drawdown of supplies shipped to Vietnam during fiscal years 1966 and 1967.

The reduction in obligational authority considered issues from long supply and from receipts of materiel placed on order in prior fiscal years in anticipation of sales which did not materialize.

The fiscal year 1970 program forecasts a continuation in demands at approximately the same level as planned for fiscal year 1969. The obligational requirement includes $100 million for war reserve stocks which will be used to fill deficiencies to pre-positioned war reserve requirements. Based upon detailed computations, which have been completed, our worldwide mobilization reserve requirements are $1,314 million. Assets of $668 million estimated to be on hand as of June 30, 1969, and $16 million estimated to be on order, leaves a deficiency of $630 million. The $100 million in this budget for fiscal year 1970 will finance deficiencies to reserves required to be pre-positioned in overseas theaters and in continental United States. Funding for the balance of the deficiencies in mobilization reserves will not be requested until a determination can be made of the offset to be derived from redistribution of assets in long supply in Southeast Asia. The remaining obligational program considers a continuation in the drawdown of long supply.

Army Stock Fund inventories are forecast to decline from $3,200 million on June 30, 1968 (the actual figure as of that date is $3,200 million) to $2,404 million by June 30, 1970. The following table provides an analysis of Army Stock Fund inventory transactions included in the Army's estimates for fiscal years 1969 and 1970. This led to the earlier figures. You will note that we begin fiscal year 1969 with that $3,200 million figure.

ANALYSIS OF ARMY STOCK FUND INVENTORY TRANSACTIONS

[In millions of dollars]

	Fiscal year 1969	Fiscal year 1970
Inventory, beginning of fiscal year	3,200.4	2,633.1
Increases:		
Purchases at standard price	4,003.9	4,028.0
Receipts from capitalized contracts	42.7	.2
Capitalization (from DSA 52.5; from PEMA 119.4)	171.9	0
Customer returns	345.6	339.0
Standard price changes	11.1	0
Total increases	4,575.2	4,367.2
Decreases:		
Gross issues (sales)	4,292.0	4,292.2
Decapitalization (to DSA 60.4 and 8.4; to PEMA 114)	174.4	8.4
Returns to suppliers	191.9	65.1
Transfers to property disposal officer	369.4	141.8
Issues without reimbursement	4.2	.5
Physical inventory loss adjustment	110.6	88.4
Total decreases	5,142.5	4,596.4
Net change in inventory	−567.3	−229.2
Inventory, end of fiscal year	2,633.1	2,403.9

Gross sales in fiscal year 1969 are forecast to exceed purchases and receipts from capitalized contracts by $245.4 million. Generally speaking, this means issue requirements are being met through issue of materiel in long supply. Customer returns help satisfy this requirement: $127.4 million of the customer returns are now forecast to be applicable to the issue or the approved stockage requirement.

Purchases and issues are forecast at approximately the same level for fiscal year 1970 in the stock fund as we have in our other areas.

A major effort is being made in both fiscal years 1969 and 1970 to rid the system of inventories in excess of authorized retention levels. Our forecast to transfer some $511 million to the property disposal officer during the 2-year period reflects the Army's effort to rid the system of excesses, including that materiel turned in from units which is excess to world wide requirements. This large amount is primarily due to the moratorium placed on any declaration of excesses within the wholesale system during the period of several years of the Vietnam buildup.

The sale of inventory from long supply generates cash in the Army stock fund that can be used to invest in stocks for mobilization reserves or can be transferred to other appropriations. Collections from sales in excess of expenditures for purchases of stocks are expected to generate sufficient cash to permit a transfer of $360 million to the procurement appropriation during fiscal year 1969. I think you will note it is $60 million more than the figure which was indicated in last year's testimony. The following table sets forth the transactions that affect the cash position of the Army stock fund for fiscal years 1969 and 1970:

ANALYSIS OF CASH POSITION

[In millions of dollars]

	Fiscal year 1969	Fiscal year 1970
Cash requirement:		
Provision for variation in estimates (1½ percent of estimated collections and expenditures)	$119.6	$120.9
Undelivered provisioning for new principal items of equipment entering the system	83.4	98.1
Undelivered war reserves	0	[1] 100.0
Total	203.0	319.0
Cash availability:		
Cash balance, beginning of fiscal year	153.8	77.5
Collections for the period	4,128.5	4,112.5
Expenditures for the period	−3,844.8	−3,949.6
Transfer to other accounts	−360.0	0
Cash balance, end of fiscal year	77.5	240.4
Cash availability under cash requirement	−125.5	−78.6

[1] During fiscal year 1970, if this program is approved, we expect that the $100,000,000 will be undelivered at the end of the year. We have none on order for this year.

The cash position at the end of each fiscal year is less than the cash requirement to provide for variations in estimates and undelivered provisioning and war reserves. Those figures, which are the first two lines above, are estimated figures. The Congress has in the past provided the Secretary of Defense with the authority to make cash transfers between the service and Defense Supply Agency stock funds. We expect that this same authority will be extended to cover the fiscal year 1970 and if this works out exactly in this way, that cash excess to requirements in other defense stock funds can be transferred to the Army as the need arises.

The Army continues to make improvement in supply management and supply control capabilities in Southeast Asia, particularly Southeast Asia. As of the end of December 1968, supply reports indicated that demands have leveled off and in some areas have increased as a result of the Army's support of the modernization program for the South Vietnamese forces. We are continuing the intensive manage-

ment effort directed toward the identification and retrograde of redistributable Southeast Asia assets in order to assure the fullest utilization of inventory and to preclude any over procurement. The items screened so far are almost 100 percent provided from stock fund inventories either from the Army or from Defense Supply Agency or General Services Administration stocks. Since this project commenced, $58 million have been redistributed to users to make maximum utilization of our supply resources.

Mr. Chairman, this concludes my presentation.

RELIABILITY OF STOCK FUND PROJECTIONS

Mr. SIKES. General Hayes, you have given us a good statement and it is a clear statement. It will be very useful for the record, However, there are some changes in the amounts which were anticipated both in 1968 and in 1969. I think we should have something in the record on the reliability of predictions. How much confidence can we have in financial statements that are presented to us on the stock fund?

General HAYES. I think that with respect to the actual figures of what has occurred, that those are 100 percent accurate. In other words, the figures, the financial statement of condition at a particular point in time after the fact. With respect to the projections, this is one of the most difficult areas in the management of the stock fund because of the constantly changing situation. While I was in AMC and now as I have managed this stock fund at the Department of Army level, this was the thing that plagued me the most with respect to the capability of our NICP's to project forward the position that they would be in in order to justify the funds that were obligated for procurement.

Demands have been erratic. They continued to be the results of the changing combat situation and always will be. So, at best, it is a prediction game.

Any items, any new items which are entering the system, despite the best engineering talent that we have or that our contractors who are producing major items of equipment have, we know we will estimate what the provisioning, spare parts, et cetera, should be and we buy those quantities. Those estimates are made on the best engineering data because there is no other way. But when we get an item in the field it sometimes uses parts at a greater rate than was in the engineering estimates and in other cases using them far less. An item in the field also does not have a constant demand data situation. The usage to which the item is put is markedly different and produces a different demand impact back at the NICP's.

We have several programs that we are doing in-house and one very big program we are doing with outside assistance, without a cent expended out of our budget, through the National Security Industrial Association in an attempt to develop better factors for consumption, possible consumption or wear out of spare parts and components.

Obviously, you can understand that a helicopter or a truck or a rifle in Vietnam has a totally different environment to be used in and its wear-out rate is totally different than it is in Europe or even in training here in the continental United States. I think, Mr. Chairman, that what I am doing in essence—I am not begging your question but

I think that you can have confidence that the best that all the brainpower we have is going to be put into making those projections as accurate as possible. I might say that Mr. Resor has very recently set up a special analysis provided to him on a monthly basis—and I am the one that has to go up and give it—with his tremendous interest in this business of getting better projections and better management of our stock fund program.

INCREASE IN STOCK FUND SALES FOR 1970

Mr. SIKES. If there is a drop in demand because of the considerable amount of excess stocks in Southeast Asia which must be redistributed, why are you anticipating increases in sales for fiscal 1970?

General HAYES. The increases in sales will be utilizing those long stocks because from the stock fund particularly in Vietnam they are using O. & M.A. funds to purchase from the stock fund. There is no stock fund, as you know, in the theater in Vietnam.

Mr. SIKES. Now, would you clear up this point: You anticipate increased sales in fiscal 1970 although the Army has stated that funds for supplies to Southeast Asia have been reduced substantially.

General HAYES. These are the stock funds within the Army. The very small increase there shown in the sales 1970 over 1969 is primarily occurring in wholesale inventory assets in aviation, some of the electronics area, of military-type items where we are not in long supply. I think to properly get the picture of this you would have to take the military stock fund and the DSA stock fund and put them together to address that question accurately, and I do not know what the DSA stock fund projection for 1970 is.

Mr. GARRITY. You just mentioned a sale, for instance, of air material, spare parts, various items, which are not in long supply, but according to the statement, the report on working capital fund, Department of Defense as of June 30, 1968, you have approximately $127 million worth of long supply stocks in air materials.

General HAYES. Yes. I am quite aware of that figure. That is part of this long supply excess that we are attempting to get rid of. You cannot use a OH–13 part to fit a HU–1 helicopter. The tremendous increase has been in the later model aircraft which are continuing to have increased demands for spare parts. We are not in long supply in that type item. So it is a case of the specific major end item that is accounting for the long supplies which are, as far as we are concerned, unusable long supplies.

WAR RESERVE STOCKS

Mr. SIKES. The obligation requirements for fiscal 1970 include $100 million for war reserve stocks. What is the current status of war reserve stocks?

General HAYES. I can give you a total, and I have a detailed background.

Mr. SIKES. Provide it for the record.

(The information was provided to the committee and is classified:)

Mr. SIKES. Has the criteria for determining war reserves requirements changed in the past 2 years?

General HAYES. No, sir.

Mr. SIKES. If you are anticipating a deficit cash requirement position at June 30, 1970, can you afford to spend $100 million for war reserve stocks?

General HAYES. At this point I don't know, and that is the reason I showed the $100 million as of the end of 1970. I project a cash position of $240 million at the end of fiscal year 1970, which, together with cash that I can expect to generate in fiscal year 1971, should be adequate to pay for the mobilization reserves and leave a cash balance equal to cash requirements.

TRANSFER OF STOCK FUND CASH

Mr. SIKES. Last year we had quite an extensive discussion on the ability of the Army to transfer $300 million in cash to the appropriation for procurement of equipment and missiles, Army. At that time it was explained that the $300 million would be made up of $119 million in excess cash derived from operations in fiscal year 1967 and $181 million of excess cash to be derived in fiscal year 1969. Now, on page 6 of your statement, the current statement, you indicate that the stock fund is in a deficit cash requirement position by $125,500,000 for fiscal year 1969. Has the Army already transferred the $300 million?

General HAYES. No, sir. That is the projected figure from the Office of Secretary of Defense to be made up from the Army by June 30. I do not know whether any part has been transferred yet.

Mr. SIKES. How much does it now appear can be transferred?

General HAYES. We still hope that we can make the $360 million.

Mr. LIPSCOMB. What exactly do you mean, General? Are you going to take it all out of fiscal year 1969?

General HAYES. There was $153.8 million in cash on hand as of June 30, 1968. The budget estimated a transfer of $60 million to the procurement appropriation in fiscal year 1968. It was not withdrawn. So with the cash on hand on July 1, 1968, plus our cash accruals during the year, we anticipate that we will make the $360 million in fiscal year 1969.

Mr. LIPSCOMB. But you were going to do this in 1967.

General TAYLOR. No, sir.

Mr. LIPSCOMB. I mean with fiscal year 1967 money. That is what the question was.

General HAYES. We do not have it here. I would have to go back and look at 1967 and see what the situation is.

Mr. SIKES. Can you do that?

General HAYES. Yes.

(The information follows:)

The following is the analysis of cash transactions as proposed in the budget for fiscal year 1969 and revisions required as a result of actual operations in fiscal year 1968 and revised forecasts for fiscal year 1969:

PRESIDENT'S BUDGET FOR FISCAL YEAR 1969

[In millions of dollars]

	Fiscal year 1967 actual	Fiscal year 1968 estimate	Fiscal year 1969 estimate
Cash requirement	156	269	222
Cash availability:			
Cash, beginning of period	0	+275	+440
Collections, period	+4,493	+4,429	+4,284
Expenditures, period	−4,569	−4,264	−4,103
Appropriated	+351	+60	.....
Transferred to other accounts	0	−60	−300
Cash, end of period	275	440	321
Cash over (+) or under (−) requirement	+119	+171	+99

The cash requirement for end of fiscal year 1967 was budgeted as $156 million. The actual cash balance exceeded this requirement by $119 million. This amount, together with estimated cash generations of $165 million in fiscal year 1968 and $181 million in fiscal year 1969, would have been adequate to support the $300 million cash transfer and leave a cash balance of $321 million.

Improvements in supply management in Southeast Asia initiated in fiscal year 1967 and in the European Command in fiscal year 1968 led to a decrease in demands placed on the Europe and Pacific retail stock funds and on the national inventory control point wholesale stock funds. Also, included in the fiscal year 1968 sales estimate for the Pacific area, was a $250 million drawdown in on hand and on order assets located on Okinawa to be sold to the Army in Vietnam. This drawdown was actually $93 million and represents a loss in collections for which no offsetting disbursement was planned.

The $300 million in cash proposed to be transferred in fiscal year 1969 is estimated to be generated essentially as follows:

[In millions of dollars]

Reduction in operating stocks	189.6
Sale of stocks in long supply	51.4
Sale of receipts from capitalized contracts to be paid for by the procurement appropriation	42.7
Drawdown of cash availability on June 30, 1968	76.3
Total	360.0

PRESIDENT'S BUDGET FOR FISCAL YEAR 1970

[In millions of dollars]

	Fiscal years		
	1968	1969	1970
Cash requirement	218	203	319
Cash availability:			
Cash, beginning of period	275	154	78
Collections, period	3,965	4,129	4,112
Expenditures, period	−4,146	−3,845	−3,950
Appropriated	60	.....	.....
Transferred to other accounts	0	−360	0
Cash, end of period	154	78	240
Cash over (+) or under (−) requirement	−64	−125	−79

The cash balance, estimated now to be $78 million on June 30, 1969, is sufficient to cover our expenditures, provided the Congress approves section 538 of the proposed general provisions, as it has for the past several years, which authorizes us to maintain a cash balance in only such amounts as are necessary at any time for cash disbursements.

CHANGE IN INVENTORY LEVEL

Mr. SIKES. On page 4 of your statement, General Hayes, you indicate the ending inventory for fiscal 1969 to be $2,633,100,000. Information provided the committee by OSD indicates that as of December 31, 1968, the Army had inventories totaling $3,321 million. How do you anticipate that the inventory will be reduced by approximately $700 million during the last 6 months of this year?

General HAYES. Yes, sir; that is our current anticipation based on the emphasis on the reduction of these items that are now carried in long supply potential DOD excess. We now have a concentrated program to phase those out, now that we have reached a level.

Mr. SIKES. With a concentrated program you can meet that objective?

General HAYES. Yes.

Mr. SIKES. Do you consider that the situation would arise, if for instance you were unable to sell this additional inventory prior to the end of the fiscal year, will you then be left with a cash deficit considerably larger than that which you estimate?

General HAYES. As of right now I don't expect to. However, on the premise that you say, do I expect that I will not make the sales? It would be subject to something that we don't see in the current demand picture, that is, a sudden cessation in hostilities which might upset the situation. But I don't see where we are—we are now almost at the end of March and I think we can see close enough that nothing can happen that is going to stop the sales tremendously, unless everybody in the field is out of money.

Mr. SIKES. Then you don't consider that you are cutting yourself short with cash transfers?

General HAYES. We are tight with the $360 million.

Mr. SIKES. Too tight?

General HAYES. I won't say too tight because I would just as soon play a tight game.

GOODS RETURNED TO INVENTORY

Mr. SIKES. In your schedule on inventories you are anticipating quite a return of goods from customers. When a customer returns stock to inventory does the customer receive credit against future purchases?

General HAYES. No, sir. It generally is a credit, depending on the situation within the inventory at the time, and it depends on the class of supply and the status of the particular item which he returns at that time.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. If that is the case, General, would this in effect generate excess cash in your stock fund operation? Because the customer has already paid for this when he bought it. Now he is returning it, he is not going to get any credit for it.

General HAYES. I did not say he did not get credit. I said he gets credit depending upon the current status of the item. Unless the item in inventory is all the way out beyond the retention levels he will get credit.

Mr. GARRITY. He gets credit, then, and he can buy some other items against that credit?

General HAYES. Yes, sir.

Mr. SIKES. At December 31, 1968 the Army had $642 million of potentially excess stocks. What is causing this excess to increase?

General HAYES. I think it is a whole multiplicity of factors. The operation of our supply control study system, which continuously recomputes based on the type of demands determines what the levels should be. Where demands fall off as they have in the weapons area so far this year, then when the next supply control study is run, the stocks that you may have had just enough of are pushed down into potential excess. So, shifting demands is the major factor which contributes to increases. However, it works both ways. We get some of the potential excess when we have not disposed of it and we pull it back and use it.

Mr. SIKES. Very well.

Thank you very much. This completes the discussion of the stock fund. We will begin our next hearings with "Depot maintenance."

TUESDAY, APRIL 15, 1969.

DEPOT MAINTENANCE

Mr. ANDREWS. The committee will come to order.

This morning the committee will continue with its consideration of the Army request for operation and maintenance funds.

When we adjourned for the Easter recess, we had completed "Central supply activities" and the "Army stock fund." This morning we will begin our discussion with "Depot maintenance operations."

We will now take up the request for depot maintenance and insert in the record at this point the summary justification page.

(The page follows:)

OPERATION AND MAINTENANCE, ARMY—2300 DEPOT MATERIEL MAINTENANCE AND SUPPORT ACTIVITIES

[Dollar amounts in thousands]

		Estimate	
	Actual, fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Weapons/support systems maintenance	$477,756	$616,984	$602,542
Materiel support	24,870	15,022	15,677
Maintenance support services	173,522	165,911	173,870
Base operations	14,341	5,852	6,030
Total	690,489	803,769	798,119
Personnel requirements:			
Average number of all employees	25,029	8,463	8,651
Number of employees at end of year	26,400	8,589	8,713
Total, service obligations	$220,107	$86,380	$91,133

UTILIZATION OF OVERHAUL AND REPAIR DEPOTS

Mr. ANDREWS. Are all of the Army overhaul and repair depots presently operating at full capacity?

General HAYES. Mr. Chairman, I am General Hayes, Assistant DCSLOG, "Supply and maintenance."

Our in-house depot operations are essentially operating at the capacity that they have, their capability with their present staffing and personnel.

Mr. ANDREWS. Are you replacing civilians with military personnel?

General HAYES. No, sir.

Mr. ANDREWS. Nowhere?

General HAYES. In the depot maintenance area; no, sir.

OVERHAUL OF UH-1D HELICOPTERS

Mr. ANDREWS. What is the status of your overhaul and maintenance of the UH-1D helicopter?

General HAYES. The UH-1D helicopter is being accomplished both by in-house and contract maintenance. The in-house maintenance is being accomplished at the Aeronautical Depot Maintenance Facility at Corpus Christi, Tex., where we do both crash damaged aircraft and high time; that is, aircraft which have flown their prescribed number of hours and have come back for regular cyclic overhaul.

At the Bell plant we are doing a limited number of crash-damage aircraft on a contract which began in fiscal year 1968, and at the Lockheed plant at Lake Charles, La., we have begun a contract for overhaul of high-time aircraft. That contract is currently in its initial phases. To date we have from the Lockheed contract a total of some 18 aircraft that have been delivered. It has just started.

Mr. ANDREWS. I asked you about the UH-1D. Is this facility that you have for all helicopters, or just for the UH-1D?

General HAYES. The Aeronautical Depot Maintenance Facility performs both crash-damage and high-time overhaul on all types of helicopters. The Bell plant will repair only Bell ships, the UH-1's, and the Lockheed facility is doing only the UH-1. So our contract facilities are accomplishing Huey overhaul. Our in-house facilities are accomplishing all types.

Mr. ANDREWS. Do you send helicopters there from all over the country to be worked on?

General HAYES. Yes, sir. In fact, they come from all over the world.

Mr. ANDREWS. In my district at Fort Rucker, you have quite an operation for maintenance of helicopters. Does that apply also to that facility?

General HAYES. The choppers at Fort Rucker are maintained to the base level of maintenance. If they require depot overhaul, they are sent to Corpus Christi. There is an extensive local base level maintenance, not depot level, performed at Fort Rucker.

OPERATIONAL HOURS PRIOR TO OVERHAUL OF THE UH-1

Mr. ANDREWS. What about your operational hours before overhaul? Have they increased?

General HAYES. No, sir. For the UH–1 we have a planned figure that we shoot for of 2,200 flying hours accomplished on the airframe. This is for the Huey.

Mr. ANDREWS. 2,200 hours?

General HAYES. 2,200 flying hours.

Mr. ANDREWS. That is up from a few years ago, is it not?

General HAYES. Yes, sir, I think it has been increased. Not all of the aircraft which come back for depot overhaul have met that, because we get the crash damaged back, and they are at whatever time the crash occurred.

Mr. ANDREWS. But if you have a chopper that gives good performance, no accident, you run it 2,200 hours before you arbitrarily give it an overhaul?

General HAYES. That is correct, yes, sir.

Mr. MINSHALL. Does that include the engine?

General HAYES. The engine as a separate major component is not on that basis. The total airframe comes back as a complete entity at 2,200 hours. The turbine engine for the Huey particularly will come back at a time before overhaul which is now set at about 1,000 hours.

Mr. ANDREWS. I think that is what I had in mind.

General HAYES. You were thinking of engines.

Mr. ANDREWS. That 1,000 hours for the engine is up considerably from what it was several years ago?

General HAYES. It has been steadily increased on the T–53 engine. It has been steadily improving.

HELICOPTER LOSSES

Mr. WHITTEN. The rate of destruction of these helicopters, as a general observation and from hearsay, is pretty high. What is the usual life so far as battle damage? What is the rate of turnover? How long does one last before it is destroyed? Give us an approximation, and correct it for the record.

General HAYES. Let me give you the losses. As far as the aircraft is concerned, unless the crash results in fire, for example, which totally destroys it, we generally get the airframe back as a crash-damaged aircraft and will overhaul it because of the urgency of the need for aircraft. This goes up and down, depending on the combat situation in Vietnam.

Actually, the helicopters have survived, as far as battle damage, better than we originally thought they would, although we have had helicopters knocked down. As far as total loss to the inventory, it has not been as great.

Mr. WHITTEN. You are apparently trying to answer, General, but I wish the record to show the actual fact.

General HAYES. Certainly. I can give you the total losses by types.

(Classified information was provided the committee.)

Mr. WHITTEN. That is what I was basing my question on. I would be glad to have that. That is what leads to the next question, the rate of destruction, the normal active life of the helicopter before it is damaged. These are sitting ducks, if they are in an area where somebody can shoot them.

General HAYES. If they are caught on the ground, there is heavy destruction.

Mr. WHITTEN. If they are in the air, they are not awfully hard to hit, apparently. The facts are facts, General. I do not think you should stutter about it.

General HAYES. I was trying to give you a correct figure. We have had a total loss of about one out of about every 19,000 sorties, total loss of the helicopter.

Mr. WHITTEN. Correct this for the record. I think it is important.

General HAYES. Yes, sir.

Mr. WHITTEN. Thank you.

(The information follows:)

During the period January 1962–January 1969, 11,666,000 combat sorties were flown by helicopters. Of these, there has been only one helicopter hit out of each 750 sorties, one shot down out of each 7,200 sorties, and one totally lost to ground fire per each 18,200 sorties.

PERCENT OF UH–1D OVERHAUL ACCOMPLISHED IN-HOUSE

Mr. ANDREWS. Speaking again of the UH–1D helicopter overhaul and maintenance program, what percentage of this is being done in-house and the amount by outside contractors? Have you those figures?

General HAYES. Yes, sir; I have the figures with me.

Of our current program, the commercial input is 240 at Lockheed.

Mr. ANDREWS. 240, what, when, where?

General HAYES. 240 UH–1D's this year.

Mr. ANDREWS. Each year?

General HAYES. This year.

At Bell, 247.

Organic, that is, at ARADMAC, 480.

Mr. ANDREWS. Have you answered my question about what percentage is done in-house?

General HAYES. It is roughly 50 percent.

Mr. ANDREWS. Fifty-fifty. When you do work in-house, who does the work?

General HAYES. The Aeronautical Depot Maintenance Facility at Corpus Christi, Tex., does the principal work.

Mr. ANDREWS. Civilian employees?

General HAYES. Yes, sir.

Mr. ANDREWS. Have you military employees engaged in maintenance?

General HAYES. There are some military staffing of that as a facility, but the maintenance work is primarily civil service.

HELICOPTERS DAMAGED BEYOND SALVAGEABILITY

Mr. MINSHALL. General, you mentioned a minute ago that the aircraft that were not completely burned out were salvageable. How many are not salvageable?

General HAYES. We have used a factor of 2.336 per 100 for the UH–1 B/C and 1.771 per 100 for the D/H series as the loss forecast for the procurement appropriation.

Mr. MINSHALL. How many have you lost to fire as a complete washout, and how many have you been able to rebuild?

General HAYES. I will give it to you by calendar years.

In the UH-1, beginning in calendar year 1965, ——— calendar year——

Mr. MINSHALL. ———.

General HAYES. ——— UH-1's.

Mr. MINSHALL. What happened to those ———?

General HAYES. These are total losses.

Mr. MINSHALL. Total washouts?

General HAYES. Yes, sir. ——— in 1966; ——— in 1967; ——— in 1968; and as of the 9th of April, we had lost ——— so far.

Mr. MINSHALL. That is of that one type.

General HAYES. Yes, sir.

Mr. MINSHALL. How many of that same type for the same years were you able to rebuild?

General HAYES. I will have to get you the specific figures for the record, because they would have come back as crash-damaged.

Mr. MINSHALL. You ought to be able to give us some kind of estimate. This is your shop. It seems to me you would know that.

General HAYES. I can go back only in 1968.

Mr. MINSHALL. We will go back as far as you can, and then supply the figures for the record, please.

General HAYES. Yes, sir.

——— inhouse and ——— on contract in 1968. That is fiscal year 1968. ——— inhouse and ——— on contract in fiscal year 1969. That is the programed figure for this year, of which ——— have happened so far this calendar year.

Mr. MINSHALL. Of these which were total losses, how were they lost ——— on the ground, by mortar fire?

General HAYES. A combination of all things. A crash where it is an accident which results in total destruction of the aircraft——

Mr. MINSHALL. The reason I asked is because the ratio has gone up so much from 1965 and again the last year, ——— for that one type of helicopter.

General HAYES. I think the inventory of that type has also markedly gone up. That has been our primary inventory ship.

Mr. MINSHALL. Rather than take time now, Mr. Chairman, I think it would be well to have this in the record for all types of helicopters, the total loss, the complete washouts, and also that they have been able to salvage and rebuild.

General HAYES. Yes, sir.

Mr. ANDREWS. Supply that for the record, General Hayes.

General HAYES. Yes, sir.

(Classified information was provided the committee.)

MAINTENANCE, OVERHAUL, AND REPAIR OF HELICOPTERS IN VIETNAM

Mr. ANDREWS. Now I want to ask a question about your maintenance, overhaul, and repair in Vietnam. Where do you do that work?

General HAYES. The testimony I have been giving is primarily for Vietnam. Because of the heavy percentage of our inventory that is in Vietnam, in the theater we have a floating aircraft maintenance facility which does some depot level repair of aircraft components, components only, no airframe work, no total aircraft overhaul, in the theater. This all is evacuated to the United States.

Mr. ANDREWS. How do you evacuate them to the United States?

General HAYES. Primarily by air.

Mr. ANDREWS. Is that not much more expensive? What would be the possibility of your setting up facilities in South Vietnam and have your damaged and overworked choppers taken care of in Vietnam? Have you given any thought to this?

General HAYES. Yes, sir, we have studied this. The policy decision, which was made some time ago, was that we would not perform depot level maintenance because of the requirement for the establishment of permanent facilities in the theater, including the test stands particularly that it takes.

Mr. ANDREWS. Have you had any shortage of choppers in Vietnam due to the fact that you had to bring them back to the mainland for repair work?

General HAYES. I would say no, sir, not because we had to bring them back to the mainland for repair. If we had an in-theater maintenance facility—it would have taken time to establish a facility which is comparable in essence to ARADMAC in the theater.

The really critical part is the permanent test stand type facilities. The balance of the depot level repair is feasible, but the decision was that it was not in the best interest of the Government to do this.

Mr. ANDREWS. If you put up a big depot over there, it would be a prime target for the rockets.

General HAYES. Yes, sir.

Mr. ANDREWS. It seems that nothing is safe over there. It is getting worse every day.

General HAYES. It is pretty rough.

DEPOT SHIP "CORPUS CHRISTY BAY"

Mr. MINSHALL. You have a depot ship out there. I believe the name of it is the *Corpus Christi.*

General HAYES. *Corpus Christi Bay*, yes.

Mr. MINSHALL. What kind of maintenance do you do on the *Corpus Christi Bay*, and what is the need for it?

General HAYES. The *Corpus Christi Bay* provides component overhaul for immediate support in the theater.

Mr. MINSHALL. What do you mean by component overhaul?

General HAYES. They do limited overhaul of aircraft engines, or rotor systems, of generators, of instruments, everything of a component nature except the total aircraft. It is not a big enough facility to do that. It is located offshore, and it has been deployed up and down the coast in order to support rapidly the combat environment wherever it is most needed. This has been in operation for about 3 years. It is in essence a floating maintenance shop. The ship has been converted into a maintenance shop.

Mr. MINSHALL. Can you give the committee a feel for how much maintenance you do abroad the *Corpus Christi Bay*?

General HAYES. Yes, sir. The major performance data on, we call it, the FAMF, floating aircraft maintenance facility, shows it actually handled in fiscal year 1967, 15,448 different items, that is, aircraft components. Last year it handled 25,665. They took an unserviceable, repairable item, and overhauled it and returned it to the supply system in the theater.

The acquistion value of these items was $17,300,000 in 1967, and $43,500,000 worth of components in 1968.

Mr. MINSHALL. What is the total operating cost of the *Corpus Christi Bay*?

General HAYES. The total cost of operation is $13.3 million.

Mr. MINSHALL. Does that include military personnel as well?

General HAYES. Yes, sir. This is across all appropriations. I can give you a breakdown.

Mr. MINSHALL. Provide that for the record.

General HAYES. Yes, sir.

(The information follows:)

The total estimated operating cost of the Corpus Christi Bay for fiscal year 1970 is $13,300,000.

Operation and maintenance, Army	$8,540,000
Budget program 2000 operating forces	(240,000)
Budget program 2100 training activities	(1,000,000)
Budget program 2200 central supply activities	(3,500,000)
Budget program 2300 depot materiel, maintenance, and support activities	(3,800,000)
Military personnel, Army	4,760,000
Total operating cost	13,300,000

COMMERCIAL CONTRACTORS PERFORMING OVERHAUL AND MAINTENANCE OF THE UH–1D HELICOPTER

Mr. ANDREWS. Who are the commercial contractors performing overhaul and maintenance of the UH–1D?

General HAYES. The Bell Aircraft Co.; the Lockheed Aircraft Co.; Avco-Lycoming, which does engines only; and Chandler-Evans, which does fuel controls.

Mr. ANDREWS. How are the contracts awarded? Are they negotiated or bid?

General HAYES. They have both types. The Lockheed contract was a competitive bid. The Bell was a negotiated contract. The Avco-Lycoming is a longstanding basic ordering agreement. And Chandler-Evans was a sole-source procurement.

TECHNICAL AND ENGINEERING SERVICES

Mr. ANDREWS. How much is included in this budget activity for technical and engineering services, and explain the services.

General HAYES. Technical and engineering services in this budget are $80.069 million direct cost, $6 million reimbursable, for a total of $86.078 million.

Mr. ANDREWS. What are these services?

General HAYES. Technical and engineering services are the facilities and support to the maintenance program as a whole, which covers field support engineering, maintenance engineering, and engineering after completion of production of items that are in the field, reliability, maitainability services, the determination of specification requirements, the establishment of economical repair limits.

Mr. ANDREWS. Not actual work on the job?

General HAYES. No, sir; this is not maintenance work, direct work

Mr. ANDREWS. It is more or less supervisory and advisory?

General HAYES. And support.

Mr. ANDREWS. What contractors are providing this service?

General HAYES. In fiscal year 1969 this is largely an in-house effort with our personnel in the NICP's and the national maintenance points, Government personnel.

Mr. ANDREWS. They are civil service people?

General HAYES. Civil service personnel; yes, sir. We do have some support personnel who are on contract.

Mr. ANDREWS. Have you any private firms taking any of this $86 million for these services?

Genreal HAYES. Yes, sir.

Mr. ANDREWS. Provide for the record a list of these contractors, and the amount of each contract.

General HAYES. All right, sir.

Mr. ANDREWS. And state whether or not the contract was negotiated or let by low bid.

General HAYES. Negotiated or bid.

(The information follows:)

Following is a list of commercial contractors and amount in fiscal year 1968 and fiscal year 1969 for technical and engineering services:

[N—Negotiated; B—Bid]

[Dollar amounts in thousands]

Contractor	Fiscal year 1968		Fiscal year 1969	
	Type contract	Amount	Type contract	Amount
Fruehauf Corp., Michigan	N	$10		
Do	N	25	N	$30
Pacific Car & Foundry, Washington	N	206		
Food Machinery Corp., California	N	46		
Do			N	15
Chrysler Motors, Michigan	N	28		
Do	N	83		
Allison Transport Corp., Indiana	N	740		
Do	N	74		
Do	N	80		
Continental Motors, Michigan	N	755		
Do	N	209		
Do			N	12
International Harvester Corp., Illinois	N	51		
Do	N	51	N	56
Ling-Temco Vought, Inc., Michigan			N	44
Fruehauf Corp., California	B	6		
Pacific Car & Foundry, California	B	8		
Astro Reliability Corp., California	B	160		
Technical Service Corp., Pennsylvania	B	225	B	83
Addressograph Multigraph Corp., Ohio	B	20		
Value Engineering Co., Virginia			B	150
Parks Air College, Illinois			N	59
Butectic Welding Corp., New York			B	15
Carrier Air Conditioning Co., New York			B	4
Otis Elevator, Connecticut	N	23		
General Electric Co., Vermont	N	20	N	86
Do	N	78		
Emerson Electric Co., Missouri	N	64		
Do	N	59	N	127
Reflectone, Connecticut	N	24	N	267
Lockheed Electric, New Jersey			N	20
Allison Division of GMC, Ohio			N	280
Uniroyal, Inc., Illinois	N	61	N	92
General Electric Corp., Massachusetts			N	64
Aircraft Armament Industry, Maryland	N	328	N	228
Univac, Utah	N	1,788	N	1,486
Bendix, New Jersey and Tennessee	N	460	N	634
Martin, Florida	N	2,187	N	975
Western Electric Co., North Carolina	N	1,530	N	1,788
General Electric Co., New York	N	74		
RCA, Massachusetts	N	432	N	600
Raytheon, Massachusetts	N	187	N	4,743
Applied Devices, Maryland			N	300
Aero Jet, California			N	167
General Dynamics, California			N	200
Hughes Tool Co., California	N	100	N	140
Do	N	276	N	500
Lycoming, Connecticut	N	600	N	625
Do	N	214		
Do	N	500		
Do	N	200		
Do	N	140		
Do	N	1,100	N	900
Vertol Boeing, Pennsylvania	N	140	N	30
Do	N	180		
Do	N	1,000	N	900
Pratt Whitney, Canada	N	40	N	10
Pratt Whitney, Connecticut	N	240	N	10
Pratt Whitney, Canada and Connecticut	N	117	N	180
Radia, Inc., Texas	N	24	N	20
Chandler Evans, Connecticut	N	145		
Do	N	100	N	50
TEEG Research, Michigan			N	43
TRW, Inc., California	N	3,250	N	5,975
American Power Jet, New Jersey	N	100	N	100
Battelle Memorial Institute, Ohio	N	200		
Bell, Texas	N	240	N	572
Do	N	788	N	1,000
Sikorsky, Connecticut			N	329
Do	N	93	N	100
Southwest Research Institute, Texas			N	120
Allison, Indiana	N	111	N	200
Beech, Kansas	N	70	N	100
Solar, California	N	50	N	40
Hiller, California			N	3
Hamilton Standard, Connecticut			N	76

[N—Negotiated; B—Bid]—Continued

[Dollar amounts in thousands]

Contractor	Fiscal year 1968		Fiscal year 1969	
	Type contract	Amount	Type contract	Amount
Hughes Aircraft, California	N	$729		
Magnavox Corp., California	N	223		
Lenkurt Corp., California	N	74		
Radiation Corp., Florida	N	324		
Bendix Corp., Maryland	N	178		
Sylvania Corp., California	N	29		
A. D. Little Corp., Massachusetts	N	9		
Associated Technology Laboratory, Inc., New Jersey	N	5	N	5
Do			N	6
TREC Industry, Inc., Florida	B	2		
Ogden Technology Laboratory, New Jersey	N	15	N	6
Do	N	37		
Eagle-Picher Industry, Missouri			N	95
Hughes Aircraft, California			N	4
Hewlett Packard, New Jersey			N	3
RCA, Massachusetts			N	36
Motorola, Arizona	N	363	N	501
Collins Radio Co., Texas	N	578	N	991
Decca Navigation Systems, District of Columbia			N	8
Laboratory for Electronics, Massachusetts			N	7
Reflectone, Connecticut			N	86
PAX Electric Co., New York	N	64	N	68
Airborne Instrument Laboratory, New York	N	33	N	94
Air Research Manufacturing Co., California	N	22	N	65
Applied Tech Corp., California	N	41	N	41
Vertol Boeing, Pennsylvania	N	342	N	47
Canadian Commercial Corp., Canada	N	418	N	580
Chicago Aerial Industry, Inc., Illinois	N	56	N	67
HBR Singer, Pennsylvania	N	215	N	480
ITT, New Jersey			N	61
Litton Inc., New York	N	108	N	164
Raytheon, Massachusetts	N	74	N	69
Sikorsky, Connecticut	N	8	N	37
Fairchild Camera & Instrument Co., New York	N	65	N	108
General Dynamics, New York	N	74	N	115
General Electric, New York	N	108	N	112
Graflex Inc., New York	N	67	N	88
Hughes Aircraft, California	N	679	N	33
Sylvania Corp, Massachusetts	N	22	N	26
Viewlex, New York			N	40
Consolidated Electro Dynamic, California	N	43		
Sperry Rand, New York	N	35		
Bell, Texas	N	22		
American Bosch, Massachusetts			N	70
IBM, District of Columbia	N	4	N	35
National Cash Register, District of Columbia	N	60	N	74
Sperry Rand, District of Columbia	N	428	N	431
Grable Printing Co., Kentucky	B	38	B	39
General Office Equipment Rental Co., Kentucky	N	14	N	25

Mr. ANDREWS. Does not the Army have an in-house capability which could provide most of these services?

General HAYES. We have an in-house capability which is at its maximum, and that is the reason we need the additional services.

PURCHASE OF TECHNICAL ENGINEERING DATA

Mr. ANDREWS. You are requesting $29,275,000 for technical engineering data. This is an increase of $2,315,000 over 1969. Why do you need all of this additonal money?

General HAYES. The principal reason is due to the growth in the inventory and the complexity and sophistication of types of equipment.

Mr. ANDREWS. What is the difference between technical engineering data and technical and engineering services which we just discussed?

General HAYES. The first involves the accomplishment of the engineering work. The second is the development of specific data packages.

Mr. ANDREWS. Explain that a little more.

General HAYES. In the first we are providing engineers; that is, people.

Mr. ANDREWS. I understand that. You are talking about data packages. Explain that.

General HAYES. The technical and engineering data are the specifications and drawings, the development of the maintenance program, the basis on which the facilities do the overhaul work.

Mr. ANDREWS. What type of engineering data do you intend to procure?

General HAYES. We intend to procure data packages which will support the overhaul program. The reports which come in from the field often give us indications of deficiencies, difficulty in equipment that require engineering changes, modification work orders. We will get this as a technical data package so we can go out——

Mr. ANDREWS. What we are trying to find out, General, is whether or not there is any duplication of effort here as an expense.

General HAYES. There is not a duplication of effort between these two. I think there is an unfortunate duplication in semantics as far as their descriptions.

MANAGEMENT CONTRACT STUDIES FOR THE CHEYENNE HELICOPTER

Mr. ANDREWS. The committee has been advised that the Army currently has two contractors performing management contract studies in support of the Cheyenne AH–56A helicopter. Both are ADP management support systems and both are supported with O. & M. funds. Both are supposed to assist the Army Materiel Command in expediting decisionmaking.

Do you know why there would be a need for both of these contracts?

General HAYES. No, sir, I do not.

Mr. ANDREWS. Then why do you have them?

General HAYES. The management system contract for the Cheyenne project manager's office is the primary support rendered to Cheyenne by contractual effort.

Mr. ANDREWS. Give us the cost of each of these contracts. T–R–W Systems, Inc., of Washington, is one of the contractors.

General HAYES. Yes, sir.

Mr. ANDREWS. The other one is the Communications & Systems, Inc., of New Jersey. Tell us how much th eT–R–W Systems of Washington costs.

(The information follows:)

The TRW contract for the Cheyenne project manager is a total computerized data management concept that contains both technical data and a management information system. The system constantly monitors the three major facets of project management, cost, schedule, and technical performance. Three basic elements define the integrated technical data system (ITDS); random input, random inquiry, and exception notification. Random input provides the capability of updating or adding information at any point in time. Random inquiry provides the user the capability of asking for information in any format, at any time. Exception notification provides advance warning to the manager that a pos-

sible milestone or objective may not be accomplished. This contract is to establish a basic management information system for major weapon system acquisition. The Cheyenne system is the prototype selected for development of such a system. Communications & Systems, Inc., has a contract administered by the U.S. Army Electronics Command in support of the command's avionics responsibility for the Cheyenne. The contract includes the following tasks:

1. Review and analyze repair parts provisioning documentation submitted for Cheyenne avionics equipment for acceptability, develop source maintenance and recoverability coding and maintenance factors.
2. Review technical manual manuscripts prepared for Cheyenne avionics equipment for acceptability and conformance to Army standards.
3. Prepare maintenance support plans for Cheyenne avionics equipment.

General HAYES. T–R–W Systems of Washington currently has $5.975 million.

Mr. ANDREWS. That is for fiscal 1969?

General HAYES. Fiscal 1969, yes, sir.

Mr. ANDREWS. And the Communications & Systems, Inc., of New Jersey, $563,000?

General HAYES. I do not know the figure on that firm.

Mr. ANDREWS. General Taylor, do you know?

General TAYLOR. I was not aware of the second one, sir, and I will have to verify it.

(The information requested follows:)

The contract with CSI has a fiscal year 1969 program cost of $563,000.

Mr. ANDREWS. We have it here.

General TAYLOR. We will have to verify it, sir.

(The information is as follows:)

The contract with Communications & Systems, Inc., of New Jersey is in BP 2300 under technical programing and planning support and technical and engineering data. Since it has been carried in these accounts it does not appear in the list of contractors for technical and engineering services furnished to the committee.

Mr. ANDREWS. Did I understand you to say there might be a duplication here of these two contracts?

General HAYES. I am not familiar with the second contract at all.

Mr. ANDREWS. Lockheed has a contract, too, for this same type work, has it not? Lookheed is building the Cheyenne.

General HAYES. Lockheed is building the Cheyenne, that is correct, yes, sir.

Mr. ANDREWS. They furnish some kind of engineering advice, do they not?

General HAYES. Yes, sir, as a part of their development and production contract.

Mr. ANDREWS. Why could not Lockheed do the whole job and eliminate this $5.975 million contract with the Washington company?

General HAYES. It would have been calling on Lockheed to do something that was not in their contract scope.

Mr. ANDREWS. I understand that, but you are going to pay them for it. They are giving you some services over and beyond the contract and you are paying them for it, if I understand your testimony correctly.

General HAYES. Yes, sir.

Mr. ANDREWS. Why have three of them in there doing the same job?

General HAYES. I do not think that the three are doing the same job, because Lockheed's contract scope does not call——

Mr. ANDREWS. Tell us exactly what we are talking about, General Hayes. You have a finished product here. You have the Cheyenne.

General HAYES. Yes, sir.

Mr. ANDREWS. You have three companies giving you advice about how to operate it and maintain it, if I understand correctly.

General HAYES. The Thompson-Ramo-Wooldridge contract has designed a management system for the project manager to manage the whole business. This is a management service, if you will, to the Government.

Mr. ANDREWS. Is that after the chopper has been delivered to the Army for service?

General HAYES. No, sir. This has been running while we are getting the development and production.

Mr. ANDREWS. That is to manage it while Lockheed is building it; is that correct?

General HAYES. Yes, sir.

Mr. ANDREWS. Do you think Lockheed has to have outside consultants and advisers over and above what the Army can give them?

General HAYES. No, sir. These people, as far as I know, have no contact with Lockheed as far as their development is concerned. This service is entirely to the Government.

Mr. ANDREWS. The Government is paying for it.

General HAYES. Yes, sir.

LOCKHEED AIRCRAFT'S CONTRACT FOR CHEYENNE HELICOPTERS

Mr. ANDREWS. My question is, here you have a contractor who is building the Cheyenne?

General HAYES. Trying to.

Mr. ANDREWS. What do you mean, trying to?

General HAYES. They have the development contract.

Mr. ANDREWS. Did I read recently that the Army served notice on them if they did not deliver by a certain date they will cancel the contract?

General HAYES. Under provisions of the Armed Services Procurement Regulations, the Army issued "cure notice," which requires Lockheed to identify to the Army means and methods by which the contractor proposes to overcome certain deficiencies in their production effort. This does not commit the Army to any specific course of action.

Mr. ANDREWS. How many have they put on the line to date?

General HAYES. They have none in service. They have some flying as developmental models, but they are not yet in production.

Mr. ANDREWS. When are you supposed to get delivery?

General HAYES. That is outside my field, Mr. Chairman. I will have to get it for you.

(The information requested follows:)

First delivery under the production contract is scheduled for September 1969. Adjustments to this schedule may be required as a result of the "cure notice."

Mr. MINSHALL. Just to revert back to one of your answers to the chairman's question, you said Lockheed was trying to build the Cheyenne helicopter. What do you mean by "trying"?

General HAYES. I think they are putting their best efforts to producing for the Army a weapons system in accordance with what we have demanded. They have not yet done so.

Mr. MINSHALL. I gather from your disparaging tone that they are not doing too well.

General HAYES. If the Government has a contract with American industry for the production of a weapons system that is on a scheduled basis and the contractor does not meet the schedule, either timewise or performancewise, then I feel that it is not accomplishing what the Government wanted.

Mr. MINSHALL. What is the situataion here?

General HAYES. I am not the primary project manager for this item.

Mr. MINSHALL. I understand, but you are knowledgeable about it or you would not make the remark you have made.

General HAYES. Yes, sir. From the standpoint of the general staff level in the Army, I have the current general awareness that the Lockheed contract is slipping. This is the reason that the Army has sent the letter that the chairman referred to, to have Lockheed show cause, with the possibility of a default on the contract.

TRW CONTRACT FOR CHEYENNE SYSTEMS MANAGEMENT

Mr. MINSHALL. How will this affect the TRW contract?

General HAYES. If the Lockheed contract were completely eliminated—that is, if we were not going to purchase Cheyennes—then there probably would not be a project manager and there would be no requirement for the TRW contract in support of the AH–56A project manager. If, however, the Army is going to have a weapons system of the Cheyenne type, then the TRW contract would not necessarily be affected by any action taken on Lockheed, because it supports the Government effort. The ultimate purpose of this contract is to provide to the Army a technical management and information system which will be Army operated and with slight modification be applicable to other major weapons systems.

Mr. MINSHALL. This TRW contract has been in existence since October 29, 1965. You paid a total in 1966 of $1.3 million; in 1967, $1.4 million; in 1968, $4.4 million; and in 1969, $5.9 million; and we have no figure for 1970. What is that figure, please?

General HAYES. There is no money in this budget estimate pending before you this morning for the TRW contract in 1970.

Mr. MINSHALL. Why not? Do you suddenly see the daylight, or what has happened?

General HAYES. Sir, as far as the budget preparation for fiscal year 1970, there was no figure placed in this budget for TRW.

Mr. MINSHALL. Did you request the money?

General HAYES. No, sir.

Mr. MINSHALL. Why not?

General HAYES. Because at the time this budget was prepared, the funds request by the project manager had not been presented to our office.

Mr. MINSHALL. Has this money been put in any other part of the budget, procurement or R. & D. or anyplace else?

General HAYES. Not that I know of.

General TAYLOR. No, sir; I would say not, Mr. Minshall.
Mr. ANDREWS. In other words, the services of TRW are at an end.
General HAYES. If the contract is not extended.
Mr. ANDREWS. Which contract?
General HAYES. The TRW contract.
Mr. ANDREWS. There is no money in the budget.
Mr. MINSHALL. Are you going to come up with a supplemental for this if you go ahead with it, or what are you going to do?
General TAYLOR. I think pending determination being made, the current contract, as I understand it, runs until June 30 of this year.
General HAYES. That is right.
General TAYLOR. At that time a decision has to be made. If it is to go forward, then we have to examine the budget and determine how it would go forward from the funding point of view.
Mr. MINSHALL. I am amazed that this could not have been done in-house from the outset. Why not?
General HAYES. I think the answer to why not is that there were insufficient personnel of the professional type in computer systems design in-house in the Army to accomplish what TRW has done by contract.
Mr. MINSHALL. Lockheed could not have done it?
General HAYES. Lockheed does not have that kind of capability in their structure. They could have gone out and hired it from the outside. If you will, this is a different professional skill than I think is inherent in Lockheed's corporate structure.
Mr. ANDREWS. Will you tell us exactly what the TRW contract called for and what the people who worked under this contract did? Here you have the Cheyenne under construction by Lockheed. You have this outside company getting $5.9 million in fiscal 1969—for services rendered, I assume.
General HAYES. Yes, sir.
Mr. ANDREWS. What were those services?
General HAYES. They have developed what is called an integrated technical data system for the project manager's use in connection with this weapons system. They have developed it as a pilot model, if you will, that could be adaptable to other large-scale, high-cost weapons systems development. It provides the project manager a complete picture of the status of all actions in connection with this development project.
Mr. ANDREWS. We are talking about the Cheyenne?
General HAYES. Yes, sir.
Mr. ANDREWS. This company, TRW, worked on it or was interested in it for several years.
General HAYES. Yes, sir.
Mr. ANDREWS. It has been paid millions of dollars. How many people worked in TRW on this contract?
General HAYES. I do not know, sir.
Mr. ANDREWS. Does anybody in the room know?
General TAYLOR. I doubt it, sir.
Mr. ANDREWS. Will you furnish it for the record?
General TAYLOR. We certainly can.
Mr. ANDREWS. The number of people and the salaries paid.
General TAYLOR. Yes, sir.

(The information follows:)

THE NUMBER OF EMPLOYEES ON THE TRW CONTRACT AND SALARIES PAID SINCE ITS INCEPTION

	Man-years	End strength	Salaries
Year:			
Fiscal year 1966	36.2	62	$296,100
Fiscal year 1967	76.2	70	834,700
Fiscal year 1968	83.1	70	953,500
Fiscal year 1969	108.2	129	[1] 1,447,200

[1] Estimated annual request.

Note: Cost through Feb. 28, 1969, $870,000.

Mr. MINSHALL. How did TRW get into this act to begin with? Did you request them or did Lockheed request them, or what happened?

General HAYES. The Government requested TRW in the early developmental phase, back in fiscal year 1966.

Mr. ANDREWS. When you say "Government," who do you mean, General Hayes? The Army?

General HAYES. The Army, yes, sir, primarily through the Chief of Research and Development. Back in those days, it was purely developmental. It was financed from R. & D. funds at that time. The management system to assist the Army in keeping control of this very expensive contract was provided as a support service and developed as a model of what could be an integrated technical data system for further use elsewhere on other weapons systems.

Mr. ANDREWS. Does the fact that you employed TRW to get into the Cheyenne picture indicate any lack of confidence in the Lockheed Co. to get the job done?

General HAYES. No, sir, none at all, because they were doing a different job than we were calling on Lockheed for. It could have been developed in connection with any piece of equipment as a management system. This falls in the class of management systems development for the Department of the Army.

DESCRIPTION OF THE CHEYENNE HELICOPTER

Mr. ANDREWS. Let us talk about the Cheyenne for a minute. What is the status of it? You say they are not meeting the deadline and there has been slippage.

General HAYES. That is correct, sir.

Mr. ANDREWS. Tell us briefly about the Cheyenne.

General HAYES. The Cheyenne is a heavy firepower aerial platform.

Mr. ANDREWS. One of the bigger types?

General HAYES. Yes, sir.

Mr. ANDREWS. It has a lot of armor on it?

General HAYES. The Cheyenne Advanced Aerial Fire Support System is a helicopter weapon platform with fully integrated armament, avionics, fire control, and self-contained navigation subsystems. It is armed with a belly mounted 30-millimeter automatic gun; either a 40-millimeter grenade launcher or high rate of fire 7.62 millimeter minigun in a nose turret, and six TOW missiles or 152 2.75-inch rockets,

or a combination of both. It is a compound vehicle. It can fly both as a fixed-wing aircraft does and as a helicopter.

Mr. ANDREWS. Does it have fixed wings?

General HAYS. Very stubby ones.

Mr. ANDREWS. Does it have propellers?

General HAYES. Yes, sir.

General TAYLOR. It has a pusher-type propeller on the rear of the aircraft, Mr. Chairman.

Mr. ANDREWS. What will move the craft?

General TAYLOR. Both the pusher-type propeller as well as the rotor blade which is the normal type on the helicopter.

Mr. ANDREWS. How long has the Army been working on the Cheyenne?

General HAYES. I would say it probably has been under development as a type of advanced aerial fire support system for probably 4 or 5 years. I do not know when.

Mr. ANDREWS. You have none in service at this time?

General HAYES. No, sir.

COST OF THE CHEYENNE PROGRAMS THROUGH FEBRUARY 1969

Mr. ANDREWS. How much have you spent on the program to date?

General TAYLOR. Sir, I think we would have to get that. The only money spent so far has been in the research and development program, and I think some money for the 10 development models. I would have to furnish that for the record.

Mr. ANDREWS. Furnish the information for the record showing the total amount which has been spent from all sources to date and as of this date.

(The information follows:)

Funds obligated in direct support of the Cheyenne (AH-56A) through February 28, 1969, are as follows:

[In thousands]

O. & M.A	$8,728
R.D.T. & E	150,237
PEMA	163,089
Total	322,054

Mr. ANDREWS. As of this date there is a question mark whether or not the contract will be completed, is that correct?

General HAYES. That is correct, sir.

TYPE OF CONTRACT ISSUED TO TRW

Mr. MINSHALL. When TRW first came into the picture, did the Army go to anybody else for the same kind of service, systems management?

General HAYES. I do not know, sir. I was not here at the time.

Mr. MINSHALL. Was this a sole-source proposition? Were there bids on it?

General HAYES. I do not know the negotiation of the original contract, which was done back in fiscal year 1966.

General TAYLOR. May we determine that, sir, and furnish it?

Mr. MINSHALL. Yes. It would be interesting and helpful to the committee, I think, if we had this in the record.

General TAYLOR. Very well, sir.

General HAYES. I do not know for certain. As a developmental item, it may not have been. It may have been a negotiated contract.

(The information follows:)

Initially 17 contractors were requested to bid on the intergrated technical data system development. Of the five bids received, two bidders were selected to participate in a 60-day contract definition phase study. Upon completion, TRW was selected and placed on contract to develop, test, refine, operate, and deliver to the Government an ITDS.

NEED FOR TRW CONTRACT

Mr. MINSHALL. What concerns me is that you say you have them in here to keep control, and apparently they have not kept control because, as you just said, there has been a lot of slippage in the development of this bird.

General HAYES. I think we cannot blame TRW in that they have successfully given the Government what we wanted as far as a system for use by the project manager of the Cheyenne development. We have no complaint about TRW's performance. In fact, I would say that because of their performance we have the visibility and the backup to enable the Army to write the letter to Lockheed.

Mr. MINSHALL. There is nothing you could have done in-house which TRW is doing under this contract? You are sure of that?

General HAYES. I cannot say, because I am not the project manager and I do not know that we could not have done it in-house, but we would have had to put off something else.

Mr. MINSHALL. From what you know right now, there is a reasonable possibility that they could have, is there not?

General HAYES. Within the constraints of the numbers of people that we have and the number that you could put on this project, I think that is probably the answer, that you could have done it only if we had taken people off of management of some other system. I would never say that the Government could not handle something if it chose to make that the top priority. I think the question has to be answered in the affirmative, but with all the things that have to be done, can we do it? This is the reason we go out on contract for many things.

Mr. ANDREWS. Why was no money requested in the 1970 budget for the TRW contract continuation?

General HAYES. I do not know the total answer to that question. The only answer I have is that there was none requested in program 2,300, to which we are addressing ourselves, because I do not see that it primarily ties into depot maintenance. I do not think it directly ties to this budget program.

PRODUCTION AND REVISION OF TECHNICAL MANUALS

Mr. ANDREWS. For the record, what is the amount included in this request for the production and revision of technical manuals? Will you also provide for the record a schedule showing the amount requested for the production and revision of technical manuals for fiscal years 1968 and 1969?

General HAYES. Yes, sir.

(The information follows:)

Publications in BP 2300 consists of technical manuals with applicable repair parts and special tool lists, technical bulletins, modifications work orders, lubrication orders, and PS magazine. The following table shows the workload, pages or illustration for all publications; the costs for development and preparation of the manuscript; and printing costs:

[Dollar amounts in thousands]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Page/illustrations	670,515	515,888	583,995
Development/preparation cost	$22,313	$18,436	$18,978
Printing costs	$7,519	$8,524	$10,297
Total costs	$29,832	$26,960	$29,275

DEFICIENCIES IN THE CHEYENNE PROGRAM

Mr. MINSHALL. Mr. Chairman, I have before me a report from Aerospace Daily, dated April 15, which is quite timely, because Aerospace Daily is usually a very informative source.

Are you familiar with that publication?

General HAYES. Very much so; yes, sir.

Mr. MINSHALL. Did you see this issue?

General HAYES. I have been up here. I have not seen today's issue.

Mr. MINSHALL. You know them to be reasonably accurate, do you not?

General HAYES. Yes, sir.

Mr. MINSHALL. They list 12 or 15 deficiencies in the Cheyenne program, which Lockheed tries to defend. If it is agreeable with the chairman, I think we ought put this report in the record. It is rather timely.

Mr. ANDREWS. Without objection, it will be inserted in the record at this point.

(The document follows:)

LOCKHEED DEFENDS CHEYENNE PROGRAM

Lockheed Aircraft Co. "expects to make a satisfactory reply" within 15 days to an Army threat to cancel the production contract of the AH-56A Cheyenne armed helicopter, the company said Monday.

The Army issued a "cure" notice Friday which ordered the company to explain how it intends to overcome several difficulties "that were brought into sharp focus" by the crash of a prototype March 12, according to Army Secretary Stanley R. Resor.

Resor said the difficulties, which include stability and control, performance, and weight, "raise concern that the contractor will be unable to deliver on schedule aircraft that conform to contractual requirements." And he gave the company 15 days for a rebuttal.

But Lockheed said in a statement, "It is true that there have been difficulties but we believe they are normal for a program that offers such a quantum jump in advanced helicopter technology. Great progress has been made in the development program and we foresee no problem areas that cannot be overcome."

DEFICIENCIES LISTED

According to the cure notice issued by the Army Aviation Systems Command, deficiencies include:

"Critical 0.5P (per revolution) unstable rotor oscillation occurring in the aircraft operational flight envelope.

"1P and 2P rotary instabilities at certain rotor mast bending moments and rotor r.p.m. that have been experienced in autorotational landings.

"Inadequate directional control during hover and sidewall flight.

"Excessive lift-roll and pitch-roll couplings during maneuvering flight.

"Excessive swashplate cyclic travel permitting main rotor-tailboom interference during ground operations and autorotational landings.

"Accumulative effects of contractor-design changes resulting in weight growth (of 118 pounds to 11,766 pounds empty weight and an insuring degradation in performance, maneuver capability, and structural integrity.

"Deficient level flight speed (220-knot maximum, 210 cruise design speed) due to high vehicle drag.

"Failure to qualify the power train as a complete system.

"Failure to provide a main rotor blade design with satisfactory tracking and interchangeability characteristics.

"4P and 8P vibration levels above specification requirements.

"And excessive lateral stick migration with increasing forward speed."

The Army explained that the production contract, not the $100 million development award for 10 prototypes, is affected by the notice. The production contract, which was signed January 8, is for 375 aircraft at an approximate cost of $875 million. The final total is to be negotiated.

The first year of the contract (fiscal year 1969) called for 15 aircraft at a cost of $121 million. So far about $47 million has been spent. Second year production is slated to be 121 helicopters, with 239 being manufactured in the third year.

Resor said the Army "will determine what action is appropriate" after receiving Lockheed's proposed solutions. He added, "I should emphasize that issuance of the cure notice does not commit the Army to any particular course of action nor does it indicate that the Army has reached any final conclusions on Lockheed's ability to make the necessary technical corrections."

TRW ASSISTANCE IN CURING DEFICIENCIES

Mr. MINSHALL. What kind of help has T-R-W been able to give you in trying to cure or help some of these deficiencies? For example, inadequate directional control during hover and sideward flight, excessive lift-off roll and pitch-roll coupling during flight. These are two I picked up at random.

General HAYES. These are purely technical.

Mr. MINSHALL. The unstable rotor oscillation which causes the rotor or blade to come off, is a little technical, too.

Gen HAYES. Yes.

Mr. MINSHALL. You can kill a pilot that way, I understand.

General HAYES. Yes, sir.

Mr. MINSHALL. What help has TRW been able to give you in correcting these deficiencies?

General HAYES. Nothing.

Mr. MINSHALL. Why not?

General HAYES. That is not in the scope of their contract.

Mr. MINSHALL. What is the scope of their contract?

General HAYES. Their contract was to design a management information system for the project manager to handle this gigantic, complex project.

Mr. ANDREWS. You can explain that in a little more understandable language General?

General HAYES. Yes, sir. They have used the latest developments with computer systems in order to provide for the Army the best visibility on this entire project. This is an extremely large, complicated project, somewhat comparable, if you will, to the Polaris-type system.

Mr. ANDREWS. Or the F–111.

General HAYES. Or the F–111; yes, sir.

Within the Army's management structure, the support to provide this type of design and implementation and operation—because T-R-W is currently operating this system for us—has been their primary area. They have not gotten into the technical area per se, that is, on design or on deficiencies in performance. They are merely recording where they are and surfacing them, if you will.

Mr. MINSHALL. It occurs to me you have not gotten very much for the millions paid to T-R-W with the program slippage there has been, and $5.9 million paid to them just last year.

Mr. ANDREWS. That may be one reason why no money was requested for T-R-W for 1970.

Mr. MINSHALL. It took them a long time to see the daylight.

Mr. ANDREWS. General, does the Cheyenne project today have any similarity to the F–111B program? That is the one the contractor could never deliver.

General HAYES. I do not know that I can really answer that, other than a personal opinion based on pretty limited knowledge. I am not familiar with the F–111B, other than what I have read in the newspapers about it.

Mr. ANDREWS. That is about all anybody knows. They could not perform. They did not deliver.

General HAYES. I would say that there certainly is a parallel and analogy there.

TECHNICAL ADMINISTRATIVE TRAINING

Mr. ANDREWS. You are requesting $19,108,000 for technical administrative training. This is an increase of $12,456,000 over the actual amount obligated for fiscal year 1968. Why are you requesting such a large increase for this type of training?

Genral HAYES. It is pimarily for the Sentinel-Safeguard system

Mr. ANDREWS. The ABM?

General HAYES. Yes, sir.

Mr. MINSHALL. May I go off the record for a minute?

(Off the record.)

Mr. ANDREWS. What type of training will be undertaken with these funds?

General TAYLOR. Mr. Chairman, if I may, that particular item will be amended once the decision is made to submit the amended budget to you, that program is changed.

Mr. ANDREWS. What is the total amount included in the O. & M. budget request for civilian training and what types of training will be provided?

General HAYES. In budget program 2300, there is $19,108,000 included for technical training for both civilian and military personnel. For example, at ARADMAC $47,618 is requested to cover teletype repairs, special radio repairs, calibration of gage blocks, armament training, office machine repair. These are essentially courses that our personnel take that are more than we do in-house.

PURCHASE OF CAPITAL EQUIPMENT

Mr. ANDREWS. What type of capital equipment do you intend to purchase with the $15,871,000 being requested?

General HAYES. It primarily is production line equipment for the in-house depot overhaul facilities.

Mr. ANDREWS. Is this the total in the O. & M. budget for capital equipment?

General HAYES. No, sir; this is the total that is in budget program 2300 for capital equipment. I don't know what the total is.

Mr. ANDREWS. Provide it for the record.

General HAYES. I would say that probably this project does carry the bulk of equipment in O. & M. but I want the record to be complete.

(The information requested follows:)

In addition to the $15,871,000 for capital equipment in program 2300, the O. & M. budget includes, in program 2200, $117,000 for acquisition of station operating equipment for industrial installations operating under the Army industrial fund, and $817,000 for the procurement of training aid devices in program 2100. Except in these areas the Army's programing and budget system does not separate the procurement of capital equipment from the procurement of nonexpendable noncapital type equipment.

Mr. ANDREWS. Under the purification of accounts as required by the resources management system, wasn't it intended that this type of capital equipment be procured out of PEMA funds?

General HAYS. The decision now that has come from the latest DOD directives is that PEMA will buy the common type machine tools, such as lathes, presses, milling machines, things of that type, and O. & M.A. is buying the investment type items, that is, items over $1,000, which have not yet been assigned to the PEMA appropriation. Ultimately, I think it probably will be, as you indicate, all PEMA, but it has not yet gotten to that point this year.

Mr. ANDREWS. Anything over $1,000?

General HAYES. Yes, sir.

General TAYLOR. That has been a general rule-of-thumb. I will provide something further for the record.

(The information follows:)

In fiscal year 1969 as a part of the DOD effort to standardize the Defense programing system, procurement of certain investment type capital equipment items, i.e., items with unit value of $1,000 or more, was transferred from OMA to the PEMA appropriation. This initial transfer involved selected items procured locally in prior years that are being centrally managed and financed in PEMA in fiscal year 1969. These items included machine tools, photographic processing and printing equipment, repairs and utilities equipment, and training equipment and simulators that are used in more than one or two training locations. All other investment type capital equipment items, $1,000 and over, and expense type capital equipment items, from $200 to $999 are financed from the principal appropriation financing the requiring activity, in this case OMA program 2300. The Department of Army is currently reviewing all of the investment type capital equipment items, $1,000 and over, for realinement to the PEMA Appropriation in future fiscal years.

Mr. ANDREWS. Is there any money in the PEMA request for additional capital equipment?

General HAYES. There is some money in PEMA for production equipment, which is primarily in the arsenals.

Mr. ANDREWS. Are there any further questions on depot maintenance?

Mr. MINSHALL. Off the record.

(Discussion off the record.)

SYSTEMS MANAGEMENT CONTRACTS

Mr. MINSHALL. Would you supply for the record, General, any and all contracts that TRW has with the Army and/or any other systems management group might have with the Army similar to the ones we have been talking about that TRW had with the Cheyenne program?

General HAYES. Yes.

Mr. MINSHALL. And the total amount and the complete history of them.

General HAYES. Yes, sir.

General TAYLOR. Very well.

(The information follows:)

Contract No.	Contractor	Effective date	Contract amount	Purpose and scope
DAAG39-69-C-0017	Booz-Allen Applied Research, Bethesda, Md	Oct. 28, 1968	[1] $78,554.00	Design, develop, and operate an OV-1 (Mohawk) aircraft configuration status monitoring system.
DA49-186-AMC-324(X)	TRW Inc., Washington, D.C	Oct. 29, 1965	12,922,037.00	Design, develop, install, implement, test, and operate the integrated technical data system for the Cheyenne.
DAAB07-68-C-0029	Bell Aerospace Corp., Tucson, Ariz	Aug. 29, 1967	2,539,954.00	Services to conduct an environmental data collection and processing facility for the Army Frequency Management Directorate. Develop methods, collect and update data on actual or simulated environments of communications—Electronics equipment and systems; process data; perform studies and tasks assigned; provide scientific and technical assistance in frequency management problems to the Army Frequency Management Directorate.
DAAB07-67-C-0605	Communications & Systems, Inc., Paramus, N.J	July 1, 1967	616,508.00	Review for acceptability repair parts and special tools lists, maintenance support plans, manuals and provisioning information for the Cheyenne avionics equipment.
DAAB07-67-C-0283	do	Jan. 6, 1967	840,399.13	Review for acceptability maintenance support plans and other documentation, including maintenance allocation, allowance quantities for maintenance parts, repair parts and special tool lists for each of equipments and systems specified. The contractor will identify elements of support documentation, which are not provided for, and prepare detailed logistic and maintenance support data for the following: Integrated wide band communication system (IWCS); new family fixed-plant communication equipments (AN/FRT-76, 77, and 78); light troop and microwave equipment (AN/GRC-68, AN/GRC-147). Korean microwave systems; Grass Mountain keying links; Army-Navy Blits.
DAAB07-67-C-0624	Planning Research Corp., Los Angeles, Calif	June 28, 1967	2,100,610.00	Provide automatic data processing program assistance and analysis Headquarters, U.S. Army European Command. This ADP program assistance is provided at various Army command locations in Europe.
DAAB07-68-C-0194	Stanford Research Institute, Menlo Park, Calif	Feb. 26, 1968	526,705.00	To provide basic electronic laboratory services in Thailand under project Seacore for ARPA. Maintain the laboratory; conduct studies and laboratory programs; maintain a reference library.
DAAB07-67-C-0104	Lockheed Electronics Co., Division of Lockheed Aircraft Corp., Plainfield, N.J.	Sept. 29, 1966	757,507.00	Services to analyze the electromagnetic compatability (EMC) effectiveness of all USAMC communications electronics equipments planned for operation in the 1980 time frames. The study is in direct support of the Tactical Communications Systems Office, USAECOM. It provides, on a quick reaction basis, EMC analysis of technical alternatives regarding tactical communications equipments under active consideration by the Tactical Communications Systems Office. The objective is to provide a readily available quick reaction EMC design capability to permit accomplishment of high-priority, short-duration tasks pertaining to urgent R. & D. problems.

Contract No.	Contractor	Effective date	Contract amount	Purpose and scope
DAAB07-68-C-0226(E)	Communications & Systems, Inc., Paramus, N.J.	Feb. 1, 1968	781,581.00	Review repair parts lists supplied by Autodin Contractors and report to the Government its recommendations as to what parts the Government should procure to support Autodin contracts in the field. In addition, a monthly report is to be sent to CSA giving the status of Autodin digital subscriber terminals repair parts.
DAAB07-68-D-5073	Service Technology Corp.; subsidiary of LTV Aerospace Corp., Dallas, Tex.	June 25, 1968	289,555.00	Services and materials commencing on date of contract award for a period of 12 months in connection with maintenance support documentation for combat surveillance, night vision and photographic equipments and systems in accordance with statement of services to be performed, NMP-RO-883, dated Dec. 2, 1967, and app. A thereto, dated Feb. 5, 1968. Contractor shall perform the work on an on-call basis as directed by delivery orders.
DAAB07-68-D-5052	do	June 26, 1968	351,160.00	Service and materials commencing on date of contract award for a period of 12 months in connection with maintenance support documentation for avionics and navigation aids equipments and systems in accordance with statement of services to be performed, NMP-RO-867, dated Nov. 1, 1967. Contractor shall perform the work on an on-call basis as directed by delivery orders.
DAAJ02-68-C-0004	Melpar Inc., Falls Church, Va.	Nov. 6, 1967	419,325.00	Furnish and install 3 data acquisition systems for accumulation of data leading to automatic diagnostic and inspection system for UH-1 series helicopters.

[1] Negotiations are in progress for increasing this contract approximately $312,000.

SUPPORT SERVICE CONTRACTS

Mr. ANDREWS. General Taylor, we would like you to supply for the record the total amount for support contracts of various types, such as management service contracts, technical/engineering service contracts, personnel service contracts, and contractor operated facilities for fiscal years 1968, 1969, and the estimate for 1970 for the military personnel, operation and maintenance, and procurement appropriations. You can also supply the amount for contractor-operated facilities under research, development, test and evaluation.

(The information follows:)

[Dollars in thousands]

Appropriation(s) type	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Military personnel	350	440	490
Management services	(120)	(130)	(150)
Personnel services	(230)	(310)	(340)
Operations and maintenance	228,437	210,843	224,800
Technical engineering	(36,690)	(35,970)	(34,720)
Management services	(30,677)	(25,783)	(33,660)
Personnel services	(45,150)	(27,030)	(28,650)
Contractor operated	(115,920)	(122,060)	(127,770)
Procurement	1,652,890	1,660,410	1,169,740
Technical engineering	(119,840)	(139,180)	(132,240)
Contractor operated	(1,533,050)	(1,521,230)	(1,037,500)
Research, development, test and evaluation (contractor operated facilities)	75,610	82,480	86,820
Total	1,957,287	1,954,173	1,481,850

Mr. ANDREWS. We also want you to supply the committee with a list of all such contracts over, let's say, $250,000 by type and appropriation including the name of the contractor, the purpose of the contract, the type of contract, and the amount involved.

General TAYLOR. Yes, sir; for fiscal years 1968 and 1969; we will do that.

SYSTEMS MANAGEMENT OF CLEVELAND TANK PLANT

Mr. MINSHALL. How about the tank plant out in Cleveland; Do you have any systems management group on that?

General HAYES. No.

Mr. MINSHALL. Why not?

General HAYES. That is being done in-house.

Mr. MINSHALL. Why can you do that one in-house and not do this other one in-house?

General HAYES. I think there is the question of systems development and the state of the art. Although there may be as far as MBT-70's development some contractual support of a management nature, but I don't know of it.

Mr. MINSHALL. You don't know?

General HAYES. I don't know that there is any. I have not heard of any.

Mr. MINSHALL. I am not going into the Main Battle Tank program now. That is for later. But they do have problems.

General HAYES. Yes, sir. I am unaware of anything of that type in the tank program as I am aware of the TRW contract in this connection. There is nothing in this budget for it.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. MINSHALL. I have no further questions.

Mr. ANDREWS. Mr. Davis?

Mr. DAVIS. I would like to reserve on this until after we have discussed the Army industrial fund because I am not sure just how these programs relate to each other.

Mr. ANDREWS. Very well.

ARMY INDUSTRIAL FUND

Mr. ANDREWS. We will now consider the operations of the Army industrial fund.

We have with us to discuss this operation Col. George G. Eddy, Chief, PEMA Execution Division, Office of the Chief of Staff for Logistics. Colonel, will you please proceed with your statement? I believe this is your first appearance before this committee. I note you have a biographical sketch, which we will place in the record at this point.

(The document follows:)

BIOGRAPHICAL SKETCH OF COL. GEORGE G. EDDY, JR.

Colonel Eddy was born in Washington, D.C., on September 26, 1921. He entered the Army on September 25, 1942, and received his commission on May 15, 1943, upon completion of the Ordnance Corps OCS. He is a graduate of the advanced course at the Ordnance School and the Command and General Staff College. He has a bachelor of arts degree in journalism from the University of Michigan and a masters degree in industrial management from the Babson Institute of Business Administration.

In August 1968 he became the chief, PEMA Execution Division of the Directorate of Materiel Acquisition under the Deputy Chief of Staff for Logistics. From 1954 to 1957 he held consecutive positions as depot commander in Korea, chief, Ammunition Operations Division, and chief, Ammunition Plans and Requirements Division in the Japan Ordnance Command. Following a MAAG tour in Vietnam, he was assigned for 2 years in procurement and production at the Boston Ordance District. He spent 2 years as the assistant inspector general of the Defense Supply Agency in Alexandria, Va. From 1965 until the present assignment Colonel Eddy was successively a maintenance battalion commander and depot commander in Europe.

Colonel Eddy is married to the former Joëlle Moene. They have two sons aged 20 and 21. Both are now majoring in electrical engineering at New Mexico State University. Colonel and Mrs. Eddy reside at 2112 White Oaks Drive, Alexandria, Va.

Mr. ANDREWS. Welcome aboard. You may proceed without interruption.

Colonel EDDY. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am Col. George G. Eddy, Chief of the PEMA Execution Division in the Office of the Deputy Chief of Staff for Logistics. This is my first appearance as a principal witness before any congressional committee. I am responsible to the Deputy Chief of Staff for Logistics for the management and performance analysis of the Army industrial fund, which is a revolving fund used to finance the in-house work to be performed at 31 of the Army's industrial-type and commercial-type activities during fiscal year 1970. This presentation is in the nature of a report and is not a request for new obligation authority since the fund is reimbursed by various customer appropriations such as procurement of equipment and missiles; research, development, test, and evaluation; and operation and maintenance.

NATURE AND METHOD OF OPERATION UNDER THE ARMY INDUSTRIAL FUND

The Army industrial fund is established under provisions of title 10, United States Code, section 2208 to provide working capital to finance research and limited quantity production of goods and services needed by the three military departments and other Government agencies. The working capital of each industrial- or commercial-type facility chartered under the Army industrial fund consists of cash allocated from the U.S. Treasury, as authorized by law, plus the installation's inventories of materials and supplies. Real and plant property and other types of capital equipment are not capitalized under the fund, and their costs are not included in charges billed to customers.

An installation's industrial fund is used initially to pay for labor, materials, overhead, and incidental contractual services. The customer appropriation is billed periodically as work progresses, as deliveries are made, and when work is completed to recoup costs incurred by the AIF.

Costs pertaining to depreciation on Government-owned plants and equipment are not paid from the industrial fund and, therefore, are not included in costs billed to Federal Government customers. Military pay costs are not charged to customers of the AIF, although both are recorded statistically and used as one of the factors considered when making a comparison with commercial production costs.

USE OF THE ARMY INDUSTRIAL FUND

The Army industrial fund was in use at 21 installations during fiscal year 1968. Operations at the Springfield Armory were closed out as of April 30, 1968. The Army extended the industrial fund to major overhaul and maintenance activities at 11 additional depots on July 1, 1968. The Army has no plans to extend the Army industrial fund to any additional installations during fiscal year 1970.

The estimates included in the President's budget for fiscal year 1970 pertain to operations at the 31 installations shown in the list which follows. New AIF activities are identified by an asterisk.

(The material follows:)

DEPOT MAINTENANCE ACTIVITIES

*Anniston Army Depot, Anniston, Ala.: Repair and overhaul of combat vehicles, automotive equipment, and armament; including renovation of ammunition. Also, provides calibration services.

*Aeronautical Depot Maintenance Center (ARADMAC), Corpus Christi, Tex.: Repair and overhaul of basic aircraft, aircraft engines, and components. Also, provides calibration services.

Atlanta Army Depot, Forest Park, Ga.: Repair and overhaul of aircraft, automotive and construction equipment, CBR ammunition, rail equipment, general equipment, missile components, and medical equipment.

*Charleston Army Depot, N. Charleston, S.C.: Repair and overhaul of ships, rail, and general equipment.

*Granite City Army Depot, Granite City, Ill.: Repair and overhaul of automotive and construction equipment, missile components, armament (excludes ammunition), rail, and general equipment.

*Letterkenny Army Depot, Chambersburg, Pa.: Repair and overhaul of automotive equipment, combat vehicles, missiles, general equipment, and armament; including renovation of ammunition. Also, provides calibration services.

Lexington-Blue Grass Army Depot, Lexington, Ky.: Repair and overhaul of electronics and communication equipment; and renovation of ammunition. Also, provides calibration services.

*New AIF activities as of July 1, 1968.

*New Cumberland Army Depot, Harrisburg, Pa.: Repair and overhaul of construction equipment, chemical ammunition, rail equipment, and aircraft equipment.

*Pueblo Army Depot, Pueblo, Colo.: Repair and overhaul of automotive equipment, combat vehicles, missile systems, armament (including renovation of ammunition), and general equipment. Also, provides calibration services.

*Red River Army Depot, Texarkana, Tex.: Repair and overhaul of automotive equipment, combat vehicles, missile systems, armament (including renovation of ammunition), rail equipment, and general equipment.

*Sacramento Army Depot, Sacramento, Calif.: Repair and overhaul of electronics and communications equipment; and general equipment. Also, provides calibration services.

*Sharpe Army Depot, Sharpe, Calif.: Repair and overhaul of automotive equipment, combat vehicles components, and aircraft.

*Tobyhanna Army Depot, Tobyhanna, Pa.: Repair and overhaul of electronics and communications equipment, automotive equipment, construction equipment, general equipment. Also, provides calibration services.

Tooele Army Depot, Tooele, Utah: Repair and overhaul of automotive equipment, combat vehicles, construction equipment, missile systems, armament (including the renovation of ammunition), and general equipment. Also, provides calibration services.

U.S. Army Support Center, Richmond, Va.: Repair and overhaul of air-type items (parachutes, airdrops, etc.); automotive and general equipment.

MISSILE COMMAND

Army Missile Command, Redstone Arsenal, Ala.: Research, development, production, and logistical support of missile weapons systems, and scientific projects for other Government agencies.

MUNITIONS COMMAND

Edgewood Arsenal, Army Chemical Center, Md.: Research, development, manufacturing, and depot maintenance of chemical agents and equipment.

Frankford Arsenal, Philadelphia, Pa.: Research, development, industrial engineering, overhaul, and pilot and limited manufacturing of artillery and small arms, ammunition, and fire control items.

Picatinny Arsenal, Dover, N.J.: Research, development, industrial engineering, renovating, and pilot and limited manufacturing of ordnance ammunition, explosives, and atomic munitions.

Pine Bluff Arsenal, Pine Bluff, Ark.: Manufacture and loading of hazardous chemical and biological materials.

Rocky Mountain Arsenal, Denver, Colo.: Manufacture and loading of hazardous chemical materials.

WEAPONS COMMAND

Rock Island Arsenal, Rock Island, Ill.: Research, development, industrial engineering, overhaul, and pilot and limited manufacturing of light and medium field artillery carriages and rocket launchers.

Watervliet Arenal, Watervliet, N.Y.: Research and development, industrial engineering, overhaul, and pilot and limited manufacturing of artillery cannon and some smaller caliber weapons.

TRANSPORTATION AND TERMINAL ACTIVITY

Eastern area, MTMTS, Brooklyn, N.Y.: Plan, regulate, and control movement of personnel and cargo through waterfront terminals.

Western area, MTMTS, Oakland, Calif.: Do.

PROVING GROUNDS AND LABORATORIES

Aberdeen Proving Ground, M.: Testing of ordnance materiel, ballistic research, and ammunition surveillance.

Army Materials and Mechanics Research Center, Watertown, Mass.: Research and exploratory development in structural materials (metals, plastics, etc.) and mechanics for machining, forging, welding, stamping, and other fabrication processes on material used in production of military materiel.

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*New AIF activities as of July 1, 1968.

Deseret Test Center, Salt Lake City, Utah (includes Dugway Proving Ground): Research, development, and testing of chemical and biological agents.
Fort Detrick, Frederick, Md.: Research, development, and testing of biological munitions.
Harry Diamond Laboratories, Washington, D.C.: Research, development, and industrial engineering on fuzes.

PICTORIAL CENTER

Army Pictorial Center, Long Island City, N.Y.: Produce, process, procure, store, and distribute motion pictures, filmstrips, and recordings on military training and education.

Program and Financing

Colonel Eddy. The bar chart on page 284 shows actual program costs by activity groups for fiscal year 1968 and forecasts for fiscal years 1969 and 1970. The data depicted in the bar chart are based upon the figures shown in the costs section of the program and financing schedule in the President's budget. The total costs of goods and services produced will go up from $1,113.4 million in fiscal year 1968 to $1,527.9 million in fiscal year 1969 and drop slightly to $1,472.4 million in fiscal year 1970. Total customers orders received in fiscal year 1968 amounted to $1,045.8 million. The increase in costs is due primarily to extension of the AIF to the additional depot maintenance activities previously mentioned.

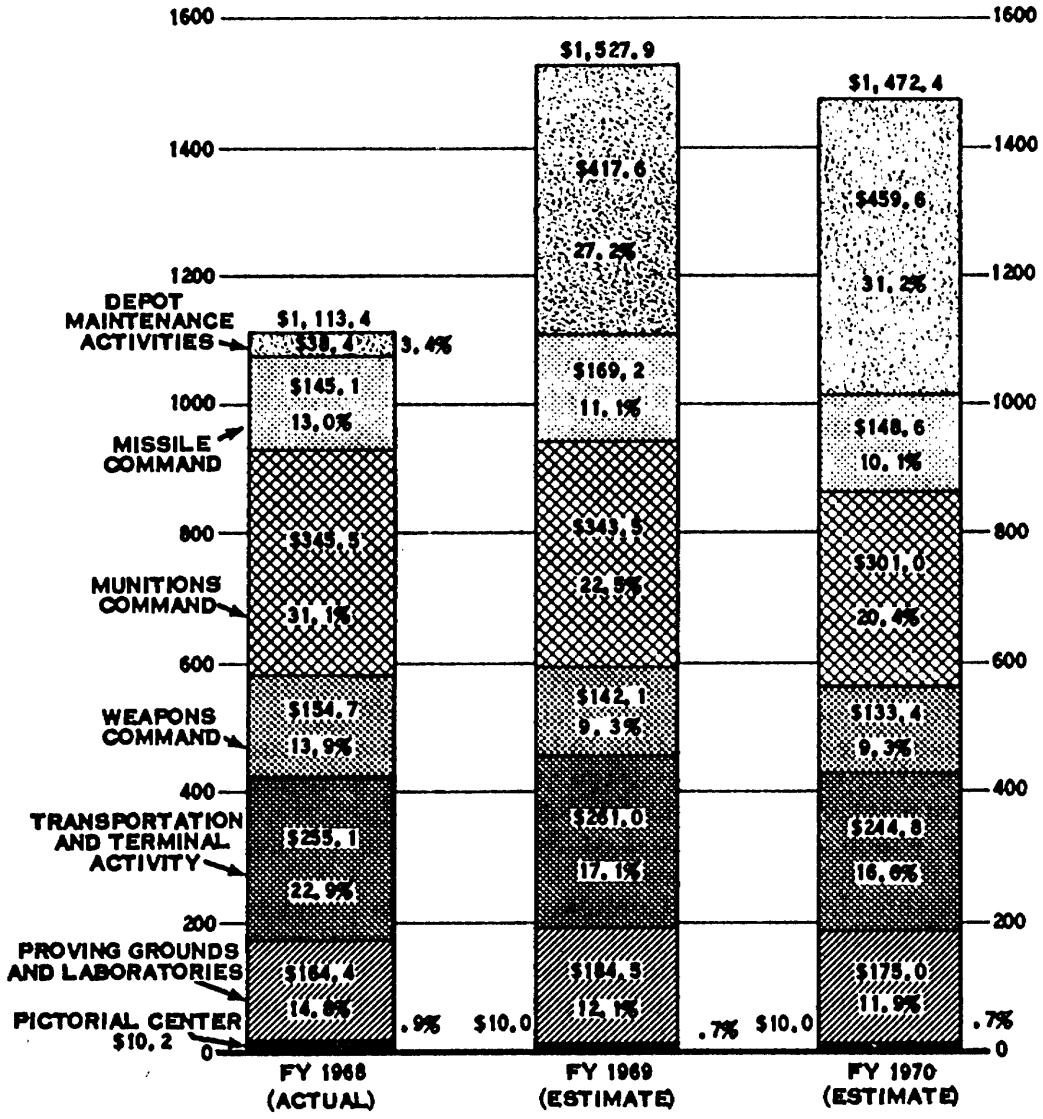
The costs of goods and services produced in fiscal year 1968 exceeded new orders by $67.6 million in fiscal year 1968 due to the partial liquidation of the backlog of orders carried into the year.

I will now explain the reasons for the changes in costs which are anticipated during fiscal year 1969 and fiscal year 1970 for each activity group. As shown in the chart and in the President's budget, costs at the four depot maintenance activities in fiscal year 1968 totaled $38.4 million. The extension of the AIF to 11 new depot maintenance activities and expansion of coverage at two of the original AIF depot maintenance activities account for the very substantial increase in program costs which are estimated at $417.6 million in fiscal year 1969 and $459.6 million in fiscal year 1970.

At the U.S. Missile Command, costs are projected to go up from $145.1 million in fiscal year 1968 to $169.2 million in fiscal year 1969 and drop to $148.6 million in fiscal year 1970. The cost increase stems from the inclusion of the Safeguard Systems Command and the Safeguard Logistics Command in fiscal year 1969. Since these new agencies are not a part of the Missile Command, they will be financed directly from allotted funds in fiscal year 1970 rather than through the AIF.

Program costs at the U.S. Army Munitions Command activities were $345.5 million in fiscal year 1968. In fiscal year 1969 they are forecast at $343.5 million and are estimated at $301 million in fiscal year 1970. $17.8 million of the decline between 1969 and 1970 is the exclusion of direct mission costs of tenant activities at several of the Munitions Command facilities which were not chartered to operate under the industrial fund. The tenant activities will be financed directly from allotted funds in fiscal year 1970. The remainder of the decrease from fiscal year 1969 largely reflects a revision of procedures for accomplishing orders as between in-house and contractual effort.

ARMY INDUSTRIAL FUND
PROGRAM COSTS BY ACTIVITY GROUPS
JUNE 30 1968 (ESTIMATES FOR FY 1969, 1970)
(IN MILLIONS OF DOLLARS)



At the U.S. Army Weapons Command activity group program costs, which were $154.7 million in fiscal year 1968, are expected to decline to $142.1 million in fiscal year 1969 and to $133.4 million in fiscal year 1970. The decline in fiscal year 1969 is due primarily to completion of orders placed with Springfield Armory, which was closed in April 1968. Completion of certain Southeast Asia support requirements, produced by Rock Island and Watervliet Arsenals, accounts for the further decline in program costs for fiscal year 1970.

Program costs for the transportation and traffic management activity group show a slight increase in fiscal year 1969 over costs of $255.1 million in fiscal year 1968. Costs are estimated at $261.9 million in fiscal year 1969 and are expected to decline to $244.8 million in fiscal year 1970 due partly to a decrease in tonnage to be shipped and a trend toward greater use of containerized cargo.

Program costs for the proving ground and laboratories activity group which were $164.4 million in fiscal year 1968, are estimated to go up to $184.5 million in fiscal year 1969, and are expected to drop to $175 million in fiscal year 1970; $11.8 million of the increase in fiscal year 1969 is attributable to the consolidation of Dugway Proving Ground with the Deseret Test Center which had been previously financed directly from allotments. The remaining increases in costs are due to an increased workload in production proof testing of weapons and developmental tests of ammunition. The decline in fiscal year 1970 costs from the fiscal year 1969 level is attributable to the exclusion of the direct mission costs of tenant activities at several of the proving grounds and laboratories which were not under the command of the AIF installation commander and, therefore, not chartered to operate under the industrial fund.

Estimates for the Army Pictorial Center for fiscal years 1969 and 1970 of $10 million vary only slightly from the $10.2 million incurred in fiscal year 1968. The decreases projected for fiscal years 1969 and 1970 are primarily due to small reductions in the training film program requirements and in workload at the Army motion picture depository and records activity of the Pictorial Center.

I will now discuss the financial statements of the Army industrial fund.

FINANCIAL STATEMENTS

(*a*) *Statement of revenue and expenses*

The summary statement of revenue and expenses in the President's budget shows that the dollar volume of business forecasts for fiscal year 1969 and 1970 will be substantially higher than during fiscal year 1968. This is due to the extension of the AIF to 11 additional depot maintenance activities. Anticipated revenue in fiscal year 1969 will be a little over $1.5 billion and will be a little less than $1.5 billion in fiscal year 1970 compared to revenue of $1,109.1 million in fiscal year 1968.

During fiscal year 1968, the Army increased its efforts toward maintaining a balance between costs and revenues related to industrial fund operations. Detailed guidance issued to the field commands stressed the need for maintaining the integrity of the industrial fund by avoiding operating losses. Visits have been made to various activities by Army headquarters personnel to check on the application of

this guidance. These visits were also used to explain the importance of operating as close as possible to a break-even point and to offer technical assistance on unresolved problems. All activities except the transportation and terminal activities reported nominal gains for fiscal year 1968. The transportation and terminal activity gain of $7.3 million was due primarily to an unanticipated increase in use of sea vans and also billings at lower rates by the Navy for ammunition loaded by facilities on the west coast. Billing rates or tariffs have been adjusted for fiscal year 1969 to take into consideration the fact that ammunition is now being handled at a lower cost. The accumulated operating result for the AIF, as a whole as of June 30, 1968, is $7.6 million.

(*b*) *Statement of financial condition*

STATEMENT OF FINANCIAL CONDITION AS OF JUNE 30

[In millions of dollars]

	1967 actual	1968 actual	1969 estimate	1970 estimate
Assets:				
Cash	696.7	87.1	165.5	168.6
Prepayment to Government agencies	22.0	.....	.....	.....
Accounts receivable	29.7	81.8	35.3	35.2
Inventories, net	33.2	38.6	26.5	23.3
Advances and other assets	1.5	1.9	1.6	1.6
Total assets	783.1	209.4	228.9	[1] 228.8
Liabilities:				
Current liabilities	152.6	139.0	168.9	169.1
Prepayments from customers	580.8	.1	.1	.1
Other liabilities	.8	.....	2.2	1.9
Total liabilities	734.2	139.1	171.2	171.1
Capital:				
Appropriations and reappropriations	56.2	56.2	56.2	56.2
Assets capitalized less liabilities assumed, net	6.8	6.5	−6.1	−6.1
Accumulated operating results	−14.1	7.6	7.6	7.6
Total capital	48.9	70.3	57.7	57.7
Total liabilities and capital	783.1	209.4	228.9	228.8

[1] Does not add due to rounding.

Assets decreased in fiscal year 1968 by $573.7 million to $209.4 million while liabilities decreased by $595.1 million to $139.1 million. The elimination of prepayments and a changes-to-progress payment procedures as of May 31, 1968, pursuant to instructions from the Office, Secretary of Defense account for the major portion of the change in assets and liabilities. Accounts receivable increased by $52.1 million in fiscal year 1968 because the progress payment procedure was not fully operative by fiscal yearend. Accounts receivable as of June 30, 1969, are expected to be $35.3 million and $35.2 million as of June 30, 1970. Current liabilities are estimated at $168.9 million for fiscal year 1969 and $169.1 million in fiscal year 1970, up from $139 million as of June 30, 1968. The increase in liabilities is due to several items, most of them related to the extension of the AIF to the 11 new depot maintenance shops. Annual leave liability assumed for the 21,178 employees in the depot maintenance shops amounted to $12.7 million. Accrual for salaries and wages is expected to go up $6.6 million, accounts payable are expected to be $6.1 million higher, and other accruals $4.5 million.

The unbilled balance of customer orders shown on the last line of the financing section of the program and financing schedule as "Unobligated balance available, end of year" in the President's budget declined $48.1 million in fiscal year 1969 to $456.1 million. The unbilled balance of orders will decline to $393.9 million at the end of fiscal year 1969 and drop to $365.1 million at the end of fiscal year 1970 as orders are filled.

(*o*) *Investment of the U.S. Government*

The total investment of the Government in the fund consists of cash with the Treasury, receivables, inventories, and retained earnings, less liabilities for amounts due suppliers, accrued salaries and wages, and for accrued leave. The net Government investment or equity on the above basis for fiscal years 1966 through 1970 is as follows:

[In millions]

June 30, 1966 (actual)	$63.4
June 30, 1967 (actual)	48.9
June 30, 1968 (actual)	70.3
June 30, 1969 (estimated)	57.7
June 30, 1970 (estimated)	57.7

The $21.4 million increase in Government investment as of June 30, 1968, is due to an adjustment of prior year expenses, following resolution of a billing problem with the Navy. It was included in fiscal year 1967 accounts as an AIF liability. The drop in Government investment in fiscal year 1969 of $12.6 million is due chiefly to the assumption of the annual leave liability of the employees in the depot maintenance shops which began operation under the fund on July 1, 1968.

This concludes my formal statement. We shall endeavor to answer any questions you may have. Thank you for giving me this opportunity to appear before you.

OPERATION OF THE ARMY INDUSTRIAL FUND

Mr. ANDREWS. Thank you, Colonel.

Colonel, the Army industrial fund was established under provisions of title 10 of the United States Code, 2208, to provide working capital to finance research and limited-quantity production of goods and services needed by the three military departments and other Government agencies, according to your statement. Tell us briefly in layman's language just how this fund operates. You start off by getting money from the U.S. Treasury; is that correct?

Colonel EDDY. Yes, sir.

Mr. ANDREWS. You operate maintenance facilities primarily for the Army and the other services?

Colonel EDDY. Yes, sir.

Mr. ANDREWS. You bill the Army and other services for the work done?

Colonel EDDY. Yes, sir.

Mr. ANDREWS. And do the proceeds received for work done go back into the fund or into the Treasury?

Colonel EDDY. They go back into the fund, sir. It is a revolving fund. In other words, once the fund is established and the activity commences, its operations, that is, it is supposed to be a self-perpetuating

operation, assuming that the installation or the activity accomplishes its work, keeps its books in proper manner. When the fund charges the customer, as you have just mentioned, sir, for the work performed, it bills the customer periodically; the customer then reimburses the fund and the cycle continues.

Mr. ANDREWS. How frequently does the Congress have to beef up or reappropriate money to the fund?

Colonel EDDY. Since the fund was established, sir, it has not been necessary for the Army to come back to the Congress.

Mr. ANDREWS. Would you put something in the record showing what the original amount put into the fund was, how much, if any, it has been replenished during the years? Also tell us about your profit-and-loss experience.

Colonel EDDY. Yes, sir.

(The information follows:)

Total amount initially provided by Congress in 1951 was $366,930,000. No additional replenishments were made throughout all these years. Of the original amount, $650,000 was transferred to the defense industrial fund, $110 million was returned to the Treasury by congressional action, and $200,100,000 was transferred to other Army appropriations with the approval of Congress.

The cumulative profit from inception of the Army industrial fund amounts to only $7,614,000, which is a very minute fraction of the toal revenue or business done by the fund.

PROFIT AND LOSS HISTORY

Mr. ANDREWS. You say the fund is self-sustaining?

Colonel EDDY. Yes.

Mr. ANDREWS. Let's take the year 1968, the latest year for which you should have figures. Did the fund make money or lose money that year?

Colonel EDDY. The fund made money that year.

Mr. ANDREWS. How much?

Colonel EDDY. $7.7 million.

Mr. ANDREWS. Go back for a period of 5 years from 1968 and show what the profit-and-loss situation was, for the record.

(The information follows:)

ARMY INDUSTRIAL FUND ANNUAL OPERATING RESULTS, AS OF JUNE 30, 1968

[In thousands]

	Annual operating gain or loss (—)	Adjustments to prior years	Accumulated operating gain or loss (—)
Year:			
1964	$464.6	$152.2	$1,885.7
1965	14.3	38.3	1,938.3
1966	—490.1	—1,240.7	207.5
1967	—12,197.1	—2,071.1	—14,060.7
1968	7,753.0	13,922.0	7,614.3

UNFUNDED COST

Mr. ADDABBO. If the gentleman will yield.

Mr. ANDREWS. Mr. Addabbo.

Mr. ADDABBO. You say you made a profit of $7 million-plus. But from your statement I understand this does not include Army per-

sonnel cost, which is being paid from a different budget; is this correct?

Colonel EDDY. The military costs are not included; that is correct.

Mr. ADDABBO. In other words, you are just receiving money for direct services but your personnel costs are not being charged off as part of your expenses?

Colonel EDDY. The civilian personnel costs are.

Mr. ADDABBO. But military personnel costs and the costs for military supplies are not being charged off. So if you start accounting for that in your expense, that would cut down considerably on your so-called profit?

Colonel EDDY. It would make a difference; if not recouped.

Mr. ADDABBO. Would you show for the record what the true figure would be if you had to charge off these additional expenses?

Colonel EDDY. Yes, sir.

(The information follows:)

Inclusion of military pay and allowances as an expense of the fund would have increased costs by $32.2 million to $1,133.5 million in fiscal year 1968. However, since the Army Industrial Fund must recover all costs it would have had to increase billings to customer appropriations by a comparable amount.

Mr. ADDABBO. Thank you, Mr. Chairman.

ITEMS EXCLUDED FOR INDUSTRIAL FUND COSTS

Mr. ANDREWS. In billing your customers for work done, if I understand correctly, you do not take into consideration the capital investment that the Government has in the physical property, the shops, depots that are operated by the fund; is this correct?

Colonel EDDY. This is correct, sir.

Mr. ANDREWS. But I assume that the purpose of the fund was not to make money but to render service to the Government?

Colonel EDDY. This is correct, sir.

Mr. ANDREWS. Do you feel like this method is the cheapest available to the Government?

Colonel EDDY. I think that it is a good system and I say this, sir, from the standpoint that the purpose of the fund was to place this kind of an operation, depot-type operation, which is similar to a commercial operation, on as much of a businesslike basis as could be done within the constraints that would apply to a military-type operation.

Mr. ANDREWS. Well, you do business like private industry except for calculating the cost of Army personnel and the capital investment in the charges made to the customer; is that not about the size of it?

Colonel EDDY. Yes, sir.

Mr. ANDREWS. Now, are your services available to all Government agencies or just the armed services?

Colonel EDDY. All, sir.

Mr. ANDREWS. Who is the biggest customer outside of the services?

Mr. KEYDOSZIUS. The National Aeronautics and Space Administration at Huntsville, Ala., gets a good bit of support from the Missile Command. They are the largest single customer. We do a little bit of work for the Bureau of Mines and others.

Mr. ANDREWS. What do you have at Huntsville?

Mr. KEYDOSZIUS. Marshall Space Flight Center.

Mr. ANDREWS. I know what is there. What does the industrial fund maintain there?

Mr. KEYDOSZIUS. The Missile Command proper, at Redstone Arsenal in Huntsville is under the fund.

Mr. ANDREWS. I visited one of your installations down at Anniston several years ago and was impressed by what I thought was a good job you were doing there. At that time they were bringing in tanks, tearing them down from top to bottom and reworking them. That was at the Anniston Army Depot. I notice from your statement that you repair and overhaul combat vehicles, automotive equipment and armament; including renovation of ammunition; and also provide calibration services.

Colonel EDDY. Yes, sir.

Mr. ANDREWS. Are you still working on tanks down there?

Colonel EDDY. To the best of my knowledge, yes, sir.

General HAYES. Yes, sir; we are still carrying part of the tank overhaul on down there.

ARMY INDUSTRIAL FUND CIVILIAN EMPLOYMENT

Mr. ANDREWS. How many civilian employees does the AIF have?

Mr. KEYDOSZIUS. Approximately 2,200 in the maintenance shop at Anniston.

Mr. ANDREWS. I am talking about overall.

Colonel EDDY. The total?

Mr. ANDREWS. Yes.

Mr. KEYDOSZIUS. We would have to provide that for the record because they would be financed from two different sources.

General HAYES. I can give you the figure for just the depot maintenance personnel.

Mr. ANDREWS. I would like to get it all.

General HAYES. All right.

General TAYLOR. The total number in the Army industrial fund projected for fiscal 1970 is 76,402, total, all AIF.

Mr. ANDREWS. Are they all civilian civil service employees?

General TAYLOR. Yes, sir.

(The information follows:)

The number of civilian employees the fund had in fiscal year 1968 was 61,05[illegible] It is expected to be 70,424 in fiscal year 1969 and decline to 76,402 in fiscal yea 1970.

OPERATIONS OF THE INDUSTRIAL FUND

Mr. ANDREWS. When you revise your remarks I wish you would ad to your statements which you made in answer to my questions abou the type operation you have, Colonel.

(The information follows:)

Industrial funds are currently in use at eight arsenals, five proving groun and laboratories, 15 depot maintenance activities, two traffic management an terminal service agencies and the Army Pictorial Center.

Arsenals perform research, development, industrial and production engineerin pilot and limited quantity manufacturing, and overhaul of artillery and sma arms, ammunition, rocket launchers, missile weapons systems, tanks and comb vehicles, aircraft weapons, and other types of military materiel. They are al engaged in loading of hazardous chemical and biological materials.

The proving grounds do testing of ordnance and chemical materiel, ballistics, research ,and ammunition surveillance. The laboratories are engaged in research and exploratory development in structural materials (metals, plastics, etc.) and mechanics for machining, forging, welding, stamping, and other fabrication processes on material used in production of military materiel. In addition research, development, industrial engineering and testing are performed on fuzes and biological munitions.

Depot maintenance activities are engaged in repair and overhaul of aircraft automotive equipment, combat vehicles, missile systems, armament (including renovation of ammunition), rail equipment, general equipment, avionics, and electronics and communications equipment.

The traffic management and terminal service activities plan, regulate and control movement of personnel and military cargo through waterfront terminals.

The Army Pictorial Center produces, processes, procures, stores, and distributes motion pictures, film strips, and recordings on military training and education.

PURCHASE OF CAPITAL EQUIPMENT

Mr. ANDREWS. Should the committee give any credence to the financial information which you have presented?

Colonel EDDY. Yes, sir. I would be in a bad position if I gave you any other answer to that; the information is valid.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. ANDREWS. Is the Army procuring any capital equipment out of the Army industrial fund during fiscal years 1969 and 1970?

Mr. KEYDOSZIUS. No capital equipment is being procured from the industrial fund. It is all budgeted in the applicable appropriations.

Mr. ANDREWS. What do you mean by that? If you need some capital equipment, other branches of the service would buy it and turn it over to the industrial fund?

Mr. KEYDOSZIUS. If we needed production equipment PEMA 4900 would pay for it; if we needed R. & D. equipment, R. & D. would pay for it.

Mr. ANDREWS. Does that mean from now on the fund is not going to buy capital equipment, that they are going to let the different branches of the services purchase whatever you need to get this job done?

Mr. KEYDOSZIUS. The DOD budgetary policy requires that all capital expenditures must be budgeted in the applicable appropriation.

Mr. ANDREWS. My question is: Does that mean that from now on the fund is not going to buy any capital equipment?

Mr. KEYDOSZIUS. That is right, under current DOD policy.

Mr. ANDREWS. So you are static from now on.

Mr. KEYDOSZIUS. Yes, sir; as far as capital equipment is concerned.

Mr. ANDREWS. So far as capital equipment is concerned?

Colonel EDDY. Yes, sir.

Mr. ANDREWS. Is that good?

Mr. KEYDOSZIUS. It would be preferable if the fund could have authority like other revolving funds to charge for costs of using equipment; in other words, depreciation on capital equipment.

Mr. ANDREWS. Let us assume you needed some capital equipment to get a job done for the Army. Some other branch of the Army would be required to buy the capital equipment; is that correct?

Mr. KEYDOSZIUS. The same branch of the Army, it happens, would be buying this equipment. It would be in our own division.

Mr. ANDREWS. Explain that.

Mr. KEYDOSZIUS. The PEMA appropriation, which budgets for all this equipment, also is handled in the same Directorate, in the Office of the Deputy Chief of Staff for Logistics.

Mr. ANDREWS. Let us say you needed a peculiar type of equipment to do a job for the Army, you would call on the PEMA appropriation for that equipment?

Mr. KEYDOSZIUS. Yes, sir.

Mr. ANDREWS. You bought it under the PEMA appropriation, they delivered it to the fund. Who gets the title to it?

Mr. KEYDOSZIUS. It is still in the PEMA account. It is shown as a memorandum entry on the AIF financial statements showing the value of equipment installed.

Mr. ANDREWS. Would you add it to your account?

Mr. KEYDOSZIUS. No, sir. It is not capitalized.

Mr. ANDREWS. Not capitalized?

Mr. KEYDOSZIUS. Not capitalized in the industrial fund.

Mr. ANDREWS. Then, when you use it you would not charge the Army for the use of that piece of equipment?

Mr. KEYDOSZIUS. That is correct, sir.

Mr. ANDREWS. How long has that system been in operation?

Mr. KEYDOSZIUS. Ever since the inception of the industrial fund. This has been the long-established OSD policy.

Mr. ANDREWS. How long has it been since the fund bought any capital equipment?

Mr. KEYDOSZIUS. It has never purchased any capital equipment that could not be charged to expense. In other words, the piece of capital equipment of less than $200 up to several years ago could be charged as an expense item. Anything over that was considered an investment item under the OSD policy. A recent change raised the unit cost expense limit to $1,000.

Mr. ANDREWS. Investment by whom?

Mr. KEYDOSZIUS. Investment by the Government and not as an investment——

Mr. ANDREWS. Is it added to the equity or the property of the capital fund of the Army industrial fund?

Mr. KEYDOSZIUS. No.

Mr. ANDREWS. Never goes on their books?

Mr. KEYDOSZIUS. Never goes on their books. They are, in effect, a bailee holding somebody else's property.

Mr. ANDREWS. You do not have any capital equipment, do you?

Mr. KEYDOSZIUS. Not in the fund itself.

Mr. ANDREWS. That is what I mean.

Mr. KEYDOSZIUS. That is correct.

Mr. ANDREWS. You are just the workshop for the Army and other services and Government agencies?

Colonel EDDY. Yes, sir.

Mr. ANDREWS. And custodian of their property?

Colonel EDDY. Yes.

Mr. ANDREWS. That is what it amounts to?

Colonel EDDY. Yes, sir.

CASH POSITION OF THE ARMY INDUSTRIAL FUND

Mr. ANDREWS. What is your current cash position, Colonel?

Colonel EDDY. Well, sir——

Mr. ANDREWS. It is on the back of your statement, page 16.

Colonel EDDY. Yes, sir. You are on the right page. If you look at the top, you see the cash shown for 1967 actual, 1968 actual, and then estimates for 1969 and 1970. For 1970, for example, it is estimated to be $168.6 million.

Mr. ANDREWS. What about at December 31, 1968, do you have an actual figure on that?

Mr. KEYDOSZIUS. I do not have the December 31 figure. I have the January 31 figure.

Mr. ANDREWS. Very well.

Mr. KEYDOSZIUS. $108,536,320.

Mr. ANDREWS. How do you account for it being so much lower than your estimated 1969?

Mr. KEYDOSZIUS. We have not yet reached the fiscal year end. There are rather substantial accounts receivable and work in progress which will be billed before the fiscal year ends.

Mr. ANDREWS. How do you account for the very sharp decrease in your cash situation of $609.6 million? Now, these are actual figures, 1967 to 1968. Your 1967 figure was $696.7 million and your actual 1968 was $87.1 million.

Colonel EDDY. Yes, sir. The difference there—and I agree it is a substantial variance—is because the method of payment by the customers to the fund was changed. Previously, during 1967, customers paid in advance, so you accumulated a substantial amount of cash. Then when this system was subsequently changed, which took effect in 1968, you see the impact here where the advance payments were terminated and now we are on a progress billing situation where you do the work and then you bill the customer. So that explains the difference.

Mr. ANDREWS. We will insert page 16 of Colonel Eddy's statement in the record at this point.

(The page follows:)

STATEMENT OF FINANCIAL CONDITION, ARMY INDUSTRIAL FUND AS OF 30 JUNE

[In millions of dollars]

	1967 atcual	1968 actual	1969 estimate	1970 estimate
Assets:				
Cash	696.7	87.1	165.5	168.6
Prepayment to government agencies	22.0	.....	.....	.....
Accounts receivable	29.7	81.8	35.3	35.2
Inventories, net	33.2	38.6	26.5	23.3
Advances and other assets	1.5	1.9	1.6	1.6
Total assets	783.1	209.4	228.9	[1] 228.8
Liabilities:				
Current liabilities	152.6	139.0	168.9	169.1
Prepayments from customers	580.8	.1	.1	.1
Other liabilities	.8	.....	2.2	1.9
Total liabilities	734.2	139.1	171.2	171.1
Capital:				
Appropriations and reappropriations	56.2	56.2	56.2	56.2
Assets capitalized less liabilities assumed, net	6.8	6.5	−6.1	−6.1
Accumulated operating results	−14.1	7.6	7.6	7.6
Total capital	48.9	70.3	57.7	57.7
Total liabilities and capital	783.1	209.4	228.9	228.8

[1] Does not add due to rounding.

Mr. ANDREWS. Do you foresee the need in the future of having to call on the Treasury or the Appropriations Committee for any additional money?

Colonel EDDY. I do not see any; no, sir.

Mr. ANDREWS. When was this fund set up under that statute? What is the date?

Colonel EDDY. I think the earliest one was in 1951.

Mr. ANDREWS. How much money was put into the fund at that time?

Colonel EDDY. I don't know, sir.

TRANSFER OF INDUSTRIAL FUND CASH TO OTHER ACCOUNTS

Mr. ANDREWS. Will there be any cash transferred out of the Army industrial fund during fiscal year 1969? Is there any contemplated during fiscal year 1970?

Colonel EDDY. The answer to both questions, sir, is no.

Mr. ANDREWS. Has this fund been tapped in recent years for reprograming or trying to help the budget situation in any way?

Mr. KEYDOSZIUS. Yes, sir; it has, but not since 1966. In 1966, $100,000 was transferred to MPA.

Mr. ANDREWS. $100,000?

Mr. KEYDOSZIUS. $100,000. In 1964, $50 million was transferred to MPA, and in 1962, $100 million was transferred to MPA, the "Military Personnel, Army," appropriation.

Mr. ANDREWS. It looks like if you save any money and build up a little cash reserve there is always the danger of some of it being taken away from you?

Mr. KEYDOSZIUS. Sir, we can provide for you the initial amount at the inception of the Army industrial fund. The figure is $366,030,000.

Mr. ANDREWS. And none has been added to that since the first time it was set up?

Mr. KEYDOSZIUS. None has been added to that.

Mr. ANDREWS. And on several occasions that fund has been tapped for other purposes?

Mr. KEYDOSZIUS. Yes, sir. Congressional rescissions amounted to $110 million, transfers to other Army appropriations totaled $200,100,000, and transfer to Defense Supply Agency totaled $650,000.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. ANDREWS. Colonel Eddy?

ABILITY TO MAINTAIN FUND AT BREAKEVEN POINT

Colonel EDDY. Speaking about the accomplishments of the fund since its inception, I think it has operated in a remarkably efficient way when you look at the total operational sphere of the fund, the total amount of money involved and the turnover in the activity, that the standing of the fund at this time when you look at it from an overall percentage relationship of whether you made or lost, the variance would be a fraction of a percent. In other words, the objective of the fund is not to make money, not to lose money, but to break even.

Mr. ANDREWS. We have already discussed that it is to render service at the cheapest cost to the Government.

Colonel EDDY. Right, sir. So if you are handling your fund properly, you should come out right at the zero point each time. This is the theory behind the fund. Of course, there are other things that take place that cause unforeseen problems that make it difficult from time to time to do this. But when you consider that over these years since 1951 the overall variance is a fraction of a percent, I think it would illustrate that the fund has been pretty well managed.

Mr. ANDREWS. Especially in view of the fact that you have had hundreds of millions taken out of the fund for purposes foreign to the fund.

Colonel EDDY. Yes, sir.

ADJUSTMENTS IN ESTIMATED YEAREND CASH BALANCE

Mr. ANDREWS. You originally estimated a cash balance at the end of the fiscal year 1969 of $121,830,000. You are now estimating a cash balance of $165,497,000 for 1969. Can you explain how you expect to generate this additional cash of about $44 million during fiscal year 1969?

Mr. KEYDOSZIUS. Was that last year's budget, sir?

Mr. ANDREWS. Yes.

Mr. KEYDOSZIUS. This did not contemplate the extension of the fund to the new depots. It is because of this that we will be generating additional revenue and additional cash.

INCLUSION OF SAFEGUARD COSTS UNDER INDUSTRIAL FUND

Mr. ANDREWS. Colonel, on page 9 of your statement you discuss the Missile Command and state that costs are projected to go up during fiscal year 1969 and to drop during 1970. You state that the cost increases stem from the inclusion of the Safeguard Systems Command and the Safeguard Logistics Command in fiscal year 1969. You further state they will be taken out of industrially funded activities during 1970 and placed under direct appropriation funding. Can you tell us why the Safeguard Systems Command and the Safeguard Logistics Command were placed under the industrial fund in the first place?

Mr. KEYDOSZIUS. They were initially a part of the Missile Command operation, organizationally. They started as a Nike X project manager concept. They were redesigned and established as separate major commands, not under the Missile Command. Therefore, they were not authorized to remain under the Missile Command industrial fund.

RATIONALE FOR MISSILE COMMAND BEING INDUSTRIALLY FUNDED

Mr. ANDREWS. Why is the Missile Command in and of itself an industrial-funded activity?

Mr. KEYDOSZIUS. The Missile Command started originally as Redstone Arsenal, of an industrial-type nature. Its mission has changed somewhat since it originally was activated in the early fifties. They have found the industrial fund a very useful device for not only their own internal operations but providing support to the Marshall Space Flight Center which is under the National Aeronautics and Space Administration, and also the Ordnance Ammunition Center and School, the old Guided Missile School which is under the 3d Army Command and is also not under the fund. So they are using this to operate their

own facility and also provide support on a reimbursable basis to two other agencies, one an Army agency and one a non-Army agency.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

ARMY MUNITIONS COMMAND

Mr. ANDREWS. Regarding the Munitions Command, you state that program will decrease by $17.8 million between 1969 and 1970 because of the exclusion of the direct mission cost of tenant activities at several of the Munitions Command facilities which were not chartered to operate under the industrial fund. Are these tenant activities now being financed out of the industrial fund?

Colonel EDDY. The tenant activities? No, sir.

Mr. KEYDOSZIUS. Yes, sir; they are for fiscal year 1969 only. They will not be financed through the fund beginning July 1.

Mr. ANDREWS. Do you have any ammunition plants under this fund?

Colonel EDDY. No. The ammunition plants which do come under the Munitions Command are not industrially funded activities.

Mr. ANDREWS. Why were these included under the industrial fund for the Munitions Command?

Mr. KEYDOSZIUS. Picatinny Arsenal, Pine Bluff, and Rocky Mountain do produce ammunition, but they also do other work. The Government-owned, contractor-operated plants are not under the fund, but are under the Munitions Command. The contractor operates them using his own funds and gets reimbursed directly from the procurement money.

Mr. ANDREWS. How many tenant activities are included and of what type?

Mr. KEYDOSZIUS. I believe, to be more precise, we should furnish that for the record because it varies at the different installations.

(The information follows:)

Twenty-three tenant activities are currently being financed through the Army industrial fund. Eight of these are highly specialized research and development activities, four are major subordinate command headquarters, two are military units, two are administrative units, and seven are logistics support activities.

Mr. ANDREWS. Further considering the Army Munition Command, you state that the remainder of the decreases between 1969 and 1970 largely reflects a revision of procedures for accomplishing orders as between in-house and contractual effort. What types of revisions are you talking about and what effect does it have on the operations?

Colonel EDDY. The reason for the change is because of a change in procedure. Initially this work was handled completely through the fund as if it were all done right there by the fund at the funded activity. Since then that part of the requirement that is contracted outside is charged directly to the appropriate allotment that pertains to that activity rather than the industrial fund. This might give an impression, then, that there is an overall increase in contractual activities but there is not. It is purely an administrative and bookkeeping change in method of financing contractual effort.

COST OVERRUNS ON INDUSTRIALLY FUNDED WORK

Mr. ANDREWS. How many industrially funded activities made profits and how many incurred losses during 1968?

Colonel EDDY. During 1968, sir, all of the industrially funded activities made money.

Mr. ANDREWS. All of them?

Colonel EDDY. All of them; yes, sir.

Mr. ANDREWS. When you have a request from a Government agency to do work, do they ask you to give them a bid or make them a price for the work to be done?

Colonel EDDY. Yes, sir. In other words, the customer who has a particular job that he wants done will go to one of the AIF activities that has this capability and ask that particular activity: "What will it cost to do this work?" That particular AIF activity will then analyze the requirement that the customer has and go back to the potential customer and tell him: "This is what it will cost you to have this work done here."

Mr. ANDREWS. Is that a contract?

Colonel EDDY. It is, if the customer then comes back and places the order.

Mr. ANDREWS. Suppose you start performance of that contract and when you wind up the work you find that the cost is more than you estimated and priced to the customer, whose loss is it?

Colonel EDDY. You have to follow the costs, and this is an inherent function within the fund, as the work progresses. When you see that the costs are going to be significantly greater than what you had anticipated and had told the customer in the first place, then you are supposed to go back to the customer and tell him, "Look, this is the situation we now find. Because of these circumstances, costs are going to be so-and-so." You work this out with that customer at that time. So if it is obvious that additional money is required then you have the opportunity to obtain this additional funding from the customer as soon as you know the situation.

Mr. ANDREWS. Suppose your work is 50 percent completed and you find that costs are running higher than you anticipated and quoted to the customer and you call him in and have a conference with him. If he does not agree to pay the added cost, what happens?

Colonel EDDY. Then you might have to sustain the loss.

Mr. ANDREWS. But would you stop work on the contract?

Colonel EDDY. No, sir.

Mr. ANDREWS. You would go through to completion?

Colonel EDDY. Yes, sir.

Mr. ANDREWS. And the fund would sustain the loss?

Colonel EDDY. Yes.

Mr. ANDREWS. Do you have many cases like that?

Mr. KEYDOSZIUS. Generally speaking, no. The orders are almost invariably of a cost reimbursable nature. There are a few fixed-price orders. On a fixed-price order we bill on the agreed-upon price and we absorb the cost overruns or underruns. On the type where you cannot come up with very precise costs, which is what many of the arsenals are doing, or in the overhaul and rebuild area, until you have had some work experience you negotiate a cost reimbursable project order, as

it is called, in Defense, with the customer. You review these at 30, 50 percent stages and then 70 percent and renegotiate. If the customer still wants the same quantity he has to provide the additional funds.

Mr. ANDREWS. From the situation as you are speaking of it, you are operating like a big family.

Mr. KEYDOSZIUS. Yes, sir.

Mr. ANDREWS. You are doing business on taxpayers' money.

Mr. ADDABBO. Will the gentleman yield?

Mr. ANDREWS. Mr. Addabbo.

Mr. ADDABBO. Just for clarification now: The customer, in this case you are speaking of other services and not private industry?

Mr. KEYDOSZIUS. That is true. We do very little work for private industry.

Mr. ANDREWS. Do you do any for private industry?

Mr. KEYDOSZIUS. A little bit under an 1880 law, the Testing Machinery Act, where we do qualified product list testing or where we have peculiar capabilities. That amounts to only a couple of million dollars a year of this type of work. We are reimbursed by the customer in that case.

Mr. ANDREWS. Do you lose any accounts? Do any customers ever fail to pay?

Mr. KEYDOSZIUS. In these cases we make the commercial firm put up a deposit which is put in a suspense account.

Mr. ANDREWS. I am talking about Government customers, not commerical firms.

Mr. KEYDOSZIUS. The only losses that have been incurred are on fixed-price orders which have been absorbed in the fund. Otherwise, there are no losses as between Government agencies. There is no write-off. These are in effect guaranteed orders.

Mr. ANDREWS. In other words, you agree to do a certain job for a Government customer and he pays?

Mr. KEYDOSZIUS. He pays at the agreed-upon price and terms, fixed price or actual cost if it is a reimbursable type order.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

INDUSTRIAL FUND WORK FOR PRIVATE INDUSTRY

Mr. DAVIS. Who are the eligible nongovernmental customers that you would be serving?

Mr. KEYDOSZIUS. It would be primarily firms that are interested in selling to the Government and who want their products tested in order to get on a qualified products list.

Mr. DAVIS. It would necessarily be confined, then, to a private firm that has a Government contract?

Mr. KEYDOSZIUS. Or hopes to get a Government contract. Let us say he is producing hydraulic fluids and he insists his product is as good as that which is already acceptable. So he will send samples in. We will charge him for the cost of the tests. If it passes the military specifications his name will then be added to the list and Defense agencies can then buy from him, knowing his product will meet or has met prescribed specifications.

Mr. ADDABBO. Must the services come to you or can they first go to private industry if private industry can do the same service that you perform?

Mr. KEYDOSZIUS. Under Defense policy, they are required to go to a Government agency if we have the capability. They, however, do not have to if they find that our costs will be far too high.

Mr. ANDREWS. Let us resume at 2 o'clock, gentlemen.

AFTERNOON SESSION

Mr. ANDREWS. The committee will come to order.

ARMY INDUSTRIAL FUND OPERATING RESULTS

Colonel, will you submit for the record a schedule showing the operating results of the 21 industrially funded activities for fiscal years 1968, 1969, and 1970?

Colonel EDDY. Yes, sir.

(The information follows:)

ARMY INDUSTRIAL FUND REVENUE AND OPERATING RESULTS FOR FISCAL YEAR 1968[1]

	Fiscal year 1968 revenue	Net operating result	Percent of fiscal year 1968 revenue	Acculated operating result
Atlanta Army Depot	7,857,744	8,958	0.1	168,888
Lexington-Blue Grass Depot	24,447,313	18,607	.1	92,945
U.S. Army Depot Tooele	1,668,818	18	(2)	179,848
U.S. Army Support Center—Richmond	4,429,057	539	(2)	27,885
Redstone Arsenal	145,095,323	6,810	(2)	−488,133
Edgewood Arsenal	60,458,287	48,799	.1	−355,528
Frankford Arsenal	76,914,387	27,492	(2)	−33,585
Picatinny Arsenal	165,496,239	44,850	(2)	777,726
Pine Bluff Arsenal	23,802,994	40,536	.2	26,689
Rocky Mountain Arsenal	15,502,349	27,792	.2	−245,234
Rock Island Arsenal	71,746,913	18,784	(2)	606,857
Watervliet Arsenal	70,995,498	60,787	.1	92,869
Eastern Area MTMTS	115,902,429	2,693,278	2.3	−631,716
Western Area MTMTS	146,392,830	4,609,921	3.1	6,945,780
Aberdeen Proving Ground	81,936,775	1,019	(2)	64,507
U.S. Army Materiel and Mechanics Research Center	9,608,381	30,862	.3	−125,140
Dugway Proving Ground	15,220,372	11,287	.1	1,799
Fort Detrick	25,212,454	44,562	.2	−65,726
Harry Diamond Laboratories	29,417,196	25,759	.1	57,219
Army Pictorial Center	9,467,259	28,427	.3	229,696
Springfield Armory	7,489,211	4,534	.1	282,363
Closed installations	0	0	0	4,435
Total	1,109,061,829	7,753,621	.7	7,614,444

[1] No gains or losses are forecasted for fiscal year 1969 or 1970. AIF installations prepare budgets on a no gain or loss basis since they are required to seek to break even annually.
[2] Less than 1/10 of 1 percent.

NEED TO AVOID OPERATING LOSSES

Mr. ANDREWS. You mention that you are stressing to field commanders the need for maintaining the integrity of the industrial fund by avoiding operating losses, and you have been explaining the importance of operating as close as possible to a break-even point.

Since this is a basic, fundamental concept of industrially funded activities, why is there a need to stress this fact so heavily?

Colonel EDDY. This is an area, sir, that we regard as very important, and we want to insure that the right kind of management attention is being directed at all levels within the Department of the Army to

insure that the operations are being done as effectively and as efficiently as possible. It is not being done because we are fearful that things are going badly. On the contrary, as you recall, sir, I made a comment earlier in the discussion about how well I felt the Fund had been doing since its inception back in 1951.

Mr. ANDREWS. Have you had any success in this endeavor?

Colonel EDDY. Yes, sir, I believe we have.

Mr. ANDREWS. You have told us you are not trying to make money I would assume you are certainly not trying to lose money.

Colonel EDDY. This is true, sir.

General TAYLOR. If I may, Mr. Chairman, I think there is another benefit that comes from visits from higher headquarters. It not only carries out the command responsibility, but it also gives the commander of the installation a feeling that you are interested in his operation, you want to know what is going on, and you want to be able to help if you can.

We do have new people coming up through the chain of command constantly, so it is one of these continuing things, not only in the industrial fund, but in all activities.

Mr. ANDREWS. A morale booster.

General TAYLOR. Yes, sir.

DECLINE IN UNBILLED CUSTOMERS ORDERS

Mr. ANDREWS. Colonel, on page 14 you discuss the unbilled balance of customers' orders, and point out that they are to decline by about $48.1 million during fiscal year 1969 and drop another $30 million during 1970.

Since it is a known fact that the Army is requesting hundreds of millions of dollars and probably a billion or more for work financed by activities under the industrial fund, how can you realistically project this decline? Realistically, should it not be much higher for 1970?

Mr. KEYDOSZIUS. The Army Industrial Fund only does a small part of the Army's total program in-house. We are forecasting a gradual increased capability in deliveries against orders which were financed in many cases out of prior year supplemental appropriations. The 1970 column in the President's budget does not anticipate any supplemental appropriation for 1969.

Mr. ANDREWS. How much business does the Army do with the industrial fund?

Mr. KEYDOSZIUS. In 1968, the Army appropriations were billed approximately $1 billion; $950 million were the billings to the Army appropriation out of a total of $1.1 billion.

Mr. ANDREWS. How much work does the Army have done outside these facilities?

Let me ask first, did you have any work done outside these facilities that could have been done by the industrial funds? Put something in the record on that.

General TAYLOR. Yes, sir; we will.

Mr. ANDREWS. You are supposed to go here first; are you not?

General TAYLOR. That is right, sir. If there was any, it would be very small.

(The information follows:)

While AIF facilities have a broad spectrum of capabilities and facilities for performing a wide variety of work, under Army policy they are not normally involved in quantity production work. Only that production which commercial concerns are unwilling to undertake, or cannot deliver in time to meet urgent requirements; where it is required for security reasons or where their prices appear unreasonable is placed with Army Industrial Fund facilities. AIF activities adhered to this policy and there was no production appropriate for in-house performance which was done outside these facilities.

Mr. ANDREWS. Does this projected decline anticipate that you intend to hire additional personnel, work substantially more overtime, or expand facilities?

Mr. KEYDOSZIUS. The budget does reflect a productivity cut applied by the Secretary of Defense to all appropriations, its share of it. It is based upon lower civilian manpower for end strength fiscal year 1970 than we had in fiscal year 1969.

Mr. ANDREWS. That is not the question we have in mind. The question is: Does this projected decline anticipate that you intend to hire additional personnel, work substantially more overtime, or expand facilities?

Mr. KEYDOSZIUS. No, sir.

Mr. ANDREWS. We are referring to the unbilled balance-of-customer orders.

Mr. KEYDOSZIUS. We will do a little less work because we will have a smaller staff to do it with. We will carry forward into the new year a smaller amount of backlog of orders. We will not be able to accomplish as much as we might have if we could have retained the same civilian strength that we had at the beginning of the year.

LIMITATION ON OBLIGATIONS TO THE INDUSTRIAL FUND

Mr. ANDREWS. Do these unfilled customer orders as shown in the President's budget, "The unobligated balance available at the end of the year," represent uncompleted orders outstanding which have been placed on the industrial fund activities?

Mr. KEYDOSZIUS. They represent that portion of orders outstanding which work had not been completed as of the end of that year, a firm requirement financed from prior year obligational authority.

Mr. ANDREWS. Can you incur an obligation after the close of the fiscal year for the uncompleted orders outstanding?

Mr. KEYDOSZIUS. The obligation has already been incurred by the customer appropriation, and we are merely completing that and billing just as a contractor would.

Mr. ANDREWS. They place an order before the end of the fiscal year, and you complete it. You do not get paid until you do the work; is that right?

Mr. KEYDOSZIUS. That is right.

Mr. ANDREWS. How long do you have to obligate funds for orders outstanding at the end of a fiscal year?

Mr. KEYDOSZIUS. The industrial fund does not have any additional authority for recording obligations than the appropriation has. The appropriation must be legally obligated by the customer within the period of availability.

Mr. ANDREWS. If you have unlimited time in which to place obligations on the records of the industrial fund, are they not in effect operating under the no-year appropriation concept?

Mr. KEYDOSZIUS. The industrial fund is not, no, because it must complete the order within the period of availability of the appropriation for expenditure purposes. In other words, if we have an annual appropriation, we must be able to complete the job and bill before that appropriation lapses.

CONGRESSIONAL CONTROL OF THE INDUSTRIAL FUND

Mr. ANDREWS. Should not the Army industrially funded activities be placed on a direct appropriation basis for better control by this committee and the Congress?

Mr. KEYDOSZIUS. We believe the committee has adequate control now in the appropriation process for all the appropriations.

Mr. ANDREWS. Not on this fund, but on the individual activities that lead into the fund.

Mr. KEYDOSZIUS. We do believe that this gives a better means for allocating costs more equitably to the various appropriations than if we had to finance an installation from multiple sources of funds, multiple types of appropriations.

Mr. ANDREWS. What control, if any, does this committee have over your administrative costs? The answer is none, is it not?

Mr. KEYDOSZIUS. You could, if you chose, direct a reduction in our manpower. You could, if you chose, apply an expenditure limitation if you thought we were abusing the process.

INDUSTRIAL FUND ADMINISTRATIVE COSTS

Mr. ANDREWS. You are operating a fund which has been almost like perpetual motion since 1951. Nothing has been added to it or taken from it by this committee, except you have had bites taken out of it by other branches of the Army on certain occasions. Who determines the limitation on your administrative costs?

Mr. KEYDOSZIUS. Each installation submits its budget, which is subject to review at the intermediate command levels and the departmental level and the Secretary of Defense level. The budgets when finally approved then become a part of the President's budget. They are subject to availability of the customers' orders. They have to come in with detailed budgets showing exactly how much work they expect to do, with supporting schedules showing different types of work they will do, which has already been approved in the appropriation process.

Mr. ANDREWS. Then the Secretary of the Army has jurisdiction over your administrative budget?

Mr. KEYDOSZIUS. Yes, sir.

Mr. ANDREWS. Have you any instances where they have been cut?

Mr. KEYDOSZIUS. Not at the Department of the Army level; no, sir.

Mr. ANDREWS. What about DOD?

Mr. KEYDOSZIUS. The Department of Defense did make a couple of minor adjustments in this past year. Colonel Eddy has the specific details, sir.

Colonel EDDY. On this point, Mr. Chairman, in the review of the budget submission for the industrial fund, the Office of the Secretary of Defense did reduce the revenue and cost in the Army's initial AIF budget submission by $2.2 million for fiscal year 1970.

In addition, the Office of the Secretary of Defense directed that $56.1 million of cost and revenue attributable to operations of tenant and satellite activities which were not chartered by OSD to operate under the fund also be excluded. We touched on this point earlier in the discussion.

Neither of these actions had any effect on the Army's request for obligational authority, and the Army did not reclama these actions by OSD.

Mr. ANDREWS. Are your books regularly audited by Army auditors?

Colonel EDDY. Yes, sir; they are.

Mr. KEYDOSZIUS. And GAO.

Mr. ANDREWS. You, of course, are under the supervision and jurisdiction of the Inspector General of the Army.

Colonel EDDY. Yes, sir.

Mr. ANDREWS. Mr. Sikes, any questions about the industrial fund?

Mr. SIKES. No questions.

Mr. ANDREWS. Mr. Davis?

INDUSTRIAL FUND CAPITAL EXPENDITURES

Mr. DAVIS. Getting back to the questions that our chairman asked you, are there any expenditures or investments, we will say, or anything that might be termed capital items, that are managed through this fund?

Mr. KEYDOSZIUS. The industrial fund can make capital expenditures subject to availability of funds from an official appropriation. That is, if they so choose, they can buy capital equipment which may have been budgeted in a PEMA appropriation, but they must have a reimbursable order. They cannot make any capital expenditures of their own at all.

Mr. DAVIS. What about construction of buildings? Have you financed the construction of any buildings out of this fund?

Mr. KEYDOSZIUS. All construction projects must be financed from the "Military construction, Army" appropriation. The only thing the fund can pay for is day-to-day maintenance and repair and restoration of buildings. Alteration projects over $5,000 likewise must be separately financed and not through the fund.

Mr. DAVIS. The reason I asked is that the Corps of Engineers has what it calls a revolving fund, too. I think we have seen a few instances where they constructed administrative buildings out of their revolving fund that could not really be attributed to any particular construction project. I wanted to see where we are heading with respect to the industrial fund.

Mr. KEYDOSZIUS. I am familiar with the Corps of Engineers revolving fund. The Army industrial fund does not operate in that fashion, either on construction or on acquisition of equipment.

Mr. DAVIS. You are, then, as I gather it now, strictly a service agency which the various segments of the armed services may or may

not use. They use you when it is to their advantage to do so, but they might go out and independently contract for something that would be within your capability to do, if their judgment so dictated. Is that correct?

Mr. KEYDOSZIUS. Yes, sir; that is correct.

Colonel EDDY. Sir, if I might add a comment about capital equipment, getting back to your question, which is one we addressed earlier this morning, I would like to make a brief comment, because there may be some clarification needed as to how the AIF activities do acquire equipment that they need to get their work done.

In this connection, special purpose capital equipment which is required for a specific project by a customer is charged to the cost of the job. This is one of the exceptions.

Mr. DAVIS. It is amortized out and it might be over a period of several years.

Colonel EDDY. And the customer pays for this. If he places the order and we have to acquire some special equipment to do this, the equipment is acquired and charged to him.

In other cases, if we get capital equipment for R. & D.-type purposes, then the "R. & D." appropriation pays for that equipment. It does not go through the fund at all.

In like manner, if we have to acquire capital equipment for production purposes in general, then this is provided by the PEMA budget program 4900 area.

If the Army industrial fund activity requires capital equipment, industrial production-type equipment, to be replaced from time to time in order to maintain its capability and accomplish its mission, then it must submit a special project request to the Department of the Army, fully justifying what the requirement is, what they need to replace, machine by machine, with a full cost analysis included. Once this is staffed and approved by the Department of the Army, then authorization is given to that particular AIF activity to acquire the equipment. But it does not again pass through the fund, and it is not charged to the customer.

Mr. DAVIS. I do not know to what extent you are doing this any more, but in the Korean war era where there were contracts to be let, frequently the Defense Department would lease or make available the machine tools or the equipment needed in order to complete that Government contract. Would you be involved in that operation?

Colonel EDDY. Not in the industrial fund; no, sir. That would be handled through what we would call the production base support area, which is in the budget program 4900 area.

Mr. DAVIS. You never become the owner of heavy equipment of that kind?

Colonel EDDY. No; not the fund.

EXCLUSION OF MILITARY PAY FROM AIF COSTS

Mr. Chairman, if I might go back for just a moment for a brief comment on a question Mr. Addabbo asked about military pay and the impact it has on the industrial fund, it is true that if we absorb this as cost without reimbursement, the fund could not continue to function.

Just for illustration purposes, in 1968 the military pay cost to the industrial fund was $32.2 million; in 1969, it will be about $37.3 mil-

lion; and in 1970, it will be about $37.9 million. Of course, provision is made for this in the "Military personnel" appropriation, MPA. As stated earlier, while these costs are not charged against the customer because they are already in the MPA, if we did want to charge the orders to make the overall cost, expense and income relationship, more complete, the fund itself, in order to maintain its integrity, would have to be reimbursed in billings and subsequent payments from customers. This would cause some complicated bookkeeping exercises throughout the Army in order to do this because of the way in which the military personnel are paid now and the way in which the fund itself actually operates.

Mr. ANDREWS. As far as AIF is concerned now they get the labor free because of military personnel attached to AIF?

Colonel EDDY. I do not really think that is true.

Mr. ANDREWS. It is true. They are working for you and you are not paying them.

Mr. KEYDOSZIUS. They are also working for nonindustrial fund activities.

Mr. ANDREWS. What do you mean by that?

Mr. KEYDOSZIUS. An installation not under the industrial fund also has military labor.

Mr. ANDREWS. Still, you are getting free labor as far as the military people attached to your organization are concerned. The way I look at it, you are all one big family. It is the taxpayers' money—I hope you will never forget that—which is operating all of these funds, whether it is AIF or whatever it may be.

You said you had about 80,000 civilian employees.

General TAYLOR. I believe I said approximately 76,000, sir. I can verify that.

NUMBER MILITARY PERSONNEL ASSIGNED TO THE INDUSTRIAL FUND

Mr. ANDREWS. How many military personnel do you have?

Mr. KEYDOSZIUS. 10,556 is the projected military end strength for fiscal year 1970.

Mr. ANDREWS. These people who are selected out of the military for AIF work. What is the basis for their selection? Because of their unique skills which can be used by AIF?

Colonel EDDY. They are selected based on their experience and ability.

Mr. KEYDOSZIUS. I would like to correct the figure I gave on military strength; 4,441 is the military strength.

Mr. ANDREWS. Total?

Mr. KEYDOSZIUS. 4,441 total end strength, officer and enlisted personnel, in the industrial fund area.

Mr. ANDREWS. Any further questions, Mr. Davis?

SALARIES OF CIVILIANS INCLUDED AS A COST OF PRODUCTION

Mr. DAVIS. All of the compensation that these people receive, however, is charged off as a cost of production, we will say, to the various service agencies that make use of the industrial fund, or is there what might be termed a separately paid group of administrative personnel in the industrial fund?

Mr. KEYDOSZIUS. They are all charged either as direct cost or indirect cost. That is for civilians, not for military.

Colonel EDDY. The military are excluded. They are not charged.

Mr. DAVIS. They come under the regular military appropriation. The civilians, I suppose, come under the O. & M.

Mr. KEYDOSZIUS. No, sir. They come under the industrial fund. Those end strengths are not included in the O. & M. or other appropriations.

Mr. DAVIS. That is all I have, Mr. Chairman. Thank you.

MEDICAL SERVICES

Mr. ANDREWS. Gentlemen, we will now take up medical services, and we will insert in the record the summary justification page.

(The page follows:)

OPERATION AND MAINTENANCE, ARMY—2400, MEDICAL SERVICE ACTIVITIES

[Dollar amounts in thousands]

Title	Actual, fiscal year 1968	Estimate	
		Fiscal year 1969	Fiscal year 1970
Base operation	$15,493	$13,755	$12,867
Office of the Surgeon General	3,512	3,681	3,646
Patient care in Army facilities	218,459	220,455	224,721
Health benefits in non-Army facilities, except those administered by Executive Director	12,836	12,924	13,079
Health benefits administered by the Executive Director	60,706	74,986	84,410
Medical training	10,505	12,808	12,680
Armed Forces examining and entrance stations	8,582	9,606	10,004
Other medical activities	25,397	27,400	26,132
Total, direct obligation	355,490	375,615	387,539
Personnel requirements:			
Average number of all employees	22,364	22,577	22,375
Number of employees at end of year	24,252	22,642	22,859
Total, personal service obligations	$145,928	$155,182	$154,646

Mr. ANDREWS. General Collins, do you want to make a statement? Have you a prepared statement?

General COLLINS. No, sir; I do not have a prepared statement.

Mr. ANDREWS. Tell us briefly what the picture is at this time.

General COLLINS. The medical service provided in Vietnam is the finest medical service ever provided the soldier in combat at any time, anywhere.

Mr. SIKES. I do not think you need to qualify that. It is the finest; is it not?

General COLLINS. It is the finest; yes, sir.

Mr. ANDREWS. General Heaton went into detail about your medical setup in Vietnam. He is the Surgeon General.

General COLLINS. Yes, sir.

Mr. ANDREWS. Are you the Deputy Surgeon General?

General COLLINS. I am the Deputy Surgeon General; yes, sir.

Mr. ANDREWS. And General Peatfield?

General PEATFIELD. I am the Executive Director of the Civilian Health and Medical Program of the Uniformed Services.

Mr. ANDREWS. You are Army medicare.

General PEATFIELD. For all uniformed services, sir.

EXPLANATION OF INCREASES

Mr. ANDREWS. For fiscal year 1970, you are requesting an increase of about $13 million. What activity is this increase generally associated with?

General COLLINS. The increase in 1970 of $11.9 million is in several projects, a major one being 2420 project——

Mr. ANDREWS. What is that?

General COLLINS. That is $4.2 million for equipment in Army hospitals and dispensaries. We have an increase of $155,000 in our 2430 project, which is health benefits in non-Army facilities, due to an increase in active-duty patients in veterans' facilities. Another increase is for physical examinations in the Armed Forces examining stations. Of course, the large increase is in medicare, $9.4 million.

Mr. ANDREWS. Medicare?

General COLLINS. Yes, sir.

TRANSFER OF INDUSTRIAL FUND ACTIVITIES TO MEDICAL SERVICES

Mr. ANDREWS. What industrially funded medical activities have been transferred to this budget activity?

General COLLINS. We have transferred two hospitals.

Mr. ANDREWS. Where?

General COLLINS. The hospital at Redstone Arsenal in Alabama, and the hospital at Dugway Proving Grounds in Utah.

Mr. SIKES. Transferred them?

General COLLINS. Transferred from the industrial fund into our 2400 program. Several dispensaries were also transferred.

Mr. ANDREWS. What was the purpose of the transfers?

General COLLINS. The transfer was to facilitate management of our medical department resources, increase responsiveness to changing conditions affecting the medical mission, and to provide the best medical service possible within existing capabilities.

Mr. ANDREWS. You would have more direct control from the Surgeon General.

General COLLINS. Yes, sir.

Mr. ANDREWS. Are all your hospitals manned by Army people?

General COLLINS. Yes; to a large extent.

Mr. ANDREWS. The doctors and nurses are all Army personnel?

General COLLINS. To the maximum extent possible, sir.

PROCUREMENT OF MEDICAL EQUIPMENT

Mr. ANDREWS. How much is included within this budget request for the procurement of new medical equipment and for the replacement of furniture and fixtures?

General COLLINS. The new medical equipment in fiscal year 1970 amounts to $4.2 million.

Mr. ANDREWS. Does that include furniture and fixtures?

General COLLINS. This is primarily equipment.

Mr. ANDREWS. What about furniture and fixtures? Have you any figures on that?

General COLLINS. No, sir.

Mr. ANDREWS. Supply that for the record.

(The information follows:)

The $4.2 million requested for equipping new medical facilities includes approximately $513,000 for furniture and furnishings.

FUNDS FOR MEDICAL FACILITIES

Mr. ANDREWS. Are there any funds included in this request for the new hospital that was to be constructed at Fort Stewart?

General COLLINS. There is nothing in here that I can see, sir, for Fort Stewart.

Mr. ANDREWS. I believe you said the amount for new medical facilities was $4.2 million.

General COLLINS. Yes, sir.

Mr. ANDREWS. On page 405, the figure shows $4,760,000. Could that include both medical equipment and furniture?

General COLLINS. That is primarily new facilities. There is about $500,000 that is not new facilities.

Mr. ANDREWS. What is the $500,000 for?

General COLLINS. Equipment for other hospital facilities. There is the amount for new facilities plus about $500,000 for others.

Mr. ANDREWS. I asked you how much you were requesting for furniture and you did not know. You said you would supply it for the record. Could this $500,000 be for furniture?

General COLLINS. I do not know, sir.

Mr. ANDREWS. Take a look at it when you correct your testimony, and elaborate on it.

General COLLINS. Yes, sir.

(The information follows:)

The $500,000 for equipment to be utilized in other than new facilities, does not include any amount for furniture and fixtures. These funds are to replace wornout diagnostic and treatment equipment required for patient care. The $513,000 requirement for furniture and fixtures included in the $4.2 million equipment requirement for new facilities results from the design of these new facilities. The structural and architectural design of modern treatment facilities provides in certain instances for smaller rooms consequently it is necessary to replace certain items of furniture and fixtures in order to achieve maximum efficiency of available space.

INCREASED MEDICARE COSTS

Mr. ANDREWS. Why is the cost of the medicare program increasing so drastically during fiscal years 1969 and 1970, from an actual of $157,625,000 in 1968 to the $200,568,000 being requested for 1970?

General PEATFIELD. Mr. Chairman, there are two major reasons for this increase in the cost of our program. The first is the increase in medical care costs. The second is the increase in the number of beneficiaries. We have realized an increase of about 2½ percent over fiscal year 1969, which means we now have about 6.6 million beneficiaries.

Mr. ANDREWS. Are they dependents of men in service?

General PEATFIELD. These are the dependents of active-duty personnel. They are the retiree and his dependents, and the dependents of deceased personnel.

Mr. ANDREWS. The dependents of deceased personnel?

General PEATFIELD. These would be the widows and children.

Mr. ANDREWS. The widow of the serviceman?

General PEATFIELD. Yes, sir.

Mr. ANDREWS. Is it necessary for that serviceman to have a service-connected disability in order for his widow to be eligible?

General PEATFIELD. No, sir; but he must have qualified for retired pay or died on active duty.

Mr. ANDREWS. As long as he is on retired pay and dies, his widow is eligible for hospitalization at Government expense?

General PEATFIELD. Hospitalization, care by physicians, and other ancilliary medical personnel.

MEDICARE FOR DEPENDENTS

Mr. ANDREWS. What is your policy with reference to medicare for dependents?

General PEATFIELD. Our policy, sir?

Mr. ANDREWS. Where are they treated? If they are near an Army hospital and space is available, they are required to go there, is that correct?

General PEATFIELD. They are required to go to a military medical facility if they are living with their sponsor. If they are living apart from the sponsor, they have free choice of either military medical facilities or civilian facilities.

For outpatient care they have free choice of either military medical facilities or civilian.

Mr. ANDREWS. It matters not that there is space available at the Army medical facility.

General PEATFIELD. Of course, the military medical facilities are used to the optimum, but if there was not room, the dependent would need a certificate of nonavailability before she could go to a civilian source of care.

Mr. ANDREWS. If I remember correctly, that was the rule when this program was first adopted.

General PEATFIELD. Yes, sir.

Mr. ANDREWS. There has been no change in that rule?

General PEATFIELD. There has been no change. However, the retiree and the dependents of retirees or the dependents of deceased personnel have free choice either in military or civilian medical facilities.

Mr. ANDREWS. And they cannot be forced to go into the military facility if they prefer civilian?

General PEATFIELD. That is correct, sir.

Mr. ANDREWS. I assume you pay in civilian facilities the going rate.

General PEATFIELD. Yes, sir.

Mr. ANDREWS. What is it today? What are the variations?

General PEATFIELD. Today we pay for the average day of hospital care about $59.98.

Mr. ANDREWS. Is that a private room or semiprivate?

General PEATFIELD. This is semiprivate, sir. The national average ranges around $65.24. The reason that our cost is a little less is because of the economic differences in the geographic areas where we have most of our dependents hospitalized in civilian facilities. We pay generally about the same as civilians.

Mr. ANDREWS. Here is a man in service, in the Army, overseas. He leaves at home his wife and children and a dependent mother and father. How far does medicare reach out?

General PEATFIELD. We will take care of the wife and children, but not the mother and father, sir.

Mr. ANDREWS. Suppose he is a single man and he has a dependent mother and father.

General PEATFIELD. We do not cover the mother and father, sir; only the spouse and children.

Mr. SIKES. Are there no circumstances under which you do accommodate the mother and father?

General PEATFIELD. No, sir. The law is very specific on that point. We cannot take care of the mother or father.

Mr. ANDREWS. We have a new Federal program, medicaid. Does the Army have anything comparable to that, or does your medicare program embrace the same provisions that medicaid does for civilians?

General PEATFIELD. We do not have a program that is comparable to the medicaid program. However, the range of care that we provide and the benefits as far as cost-sharing is concerned, far exceed, I believe, anything that medicaid or medicare has at the present time. We have a better program as I see it.

Mr. ANDREWS. You handle medicare for all the services?

General PEATFIELD. Yes, sir.

Mr. ANDREWS. Are you reimbursed by the other services?

General PEATFIELD. Yes, sir. Each service submits its own budget for its portion of our program.

STEADILY RISING COSTS OF MEDICARE PROGRAM

Mr. ANDREWS. These figures go back to 1968. I would assume there has been a substantial increase in the cost of the program in 1968, 1969, and 1970. Do you want to make a projection beyond 1970 with respect to these costs? Will they continue to go up at the same rate?

General PEATFIELD. Up until this time, sir, the cost figures have increased on the average about 8 percent a year; our workload, about 5 percent. I believe we have reached the maximum as far as increased workload is concerned. I believe now the increases will be in consonance with increases in medical costs in civilian life.

Mr. ANDREWS. How long have we had this program, General?

General PEATFIELD. It is now in its 13th year.

Mr. ANDREWS. I wish you would put something in the record showing the cost of it for the first 5 years and the last 5 years.

(The information follows:)

Total expenditures of the health benefits program for the uniformed services by fiscal year as of 31 March 1969

Fiscal year 1957 (7 Dec. 1956-30 June 1957)	$24,521,720
Fiscal year 1958	89,033,525
Fiscal year 1959	80,040,627
Fiscal year 1960	60,304,887
Fiscal year 1961	61,311,566
Fiscal year 1965	73,204,135
Fiscal year 1966	75,616,100
Fiscal year 1967	108,676,043
Fiscal year 1968	102,374,071
Fiscal year 1969 (1 July 1968-31 Mar. 1969)	105,461,704

Mr. ANDREWS. What arrangements do you have for civilian doctors to treat medicare patients?

General PEATFIELD. They take care of beneficiaries on a voluntary basis. We have had excellent participation as far as the physicians are concerned.

Mr. ANDREWS. On a voluntary basis?

General PEATFIELD. Yes, sir.

Mr. ANDREWS. What do you mean by that?

General PEATFIELD. I mean they can choose to take care of a patient or to say, "I do not care to do it."

Mr. ANDREWS. You do not mean they do it for free?

General PEATFIELD. No, sir. I mean voluntary as far as whether they want to take care of the patient. It is not free, no, sir.

Mr. ANDREWS. That is a question I had in mind. What kind of arrangements do you have with them about what they charge in the way of fees?

General PEATFIELD. We pay them in accordance with the usual and customary fee concept, which is exactly the same as that used in the medicare program for those over 65.

Mr. ANDREWS. That is about like a Mother Hubbard. It covers everything and touches nothing.

General PEATFIELD. The usual and customary fee costs, as you may know, sir, depend upon the customary fee charged by the physician, and this, in turn, is applied to the prevailing rate that is charged in that area for that particular procedure. The two are used to come up with a reasonable fee for that particular procedure.

Mr. ANDREWS. Let us take a concrete case, and tell us the mechanics of the program. Here is the widow of a man who was in Vietnam. She goes to a civilian hospital for an appendectomy. You pick up from there and tell us what happens. She receives the operation and medical treatment in the hospital. She leaves the hospital. What does she sign? Who pays the bill, and when and how is it paid?

General PEATFIELD. This is a widow, sir?

Mr. ANDREWS. Let us take a wife.

General PEATFIELD. She would go to a physician and present her symptoms.

Mr. ANDREWS. Would she have an I.D. card of any kind?

General PEATFIELD. She has an I.D. card which the physician would ask to see at the time he examined her. This would establish the fact that she is eligible for medical care under the civilian program. He would then say, "I will accept you as a patient or beneficiary of the civilian health and medical program." She would give him certain information which he would fill in on our physician form, which establishes further her eligibility. He would then take her to a hospital or have her sent to a hospital where they, in turn, would complete a hospital form for the same type of information which the physician had already procured from her in his office. At that time they would tell her that they accept her as a beneficiary of our program.

Following her discharge from the hospital, she would only have to sign the forms. The hospital would then submit their form to one of

our subcontractors, Blue Cross in the majority of cases, who will pay this charge to the hospital in toto, except for $25 which is the responsibility of the beneficiary or the sponsor of the beneficiary.

Mr. ANDREWS. In other words, she is in the same position as the holder of a Blue Cross-Blue Shield policy.

General PEATFIELD. Yes, sir.

USE OF PRIVATE INSURANCE COMPANIES AS FISCAL CARRIERS

Mr. ANDREWS. You do business through Blue Cross-Blue Shield?

General PEATFIELD. Yes, sir, Blue Cross pays hospitals in 33 States, the District of Columbia, and Puerto Rico.

Mr. ANDREWS. All right.

Mr. SIKES. You have the same program, to all intents and purposes, as the civilian program.

General PEATFIELD. Yes, sir. We cover the full range of care. In the case of an appendectomy where the patient is expected to be in the hospital for approximately 5 days, $25 would be the only responsibility of the beneficiary. If it were extended hospitalization, and a $1.75 a day would amount to more for the total time of care than the $25, then she would pay at the rate of $1.75 a day.

Mr. ANDREWS. The same as her husband would.

General PEATFIELD. Yes.

As far as the doctor's bill is concerned, the doctor submits his bill, and in this case it probably would be to a Blue Shield organization who would be our carrier. If he submitted the bill and, let us say, his charge was $200 for the appendectomy, if this were determined by the Blue Shield organization to be the usual and customary charge for that particular procedure, then they would pay him $200.

Mr. ANDREWS. So, you operate through Blue Cross and Blue Shield in many States.

General PEATFIELD. Yes, sir; through Blue Cross, Blue Shield, Mutual of Omaha Insurance Co., Connecticut General, and Continental Service Life and Health Insurance Co.

Mr. ANDREWS. They do all the bookkeeping?

General PEATFIELD. They are our fiscal carriers.

Mr. ANDREWS. And bill you?

General PEATFIELD. Yes, sir. We have 48 fiscal carriers for the physicians' side of the program, and two prime carriers, Mutual of Omaha and Blue Cross, for the hospital side.

Mr. ANDREWS. Are outpatient cases treated in the same way?

General PEATFIELD. In outpatient care, there is a $50 deductible for the individual or a $100 deductible for the family. For active duty beneficiaries, there is a coinsurance factor of 20 percent for the beneficiary and 80 percent as far as the Government is concerned in paying the reasonable charges. For the retiree and his dependents, they have the same deductible, $50 and $100, but they pay 25 percent of the reasonable charges and we pay 75 percent.

Mr. ANDREWS. Do those deductibles apply to the calendar year?

General PEATFIELD. They apply to the fiscal year.

Mr. ANDREW. And not to each particular case of hospitalization?

General PEATFIELD. No, sir. Once the $50 deductible or the $100 deductible is satisfied, that is good for the entire fiscal year.

Mr. ANDREWS. Will you prepare for the record a schedule showing the amounts contributed by each service for the Medicare program for fiscal years 1968, 1969, and 1970?

General PEATFIELD. Yes, sir.

(The information follows:)

HEALTH BENEFITS ADMINISTERED BY THE EXECUTIVE DIRECTOR

	Fiscal year—		
	1968	1969	1970
Army	$60,706,000	$74,986,000	$84,410,000
Navy	55,892,000	58,619,000	70,209,000
Air Force	37,182,000	39,339,000	40,791,000
USPHS	3,845,000	4,422,000	5,158,000
Total	157,625,000	177,366,000	200,568,000

TRAVEL OF PHYSICIANS TO MEDICAL CONFERENCES

Mr. ANDREWS. Under "Medical training," how much is included for the travel of physicians to various medical conferences and how many do you anticipate will be traveling?

General COLLINS. We do not have that information.

Mr. ANDREWS. Put something in the record about it, will you, General?

(The information follows:)

It is anticipated that 3,450 physicians will be traveling to medical conferences at a cost of $552,000.

MEDICAL TRAINING IN CIVILIAN INSTITUTIONS

Mr. ANDREWS. You are requesting an increase of $713,000 for training in civilian institutions. What requires this large increase?

General COLLINS. The increase of $713,000 from fiscal year 1968 to fiscal year 1970 is due to a larger student load in civilian institutions, and increased costs of tuition in civilian schools.

Mr. ANDREWS. Medical schools?

General COLLINS. Some are medical schools. Special programs are involved in this type of training.

Mr. ANDREWS. Doctors, nurses, technicians, or what?

General COLLINS. The Army student nurse program is one of our procurement programs. We also have the Walter Reed Army Institute of Nursing program (WRAIN), which includes a 2-year civilian school.

Mr. ANDREWS. General Heaton described those programs pretty well.

General COLLINS. We also have a senior program for medical students, dental students, and veterinary students.

We also have a program to supply us with required individuals at the Ph. D. and master's level.

Mr. ANDREWS. You finance educational courses for other than medical students? You mentioned Ph. D.'s.

General COLLINS. These are other than medical students, yes, sir. It could be a nurse. It could be a sanitary engineer.

Mr. ANDREWS. Anything connected with medical corps?

General COLLINS. Yes, sir.

Mr. ANDREWS. In connection with the previous question where you are requesting an increase of $713,000 for training in civilian institutions, how many students are involved in that program?

General COLLINS. 2,077 students for fiscal year 1970.

Mr. ANDREWS. Give us a breakdown on that for the record, showing the different types of students.

(The information follows:)

Student training in civilian institutions fiscal year 1970

Type of students	*Number of students*
Student nurse	1,114
Military personnel assigned to medical and allied science activities	888
Student doctors, dentists and veterinarians	75
Total	2,077

Mr. SIKES. What obligation do they have to serve in return for the training which they receive from the Government?

General COLLINS. Each one of them has a service obligation. In the wrain program there is a 3 years' obligation upon the completion of their program.

The medical student, the senior program, has 1 year in addition to his ordinary 2 years of obligated service. Then those in the advanced degree program have a service obligation which I will have to provide for the record. It depends entirely on what he is going for and on the number of years in the course.

APPLICANTS FOR MEDICAL TRAINING EXCEED AVAILABLE SPACES

Mr. SIKES. Do you have more applicants than you have billets?

General COLLINS. In the wrain program, for instance, we have about twice what we have billets for.

Mr. SIKES. What about the other programs?

General COLLINS. The student nurse program is a procurement program and we are short of nurses. There really is no limit. In other words, we do not have a set figure. We just try to get as many as we can. Over half of our nurses come from this program.

The validated program is based upon the requirement of our structure for the various degrees.

Mr. SIKES. The question is, "Do you have more applicants than you have billets, training slots?

General COLLINS. Yes, we do, throughout.

Mr. SIKES. There is a demand for these programs?

General COLLINS. Yes, sir.

Mr. SIKES. You have some selectivity among the applicants?

General COLLINS. Yes, sir. There is competition for these courses, especially in the advanced degrees.

TRAINING OF PH. D.'S

Mr. SIKES. In what areas would you be giving training for a Ph. D.?

General COLLINS. There aren't too many of those, sir.

Mr. SIKES. Why would the Army need to educate Ph. D.'s?

General COLLINS. Such fields as entomology, microbiology, and bacteriology. These are the types.

Mr. SIKES. You do not have to train those. There is a pretty good outpouring of Ph. D.'s from civilian schools.

General COLLINS. This is a program of retention. This is one of our mechanisms for keeping people in the Army. This is an incentive to the individual as well as a means for supplying our requirements of specialists.

Mr. SIKES. Then what does he do? As soon as he finishes his obligated service he goes out and gets a better job?

General COLLINS. We hope not. We do have a payback time which I will supply for the record.

(The information follows:)

Military personnel provided civilian schooling leading to an advanced degree at Government expense incur a service obligation of 2 years for each year or fraction of training furnished.

Mr. SIKES. How many Ph. D.'s are you graduating annually?

General COLLINS. I will have to supply that for the record.

(The information follows:)

Army Medical Department officers receiving doctorate degrees during fiscal years 1968 and 1969 follows:

Fiscal year	*Number*
1968	12
1969	19

Mr. SIKES. How long have you been training Ph. D.'s?

General COLLINS. I really cannot answer the question. They have been doing it for several years. I don't know exactly.

Mr. SIKES. The Army got into some trouble with Congress a number of years ago for training lawyers. It seemed to us to be unnecessary. Now you are training Ph. D.'s. I wonder how essential that is.

General COLLINS. This is for career officers.

Mr. SIKES. Expand your answer for the record, show us why you consider it essential that the Army train Ph. D.'s.

(The information follows:)

JUSTIFICATION FOR TRAINING PH. D.'S

Positions within the Army Medical Department against which graduate level training is conducted at civilian institutions are positions which have been established by a Department of the Army Validation Board convened under the provisions of the National Defense Act.

The Army Medical Department requirement for a nucleus of career officers with doctorate graduate level training is based upon the following criteria:

(*a*) To maintain educational, professional and technical standards in the execution of the Army Medical Department training mission reqiures a small number of positions to be filled by personnel with doctorate level training.

(*b*) As part of the Medical Department research misison, certain technical positions must be filled by personnel with the highest level of graduate training who can direct professional and technical staffs in scientific research missions.

(*c*) Command and staff positions involving technical, scientific, and professional knowledge requires doctorate degrees in order to meet prescribed accreditation and professional standards.

(*d*) Rapid technological change in the state of the medical art has had an impact on the mission of the Army Medical Department requiring graduate level training for a nucleus of career officers who possess professional,

technical, and scientific expertise essential to the basic mission of quality health care to the Army and fo rcoordination and interchange with the scientific community.

Determination of requirements for Ph. D. level training of AMEDD military personnel is based upon a careful job analysis of each position to be filled. The dominate factor is the acquistion of individuals who are career oriented and whose combined military experience and civilian education provides the leadership essential to the direction of the professional, scientific, technical, and educational missions of the Army Medical Department.

Experience has shown that a minimum of Ph. D. level personnel, voluntarily enter the service and those who do, are not career motivated nor do they possess the rank or military experience essential for assignment as fully qualified physical, biological and social scientists. Maximum utilization of those qualified Ph. D.'s who enter the service is established policy. To insure that the military mission is effectively and efficiently executed, recognizing that civilian resources are not attracted to military service and do not respond to military requirements, inservice career development, education, and training are essential.

SCHOOL NURSE PROGRAM IN EUROPE

Mr. ANDREWS. The Army is requesting $808,000 for a new school nurse program in Europe. Has the Army Medical Corps been assigned the responsibility for obtaining these nurses?

General COLLINS. I am not aware of that.

General TAYLOR. No, sir, I do not believe they have.

Mr. ANDREWS. Tell us something about that school.

General TAYLOR. That was going to be discussed during the Defense Department, OSD witnesses' presentation concerning the total dependent oversea school program.

Mr. SIKES. Why not tell us a little something about it now? Do you send nurses to Europe to train? Is that the proposal here?

General TAYLOR. No. This is a part of the school expansion program that we discussed during the hearings on budget program 2500, on the increasing of the school nurse program overseas. In the case of Europe, the Army is the executive agent.

Mr. ANDREWS. Are you talking about school nurses or medical nurses?

General TAYLOR. I am talking about school nurses. It is part of the school nurse program. They are in a dual capacity not only as a nurse for the students but also for instructional purposes.

Mr. ANDREWS. Where will the school be located?

General TAYLOR. Sir, there will be schools for both the Air Force and the Army in Europe. I do not have the locations, which I will be happy to get them for you.

(The information follows:)

The European school area encompasses 222 schools located on the Island of Bahrain and the following countries:

Belgium	Greece	Norway
Denmark	Italy	Pakistan
Ethiopia	Libya	Scotland
Germany	Morocco	Spain
Great Britain	Netherlands	Turkey

Mr. ANDREWS. Are you talking about the overseas educational program?

General TAYLOR. I am talking about the overseas educational program. That is where the $808,000 in 1970 for the school nurse program shows up.

Mr. ANDREWS. I understand they are going to hire nurses for each of those schools.

General TAYLOR. I would have to get the staffing, but I understood it was one nurse to 1,000 students, which I believe was in the previous testimony.

Mr. ANDREWS. The question is will the Army Medical Corps be charged with the responsibility of employing the nurses?

General TAYLOR. No, sir, it will be a part of the overseas dependent schools program.

Mr. SIKES. But this is in your budget and this school program is in your budget.

General TAYLOR. Yes, sir; in the budget program 2500. What happened in the overseas dependent school education program is that they have taken the world and we have been assigned portions of it; in the case of Europe the Army is the executive agent, in the case of the Pacific I believe it is the Air Force which is the executive agent, and in the case of the Caribbean the Navy has that responsibility. This is a program that is really conducted from the Office of Secretary of Defense on that basis with the three services responsible for those areas that they have been assigned.

Mr. ANDREWS. Based upon your experience, do you think the Army will be able to obtain these 121 nurses for duty in Europe?

General COLLINS. Based on our experience, it is going to be rather difficult. I am not too familiar with this program but we are having difficulties in the United States getting nurses.

CONDITION OF THE MEDICARE PROGRAM

Mr. ANDREWS. General Peatfield, are you satisfied with the way your medicare program is operating?

General PEATFIELD. Yes, sir. I believe we are providing a broad scope of much needed care to a large number of beneficiaries and that we are certainly helping in defraying the expenses of this medical care. Noteworthy is a program of health services, training, special education and rehabilitation for handicapped dependents of active duty personnel, also, the provision for treatment and long-term hospitalization for chronic diseases, nervous, mental and emotional disorders.

Mr. ANDREWS. Are all your hospitals operated by the Army equipped with modern equipment?

General COLLINS. Yes, sir, throughout.

Mr. ANDREWS. No problem?

General COLLINS. Well, we have had some deferment of the equipment replacement program in CONUS hospitals.

Mr. ANDREWS. Are your doctors keeping up with the most modern techniques in practicing their profession?

General COLLINS. Yes, sir, definitely.

Mr. ANDREWS. Have you done any heart transplants?

General COLLINS. We have done no heart transplants.

Mr. ANDREWS. Any kidney transplants?

General COLLINS. We are in the process of training a man at Massachusetts General Hospital. We will start a program on that out at Walter Reed in the next few months. It will be a while before we do any transplants. We are starting the organ transplant program overall, kidney and all. We do not have that capability at this moment.

Mr. ANDREWS. But you are training people for those transplant programs?

General COLLINS. That is right. We are looking forward to that; yes, sir.

Mr. ANDREWS. Have you had any serious epidemics in the last year that you want to discuss with us? Did you have any meningitis cases?

General COLLINS. Yes, sir; they are with us, but not in epidemic proportions. We have had meningitis, at our training centers. We are reaching the end of the season now, we hope.

MALARIA IN VIETNAM

Mr. ANDREWS. What are you doing about the malaria situation in Vietnam?

General COLLINS. Malaria in Vietnam, during fiscal 1968 decreased. In 1967 we had 9,124 cases or a rate of 30.7 per thousand of troop strength per year. In 1968 we had 8,616 cases, reducing that incidence to 24.8 per thousand per year.

Mr. ANDREWS. I read recently where the enemy is suffering from a new strain or type of malaria. Are you familiar with that?

General COLLINS. Yes, sir. This is the same strain that we have, known as Falciparum Malaria. About 60 percent of our cases is of the falciparum strain.

Mr. ANDREWS. Is that contagious?

General COLLINS. It is transmitted not from individual to individual, but through a carrier mosquito.

Mr. ANDREWS. Have our troops been affected by that same strain?

General COLLINS. Yes, sir; especially in the central highlands.

Mr. SIKES. The reductions which you cited, are they due to new control methods or due to the fact that we do not have as many men in those areas where the malaria seems to be most prevalent?

General COLLINS. I believe it is better discipline or better carrying out of the control measures. In other words, we are using the same control measures there today that we used last year and the year before, but it is a matter of troop discipline and really insisting on the carrying out of these measures. Our commanders are well aware of the requirement and are really carrying it out. We do not have 100-percent prophylaxis for the Falciparum Malaria but we do have almost 100 percent for the other strain. I am talking about the tablets that they take by mouth. The one we have for the falciparum strain now is 50-percent effective. We have, I think, a fine program and it is very much dependent on the line commanders.

INCIDENCE OF PSYCHIATRIC ILLNESS IN VIETNAM

Mr. ANDREWS. How about mental cases in Vietnam? Do you get many? Do you get many of the cases that we used to refer to in World War I as shellshock?

General COLLINS. It is much lower than World War I.

Mr. SIKES. Is that because of the limitation of the tour of duty?

General COLLINS. I think that has a definite influence on it. We will put something in the record on this. It is much better than it was in Korea or World War II.

(The information follows:)

The incidence of psychiatric illness in U.S. Army troops in Republic of Vietnam remains lower than that recorded in any previous conflict in which U.S. Armed Forces were involved. The rate in Republic of Vietnam during the last 4 calendar years has average 10 to 12 per thousand troops per year. This compares with the rate during the Korean War (July 1950 to December 1952) of 37 per thousand troops per year. The rates in World War II in combat areas ranged from a high of 101 per thousand troops per year to a low of 28 per thousand troops per year (9th U.S. Army, Europe, September 1944 through May 1945). All the above rates reflect incidence of those individuals hospitalized or excused from duty for psychiatric reasons.

Factors contributing to this low rate are the 12-month rotation policy and general lack of prolonged periods of conflict, early detection and treatment of adjustment difficulties as near the area of combat as possible, maintenance of an expectancy by psychiatric personnel of return to full duty for all save the seriously ill.

Mr. ANDREWS. Mr. Sikes?

INCIDENCE OF OTHER DISEASES IN VIETNAM

Mr. SIKES. You discussed malaria. What is the next most serious disease?

General COLLINS. In Vietnam? I would say it is hepatitis. The reason I say that is because of the length of time that the soldier is away from duty. It takes about 30 or 60 days of hospitalization. There is not a very high incidence but it does take a long time away from duty.

Mr. SIKES. How serious is the VD problem?

General COLLINS. It is with us but it has decreased. In Vietnam in 1967 it was 233.9 per thousand per annum, and this last year, 1968, 193.9 per thousand per annum. So it is decreasing. It has decreased over the several years we have been in Vietnam.

Mr. SIKES. How does this compare with Korea?

General COLLINS. Korea is higher.

Mr. SIKES. How does it compare with the District of Columbia?

General COLLINS. I do not have figures on the District of Columbia but I do have worldwide figures as far as the military is concerned. We have 85 per thousand per annum worldwide as compared with 193 per thousand per annum in Vietnam. In Conus, it is 31.6 per thousand per annum.

Mr. SIKES. Are there any serious new problems that have not previously been discussed with the committee from the standpoint of disease or epidemic control? Are there any new diseases?

General COLLINS. No new diseases.

Mr. SIKES. No new tropical diseases?

General COLLINS. No, sir.

Mr. SIKES. You seem to be improving in your control over the old problems.

General COLLINS. Yes, sir.

CONDITION OF MEDICAL PROGRAM IN GENERAL

Mr. SIKES. Does the equipment in hospitals in the zone of interior compare favorably with the equipment in civilian hospitals?

General COLLINS. In general, I would say yes.

Mr. SIKES. Is the situation on the availability of doctors and nurses improving or is it about the same?

General COLLINS. It is about the same, sir.

INCREASE IN DEPENDENTS RECEIVING MEDICAL CARE

Mr. SIKES. You mentioned this additional 2½ percent of personnel under the medicare program. Is that a normal increase or is it larger than normal?

General PEATFIELD. No, sir. This is an expected increase and one that we had projected when we first expanded the program.

Mr. SIKES. Is this increase confined to this fiscal year or is it anticipated in each year?

General PEATFIELD. I believe there will be some expansion each year, especially among retirees and the dependents of retirees.

Mr. SIKES. Is that where the increase is coming from?

General PEATFIELD. Yes, sir. Of the increase in this past year the dependents of retirees constituted 8.7 percent and the retired 8.4 percent.

Mr. SIKES. Do I understand, then, there have been no changes in the eligibility standards, that the standards have remained the same?

General PEATFIELD. They have remained the same.

Mr. ANDREWS. Mr. Lipscomb?

MEDICAL EXAMINATIONS AT INDUCTION CENTERS

Mr. LIPSCOMB. Mr. Chairman, you may have discussed earlier today about medical examinations at induction centers.

Mr. ANDREWS. Briefly.

Mr. LIPSCOMB. I would like to ask a question.

Have you any up-to-date information as to how the medical examinations are going at induction centers? Are you having any problems, complaints? How are they operating?

General COLLINS. You mean in general, sir?

Mr. LIPSCOMB. At wherever new enlistees or draftees get inducted.

General COLLINS. I don't know of any other than the general run of complaints that we have had over the years. I am not sure that I am being responsive to your question, however.

Mr. LIPSCOMB. The examinations are what I am speaking of. In other words, I do not think the experience of my office in this regard is unusual but I have had many complaints about the light treatment the man gets or the discourteous attention that he may have while he is there. Have you had enough of these complaints to warrant a look into the situation?

General COLLINS. We have not, from our own office, gone into these but the Army Recruiting Command where we have a surgeon and a medical section, is constantly checking on the Armed Forces examining stations by inspecting and supervising their operations.

Mr. LIPSCOMB. Your branch has nothing to do with these?

General COLLINS. We have technical supervision of all of them since it is a medical problem. It is exercised through the Recruiting Command.

Mr. LIPSCOMB. Who would have the responsibility to see that they are operating up to professional standards, for instance?

General COLLINS. We have part of it, but the primary responsibility is with the Army Recruiting Command. The Army Recruiting Command, with the surgeon on its staff, is responsible for operating the examining stations.

Mr. LIPSCOMB. For instance, who would I ask about this: I have heard that they are not kept up, not properly maintained, that the people who are on duty there are discourteous, that they think a lot of fellows are either goldbricking, goofing off, or do not really have a problem. Who would check to see that everything is operating up to standard?

General TAYLOR. Sir, I believe that that would really be under the Deputy Chief of Staff for Personnel to whom this Recruiting Command reports.

Mr. LIPSCOMB. What would the Deputy Chief of Staff know about medical services?

General TAYLOR. I am talking about the command relationship now.

Mr. LIPSCOMB. I am interested in the medical point of view.

General TAYLOR. Then you are talking to the man who I think is the proper one.

Mr. LIPSCOMB. Would that be your responsibility?

General COLLINS. Yes, sir; we have technical supervision over the operation of anything medical within the Army.

Mr. LIPSCOMB. All right, then you are the one who would be concerned with the kind of complaint that I am talking about.

General COLLINS. We get the congressional letters on these things, which are referred down to the Recruiting Command.

Mr. LIPSCOMB. What has been done to look at these centers to find out if these complaints are valid or invalid?

General COLLINS. Every complaint is investigated.

Mr. LIPSCOMB. Are there any places or any centers around the United States that have been cleaned up or the situation has been corrected? Can you show some action in regard to some of these complaints or are you satisfied?

General COLLINS. We are never satisfied; but as long as you run these stations, of course, we will have some complaints, naturally. But we are doing our utmost to keep these to a minimum by having the medical authorities in the Recruiting Command visiting and inspecting these stations constantly.

Mr. LIPSCOMB. Do you have any records of your visits that you have made to them?

General COLLINS. I am sure we could furnish you the records we have. I do not have any with me, but the Recruiting Command surgeon, who has primary responsibility should have some records.

Mr. LIPSCOMB. That is fine. But what I am trying to determine is, are they up to professional standards or might it be just poorly operated?

General COLLINS. We do not feel that they are a sloppy operation, sir.

Mr. LIPSCOMB. You keep them up to standard?

General COLLINS. We do our best to keep them up to standards.

Mr. LIPSCOMB. For instance, when was the last time Los Angeles was checked?

General COLLINS. I couldn't answer that, sir.

Mr. LIPSCOMB. Would you check it for me?

General COLLINS. Yes, sir.

(The information follows:)

The U.S. Army Recruiting Commands' surgeon inspected the Los Angeles Armed Forces Examining and Entrance Stations in October 1968 and February 1969.

Mr. LIPSCOMB. How many of these are there around the United States?

General COLLINS. Seventy-four.

Mr. LIPSCOMB. Could you indicate for the record during the past 2 years when these 74 were inspected as far as coming up to professional standards?

General COLLINS. Yes, sir.

(The information follows:)

During the last 2 years each of the 74 examining stations were inspected by a medical representative of the Surgeon's Office, U.S. Army Recruiting Command at least once annually.

Mr. LIPSCOMB. I imagine that the complaints I have received would be usual to any Member of the Congress. I think that perhaps we could for the record show that we are concerned and you are giving the best possible examination that there is, if that is the case.

General COLLINS. We are, too, sir.

Mr. LIPSCOMB. Thank you, Mr. Chairman.

Mr. ANDREWS. Mr. Rhodes.

Mr. RHODES. I have no questions.

Mr. ANDREWS. Mr. Davis.

OFFICE OF CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES

Mr. DAVIS. Tell us a little bit more about this operation out in Denver. As I understood it, the actual administration of this program here now is farmed out to a private organization. Now, tell us a little bit more about what this $1,500,000 that we see listed here actually goes for.

General PEATFIELD. The headquarters of the whole operation is in Denver. That is my office. We then operate through 48 fiscal agents or carriers who pay the physicians, and ancillary medical personnel, for all care, including outpatient care.

We also have two prime contractors, Blue Cross and Mutual of Omaha Insurance Co., who pay for the hospital care. Administrative costs are, of course, incurred by each of these contractors. That comprises part of our administrative overhead. The remainder of the cost is for the operation of my office in Denver which includes 138 people, of whom 26 are officers.

Mr. DAVIS. Basically, you have the organization to check on complaints relating to the performance of the independent contractors?

General PEATFIELD. We administer the whole program as far as policies, procedures, and practices are concerned; we accumulate all the data connected with this program and keep the services advised as to what their costs and workload are as they pertain to each of the services so that they can properly fund and make estimates for their budget requirements for the following year.

Mr. DAVIS. So actually that amount that is shown here is for largely the payment of salaries and the operation of equipment for the people at the headquarters in Denver?

General PEATFIELD. Yes. It is similar to the home office of an insurance company.

Mr. DAVIS. This is not just for the Army, then?

General PEATFIELD. This is for all of the services, including the Public Health Service.

Mr. DAVIS. Is there somewhere a little more of a breakdown of this $1,555,000? Is that the correct figure?

General PEATFIELD. Yes, sir. We could give you a complete breakdown on that.

Mr. DAVIS. Would you submit something for the record so we know how much is for personnel, how much for equipment, and what other services are involved?

General PEATFIELD. Yes, sir; I have all that information.

(The information follows:)

ADMINISTRATIVE COSTS FOR OFFICE OF CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICE

	Fiscal year 1969	Fiscal year 1970
Personnel services	$1,101,000	$1,102,000
Travel and transportation	42,000	42,000
Utilities, rent and communications	151,000	151,000
Printing	205,000	205,000
Contractual services	3,000	3,000
Supplies	22,000	22,000
Equipment	30,000	30,000
Total	1,554,000	1,555,000

Mr. DAVIS. Thank you. That is all I have.

Mr. ANDREWS. Mr. Addabbo.

INCREASED COST OF MEDICARE

Mr. ADDABBO. General, under account 2440, under "Health Benefits Administered by Executive Directive," there was general testimony as to the next increase of $0.4 million and I understand $4.3 million is a workload increase. Do you have an itemized breakdown of your increased costs amounting to $5.1 million?

General PEATFIELD. Yes, sir.

Mr. ADDABBO. Would you supply that?

(The information follows:)

Cost increase in medicare fiscal year 1970 over fiscal year 1969

Inpatient care	$4,340,000
Outpatient care	400,000
Administration claims processing	360,000
Total	5,100,000

USE OF CORPSMEN TO SUPPLEMENT DOCTORS

Mr. ADDABBO. Relative to the inductee examination and also examination of servicemen, are those examinations conducted by doctors or by corpsmen?

General COLLINS. The doctor is in charge of the examination. Certain parts of the examination are by corpsmen, such as height, weight, and other similiar things that he can do.

Mr. ADDABBO. After a serviceman is in, before he can get to a doctor does he have to go through 42 different corpsmen who try to palm him off with an aspirin or other medication?

General COLLINS. You mean for a sick call?

Mr. ADDABBO. Right.

General COLLINS. We use the corpsmen to supplement the physician. This is the procedure we have in all of our dispensaries.

Mr. ADDABBO. General, is this a matter of choice or is it due to the fact that there is a lack of medical personnel?

General COLLINS. If we did not do it this way, our requirement for physicians would be greater. With this very scarce commodity in this Nation it is mandatory that we use ancillary personnel to the fullest extent.

MENINGITIS OUTBREAK AT FORT DIX

Mr. ADDABBO. Recently there were several medical problems in the New York region, particularly, I believe, at Fort Dix.

General COLLINS. Yes, sir.

Mr. ADDABBO. Has that matter been investigated fully or is it under investigation at the present time?

General COLLINS. I am not sure—you are referring to the meningitis outbreak recently? Yes, sir; it is being investigated.

Mr. ADDABBO. Will we be advised as to the basic causes of what happened there, the fault, if any?

General COLLINS. We can put it in the record. You mean the results of the investigation?

Mr. ADDABBO. Yes.

General COLLINS. I assume that you are referring to the recent meningitis cases.

(The information follows:)

The first case was that of a soldier who expired at William Beaumont General Hospital in El Paso, Tex., on March 2, 1969. While in basic training at Fort Dix, N.J., this patient had been seen on previous occasions in the dispensary and had also been hospitalized because of blood in the urine; a kidney stone was suspected but not proven. These were conditions unrelated to his final illness. His final illness apparently began while en route to Texas for his advanced individual training.

Upon arrival he reported to the emergency room at William Beaumont General Hospital with the complaints of fever and testicular pain. His urinalysis showed pus in the urine and with the physical findings of testicular tenderness suggested a urinary tract infection or renal stone.

He was admitted to the hospital at 2300 hours on March 1, 1969. It was not until later that night that there were any new developments that would make one suspect meningitis. Even a spinal tap performed at 0400 hours, March 2, was not clearly diagnostic. It was not until a rash appeared at 0700 hours that the diagnosis of meningococcemia (bloodstream infection by meningococcus organism) was apparent. This indicated bloodstream invasion, which is an ominous sign, unfortunately. Immediately massive doses of penicillin were administered intravenously but the patient failed to respond and expired approximately 3 hours later.

This case illustrates the rapidity with which the meningococcus can strike and kill. An interval as short as 2 hours has been observed between onset of symptoms and death. Fortunately, the majority of cases are not so severe and show favorable response to therapy.

The second case was that of a soldier who expired on March 18, 1969, at Walson Army Hospital, Fort Dix, N.J. At approximately 1030 hours on March 16, this patient first appeared ill with complaints of headache and a nonspecific upper respiratory infection. He was taken by ambulance to the emergency room at Walson Army Hospital where he arrived at 1130 hours.

Because of the appearance of a rash with his other associated symptoms, the emergency room physicians immediately admitted him to the hospital's intensive care unit. Once again the rash indicated bloodstream invasion and a guarded prognosis. The patent continued to do poorly despite early treatment with massive doses of intravenous penicillin. At 1700 hours he was placed on the seriously ill list. His terminal course was complicated by overwhelming infection, renal shutdown, shock and intravascular clotting which did not respond to appropriate, timely therapy. He died at approximately 1830 hours, March 18, 1969.

Once again is dramatized the very dramatic and sudden capability of the meningococcus to kill despite heroic medical measures.

The Fort Dix training facilities have been inspected by the OTSG consultant staff who have found that control measures are maintained at a high level of effectiveness. It may be of interest to know that the incidence of meningitis at Fort Dix is not statistically higher than at other training centers and is almost half of that of a year ago. Also, there is a significantly lower death rate at Fort Dix.

Mr. ADDABBO. I would say this, that your office has been very helpful in many requests I have put to you. In many instances we found where those local cases were completely erroneous due to straight medical proof, such as X-rays, and so forth. That is the reason for my question whether in order to get to a doctor the soldier has to come through many people or whether he can get to doctors just by reporting on sick call. I think this is a matter that should be reemphasized to the medical corpsman, to be not so enthusiastic about his work, that is, in trying to preserve their officers, giving them a little less to do, and at the same time causing us greater problems and causing your office a great deal more work, which I think could be avoided.

Thank you.

Mr. ANDREWS. Mr. Sikes.

ADEQUACY OF MEDICAL TREATMENT

Mr. SIKES. There are a goodly number of mothers in my district and some fathers who do not think their sons are getting proper medical treatment. They report to me on the aches and pains of their sons and I report them to you people. Usually you come back and say there is nothing the matter with them. That does not satisfy the mama and the papa. Now, some of these cases undoubtedly are goldbricking, but then again some of them are not.

Now, how hard do you work to insure that a man does get the medical attention that he needs and that he does not get shunted aside by a corpsman when these cases come to your attention?

General COLLINS. Every case we have of the type you mentioned, sir, is thoroughly investigated. It is our goal to give the very best medical service to the soldier and we investigate every case that we have, every one of them.

Mr. SIKES. Is there not an inborn feeling on the part of the examiner that he has to substantiate the decision that he has already reached in the case?

General COLLINS. I hope not.

Mr. SIKES. If he thought that John Doe was goldbricking the first time he examined him, when he gets a letter from a complaining Congressman is he not more or less determined that he is going to show that he was right, that John Doe was goldbricking?

General COLLINS. I hope that isn't the case.

Mr. SIKES. I hope it is not, either, but I am asking you, sir.

General COLLINS. I don't believe so, sir; I just don't believe physicians would do that. I hope I am right. We are dedicated to caring for the sick and the wounded and the injured. It is in our profession that we shall do this. If we make mistakes it is incumbent upon us to admit the mistakes. Our goal is to give the best possible care to the sick.

ASSIGNMENT OF WOUNDED SOLDIERS TO HOSPITALS NEAR THEIR HOMES

Mr. ANDREWS. One question, General: Are you using all your hospitals on the mainland for returning wounded soldiers from Vietnam?

General COLLINS. The larger ones, not all of them, sir. We are using the hospital closest to his home that can give the care the soldier needs. That is more or less the general principle we use.

Mr. ANDREWS. That is what I wanted to ask you about, if you took that into consideration, which I think you should.

General COLLINS. The nearness to home is taken into consideration. In fact, we use some Navy and Air Force hospitals because of that very reason.

Mr. ANDREWS. All right. If there are no further questions, we thank you, gentlemen.

General COLLINS. Thank you, sir.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

CIVILIAN MARKSMANSHIP PROGRAM

Mr. SIKES. General Taylor, are you ready to discuss the civilian marksmanship program?

General TAYLOR. Yes, sir.

Mr. SIKES. Who is your witness?

General TAYLOR. I have Colonel Hinds here from the National Board for the Promotion of Rifle Practice. Between the two of us we hope to be able to respond to your questions.

Mr. SIKES. Thank you very much.

Colonel Hinds, would you like to tell us something about the status of the program, the progress you are making, the problems you are encountering?

Colonel HINDS. Yes, sir.

RECENT CHANGES IN THE CIVILIAN MARKMANSHIP PROGRAM

Mr. SIKES. I hope that you will be completely factual with this committee and tell us from your own experience and your own information. I just do not want the past performance based on Army current position. I want to know what is happening in this program?

Colonel HINDS. Yes, sir.

In the middle of 1968 or the beginning of fiscal year 1969 we were required to do a number of things that would seriously affect the civilian marksmanship program. The first of them was that all pistol support was withdrawn from clubs that were affiliated with the civilian marksmanship program. This resulted in withdrawing pistols

from some 1,200 pistol clubs. We also told the senior clubs which did not support a junior division that we would ask them to return all of their weapons and all equipment on loan if they did not support a junior division by December 31, 1968. We started the recall of pistols somewhere along in July and at the present time we have gotten most of them back. We have about 800 that are still not returned. We started on December 13 recalling rifles, some 20,000 of them, from some 2,400 civilian clubs which did not support junior divisions as of December 31.

The impact that this has had on the entire program was a general dropoff in the number of junior shooters that we have and a very severe dropoff in the number of senior clubs which we supported at one time. In addition to this in July of 1968 we no longer supplied ammunition to any senior clubs and supplied .22 ammunition only to junior clubs in their first 2 years of affiliation with us. After that time we have given so much ammunition to support the program with and once we had given ammunition to the junior clubs for the first 2 years of their existence and we got that out of the way, then we were authorized to give it to the clubs that were most recently affiliated.

As I say, this has resulted in dropoff in our club membership and will result by the end of this fiscal year in our club membership going down from some 5,500 clubs with a club membership of 330,000 people down to around 3,000 clubs with considerably less people.

Mr. SIKES. Do you consider these new regulations under which you must operate have had an adverse effect on the civilian marksmanship program?

Colonel HINDS. I consider they definitely have, sir.

Mr. SIKES. Were they imposed with the recommendations of the national board for the promotion of rifle practice?

Colonel HINDS. They were not, sir.

Mr. SIKES. Were these then arbitrary instructions which were given to the National Board by the Department of the Army?

Colonel HINDS. These were instructions which were given to this office by the Under Secretary of the Army, sir.

Mr. SIKES. Were you given an opportunity to rebut these directives?

Colonel HINDS. No, sir.

Mr. SIKES. You are speaking of the former Under Secretary of the Army?

Colonel HINDS. That is correct, sir.

Mr. SIKES. Not the present one.

I hope the present one is not carrying an ax for the civilian marksmanship program.

RECOMMENDATIONS FOR IMPROVING THE CIVILIAN MARKSMANSHIP PROGRAM

Colonel HINDS. If I may add something at this point, sir, in my initial meeting with the new Under Secretary of the Army I was instructed by him to reevaluate the changes which took place in July of 1968 as to the effect that they have had on the program and to come up to him with recommendations on how to improve the program.

Mr. SIKES. When will those recommendations be made?

Colonel HINDS. They are in the process of being formulated at the present time, sir.

Mr. SIKES. Do you anticipate they will be before him in a matter of weeks and prior to the beginning of the next fiscal year?

Colonel HINDS. Absolutely, sir.

Mr. SIKES. Is there any reason why this committee could not be apprised of these recommendations?

Colonel HINDS. There is no reason at all, sir.

Mr. SIKES. I would like to have them available for the record. I would hope that these recommendations would be in the hands of the Secretary prior to the time this committee hears the Secretary.

Mr. Garrity, do you know when that will be?

Mr. GARRITY. No, sir. I do not believe it has been decided.

Mr. SIKES. May I request that the preparation and submittal of your recommendations be expedited? I would hope they would be in the hands of the Secretary at the time he testifies before this committee so I can discuss them with him.

Colonel HINDS. Yes, sir. I have here, sir, some of the recommendations that will be included.

Mr. SIKES. Would you run over them briefly?

Colonel HINDS. Yes, sir; I will. I ought to preface this, sir, by another statement that I have here.

Mr. SIKES. Surely.

Colonel HINDS. These are my personal feelings based on 16 years of competitive shooting and as an intense proponent of accurate aimed fire. I have been the Director of Civilian Marksmanship since July 1 of 1968 and Executive Officer of the National Board for the Promotion of Rifle Practice since February 19, 1968. My opinions do not necessarily reflect those of the Secretary of the Army who has a much broader overview of required expenditures than do I. Nor are my views to be construed to be a request for additional funds. However, some of my opinions involve cost and so I have included dollar estimates based on previous years' experience factors. These items are also based on fulfilling the requirements outlined in sections 4308–4313, title 10, United States Code.

INCREASED CIVILIAN PERSONNEL

The first recommendation, sir, at an estimated cost of $17,000, is an increase of three civilian spaces in the DCM office. Our civilian spaces were reduced from 22 to five spaces over the period of 1 day when the fiscal year changed. Then we were left with five people to do the work of 22.

Mr. SIKES. You are asking for an additional three?

Colonel HINDS. Yes, sir.

Mr. SIKES. Raising it to eight?

Colonel HINDS. Yes.

Mr. SIKES. That would seem a very modest increase. Will that be adequate? I presume you are basing this on the reduced scale of operations.

Colonel HINDS. That is correct, sir.

At the present time at the end of the first 2 months of the new fiscal year we went behind 6 man-months in routine administration. We are

at present 8½ administrative man-months behind. So if we were to have three more spaces doing various things in there we would probably be in pretty good shape. Now, to assist us in the recall of pistols we asked for and were provided by the Secretary of the Army's Office with four additional enlisted personnel for 4 months. This got us over that hump.

When we got into the business of asking for the return of rifles from the senior clubs which did not support a junior division, we asked for six additional enlisted men for a period of 6 months. We are in the process right now of getting these rifles back and the fellows are really gainfully employed.

ISSUE OF .22 CALIBER AMMUNITION AND TARGETS TO JUNIOR CLUBS

The second thing that I would do would be to resume the free issue of .22 caliber ammunition to all junior clubs and junior divisions. At the present time we support the junior clubs only for 2 years. This is not really a fair way to do it because, say a club has been with us for 10 or 15 years, every 3 or 4 years they have a complete changeover in junior membership. This would be at a cost—it does not come out of our appropriation and it has not before. It comes out of the PEMA appropriation, $360,000. This would be 36 million rounds of .22 caliber ammunition.

Mr. SIKES. .22 caliber only?

Colonel HINDS. Yes.

Mr. SIKES. All right.

Colonel HINDS. The third thing is we would resume free issue of small-bore rifle targets to all junior clubs and junior divisions. The present policy is that we can provide no targets for junior clubs and we can sell only targets to junior clubs that are not procurable on the civilian market. This would be a cost of $16,000.

The fourth thing I would do would be to restore authority to provide free ammunition to competitors in national board excellence-in-competition events and regional matches and in national matches or national championships. The average is 42 matches per year and can be done at a cost of $18,000.

No. 5, is to restore authority to sell all types of targets available within the Army to all clubs enrolled with the DCM as well as to individual members of those clubs. This is a no-cost item. As the present time we cannot sell any targets that are procurable on the civilian economy. Whereas, we are not trying to run in competition with civilian industry, we can sell the targets at about half the cost that they can be procured on the civilian market because we can do it in such volume quantities.

AWARDING OF MEDALS

No. 6, I would resume awarding of place medals, first, second, and third, in all National Board "leg" matches.

We have no money for the giving away of these place medals in these matches at the present time. This can be done at a cost of $600. The problem is we do give away credits towards excellence in competition of which this is the top badge (indicating), the distinguished

badge. We do give away those, but if a fellow is already distinguished and shoots in one of these matches, then we cannot give him another one of these badges, he doesn't get anything. So at a minimal cost of $600 a year we can resume that practice.

U.S. INTERNATIONAL SHOOTING TEAMS

No. 7, I would restore support for the U.S. International Shooting Teams.

Mr. SIKES. Has that been withdrawn?

Colonel HINDS. Yes, sir. That was withdrawn in fiscal year 1969 and is not provided for this year in the budget.

In fiscal year 1969 the National Match Fund, which is a nonappropriated fund, had some $27,000 in it. This fund can be used for any support of shooting activity. So since it had that excessive amount of money in it, the National Board recommended that $20,000 of that be provided to support of the U.S. Olympic Team in Mexico City. We have not paid the bill on it but we will have the bill very, very shortly.

Mr. SIKES. How did we come out in that competition?

Colonel HINDS. We produced the winner in the free rifle event, Mr. Gary Anderson, with a new Olympic record, by the way, which is his seventh world record and second Gold Medal in Olympic shooting.

Mr. SIKES. How did we fare as a team with regard to the other countries?

Colonel HINDS. In team shooting, not very well.

Mr. SIKES. Who was the winner?

Colonel HINDS. If I am not mistaken, Russia was the team winner, sir.

Mr. SIKES. Is that not to be expected? They give full support to their marksmanship programs on a year-round basis whereas we do not.

Colonel HINDS. That is correct, sir. On any activity related to the military, they spend lots of money on it, yes, sir, including support of an international shooting team all the way around, plus support of their junior shooters with the idea that they will eventually come into the military service.

Mr. RHODES. Before he leaves that point, may I ask a question?

Mr. SIKES. Yes.

1970 WORLD SHOOTING CHAMPIONSHIPS

Mr. RHODES. I am told that my home town, Phoenix, Ariz., has been awarded the 1970 World Shooting Championships. Are you aware of that?

Colonel HINDS. Yes, sir.

Mr. RHODES. There are supposed to be teams from about 80 nations. The problem seems to be that they do need some help to operate the ranges. This comes about in October. They cannot use schoolboy help because all the schoolboys are going to be in school at that time.

Can you tell the committee whether or not there are any resources in your activity which could be used to support this sort of thing?

Colonel HINDS. That is a very difficult question, sir. Resources within my activity; no, sir. This would have to be probably a servicewide activity to include all of the services' support and probably would have to be directed by the Secretary of Defense.

In other words, that they would provide a number of people to assist in pulling targets, running the statistical office, providing mess personnel and medical personnel, probably signal personnel, and so on.

Mr. SIKES. Could any of this type of help have geen given by the national board prior to the limitations which have been imposed on it?

Colonel HINDS. It might well have been related in a way, sir. In 1967 and before we had provided support for the national matches at Camp Perry; I think in 1967 there were some 2,900 support personnel who were provided by the Chief of Army Reserve who did an extremely good and creditable job there.

Now, where the people would come from I don't know, sir, but I believe there would have to be a decision at a considerably higher level than mine to be able to provide this support.

Mr. RHODES. The matches are to be held at the Black Canyon Range near Phoenix, and I am told it is just as good a range as anywhere in the world. In fact, it is good enough so that the Air Force has been training all of its personnel going to Vietnam on the M16 rifle at this Black Canyon Range. The range is near Luke Air Force Base. As I understand it, the facilities were built without expense to the Government and they are actually being used by Air Force personnel without expense to the Government, with the possible exception of some aid for maintenance and for dressing up the range after its use. So I certainly feel, Mr. Chairman, that there may be a case of quid pro quo here and that we can prevail upon the Secretary of Defense to provide some aid and I suppose some Air Force personnel because they would be the closest, to help these people conduct this rather important world shooting championship match.

Mr. SIKES. I would hope so. I would suggest that you maintain contact with the National Board and we, in turn, will discuss the matter with the individuals at the Secretary level when they are before us. I think we will have some support on this.

1969 NATIONAL MATCHES

Colonel HINDS. No. 8 is to authorize limited support of the 1969 national matches. We are in the process now of allowing the National Rifle Association to conduct four of the five National Board Promotion Rifle Practice matches at Camp Perry. They consist of the national individual pistol, national individual rifle, national team rifle, and the national team pistol matches. We could provide them with about a 100-man detail at a cost of about $50,000 in pay and allowances which would provide the staff of the NRA with some working people there to support the administration of these particular things. If these people were used there they would not be used as target pullers nor would they be used as ash and trash detail; they would be used strictly in their own MOS, such as Signal Corps people, basic engineers, clerks, medical personnel, and so forth.

NEED FOR FIELD REPRESENTATIVES

No. 9 is that the Arthur D. Little report recommended that five field representatives, civilian or military, be authorized for addition to the DCM staff with duty station in several Army areas; the rating officer to be the Director of Civilian Marksmanship. At the present time if we were to be criticized by the Congress for any one particular thing, the one area that the DCM office was weak in, it would be in the area of supervision; with some 5,500 clubs right now going down to some 3,000 clubs at the end of this fiscal year you can see that with myself and one other civilian capable of making the club inspections that we spread ourselves pretty thin. This will be at an additional cost of $50,000, estimating about $10,000 per person.

DCM SALES PROGRAM

No. 10, I would expand the DCM sales program to include all available competitive weapons in the system. Heretofore we have sold through the DCM sales program all weapons that were declared excess to the Army's needs. These included M–1 carbines, shotguns, pistols of various types and calibers, and I have no intention of going back to that particular setup there.

Last year we were allowed only to sell the national match grade M–1 rifle which left out all of the rest of the weapons in the Army inventory. We still have a number of weapons that may be used for competition firing that could be sold were the Secretary of the Army to release them.

This would mean a return to the U.S. Treasury of some $114,000.

In the past 10 years we have returned through the DCM sales program across the board, some $12 million to the U.S. Treasury.

Mr. SIKES. What is happening to that surplus now?

Colonel HINDS. Sir, most of the weapons are at Rock Island Arsenal at the present time.

WEAPONS DESTRUCTION PROGRAM

Mr. SIKES. What is happening to the destruct program that was being instituted?

Colonel HINDS. Sir, I understand that the furnace that was so controversial for a while is not yet in operation. I know that we have had many, many letters complaining about the clubs having to return their weapons only to be destroyed in the furnace at Rock Island. This is not the case. These weapons are going into the Army Supply System. The ones that are national match-type weapons are earmarked so that they do not lose their identity. In the event that these become available, of course, we need approval to sell them. One other thing that I might add is that we run a tighter gun law over a DCM shop than Senator Dodd ever thought about putting on anybody. They have to qualify in so many respects to be able to purchase a gun that it is very difficult to do. For instance, they must be a member of the DCM affiliated club, they have a local police check that is made with the cooperation of the Internal Revenue Service, the Alcohol, Tobacco, and Firearms Division. In addition to that, they supply us with a certificate notarized

that they are not an alcoholic or dope fiend, that they are a citizen over 18 years of age and they are a member of the National Rifle Association as required by statute.

Sir, that completes them.

Mr. SIKES. What would be the cost of the recommended changes?

Colonel HINDS. The total cost I do not have. I can figure it out.

Mr. SIKES. Provide it for the record.

(The information follows:)

Recommended funding for marksmanship program

1. Increase of three civilian spaces in DCM office (1 GS–9—2 GS–4)	$17,000
2. Resume free issue of smallbore rifle targets to all junior clubs and junior divisions. (Estimate, 2 bxs tgts/10,000 rounds .22 ammunition=3,600 bxs at $4.50)	16,000
3. Restore authority to provide free ammunition to competitors in NBPRP excellence-in-competition ("Leg") events in NRA regional matches and in national matches or national championships. (Average is 42 matches per year.)	18,000
4. Resume awarding of place medals (1st, 2d, 3d) in all NBPRP "Leg" matches	600
5. Restoration of support for U.S. international shooting teams	20,000
6. Authorize limited support of the 1969 national matches	50,000
7. The A. D. Little report recommended that five field representatives, civilian or military, be authorized for addition to the DCM staff, with duty station in the several Army areas; rating officer to be the director of civilian marksmanship	50,000

PEMA

1. Resume free issue of caliber .22 ammunition to all junior clubs and junior divisions. (Estimate 3,000 clubs at 40 members each x 300 rounds per year=36,000,000 rounds at .01 round.)	360,000
Total	531,600
Income from sales	114,000
Net cost to government	417,600

EFFECT OF PROGRAM CHANGES ON MARKSMANSHIP TEAMS

Mr. SIKES. For the record, prepare for me a statement giving your estimate of the effect on marksmanship teams' spirit and efficiency as a result of the limitations which were imposed. Also a similar statement on the effect of participation in matches. In other words, are our teams better or worse than they were prior to those limitations?

(The information follows:)

OVERALL EFFECT

A considerable number of senior members have written at length, describing the history of their clubs and their accomplishments, and expressing regret and displeasure at the restrictions imposed by the Army.

It is, therefore, my opinion that the effectiveness of the entire civilian marksmanship program has been lessened by the 1968 budgetary restrictions. Of the 400,000 persons on the rolls of the DCM in June 1968, a conservative estimate would be that at least 80 percent have been or will be directly affected by these restrictions. Membership as of March 31, 1969, was 348,249.

COMPETITION

In extension of the impact upon clubs, State rifle and pistol associations have also suffered by the curtailment of support. There are no longer statewide competitions in all States to select shooters to represent the States in national com-

petitions, which, in itself, has a depressing effect on the entire marksmanship program. Junior shooters of eligible age (16 years) no longer receive training and assistance in their efforts to "make the State team" because very few State associations are capable of continuing State programs without government assisttance. (A State team must have two new members every year.) In 1967, some 300 riflemen and 200 pistol shooters participated in local and national competitions as members of State teams sponsored by the NBDRP, whereas in 1968 less than 50 shooters of any kind engaged in State programs.

Budgetary restrictions have also had a direct impact on club participation in local and national competitions. In 1966 and 1967, an average of 30 club rifle teams participated in the national matches, while in 1968, in the national trophy rifle team match at Phoenix, Ariz., only three clubs were represented. This reduction, very simply, is due directly to loss of all Government support other than the loan of rifle authorized by title 10, United States Code.

From a competitive viewpoint, the following statistics indicate still another impact of the curtailment of DCM support:

OPEN COMPETITION

Year	Number of tournaments	Number of competitors	Average
1967	2,776	117,261	42.41
1968	2,930	107,502	36.12

NBPRP EXCELLENCE-IN-COMPETITION MATCHES (REGIONALS)

	Number of service pistol matches	Number of civilian competitors	Average	Number of service rifle matches	Number of civilian competitors	Average
1967	18	818	45.4	18	885	49.01
1968	21	751	35.7	21	702	33.42

EXCELLENCE-IN-COMPETITION INDIVIDUAL MATCHES (CAMP PERRY, OHIO)

Year	Number of service pistol matches	Number of competitors	Number of service rifle matches	Number of competitors
1967	1	1,371	1	1,707
1968	1	379	1	306

This information indicates, in my opinion, that reduction of the DCM program has had a severe impact upon competitive shooting as well as on general marksmanship training with the service rifle and pistol, for although there were more tournaments conducted in 1967 than in 1968, fewer shooters participated, and if this trend continues the eventual output will be even fewer and of lesser quality.

SEPARATE APPROPRIATION FOR NBPRP

Mr. SIKES. Prior to fiscal 1969 there was a separate appropriation item for the National Board for the Promotion of Rifle Practice. This was dropped, I suppose, as a part of the program to kill off this activity. Do you consider that from the standpoint of identifying the program, adding some esprit d'corps to its operation, that this separate appropriation should be reestablished? Do you think it is significant?

Colonel HINDS. I think it is very significant, Mr. Chairman. If we had our own appropriation line I know that my morale would increase 100 percent. In addition to that, I am sure that the entire shooting community would know that the program is being put back in proper perspective, even if there weren't any more money added to it.

Mr. SIKES. I would like to have placed in the record a comparison and breakdown of appropriations for fiscal year 1968, fiscal 1969, and currently estimated fiscal 1970.

General TAYLOR. We will provide that.

(The information follows:)

	Fiscal year 1968 actual	Fiscal year 1969 estimate	Fiscal year 1970 estimate
Personnel compensation	$138,461	$42,000	$42,000
Personnel benefits	9,970	3,000	3,000
Life insurance fund	500	150	150
Retirement fund	8,293	2,257	2,257
Health fund	926	250	250
FICA	92	343	343
Incentive awards	150		
Travel and transportation of persons	104,886	2,500	2,500
NBPRP and DCM	5,242	1,000	1,000
Board members	5,510	1,500	1,500
Civilian teams, national matches	75,959		
ISU world championships, Germany			
Pan-American games, Canada	20,175		
Transportation of things	1,719	250	250
Rent, communications, and utilities	56,126	2,300	2,300
Communications	4,286	1,580	1,580
Lease of Camp Perry, Ohio	50,000		
Rental of EDP equipment	840	720	720
Other services	4,004	1,150	1,150
Packing and handling	1,926		
Engraving	778	200	200
Repair of pistol range	2,500		
Stenographic services, national matches	138		
Maintenance and repair of office equipment and facilities	838	750	750
Maintenance of trophies	324	200	200
Supplies and materials	53,860	1,050	1,050
Office supplies	2,120	1,000	1,000
Badges, medals, and trophies	10,062		
Subscriptions	101	50	50
Targets	41,577		
Equipment	2,547	500	500
Office equipment	312	500	500
National matches	2,235		
Subtotal (obligations)	370,573	[1] 52,750	52,750

[1] In addition, $14,870 has been reprogramed into the program from other sources within O. & M., Army.

Mr. SIKES. Questions, Mr. Rhodes?

Mr. RHODES. No questions.

Mr. SIKES. All right. Gentlemen, thank you very much.

WEDNESDAY, MARCH 12, 1969

OPERATION AND MAINTENANCE, ARMY RESERVE

AND

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

Mr. MAHON. We will now discuss the request for "Operation and maintenance funds," for the Reserve and National Guard, Army.

The Army Reserve funds are included in the Regular Army budget, under "Program 2600"; while the funds for the National Guard are a separate appropriation.

For fiscal year 1970, the Army Reserve is requesting an appropriation of $130.8 million, an increase of $24.9 million over the current estimates for fiscal year 1969.

The National Guard is requesting an appropriation of $306 million for fiscal year 1970, an increase of $28.3 million over funds currently available for fiscal year 1969.

Army Reserve

We will first hear from General Sutton on the Reserve request, to be followed by General Greenlief for the National Guard. General Sutton, will you proceed?

General Sutton. Mr. Chairman and members of the committee, it is a pleasure to present budget program 2600, "Operation and maintenance, Army," for the Army Reserve and ROTC.

This budget provides a wide variety of direct support funds for operation and maintenance of the U.S. Army Reserve and Reserve Officers' Training Corps. It includes the employment of civilian personnel, operation and maintenance of facilities, supplies and materials, procurement and maintenance of equipment, and support of year-round and summer training.

The Army Reserve troop unit program for fiscal year 1970 has an average strength of 256,264 and end strength of 261,220. The senior division ROTC will have a beginning enrollment of 150,400 students, and an estimated 17,523 second lieutenants are expected to be commissioned from the program at end fiscal year.

The fiscal year 1970 request is for $130.7 million, including $112.5 million for the Army Reserve and $18.2 million for ROTC. This is a net increase of $24.9 million over the revised fiscal year 1969 amount of $105.8 million. The increase results from equipment maintenance to upgrade materiel readiness, increased purchase of stock-fund equipment, increased employment of USAR technicians, increase in junior ROTC instructors and ROTC scholarships, and other minor program changes. Details by account are as follows:

Account 2609 (base operation). This account finances operation costs of inactive Army installations used primarily for Army Reserve components field training, direct support/general support maintenance of USAR equipment, and maintenance of real property facilities. The request for this account for fiscal year 1970 is $22.3 million, as compared with the revised fiscal year 1969 estimate of $18.8 million. The $3.6 million increase is for operating costs of inactive installations and USAR centers ($0.7 million), maintenance of USAR equipment ($2.6 million), and civilian personnel compensation ($0.3 million).

Account 2610 (Army Reserve and ROTC administration). This account finances elements of the Army Reserve program such as unit adviser operations, supply management, recruiting, information, civilian personnel, and inspection activities. The request for this account for fiscal year 1970 is $3.2 million which is a decrease of $0.6 million from the revised fiscal year 1969 estimate of $3.8 million. This is primarily the result of relocating funds for ROTC information and recruiting activities from this account to BPA 2640 to better display ROTC costs.

Account 2620 (Reserve duty training activities). This account supports expenses incident to conducting Reserve duty training at Army Reserve centers, logistical programs, civilian technicians for USAR units, publications, USAR school support, operation of aircraft, procurement of PCI and expendable supplies, and equipment maintenance activities. The fiscal year 1970 request for this account is $79 million, as compared with the revised fiscal year 1969 amount of $60.6 million. The increase of $18.4 million will provide additional stock-fund equipment ($8 million), increased UAR technicians ($6.7 million), organizational equipment maintenance ($0.7 million), and increase support ($3 million) in operation and training activities, operating supplies, and transportation.

The technicians funded by this 2620 account accomplished the daily staff, administrative, supply and maintenance activities necessary for the effective operation and training of units. They constitute a practical and effective method of providing the support which is essential to the readiness of our Reserve units. A total of 6,127 civilian technicians are requested for fiscal year 1970.

Account 2630 (Active duty training activities). This account supports Army Reserve summer camp training, to include opening and closing mission costs and the pay of civilian personnel. Also included are costs for travel for Active Army personnel in support of annual field training, operating supplies and maintenance of equipment in active duty training. Our fiscal year 1970 request of $7.9 million is an increase of $1.1 million over the revised fiscal year 1969 estimate, primarily for increased use and maintenance of equipment and per diem for USAR personnel on short tours of active duty in support of summer camp operations and training.

Account 2640 (ROTC activities). This account provides for the operation and training of ROTC units at educational institutions and at summer camp training. The request for fiscal year 1970 is $18.2 million, an increase of $2.4 million over the revised fiscal year 1969 estimate of $15.8 million. This increase provides additional scholarships for the senior division ($0.9 million) and the contractual hire of additional retired military personnel for the junior division ($0.4 million), both BP2600, O. & M.A. programs of which were authorized in Public Law 88–647, the "Reserve Officers' Training Corps Vitalization Act of 1964." Funds for ROTC information and recruiting are included in this account for fiscal year 1970 in the amount of $0.6 million, and the activation and operation of new senior division and junior division units adds about $0.5 million in supply, equipment, and operating costs.

For this budget I believe a summarization is appropriate at this piont. The increase requested for fiscal year 1970 is $24.9 million, which I consider absolutely essential.

The Army Reserve has long received operation and maintenance support on a basis that provided very little improvement in materiel and support readiness. We now have only 66 percent of our unit technicians. These employees are the only full-time support available to Army Reserve units, and they are vital to unit readiness and training. There is a heavy and full-time workload that simply cannot be deferred or ignored. On its effective and timely accomplishment rests a good part of the fundamental readiness of units. This fiscal year 1970

budget increases technician support from 66 percent to 90.7 percent and provides 6,127 of the 6,755 fiscal year 1970 requirement. I simply cannot overemphasize the criticality of providing this manpower support to units. In the vast majority of cases the technicians to be hired during fiscal year 1970 will also be military members of the units they serve. Thus, the technician program provides vital unit support to units while on both Reserve duty and active duty for training, and during both peacetime and mobilization/deployment.

In stock fund equipment, we now have about 55 percent of our requirement and this fiscal year 1970 budget will improve the units to 68 percent of the requirement. While still substantially below our full need, the fiscal year 1970 increase is an essential step in our effort to fulfill our requirement.

The training and materiel readiness of many of our units has been less than satisfactory in past years due to inadequate quantities of mission equipment, use of obsolete and nonstandard equipment, the advanced age of much of our equipment, and deferred maintenance. I am pleased to report to you that we are now receiving increased quantities of new or modern equipment and that an accelerated program of equipment maintenance is budgeted for fiscal year 1970 toward eliminating our backlog of equipment maintenance and insuring that the modern equipment coming into our inventory is kept in combat deployable condition.

These three vital requirements of technicians, equipment, and maintenance, and their direct and related costs, primarily account for the fiscal year 1970 fund increase. It is correct to state that this fiscal year 1970 budget and the increased funds for readiness improvement represent a definite increment in compliance with Public Law 90–168, "Reserve Forces Bill of Rights and Vitalization Act," signed into law on December 1, 1967.

Mr. Chairman, this completes my statement.

Mr. MAHON. We will now hear from General Greenlief.

ARMY NATIONAL GUARD

General GREENLIEF. Mr. Chairman and members of the committee, it is my pleasure to appear before you at this time to report further upon the functions and activities of the Army National Guard. At my last appearance before this committee it was my pleasure to discuss most of our overall responsibilities and specifically those relating to the budget estimates for National Guard personnel, Army.

My purpose today is to present the fiscal year 1970 "Operation and maintenance, Army National Guard," budget request of $306 million, which provides the administrative and logistic support to Army National Guard units necessary to accomplish their training program. I will discuss briefly those major programs which relate to this appropriation.

TECHNICIAN PROGRAM

The National Guard Technician Act of 1968 has greatly improved our technician program. Efficiency and effectiveness in unit administration, supply, and operation of all Guard units, largely the work of the technician personnel, is to a great extent responsible for maintaining and heightening the readiness required by mobilization plans and

deployment schedules. For fiscal year 1969 the employment authorization is 24,417, providing for 19,416 unit, logistical, and headquarters technicians, 4,771 in the air defense onsite program and 230 in military support to civil authorities. These numbers do not include an estimated 300 technicians employed on a reimbursable basis for Interservice Maintenance Support Agreements.

For fiscal year 1970 the technician program is 24,614, providing for 19,613 logistical and headquarters technicians, 4,771 in the air defense onsite program and 230 in military support to civil authorities. Again these figures do not include an estimated 300 reimbursable technicians.

AIR DEFENSE

The Army National Guard Air Defense units enjoyed their most successful year in operational performance during fiscal year 1968 since entering the program. Outstanding achievements included winning both Aradcom commander's trophies for Nike Hercules units. A battery from Ohio won the outstanding Nike Hercules Battery in Aradcom trophy, and two batteries, one from Missouri and one from Pennsylvania shared the outstanding Nike Hercules Firing Battery in Short Notice Annual Practice competition by achieving perfect scores. For the first time in Conus Nike Hercules history, Guard units received perfect scores on two major evaluation inspections. Guard units also received nine of the 17 "E" awards for excellence in combat proficiency presented to air defense units.

Involved in these outstanding accomplishments were one group headquarters, 15 battalion headquarters, and 50 fire units. The 44 fire units in the continental United States comprised ——— percent of the Nike Hercules fire units in the U.S. Army Air Defense Command. The six fire units in Hawaii provide the only Nike Hercules air defense for that State.

SUPPORT OF FACILITIES

Federal funds in the amount of $4.5 million were provided in fiscal year 1969 under 55 separate service contracts with the States to operate, maintain, and repair the nonarmory facilities of the Army National Guard.

These funds provided for facilities operating costs including utilities, and for maintenance and repair of nonarmory facilities such as offices and warehouses of the U.S. Property and Fiscal Officer, combined support maintenance shops, organizational maintenance shops and hangars for the care and safeguarding of Federal property.

In addition to funding under service contracts, Federal funds in the amount of $0.5 million were provided to support 160 repairs and utilities projects for minor new construction, alteration, extension, and relocation of nonarmory facilities.

Federal funds in the amount of $100,000 were provided to support States in the maintenance and repair of 51 approved known distance rifle ranges.

Also, the costs of opening, operating, and closing field training sites amount to $4.5 million annually. These funds support Federal and State operated annual field training sites. Additionally, $1.8 million supports costs of weekend training sites.

EQUIPMENT

Reorganization of the Army National Guard included establishment of SRF II and generated a priority requirement for distribution of additional equipment assets to those units concerned. This initial SRF support task was in addition to continuance of SRF I support through the latter half of fiscal year 1968. Materiel readiness status and the overall Army National Guard equipment inventory was gradually raised through distribution of new items and increased emphasis on improving the equipment maintenance posture. Issue priority designators for requisitioning repair parts were changed to provide a quicker response to the needs of the user. At the same time, 179 ¾-ton trucks and 550 5-ton trucks are currently being reconditioned by Army depots for the ARNG.

MEDICAL SERVICES

Maximum emphasis is placed upon obtaining excellent medical support for the Army National Guard to insure the maintenance of a high degree of medical fitness at all times.

In May 1968 there were 12,234 Army National Guardsmen mobilized. During the alert period, these personnel had been medically reevaluated to determine their fitness for active duty. Two officers, one warrant officer, and 159 enlisted men, or 1.2 percent of the 12,922 alerted for mobilization were found to be medically unfit and, therefore, not mobilized for active duty.

Fund support for the medical services provided for the Army National Guard does not come from this appropriation. Our requirements are included in the "Operation and maintenance, Army," appropriation. In fiscal year 1968, obligations for medical examinations and medical care were $0.6 million. In fiscal year 1969 the program is $0.9 million.

BUDGET PROJECT SUMMARIES

The fiscal year 1970 "Operation and maintenance, Army National Guard," request is contained within four major projects totaling $306 million, an increase of $28.3 million over the fiscal year 1969 program of $277.7 million.

TRAINING OPERATIONS

This provides for the costs of the activities directly contributing to the training mission needs of our units. These include the pay costs for 7,387 technicians, who provide the administrative and training support, unit training supplies, trophies and awards, Army advisor travel, and opening, operating, and closing costs at State field training camps. The estimate for this project is $70.5 million, an increase of $2.7 million, compared to the fiscal year 1969 program of $67.8 million, due to the return of mobilized technicians and the full year implementation of the National Guard Technician Act of 1968.

AIR DEFENSE OPERATIONS

The funds needed for this project are estimated at $47.2 million and provide the pay costs of the 4,771 air defense technicians and the services, supplies, and equipment required to maintain and operate

onsite locations. The request is an increase of $2.2 million over the fiscal year 1969 program of $45 million and is attributable to a full year implementation of the National Guard Technician Act of 1968.

LOGISTICAL SUPPORT

The funds requested for this project are the pay costs for 11,567 technicians who are employed in organization and field maintenance shops as well as those in the offices of the U.S. Property and Fiscal Officers, the procurement costs of stock funded equipment, repair parts, petroleum products, transportation of equipment and supplies, communication services, the cost of opening, operating, and closing Federal campsites, and the cost of service contracts with the States. This project, estimated at $173.9 million, is an increase of $22.2 over the fiscal year 1969 program of $151.7 million. The increase is a result of a one-time upgrading of ARNG equipment of $15.2 million, Wage Board increases, increased manning level and the full year implementation of the National Guard Technicians Act.

HEADQUARTERS AND COMMAND SUPPORT

This project supports National Guard Bureau activities, the employment of 181 civilians for these activities, 659 technicians authorized State headquarters and 230 technicians for military support to civil authorities, our recruiting, publicity and community relations programs, procurement of official blank forms and publications, and reimbursement to the Post Office Department for postal charges. It also provides for reimbursement to the Department of Labor for payments made under the provisions of the Federal Employees Compensation Act. This project is estimated at $14.4 million, an increase of $1.2 million over the fiscal year 1969 program of $13.2 million which is attributable to full year for the Technician Act and the increased costs of the National Guard Computer Center.

SUMMARY

The funds requested will provide the support essential to the training programed for Army National Guard units in fiscal year 1970.

Our mission is to provide trained units and qualified officers and men to attain and maintain premobilization readiness required by mobilization plans and deployment schedules. The Army National Guard has maintained and is maintaining a high degree of premobilization readiness.

This concludes my statement. I will be happy to answer, to the best of my ability, questions which the committee members may ask.

Army Reserve and ROTC Activities

Mr. Garrity. We will insert in the record at this point the summary justification page for reserve funds.

OPERATION AND MAINTENANCE, ARMY—ARMY RESERVE AND ROTC

(In thousands of dollars)

Title	Actual fiscal year 1968	Estimate	
		Fiscal year 1969	Fiscal year 1970
Base operations	26,889	18,776	22,343
Army Reserve and ROTC administration	14,053	3,768	3,234
Reserve duty training activities	50,213	60,607	79,044
Active duty training activities	7,183	6,829	7,947
ROTC activities	13,092	15,838	18,166
Total	111,430	105,818	130,734
Personnel requirements:			
Average number of all employees	8,299	7,036	7,852
Number of employees at end of year	8,827	7,518	9,017
Total personal service obligations	$57,097	$52,704	$59,392

INCREASE FOR STOCK-FUNDED EQUIPMENT—RESERVE

Mr. GARRITY. General Sutton, you are asking an additional $8 million for stock-funded equipment. Since you have stated that 55,172 members of the Reserve Forces will be in active duty training during fiscal year 1970, why do you need this large increase for stock-funded equipment?

General SUTTON. We need the increase of stock-funded equipment for our units. It has nothing to do with the fact that an average of 20,324 unit members will be in REP training during the year. For fiscal 1968, we had approximately 50 percent of our stock-fund equipment, and we intend to provide required equipment just as rapidly as possible, and the equipment we have in this budget is the increment for fiscal year 1970.

It relates to the existing units and the existing shortage. We have a requirement for 135.9 million, of which we have about $70 million on hand.

Mr. GARRITY. This is generally to build up your stock-fund equipment?

General SUTTON. Needed equipment for unit readiness, yes.

Mr. GARRITY. Will you provide for the record a schedule showing the balance of your stock-fund equipment for the last 3 years?

General SUTTON. Yes, sir.

(The information follows:)

The total fiscal year 1970 stock-funded equipment requirement for this budget is $135.9 million. The actual and estimated year-end balances on hand are as follows:

	Million
Fiscal year 1967 (actual)	$61.8
Fiscal year 1968 (actual)	63.6
Fiscal year 1969 (estimated)	75.6

ARMY RESERVE TECHNICIANS

Mr. GARRITY. You are asking for the additional employment of 1,627 technicians at an increased cost of $6.7 million. Why do you need so many additional technicians?

General SUTTON. We actually need more technicians than that. That is all I could get approved for 1970. We need 6,755 technicians. This

has been verified by two high-level study groups. We have 1,627 as the increase for 1970 and, hopefully, we will get the balance of them in 1971.

Mr. GARRITY. What study groups were they?

General SUTTON. One was a study group directed by the Chief of Staff, and the other was a study group directed by the Under Secretary of the Army.

Mr. GARRITY. Since you are not increasing the overall strength of the Reserve, why would you need so many additional technicians? When you got along with 4,500 for the last several years, why do you need such a large increase?

General SUTTON. In my opinion we have not been getting along very well the last several years with only 66 percent of required technicians. This shortage of technicians has impacted severely on mobilization readiness, maintenance of authorized unit strength, satisfactory administration, equipment maintenance, and has resulted in unreasonable requirements for unit members to perform these functions on their own time as well as taking some of them out of training to cope with the workload for which technicians are required. The Army Reserve has needed and has requested substantially more technicians that 4,500 in recent years, and both the Congress and DOD have approved larger numbers. Circumstances connected with the major reorganization of the Army Reserve during the past several years has made it impossible for us to employ the reduced numbers authorized and has kept Army Reserve technician support at such a substandard level. The requested fiscal year 1970 technician program provides compliance with Public Law 90–168, and will bring the Army Reserve up to the same percentage of technician support provided the Army National Guard. These technicians are the only full-time support available to Army Reserve units, and they are vital to proper management, unit readiness and training. There is a heavy and full-time workload that simply cannot be deferred or ignored. On its effective and timely accomplishment rests an important part of the fundamental readiness of the Army Reserve. This fiscal year 1970 budget increases technician support from 66 percent to 90.7 percent and provided 6,127 of the 6,755 fiscal year 1970 requirement. I simply cannot overemphasize the urgent necessity of providing this manpower support to units.

Mr. GARRITY. It is to fill an existing backlog?

General SUTTON. That is right. We are trying now to get technicians that we have long needed.

EFFECT OF REVENUE AND EXPENDITURE CONTROL ACT ON ARMY RESERVE CIVILIAN EMPLOYMENT

Mr. GARRITY. To what extent did the Army Reserve reduce civilian employment as a result of the Revenue and Expenditure Control Act of 1968?

(The information follows:)

The fiscal year 1969 President's budget included 5,187 technicians for end fiscal year 1968 and 5,045 for end fiscal year 1969. The fiscal year 1968 major reorganization created turbulence, uncertainty, and other conditions that resulted in Army Reserve technician employment being only 4,560 at end fiscal year 1968. As a result of Public Law 90–364, the end fiscal year 1969 technician program has been reduced from 5,045 to 4,500, therefore the fiscal year 1969 reduction as a result of the public law will be approximately 545.

AIRCRAFT RENTAL

Mr. GARRITY. Will you explain to the committee why the Reserves are requesting $731,000 for the rental of aircraft?

General SUTTON. In the Army Reserve we have not had the aircraft that we require for our units. As an interim measure, we train our pilots in rental aircraft so they can get their flight hours to maintain flight proficency. This item is related to that requirement.

Mr. GARRITY. Will you submit for the record a schedule showing the amount expended for this activity for the last 3 years?

General SUTTON. All right, sir.

(The information follows:)

Actual and estimated aircraft rental costs are as follows:

Fiscal year 1967 (actual)	$407,000
Fiscal year 1968 (actual)	400,000
Fiscal year 1969 (estimated)	649,000

ROTC COSTS

Mr. GARRITY. For the ROTC program, you are asking for an increase of $5.074 million over the actual obligations incurred for fiscal year 1968. Since you have indicated that the numbers participating in this program are actually decreasing, why are you asking for this additional money?

General HANNUM. We are adding 15 additional units this year over last year. That is part of the cost. We are slowly phasing up to our congressional authorization of 5,500 scholarships. We have 4,000 this year. Next year this will increase to 4,750. We are also increasing our number of junior ROTC units. We have some 528 on the books now, and we are going to around 640 next year. This accounts for most of the increase.

Mr. GARRITY. How much of this will be used for the employment of additional civilian employees?

General HANNUM. Very little, if any.

Can you answer that, Mr. Pethtal? How much of the increase for ROTC will be in the employment of additional civilian employees?

Mr. PETHTAL. None of it.

Mr. GARRITY. For the record, will you break down what this additional increase in costs is associated with?

General HANNUM. Yes, sir.

(The information follows:)

The increase of $5,074,000 is for the following:

Increase of 1,819 scholarships (Public Law 88-647)	$1,700,000
Increase of 134 OFF and 511 NCO retired military personnel under contractual hire of Junior Division instructors (Public Law 88-647)	1,986,000
Increase of 465 student enrollment for flight training	371,000
ROTC program costs for revised ROTC developmental curriculum study starting fiscal year 1969	213,000
Increase for information and recruiting due only to internal transfer from BPA 2610 into this account for fiscal year 1970. In fiscal year 1969 and earlier this cost was BPA 2610	596,000
Additional Senior Division units	118,000
Total	5,074,000

NATIONAL GUARD ACTIVITIES

Mr. GARRITY. We will insert various pages from the National Guard justification in the record at this point.

DEPARTMENT OF THE ARMY
OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

Program and Financing (in thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by Activities:			
Direct obligations			
1. Training operations	65,931	67,794	70,545
2. Air defense operations	39,698	44,963	47,219
3. Logistical support	125,675	151,686	173,891
4. Headquarters and command support	10,371	13,221	14,345
Total direct obligations	241,675	277,664	306,000
Reimbursable obligations			
1. Training operations	227	390	390
2. Air defense operations	13	10	10
3. Logistical support	2,723	2,800	2,800
4. Headquarters and command support	71	-	-
Total reimbursable obligations	3,034	3,200	3,200
Total obligations	244,709	280,864	309,200
Financing:			
Receipts and reimbursements from:			
11 Federal funds	- 3,019	- 3,192	- 3,192
14 Non-Federal sources 1/	- 15	- 8	- 8
25 Unobligated balance lapsing	1,153	-	-
Budget authority	242,828	277,664	306,000
Budget authority:			
40 Appropriation	241,000	264,664	306,000
42 Transferred from: "National Guard Personnel, Army" (P.L. 90-392)	1,828	-	-
43 Appropriation (adjusted)	242,828	264,664	306,000
44.10 Proposed supplemental for Wage Board	-	2,950	-
44.20 Proposed supplemental for Class Act	-	4,650	-
44.30 Proposed supplemental for National Guard Technician Act 1968	-	5,400	-

1/ Reimbursements from non-Federal sources are derived from commercial carriers for property lost and/or damaged in transit (31 U.S.C. 489a).

	1968 actual	1969 estimate	1970 estimate
Relation of obligations to outlays:			
71 Obligations incurred, net	241,675	277,664	306,000
72 Obligated balance, start of year	23,967	21,051	24,715
74 Obligated balance, end of year (-)	- 21,051	- 24,715	- 30,715
77 Adjustments in expired accounts	- 860	-	-
90 Outlays, excluding supplemental for civilian pay act increase and National Guard Technician Act 1968	243,731	261,600	299,400
90.10 Outlays from Wage Board supplemental	-	2,900	50
90.20 Outlays from Class Act supplemental	-	4,500	150
90.30 Outlays from National Guard Technician Act 1968	-	5,000	400
Object Classification			
Personnel compensation:			
11.1 Permanent positions	1,369	1,371	1,765
Permanent positions, technicians 1/	174,618	194,600	203,291
11.3 Positions other than permanent	-	39	39
11.5 Other personnel compensation	11	5	5
Total personnel compensation	175,998	196,015	205,100
12.1 Personnel benefits: Civilian	8,806	13,266	16,495
21.0 Travel and transportation of persons	2,719	2,966	2,651
22.0 Transportation of things	2,979	6,015	11,087
23.0 Rent, communications and utilities	3,600	4,323	4,141
24.0 Printing and reproduction	1,005	1,121	1,121
25.0 Other services	10,987	10,916	11,026
26.0 Supplies and materials	27,161	30,941	36,721
31.0 Equipment	8,149	11,766	17,222
32.0 Lands and structures	86	100	100
42.0 Insurance claims and indemnities	185	235	336
Total direct obligations	241,675	277,664	306,000
Reimbursable obligations:			
11.0 Personnel compensation	2,122	2,021	2,021
12.0 Personnel benefits	351	106	106
21.0 Travel and transportation of persons	11	15	15
23.0 Rent, communications and utilities	14	13	13
25.0 Other services	243	425	425
26.0 Supplies and materials	293	620	620
Total reimbursable obligations	3,034	3,200	3,200
99.0 Total obligations	244,709	280,864	309,200

1/ Salaries for technicians made Federal employees in January 1969 by Public Law 90-486 have been included under object class 11.1 for comparability.

PERSONNEL SUMMARY

	1968 actual	1969 estimate	1970 estimate
Number of permanent Federal positions	155	24,571	24,795
Number of permanent non-Federal positions	23,740	-	-
Total number of permanent positions	23,895	24,571	24,795
Full-time equivalent of other positions	-	4	4
Average number of Federal employees	160	12,263	24,731
Average number of non-Federal employees	23,451	12,109	-
Average number of all employees	23,611	24,372	24,731
Average GS grade	9.1	7.6	8.3
Average GS salary	$8,979	$8,126	$8,217
Average salary of ungraded positions	-	$7,951	$8,360
Average salary of non-Federal positions	$7,540	$8,121	-

For expenses of training, organizing, and administering the Army National Guard, including maintenance, operation, and repairs to structures and facilities; hire of passenger motor vehicles; personal services in the National Guard Bureau and services of personnel/of the National Guard employed as civilians without regard to their military rank, and the number of caretakers authorized to be employed under provisions of (1) law (32 U.S.C. 709), and those/ necessary to provide reimbursable services for the military departments /, may be such as is deemed necessary by the Secretary of the Army/; travel expenses (other than mileage),(2) as authorized by law for Army personnel on active duty; for Army National Guard division, regimental, and battalion commanders while inspecting units in compliance with National Guard regulations when specifically authorized by the Chief, National Guard Bureau; supplying and equipping the Army National Guard of the several States, Commonwealth of Puerto Rico, and the District of Columbia, as authorized by law; and expenses of repair, modification, maintenance, and issue of supplies and equipment (including aircraft); /$264,664,000/ $306,000,000 of which not less than $1,900,000 shall be available only for the (3)(4) maintenance of real property facilities: Provided, that obligations may be incurred under this appropriation without regard to section 107 of title 32, United States Code. (5 U.S.C. 3101; 10 U.S.C. 261-280, 2231-2238, 2511, 4651; 32 U.S.C. 701, 702, 709; 60 Stat. 810; Department of Defense Appropriation Act, 1969.)

1. and 2. Deletion as result of P. L. 90-486.

3. Deletion of FY 1969 appropriation.

4. FY 1970 appropriation request.

APPROPRIATION	BUDGET PROGRAM (Number and title)
Operation and Maintenance, Army National Guard	3700 National Guard

BUDGET PROJECT ACCOUNT	TITLE	(In Thousands of Dollars) ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
3710	Training Operations	$ 65,931	$ 67,794	$ 70,545
3720	Air Defense Operations	39,698	44,963	47,219
3730	Logistical Support	125,675	151,686	173,891
3740	Headquarters and Command Support	10,371	13,221	14,345
	Total	241,675	277,664	306,000

PERSONNEL REQUIREMENTS	ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
AVERAGE NUMBER OF ALL EMPLOYEES	23,611	24,372	24,731
NUMBER OF EMPLOYEES AT END OF YEAR	23,895	24,571	24,795
	(In Thousands of Dollars)		
TOTAL PERSONAL SERVICE OBLIGATIONS (Object Class 11+12)	$ 184,804	$ 209,281	$ 221,595

APPROPRIATION	BUDGET PROGRAM (Number and title)
Operation and Maintenance, Army National Guard	3710 Training operations

(In Thousands of Dollars)

BUDGET PROJECT ACCOUNT	TITLE	ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
		$	$	$
3711	Personnel compensation and benefits	60,259	61,400	64,191
3712	Command inspection and army advisor travel	905	864	885
3713	School program training material	108	137	133
3714	Other training aids and materials	185	187	197
3715	Miscellaneous training supplies and services	2,259	3,097	3,056
3716	Base operations	2,215	2,109	2,083
	Total	65,931	67,794	70,545

PERSONNEL REQUIREMENTS	ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
AVERAGE NUMBER OF ALL EMPLOYEES	7,622	7,118	7,273
NUMBER OF EMPLOYEES AT END OF YEAR	7,407	7,190	7,387
	(In Thousands of Dollars)		
TOTAL PERSONAL SERVICE OBLIGATIONS (Object Class 11+12)	$ 60,259	$ 61,400	$ 64,191

APPROPRIATION	BUDGET PROGRAM (Number and title)
Operation and Maintenance, Army National Guard	3720 Air defense operations

BUDGET PROJECT ACCOUNT	TITLE	(In Thousands of Dollars) ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
3721	Personnel compensation and benefits	$ 37,814	$ 42,962	$ 45,491
3722	Operating services and supplies and travel of personnel	357	503	374
3723	Operation and maintenance of facilites	1,527	1,498	1,354
	Total	39,698	44,963	47,219
	Battalions Operation On-Site (end-of-year)			
	Nike-Hercules (CONUS)	12	11	11
	Nike-Hercules (Hawaii)	1 1/2	1 1/2	1 1/2
	Total	13 1/2	12 1/2	12 1/2

PERSONNEL REQUIREMENTS	ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
AVERAGE NUMBER OF ALL EMPLOYEES	4,904	4,913	4,734
NUMBER OF EMPLOYEES AT END OF YEAR	5,128	4,771	4,771
	(In Thousands of Dollars)		
TOTAL PERSONAL SERVICE OBLIGATIONS (Object Class 11 + 01)	$ 37,814	$ 42,962	$ 45,491

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APPROPRIATION	BUDGET PROGRAM (Number and title)
Operation and Maintenance, Army National Guard	3730 Logistical support

(In Thousands of Dollars)

BUDGET PROJECT ACCOUNT	TITLE	ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
		$	$	$
3731	Personnel compensation and benefits	79,217	94,754	100,966
3732	Travel and transportation of personnel	1,665	1,745	1,415
3733	Organizational clothing and equipment	12,287	21,885	23,976
3734	Repair parts, materials and contractual services	13,867	10,807	20,113
3735	Petroleum, oil and lubricants	5,808	5,437	5,920
3736	Transportation services	2,422	5,441	10,513
3737	Communication services	563	578	578
3738	Other supplies, equipment and services	2,567	3,101	2,544
3739	Base operations	7,279	7,938	7,866
	Total	125,675	151,686	173,891

PERSONNEL REQUIREMENTS	ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
AVERAGE NUMBER OF ALL EMPLOYEES	10,270	11,318	11,657
NUMBER OF EMPLOYEES AT END OF YEAR	10,330	11,579	11,567
	(In Thousands of Dollars)		
TOTAL PERSONAL SERVICE OBLIGATIONS (Object Class 11.0)	$ 79,217	$ 94,754	$ 100,966

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APPROPRIATION	BUDGET PROGRAM (Number and title)

BUDGET PROJECT ACCOUNT	TITLE	(In Thousands of Dollars) ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
		$	$	$
3741	National Guard Bureau activities	1,771	1,907	2,463
3742	State headquarters activities	3,948	6,275	6,542
3743	Military support to civil authorities	2,545	2,805	2,895
3744	Recruiting and publicity	469	450	560
3745	Other operating costs	1,638	1,784	1,885
	Total	10,371	13,221	14,345

PERSONNEL REQUIREMENTS	ACTUAL FISCAL YEAR 19 68	ESTIMATE FISCAL YEAR 19 69	ESTIMATE FISCAL YEAR 19 70
AVERAGE NUMBER OF ALL EMPLOYEES	815	1,023	1,067
NUMBER OF EMPLOYEES AT END OF YEAR	1,030	1,031	1,070
	(In Thousands of Dollars)		
TOTAL PERSONAL SERVICE OBLIGATIONS (Object Class 11 only)	$ 7,514	$ 10,165	$ 10,947

LOGISTIC SUPPORT PROGRAMS—NATIONAL GUARD

Mr. GARRITY. For the record, will General Greenlief provide an answer to this question: The National Guard is requesting an increase of $28.336 million in operation and maintenance funds. Of this amount, $22.205 million is for logistic support programs. Why is there such a large increase in this program activity?

General GREENLIEF. I can answer it now, sir, or for the record.

Mr. GARRITY. For the record, will be fine.

(The information follows:)

The increase in the logistic support program is made up of the following:

a. Full year implementation of the National Guard Technician Act of 1968	$2,541,000
b. Increase in technician man-years and fiscal year 1969 wage board increases	3,671,000
c. Increased procurement of stock funded equipment	2,001,000
d. Procurement of repair parts for one-time up-grading of Army National Guard equipment and for increased usage of equipment as a result of a higher average strength	9,306,000
e. Increase in POL due to higher average strength	483,000
f. Increase in transportation for shipment of equipment to Army depots for rebuild and return to the user	5,072,000
g. Decrease in miscellaneous supplies and services primarily in the automatic data processing area at the State level	(—)959,000

NATIONAL GUARD TECHNICIANS

Mr. GARRITY. Is the National Guard requesting any additional technicians for fiscal year 1970?

General GREENLIEF. Only 197, sir, and those are the technicians in the units that were mobilized.

Mr. GARRITY. You mention that the Guard is employing 230 technicians to support its civil authorities. For the record, when did you begin performing this activity, and what support do you render?

General GREENLIEF. Yes, sir.

(The information follows:)

In June 1964 the Secretary of the Army delegated to the National Guard the responsibility for coordination, planning and controlling of all resources made available by all services for military support to civil authorities. To accomplish this mission, the Adjutant General in each State, and the Commonwealth of Puerto Rico was provided from three to eight technicians based on the assigned strength of the combined Army and Air National Guard in the State. These technicians are responsible for all planning in connection with the handling of civil disaster emergencies, civil disturbance emergencies, and natural and major disasters.

Mr. GARRITY. You also mention that the Guard employs 300 technicians on a reimbursable basis for interservice maintenance support agreements. When did the Guard begin providing this service, and what duties do these technicians perform?

General GREENLIEF. Sir, this is a program which has been in effect for about 6 or 7 years. These are personnel who are hired as technicians. They are not paid for from Guard appropriations. They are paid from the appropriations of the service which they support.

For example, we hire technicians in the Army Guard to do maintenance work on USAR and Active Army equipment. Their funds are not in our appropriation. They are reimbursed to us.

Mr. GARRITY. Do these 300 technicians we are discussing here perform any duties related to activities or operations of the Guard?

General GREENLIEF. No, sir. They are employed in our shops to do work for these other agencies. This is also a program we have in the Air National Guard.

Mr. GARRITY. Are they managed by the Guard? Is that the principal reason they are there?

General GREENLIEF. Yes, sir; plus the fact that we have the shops and we have the overhead personnel. It is actually a saving to the Government, in that it utilizes our shops and our overhead personnel. These are, in the main, mechanical-type personnel, who do the maintenance.

Unfortunately, they count against our total number of technicians as applied to the National Guard Technician Act ceiling of 42,500.

Mr. GARRITY. That is my next question. The National Guard Technicians Act of 1968, Public Law 90-486, limits the number of technicians which the Guard may employ to 42,500. Do you know the total number of technicians currently employed by both the Army and the Air Guard?

General GREENLIEF. Yes, sir. The fiscal year 1970 budget provides for a total of 42,923 technicians, which includes 300 reimbursable technicians in the Army Guard program and 395 technicians in the Air National Guard program. So, there are 695 technicians in our program who are performing services for other services and other components, and those 695 count toward the total of 42,923.

Mr. GARRITY. Are they included in the ceiling?

General GREENLIEF. Unfortunately, they are, sir, and that makes our total 400 above the ceiling provided by the law. This is not the place to seek relief, I understand, but it does create a problem in that these people are not working for us and yet they count against our ceiling, sir.

Mr. GARRITY. What is your figure at the current time? How many technicians do you have?

General GREENLIEF. The current employment in the Army National Guard is very close to the figure of 24,417. On the Air National Guard, there are in the 1970 budget 17,614. I cannot answer directly to the onboard strength, because there are some force structure problems occurring in the Air Guard that would change the number. I can provide the number for the record, sir.

(The information follows:)

The onboard strength for the Air National Guard technicians as of the end of January 1969 is 15,825.

Mr. GARRITY. Are you technically in violation of the law at this time?

General GREENLIEF. No, sir.

Mr. GARRITY. Will you be in 1970?

General GREENLIEF. If we employed all of these personnel on any given day, we would be in technical violation of the law. Obviously, if we have no relief, we will not violate the law. We will have 400 positions vacant.

Mr. GARRITY. What do you propose to do about it?

General GREENLIEF. Sir, I would hope that General Wilson, Chief of the National Guard Bureau, in subsequent testimony might be able

to bring this problem to the attention of the House and Senate Armed Services Committees. We would be hopeful of a language change which would exclude these reimbursable technicians from our ceiling. I would consider this to be an oversight in the discussion last year of the Technician Act. I am sure the committee was not made aware of the fact of these reimbursable technicians.

Frankly, we did not think about it until we started counting all the numbers. Since these people are not in our budget, we do not normally count them in our numbers.

Mr. GARRITY. Will there be any change required in our legislation because of this?

General GREENLIEF. No appropriation act language is required. Appropriation act language has sometimes in the past been used as an exception to other law. I would hope that the subject will come up during the authorization hearings. We do need relief from this. Our alternative might be to have to deny the mission we perform for the other services.

Mr. GARRITY. We will consider that after the authorization legislation is passed.

General GREENLIEF. It does not affect the dollars. It is just the authority to employ.

REVENUE AND EXPENDITURE CONTROL ACT EFFECT ON NATIONAL GUARD CIVILIAN EMPLOYMENT

Mr. GARRITY. Did the National Guard Bureau reduce their civilian employment during fiscal year 1969 in compliance with the requirements of the Revenue and Expenditure Control Act?

You may answer that for the record.

General GREENLIEF. Three people, yes, sir.

REPAIR PARTS, MATERIEL, AND CONTRACTUAL SERVICES

Mr. GARRITY. What caused the requirement for repair parts and materiel and for contractual services to increase by $9,306,000 in fiscal year 1970?

General GREENLIEF. Sir, our repair parts program has been inadequate to maintain our equipment at a combat serviceable level. The increase provided in fiscal year 1970 is provided to raise the standard of our equipment from a training serviceable level to a combat serviceable level.

In the training serviceable level, we operate equipment with torn or missing tarps, with a cracked rear view mirror, and things of that sort. We operate them at the minimum level that we can safely operate. This does not meet the requirements for combat usage or deployment of the vehicles. We have a serious parts shortage this year, 1969.

TRANSPORTATION COSTS FOR NATIONAL GUARD

Mr. GARRITY. For the record, will you tell us why your transportation costs are increasing by $5 million during 1970?

General GREENLIEF. I can answer it quickly, sir. It is to provide for the shipment of equipment back to Army depots for repair. It is a part of this same upgrading program.

Mr. GARRITY. Isn't that a considerable increase?

General GREENLIEF. Yes, sir. That is part of this overall upgrading program. This will be shipment of equipment we now have on hand, back to depots for rebuild. It costs a lot of money to ship equipment. It is there and back, sir.

AUTOMATIC DATA PROCESSING—NATIONAL GUARD

Mr. GARRITY. How much is the Guard requesting for the rental of ADP and associated equipment for fiscal year 1970?

General GREENLIEF. In the National Guard Bureau automatic data processing, we have National Guard Bureau costs to operate the small center we have at the NASSIF building, plus we have costs for the rental of equipment in the States. Within our center in fiscal year 1970, we are requesting $110,000 for equipment rentals. Within the States, we are asking for $1,017,000 for equipment rental. That is a slight decrease in the rental of equipment in State operations over 1969.

Mr. GARRITY. What is that—a refund to the States?

General GREENLIEF. No, sir. This is a case where we have eight card processors that are establishing this year. This is one of the few times that progress seems to save some money. This is a more complicated, more capable piece of equipment, and we are able to replace several other items of equipment by installing this. We are saving some money by installing more complicated equipment and eliminating a greater number of items of less complicated equipment.

Mr. GARRITY. For the record, will you tell us the types of ADP equipment you are using, and also the total cost for operation of ADP equipment in the Guard budget?

General GREENLIEF. Yes, sir.

(The information follows:)

Within the Army National Guard there are 52 data processing installations at State level and a computer center in support of National Guard Bureau headquarters. These activities have the following types of ADP equipment.

NATIONAL GUARD COMPUTER CENTER

Key punch
Verifier
Sorter
Collator
Accounting machine
Reproducer
Interpreter
Univac 1050 III system with eight key memory [1]
Printer punch, reader and eight key memory for control precision
Memory expansion to 24 key
Channel expansion
Magnetic tape slaves
Magnetic tape master

[1] Government owned.

STATE DATA PROCESSING INSTALLATIONS

Key punch	Reproducer
Verifier	Interpreter
Sorter	Calculator
Collator	Card processors
Accounting machine	

	NGCC	State
Fiscal year 1970:		
Annual rental and maintenance costs	$122,000	$1,017,000
ADP paper supplies and cards	50,000	150,000
Other supplies and services	101,000	
Personnel costs	708,000	2,000,000

The increase in personnel costs in fiscal year 1970 for the National Guard Computer Center relates to additional personnel who are developing programs for a new generation of equipment which will come into use in fiscal year 1971 and fiscal year 1972. The personnel at State level are Army National Guard technicians.

Mr. GARRITY. How much is the Guard requesting for the rental of aircraft?

General GREENLIEF. None, sir.

Mr. MAHON. Mr. Davis, any questions?

Mr. DAVIS. No questions, Mr. Chairman.

ROTC PROGRAM

General HANNUM. Mr. Chairman, with respect to ROTC, and in view of the lack of understanding of the issues, particularly as outlined by the press, and what the Army is doing about it, I prepared a short statement which explains these issues and what we are doing about it, and I would suggest that this be added to the record.

Mr. MAHON. I will be pleased that it be added to the record.

General HANNUM. Thank you, sir.

(The statement follows:)

Gentlemen, in view of all the varied stories and adverse publicity the ROTC program is currently receiving, it is of particular importance that the record be set straight regarding this very important officer procurement program and that recent happenings be put in their proper perspective.

ROTC draws young men for Army leadership from all geographical, economic, and social strata of our society. It insures that men educated at a broad spectrum of American institutions of higher learning are commissioned annually into the officer corps. For the foreseeable future, the ROTC will continue to be the major source of junior officers for both the active Army and the Reserve components of the Army. Further, ROTC is our most economical means of acquiring large numbers of new officer accessions.

Currently 151,000 Army ROTC cadets are enrolled at 268 institutions. This fall 16 additional institutions will begin enrolling cadets, plus two more will join in 1970. This expansion to 286 units will provide the Army a broader sustaining base for post-Vietnam officer production. Fiscal year 1968 through fiscal year 1970 enrollments in the senior division advanced course, and the resultant

production of second lieutenants, will be at an alltime high. The graduating class of 1968 provided us with over 17,000 second lieutenants, and approximately the same number are scheduled to be commissioned this year. This situation is gratifying; however, we have to face reality in recognizing that a fair amount of this high enrollment stems from the current draft pressures.

The ROTC program, as part of the American educational system, has been caught up in the evolutionary educational changes that have occurred over the past decade. A number of educational concepts and philosophies have had a particular effect on ROTC. The academic load placed on the student in order to meet minimum degree requirements has increased dramatically in the last few years. As a result, subject matter not considered relevant to a particular discipline is being eliminated; while at the same time more emphasis has been placed on the student being allowed to make his own commitments. These actions tend to make ROTC less attractive to the sudent. Association of ROTC with Vietnam, by the dissidents on campus, is causing some difficulty. They have isolated elements of the program that appear to be at variance with these educational concepts and have then sought alliance with the majority of concerned educators to act on these issues against ROTC. The general statement under which ROTC is being attacked is "academic freedom." It is used in the context to make ROTC look like it is limiting such freedom. It was recently pointed out to me by a prominent educator that this is always a good approach because "most educators would vote against their own mothers on the question of academic freedom."

Attacks on the program have centered on four areas:

(*a*) Required versus elective program.
(*b*) Academic credit.
(*c*) Curriculum content.
(*d*) Professorial rank.

I will briefly discuss what is being done in each of these areas.

The question of a required versus an elective basic course has not been a particular problem to the Army because a firm policy on this question has been in existence for some time. The public law and our policy clearly states that this decision rests squarely with the university and not the Army. It reflects the educational philosophy of the institution as to what subjects, be it English or military science, it feels all students should receive. As such it is an educational rather than a military decision. It is interesting, however, that many people fight to maintain the required program on the grounds that the elective option will destroy ROTC. Where that decision has been left entirely to the university, the question of "academic freedom" has dissolved. The biggest problem here is with those pro-ROTC persons who support the dissident point of view that the ROTC has been weakened. Ten years ago, approximately 30 percent of our host institutions had an elective program. Today, this has swelled to about 70 percent.

Academic credit is by far a more difficult problem. Here again a great deal of misinformation and emotion has clouded the issue. There is a tendency to regard a diploma as a certificate of attendance. The degree actually attests to the fact that certain requirements have been met in order to qualify in a given discipline. Credit for ROTC coufses is subject to the same periodic review by the faculty boards of our host institutions as are other academic disciplines. As a result of such reviews, faculty committees of some institutions have recommended that academic credit for purely military subjects be eliminated. This does not mean, however, that academic credit is being denied the entire ROTC curriculum. Most institutions, over 200 of the 268 colleges having ROTC units, pursue a military science curriculum option which permits up to 25 percent academic electives within the curriculum. This 25 percent consists of academic courses taught by the university faculty and selected by the student from a list of subjects approved by the professor of military science. This subject is extremely complex in that each of the 268 institutions that host ROTC units have different credit structures. Further, the faculties of the various colleges and departments within a given university hold different views concerning the award of credit for ROTC subjects (and other subjects as well) for students pursuing academic disciplines in those departments. We find wide variation in the amount of credit awarded some different colleges within the confines of a single university. We have, therefore, adopted a flexible position on this matter and have been working with institutions on an individual basis. In any case, the Army encourages

the granting of academic credit for its ROTC courses and is constantly striving to improve curriculum content to give maximum assurance that credit is given.

Since credit is dependent upon course content and relevancy, curricula options are under continuous review to insure that the material presented meets Army requirements and at the same time is acceptable to the student and the institution. Significant curriculum changes were made in 1961 and 1967. We currently offer three such options. One of these is a developmental curriculum presently being tested on 11 campuses. This curriculum resulted from the recommendations made by the Mershon study group at Ohio State University in 1964. Course material may be presented either by military staff members, faculty members, or a combination thereof. When faculty members present the instruction, the Army reimburses the institution for this service at the rate of $30 per instruction hour, up to one-half of the total hours taught. As a follow-on to this test curriculum, the Army has been studying for several months another approach to the curriculum question. We envision a program which will embrace the philosophy that the principal mission of ROTC is to procure college graduates with the potential to become quality officers. This curriculum concept will recognize that the procurement mission will be given precedence over the training mission. The concept is not revolutionary in nature. Simply stated, it is an expansion of the academic electives concept which began in 1961. Purely military subjects will be reduced in total hours taught, with a greater emphasis on specified academic subjects.

In making the curriculum attractive to the student, the Army acknowledges that Army taught professional subjects will not, in some cases, be accredited by the host institution and will not count toward a degree. The subjects will, in such cases, be carried as an overload by the students.

It is not unreasonable—or unusual in the academic world—to expect a student to carry an overload if the reward is proportionate to the amount of work involved. Academically, the reward would be the granting of a "minor" in a particular field of study; in the ROTC program it will be a commission. The Army, therefore, has a right to expect the student to accept military instruction as an overload, but the amount must be tempered with reasonableness. The Army will, of course, continue to encourage that academic credit be awarded for all portions of the ROTC curriculum. The changes envisioned will result in the curriculum for the military department at any given institution being designed and administered in a manner very similar to that of any academic department at that institution. The curriculum will be flexible, will embrace those currently available, and should meet, for the most part, current faculty criticism and Army requirements.

Academic rank for PMS has created some problems. The public law states that, "the senior commissioned officer * * * is given the academic rank of professor." This provision of the law is creating problems for some university administrators within their faculty. Many faculty members resent a military officer, who is essentially a transient, and who is outside the tenure system having full voting privileges on campus. This problem is currently under review. Since all three services are collocated on many campuses a common position must be taken by DOD. I personally believe that a modification of the term should be allowed as long as it is clear that the purpose of the change would indicate only that the head of the ROTC department is outside the tenure system and that his full voting rights are retained in matters concerning ROTC.

The Army's approach to these problems is based on an overall policy of remaining flexible in dealing with institutional officials so that a program which is mutually beneficial and acceptable to both parties can be developed. The program cannot remain static.

In light of all the points made so far, it is important to note that there has not been a single instance whereby a responsible college or university official has advocated that ROTC be removed from the campus. To the contrary, they unanimously agree that, in keeping with the American tradition of the citizen soldier, the university has a responsibility to provide officers for the national defense. Their only discussion deals with the form and content that the ROTC program should have, not with whether or not the university should remain an active participant.

Finally, I would like to quote from a memorandum to the presidential commission on military training, dated November 5, 1968, from Professor Van Riper, Cornell University, "The military must not be turned inward for the training of its own officers. It is absolutely essential for military officers in a democracy to

be recruited as widely as possible and with as wide a range of perspectives as characterize the Nation as a whole. To force the military off campus and, as a result, to an entirely internalized officer training program would, in my opinion, be a national disaster."

AIR DEFENSE OPERATIONS

Mr. MAHON. General Greenlief, will you explain why there is an increase of $2,256,000 for air defense operations in view of the fact that the Army has announced the deactivation of several air defense sites, the latest announcement being on December 11, 1968.

General GREENLIEF. The increase is due to the full-year implementation of the National Guard Technician Act of 1968 which provided civil service benefits for National Guard technicians and premium pay for approximately 95 percent of the air defense technicians.

Mr. MAHON. Thank you very much, gentlemen.

(CLERK'S NOTE.—For a further discussion of Army Reserve and National Guard operations, see page 105 of the hearings on Military Personnel, Part I, Department of Defense Appropriations for 1970.)

WEDNESDAY, APRIL 16, 1969

OPERATION AND MAINTENANCE, ARMY (LIQUIDATION OF CONTRACT AUTHORITY)

WITNESSES

MAJ. GEN. L. B. TAYLOR, DIRECTOR OF ARMY BUDGET, OFFICE, COMPTROLLER OF THE ARMY
R. L. TRACY, ASSISTANT COMPTROLLER OF THE ARMY, FISCAL POLICY
C. A. OLSON, OFFICE, DIRECTOR OF ARMY BUDGET, OFFICE, COMPTROLLER OF THE ARMY

Mr. ANDREWS. The committee will come to order. We will now take up the subject of "Liquidation of Contract Authority Under Operation and Maintenance."

The Army is requesting for fiscal year 1970, $142,165,000 for the liquidation of obligations incurred pursuant to section 3732, Revised Statutes (41 U.S.C. 11), during fiscal year 1966. We will at this point in the record insert the justification page submitted in support of this request.

(The page follows:)

For an additional amount for "Operation and maintenance, Army," fiscal year 1966 for liquidation of obligations incurred pursuant to section 3732 of the Revised Statutes (41 U.S.C. 11), $142,165,000.

STATUS OF UNFUNDED CONTRACT AUTHORIZATION

[In thousands of dollars]

	1968 actual	1969 estimate	1970 estimate
Unfunded balance start of year	125,999	136,165	142,165
Contract authorization	10,166	6,000	.....
Unfunded balance end of year	−136,165	−142,165	.....
Appropriation to liquidate contract authorization			142,165

An appropriation is requested to liquidate certain obligations incurred during 1966 under the authority of section 3732, Revised Statutes (41 U.S.C. 11).

GENERAL STATEMENT

Mr. ANDREWS. General Taylor, I believe you are going to discuss this request. You may proceed with your statement.

General TAYLOR. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I welcome the opportunity to address the Army's request for an appropriation to liquidate certain obligations incurred during fiscal year 1966 under the authority of section 3732, of the Revised Statutes (41 U.S.C. 11).

Section 3732 of the Revised Statutes authorizes the incurring of deficiencies by the military departments for clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies. Section 612 of the DOD Appropriation Act broadens this authority to permit deficiencies to be incurred for all types of expenses of an airborne alert, or for all types of costs incident to increased military strength beyond the number provided for in the appropriation act.

In late March 1966, it became apparent to the Army that the obligational authority which would be available in the operations and maintenance Army appropriation would be insufficient to finance fiscal year 1966 requirements in that appropriation. Estimates of the deficit were made known to OSD on April 4. On April 11, OSD in a memorandum to the services, recognized the need to use the authority of section 3732 to the extent the fiscal year 1966 projected deficits could not be reduced by transfers between appropriations, reprograming, or other management actions.

The Army continued to operate during the remainder of the year on this basis. The anticipated deficit was reduced by the transfer of $34.5 million into operation and maintenance, Army from other appropriations under the provisions of section 636 of the DOD Appropriation Act. As a result of this and other management actions, the eventual excess of obligations over availability as reflected in year end fiscal year 1966 fiscal reports, amounted to $139.6 million. This amount was recognized by OSD as a deficiency incurred pursuant to section 3732 of the Revised Statutes.

By the end of fiscal year 1968, subsequent obligation adjustments reduced the deficiency to the $136.2 million shown in the fiscal year 1968 column of the fiscal year 1970 budget. It is anticipated that in fiscal year 1969 accounts receivable will be reduced by $6 million. The impact of this reduction is to increase the deficit from $136.2 million to $142.2 million. This is the amount which the Army has requested be appropriated in fiscal year 1970 to liquidate the fiscal year 1966 deficit.

In conclusion Mr. Chairman, I would like to emphasize that the actions taken by the Army in fiscal year 1966 caused the deficit to be reduced by more than $50 million from the amount originally projected for the year. The deficiency still on the books for fiscal year 1966 represents those costs of supporting Southeast Asia that the Army could not absorb within available resources.

That concludes my statement, sir.

USE OF FUNDS

Mr. ANDREWS. General Taylor, were these funds used to support the increase in military personnel strength which took place during fiscal year 1966?

General TAYLOR. Yes, sir, Mr. Chairman. We did have increased strength during that fiscal year.

Mr. ANDREWS. Due to what?

General TAYLOR. Due to Southeast Asia, sir. As a matter of fact, fiscal year 1966 budgeted end strength was 953,094; the fiscal year 1966 column of the fiscal year 1967 budget reflected 1,159,043 and the 1966 column of the 1968 budget showed an actual June 30, 1966 end strength of 1,199,046.

So during that fiscal year there was quite a rapid increase in strength. As I understand the supplemental request that was presented to the Congress that year was made up and submitted in early January of 1967 and no further action was taken by the Department in attempting to adjust that supplemental.

Mr. ANDREWS. You state that section 612 of the Department of Defense Apropriation Act permits deficiencies to be incurred for all types of cost incident to increased military strength. What is your interpretation of types of cost?

General TAYLOR. Sir, I would interpret that, speaking as a layman, that any costs incident to increase in strength, that is, pay for the strength increase and support for that increase, such as quartering the troops, feeding the troops, transporting the troops, and anything that has to do with their health, welfare, and morale, would qualify under that section.

Mr. ANDREWS. The same thing that applies to a regular authorized contingent of the Army?

General TAYLOR. Yes, sir.

Mr. ANDREWS. Were any of these funds used for the purchase of fuel, quarters, transportation, or medical and hospital supplies in support of the increase of military personnel during fiscal year 1966?

General TAYLOR. The funds we are speaking about in the deficit, yes, sir, Mr. Chairman, they were.

Mr. ANDREWS. I wish you would put in the record a breakdown, if you can, of the total amount incurred, the deficit, and the purposes for which the deficit was incurred.

General TAYLOR. Yes, sir; I will be happy to.

Mr. ANDREWS. Such things as clothing, food, et cetera.

(The information follows:)

The deficit of $142,165,000 was all incurred for transportation.

Mr. ANDREWS. What support costs were these funds used for? That will be answered in the breakdown, I take it.

General TAYLOR. Yes, sir.

USE OF SUPPLEMENTAL FUNDS PROVIDED FOR 1966

Mr. ANDREWS. General, was any of the $1.7 billion included in the Department of Defense Appropriations Act for fiscal year, 1966, Public Law 89-213, for "Emergency Fund, Southeast Asia," allotted to the "Operation and Maintenance, Army," appropriation?

General TAYLOR. No, sir.

Mr. ANDREWS. Why was not the $1,077,200,000 appropriated for "Operation and Maintenance, Army," in the Supplemental Appropriation Act of 1966, Public Law 89-374, approved on March 25, 1966, sufficient to meet the requirements of the Army for the remainder of that fiscal year?

General TAYLOR. Why were they not sufficient, sir?

Mr. ANDREWS. That was the supplemental appropriation of $1,077 million approved on March 25, 1966.

General TAYLOR. Yes, sir. One portion of it would be the strength increase that was taking place during all of the fiscal year. The second part of that would be the support of that strength which falls in the "Operations and Maintenance, Army," account.

In addition, that was at the same period of time in which the buildup was taking place in Southeast Asia. There were large amounts of supplies being sent to Vietnam, not on a requisition basis but again on what the Army terms the "push package" basis, which means that we assemble supplies and ship them in large amounts. In this instance we shipped to South Vietnam. We actually did not know at that particular time what those costs would be.

Mr. ANDREWS. During those years the budget requests were not in keeping with the level of the activity. Would that be a true statement?

General TAYLOR. That is a true statement, sir. I don't really know in retrospect how we would have known what to budget for with the buildup, the rapidity of the shipments, and attempting to get our forces into place.

Mr. ANDREWS. This supplemental of $1,077 million was for the regular force that you had budgeted for in fiscal 1966; right?

Mr. OLSON. Sir, I am Mr. Olson, in General Taylor's office. The $1,077 million supplemental requested in January of 1966 was to provide for the increase in the end strength from the 1966 enacted bill of 953,094 to 1,159,043, or an increase of 205,949. The actual 1966 strength ended at a figure of 1,199,046, or an increase of 40,003 over the amount presented in the supplemental.

Mr. ANDREWS. If I remember correctly, during fiscal 1966 there was a tremendous buildup of the Armed Forces.

Mr. OLSON. Yes, sir.

Mr. ANDREWS. Beginning back in the summer of 1965?

General TAYLOR. Yes, sir; that would be right.

NEED FOR ADDITIONAL FUNDS

Mr. ANDREWS. Was any of the $1,077,200,000 which we just mentioned applied to the liquidation of the deficiencies incurred under section 3732 during fiscal year 1966?

General TAYLOR. No, sir.

Mr. ANDREWS. You mention on page 1 of your statement that in late March of 1966 the Army realized that the "Operation and maintenance" appropriation would be insufficient to finance the fiscal year 1966 requirements and that this was made known to the Office of the Secretary of Defense on April 2, 1966. You further state that on April 11 the Office of the Secretary of Defense recognized the need to use the authority of section 3732 to the extent the fiscal year 1966 budget deficits could not be reduced by transfers between appropriations, reprograming, or other management actions. At the time you recognized the possibility of insufficient funds in late March 1966, what was your estimate of this deficiency?

General TAYLOR. Sir, I am not sure that we had a firm estimate in late March of 1966. I do know that upon notifying OSD that additional funds would be required we were then advised to take all of these actions we could possibly take to prevent increasing or requiring additional funds. We also went to all of our commands in 1966—I am looking for the date, and I believe it was around the 11th of March—we went to our commands and asked them what their deficiencies were and it was based upon that and many actions taken within the Department of the Army that finally on the 29th day of April we did go forward to OSD with some fairly firm figures, our best estimates at that time.

Mr. ANDREWS. Would it be fair to say that the Army withheld knowledge of these potential deficiencies from the Office of the Secretary of Defense until after the Supplemental Act for 1966 was approved on March 25, 1966?

General TAYLOR. No, sir; it would not, Mr. Chairman. As a matter of fact, it was on the 7th of March 1966 during hearings before this committee on the fiscal year 1967 Army request for "Operation and maintenance" funds that the then Budget Director indicated that additional funds would be required, as well as having notified——

Mr. ANDREWS. Off the record.

(Discussion off the record.)

General TAYLOR. On page 43 of volume 3 of the House hearings for fiscal 1967 the Budget Director of the Department of the Army was then testifying and I have an extract of some of that testimony.

Mr. ANDREWS. Read it.

General TAYLOR. The question was addressed to the Director of the Army Budget, I will read:

Mr. ANDREWS. General Taylor, on page 2 of your statement you refer to the O. & M. budget for fiscal year 1966 and state that "According to our latest reports dated December 31, 1965, our fiscal year 1966 obligations of these funds are on target."

Do you mean that with the supplemental now pending the Army will have sufficient funds to carry it through the end of this fiscal year?

General TAYLOR. Mr. Chairman, if you consider the midyear reports as indicative, it was 48-percent obligated. This includes consideration of the funds we have in our 1966 supplemental.

Mr. ANDREWS. You anticipated those funds?

FURTHER SUPPLEMENTAL ESTIMATED PREDICTED

General TAYLOR. We anticipated those funds. That is correct. At the present time I believe it is highly problematical as to whether or not he will have adequate funds. Let me put it specifically. I do not believe that we will have adequate O. & M. funds to carry us through the rest of fiscal year 1966 without getting assistance from outside of the Army.

Mr. ANDREWS. What do you mean by that?

General TAYLOR. By assistance, I mean——

Mr. ANDREWS. Another supplemental appropriation?

General TAYLOR. Sir, this would not be a determination made by the Army. It would be——

Mr. ANDREWS. In other words, the Army has to have help to carry this program through to the end of the current fiscal year?

General TAYLOR. That is correct.

Mr. ANDREWS. Including your 1966 regular appropriations plus the 1966 supplemental appropriation?

General TAYLOR. That is my current estimate.

Mr. ANDREWS. The 1966 supplemental which has not passed Congress yet?

General TAYLOR. That is correct. Mr. Chairman, this outside help could come in several ways. For example, the rates at which we are procuring ammunition for Southeast Asia appear to be adequate and may be more than adequate. As a result, certain funds in this area might become available to offset deficiencies in other appropriations.

The Secretary of Defense has statutory authority to transfer funds between appropriations up to a total amount of $200 million a year. I don't know what the Army's portion of that requirement may be—if any. What I am saying is that the Army would have to go to the Secretary of Defense to ask for assistance

Mr. ANDREWS. You predict that funds for 1966, both regularly appropriated funds plus the supplemental funds now pending, will not be sufficient to carry out the planned O. & M. program for fiscal year 1966?

General TAYLOR. That is correct.

Sir, that is a quote from the House hearings at that time.

Mr. ANDREWS. I had that in mind.

ACTIONS TAKEN TO REDUCE DEFICIENCY

What managerial or other actions did the Army take to reduce this deficiency?

General TAYLOR. Sir, I have a list here of the items that the Army did take. These are the actions that the Department of the Army directed Army commanders to take in attempting to conserve on funds.

Mr. ANDREWS. Now, you are talking about fiscal 1966?

General TAYLOR. Fiscal 1966, sir, in an attempt to conserve, trying to hold down the additional requirements.

To obligate for consumable supplies based on consumption only as necessary, defer procurement of equipment during the remainder of fiscal 1966 as necessary, defer maintenance of real property and defer

printing during remainder of fiscal 1966 as necessary, shorten length of contracts for maintenance of materiel work which is scheduled to continue into 1967, defer O. & M.-financed portion of contract for rebuild of M–42 dusters, defer procurement of basic issue list items associated with electronic and communication equipment.

Mr. ANDREWS. Now, can you tell us how many of those directives were respected and how much was saved as a result of them?

General TAYLOR. Yes, sir. The amount that was saved as a result of those calculated out to be $22.4 million.

Mr. ANDREWS. If it had not been for those directives and that saving, then the deficiency would have been even higher by that amount.

General TAYLOR. The deficiency would have been higher.

TRANSFER OF FUNDS

Mr. ANDREWS. Now, during the hearings on the supplemental request for fiscal year 1966, this committee was advised that if the Army needed any additional funds for military personnel increases during 1966 they would be financed under transfer authority of section 636 of the fiscal year 1966 Department of Defense Appropriation Act. Why were not these deficiencies financed from that transfer authority?

General TAYLOR. Sir, that authority was utilized and the Army's portion amounted to $34.5 million that was transferred from the Reserve components appropriations through the emergency fund to the Department of the Army.

Mr. ANDREWS. And with all the funds you came up with this deficiency still occurred?

General TAYLOR. The deficiency remaining after all of that; yes.

Mr. ANDREWS. Who makes the determination of whether or not funds will be transferred or deficiencies incurred under section 3732?

AMOUNT OF UNFUNDED DEFICIENCY

General TAYLOR. The Secretary of Defense, sir.

Mr. ANDREWS. The committee has been advised by the office of the Secretary of Defense that the Army was authorized to incur deficiencies in the amount of $139,600,000 during 1966 and this was the unfunded balance at that time. If this was the total amount that the Army was authorized, why are you now requesting $142,165,000 or an additional $3,565,000?

General TAYLOR. Sir, the difference arises because of receivables in the O. & M. account.

In other words, when the Army does work for others or anticipates doing work for others, that falls in our accounts receivable. It appears to us that there are possibly $6 million worth of receivables that we will not realize as a result of the receivables that we anticipated at that time. That is the reason that it increases at this time to $142,200,000.

Mr. ANDREWS. Are you authorized by statute to incur deficiencies for work done for others? You tell us you are looking for accounts receivable. What do you mean by that?

General TAYLOR. I think, Mr. Chairman, that this is one of the results of the accounting system that we have within the Department

that comes into play after the close of a fiscal year where you still have accounts receivable remaining on your books for work that you have done for others and many things enter into this picture, of course.

Mr. ANDREWS. The point is this: Did you incur a deficiency for work you did for others?

General TAYLOR. No, sir; we did not.

Mr. TRACY. This was simply an asset under the appropriation, Mr. Chairman. These accounts receivable were an asset which was taken into consideration in determining the total amount of the deficit. Later when these assets fell by the wayside, that meant the amount of the deficit was greater. This work was not done specifically on a deficit basis, nothing like that at all.

Mr. ANDREWS. That was my question.

General TAYLOR. Yes, sir. Had we been able to collect more on receivables we would have been able to further decrease the amount of the deficiencies.

Mr. ANDREWS. Your accounts receivable were part of your income?

General TAYLOR. Yes, sir.

Mr. ANDREWS. And you had to incur the deficiency because of a lack of income? You lacked the money in hand; is that right?

General TAYLOR. That is correct, yes; lack of direct funds, lack of direct obligational authority.

Mr. ANDREWS. If you had $50 million of accounts receivable you could have cut the deficit down?

General TAYLOR. It would have reduced this amount.

Mr. ANDREWS. Reduced the deficiency?

General TAYLOR. That is correct.

ADDITIONAL OBLIGATIONS INCURRED

Mr. ANDREWS. If this request represents deficiencies incurred during fiscal year 1966, will you explain why you incurred additional deficiencies of $10,166,000 in 1968 and an estimated $6 million in 1969?

General TAYLOR. Sir, after the close of the fiscal year there are many adjustments made in the obligations both upward and downward and obligations could be made on the books, which did not materialize for a number of reasons, which we would then credit to the total deficit amount, which has the effect of reducing it. Here again, these receivables get into the picture. That is the reason for it dropping and then coming back up.

Mr. ANDREWS. It is safe to assume that as long as we have a war going on we may expect to have deficiencies?

General TAYLOR. Sir, I would be the last one to say that we wouldn't have, but we are doing our utmost not to have any more deficiencies.

ADEQUACY OF BUDGET ESTIMATES

Mr. LIPSCOMB. Mr. Chairman.

Mr. ANDREWS. Mr. Lipscomb.

Mr. LIPSCOMB. If that is true, the estimates or evaluation of our problem is very poor because we have had supplementals and regular budgets and we have not skimped. We have given everything reason-

able that the Department of Defense justified for in the area of Southeast Asia, where the war is.

General TAYLOR. Yes, sir.

Mr. LIPSCOMB. So it must be extremely poor estimating. In fact, the estimates have all been over, as far as we know. We have appropriated to all military personnel needs either in the original budget or in the supplemental—ammunition also. Where do we fall down?

General TAYLOR. Mr. Lipscomb, I don't think that the committtee has fallen down, nor do I think that the estimates have been so terribly bad. There are many factors that cause the estimates to be incorrect, and in—well, may I use the term—hindsight, when we go into a fiscal year we are budgeting many months in advance of that fiscal year based upon what we know at that time as approved programs.

Mr. LIPSCOMB. All right. Right at that point may I say we recognize that the regular budget could be off but that is not the end of the road.

General TAYLOR. No, sir, that is not the end of the road, because since I have been involved in this business there has been hardly a program that has not changed after the beginning of a given fiscal year either through increasing strength, increasing deployments, increasing equipment, or a new program such as we are familiar with today, the modernization of the Vietnamese forces. These are several of the contributing features as to why we are not able when we look behind us to look so good as being very competent estimators, in my view. Now, in the case of ammunition, here again I think that the ammunition situation is a direct result of the actions that go on in South Vietnam. A year ago we had the Tet Offiensive when the combat action reached a very high intensity. Then there was a drop-off following that. I believe it was in late summer there was a slight increase in intensity and then it dropped still further, up until I guess it was the end of February this calendar year that the intensity started to increase quite substantially again and it still is on that increased level at the present time.

These factors all have a bearing on how we try to attempt to not only produce ammunition or equipment but how we attempt to budget for it.

Mr. OLSON. Mr. Lipscomb, I might add that I believe fiscal year 1966 was an unusual year in that the activations, deployments and strength of the Army continued to increase over the level provided for in the supplemenfal which was considered by this committee.

Mr. LIPSCOMB. That may be. This isn't necessarily an Army problem exclusively.

General TAYLOR. No, sir.

"JUGGLING" OF FUNDS

Mr. LIPSCOMB. You are just a part of the whole picture, but over the last several years the financing of operations by the Department of Defense has been on a hit-and-miss basis. Evidently there was knowledge over in DOD that they could juggle the figures or that they had funding "pots" that they could draw on. I don't know what it was. You can't tell unless you live with it like you men do. But we sit here day after day listening to justifications of programs and amount of money. I was just looking at some testimony given in

January of 1966 where Secretary McNamara said that that supplemental would cover everying.

Mr. ANDREWS. And then you had another one in March.

Mr. LIPSCOMB. Yes; again in March. These exercises we have gone through here in the past haven't been worth much. Because now 2 or 3 years later you come up and show us a deficit and it is necessary for you to try to justify to us why you have a deficit.

You could just as well save us a lot of time and say, "We ran into a deficit because we had to juggle so many figures so many ways, and all of a sudden we came up with a deficit."

Mr. OLSON. Sir, I would like to point out that for fiscal years 1967 and 1968 this situation did not occur and I think primarily because the programed deployments stayed on the program anticipated in the budget and in the supplemental.

Mr. LIPSCOMB. The reason it did not occur in 1967 was because you juggled—not you, but the Department of Defense went through an extremely complicated and massive reprograming action. They reduced programs and took that money and put it into Southeast Asia. I am oversimplifying the problem, I realize, but it was through the manipulation of the 1967 budget that you did not have to go to the deficiencies.

Mr. ANDREWS. They did have $10 million.

Mr. LIPSCOMB. Yes; but $10 million is relatively a very small additional amount compared to the $146 million. I am surprised that with the way that you have had to operate over there, that the deficiency isn't greater.

General TAYLOR. Sir, if I might add to this discussion on this problem, I am sure you are well aware that each one of our budgets during these years has been based on the assumption that June 30, the end of that fiscal year, would be the end of the war. Now, this could bring a great deal of criticism from the standpoint of being a bad assumption on the one hand——

Mr. ANDREWS. It was.

General TAYLOR. But, on the other hand, sir, I think if we look back to World War II, where we did not have that assumption and I was not privileged to be in this business at that time, but we did wind up, I think, following those wars with a great deal of excess, if you will, or surplus equipment and ammunition. I think this is a good assumption in that respect, that we are trying to prevent that from ever occurring again.

Mr. ANDREWS. Well, I would hope that those who have charge of the finances of this Defense Department would just realize the fact that we have got a war going on and the way it is being fought today it will be with us until the turn of the century, and make plans to adequately finance it. I think the record will show that in almost every hearing on each separate subject some member of this committee has asked the question: Are your efforts in South Vietnam adequately financed? The answer is always yes. And here we come up and find a deficit in 1966 of $140 million-plus.

USE OF OTHER FUNDS TO REDUCE DEFICIENCY

Now, why weren't fiscal years 1967, 1968, and 1969, operation and maintenance funds used to liquidate this deficit?

General TAYLOR. Sir, the operation and maintenance appropriations are funds appropriated for 1 year only and I believe I am correct when I say that they could not have been applied to a prior year deficit.

Mr. ANDREWS. Did the Army originally intend to use the $360 million of excess cash in the Army stock fund to liquidate this deficit and subsequently change its mind and transfer it to the PEMA appropriation?

General TAYLOR. Not to my knowledge, sir.

Mr. ANDREWS. You don't know anything about it, Mr. Olson?

Mr. OLSON. No, sir.

Mr. ANDREWS. Mr. Tracy?

Mr. TRACY. I never heard of that one; no, sir.

General TAYLOR. Off the record.

(Discussion off the record.)

Mr. ANDREWS. Mr. Lipscomb.

REPORTING DEFICIENCY TO CONGRESS

Mr. LIPSCOMB. General, why wasn't this reported to Congress at the time the deficiency came up?

General TAYLOR. Sir, I don't know that I am in a position to answer that question. Our requirement, the amount that we needed was made known to higher authority and I would expect that the responsibility would be at that level.

Mr. LIPSCOMB. In section 512 of the Defense Appropriations Act there is in section (d):

> The Secretary of Defense shall immediately advise the Congress of the exercise of any authority granted in this section and shall report monthly on the estimated obligation incurred pursuant to sections (b) and (c).

And one of them pertains to the increase in military personnel. That section, (c), reads this way:

> Upon determination by the President that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in this act, the Secretary of Defense is authorized to provide for the cost of such increased military personnel as an accepted expense in accordance with the provisions of Revised Statutes 3732.

Now, two things: Was this section not in existence in 1966? Or is there some other reason for not having reported it?

Mr. TRACY. We should make one thing clear, and that is that this determination by the President was never made under this section. This deficiency was incurred under the provisions of 3732 of the Revised Statutes and not under this 612(c). The Secretary of Defense's authority to us made it very clear that we were to invoke, or he was invoking, the authority of Revised Statute 3732 and not the authority of subsection (c). This Presidential determination was never made. This is not the authority which was relied upon for this deficiency. This was incurred for purposes authorized by the basic statute 3732 and not on the basis of the increase in military strength.

Now, the additional cost of transportation did arise from the fact that we had increased military strength, more men had to be moved and more supplies had to be moved, but we did not rely, nor did the Secretary of Defense, upon this subsection (c) and that is the reason, we assume, that no official notification was made under the provisions of this section.

Mr. LIPSCOMB. To be very frank, I don't understand what you just told us. Maybe some of the attorneys on the committee might.

Mr. TRACY. Let me put it this way: We have the basic statute, Revised Statute 3732, which authorizes incurring deficiencies for certain purposes, including transportation, clothing, subsistence, fuel, and quarters.

Mr. LIPSCOMB. Yes.

Mr. TRACY. That has been in existence since 1906.

Mr. LIPSCOMB. That is right.

Mr. TRACY. Now, subsection (c) of section 612 enlarges that old revised statute to add this additional circumstance, that if it is necessary to incur costs that are identified only with increased military strength, the President can make a determination that we can also incur a deficiency for that purpose. Now, these would be the deficiencies that are not within the coverage of the basic statute. Otherwise we wouldn't need this amendment of subsection (c), we could rely upon the basic statute.

In this particular instance in 1966 the additional requirement for the deficit was attributable to transportation requirements and therefore fell under the old 1906 statute and not under the additional authority given by this subsection (c). Am I making myself clear? It is a little complicated.

Mr. LIPSCOMB. Yes, you are making yourself clear to the point that somebody made the determination that they would not abide by the Appropriations Act and would go to another part of the act so Congress wouldn't have to be informed.

Mr. TRACY. Well, no, sir. If I gave that impression I should restate what I said.

Mr. LIPSCOMB. No; you were very clear.

Mr. TRACY. That isn't what I intended to say at all.

Mr. LIPSCOMB. It was not your decision, was it?

Mr. TRACY. No, sir.

NONDISCLOSURE OF COST

Mr. ANDREWS. Who made the decision to go the deficiency route rather than come up here for a supplemental?

General TAYLOR. That was made by the Secretary of Defense.

Mr. ANDREWS. The former Secretary of Defense?

General TAYLOR. Yes; the Secretary of Defense at that time in 1966.

Mr. ANDREWS. And, of course, by pursuing this deficiency route it kept the cost of the military for the year 1966 down, did it not?

Mr. TRACY. I think that follows, yes.

General TAYLOR. Yes, I think so.

Mr. LIPSCOMB. It is showing up now.

Mr. ANDREWS. It is coming home to roost now.

General TAYLOR. Yes, sir.

Mr. ANDREWS. Well, that is a pretty good way to run an Army.

Mr. Lipscomb, questions.

REPORTING REQUIREMENT

Mr. LIPSCOMB. Are you saying that when we passed the supplemental budget for fiscal year 1966 that it all applied to military personnel

and when you created the deficiency you then applied that just to transportation, for instance?

Mr. TRACY. No, sir. The 1966 supplemental was used for a number of O. & M. purposes, not for military personnel exclusively. Are you speaking of the appropriation for military personnel?

Mr. LIPSCOMB. I am trying to justify along with you why in the world you wouldn't abide by section 612 of the Appropriation Act.

Mr. TRACY. Well, I think we did abide by it, Mr. Lipscomb, because as I say, the deficiency was not incurred under the authority of then section 612(c), it was incurred under the authority of the basic statute, and at that time in 1966 there was no requirement for notification of the Congress when the basic statute was relied on.

Now, the following year you put a provision in the Appropriation Act in section 612 which amended the old revised statute of 1906 to require notification to the Congress immediately when the old revised statute was relied upon. So we do not have the same situation now that we had in 1966. If this were done today, if we relied upon the old 3732 statute for transportation deficiencies, let's say, the requirement would exist for the Secretary of Defense to immediately notify the Congress. But that was an amendment that was placed in the 1967 Appropriation Act.

Mr. LIPSCOMB. I think I asked you that when we began the discussion on this subject, whether there had been something put in the law since or some other reason.

Mr. TRACY. I did not get that question. It was not in the 1966 Appropriation Act but the amendment was added in 1967.

Mr. LIPSCOMB. Would you say there is any way today that you could create a deficiency and not report to Congress?

Mr. TRACY. I don't know of any way; no, sir.

Mr. LIPSCOMB. Have you reported your 1967, 1968, and estimated 1969 deficiencies yet?

Mr. TRACY. We don't report them to Congress. That is a function of the Secretary of Defense. What report has been made I cannot say.

Mr. LIPSCOMB. Just so we don't forget it, would you find out, could we find out if it has been reported?

Mr. TRACY. Yes, sir. We can put that in the record.

(The information follows:)

No deficiencies have been incurred in the "Operation and maintenance, Army" appropriations for fiscal years 1967, 1968, or 1969. Therefore no reports have been made to the Congress.

ADDITIONS TO 1966 DEFICIENCY

Mr. TRACY. Mr. Lipscomb, I am not sure we are talking about the same thing. We did not have a deficiency in fiscal 1967 or fiscal 1968 O. & M. accounts that I know of. I have not heard of any.

General TAYLOR. No, sir, we did not have.

Mr. LIPSCOMB. You mean, I phrased my question too specifically? I thought this was a 1968 deficiency.

General TAYLOR. There were adjustments to our original deficiency made at the close of each fiscal year subsequent to 1966, Mr. Lipscomb.

Mr. LIPSCOMB. I am just getting into this. If you did not have any deficiency there was nothing to report.

General TAYLOR. No, sir; not in 1967, 1968, nor anticipated in 1969.

Mr. LIPSCOMB. In your justification book there are deficiencies, 1968, $10,166,000; in 1969 there is an estimated deficiency of $6 million. These deficiencies are showing up in this justification sheet but they are applicable to 1966?

Mr. TRACY. Yes, sir; that is correct.

Mr. LIPSCOMB. All right. Now, have these been reported to Congress?

Mr. TRACY. I don't think there was any requirement to report them. These are not additional deficiencies that were incurred after the close of the fiscal year. These are simply accounting adjustments in the figures that were recorded during that year. They may be the result of additional payments under contracts, they may be the result of cancellations of contracts; they may be the result of failure of accounts receivable, or any number of factors up and down that result in adjustments in these figures. This happens in every appropriation after the close of the fiscal year, where there are many, many hundreds of adjustments up and down that result in these figures being amended. But these were not additional actions taken to incur deficiencies after the close of the fiscal year. Therefore, there would be no requirement for any further report after the close of the fiscal year.

DEFICIENCY NOT INCLUDED IN 1966 SUPPLEMENTAL

Mr. ANDREWS. Under present law could that deficiency have been incurred under the old Forage Statute? I am talking about today, without notifying the Congress.

Mr. TRACY. Not without notifying Congress; an immediate notification is required.

Mr. ANDREWS. In other words, you came up here in April of 1966 with a supplemental request for O. & M.?

General TAYLOR. Yes, sir.

Mr. ANDREWS. Did you know at that time that you would have an additional expense of roughly $140 million?

General TAYLOR. Sir, we knew we would have an additional expense.

Mr. ANDREWS. Why was it not included in the supplemental; that is, the request for the $140 million?

General TAYLOR. The supplemental was made up in late December, or early January. It was never amended to include this additional amount.

Mr. ANDREWS. But when you came here you knew that you would have that additional $140 million expense.

General TAYLOR. We knew we would have an additional expense.

Mr. ANDREWS. And you had reason to believe that had you made the request it would have been granted in the supplemental?

General TAYLOR. Yes.

Mr. ANDREWS. But it was not requested, it was not granted?

General TAYLOR. That is right, sir.

Mr. ANDREWS. Then after the final supplemental of April 1966 was passed the Secretary of Defense went out and incurred $140 million expense under the old Forage Statute of 1906; is that it?

General TAYLOR. Yes, sir, that is correct.

Mr. ANDREWS. That kept the amount of the supplemental down, did it not?

General TAYLOR. It had that effect, sir.

Mr. ANDREWS. It made the bookkeeping look better for fiscal 1966; is that right?

General TAYLOR. Yes, sir.

Mr. ANDREWS. Mr. Davis.

ACCOUNTABILITY FOR UNFUNDED AMOUNT

Mr. DAVIS. I am still a little unclear.

Apparently for 3 years now somebody or some bodies—taking that in an entity sense—are holding the bag for something like $142 million. Who is holding the bag?

General TAYLOR. The Army has a deficit. We are in red ink, sir, for 1966 and have been, and we have been attempting over those years since 1966 with available funds to see that we could reduce that deficiency. We have not had the funds become available, therefore we are holding the bag, if you will, of $142 million.

Mr. DAVIS. "We" being some other part or some other fund within the Department of the Army; is that correct? I mean, the contractors have been paid, have they not? The purveyors have all been paid?

General TAYLOR. Yes, sir, they have.

Mr. DAVIS. So scattered through various other organizations within the Army there are these deficiencies that total $143 million; is that correct?

General TAYLOR. No, sir. These are not scattered through other funds. This is money that has been paid out of the Treasury. As you say, the contractors have been paid but all this means is that more money has been paid out of the operation and maintenance account than was appropriated into that account. So we are in a deficiency status. It is a red balance.

Mr. DAVIS. What we would actually be doing, then, is replacing money in the operation and maintenance account that you will need for other purposes; is that correct?

General TAYLOR. No, sir. It would make the operation and maintenance account for fiscal year 1966 whole, if you will. In other words, we expended and obligated $142 million more than the Congress appropriated under the authority of 3732 and if this amount would be appropriated this merely brings the book in balance and erases the red ink.

Mr. DAVIS. I am a little bit at a loss here. As a practical matter, how have you gone through these 3 fiscal years?

General TAYLOR. Sir, in the case of the "Operation and maintenance, Army," appropriation, this is a 1-year appropriation. It is good for only that 1 year. In other words, each year is appropriated for the year in which it is intended for use. So that in case of fiscal 1966, we actually obligated more than was appropriated, therefore we have a deficit in that year and that has not happened since that time. In fiscal 1967—in fiscal 1968 the funds that were appropriated were sufficient to cover our requirements and we did not create a deficit.

Mr. DAVIS. An additional effort?

General TAYLOR. Right, sir, or a deficit in those fiscal years.

Mr. DAVIS. As a practical matter, this means on three separate occasions you have had to eat up newly appropriated O. & M. funds and then try to struggle through the fiscal year with the money that you have available. In other words, you are short, and yet you cannot be short because the money is already paid out.

General TAYLOR. No, sir. At the beginning of the fiscal year July 1, 1967, we started with a new appropriation, appropriated by the Congress. That appropriation was utilized for that fiscal year ending June 30, 1968. That was a year, an entity in itself, without regard to the deficit that had taken place in the previous fiscal year.

So, it is separate and apart in a single year appropriation.

Mr. DAVIS. Expenditurewise, then, you have had to juggle around and delay payment to new contractors because you have already paid these people that you did not have the money for?

General TAYLOR. No, sir.

Mr. DAVIS. If this has not caused any hardship for 3 years, why is it here now? Who decided to bring it here now, rather than last year and the year before that and the year before that?

Mr. TRACY. The appropriation shows a red balance and, therefore, the money should be appropriated in order to balance out the account. The money has already been paid out of the Treasury. The bills have been paid.

Mr. DAVIS. I understand that.

Mr. TRACY. This in effect amounts to an accounting adjustment.

Mr. DAVIS. It seems to me somebody has to be holding the bag for this, haven't they?

Mr. TRACY. That is why we are here, sir.

Mr. ANDREWS. Is that all, Mr. Davis?

Mr. DAVIS. No. I am trying to figure this out and I do not have it figured out yet.

(Off the record.)

Mr. DAVIS. That is all I have, Mr. Chairman.

Mr. ANDREWS. Thank you, gentlemen.

WEDNESDAY, APRIL 16, 1969.

OPERATION AND MAINTENANCE, NAVY

WITNESSES

VICE ADM. R. L. SHIFLEY, U.S. NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS (LOGISTICS)
VICE ADM. C. K. DUNCAN, U.S. NAVY, CHIEF OF NAVAL PERSONNEL
VICE ADM. G. M. DAVIS, U.S. NAVY, CHIEF, BUREAU OF MEDICINE AND SURGERY
REAR ADM. A. R. GRALLA, U.S. NAVY, COMMANDER, NAVAL ORDNANCE SYSTEMS COMMAND
REAR ADM. L. SMITH, U.S. NAVY, DIRECTOR, STRATEGIC SYSTEMS PROJECT
REAR ADM. B. H. BIERT, SC, U.S. NAVY, COMMANDER, NAVAL SUPPLY SYSTEMS COMMAND

REAR ADM. F. J. HARLFINGER, U.S. NAVY, ASSISTANT CHIEF OF NAVAL OPERATIONS (INTELLIGENCE)
REAR ADM. W. D. GADDIS, U.S. NAVY, DIRECTOR OF BUDGET AND REPORTS, OFFICE OF NAVY COMPTROLLER
REAR ADM. L. R. GEIS, U.S. NAVY, CHIEF OF INFORMATION
REAR ADM. K. R. WHEELER, SC, U.S. NAVY, DIRECTOR OF FINANCIAL SERVICES, OFFICE OF NAVY COMPTROLLER
REAR ADM. F. J. FITZPATRICK, U.S. NAVY, ASSISTANT CHIEF OF NAVAL OPERATIONS (COMMUNICATIONS AND CRYPTOLOGY)
CAPT. W. McHENRY, SC, U.S. NAVY, DEPUTY COMMANDER, PROGRAMING AND FINANCIAL MANAGEMENT
CAPT. C. F. KRICKENBERGER, JR., CEC, U.S. NAVY, DIRECTOR OF PROGRAMS AND COMPTROLLER, NAVAL FACILITIES ENGINEERING COMMAND
CAPT. W. N. FITZPATRICK, U.S. NAVY, COMPTROLLER, NAVAL SHIP SYSTEMS COMMAND
CAPT. B. H. ANDREWS, U.S. NAVY, VICE COMMANDER, NAVAL ELECTRONIC SYSTEMS COMMAND
CAPT. K. W. WADE, U.S. NAVY, DEPUTY CHIEF OF INFORMATION
CAPT. J. B. KELLY, U.S. NAVY, PROJECT OFFICER, CAESAR PROJECT, NAVAL ELECTRONIC SYSTEMS COMMAND
CAPT. J. T. SIMONS, U.S. NAVY, FLEET RESOURCES OFFICE, NAVAL MATERIAL COMMAND
CAPT. J. J. VERMILYA, U.S. NAVY, SMS, NAVAL MATERIAL COMMAND
COL. W. E. SPARLING, U.S. MARINE CORPS, ASSISTANT FOR O. & M., NAVAL AVIATION PROGRAMS DIVISION, DCNO (AIR)
COL. R. R. HESSBERG, MC, U.S. AIR FORCE, NATIONAL COORDINATOR, MEND PROGRAM
LT. COMDR. E. P. DEWEY, SC, U.S. NAVY, ASSISTANT TO DCNO (LOGISTICS)
J. H. BROWN, PROGRAMING AND BUDGET OFFICER, NAVAL MATERIAL COMMAND
ANTHONY YANNELLA, DIRECTOR, SECRETARY OF NAVY STAFF, FISCAL DIVISION, OFFICE OF THE NAVY COMPTROLLER
DR. LEWIS M. ROUSSELOT, DEPUTY ASSISTANT TO SECRETARY OF DEFENSE (H. & M.)
DR. G. B. JOINER, HEAD, BUDGET BRANCH, NAVAL AIR SYSTEMS COMMAND
R. E. BAILEY, HEAD, MAINTENANCE, BUDGET BRANCH, NAVAL SHIP SYSTEMS COMMAND
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G. J. OATES, ASSISTANT FOR BUDGET, PROGRAM, AND RESOURCE MANAGEMENT, OFFICE OF NAVAL COMMUNICATIONS
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W. N. HAGGERTY, MANPOWER AND BUDGET BRANCH, OFFICE OF THE CHIEF OF NAVAL OPERATIONS
P. SCHEURICH, DEPARTMENTAL BUDGET BRANCH, OFFICE OF THE CHIEF OF NAVAL OPERATIONS

CAPT. P. B. CROUCH, SC, U.S. NAVY, DIRECTOR, COMPTROLLER DIVISION, NAVAL ELECTRONIC SYSTEMS COMMAND
CAPT. H. SUERSTEDT, U.S. NAVY, ASSISTANT COMMANDER FOR LOGISTIC FLEET SUPPORT, NAVAL AIR SYSTEMS COMMAND
CAPT. D. H. HEILE, U.S. NAVY, DIRECTOR, PROGRAMS AND RESOURCES DIVISION, NAVAL AIR SYSTEMS COMMAND
CAPT. A. LOTTERHOS, U.S. NAVY, ASSISTANT CHIEF FOR FINANCE (COMPTROLLER), BUREAU OF NAVAL PERSONNEL
CAPT. W. O. MYERS, U.S. NAVY, ASSISTANT FOR PROGRAMING AND BUDGET, NAVAL INTELLIGENCE COMMAND
CAPT. P. D. JOHNSTON, JR., U.S. NAVY, DIRECTOR, CHIEF OF NAVAL OPERATIONS BUDGET OFFICE
CAPT. W. OLLER, SC, U.S. NAVY, DIRECTOR, OFFICE OF INFORMATION, SYSTEMS PLANNING AND DEVELOPMENT, NAVY DEPARTMENT
CAPT. R. H. CONN, U.S. NAVY, DIRECTOR, FLEET RESOURCES OFFICE, NAVAL MATERIAL COMMAND
CAPT. D. W. ABERCROMBIE, U.S. NAVY, DIRECTOR, ACTIVITY SUPPORT DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS
CAPT. E. K. AUERBACH, U.S. NAVY, AUDITOR GENERAL, OFFICE OF NAVY COMPTROLLER
CAPT. H. N. MOORE, U.S. NAVY, DIRECTOR, PETROLEUM AND OIL SHALE RESERVES
CAPT. W. M. NICHOLSON, U.S. NAVY, DIRECTOR, DEEP SUBMERGENCE SYSTEMS PROJECT OFFICE
CAPT. H. S. MORGAN, JR., U.S. NAVY, BUDGET AND OVERHAUL SCHEDULE BRANCH, OFFICE OF THE CHIEF OF NAVAL OPERATIONS
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CAPT. J. E. AYRES, U.S. NAVY, DIRECTOR, PROGRAMS DIVISION, OFFICE OF THE OCEANOGRAPHER
CAPT. W. L. TALBOTT, U.S. NAVY, DIRECTOR, FLEET SUPPORT DIVISION, NAVAL MATERIAL COMMAND
CAPT. W. F. REED, JR., U.S. NAVY, ASSISTANT COMMANDER FOR OPERATIONS AND MAINTENANCE, NAVAL FACILITIES ENGINEERING COMMAND
T. J. HICKEY, COMPTROLLER, BUREAU OF MEDICINE AND SURGERY
P. H. WARD, BUDGET OFFICER, NAVAL FACILITIES ENGINEERING COMMAND
C. H. CLARK, ASSISTANT DIRECTOR, FLEET RESOURCES OFFICE, NAVAL MATERIAL COMMAND

OPERATION AND MAINTENANCE, NAVY

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and the Marine Corps, including aircraft and vessels; modification of aircraft, missiles, missile systems, and other ordnance; design of vessels; training and education of members of the Navy; administration; procurement of military personnel; hire of passenger motor vechicles; welfare and recreation; medals, awards, emblems, and other insignia; transportation of things (including transportation of household effects of civilian employees); industrial mobilization; medical and dental care, care of the dead; charter and hire of vessels; relief of vessels in distress; maritime salvage services; military communications facilities on merchant vessels; dissemination of scientific information; administration of patents, trademarks, and copyrights; annuity premiums and retirement benefits for civilian members of teaching services; tuition, allowances, and fees incident to training of military personnel at civilian institutions; repair of facilities; department salaries; conduct of schoolrooms, service clubs, chapels, and other instructional, entertainment, and welfare expenses for the enlisted men; procurement of services, special clothing, supplies, and equipment; installation of equipment in public or private plants; exploration, prospecting, conservation, development, use, and operation of the naval petroleum and oil shale reserves, as authorized by law; and not to exceed [$14,000,000] $2,999,000 for emergency and extraordinary expenses, as authorized by section 7202 of title 10, United States Code, to be expended on the approval and authority of the Secretary and his determination shall be final and conclusive upon the accounting officers of the Government; [$5,356,200,000] $5,383,000,000 of which not less than [$155,600,000] $147,500,000 shall be available only for maintenance of real property facilities, and not to exceed [$1,490,000] $1,900,000 may be transferred to the appropriation for "Salaries and expenses", Environmental Science Services Administration, Department of Commerce, for the current fiscal year for the operation of ocean weather stations.

(5 U.S.C. 503, 3101, 3109, 5342, 5702-04, 5724, 5730, 5742, 5912, 5941, 5943-44, 7903; 10 U.S.C. 265, 276, 351, 951, 1037, 1071-85, 1125, 1481-88, 2110, 2602, 2632, 2674-75, 5012-13, 5031, 5151, 5531, 6022, 6028-9, 6153, 6201-3, 6297, 6951-2, 6968, 7041, 7043-4, 7085, 7202, 7205, 7207-8, 7212, 7214, 7229, 7293, 7297, 7303, 7361-2, 7391-2, 7394-6, 7421, 7432, 7571, 7587; 24 U.S.C. 14a, 16a, 21a, 37; 31 U.S.C. 22a, 104, 725h; 330.S.C. 367; 37 U.S.C 404; 39 U.S.C. 712, 4169; 40 U.S.C. 523; 44 U.S.C. 265; Department of Defense Appropriation Act, 1969.)

Program and Financing (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
Direct program:			
1. Operating Forces	1,780,351	1,985,651	1,857,902
2. Logistics Support	2,304,613	2,399,433	2,432,848
3. Medical Support	176,142	193,672	212,123
4. Training and Military Personnel Support	204,892	255,351	282,214
5. Naval Reserve	75,694	92,884	98,016
6. Servicewide Operations	421,398	450,632	494,597
7. Petroleum Reserves	5,371	5,414	5,300
Total direct program	4,968,461	5,383,037	5,383,000
Reimbursable program:			
1. Operating Forces	218,254	224,000	224,000
2. Logistics Support	327,490	360,000	360,000
3. Medical Support	14,408	14,000	14,000
4. Training and Military Personnel Support	28,740	32,000	32,000
5. Naval Reserve	2,504	2,000	2,000
6. Servicewide Operations	31,690	38,000	38,000
7. Petroleum Reserves	.....	....	.....
Total reimbursable obligations	623,086	670,000	670,000
Subtotal	5,591,547	6,053,037	6,053,000
Intrafund obligations	-309,580	310,000	-310,000
10. Total obligations	5,281,967	5,743,037	5,743,000
Financing:			
Advance and reimbursements from:			
11. Federal Funds	-269,420	-319,874	-320,821
13. Trust funds	- 5,689	- 7,864	- 7,858

	1968 actual	1969 estimate	1970 estimate
14. Non-Federal Sources[1]	-38,397	-32,262	-31,321
22. Unobligated balance transferred from other accounts	-1,274	-500	....
25. Unobligated balance lapsing	5,919	....	....
Budget authority	4,973,106	5,382,537	5,383,000
Budget authority:			
40. Appropriation	4,691,941	5,356,200	5,583,000
41. Transferred to other accounts	-1,734	.....	....
42. Transferred from other accounts	282,899	237	....
43. Appropriation (adjusted)	4,973,106	5,356,437	5,383,000
44.20 Proposed Supplemental for civilian pay act increases	....	26,100	....
Relation of obligations to outlays:			
71. Obligations incurred, net	4,968,461	5,383,037	5,383,000
72.40 Obligated balance, start of year:			
72.40 Appropriation	568,924	846,086	929,123
72.49 Contract authorization	75,000	64,854	66,000
Obligated balance, end of year:			
74.40 Appropriation	846,086	-929,123	-1,041,123
74.49 Contract authorization	-64,854	-66,000	....
77 Adjustments in expired accounts	28,856	....	....
85 Increase in indefinite contract authorization of prior years (adjustment in expired accounts)	....	1,146	....
90 Outlays	4,730,302	5,274,700	5,336,200
91.20 Outlays from civilian pay act increase supplemental	....	25,300	800

1 Reimbursement from non-Federal sources are principally from sales of surplus U. S. Government property, sale of goods and services ton individuals including laundry services, subsistance of hospital patients, surcharges on commissary sales, and unofficial telephone services (10 U.S.C. 9621,9625, 9626,9627, 22 U.S.C. 2315,2316.)

Object Classification (In thousands of dollars)

		1968 actual	1969 estimate	1970 estimate
	Personnel Compensation:			
11.1	Permanent positions	1,020,928	1,101,507	1,109,873
11.3	Positions other than permanent	14,352	15,000	15,000
11.5	Other personnel compensation	47,593	53,554	53,974
11.8	Special personnel service payments	26	26	26
	Total personnel compensation	1,082,899	1,170,087	1,178,873
	Direct obligations:			
	Personnel compensation	961,722	1,016,073	1,023,909
12.1	Personnel benefits, civilian	75,496	76,871	77,824
13.0	Benefits for former personnel	350	350	350
21.0	Travel and transportation of persons	79,523	80,000	80,000
22.0	Transportation of things	326,794	339,627	306,133
23.0	Rent, communications and utilities	185,291	186,000	187,000
24.0	Printing and reproduction	23,336	24,000	24,000
25.0	Other Services	2,253,853	2,530,3111	2,593,235
26.0	Supplies and Materials	975,713	1,040,000	1,012,000
31.0	Equipment	72,203	73,000	73,500
32.0	Lands and structures	1,001	1,500	1,500
41.0	Grants, subsidies and contributions	450	450	450
42.0	Insurance claims and indeminities	100	100	100
91.0	Unvouchered	12,629	14,755	2,999
	Total direct obligations	4,968,461	5,383,037	5,383,000
	Reimbursable Obligations:			
	Personnel compensation	121,177	154,014	154,964
12.1	Personnel benefits, civilian	8,602	10,885	10,591
21.0	Travel and transportation of persons	2,423	2,500	2,500
22.0	Transportation of things	221	225	225
23.0	Rent, communications and utilities			

	1968 Actual	1969 Estimate	1970 Estimate
24.0 Printing and reproduction	543	550	550
25.0 Other services	316,055	312,526	311,870
26.0 Supplies and materials	142,015	150,000	150,000
31.0 Equipment	4,292	4,300	4,300
Total reimbursable obligations	623,086	670,000	670,000
Subtotal	5,591,547	6,053,037	6,053,000
Intrafund Obligations	-309,580	-310,000	-310,000
Total Obligations	5,281,967	5,743,037	5,743,000

Personnel Summary

	1968 Actual	1969 Estimate	1970 Estimate
Total number of permanent positions	161,656	160,041	161,244
Full time equivalent of other positions	3,161	3,288	2,720
Average number of all employees	154,422	159,521	160,500
Average GS grade	6.8	6.8	6.8
Average GS salary	8,006	8,450	8,469
Average salary of ungraded positions	6,652	6,856	6,920

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	1968 Actual	1969 Estimate	1969 Estimate
Total direct obligations	$4,968,461	$5,383,037	$5,383,000
Proposed supplemental for Civilian Pay Increases		-26,100	
Proposed transfer from other accounts		-737	
Net Adjustments	$ + 4,645		
Appropriation	$4,973,106	$5,356,200	$5,383,000

The prupose of this appropriation is to operate and maintain Naval Forces. These forces consisting of men, ships and aircraft represent the Navy's capability to project the national policy of the United States virtually anywhere in the world. In most locations, seapower is on the scene continuously. Navy forces provide the full range of choice of responses to aggression from showing the flag to nuclear retaliation if provoke. The fast carrier task force is a prime example of such a range of choice. In addition, reliable and ready Polaris submarines at sea are virtually impregnable, combining mobility with concealment.

The budget activity structure for the Operation and Maintenance, Navy appropriation in fiscal year 1970 is aligned basically with the command structure of the Navy, while retaining the identity of programs to the greatest extent possible. The seven budget activities which comprise this account are: 1 - Operating Forces, 2 - Logistics Support, 3 - Medical Support, 4 - Training andMilitary Personnel Support, 5 - Naval Reserve, 6 - Servicewide Operations, and 7 - Petroleum Reserves. Budget Activityl, Operating Forces, covers the entire complex of Fleet and air forces, and provides the day-to-day support necessary to sustain them and maintain their readiness, including cyclical maintenance and other repair work on Active Fleet ships. Activity 2, Logistics Support, aligns with the various supporting technical commands which constitute the Naval Material Command. The remaining activities under the appropriation follow mostly along functional lines within the framework of Navy's command structure. As an example, the Training Command is included under budget activity 4 - Training and Military Personnel Support.

Planned end fiscal year 1970 ship inventory is 895 or 11 fewer ships then in fiscal year 1969.

The fiscal year 1970 request of $5.4 billion is on a level with the total direct obligations shown for fiscal year 1969. This comparison, however, when adjusted for a change in appropriation cognizance in fiscal year 1970 reflects a decrease of $52.0 million. This change involves activities formerly funded under the appropriation "Research, Development, Test and Evaluation, Navy". In our continuing effort to improve appropriation content, it is proposed in this change to remove from the research appropriation those items which are improvements and changes to equipment already procured and in operation with the Fleets. It is

felt that this fleet support is consistent with the operating budget rather than with the research effort.

The basic trends causing the program decrease in fiscal year 1970 over fiscal year 1969 are reduced combat support requirements in Southeast Asia partially offset by increases in training and other military support activities, oceanography and communications, support allies and naval reserve activities.

The following are illustrative of some of the specific tasks to be undertaken in 1970 with the funds requested in this budget:

Preparedness for fleet forces through continuation of necessary training operations and Fleet exercises is reflected in the 2.3 million steaming hours budgeted for Active Fleet ships, and the 2.1 million flying hours for fleet assigned naval aircraft. Provision is made for 190 regular ship overhauls including 5 nuclear attack submarines, and 4 attack carriers. Overall the schedule includes 7 less ships than were overhauled in fiscal year 1969. With respect to ship and aircraft operations in fiscal year 1970, the projected reduction in combat support requirements in Southeast Asia results in programmed reduction of 136 thousand flying hours and 400 thousand steaming hours below 1969. In addition, reductions have been projected in the consumption of ship parts, non-scheduled ship repairs and other aircraft and ship supporting programs.

The average operating aircraft in 1970 will require the rework of 3,791 aircraft. Based on the flying hour program, 5,999 aircraft engine will be overhauled. This workload represents the minimum required to provide the operating forces with mission capable aircraft. Air and ship launched missiles, guns, bombs and other ordnance will require maintenance, overhaul, test and check out to assure safe and reliable operation.

In addition to Fleet operations, training is provided to Naval personnel at the shorebased training activities. In 1970 an average student load of approximately 89,000 officers and enlisted personnel will receive some form of specialized, technical or professional training, and an average of approximately 28,000 recruits will receive initial military training.

Finally, funds to operate and maintain the Naval Shore Establishment are also included here. The latter's mission is to provide supply, overhaul, modernization, repair, training and other support services for Naval Forces and personnel. This is accomplished through shipyards, aircraft overhaul and repair departments, naval and Marine Corps Air Stations, Naval Hospital, Supply Centers and Depots, Naval Stations and Support Activities, and Communication and Radio Stations.

SUMMARY OF OBLIGATIONS

(IN THOUSANDS)

Budget Activity No.	Budget Activity	1968 Actual	1969 Estimate	1970 Estimate	Difference 1970 Compared with 1969	Justification
1	Operating Forces	$1,780,351	$1,985,651	$1,857,902	$-127,749	1-1-1
2	Logistics Support	2,304,613	2,399,433	2,432,848	+ 33,415	1-2-1
3	Medical Support	176,142	193,672	212,123	+ 18,451	1-3-1
4	Training and Military Personnel Support	204,892	255,351	282,214	+ 26,863	1-4-1
5	Naval Reserve	75,694	92,884	98,016	5,132	1-5-1
6	Servicewide Operations	421,398	450,632	494,597	+ 43,965	1-6-1
7	Petroleum Reserves	5,371	5,414	5,300	- 114	1-7-1
Total direct obligations in budget document		$4,968,461	$5,383,037	$5,383,000	$- 37	

Opening Remarks

Mr. Whitten. Gentlemen, the committee will come to order.

We have with us today—and I will not try to read the list of witnesses, which is about four pages long—but we have the Deputy Chief of Naval Operations, Vice Admiral Shifley, who will be our principal witness.

The committee is of the opinion that we should proceed with the original budget as submitted by President Johnson at this time. The amendments to that budget have just been delivered to the committee. We have not had a chance to study them. From a casual glance, it appears they will not make any substantial difference. But until it is decided how to deal with the whole Defense Department, we will continue discussing the original budget.

So we will proceed with the original plan.

The justification before us lists the Navy as requesting $5,383 million, an increase of $26,800,000 above the appropriations for fiscal year 1969 and $700,000 above the current estimated amount required for fiscal year 1969.

Admiral Shifley, we are glad to have you back with us today, as well as your supporting witnesses. You may proceed with your statement.

General Statement

Admiral Shifley.

Mr. Chairman and Members of the Committee, I am Vice Admiral Ralph Shifley, the Deputy Chief of Naval Operations for Logistics. It is an honor to appear before you to present the FY 1970 Operation and Maintenance, Navy Budget Request.

My statement will cover the entire Operation and Maintenance, Navy Appropriation. The Budget Activity structure in this Budget is the same as that in which the 1969 Budget was presented. The appropriation contains seven Budget Activities: Budget Activity 1 is Operating Forces; 2, Logistics Support; 3, Medical Support; 4, Training and Military Personnel Support; 5, Naval Reserve; 6, Servicewide Operations; and 7, Petroleum Reserve.

The FY 1970 Budget Request for the O&M,N Appropriation is $5 billion 383 million dollars. The Budget Request for the appropriation last year was $5 billion 702 million. The Budget estimate for this fiscal year, 1970, is equal to the reduced FY 1969 funding level which was occasioned by the Revenue and Expenditure Control Act of 1968 and necessary FY 1969 Southeast Asia program adjustments made during the formulation of the FY 1970 Budget Request. Throughout the statement, prior year comparisons are made with reference to these reduced funding levels. Notwithstanding the equal FY 69 and FY 70 funding levels, there have been adjustments in the FY 1970 Budget estimate that alter significantly several program and Budget Activity funding levels from those of FY 1969.

Anticipated reduction in the combat support requirements in Southeast Asia has decreased the FY 1970 estimates from FY 1969 for Maintenance and Operation of the Active Fleet, Flight Operations, Transportation, and the Aircraft, Engine and Component Rework program.

In the Ship Repair Program, the outlook for FY 70 is for some continuation of the gradual decline in the material condition of the fleet as a whole which we have experienced for the past several years. Accelerated operational usage associated with our heavy deployment schedule, the increasing age of already old ships, the complexity of our newer ships, and the shortage of skilled shipboard personnel all contribute to the increased cost of ship repair. We are striving to hold the ship overhaul and repair costs down while working to maintain a timely, effective and well balanced ship repair program.

The decreases from the comparable FY 1969 request are offset partially by a transfer of fleet support functions previously financed under the RDT&E Appropriation, and partially by increases in other Budget Activity estimates.

Medical, training, and military personnel support increases in the budget request relate generally to increased costs of operation and improved and expanded facilities and services. A portion of the training increase also relates to the increased pilot training rate programmed for FY 1970.

In the Naval Reserve Program the increase in funds requested is primarily for the Aviation Program.

The Budget reflects a net end of year decrease in ships operating in the Fleet from 906 in FY 1969 to 895 in FY 1970. Some 55 ships are expected to join the Fleet from new construction or conversion, while 66 older ships will leave the active Fleet, 8 of which are scheduled for conversion.

In the Air Program, we plan to support 7,117 operating aircraft, on the average, compared to 6,860 in FY 1969. The population of higher performance aircraft will continue to increase.

I would like now to present the Budget Request for each of the seven activities of the account individually.

Budget Activity 1 - Operating Forces

The FY 1970 O&M,N estimate for Budget Activity 1 is $1,857.9 million, a net decrease of $127.7 million over FY 1969. This budget activity finances the annual operating and maintenance costs of the

operating forces and shore activities under the following Commanders: Commanders in Chief, U. S. Atlantic Fleet; U. S. Pacific Fleet; U. S. Naval Forces, Europe; and the Marine Corps Air Stations.

The program is divided into four major categories: operation and maintenance of the active fleet; flight operations; active fleet ship repairs; and support of the Naval Shore Establishment activities that directly support the operating forces.

The Maintenance and Operation of the Active Fleet program basically provides for the operating expenses of active fleet ships. An amount of $407.2 million is requested, a decrease of $34.7 million from FY 1969. This program includes the following areas:

The Ships Supplies and Equipage request is $176.1 million in FY 1970; a decrease of $19.0 million from FY 1969. $132.5 million is included for ship propulsion fuel and utility services; a decrease of $15.3 million from FY 1969. In addition, funding is included to support fleet personnel travel, construction battalions, charter and hire transportation, project DEEPFREEZE, and facility maintenance costs for fleet and force commands. The $98.6 million requested for these programs in 1970 is approximately the same as the FY 1969 level.

The Flight Operations program provides for the operating costs - fuel, oil, consumable supplies, and other direct support for Navy and Marine aircraft assigned to the active fleet. $355.5 million is requested in FY 1970, a decrease of $13.8 million from FY 1969. This program will support 2,097,443 flying hours, a decrease of 135,897 hours from FY 1969. The resources requested reflect in dollar terms Navy and Marine Corps requirements to provide for combat readiness of attack and anti-submarine warfare carrier air wings and groups, shore based anti-submarine and early warning squadrons, Marine Corps Air Wings and supporting aviation units.

The Ship Repair program finances both scheduled and non-scheduled repairs. A total of $526.3 million is requested for FY 1970; a decrease of $78.0 million from FY 1969. In FY 1970, 190 overhauls are scheduled at an estimated $371.9 million as compared to 197 scheduled overhauls at an estimated $430.7 million in FY 1969. Funds requested for non-scheduled and emergency repairs are $19.3 million below the FY 1969 level of $173.6 million.

The Base Operations and Other Support Program provides funds for the operation and maintenance of Fleet support stations. In FY 1970 $568.9 million is requested; a decrease of $1.2 million from FY 1969. These resources are for a wide range of services and direct fleet support at activities such as Naval Stations, Naval Air Stations, Marine Corps Air Stations, Amphibious and Submarine Bases, Fleet Training Centers, and other support activities in the U. S. and overseas.

Budget Activity 2 - Logistic Support

This activity finances operations of the Navy's supply system; rework and overhaul of aircraft and weapons, both surface and air launched; and a wide range of technical, engineering and logistics programs supporting all Naval forces and facets of the Navy's mission. Funds requested are administered by the Naval Material Command's six Systems Commands and the Strategic Systems Project Office.

This activity request for "Logistics Support" is $2,432.8 million, an increase of $33.4 million over FY 1969.

The increase is associated primarily with a transfer of fleet support functions previously financed under the RDT&E Appropriation. These functions involve improvements and changes to in-service equipment procured with procurement appropriations and are more properly budgeted in O&M,N, for FY 1970 at $51.9 million. An additional increase results from the transfer of $5.4 million from procurement appropriations for installation costs. Exclusive of these transfers,

our request in this activity is $23.9 million less than in FY 1969. Primarily, the decrease is associated with the aircraft rework and transportation programs.

Aircraft, Engines and Component Rework

We have requested $676.2 million for the depot level overhaul and progressive rework of aircraft, engines, and other components in FY 1970, a decrease of $23.3 million from FY 1969. The decrease is primarily the result of an anticipated reduction in the combat support requirements in Southeast Asia, coupled with a management improvement goal of reducing aircraft rework costs.

Other Logistics Programs

All other logistics programs are budgeted at $1,756.6 million in FY 1970. Our request is divided among servicewide supply, aviation, ordnance, ship, facilities, Fleet Ballistic Missile, and electronics programs, and support of the Naval Material Command Headquarters and Support Activity.

The request of $464.0 million for servicewide supply programs administered by the Naval Supply Systems Command is $9.3 million below the FY 1969 program. This decrease again results from a projected reduction in combat support requirements in Southeast Asia; in this instance, primarily related to transportation.

Logistics programs in support of Naval Aviation in FY 1970 will require $348.0 million. Although the FY 1970 estimate represents a net increase of $19.9 million over FY 1969, transfers of responsibility of certain programs from RDT&E ($23.4 million) and procurement appropriations ($4.2 million) have produced an increase of $27.6 million, so that the net comparable 1970 program is $7.7 million below the 1969 support level. Almost one-third of the $348.0 million total request in 1970 is budgeted for transportation of material, ammunition, and aeronautical support equipment. The remainder provides for rework of ammunition, catapults, and arresting gear; field operations such as the operating costs of contract administration and inspection offices; and a wide variety of other supporting programs. Among the latter programs are photographic and meteorological support, overhaul of aircraft ground support equipment, procurement of technical publications for out-of-production aircraft and weapons, and in-house engineering effort supporting fleet operating aircraft.

Funds are requested in the amount of $234.4 million for ordnance programs administered by the Naval Ordnance Systems Command. These funds will provide for the maintenance and rework of surface and underwater launched ordnance, shipboard weapons systems and components including guns, ammunition, missiles, torpedoes, mines, and fire control equipment. The request for these programs is $14.6 million over FY 1969 which is primarily related to the transfer of functions from the RDT&E appropriation in the amount of $11.6 million. Other significant increases are associated primarily with rework, maintenance and engineering services for Surface Missile Systems.

The request of $313.4 million for ship programs administered by the Naval Ship Systems Command will fund ship inactivations; rehabilitation of electronic, hull, machinery and electrical equipment; support of salvage operations including salvage forces in Southeast Asia; the Supervisors of Shipbuilding; the Naval Ship Engineering Center; other Fleet industrial support facilities; and technical training and hardware support of training operations. Other significant programs include printing of technical publications, standardization, ship designs and engineering services to the fleet, and industrial readiness. The request for these programs is $21.9 million over the FY 1969 request. Primarily, this increase is for the transfer of functions from the RDT&E appropriation which totals

$16.9 million.

In the facilities program, administered by the Naval Facilities Engineering Command, $139.1 million is requested. This includes an increase of $8.1 million over the FY 1969 level primarily for procurement of collateral equipment for initial outfitting of completed military construction projects and replacement of furniture and equipment for barracks, BOQ's, messes and other personnel support facilities.

The remaining centrally administered logistics programs are for support of the Fleet Ballistics Missile System, communications and electronics support provided by the Naval Electronics Systems Command, and operation of the Naval Material Command Headquarters. Funds requested for these programs, $257.8 million, are approximately level with FY 1969 funding of $256.2 million.

Budget Activity 3 - Medical Support

This budget activity requests $212.1 million in fiscal year 1970, an increase of $18.4 over FY 1969.

Here funds are provided for various medical support functions, including inpatient and outpatient care of active duty personnel and other eligible beneficiaries in naval hospitals and non-service facilities. Also provided by this Budget Activity are the professional education and training of medical department personnel at naval and civilian institutions, the care of the dead, and the operation of the Bureau of Medicine and Surgery.

Primarily responsible for this increase are higher costs of care to be provided in non-service facilities, funds for the Medical Education for National Defense program, and increased operating and maintenance costs at naval hospitals.

Budget Activity 4 - Training & Military Personnel Support

Our request for Training and Military Personnel Support totals $282.2 million, an increase of approximately $26.9 million over fiscal year 1969.

This activity will provide instruction for some 4,100 midshipmen at the Naval Academy, training of over 151,000 new Navy recruits, pilot training for 2,860 naval aviators, and other specialized training and education to about 415,000 officers and enlisted men.

In addition, the program supports training facilities, training equipment, and comprehensive programs of personnel distribution, morale, and discipline to sustain the effectiveness and well being of our Navy people.

The $26.9 million increase primarily relates to an increase in flying hours from 1,016,545 to 1,091,538. However, this increased funding level will also provide support for the following additional programs or program levels: (1) the increase of 335 pilots to an annual pilot training rate of 2,860; (2) improved facilities and curriculum at the Naval Academy; (3) operation of new facilities provided for the pilot training program; (4) expansion of training facilities at Orlando, Florida; (5) new training facilities at existing centers to meet specialized training requirements arising from new equipment and weapons systems; (6) implementation of new instructional techniques and training courses; (7) improvements in the Atlantic area Overseas Dependent Schools program; (8) increased tuition costs at civilian universities; and (9) increased participation in tuition assistance program for off duty education.

Formal training and education in combination with practical on-the-job training continues to be essential to prepare the Navy man to effectively use the products of modern technology.

Budget Activity 5 - Naval Reserve

The Naval Reserve program totals $98.0 million, an increase of

$5.1 million over fiscal year 1969.

This activity will provide systematic instruction and training in essential Naval subjects at civilian educational institutions to prepare approximately 10,000 young men for careers as commissioned officers of the Navy and Marine Corps. Also, it will provide education in citizenship and military service for high school students as directed by congressional statute in the ROTC Vitalization Act of 1964. Routine operating funds are requested to support the Naval Reserve Training Centers and Facilities where approximately 141,000 officers and enlisted Reservists (pay and non-pay) are trained. Funds are requested to support maintenance and operation of Naval Reserve Training ships, Naval Reserve flying, and costs of base operations for the Naval and Marine Corps Reserve Training Program.

The $5.1 million increase mainly relates to the Naval Reserve Aviation Program. In addition, the increase will cover increased tuition, fee and book charges for the Naval Reserve Officer Training Corps and for a planned increase of 23 schools and 4,914 students for the Junior Naval Reserve Officer Training Corps.

Budget Activity 6 - Servicewide Operations

The request for Servicewide Operations totals $494.6 million, an increase of $44.0 million over FY 1969.

This activity funds a wide range of services and direct Fleet Support provided by:

Navy-wide Finance and Audit Activities
Servicewide Communications
Naval Intelligence
Oceanographic Programs
Naval Station, Washington
Naval Observatory
Naval Air Facility, Washinton, D. C.
Naval Weather Service
Space Surveillance Activity
DOD Computer Institute
Naval Command Systems Support Activity
Support of Allied Naval Forces in Vietnam

In addition, headquarters support is furnished the Secretary of the Navy, his departmental staff offices, and the Chief of Naval Operations.

Significant increases and decreases include:

(1) An increase of $15.7 million is for the Naval Intelligence Command of which $11.8 million represents the transfer of investigative agent compensation from the emergency and extraordinary military expenses account. The remainder of the increase will improve and/or expand intelligence data handling, counterintelligence and investigative work, and scientific and technical intelligence programs.

(2) An increase of $13.5 million is for the Oceanographer of the Navy to support scientific and technical operations and enhance his ability to collect and process oceanographic survey data for fleet use. Specific allocations provide for the operation of newly constructed Oceanographic Ships and Mapping and Charting Ships which will be operated by the Military Sea Transportation Service during FY 1970.

(3) A $12.5 million increase is required by the Office of the Chief of Naval Operations of which $6.0 million is to provide for increased costs in classified projects. $3.2 million of the CNO increase is also required to provide increased Vietnam support of U. S. and Allied Forces. The remaining increase of $3.3 million is the net of various program increases and decreases.

(4) A $6.7 million increase for the Naval Communications Command provides for minimum essential communication improvements and for leased communications within the world-wide Defense Communications System.

(5) A $2.0 million increase for the Naval Security Group is associated with the increased costs of the Consolidated Cryptologic Program.

(6) A net $6.9 million decrease is reflected in the estimates for the Navy Secretariat, Departmental Staff Offices, and their Field Activities. This decrease results from the transfer of $11.8 million, required to support certain emergency and extraordinary expenses, to other operations accounts. This decrease is partially offset by a $1.9 million increase for Navy-wide Finance Activities required for the implementation of the Joint Uniform Military Pay System; $1.7 million for the increased official mail costs; and minor cost increases for the Naval Audit Service and the Employee Compensation Fund.

Budget Activity 7 - Petroleum Reserve

The final budget activity provides funds to conserve below ground a supplemental supply of fuel for national defense.

Of the $5.3 million requested for fiscal year 1970, $4.8 million is to continue operation of the Naval Petroleum Reserves in California and Wyoming and to drill another gas well in the Alaskan Reserve.

The expenses for this budget activity are being kept at approximately the same level as in fiscal year 1969. The annual revenues from the sale of oil and gas produced is twice the annual cost of operation and maintenance of the Reserve. These gross revenues are deposited directly in the Federal Treasury.

Mr. Chairman, that concludes my formal statement.

FUNDING REQUIREMENTS FOR 1970

Mr. WHITTEN. Thank you, Admiral, for a very detailed statement as to the requirements of the Navy. You note in your statement that the proposed funding levels for "Operation and maintenance, Navy," in fiscal year 1970 remains at about the same level as it was in fiscal year 1969. Usually there is a difference of at least a few hundred million dollars in the O. & M., Navy, funding requirements. How was the Navy able to arrive at the same funding level for both fiscal years 1969 and 1970?

Admiral SHIFLEY. Mr. Chairman, there was no particular attempt to make them come out that way but it resulted from a very careful estimate of the amounts that we would require in 1970 with an attempt to hold down to the very minimum the amount of money that would be required to conduct our essential operations.

Mr. WHITTEN. In other words, you started off with the recognition that we would be lucky to continue as we have, in all the circumstances, and with that in mind came out to the same basis; is that approximately right?

Admiral SHIFLEY. Yes, sir; I would say that we certainly attempted to hold down to the very lowest level possible.

Mr. LIPSCOMB. Mr. Chairman.

Mr. WHITTEN. Mr. Lipscomb.

REDUCTIONS TO 1970 NAVY BUDGET BY SECRETARY OF DEFENSE

Mr. LIPSCOMB. Admiral, what was the original request for O. & M., Navy that went to the Office of Secretary of Defense?

Admiral SHIFLEY. Our initial request was $6,178,700,000.

Mr. LIPSCOMB. Then what was the amount that was deleted by the Office of the Secretary of Defense?

Admiral SHIFLEY. The original OSD reduction was $871.3 million.

Mr. LIPSCOMB. Did the Navy reclama any of these reductions?

Admiral SHIFLEY. We made a reclama for $476.3 million; yes, sir.

Mr. LIPSCOMB. How much of that did you obtain or have reinstated?

Admiral SHIFLEY. The Secretary of Defense restored $75.6 million of the amount we reclamaed, resulting in a net reduction of $795.7 million.

Mr. LIPSCOMB. So it was the Office of Secretary of Defense that brought about the action that made this come out basically even between 1969 and 1970 and not the Navy that made the decision?

Admiral SHIFLEY. Yes, sir; I would say that the figure was, in the final analysis, determined by the Secretary of Defense.

Mr. LIPSCOMB. But the fact that it just by coincidence comes out the same in 1969 and 1970 is not the Navy's doing. It certainly is not to your liking but rather it was what was given you, was it not?

Admiral SHIFLEY. Obviously, we would have liked to have had more, Mr. Lipscomb, but that is the process by which budgets are finally arrived at, and certainly the Navy supports the amount that the President has requested, sir.

LIST OF ITEMS DELETED FROM THE 1970 NAVY BUDGET

Mr. LIPSCOMB. Can you, for the record, provide a list of the items that were deleted by the Office of Secretary of Defense and the ones that you reclamaed on?

Admiral SHIFLEY. Yes, sir. That is quite a number of items. We can provide that in as much detail as the committee would like to have, sir. I would like to, if I may, provide that for the record, although I could give you some details here if you wish.

Mr. LIPSCOMB. No. For the record will be all right.

Admiral SHIFLEY. All right, sir.

Mr. WHITTEN. When you do that, in order to get a true comparison I think it would be well to also list it for the preceding year. It has been my observation that Departments of Government usually anticipate, some folks say they put extra in there so it can be taken out, others say not. But just the fact that the Bureau of the Budget and the Department of Defense always cut back, and you and I both know they are going to cut back; some say you put a little in so they can take it out. So in order to have a true comparison I think we should have the cutback that you went through in the preceding fiscal year, what you were requesting, and what you got. You received about the same cut, did you not?

Admiral SHIFLEY. I don't have those figures.

Mr. WHITTEN. Provide that for the record, and include the preceding 2 years. The information will speak for itself.

Admiral SHIFLEY. Of course, as I mentioned in my statement here, there have been some reductions since the Congress appropriated the money for the fiscal 1969 year.

Mr. WHITTEN. Is that as a result of the Revenue and Expenditure Control Act?

Admiral SHIFLEY. Yes, sir.

Mr. WHITTEN. Public Law 364 of the 90th Congress.

Admiral SHIFLEY. So that the comparison that I have made here is with the final figure that we have to work with now, the money available now as a result of these further cutbacks.

Mr. LIPSCOMB. You were just talking about the submission and the cuts by the OSD prior to that, Mr. Chairman.

Mr. WHITTEN. Yes. I just wanted the true comparison so that we can see the 2 years.

Admiral SHIFLEY. Yes, sir. I can provide that. I can provide what the Navy requested, what we got, then the further reductions that brought us down to the $5,383,000,000.

Mr. LIPSCOMB. It should be easy to accomplish. Those figures are in the record for past years.

Admiral SHIFLEY. Yes, sir. We have them readily available. I can provide them with no difficulty.

Mr. WHITTEN. You might include 2 preceding years to match against this one.

Admiral SHIFLEY. Yes, sir. 1968 and 1969 as well.

Mr. WHITTEN. Yes. The purpose is to bring it together here so that we can see it all in one place instead of having the staff pull it out.

(The information follows:)

($ in Millions)

	FY 1968	FY 1969	FY 1970
Navy submission to OSD	$5,509.5	$6,290.3	$6,178.7
OSD Reduction	871.9	684.5	871.3
Adjusted Submission	4,637.6	5,605.8	5,307.4
Navy reclama	423.2	275.9	476.3
Adjusted Submission	5,060.8	5,881.7	5,783.7
OSD Disapproved	354.8	179.5	400.7
Congressional Submission	4,706.0	5,702.2	5,383.0

	1969			1970		
	Reduction	Reclama	Restored	Reduction	Reclama	Restored
Operation and Maintenance, Navy	684.5	275.9	96.4	871.3	476.3	75.6
Operating Forces:	188.0	72.5	32.7	444.8	276.1	24.0
Flight Operations	2.4	-	-	68.7	57.3	7.3
Ship Overhauls	51.4	6.6	-	183.1	147.5	-
Ship Fuel	.9	.3	.2	17.1	-	-
Ship Non-Sched Rprs	19.1	5.2	2.8	25.8	4.6	-
Supplies & Equipage	26.6	12.9	1.4	38.3	17.7	4.5
Base Ops & Other Sup	83.1	43.0	28.3	109.6	46.8	12.2
CB Support	4.5	4.5	-	2.2	2.2	-
Logistics Support:	226.6	126.8	37.9	317.2	162.5	40.3
Air Sys Tech	93.5	53.8	23.2	126.3	84.0	4.8
Ships Sys	20.0	19.2	3.3	42.4	13.3	4.2
Ordnance Sys	30.7	15.5	6.0	21.0	9.6	-
Fac Tech	20.0	5.5	-	26.0	11.3	-
Elec Sys	+7.2	.6	-	13.2	1.8	1.1
Sup Sys	48.2	16.2	.3	36.5	8.4	4.2
FAM & NMC	21.4	16.0	5.1	51.8	34.1	26.0
Medical Support	26.2	20.9	4.1	8.3	5.1	.5
Training & Pers Support:	48.9	16.3	9.0	31.8	15.9	7.4
Flt Ops	13.9	13.9	7.0	+.9	-	-
All Other Training	35.0	2.4	2.0	32.7	15.9	7.4
Naval Reserves:	8.8	3.6	-	15.9	7.4	-
Flt Ops	1.5	-	-	1.1	-	-
NRT Overhauls	3.4	3.4	-	10.0	6.6	-
All Other Support	3.9	.2	-	4.8	.8	-
Servicewide Operations	94.9	35.2	12.1	53.3	10.7	-3.4
Petroleum Reserves	4.0	.6	.6	-	-	-

Additional Budget Submissions	
Aircraft Reworks	46.7
Ship Overhauls	46.6
Transportation	+10.0
Other	3.8

Due to the change in Budget Structure in FY 1969 the FY 1968 OSD reductions are not available in the above format.

TRANSFERS BETWEEN APPROPRIATIONS

Mr. WHITTEN. Admiral, would you briefly outline any major funding transfers between appropriations which may have occurred in either year which might affect the comparability of the totals for the 2 years?

Admiral SHIFLEY. We have the figure that I mentioned, the $51.9 million shift from R.D.T. & E. This is for the support of inservice equipment and items, which were previously funded in R.D.T. & E. It was felt these items should be more properly funded in O. & M.N.

Mr. DAVIS. Mr. Chairman.

Mr. WHITTEN. Mr. Davis.

Mr. DAVIS. Am I to understand that this shift has already taken place in the current fiscal year?

Admiral SHIFLEY. No, sir. We are budgeting for it in fiscal year 1970. In fiscal year 1969 this same work was funded in the R.D.T. & E. appropriation. In fiscal year 1970 we are shifting that over and funding for it in the O. & M.N. appropriation.

Mr. DAVIS. So when the chairman asked you about shifts in either year you have not responded as to any shifts that may have taken place in the current fiscal year; is that correct?

Mr. WHITTEN. We have not had any detailed answer, no.

Would you advise us at this time what shifts have been made in the current fiscal year? Understand, Admiral, you can complete the record.

Admiral SHIFLEY. I don't recall any shifts that have taken place in fiscal year 1969. I will investigate this. If there are any, I will provide it for the record.

(The information follows:)

There have been no major functional realinements in the fiscal year 1969 O. & M.N. appropriation since the Congressional enactment. The following table illustrates appropriation adjustments since enactment and for comparability includes prior year and budget year information.

[Dollars in millions]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
President's budget	$4,706.0	$5,702.2	$5,383.0
Congressional adjustments	−53.0	−346.0	
Enacted	4,653.0	5,356.2	
Public Law 90-364		[1] 53.0	
Pay raise	+38.9	[1] +73.2	
SEA requirements		[1] +91.7	
Reprograming		[1] −85.3	
SEA emergency transfer	+282.9	[1] −.5	
Minor transfers	−1.7	+1.7	
Appropriation adjusted	4,973.1	5,383.0	5,383.0
Unobligated balance	−5.9		
Transfers from other accounts	+1.3		
Total direct obligations	4,968.5	5,383.0	5,383.0

[1] The net of these adjustments resulted in a fiscal year 1969 supplemental request of $26.1.

Mr. WHITTEN. Will you insert in the record a schedule showing the total funding being transferred to "Operation and maintenance" for 1970 from other appropriations? In addition, will you also show the accounts to which it was transferred and the amounts requested for fiscal years 1968 and 1969?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

The funding being transferred to "Operations and maintenance" for fiscal year 1970 from other appropriations is:

[Dollars in thousands]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
R.D.T. & E.	$53,550	$52,872	$51,900
Other procurement (installation of shore base equipment)	3,568	7,800	7,356

REDUCTIONS UNDER THE REVENUE AND EXPENDITURE CONTROL ACT

Mr. WHITTEN. How much cutback did you have as a result of the Revenue and Expenditure Control Act and from what accounts?

Admiral GADDIS. The reduction in 1969 programs, sir, in addition to that made by the Congress, was an additional $53 million, in response to Public Law 90-364.

Mr. WHITTEN. Would you supply for the record the projects that this may have affected or the accounts that it might have affected?

Admiral GADDIS. Yes, sir.

(The information follows:)

Reductions in 1969 programs were as follows:

Administrative costs	19.8
Lease versus buy computers	−2.7
Logistic support programs	10.0
Medicare	4.0
Revised estimates associated with force level reductions	12.2
Reduced employment levels	9.7
Total	53.0

REDUCTIONS IN SOUTHEAST ASIA REQUIREMENTS

Mr. WHITTEN. Admiral, you mentioned that the budget estimate for fiscal year 1970 is equal to the reduced fiscal year 1969 funding level which was occasioned by the Revenue and Expenditure Control Act of 1968 and the necessary fiscal year 1969 Southeast Asia program adjustments made during the formulation of the 1970 budget request. What reductions in the funding levels for fiscal year 1969 are applicable to the Revenue and Expenditure Control Act and what reductions are applicable to Southeast Asia program adjustments? Earlier I had asked about the Revenue and Expenditure Control Act. You might give us the same information with regard to the Southeast Asia program adjustment.

Admiral SHIFLEY. Reductions between fiscal year 1969 and 1970 associated with Southeast Asia?

Mr. WHITTEN. That is right.

Admiral SHIFLEY. That is $127.3 million.

Mr. WHITTEN. What activities did that affect, Admiral?

Admiral SHIFLEY. Transportation of things were reduced $30 million; maintenance of material, $25 million; ship operations, $24 million; air operations, $16.5 million; base operations, $14.8 million; ship maintenance, $12 million; supply operations, $5 million; for a total of $127.3 million.

INCREASES OFFSETTING SOUTHEAST ASIA REDUCTIONS

Mr. WHITTEN. You have stressed the reductions resulting from the Revenue and Expenditure Control Act of 1968 as well as those affecting Southeast Asia. Is it not a fact, however, that the reductions that you just detailed, were offset by increases in other uses in an equal amount, approximately?

Admiral SHIFLEY. Yes, sir. The net change in this appropriation was zero.

Mr. WHITTEN. What increases have you made to offset this reduction by account or by activity?

Admiral SHIFLEY. Could I supply that for the record?

Mr. WHITTEN. Tell us generally at this point what you have increased and then you can go into further detail for the record. We have been talking about your reductions. Now it develops that you increased other things to offset the reductions.

Admiral SHIFLEY. You speak to 1969 now, Mr. Chairman?

Mr. WHITTEN. No, 1970.

Admiral SHIFLEY. 1970? I have that. I mentioned most of them in my statement here. I would have to go back and go through it.

Mr. WHITTEN. According to the study on this side of the table you have reduced Southeast Asia by approximately $127.7 million. It also is indicated that you have increased other activities in approximately the same amount. What are these activities that are being increased to offset the decrease in Southeast Asia?

Admiral SHIFLEY. They are generally spread throughout all the activities. They are mostly small increases. I would have to go through my statement again to identify all of them. Of course, the biggest

one is the one I mentioned where we transferred from R.D.T. & E. into O. & M.N., the $51.9 million.

Mr. WHITTEN. That is during the current fiscal year, however. That is in the 1970 budget request.

Admiral SHIFLEY. It was shifted—it appears in the O. & M.N. appropriation of fiscal year 1970; in 1969 that comparative amount appeared in the R.D.T. & E. appropriation.

Mr. WHITTEN. Admiral, we are not trying to keep you from correcting the record to show the true facts. We just want as much information here as you are able to provide, with the right to supply the details.

Admiral SHIFLEY. It would be rather time consuming for me to go through my statement and pull these out. If I may, may I provide it for the record?

Mr. WHITTEN. That will be fine. But could you give us what general activities are involved?

Admiral GADDIS. By budget activity, Mr. Whitten, the increases are for $18.4 million in medical support; $26.8 million in training and military personnel support; $5 million in Naval Reserve; $44 million in servicewide operations; $33.4 million in logistics support offset against the figure of a minus $127.7 million in operating forces.

(More detailed information follows:)

The 127.7 million decrease in Southeast Asia supports is offset by the following requirements:

	In millions
R.D.T. & E. transfer	51.9
Budget activity 3—Medical support	18.5
Primarily responsible for this increase are increased costs of care in nonservice facilities, and increased operating and maintenance costs at naval hospitals.	
Budget activity 4—Training and military personnel support	26.9
The $26.9 million increase primarily relates to the following: (1) Increased flying hours and support for an increase of 335 in the annual pilot training rate. (2) Improved facilities and curriculum at the Naval Academy. (3) Operation of new facilities provided for the pilot training program. (4) Expansion of training facilities at Orlando, Fla. (5) New training facilities at existing centers to meet specialized training requirements for new equipment and weapons systems. (6) New instructional techniques and training systems. (7) Improvement in the Atlantic area overseas dependent schools program. (8) Increased tuition costs at civilian universities. (9) Increased participation in tuition assistance for off-duty education.	
Budget activity 5—Naval Reserve	5.1
The $5.1 million increase mainly relates to support of the Naval Reserve aviation program. In addition the increase covers increased tuition, fees, and book costs for the Naval Reserve Officer Training Corps and an increase of 23 schools and 4,914 students in the Junior Naval Reserve Officer Training Corps.	
Budget activity 6—Servicewide operations	25.3
The $25.3 million increase includes costs for increased support of allied naval forces and of classified projects in Southeast Asia; for operation of new oceanographic survey ships; and for increased intelligence operations.	

Mr. WHITTEN. Since the record at this point would indicate that you have increased the amount for these activities to offset the reductions in the others, where in the fiscal year 1970 justifications do you show the savings from the deactivation of the 55 ships in 1969 resulting from the Revenue and Expenditure Control Act?

Admiral SHIFLEY. Of course, those savings would be scattered around among a number of the——

Mr. WHITTEN. Admiral, we do not mind your turning to the 40 or more witnesses that you have here. My information is that we supplied you with an outline as to what you would be expected to know, starting off with funding level, civilian employment, management studies, maintenance of real property, support of free world forces, and the rest. Now, having that before you, it strikes me that you should have some of your folks prepared to give us answers to these things in detail.

Admiral SHIFLEY. I don't recall breaking out the figures to fit that exact question, Mr. Chairman. If there is anyone here that has any figures that would give a direct answer to that I would be happy for them to speak up.

Mr. WHITTEN. You deactivated 55 ships. Certainly, it should result in some savings. You should be able to figure out how much it resulted in and then we should be able to find out where it is reflected in the budget.

Admiral SHIFLEY. It certainly does, sir. It provides some savings not only in the O. & M.N. appropriation, such as in the cost of fuel, supplies, and equipage, and so forth, but also, obviously, there is a reduction in the pay for the personnel that would have manned those ships.

Mr. WHITTEN. Yes. But you have us guessing about it, and apparently you are also guessing about it. We have a whole lot of guessing here when we are trying to make a record.

Admiral SHIFLEY. I mentioned that we have certain reductions in ship operations, ship maintenance, and so forth——

Mr. WHITTEN. But you do not have them broken down in detail, tied back to the 55 ships.

Admiral SHIFLEY. Not to those specific ships; no, sir.

Mr. WHITTEN. Can you do it for the record?

Admiral SHIFLEY. We will try; yes, sir.

(The information follows:)

SHIPS DEACTIVATED UNDER THE REVENUE AND EXPENDITURE CONTROL ACT

The actual number of ships deactivated under the Revenue and Expenditure Control Act was 52. In addition, seven aircraft squadrons were deactivated. The reductions are:

	In millions
1 SS, 1 AGSS	$2.4
1 SSN	.3
1 CLG	.8
1 CVS, 20 escorts	18.8
8 amphibious, 10 mine warfare, 7 auxiliary	12.5
1 AO, 1 AF	5.5
Total ships (52)	40.3
6 ASW carrier squadrons (2 ASW air groups)	3.0
1 SP2 squadron (patrol)	2.0
Total aircraft squadrons (7)	5.0
Total	45.3

The budget reductions were effected in the following areas:

Supplies and equipage	5.2
Fuel	4.7
Restricted availabilities	5.7
Overhauls	29.6
Inactivation costs	4.9
Flight operations	1.9
Aircraft reworks	2.4
Aircraft storage costs	.1
Engine/component reworks	.8
Total	45.3

INCREASES IN 1970 OFFSETTING 1969 DECREASES

Mr. LIPSCOMB. We are not exactly asking you to tie it down to the ships, but, inasmuch as your 1970 budget compares with your 1969, and there are significant reductions in your 1969 program, where are these increases showing up in your 1970 budget? That is what we are trying to find out.

Admiral SHIFLEY. Yes, sir. We will provide that.

Mr. LIPSCOMB. Just because you deactivated 55 ships does not mean that the increase in 1970 applies to ships. That was the implication I got. I have to reiterate what the chairman has said: There must be some answers here, because we have information in front of us supplied by the Navy. Now, we are trying to get the record straight, that is all. The answer must be around someplace.

Admiral SHIFLEY. I am sure it is.

Mr. LIPSCOMB. That is, the cost breakdown on ship and aircraft deactivations totals, in Operation and Maintenance, $68.5 million, according to our information.

Admiral SHIFLEY. Let me see if we can't sort this out and provide it. We have all the information. It is simply that it has not been aggregated in this particular way, sir.

Mr. LIPSCOMB. But does the Comptroller have accurate lists of the real increases in fiscal year 1970? You gave us some. What does that total to?

Admiral GADDIS. I can break that down in more detail, yes, sir; within each budget activity.

In response to your last question about the effect of the ship cancellations in 1969, the data I have here indicates—and I would correct it for the record—a total of $45.3 million of costs which are not in the 1970 budget, because these same kinds of costs were taken out of the 1969 budget for these specific ships that were inactivated.

Now, this is a part, then, of the total reduction in the cost of active ship operation of $34.7 million, and a reduction in the cost of active fleet nonscheduled repairs of $19.3 million.

I would be glad to go into greater detail on the increases, if you would like, sir.

Mr. LIPSCOMB. What we are trying to get at is we want to see where the Navy fiscal year 1970 budget has been increased over fiscal year 1969, and the activities and the total, inasmuch as you are operating under the Revenue and Expenditure Control Act.

Admiral GADDIS. Yes, sir.

Mr. LIPSCOMB. And inasmuch as there have been significant actions taken within DOD, and yet your budget for fiscal year 1969 O. & M. is basically the same.

Admiral GADDIS. Yes, sir; based on increases and decreases balancing off. Yes. sir.

(CLERK'S NOTE.—The Navy subsequently provided the following additional information for the record.)

In both fiscal years 1969 and 1970 significant changes have occurred. The fiscal year 1969 President's budget started with a request to Congress of $5.7 billion. As a result of congressional reduction, it is currently at $5.4 billion. The reduction has caused program adjustments involving the deletion of some 50-plus ships. In fiscal year 1970, although the request is also $5.4 billion, the composition of the program is different. Significant reductions are proposed in operating forces, but additional funds are being requested in other areas.

Mr. LIPSCOMB. What we would like to know is why.

Admiral SHIFLEY. I can give you the exact amounts in each budget activity.

Mr. LIPSCOMB. Then you cut down on Southeast Asia activities by $127.3 million.

Admiral SHIFLEY. Yes, sir.

Mr. LIPSCOMB. You have reapplied that money someplace, and I think it is our responsibility to find out what has happened. Otherwise your budget would show a decrease.

Admiral SHIFLEY. Yes, sir. I can certainly give you the net effect, but it is rather difficult to say that the specific dollars that were reduced from transportation were applied to——

Mr. LIPSCOMB. You gave us one good one, and that was the transfer of funding from R.D.T. & E. into O. & M., $51 million or better.

Admiral SHIFLEY. Yes, sir; almost half of it.

Mr. LIPSCOMB. Are you going into any new programs? For instance: Project Value, Project Transition, Project Referral, and the summer youth programs? Are any of these funded in Navy, Operation and Maintenance?

Admiral GADDIS. Yes, sir.

Mr. LIPSCOMB. And they are new programs, are they not? Project Value is a new one; the comprehensive employment program is a new one.

Admiral GADDIS. The summer youth opportunity program is not in the 1970 budget as it is submitted today, sir.

Mr. LIPSCOMB. It is in the Army.

Admiral GADDIS. The other programs are in. Project Value is a new program.

Mr. LIPSCOMB. In the budget, but not in Navy O. & M.

Admiral GADDIS. Yes, sir.

Mr. WHITTEN. What we are driving at here, and we might just as well lay it on the table: The Congress acts on your requests after you have been reviewed by the Defense Department, by the Bureau of the Budget, and then the Congress passes the Revenue and Expenditure Control Act, you take reductions under that as required by the law, and you come before us stressing how much reductions you have taken in Southeast Asia, and other reductions you have made. Then it develops that you are asking for the same amount of money because you have increased other things. Now it develops that these other things are new programs, in time of war. To me, at least, it leaves the Navy in somewhat of an untenable position. Now, I repeat again: You have explained what reductions you made; you have acknowledged that you have increased other things about the same amount, but we are having difficulty finding out what in the world it is. So, name what you are doing with the offsetting amounts in the way of increased funds. How many of them are new programs and how much for each one?

Admiral SHIFLEY. We can provide that down to any detail.

Mr. WHITTEN. Just to say "we can provide" is not enough. You know we are busy, we are not near as prone to digging into these hearings later to sift out the information. As I understand it, you were supplied with a breakdown as to what the committee would be interested in. So, out of this array of about 40 people, somebody should know. You do not mean that you have $127 million of new projects here and nobody knows enough about it to admit it, or name them, or designate them?

Admiral GADDIS. Could I detail the impact——

Mr. WHITTEN. I am seeking somebody who will.

INCREASES IN THE 1970 BUDGET

Admiral GADDIS. Yes, sir.

The budget activity increases I spoke to before in budget activity 2 consists of the net of a decrease of aircraft and component reworks of $23.3 million; a decrease in ship and craft activations of $15 million; and increase in the deep submergence systems program of $5.9 million; an increase in fleet ballistic missile system technical support of $4.5 million; an increase in antisubmarine warfare system rework and maintenance of $7.5 million; an increase in surface missile rework and maintenance, $6.2 million.

In budget activity 3, naval hospital and medical centers are supported at an increased rate, $3.7 million.

Mr. LIPSCOMB. Does that include the reestablishment of the MEND program in the field?

Admiral SHIFLEY. This is under "Medical."

Admiral GADDIS. That would be in "All other medical support," sir.

Mr. LIPSCOMB. That is in the increase that you just mentioned?

Admiral GADDIS. Yes, sir. Contracts for medicare, we are requesting an increase of $11.4 million.

In "All other medical support" we are requesting an increase of $1.6 million. That includes the MEND program which you spoke to and which is deleted in the budget amendment, sir.

In budget activity 4, training and military personnel support, general training and academic support, an increase of $11.2 million; the Naval Academy, an increase of $1.3 million; overseas dependent education, an increase of $2.2 million; aviation training, which the admiral spoke to in his statement, $11.3 million increase; departmental administration for the Bureau of Naval Personnel, an increase of $900,000. In the Naval Reserve activity, Naval Reserve training ship operations go up $900,000; Naval Reserve flight operations go up $1.1 million; the Naval Reserve training base support increases by $3.2 million. In servicewide operations, intelligence activities increased a net of $3.9 million; oceanography increases by $13.5 million; communications, weather, and security group operations increased by $9.1 million; administration—including both CNO and the Secretariat—increases by $6.7 million; the petroleum reserve activity decreases by $100,000.

(Clerk's note: The Navy subsequently provided the following additional information for the record.)

SUMMARY OF SIGNIFICANT CHANGES

Budget activity	Fiscal year 1969	Fiscal year 1970	Difference
1. Operating forces:			
Flight operations	$315.4	$303.7	−$11.7
Ship overhauls	430.7	371.9	−58.8
Nonscheduled repairs	173.6	154.3	−19.3
Supplies and equipage	195.1	176.1	−19.0
Fuel for ships	147.7	132.5	−15.2
Naval mobile construction battalions	42.7	39.9	−2.8
Base operations and other support	680.4	679.5	−.9
2. Logistics support:			
Aircraft and component reworks	699.5	676.2	−23.3
Ship-craft activations	16.6	1.6	−15.0
Ship-craft inactivations	19.2	22.0	+2.8
Deep submergence systems program	7.1	12.9	+5.8
Fleet ballistic missile system technical support	162.0	169.9	+7.9
Antisubmarine warfare systems	25.5	33.0	+7.5
Surface missile rework and maintenance	51.1	57.3	+6.2
3. Medical support:			
Naval hospitals and medical centers	101.4	105.1	+3.7
Contractual medicare	58.7	70.3	+11.6
All other medical support	33.6	36.7	+3.1
4. Training and military personnel support:			
General training expansion and academic support	88.0	99.2	+11.2
Naval Academy	19.8	21.1	+1.3
Overseas dependent's education	13.4	15.6	+2.2
Aviation training	117.6	128.8	+11.3
BuPers-departmental administration	16.6	17.5	+.9
5. Naval Reserve:			
Naval Reserve training ships operations	17.6	18.4	+.9
Naval Reserve flight operations	30.7	31.8	+1.1
NRT base support	44.6	47.8	+3.2
6. Servicewide operations:			
Intelligence activities	32.4	36.3	+3.9
Oceanography	63.0	76.5	+13.5
Communications, weather, and security group operations	140.8	149.9	+9.1
Administration and related activities	144.6	151.3	+6.7
7. Petroleum reserve—All budget activities	5.4	5.3	−.1
Transportation	339.6	306.1	−33.5
M. & R. of real property	138.6	147.5	+8.9
FWMAF	47.5	51.7	+4.2

NEW PROGRAMS TO BE INITIATED IN 1970

Mr. WHITTEN. Now, Admiral, that is specific information. I renew my question: What new programs do you intend to initiate from funds requested for the 1970 fiscal year?

Admiral GADDIS. I know of no new specific large-scale programs for 1970.

Mr. WHITTEN. Let us say they are not so large. Now, please name them.

Admiral GADDIS. Project Value, which Mr. Lipscomb spoke to, is a new program. This is supported at $300,000.

Mr. LIPSCOMB. Would Project MEND be considered a new program?

Admiral GADDIS. The MEND program is an old program which was not funded in 1969, sir. It was in the January budget at $1.5 million. It is recommended for deletion in the present budget amendment scheduled to be delivered to the Congress today, sir.

Mr. LIPSCOMB. It would be in the classification of a new program, though, for 1970 because it was not in the 1969 budget.

Admiral GADDIS. That is correct, sir, but it was in prior years for a considerable period of time.

Admiral SHIFLEY. I would like to say one thing on that.

Mr. LIPSCOMB. Admiral, so that our record is a little more straight, do you mean to say that the only new program in the Navy budget is Project Value? Is that what you are saying, or do you want to check and add to the record when you get the opportunity, if you cannot remember?

Admiral GADDIS. I would like to correct the record.

Mr. LIPSCOMB. But everything in the Navy O. & M. budget for fiscal year 1970 has in one form or another been funded in the past?

Admiral GADDIS. Yes, sir.

(Clerk's note: Admiral Gaddis' answer was corrected to read:)

The new programs are oil pollution technology, $1.5 million; weapon system file, $2.9 million; naval readiness analysis system, $0.3 million, and Project Value, $0.3 million.

Admiral SHIFLEY. I would like to make one comment, Mr. Chairman, if I may. Of course, we have had price increases in the cost of everything in the United States and I suppose in the whole world, it has gone up from fiscal 1969 to fiscal 1970. Although we are asking for the same amount of money in fiscal year 1970, on a comparative basis this buys less than it would have bought in 1969. Therefore, I think overall there is some reduction in what we are asking for in 1970.

Mr. WHITTEN. In terms of purchasing power, I have to acknowledge that that is true, but when you initiate new programs or are getting off into new activities, you further reduce your regular activities?

Admiral SHIFLEY. Yes, sir.

Mr. WHITTEN. So inflation hits you to some degree but you are also shifting emphasis. What increase do you have in here for the automatic data processing equipment? What increase do you have in that area?

Captain OLLER. Approximately $9 million for increased rental of data processing equipment and maintenance thereof.

BUDGET REVIEW PROCESS

Mr. WHITTEN. The committee will be faced with deciding what to recommend or what action to take. Let us go briefly into the way this budget was prepared. How much review has this budget that you submitted to us, the original budget, how much relief has it had? It starts with you, then it goes to the Department of Defense and then on to the Bureau of the Budget? Or do you go directly to the Bureau of the Budget and then come back to the Department of Defense? How do you handle it?

Admiral SHIFLEY. It is submitted to the Department of Defense and the Department of Defense submits it to the Bureau of the Budget, sir. The Navy does not submit it directly to the Bureau of the Budget.

Mr. WHITTEN. Then when the budget comes back, you meet with the Department of Defense in case the Budget Bureau scales down the total amount. You work out a list of decreases and increases.

Admiral SHIFLEY. Yes, sir.

Mr. WHITTEN. Do you feel this review has been such that further adjustments might be in line? Particularly since you have lived all right with the reductions required by the Revenue and Expenditure Control Act in the current fiscal year, why is it that you could not live on that reduced amount in the coming year?

Admiral SHIFLEY. We think the amount in the present request is pretty tight, sir. I do not know of any amounts over and above those the President has recently submitted to the Congress and to which I am not testifying today. Again, let me say we fully support the reduced request that the President has just sent forward.

(Clerks note: The Navy subsequently provided the following additional information for the record.)

In spite of inflation and a functional transfer from the R.D.T. & E. appropriation of over $50 million our fiscal year 1970 request is for exactly the reduced amount the Congress provided in the current fiscal year. When the President's amendment is received, it will indicate that we propose to live in fiscal year 1970 with slightly less than the reduced amount.

MANAGEMENT IMPROVEMENTS TO INCREASE EFFICIENCY

Mr. WHITTEN. Has the Navy initiated any management or other improvements which will improve efficiency in the "Operation and maintenance" funds and which would generally contribute to reduction in the amounts being requested? For example, has the Navy eliminated any of the unnecessary communications system that we discussed last year or improved their management of automatic data processing projects?

Captain OLLER. In the area of automatic data processing, we are increasing our expenditures. However, we feel at the same time by giving more management attention to data processing, we can get more for our money.

Mr. WHITTEN. In other words, we never save any money. We just get more for it? Is that the way it works?

Captain OLLER. I do not think that is completely correct, sir. I do think there are savings. There are areas in data processing where the machines can save money.

Mr. WHITTEN. Where do these savings show up, or are you just getting a lot of extra information which is of doubtful value? You think there ought to be some savings. I do, too. I am trying to find out whether they can be identified.

Captain OLLER. Offhand, sir, I would say the savings are not recognizable because we are doing more all the time. For example, as we buy more supplies for the fleet, we are doing it for approximately the same price by using data processing.

Mr. WHITTEN. I have the feeling that we have been doing a whole lot of talking and asking lots of questions and getting answers, but we are not getting very far in making a record to justify this request. We are reducing activities, we are reducing Southeast Asia, but now I am told what we are really doing is supplying the fleet with a whole lot more than we ever did, and any savings we have made by handling management on a better basis are being absorbed by the fact that we are furnishing more to them at a time when we are supposed to be cutting back.

Captain MCHENRY. I am Captain McHenry, from the Supply Systems Command.

On this matter of ADP, knowing the congressional interest in it, and knowing that the Supply Systems Command is a large part of the Navy's overall O. & M.N., ADP bill, I have gone back, looking at our overall civilian employment and the specific workload at two of our key fleet support activities, the Naval Supply Center in Norfolk and the Naval Supply Center in Oakland. I find, going back to 1956, for example, at Norfolk and Oakland we were employing in the neighborhood of 12,000 people. In the case of Oakland, I am going to end up this fiscal year with 3,728 people, and that compares with 6,458 in 1956. But Norfolk, in 1956 we had 5,813 people. We are going to end up this fiscal year with 3,948 people.

Workload at both of those activities—when I speak of workload at the supply centers, I am talking of the number of items we are issuing to the fleet, the number of items that we have in the warehouses that we have to preserve, maintain, and inventory—is actually on the increase. It has been increasing. Yet I look at the people level and I look at the fact that we are into this computer business very heavily, and I can, in fact, attribute some of those savings to the use of computers.

I have been talking of the quantitative workload. I could also say—and here I would have to get some specific figures, but in the qualitative aspect of our business, in other words, how fast are we able to respond to fleet requests within a 24-hour basis if it is a high-priority item, how fast are we able to process material from the receiving floor onto the stock records—there again the computer is providing us the capability of doing things in a much faster timeframe in support of the fleet.

Mr. WHITTEN. Thank you for speaking up, captain. Your figures are very significant. It leaves us still with the question, however, as to where the savings show up.

BUDGET REDUCTIONS RESULTING FROM INCREASED EFFICIENCY

We will be getting to civilian personnel momentarily, when we get through with this subject matter. Where does the saving in reduced personnel show up in the budget? That is the primary question I have.

We now have evidence that it is there, but where? Does anybody care to answer that?

Admiral GADDIS. I do not think you will find it showing up in a specific line item, sir. It is a development from time to time, and is reflected in the general support levels of both the active fleet and the shore station operations.

EFFECT OF INFLATION ON BUDGETARY REQUIREMENTS

Mr. WHITTEN. Of course, there is one question that crosses my mind. I do not mean to be argumentative about it. I am aware of the inflationary trend. This is leading the witness, but I ask you, does this type of thing enable you to meet your existing levels, notwithstanding the decreased purchasing power of the dollar? Is that one of the ways in which you absorb it?

Admiral GADDIS. This is one of the ways it happens in across-the-board items, sir. As you will recall, Admiral Shifley talked to our dollar level this year being the same as the dollar level after Project 693 last year. Yet, with functional transfers into the account of well over $50 million and with the inflationary effect year to year for which I do not know the exact figure—I have heard everything from 5 percent down to 2½ percent, sir—in real capability, then, this budget is significantly less in 1970 than for 1969.

Mr. WHITTEN. Thank you, admiral.

PROJECT MEND

Mr. LIPSCOMB. Admiral last year in the committee report and by action of the Congress, money was deleted for grant aid to medical schools, the so-called MEND program.

Admiral SHIFLEY. Yes, sir.

Mr. LIPSCOMB. There was a request in the 1970 budget to go ahead with the medical program again this year, and at an increased level, $1.5 million.

Under the new budget, that has been deleted, I understand.

Admiral SHIFLEY. Yes, sir.

Mr. LIPSCOMB. What assurance can we have now that the MEND program will not be reinstated in fiscal year 1970? Is this sure now?

Admiral SHIFLEY. Mr. Lipscomb, in this day and age, I would not like to make any guarantee, because, first of all, the Navy does not really have control over this budget and what goes into it, and specifically this program. The MEND program is a DOD-wide program which the Secretary of Defense directed the Navy to fund. Isn't this a fact, Admiral Davis.

Admiral DAVIS. Yes.

Mr. LIPSCOMB. But it is out of the budget now.

Admiral SHIFLEY. It is out of the budget.

Mr. LIPSCOMB. As far as you can say at this moment, the MEND program will not be reinstated?

Admiral SHIFLEY. That is correct.

Mr. LIPSCOMB. Unless further regulations or orders, or whatever, may reinstate it.

Admiral SHIFLEY. Yes, sir. I would think the chances of its getting back into the program or being funded are very slim.

USE OF RECAPTURED MEND FUNDS

Mr. LIPSCOMB. According to an audit report which was before the committee last year, there were certain reserve funds that had been allocated in previous years in the hands of the schools participating in the program. They still had some reserve funds. Could we have an up-to-date report as to the amount of funds as of the beginning of fiscal year 1969, and the reserve funds estimated to be on hand in fiscal year 1970?

Admiral DAVIS. Yes, sir. If I remember correctly, there were $638,000 remaining in the reserve fund when this program was cut off in 1968.

Mr. HICKEY. All unused funds were withdrawn. The only funds that were spent in fiscal year 1969 were the funds to clean up the 1968 program.

Mr. LIPSCOMB. The schools participating in the program did submit to you the reserve funds which they had on hand? You recaptured all of it?

Mr. HICKEY. Yes, sir.

Mr. LIPSCOMB. What did you do with the recaptured funds?

Mr. HICKEY. They went into unobligated balances, and in some cases there have been deficiencies; for example, in Medicare.

Mr. LIPSCOMB. Was there a reprograming action taken?

Mr. HICKEY. I do not believe it was considered a reprograming action, sir. It was done after June 30.

Admiral GADDIS. I think it would be a reprograming legally, sir, but it was below threshold and would show up nowhere except on the DD 1416 total. It would not require a reprograming action.

Mr. LIPSCOMB. So, with the figures before us now, the Navy recaptured approximately $638,000?

Mr. HICKEY. I would want to verify that.

Mr. LIPSCOMB. You may correct the figure, but basically it is in that area. Then the Navy took those recaptured funds and reapplied them someplace within the medical account?

Mr. HICKEY. That is correct.

Mr. LIPSCOMB. Is this the usual procedure?

Admiral GADDIS. Where you have assets within a budget activity and an overrun in another part of the same budget activity, reprograming is indicated. If that reprograming, as in this case, is of the order of magnitude of $600,000 or $700,000, this is below threshold unless specific congressional interest has been indicated, sir.

Were we reprograming into the MEND program which this committee opposed, it would have been considered a matter of congressional interest and it would have had to come to the Hill.

Mr. LIPSCOMB. I consider it of congressional interest because, even though it might be considered a relatively small account, it indicates that you reapplied this to a program that you considered underfunded last year.

Admiral GADDIS. Yes, sir, along with other moneys as well, sir, for that program.

Mr. LIPSCOMB. There is no place that this type of action shows up except internally within the Department of the Navy, I would assume.

Admiral GADDIS. It should be reflected in the DD 1416 report of programs to the Congress for the last half year, dated December 31, 1968.

Mr. HICKEY. I am not sure that this figure of $600,000 is right. I do not know the precise figure now, but my recollection is that it was much less than that. As I indicated, I would like to provide the exact figure for the record.

Mr. LIPSCOMB. Are you sure it was recaptured?

Mr. HICKEY. I know the MEND coordinator initiated a program to recapture it.

Mr. LIPSCOMB. It can be straightened out in the record, but I do think it ought to be spelled out. The amount of money in comparison to the total budget is relatively small. However, I would like a full explanation of it.

For instance, one of the papers before this committee on the MEND program shows that the coordinator distributed a number of pamphlets last year. Do you suppose that the recaptured funds could have been used for the purchasing of printing?

Mr. HICKEY. I think you will find these publications were on hand out of 1968 funds. I will clarify it for the record.

(The information follows:)

Unexpected balances prior to fiscal year 1967 totaling $106,921.92 have been recaptured. As of March 31, 1969, there was an outstanding balance of $25,406.18 at eight schools of fiscal year 1967 program funds. As of the same date there was an outstanding balance of $104,847.27 of fiscal year 1968 program funds at 40 schools.

These balances exist only because final contract settlement has not been achieved. The funds are not available to the schools for other than valid expenses incurred in connection with fiscal year 1967, and fiscal year 1968 programs. Dependent on final settlement some part of the outstanding balances will be recaptured. A program to achieve final contract settlement as soon as possible has been initiated.

A pamphlet entitled "The Treatment of Mass Civilian Casualties in a National Emergency" was distributed to the medical schools during the latter part of calendar year 1968. The cost of the pamphlet was $2,736.74 and was charged to printing funds available to the Bureau of Medicine and Surgery.

Mr. LIPSCOMB. I hope it is clear at this point without any further action by the DOD that the MEND program is out of the 1970 Department of Defense Budget request.

Admiral SHIFLEY. Yes, sir.

Mr. LIPSCOMB. This is not easily understood. When the Congress takes an action and it is fully understood that the program had not been operating up to expectations, and then it shows up a year later, I do not understand this.

Admiral DAVIS. Mr. Lipcomb, first, I would like to correct the figure which I gave earlier on the MEND balances left at the schools. The figure I mentioned was the level of funding proposed in fiscal year 1969 before the program was curtailed. We were directed by OSD to reinstate this program. This had been deleted from the Navy budget. This program, as you may very well know, has received a considerable amount of interest from the medical schools and from the American Medical Association.

Mr. LIPSCOMB. On the surface, it looks like a good program, but when we dig into this MEND program in depth and find it certainly does not have many of the expectations that might appear on the sur-

face. Apparently you feel we are putting the heat in the wrong quarters at the present time.

Admiral SHIFLEY. I would like to say, sir, this is the President's budget that is before you, sir, and we support the budget that he sent over here. We also, at the same time, are very sensitive to the views of the Congress.

Mr. LIPSCOMB. You ought to have insisted the former Secretary of Defense put it in his budget and leave the Navy out of it.

Admiral SHIFLEY. Mr. Lipscomb, I do not know how to do that.

Admiral GADDIS. We asked specifically that, sir.

Admiral DAVIS. May I speak off the record?

Mr. WHITTEN. Admiral Davis off the record.

(Off the record.)

GAO REPORT ON PROJECT MEND

Mr. LIPSCOMB. Did you have a chance to read the audit report?

Admiral DAVIS. Yes, sir.

Mr. LIPSCOMB. Did the application of the funds that were given disturb you at all?

Admiral DAVIS. It did, indeed. There were some abuses of this. I think if you really made some detailed inspection of what some of these applications were, such as buying bicycles and a Jeep and things of this sort, they were used for disaster casualty drills.

Under the new arrangement, the National Research Council was asked to look into this particular situation, and I believe that their report substantiated the fact that the MEND was really basically a pretty good program.

Mr. LIPSCOMB. One of the things that came to my attention on this program just now was the fact that the justification that was written to support the program—I assume it came from the Navy—although justifying the program, did not once mention that there would be certain administrative changes, or updating, or a look at improving the administration of the program. All there was was a justification of this program for which they wanted a million and a half dollars.

Admiral DAVIS. I do not know whether we wrote that or not.

(Clerk's note: The Navy subsequently provided the following additional information for the record.)

When the program was discontinued, OSD asked the National Research Council to reevaluate the program in full light of GAO's report and the program's overall worth. While the official report is not available, the National Research Council has indicated that in their opinion, it was a good program, worthy of continuation and offering a potential unavailable in any other program. They too acknowledged certain fiscal discrepancies found by GAO and are in the process of making some hard and fast guidelines for responsible fiscal management and careful evaluation of each medical school's program patterned after the type projects evaluated and funded through NIH's programs. The reinsertion of the program in the original budget was not to do something against Congress' wishes, but hopefully to ask Congress to reevaluate the great potential in this program.

Mr. LIPSCOMB. There are four sheets before the committee, and not on one of those four sheets is this mentioned.

Admiral DAVIS. One of the reasons may be that the Deputy Assistant Secretary of Defense for Health and Manpower wanted to come and testify to this himself.

(Clerks note: The Navy subsequently provided the following additional information for the record.)

Had the Secretary appeared, he would have assured the committee that during the past year all of the deficiencies that had been cited concerning the management of the MEND program had been corrected. The major management change, which was reflected in one of the four sheets submitted to the committee, was the change in contracting procedure which in itself substantially increased the control over the program. The change in contractual procedures would insure a program which met the objectives of the MEND program and reduced the latitude at each school in its conduct of the program.

In addition, new guidelines had been developed for each medical school participating in the MEND program which specifically spelled out those areas consdered within the objectives of the MEND program. All activities at the schools, be it travel, visiting lecturers, or curriculum content, had to fall within these written guidelines. This in itself was recognized by the National Academy of Sciences-National Research Council in its report on the evaluaton of the MEND program. The independent review by the National Academy of Sciences unanimously approved the objectve of the MEND program and recommended its continuance and recognized the contribution to medical education that would be derived from the improved management procedures.

Without a funded program in fiscal year 1969, it was impossible to demonstrate these changes due to the absence of a program. Had a 1970 program been approved, these changes would have been instituted beginning with the fiscal year 1970 contracts.

Mr. LIPSCOMB. I just might suggest, with all of the public information funds that are available to the Navy, and with the number of medical people who travel around the country from the Navy, certainly your contacts must be or can be very extensive with medical schools.

Thank you, Mr. Chairman.

INACTIVATION OF SHIPS IN 1969

Admiral SHIFLEY. Mr. Chairman, I would like to correct some previous testimony.

A few moments ago we had some discussion about the 55 ships that were inactivated. Actually, the decrease in ships in fiscal year 1969 to 1970 was only 11 ships. We came down from 906 in 1969 to 895 in 1970. This consisted of 55 ships that were coming into the fleet, and there were 66 older ships that were inactivated and went out, sir, for a net decrease of 11.

Mr. DAVIS. As I understand it, you did deactivate 55 ships as a result of either the Revenue and Expenditure Control Act or else because of the action of this subcommittee. It is just pure coincidence that that 55 happens to match up with those that are expected to join the fleet, is it?

Admiral SHIFLEY. There may have been 55. I do not think the figure was that high as a result of the Revenue and Expenditure Control Act. It could be that was a coincidence, but I do not believe so. That figure sounds high for what happened at that particular time, sir.

Mr. DAVIS. I thought that figure was mentioned here earlier this morning.

Admiral GADDIS. The actual number, sir, was initially 50 ships, 2 ASW air groups and 1 SP 2 squadron resulting from 693 actions. Subsequently, three additional ships were selected for inactivation for reasons relating to manning and one deleted from the listing as having already been designated for inactivation. Thus, in terms of total ships, 52 were inactivated at the time of implementation of the 693 actions

instead of the 50 ships originally announced. Some of those were early releases in anticipation of new ships coming into the inventory in 1970, in order to save operating costs in 1969.

Others replaced Naval Reserve training ships, which in turn went out of the inventory. And still others were reductions which are included in the total net difference of 26 between ship inventory increases and decreases occuring in fiscal year 1969.

Mr. WHITTEN. This is what led to the series of questions. I have before me a few news releases . I will read from the release of August 7. It is headed "News Release, Office of Assistant Secretary of Defense (Public Affairs), Washington, D.C. 20301." You will please note the date. The number of the release is 739-68.

The caption reads:

Defense Plans Reductions to Comply With Revenue and Expenditure Control Act of 1968.

It then goes on to state:

The Revenue and Expenditure Control Act of 1968, signed into law on June 28, 1968, required the President to reduce Federal expenditures in fiscal year 1969 by $6 billion, and new obligational authority by $10 billion.

In order to meet the limitations enacted by the Congress, the Defense Department is proceeding with plans to reduce expenditures in fiscal year 1969 by up to $3 billion and new obligational authority by up to $5 billion.

Further down on the same page, quoting:

The first major action taken under this program was the decision not to complete the activation of the 6th Infantry Division, announced last month. Another major action in this program, the inactivation of 50 Navy ships and eight Naval air squadrons, is being announced today.

Then on August 7 you have a similar announcement.

Then a letter of August 9 from Captain Seymour to the staff, subject: "Cost breakdown of ship and aircraft deactivations." Quoting from the letter:

In response to your request, the following is an appropriation breakdown of the reductions resulting from the ship and aircraft deactivations recently announced.

[Dollars in millions]

Military pay, Navy	42.6
Operation and maintenance, Navy	68.5
Other procurement, Navy	6.9

Throughout all of this, the Navy, through the Defense Department, is stating that it is meeting the requirements of that law as is shown by the news release by the Associated Press, New York Times, Thursday, August 8, in which it says: "50 Ships in Navy to be Inactivated."

From your statement, it looks like you might have been pulling our leg and the public's leg indicating you had done a whole lot to live up to the law when you did not say you were putting in approximately as many ships as you were taking out. I believe you said there was a difference of 11.

Admiral SHIFLEY. As Admiral Gaddis indicated, I believe a good deal of the savings in expenditures came from inactivating early ships that would have been inactivated later in the next fiscal year.

(CLERK'S NOTE.—The Navy subsequently provided the following additional information for the record.)

Ship inventory reconciliation—fiscal year 1969 and fiscal year 1970

	Ships
Fiscal year 1969 President's Budget:	
End Year fiscal year 1968 (planned)	935
Increases	66
Total	1,001
Decreases	41
End Year fiscal year 1969 (planned)	960
Fiscal year 1969 Enacted Budget (POST Public Law 90-364):	
End Year fiscal year 1968 (actual)	932
Increases	60
Total	992
Decreases	86
End Year fiscal year 1969 (planned)	906

The planned ship inventory for end year fiscal year 1969 of 906 reflects the reduction of 52 ships taken under the Revenue and Expenditure Control Act of 1968.

	Ships
Fiscal year 1970 President's Budget:	
End Year fiscal year 1969 (planned)	906
Increases	55
Total	961
Decreases	66
End Year fiscal year 1970 (planned)	895

CHANGES IN COMMUNICATIONS REQUIREMENTS

Mr. WHITTEN. One further question in line with what I asked you earlier. Last year the committee took some exception to the unnecessary communications systems which the Navy was operating. Have you eliminated any communications activities during the present fiscal year?

Admiral SHIFLEY. No, sir.

Have you some information there?

Admiral GADDIS. I have some information here, sir, on our communications program for 1970 relative to 1969. There are both increases and decreases. The net change is an increase of $2.2 million from $121.2 million to $123.4 million in the entire Navy communications establishment, O. & M., Navy, covering budget activities 2 and 6 but excluding the Naval Security Group.

The major increases and decreases are an increase in station operating costs, principally related to the increased operating costs of satellite ground terminals at the Navy Communications Station, Honolulu, Guam, and Harold E. Holt, Australia, which used to be called Northwest Cape.

Mr. WHITTEN. Looking at your justification sheets that were supplied the committee back in January, I note you list servicewide communications as carrying an increase of some $8,735,000. The estimate for 1969 is $133,032,000. The 1970 estimate is $141,767,000. How do you reconcile those figures given to this committee in January with the figures you just related to us?

Admiral GADDIS. The data in the back speaks only to budget activity 6, servicewide operations, servicewide communications. I was including

in my figures also budget activity 2, principally the installation of communications equipment, which is a significant minus in 1970 versus 1969, sir.

Mr. WHITTEN. But you included the two?

Admiral GADDIS. Yes, sir. This is how I was going to detail the increases and the decreases.

Mr. WHITTEN. If I understood your figures, you are in the neighborhood of $120 million to $122 million. The last 2 years' figures are considerably higher than that.

Admiral GADDIS. I admit I have difficulty reconciling the two levels. It is obvious that I was speaking to a different level of coverage.

Mr. WHITTEN. What are the facts with regard to servicewide communications, where the tables before us show a request for an increase of $8,735,000?

Admiral SHIFLEY. Mr. Chairman, we did not expect to get down to budget activity 6 this morning, and I do not have my communications backup witness here this morning. I wonder if we might hold that question until a later session when I will have a communications backup witness.

Mr. WHITTEN. You had better bring him a chair.

Admiral SHIFLEY. We probably will have to do that.

Mr. WHITTEN. It is hard to conceive that you forgot anybody.

Admiral SHIFLEY. We did not forget them, sir.

Mr. WHITTEN. Are there any further questions on general activities?

Mr. LIPSCOMB. No further questions.

Mr. WHITTEN. Mr. Rhodes, have you any questions on general activities?

NAVY BASE AT ROTA, SPAIN

Mr. RHODES. I have some questions which I think probably would come at this point. My question has to do with the Spanish bases. Mr. Lipscomb and I were at Rota in December or late November. We were very much impressed with the type of facility it is and the work which is being done there in maintenance and overhaul.

My question has to do with the attitude of the Navy toward the retention of Rota as a base. What are your desires along those lines?

Admiral SHIFLEY. We think the retention of the base at Rota is quite important to the continuation of our operations. I am sure you were well briefed on the kind of operations they conduct there and the forces they support. We think that is the most effective and efficient way to provide that support, sir.

Mr. RHODES. If that type of support had to be provided somewhere in the Continental United States or perhaps at another base farther to the west, would it be quite a bit more expensive?

Admiral SHIFLEY. Yes, sir.

Mr. RHODES. And less efficient as far as the operating level of the fleet is concerned?

Admiral SHIFLEY. It would, indeed, sir.

Mr. RHODES. I felt that way. The briefing I got at Rota convinced me this was a most important base, ———

Admiral SHIFLEY. Yes, sir; it will.

Mr. RHODES. Do you consider Rota adequately financed in this budget?

Admiral SHIFLEY. Yes, sir.
Mr. RHODES. Thank you.

CIVILIAN EMPLOYMENT

INCREASES IN CIVILIAN EMPLOYMENT

Mr. WHITTEN. We turn now, Admiral, to "Civilian employees."
We note in the justification book that the average civilian employee strength will increase during fiscal year 1970 by 979 positions, and the end strength will increase by 1,164. Taking into consideration increases and decreases in civilian employment, what will be the total increase in civilian employees during fiscal year 1970?

Admiral SHIFLEY. Admiral Gaddis, do you want to take that?

Admiral GADDIS. The total increase in the January President's budget of 1970 over 1969 in this appropriation is 1,146 employees. There is a reduction projected in the budget amendment which will make this a net decrease, sir.

Mr. WHITTEN. We have had the same problem all year. We have had to be pretty shifty. Admiral Shifley said a while ago that he backs the President's budget, and I thought of asking him which one. It is difficult to justify the one in front of you, knowing that next week you have to come back with changed thinking in line with the new recommendations.

Admiral GADDIS. Mr. Chairman, I support both of them.

Mr. WHITTEN. That means you might be right both times.

Mr. LIPSCOMB. At the same time, the new Secretary of Defense has given you liberty to speak out before the committee this year.

Admiral GADDIS. Yes, sir.

Mr. LIPSCOMB. In fact, the restrictions that you have been held to in the past have been considerably liberalized.

Admiral SHIFLEY. I have always felt that I not only had the right but was obligated to answer any questions that were asked of me here, sir. As far as I am concerned, this has not changed. I have always been perfectly willing to answer the questions that were presented to me, and I continue that way, sir.

Mr. WHITTEN. What are these new employees? I notice most of them are listed for Southeast Asia support or Pacific Fleet. I would like you to list for the record the activities.

(The information follows:)

Activities requiring additional manpower in fiscal year 1970

Activity	*Additional employees*
Naval Intelligence Command (includes conversion of 968 contract agents to civil service)	1,232
Naval Communications Command	191
Oceanographer of the Navy	209
Navy Comptroller and Bureau of Naval Personnel (Joint Uniform Military Navy System)	441
CINCPACFLEET (Southeast Asia)	1,164
Naval Security Group Command	73
Naval Audit Service	64
Naval Academy	37
Miscellaneous	45
Reduction for increased productivity	—2,310
Total employment change	1,146

Mr. WHITTEN. Generally speaking, what are the increases?

Admiral GADDIS. In general, sir, the Southeast Asia support represents an increase of 1,034 in the Southeast Asia theater, consisting principally of an increase of 798 at the Navy support activity, Danang; 114 at the Navy Supply Depot, Subic; 100 at the Naval Air Facility, Cam Ranh Bay; and a few additional other activities.

Mr. WHITTEN. According to our figures, your total increase is 3,456, of which 1,164 are in the Southeast Asia area. Where are the others?

While you are looking for that, Amiral, we probably will have to start testifying on this side of the table. According to the information supplied to us by your own Department, you have 1,232 additional for Naval Intelligence Command, primarily related to the conversion of NIS agents; (191) additional for Naval Communications Command; 209 for oceanography; 441 for the joint uniform military pay system; 74 for cryptological support; and then, of course, 1,164 for Southeast Asia support.

Admiral GADDIS. I thought you asked specifically for Southeast Asia.

Mr. WHITTEN. I did earlier, but I came back to the larger figure.

Admiral GADDIS. I have that same data; yes, sir.

ADDITIONAL EMPLOYEES FOR INTELLIGENCE OPERATIONS

Mr. WHITTEN. We also made some inquiry about intelligence. I do not know that I have ever seen any area in which there is so little coordination or organization than in the area of intelligence.

It strikes me that we have Navy Intelligence, Army Intelligence, Air Force Intelligence, the Central Intelligence Agency, and then when we had this debacle in Cuba we had Defense Intelligence on top of all the rest.

How do you go about getting anything that you can count on out of that many duplicating agencies, all gathering information? Why do you need these new people? To find out what the others are doing?

Admiral GADDIS. I would note, sir, that the 968 of the total for the Navy Intelligence Command really represents a transfer in the means of handling the investigative personnel which are in the 1969 budget as contract employees under the "Contingencies of the Navy" line item, another budget program within this budget activity. In the 1970 budget they have been converted to direct-hire civil service, sir. So that number is merely a transfer and not an increase in numbers.

Mr. WHITTEN. Under what heading have these people been carried?

Admiral GADDIS. Under the "Contingencies of the Navy" classification in budget activity 6.

Mr. WHITTEN. How many contracts are you canceling out in order to take on this activity directly as against contract?

Admiral GADDIS. This is not a contract, but contract employees, sir, whose status is being shifted to civil service.

Mr. WHITTEN. In other words, they have been working directly for you, but to avoid limitations in pay they have been doing it under contract heretofore.

Admiral GADDIS. Yes, sir; previously there had been restrictions as to their employment under civil service for this investigative function. That has disappeared, and they are now civil service employees in 1970.

Mr. WHITTEN. That would indicate, from your answer, that it is just a shift from one title to another.

INCREASED FUNDS FOR NAVAL INTELLIGENCE

In intelligence, I notice you are requesting an increase of $15.707 million in 1970 under the name "Naval Intelligence."

Admiral GADDIS. $11.8 million of that change is the money to pay for the 968 security investigators, sir.

Mr. WHITTEN. They have been under Intelligence, and now they are again under Intelligence but they are handled differently. How does that result in this increase of $15 million? It strikes me if you were changing from one activity to the other, you would at least hold your own or even reduce costs, but the figures show you are greatly increasing costs by this method.

Admiral GADDIS. The $11.8 million also shows up in budget activity 6 as a minus in this budget, sir. So, the net increase is the difference between the $15.6 million and the $11.8 million, or $3.8 million.

Mr. WHITTEN. What is the justification for that increase?

Admiral GADDIS. The largest item of that increase, sir—possibly the Director of Naval Intelligence can speak to it later when he is present in the room—is related to an intelligence data handling system at three facilities which is planned in order to collate, coordinate, and speed up intelligence data handling.

RELATIONSHIP OF NAVAL INTELLIGENCE TO OTHER INTELLIGENCE OPERATIONS

Mr. WHITTEN. We will get into intelligence later, but how does your Naval Intelligence fit in the intelligence community? I know you have intelligence officers here, there, and yonder, as does the Air Force. How does this intelligence work so far as its relationship with the other two services and with CIA and Defense Intelligence?

Admiral SHIFLEY. May I speak to that, sir?

Mr. WHITTEN. I am just talking about generally. We will talk to the intelligence officer later.

Admiral SHIFLEY. Generally, I would say the Navy is concerned with gathering intelligence of particular concern to the Navy and naval operations. The other services are primarily concerned with collecting intelligence of direct concern to them. Certainly there are overlaps in this intelligence. There is an exchange of intelligence between the services and, of course, we have the Defense Intelligence Agency that does some coordination.

Mr. WHITTEN. Admiral, I cannot help but believe, from this side of the table, that there is overlapping. When I learn of certain things that happen to us in the way of intelligence not getting through and information going to the wrong place, I wonder whether we may have entered into a lot of fact gathering and we are on the hook with a lot of things just because we started it we are trying to keep it up. We are gathering a lot of information that is of relatively little immediate or present day value.

Admiral GADDIS. I am sure there are overlaps, Mr. Whitten. I think the additional point is that Naval Intelligence is tasked additionally for providing ocean and pure naval force intelligence to the Defense Intelligence Agency that DIA does not collect for themselves but the task services to collect in their specific areas.

Mr. WHITTEN. It was testified last year that as you or the Army or Central Intelligence gather the information, it was sent to Defense Intelligence which produced intelligence. That is a phrase which struck me. But it took about 8 days for Defense Intelligence to get around to analyze it to the point that they had 517 linear feet that they had not gotten around to.

You may be gathering information that is vital to you, but if Defense Intelligence is that far behind and there were 517 linear feet that they have not gotten to, it strikes me that somebody is sending them information that they do not have very much regard for or use for or they would not be so far behind with it.

How does this work in the Navy?

INTELLIGENCE DATA HANDLING SYSTEM

Admiral GADDIS. The intelligence data handling system is designed to speed up the handling of intelligence within the Navy and to provide that which we need immediately. I am sure the Director of Naval Intelligence will want to speak in detail to it when he is up later on budget activity 6.

Admiral SHIFLEY. Mr. Chairman, Captain Myers, from the Office of Naval Intelligence, is in the room, and I think is available to answer any specific questions you may have that you would like to ask at this time.

Mr. WHITTEN. We will get to intelligence later. I really got into it here because there was an increase in personnel. We will wait until later to go further into the subject.

JOINT UNIFORM MILITARY PAY SYSTEM

I notice that you have 441 additional employees for the joint uniform military pay system. Why cannot the people now associated with the military pay accounting system of the Navy be used to carry out the requirements of the JUMPS project?

Admiral SHIFLEY. Admiral Wheeler, will you talk to that?

Admiral WHEELER. I am Admiral Wheeler, Mr. Chairman.

The joint uniform military pay system has been under development throughout OSD for some years now. The increased personnel requirement next year is a reflection of this continuing program which will eventually bring about the centralization and automation of military pay and implementation of the program within the Navy, principally at Cleveland, where we are centralizing.

Essentially, the reason we have additional requirements in the Navy is for personnel to operate the machinery, funds for the machinery itself, skilled specialities are required for the programing and implementation of a very complex centralized personnel and military pay operation. We cannot concentrate at Cleveland sufficient numbers of our people currently performing these functions because we have a continuing decentralized system with field disbursing functions spread among 800 ships and 23 widely dispersed Navy finance offices. The very nature of the ship-oriented Navy and the proliferation of its forces precludes the concentration of all of these people in one place.

So, when we actually concentrate the pay records and the computation of the pay into a centralized mechanized system, it requires people to operate the central activity. This essentially is the reason for the increase in our personnel request for JUMPS.

Mr. WHITTEN. Thank you, Admiral.

NAVAL COMMUNICATIONS COMMAND

Why are you asking for an additional 191 employees for the Naval Communications Command?

Admiral GADDIS. The additional 191 employees for the Naval Communications Command is for an increase in the AUTODIN program. This is the Navy's share of the joint Department of Defense AUTODIN. Also for a new station in Puerto Rico which will open in fiscal 1970, for the Defense Communications System quality control, the Navy portion, and for additional support for the cryptologic program.

Mr. WHITTEN. I thought this was largely automatic. It is pretty hard to see how you need 191 additional employees for one location.

Admiral GADDIS. It is my understanding, sir, subject to correction when Admiral Fitzpatrick is here, that the 191 increase is for the total of the three separate things—an increase in AUTODIN support, the manning of the Isabella station in Puerto Rico, and for the quality control function within the entire Naval Communications Command.

Mr. WHITTEN. You mention cryptology. I understood Intelligence handled that. Are you trying to get your folks to learn something about it from intelligence officers?

Admiral GADDIS. No, sir. The communications part of the cryptological program is under the Naval Security Group Command, sir.

Mr. WHITTEN. How does Intelligence fit into that?

Admiral GADDIS. Intelligence receives the intercept information, evaluates and utilizes it in the intelligence community, but the actual job of manning and managing the signal intelligence stations is under the Naval Security Group Command, sir.

Mr. WHITTEN. Was that true at the time we had these mixed-up messages with regard to the *Liberty* and the *Pueblo*?

Admiral GADDIS. Yes, sir.

Mr. WHITTEN. Did you ever fix the responsibility in those cases?

Admiral GADDIS. I am not in the channels by which this is established. Possibly someone else could speak to that.

Admiral SHIFLEY. It is my understanding a determination was made as to who was responsible for the errors in communications in the *Liberty* case; yes, sir.

Mr. WHITTEN. One of the most disturbing things about that was the fact that we did not have any system to find out that the message was not received. We sent a message out but did not have any idea in the world as to whether it was received at the other end.

Have you any awareness or any knowledge of that?

Admiral SHIFLEY. I have no personal knowledge of that, sir.

RESOURCE MANAGEMENT PROGRAM

Mr. WHITTEN. How many additional civilian employees does the Navy anticipate employing in fiscal year 1970 to carry out requirements for the resources management program?

Admiral WHEELER. We intend no increases in the budget over fiscal year 1969 to operate this program.

Mr. WHITTEN. I might ask what this resources management program consists of.

Admiral WHEELER. The resources management program is an OSD-directed program that was subject to considerable conversation last year.

Mr. WHITTEN. In effect, it amounts to a new accounting system?

Admiral WHEELER. Yes, sir; it is the implementation, essentially, of the President's commission report on the budget which directs implementation of accrued expenditure accounting and other financial management innovations throughout the executive branch of the Government. It is a specialized program introduced by the former Assistant Secretary of Defense (Comptroller) as a series of projects to effect actions to close the gaps in accounting, programing, budgeting, and reporting cycles.

OTHER PERSONNEL COMPENSATION

Mr. WHITTEN. What will the request for $53,974,000 for "Other personnel compensation" be used for, and how much for each category of expense?

Admiral GADDIS. The $53,974,000, sir, covers overtime and holiday pay of $30,510,000, excess day pay of $4,517,000, a night work differential of $7,200,000, an overseas differential of $6,215,000, and an "Other category" of $5,532,000, which includes such things as hardship posts, hazardous duty pay, and so forth.

YOUTH OPPORTUNITY PROGRAM

Mr. WHITTEN. Admiral, we cannot always tell what is in there when you use general terms. I guess that is always true. Is it a fact that you have the youth opportunity program planned and budgeted here, or is there a separate identification?

Admiral GADDIS. We have no dollars in the 1970 budget specifically to support the youth opportunity program.

Mr. WHITTEN. You have lots of money that is not specifically set aside for that, but subject to your doing so at your will and pleasure. Is that what you mean? I notice your answer was very much down the line. I will ask it this way so you can answer it a little more effectively: Do you contemplate and do you have any plans for the youth opportunity program at this time?

Admiral GADDIS. We would expect to participate in any youth opportunity program that is instituted in Defense or in the Government. The dollars therefor are not included in personnel ceilings, but the dollars therefor would have to come out of program dollars in the programs where these people are hired.

Mr. WHITTEN. And recognizing that, you have made allowances in your request for funds so that the money would be there, or would you contemplate coming up and asking for additional funds?

Admiral GADDIS. We have no funds justified on this basis, no, sir.

Mr. WHITTEN. I will get to where I will get the answer. How much money would be available for that purpose should you decide that you would so use it, and where would that money be?

Admiral SHIFLEY. I would like to take that. In the context in which you ask the question, sir, I do not think there would be any additional money. It would be a matter of preferential hiring of people.

Mr. WHITTEN. You say there is no money specifically included to meet that purpose. I repeat my question. I do not seem to be getting very far with it in my use of the English language. What money in here, though it may be justified for another purpose, would be available to you, should you so decide, to pay for such a program?

Admiral SHIFLEY. I would think we would have a number of things in the Navy that need be done that could be done by use of this program, as, for example, I am sure in our supply system we probably could employ some of these people.

Mr. WHITTEN. Let me ask it this way. As a matter of fact, money is justified for personnel for the purpose of carrying out certain activities. If you were to get into this youth opportunity program, you could assign them to perform the services and you could legally use a part of that money to pay them?

Admiral GADDIS. Exactly, sir, and they would be paid normally out of the funds assigned for administration of each command.

If there is not enough money in this administrative command fund budgeted for personnel hires and administration of the command, then we would have to reprogram from other programs within that command.

Mr. WHITTEN. I have recently had an inquiry, as I am sure all of us in the Congress do, from various youngsters of college age, seeking summer employment. I am advised by the regular departments that they had to make application some 5 or 6 months ago, and that it is too late now; but the Department of the Navy has not set up any such program at this time, and I presume you are not taking any applications. Am I correct in that, or do you have such a program?

Admiral GADDIS. Not to my knowledge. I will correct it for the record.

Mr. WHITTEN. I would appreciate it if you would do that.

(The information follows:)

PARTICIPATION IN YOUTH OPPORTUNITY CAMPAIGN PROGRAM

The Department of the Navy is fully committed to the 1969 Federal summer employment program for youth. As of this date I have received a secretarial directive of April 4, 1969, to all Navy and Marine Corps activities employing civilians, establishing goals for participation. Specific goals set for fiscal year 1969 are to employ a number equal to at least 4.2 percent of the regular full-time complement. Disadvantaged youth, employed under the youth opportunity campaign must comprise at least 75 percent of the quota.

No funds are included in the fiscal year 1970 estimates for the youth opportunity campaign. Other summer employees are included in the civilian manpower request as temporary employees.

Mr. WHITTEN. The committee will recess until 2 o'clock when we will consider the Army request for funds for the liquidation of contract authority, followed by a special briefing on the EC-121 shootdown.

THURSDAY, APRIL 17, 1969.

OPERATING FORCES

Mr. ANDREWS. The committee will come to order.

This morning we will consider the request for "Operating Forces" and insert in the record at this point various pages of the justification book.

(The pages follow:)

BUDGET ACTIVITY 1.—OPERATING FORCES, SUMMARY OF OBLIGATIONS

[In thousands]

Budget program	1968 actual	1969 estimate	1970 estimate	Difference 1970 compared with 1969
A. Flight operations	$242,604	$369,376	$355,543	−$13,833
B. Maintenance and operation of active fleet	422,487	441,871	407,152	−34,719
C. Active fleet ship repairs	580,947	604,294	526,280	−78,014
D. Base operations and other support	534,313	570,110	568,927	−1,183
Total direct obligations in budget document	1,780,351	1,985,651	1,857,902	−127,749

Statement relating to fiscal year 1968, 1969, and 1970 programs, Budget Activity 1: Operating Forces

[In thousands of dollars]

Fiscal year 1968 program	1,780,351
Transfer of Marine Corps station aircraft	+2,236
Transfer of aircraft consumables and spare parts from procurement appropriations	+119,300
Transfer of support for major repair and minor construction projects	+11,860
Increased cost of flight operations and supporting programs	+5,137
Increased support at naval support activities, Saigon/Danang	+30,000
Full year cost of civilian substitution program	+8,433
Full year cost of civilian pay raise; Federal Salary Act of 1967	+3,400
Federal Salary Act of 1967, Executive Order No. 11413 of June 11, 1968	+15,388
Wage board salary increase	+2,153
Increased Active Fleet ship repair	+27,666
Increased Active Fleet operation cost	+20,613
Medical and other costs in support of SEA	+1,859
Reserve Construction Battalion support	+1,500
Civilian personnel reduction consistent with Public Law 90-364	−12,919
Facilities maintenance reduction	−8,600
Transfer of dependent schooling responsibility	−1,200
Obligation definition change for supply requisitions	−11,200
Reduction in overseas activities	−867
Functional transfer of ships to R.D.T. & E., N. appropriation	−6,167
Other functional transfers	−1,470
Other decreases	−2,017
Fiscal year 1969 program	1,985,651
Full-year cost of wage board salary increase	+1,158
Real property maintenance support	+5,783
Automated data processing increase	+3,400
Assumption of fleet support from R.D.T. & E., N. appropriation	+2,650

Atlantic Fleet weapons range support	+2,400
Implementation of an underwater detection system	+1,441
Obligtaion definition change for supply requisitions	+11,200
Increased cost of foreign national master labor contract	+1,400
Messman contract costs increase	+1,792
Marine Corps air station support	+1,220
Miscellaneous station cost increases	+1,206
Anticipated reduction in Southeast Asia flight operations	−11,728
Decreased support requirements for flight operations support programs	−2,105
Reduction in overseas activities	−3,545
Reduction in civilian personnel	−7,267
Decreased ship operation costs	−34,719
Reduction in cost of Active Fleet ship overhauls	−58,728
Reduction of nonscheduled ship repairs	−19,286
Anticipated reduction in SEA support at Danang and Saigon	−24,021
Fiscal year 1970 program	1,857,902

Flight Operations, Fuels, Supplies, and Spare Parts

Mr. Andrews. We shall first discuss "Flight operations, fuels, supplies, and spare parts."

For fiscal year 1970 you are asking for an increase of $93,680,000 for aircraft operating costs over the actual obligations incurred during fiscal year 1968. Since Navy aircraft operations have been reduced considerably because of the bombing pause in Southeast Asia, why are you requesting such a large increase?

Captain Conn. Mr. Chairman, basically that increase reflects the APA migration that took place in fiscal year 1969.

Mr. Andrews. What do you mean by that?

Captain Conn. APA are the items that formerly were not charged to the operating activities. They were purchased by the procurement account. They are now chargeable in the O. & M.N. account, sir.

Effect of bombing halt on flight operations

Mr. Andrews. It is true that naval flights have been reduced considerably since the bombing pause in North Vietnam; is it not?

Captain Conn. No, sir. I would not say they have been reduced.

Mr. Andrews. Where are your aircraft operating?

Captain Conn. In Southeast Asia, sir. We had a leveling off starting in about November or December of last year which has projected through the first quarter, but we have not noticed a decrease in the actual number of flights in Southeast Asia.

Mr. Andrews. How many carriers do you have down there today?

Admiral Shifley. Sometimes two and sometimes three on the line, Mr. Chairman. We have five in the Western Pacific, and we keep two or three at Yankee Station.

Mr. Andrews. Are these aircraft operating over South Vietnam?

Admiral Shifley. Yes, sir; they are operating over South Vietnam ———.

Mr. Andrews. But not North Vietnam?

Admiral Shifley. Not North Vietnam; no, sir.

Mr. Andrews. That was the basis for this question. Since the flight activity over North Vietnam has been curtailed, why should you be asking for an increase in operating costs?

Admiral SHIFLEY. Let me say, sir; we had thought that after the bombing pause over North Vietnam the combat support requirements might drop off down there, and there would be some reduction, but the support requirements are remaining up. As a matter of fact, they are going up a little since last fall. The low spot was about in November, sir.

Mr. ANDREWS. I wish you would put something in the record about that, also.

Admiral SHIFLEY. Very well, sir.

(The information was provided to the committee and is classified.)

JUSTIFICATION OF INCREASED COST

Mr. ANDREWS. The next question is almost like the former question. Since the active fleet flying hours program will be reduced by some 136,000 hours during fiscal year 1970, why do you need an increase of $93,680,000 over the actual for 1968 for this operation?

Answer the question for the record.

(The information follows:)

The net increase of $93,680,000 over fiscal year 1968 is comprised of the following:

Fiscal year 1968 flying hour cost	$210,008,036
Fiscal year 1970 cost of material migrated from appropriation purchase account to Navy stock account	+102,802,085
Fiscal year 1970 over fiscal year 1968 flying hour reduction	−19,310,000
Change in average cost per hour of fiscal year 1970 program versus fiscal year 1968 program due to change in mix of aircraft	+10,187,315
Total	303,689,236

OPERATIONS TO BE SUPPORTED

Mr. ANDREWS. Will you supply for the record a detailed list of the operations and costs to be supported by this request for fiscal years 1968, 1969, and 1970?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

This request provides for the operations of all active fleet aircraft both land and carrier based. Forces include 4,467 average operating aircraft which are expected to fly 2.1 million flying hours. They are structured into 15 attack carrier air wings, five antisubmarine warfare carrier air groups, three marine air wings, fleet combat readiness air training wing/groups and supportng aircraft.

The costs of these operations are as follows:

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Aircraft fuel	160,214	164,597	155,693
Intermediate maintenance	49,795	150,820	147,996
Total	210,009	315,417	303,689

INCREASE IN FLIGHT OPERATION SUPPORT COSTS

Mr. ANDREWS. For flight operation support costs, you are requesting an increase of $19,259,000 over the actual obligations incurred during fiscal year 1968. Why do you require such a large increase?

Captain CONN. Once again, sir, when we are comparing fiscal year 1970 with the actual 1968 figures, the 1968 figures do not reflect the APA migrated parts which I spoke of earlier. In addition, while we have had a reduction in the combat support requirements or a leveling off, the support costs are based on the total number of forces supported. We are supporting the same number of operating aircraft, essentially, in the area, and the support costs would go up by the amount of the APA migration plus the general cost increases that we have experienced across the board, sir.

SOUTHEAST ASIA LEVEL OF OPERATIONS

Mr. ANDREWS. Since the ending of the North Vietnam bombing, have you decreased the number of aircraft in the Southeast Asia Theater?

Admiral SHIFLEY. No, sir.

Mr. ANDREWS. Is this budget based on the assumption that the war will last through fiscal year 1970?

Captain CONN. Yes, sir.

Mr. ANDREWS. Is it based on a decrease in operations?

Captain CONN. Yes, sir.

Admiral SHIFLEY. I might read you a statement which I have prepared in anticipation of such a question, Mr. Chairman.

The fiscal year 1970 budget reflects a reduction in aircraft operating costs and a decrease in ship steaming hours based on anticipated reduction in Southeast Asia combat support requirements. A review of the first 7 months of 1969 reports for the steaming hours and the flight hours program indicates a level program and not a reduced program. The steaming hours reported in the first 7 months of 1969 are 1.432 million.

Assuming no change in support requirements, these hours projected for a full year would result in a 2.460 million steaming hours for 1969. Likewise, the flying hours projected for 1969 would result in 2.3 million. If the level of combat support requirements continues into fiscal year 1970, the estimates of 2.3 million steaming hours and 2.1 million flying hours are understated by 160,000 steaming hours and 200,000 flying hours, and underfunded by $8.6 and $29.8 million, respectively.

I am saying here, sir, that we made estimates at the time this budget was prepared and which was finalized in December. We made the estimates based on the situation as we saw it then, and I am saying now that the events which have transpired since then have not corroborated our estimates at that time. They are higher than we estimated in December.

Mr. ANDREWS. Let us assume that there is a resumption of bombing of North Vietnam and a stepped-up tempo in naval aviation in Southeast Asia and carrier activity; would this budget take care of that contingency?

Admiral SHIFLEY. I would think there would not be too much change in the sums requested, sir, because, in my opinion, if we resumed bombing of North Vietnam, we would reorient our effort there. It would be a reorientation of our effort and not necessarily a quantum increase in the overall tempo.

Mr. ANDREWS. In other words, the level of activity today is about what it would be if you had North Vietnam targets instead of South Vietnam targets?

Admiral SHIFLEY. That would be my estimate of it; yes sir.

INITIAL OUTFITTING OF AIRCRAFT CARRIERS

Mr. ANDREWS. For 1970, you are asking for $26.1 million for the initial outfitting of aircraft consumable materials and repair parts on aircraft carriers. What aircraft carriers are we going to be initially outfitting during fiscal year 1970, and why will it require $26.1 million?

Captain CONN. In 1970, we will be initially outfitting the U.S.S. *Ranger*, CVA-61, which is changing from the A-7D to the A-7E aircraft; the U.S.S. *Oriskany*, which is changing from A-4F to A-7A; the U.S.S. *Enterprise*, A-7B to A-7E; U.S.S. *Kitty Hawk*, A-7A to A-7E; the U.S.S. *Bon Homme Richard*, A-4E to A-7B; U.S.S. *Hancock*, A-4E to A-4F; U.S.S. *Forrestal*, F-4B to F-4J; U.S.S. *Independence*, F-4B to F-4J; U.S.S. *Intrepid*, F-8C to F-8H, and A-4E to A-4F.

Mr. ANDREWS. That is practically the whole fleet; is it not, Captain?

Captain CONN. No, sir. That is nine out of 15 CVA's.

Mr. ANDREWS. When you change the aircraft aboard those carriers, do you have to do anything to the carriers?

Captain CONN. Generally, no, sir, other than the support equipment.

Captain MORGAN. Mr. Chairman, we have to do generally some small changes to the carriers, $30,000 or $40,000 a ship.

Mr. ANDREWS. $30,000 or $40,000 per ship?

Captain MORGAN. Yes, sir.

Mr. ANDREWS. Are you talking about supplies or repairs?

Captain MORGAN. Changes to the fittings and equipment for aircraft support are all done on board.

Mr. ANDREWS. I did not think you could do anything to a ship for $30,000. I am told you could not even fill it up with fuel for that amount.

CHANGE OF SUPPLIES WHEN CHANGING AIRCRAFT

When you are changing aircraft on a ship, why do you have to change all the supplies, if that is what you plan to do?

Captain CONN. Mr. Chairman, the aviation consolidated allowances items are what we are specifically speaking to here. These are spare parts, if you will, for that particular aircraft. Consequently, when we change from one model to another model, the parts are not all interchangeable. This allowance list increase is due to the change of those spare parts which are not interchangeable between models of aircraft.

In some cases, such as the *Oriskany*, where we are going from A-4's to A-7's, it is an entirely new aircraft. In some of the others, we are just changing from one model of the same type of aircraft to another model.

Mr. ANDREWS. You take all of the old spare parts and put them in your supply inventory?

Captain CONN. Yes, sir.

Mr. ANDREWS. But you do have to have new spare parts for the new aircraft.

Captain CONN. Yes, sir.

Mr. ANDREWS. That is the bulk of this request, the $26.1 million?

Captain CONN. Yes, sir.

Mr. ANDREWS. You say there is about $30,000 or $40,000 of other expenses?

Captain MORGAN. It varies, Mr. Chairman.

SHIPBOARD INVENTORIES OF SPARE PARTS

Mr. ANDREWS. What management programs is the Navy carrying on to control shipboard inventories of component spare parts and repair parts?

Captain JOHNSTON. The primary program is one which has been running for several years now, called the ACCESS program. It is an acronym. I am afraid I cannot tell you what the acronym means, but I can tell you what the program is, sir.

It consists of consolidating at the level of the administrative type commanders and the fleet commanders the availability of spare parts of all the ships in the fleet or in the command, for cross-referencing system. In case one ship does not have a particular spare part on board, there is a rapid capability to find out if another ship may have it. This may be quicker than normal resupply. Also surpluses which might develop in one ship can be applied against shortages of the same material in another ship.

The major payoff is that through the use of computerization, we have been able to reduce the number of spare parts which are carried in the allowance list of the ships, in effect reducing the number of insurance spares.

NAVYWIDE INVENTORY OF AIRCRAFT SPARE PARTS

Mr. ANDREWS. Captain, what about the spare parts inventory for Navy aircraft overall? Are you overstocked?

Captain JOHNSTON. No, sir. I believe the latest statistics show that the average ship has on board about 92 to 93 percent of the authorized spare parts.

Mr. ANDREWS. I am not talking about ship. I am talking about in your warehouses. Are you piling up a big inventory?

Captain JOHNSTON. I cannot talk to the inventory level. The only indication that I can give to inventory level is that with regard to aviation spare parts, when requisitions are submitted by a ship or squadron to the supply system, about 60 percent of the requisitions are filled by the local supply activity. The other 40 percent must then be referred around the Navy Supply System to see where it is available, if at all, sir.

Mr. ANDREWS. You do not know anything about the inventory in all the supply depots?

Captain JOHNSTON. No, sir. That is part of the stock account, which is a revolving fund. I believe that it will be reviewed by the committee later on, sir.

DETERMINATION OF SPARE PARTS INVENTORY

Captain CONN. I might add to that, Mr. Chairman. Our aviation spare allowance list, in other words the authorization to procure parts that the ship might use, is not based on a full number of spare parts. Those lists are constructed with, I believe, a 15-percent chance of a stockout. In other words, you would not go ahead and order all the spare parts that you normally require. It would take about 85 percent.

Mr. ANDREWS. The captain said 60 percent.

Captain CONN. He said 60 percent being filled, sir.

Captain JOHNSTON. When the ship submits a requisition, the chances are 60 percent that it will be filled by the local supply depot.

Mr. ANDREWS. In other words, there is a carrier which needs 100 percent spare parts. You give him 85 percent?

Captain JOHNSTON. That is correct, sir.

Captain CONN. If he could get all the items he was authorized, he would have 85 percent; but, as Captain Johnston is pointing out, he is only getting about 60 percent of what he is ordering.

Captain JOHNSTON. When the spare part requirements are computed by line item and by number, so many units, so many bolts, this would be 100 percent of requirements.

Mr. ANDREWS. That is what he needs.

Captain JOHNSTON. That is right. This is the maximum requirement. The allowance list only provides for 85 percent of that amout.

Mr. ANDREWS. In other words, he can get aboard 85 percent of what he needs.

Captain JOHNSTON. Yes. You take a calculated risk on 15 percent.

Mr. ANDREWS. Has that reduced percentage of requirement gotten you in trouble?

Captain JOHNSTON. Not particularly, sir. The selection of what items are not carried is the subject of computerization of demand. You take your chance on the parts that you have the least chance of using.

PERCENTAGE OF AIRCRAFT INOPERABLE

Mr. MINSHALL. What percentage of your aircraft, if any, would be deadlined or inoperable because of the shortage of parts?

Captain JOHNSTON. I cannot answer that question, sir.

Mr. MINSHALL. Is it a concern?

Captain CONN. Yes, sir. We have an index called the NORS index, not operationally ready because of supply parts. That index is watched very carefully by our Deputy Chief of Naval Operations for Air.

Mr. MINSHALL. What is the NORS ratio?

Captain CONN. I am not sure what the current figure is.

Colonel SPARLING. It changes by the series of aircraft. We can provide that for you by each aircraft. However, on a carrier——

Mr. MINSHALL. It does not affect your operational capability to any degree, then, or does it?

Colonel SPARLING. Yes, sir; it would. If we do not have the part and we cannot get the plane in the air, obviously it would affect our operational capability.

Mr. MINSHALL. Supply that for the record, would you, please?
Colonel SPARLING. Yes, sir.
(The information was provided to the committee and is classified.)

PURCHASE OF SPARE PARTS FOR NEW AIRCRAFT

Mr. ANDREWS. Captain, I assume all these aircraft that you are talking about going on these carriers are new aircraft.
Captain CONN. Yes, sir.
Mr. ANDREWS. Do you not buy spare parts for the aircraft when you receive the plane in the initial outfitting? Does not the flyaway cost include spare parts?
Admiral SHIFLEY. Mr. Chairman, we buy spare parts two ways. We buy the initial outfitting, and then replenishment spares.
Mr. ANDREWS. Then this $26 million we are talking about is for additional spare parts, is that right?
Captain JOHNSTON. The parts procured in the PAMN appropriation are the expensive parts which are the free issue parts, the APA, so-called. They are not costed in the operation and maintenance appropriation. The parts that we are talking to in this area are the parts which are purchased from the Navy stock fund and are consumable parts costing generally less than $1,000 apiece.
Mr. ANDREWS. On page 1–1–6 of your justification, paragraph (c), $26.1 million. The funds requested under this category provide $26.1 million for the initial outfitting of aircraft consumable materials and repair parts on aircraft carriers and modification of inventory allowances resulting from changes in the models or types of aircraft aboard aircraft carriers.
Captain JOHNSTON. I underline the word "consumable" as the operating word.
Mr. ANDREWS. We are talking about $26 million. The book says for the initial outfitting of aircraft. Why would not the initial outfitting of these spares be in the procurement cost?
Captain JOHNSTON. The initial outfitting for the APA spares is in the porcurement account, sir.
Captain CONN. If we were not speaking of aircraft carriers, which we have specifically addressed in the $26.1 million, these parts would remain in the stock fund in the warehouses ashore. When we move these items aboard ship, then the O. & M.N. account must purchase these parts from our supply system from our Navy stock fund. This is why we have associated this $26.1 million with aircraft carriers.
This is the only place that we buy these spares from the stock fund and place them on board ship, because we do not extend the stock fund aboard ships.
Mr. ANDREWS. Here is the question, Captain. When you get a new aircraft, you get spare parts as a part of the purchase price.
Captain CONN. Yes, sir.
Mr. ANDREWS. Are these spare parts different from the ones that come with the ship when you first buy it?
Captain CONN. No, sir. It is all the same. The consumable items might be. There might also be a large group of these parts that would be in addition.
Mr. ANDREWS. So, you are putting an extra layer on the cake.
Captain CONN. No, sir.

STOCK FUND PURCHASE OF SPARE PARTS

Mr. ANDREWS. What happens to the spare parts that come with the planes when you buy them?

Captain CONN. They go into the Navy stock fund, sir.

Mr. ANDREWS. Why do they not go on board the ship with the new aircraft?

Captain CONN. This is the way we get them on board ship, sir. We buy them from the stock fund.

Mr. ANDREWS. You have already bought them when you bought the plane.

Captain CONN. Yes, sir; but to keep the stock fund active and so they can buy other parts, it is a revolving fund operation, sir.

Mr. ANDREWS. It looks to me as if the Navy is paying twice for the initial spare parts.

Mr. LOBI. I wonder if I might add a comment. I am Mr. Lobi, of the Navy Comptroller's Office.

When we contract for the aircraft, we buy certain spares with the aircraft. These are high-cost items like, perhaps, a spare landing gear or a tail section. At the same time that a contract is let with a company, the stock fund also places a contract for the procurement of consumable spare parts. Then we have to reimburse the stock fund at the time the O. & M. appropriation buys it out to put it aboard the ship.

Consequently, sir, there is not a pyramiding on the one contract. Actually, we have the consumables bought by our stock fund, and then for this revolving fund to recover the money in order to go on with some other purchases, the O. & M. appropriation then buys it out and puts it aboard the ship.

In essence, sir, for the insurance items, for the high-cost items, for the kinds of things that we call investment spare parts, these investment spare parts are bought by the procurement appropriation. For what we call the expense spare parts or the consumable spare parts, these are bought by the O. & M. account. This is the distinguishing fact between the two.

Mr. ANDREWS. All right. Will you show for the record the inventory status of shipboard repair parts and consumables?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

The distribution of assets requested for inventory allowance and initial outfitting of aircraft consumable material and repair parts on aircraft carriers is as follows:

[Dollars in thousands]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
1. Fuel	$3,481	$3,524	$3,701
2. Initial outfitting of repair parts	6,473	21,451	14,341
3. Repair parts required due to transitional changes in aircraft	2,754	2,684	6,536
4. Providing of test equipment	826	1,034	1,520
Total	13,534	28,693	26,098

FLEET AIR STAFF

Mr. ANDREWS. Why do you need $7.7 million for the Fleet Air Staff?

Admiral SHIFLEY. Captain Conn, can you speak to that?

Captain CONN. I think, Mr. Chairman, this is directly associated with simply the cost increases that we are experiencing in the Fleet Air Staff. Our funds requested provide for general operation and maintenance support of the Fleet Air Staff.

The request that we have in this year reflects a decrease of $0.3 million from fiscal year 1969 levels.

Mr. ANDREWS. Will you explain a little more the Fleet Air Staff?

Captain CONN. Under the various fleet commanders, such as Cincpac Fleet and Cinclant Fleet, we have type commanders such as destroyers, cruisers, and air. Comnavairlant and Comnavairpac are the aircraft-type commanders in the two fleets.

Under the various type commanders we have, for instance, patrol wings, Fleet Air Wing Staff. We have Carrier Air Group Staff. These are the Fleet Air Staffs, the Fleet Aviation Command support structure.

Mr. ANDREWS. Each commander has his staff?

Captain CONN. Yes, sir.

Mr. ANDREWS. Explain a little more the maintenance support of Fleet Air Staff. What is this $7 million for?

Captain CONN. In addition to the regular Fleet Air Staffs that we have discussed in the various echelons, both fleets have a fleet aviation electronics training unit. That outfit also receives its funding from the Fleet Air Staff, sir. These are the training units for the Navairlant and Navairpac that train the fleet crews and electronics crews.

Admiral SHIFLEY. Mr. Chairman, you want to know specifically what the money is spent for, I believe.

Captain JOHNSTON. The three major areas that are funded are the pay of civilian personnel who work in the air-type commander headquarters, the temporary additional duty travel and subsistence funds for the people on their staffs when they are ordered away on trips for official purposes, and the general expenses of operating the offices which these staffs occupy, the paper, the typewriter ribbons, the paper clips.

Mr. ANDREWS. Supplies.

Captain JOHNSTON. Supplies.

Mr. ANDREWS. Will you provide for the record a detailed listing of the types of support to be provided and the cost for fiscal years 1968, 1969, and 1970.

(The information follows:)

The type of support and cost for fiscal years 1968, 1969, and 1970 is as follows:

[Dollars in thousands]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Civilian personnel	$2,162	[1] $6,062	$6,039
Supplies and other purchased service	617	811	468
Data processing	1,037	1,037	1,037
Office equipment	71	74	74
Printing and reproduction	79	82	82
Total	3,966	9,066	7,700

[1] The fiscal year 1969 increase over fiscal year 1968 reflects the full year cost of civilian personnel hired on a phased plan during fiscal year 1968 in compliance with the civilian substitution program.

CONSUMABLE PHOTOGRAPHIC SUPPLIES

Mr. ANDREWS. Will you prepare for the record a schedule showing the amount requested in fiscal years 1968, 1969, and 1970, for consumable photographic supplies?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

The amount requested for consumable photographic supplies.

Fiscal year 1968	$852,000
Fiscal year 1969	891,000
Fiscal year 1970	1,118,000

Mr. ANDREWS. Will you provide for the record a detailed listing of the operations associated with this request for fiscal years 1968, 1969, and 1970?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

CONSUMABLE PHOTOGRAPHIC SUPPLIES

These consumable photographic supplies provide for the operation of Combat Camera Groups and Fleet Air Photographic Laboratories.

Mission and Tasks of the Fleet Combat Camera Group:

(*a*) To maintain trained photographic teams and specialized photographic equipment in a state of readiness for rapid deployment in order to provide fleet commanders with specialized photographic capabilities.

(*b*) To obtain still and motion picture photography in conjunction with fleet operations for intelligence, tests, evaluation, research, and documentary purposes.

(*c*) To develop and maintain an underwater photographic capability and pursue an effective training program for assigned personnel.

(*d*) To provide photographic triangulation services to fleet units.

Funding plan

Fiscal year 1968	$142,000
Fiscal year 1969	142,000
Fiscal year 1970	291,000

General Mission of Fleet Photo Labs:

Provide operational and documentary photographic support, for tasking fleet commands including integrated operational intelligence center (IOIC) training for airwing and shipboard personnel.

Funding plan

Fiscal year 1968	$710,000
Fiscal year 1969	749,000
Fiscal year 1970	827,000

NEW FUEL FOR SHIP PROPULSION

Mr. ANDREWS. On March 18, 1969, it was announced by the Department of Defense that it had authorized the Navy to shift to a new fuel for ship propulsion. What type of fuel oil will the Navy be using in the future?

Admiral SHIFLEY. This is a program to shift from the black oil which is burned in the conventional boilers of the ships now, to a middle distillate fuel. The black oil has a lot of impurities in it, sulfur, and that sort of thing, which contribute to soot and slag buildup in the boilers and gets on the topside of the ship.

Mr. ANDREWS. You are getting a better type fuel?

Admiral SHIFLEY. A better type fuel.

Mr. ANDREWS. What about the cost?

Admiral SHIFLEY. It is going to cost more. We estimate that overall we will have considerable benefits because of the increased ships readiness, reduced maintenance costs, and particularly the manpower associated with cleaning the firesides of the boilers which can be used for other needed fireroom maintenance.

Also, we are convinced we will save a lot of money in the maintenance of the topside of ships and the maintenance of aircraft.

Mr. ANDREWS. In other words, you will not have to scrub the decks down as much as you do now?

Admiral SHIFLEY. Yes, sir; we will not have to scrub the decks. We will not have to paint as much topside. We will not have to repair exposed antennas, directors, and other equipment as much. Probably one of the biggest savings will be the savings that we will have in the condition of our aircraft. They will not corrode nearly so fast because, as you know, when the flue gases come out now from the black oil, if it mixes with water it makes a sulfuric acid which is very corrosive.

Mr. ANDREWS. When will you start using this new fuel?

Admiral SHIFLEY. We have some ships in a test program right now. As fast as we can make arrangements to provide this new fuel and shift the ships over to permit them to use it. We will have to change or modify pumps, and so forth.

SHIP MODIFICATIONS RESULTING FROM NEW FUEL

Mr. ANDREWS. My next question was: What ship modifications will be required in order to use this new fuel?

Admiral SHIFLEY. Primarily we will have to change some of the pumps and make modifications to some of the pumps.

Mr. ANDREWS. Will that be an expensive changeover?

Admiral SHIFLEY. It will cost quite a few million dollars, yes, sir.

Mr. ANDREWS. Will this apply navywide?

Admiral SHIFLEY. Yes, sir, to the active fleet.

Mr. ANDREWS. All ships using oil will change to the new type?

Admiral SHIFLEY. That is our intention.

Mr. ANDREWS. How long will it take you to change over?

Admiral SHIFLEY. We do not have a phased plan yet, but in my estimation it would be a minimum of 3 years, and probably longer.

Mr. ANDREWS. Are any modification costs included in the 1970 budget for the changeover?

Admiral SHIFLEY. No, sir; not in the O. & M.N. appropriation.

Mr. ANDREWS. Not in this budget?

Captain MORGAN. Not in this budget.

Admiral SHIFLEY. It would be in the other procurement, Navy account.

SUPPLY OF NEW FUEL

Mr. ANDREWS. What about the sources of supply of this new fuel?

Admiral SHIFLEY. We think we will have no difficulty. Our liaison with the petroleum industry indicates they will be able to shift over and provide this new fuel as fast as we want. Of course, we would

have to continue to maintain close liaison with them to be sure our demands do not get ahead of their ability to supply.

Mr. ANDREWS. Is this a brand new fuel?

Admiral SHIFLEY. No, sir. It is quite similar to many fuels on the market; it is between our Navy diesel fuel and a commercial marine-distillate fuel product.

Mr. ANDREWS. Who else uses the new fuel at this time? Do any commercial companies use this new type fuel?

Admiral SHIFLEY. The distillate now being procured in limited quantities for test ships and for some filling of fuel depots in the continental United States is a commercial marine diesel fuel widely used by commercial diesel-powered ships. This distillate is not compatible with gas turbines and modern high-speed Navy diesels. The ultimate distillate will have slightly different specifications to permit the fuel to be used in shipboard main propulsion diesel plants and gas turbine engines besides using it in conventional boilers. This ultimate fuel, although only slightly different from present diesel fuels, is new and not presently used by commercial companies.

BENEFITS OF NEW FUEL

Mr. ANDREWS. Will you get more mileage out of the new fuel?

Admiral SHIFLEY. We are certain we will get better efficiency out of our boilers. They will stay cleaner, operate more efficiently, and to that extent, we will get more mileage.

Mr. ANDREWS. The benefits will come in the years ahead. It costs you money to modify your ship to use the new fuel. It costs more money for the fuel. But the benefits to be derived would be in the future.

Admiral SHIFLEY. We are convinced of that. The amounts of money required to convert the ships to use this are comparatively minor. We think we will start reaping benefits, of course, immediately, as fast as the ships are shifted over. We have some ships in the test program right now.

Mr. ANDREWS. Have you any reports on the test?

Admiral SHIFLEY. Yes, sir. They have not had to clean the firesides. This, of course, is very popular with the firemen. We had a dispatch not long ago from one of the ships in the test program, and the comments of the firemen were to the effect that they were certainly happy to see that, at long last, somebody was paying attention to the firemen and doing something for them. They were very pleased about it.

Mr. ANDREWS. Have you any ships using coal now, Admiral?

Admiral SHIFLEY. No, sir.

FLIGHT OPERATION SUPPORT COST

Mr. DAVIS. Before we get into ship support, Admiral Shifley read a statement to us relating to this matter of flight operation support cost, and I was not sure I grasped the significance of it. It indicated there had been some experience since the time the budget had been put together in December, but I did not see the conclusion to which that experience led us.

Was there a change in the figure of $51,854,000 that shows on our justification sheet 1-1-5, or was there not?

Admiral SHIFLEY. No, sir; we have not requested any additional money at this time. I was merely stating that since the budget was submitted, we have been watching the tempo of operations very closely to see if our estimates were in fact going to come to pass, and our experience up to now has been that the tempo of operations has been higher than our estimate. We are not asking for any additional funds at this time.

Colonel SPARLING. May I add something to this. These funds as you see here include the Marine Corps operating incountry one of the Navy carriers out of country. So, the facility rate does include that.

Mr. DAVIS. That is all.

SHIP SUPPORT PROGRAM

Mr. ANDREWS. Admiral, you are asking for an increase of $8.412 million over the actual for fiscal year 1968 for ship support program. Since you anticipate that Navy activities will decline in 1970, why do you need this increase?

Captain CONN. Mr. Chairman, once again, I think this is a reduction in tempo and a very small reduction in overall force levels. We are still supporting the number of forces, but this does not decrease the support costs. The support costs are relatively fixed.

In addition, these dollars provide for the travel and per diem expenses of fleet personnel performing temporary additional duty assignments to attend technical schools, and also charter and hire costs for tug hire, pilotage for ships entering and leaving ports.

In addition, it is to support the Military Sea Transport Service for the operation of ships and resupply the FBM submarine, and operating costs for the Navy mobile construction battalions.

We are experiencing cost rises in these service areas, and even though there has been a small decrease in the overall number of forces, the support costs are gradually creeping up as a fact of life, sir.

SUPPORT OF DEEP FREEZE PROGRAM

Mr. ANDREWS. Did you reduce the support level for the Deep Freeze program as suggested in the committee report last year?

Captain CONN. The $4.1 million requested for fiscal 1970 is a level program, and provides for no increase over fiscal 1969, sir.

Mr. ANDREWS. That is not the question, Captain. The question is: Did you reduce the support level for the Deep Freeze program as suggested in the committee report of last year? If it is at the same level, the answer is no.

Admiral SHIFLEY. The estimate is slightly higher in 1970 than it was in 1969, sir.

Mr. ANDREWS. Why?

Admiral SHIFLEY. The increased amount is in the "Other Procurement, Navy" appropriation, Mr. Chairman. The "Operation and Maintenance" appropriation is about level, sir.

Mr. ANDREWS. Is there a reduction in other appropriations for Deep Freeze?

Admiral SHIFLEY. No, sir; there is an increase in the OPN appropriation.

Mr. ANDREWS. What was the appropriation overall for Deep Freeze in 1969, and what is the request for 1970?

Admiral SHIFLEY. The total in all appropriations, including "Other Procurement, Navy," and "Operation and Maintenance, Navy," a total of $16.3 million; in 1970, $17.9 million. The O. & M.N. appropriation in 1969 was $8.1 million; and in 1970, also $8.1 million, sir.

Mr. ANDREWS. I read from page 31 of this committee's report last year:

> The Navy could very well reduce funding in support of Antarctic operations. Navy financial support of this scientific research effort has increased over the last year or so, and because of the current fiscal situation could be reduced. If additional funding is needed to support high-priority research tests, it should be sought from other Government programs in support of scientific research.

So, the request, even in the light of that committee recommendation, is more for Deep Freeze in 1970 than it was in 1969.

Admiral SHIFLEY. I would have to agree it would have to be considered to be higher; yes, sir.

Mr. ANDREWS. We have finished the section on "Flight Operations, Fuel Supplies, and Spare Parts." Any questions, Mr. Minshall?

Mr. MINSHALL. No questions, Mr. Chairman.

Mr. ANDREWS. Mr. Rhodes?

Mr. RHODES. No questions.

Mr. ANDREWS. Mr. Davis?

Mr. DAVIS. Not at this time.

SHIP OVERHAULS AND REPAIRS

Mr. ANDREWS. Now we shall take up "Ship Overhauls and Repairs."

FUNDS FOR NONSCHEDULED SHIP REPAIRS

Since you are going to have 190 ships in overhaul during fiscal year 1970, and many ships are to be deactivated, why do you require $154,345,000 for nonscheduled ship repairs? Isn't this quite high under the circumstances, and should it not be considerably less?

Admiral SHIFLEY. What was the figure you used, sir?

Mr. ANDREWS. $154,345,000.

Admiral SHIFLEY. No, sir. This supports our total number of operating ships, which is down only 11 ships from 1969. From 1969 to 1970, there was a decrease of 66 ships, but there was also the addition of 55, for a net decrease of 11.

The figure you have quoted there is a reduction from the amount of money in the 1969 budget for this purpose.

Mr. ANDREWS. These are for nonscheduled repairs.

Admiral SHIFLEY. Yes, sir. There are the nonscheduled repairs.

Mr. ANDREWS. Explain nonscheduled repairs for us, Admiral.

Admiral SHIFLEY. We overhaul our ships on a regular schedule. The length of time between regular overhauls varies, depending on the class of ship. Between times, things happen to ships that require repairs that are beyond the capability of the ship's force. We have to put them into a Navy yard or else bring the workmen to the ship outside a Navy

yard to make these repairs. That is what this sum of money provides for.

Mr. ANDREWS. Are these major repairs? Or is it repairs of all types?

Admiral SHIFLEY. These are repairs that are beyond the capability of the ship's force. I suppose to the crew of the ship they would seem pretty major. They are not major in the sense that they make any great change in the capability of the ship.

CONDITION OF NAVY SHIPS

Mr. ANDREWS. I am of the opinion that the Navy repair program is far behind the schedule I think it should have.

Admiral SHIFLEY. I would agree, sir.

Mr. ANDREWS. You are operating ships today that have long since outlived their predicted life.

Admiral SHIFLEY. I agree, sir. I think we are badly in need of new ships to replace some of the old ships we are operating. We also are badly in need of funds to maintain the ships we have, sir.

Mr. ANDREWS. I am sure you are familiar with the bill pending now in the Armed Services Committee authorizing a much higher level of ship procurement than we have had in the past.

Admiral SHIFLEY. Yes, sir; I am familiar with the bill to authorize a higher level of ship procurement.

Mr. ANDREWS. If that bill becomes law, will these figures still be realistic, or would you ask for more money?

Admiral SHIFLEY. I do not think there would be any reduction in these figures, because I think the amounts we are asking for in this budget are very low. Certainly if we got newer ships into the inventory, the unit cost of the overhauls might come down in that a newer ship does not require as many repairs as the older ships.

Mr. ANDREWS. You are talking now about regular overhauls. What about nonscheduled overhauls and repairs?

Admiral SHIFLEY. Regular; yes, sir. I would think the nonscheduled repairs and overhauls would be reduced, also, in that a newer ship would not break down as often.

Mr. ANDREWS. For years you have been delaying or postponing or putting off, any way you want to describe it, things that you would like to do to ships that need to be done, is that not correct?

Admiral SHIFLEY. That is correct; yes, sir.

EXAMPLES OF NONSCHEDULED REPAIRS

Mr. ANDREWS. What nonscheduled ship repairs do you anticipate incurring for this $154,345,000? Could you give us a breakdown on that for the record if you cannot do it now?

Admiral SHIFLEY. Yes, sir; I would like to provide it for the record. This would cover all kinds of repairs. For example, an aircraft carrier comes in from a long operating period and it is very apt to need some repair work done on its catapults and arresting gear that is beyond the capacity of the ship's force, and possibly some boiler repairs. It could be almost any kind of repairs to the ship.

(The information follows:)

NONSCHEDULED SHIP REPAIR

Nonscheduled repair funds are utilized by the fleet commanders in chief to pay for any work on their ships beyond capacity of forces afloat and so requiring shore industrial support for which the need arises between the regularly scheduled overhauls. The work may range from small specialized instrument repairs on equipment delivered to the yard to such things as repair of the *Enterprise*, *Forrestal* or *Oriskany* fire damage; thus any type of ship repair work may be involved. Additional examples are:

Boiler retubings.
Repair of collision and ground hull damage.
Repairs to ships' small boats.
Post deployment repairs to attack aircraft carrier and major surface, ships hull, machinery, or equipment.
Repair of casualties to reduction gears and main propulsion turbines.
Replacement of worn cruiser gun barrels.

FUNDS FOR SHIP OVERHAULS

Mr. ANDREWS. What is the total amount requested in fiscal 1970 for ship overhauls?

Admiral SHIFLEY. We have requested $154 million in nonscheduled repairs, and $372 million for regular overhauls. That adds up to $526 million.

Mr. ANDREWS. $526,280,000.

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. If that bill now pending before Congress passed, you would be authorized to request more money.

Admiral SHIFLEY. The ships authorized in fiscal year 1970 would not affect this at all, because those ships would not be completed within that time. It would not replace any of the ships we are presently requesting this money for.

Mr. ANDREWS. Admiral, the Navy originally scheduled 269 ships for overhaul in fiscal year 1969. You are now advising us that the revised schedule is for only 197 ships.

Admiral SHIFLEY. Yes, sir; 197 is the 1969 figure.

Mr. ANDREWS. That is what we are talking about, 1969.

The question is: You originally scheduled 269 ships for overhaul in fiscal year 1969. You are now advising us that the revised schedule for 1969 is for 197 ships.

Admiral SHIFLEY. That is right, sir.

EFFECT OF REVENUE AND EXPENDITURE CONTROL ACT ON SHIP OVERHAUL

Mr. ANDREWS. Is this reduction a result of the Revenue and Expenditure Control Act of 1968?

Admiral SHIFLEY. That has a bearing on it, because as a result of that act, some of the ships that otherwise would have required overhaul have been inactivated early and, consequently, they do not require overhaul.

Mr. ANDREWS. Some of the 269 ships that you planned to overhaul in 1969 have been deactivated?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. How many?

Admiral SHIFLEY. I could not tell you that figure, sir.

Captain MORGAN. There were 18 overhauls canceled for ships that were dropped from the fleet as a result of the Revenue and Expenditure Control Act.

Mr. ANDREWS. That brings it down to 251.

Captain MORGAN. Yes, sir. I can read the complete answer or provide it for the record.

Mr. ANDREWS. Provide the information for the record.

(The information follows:)

ADJUSTMENTS TO THE NAVY'S 1969 SHIP OVERHAUL PROGRAM

Since the fiscal year 1969 President's budget program level of 269 overhauls, the following changes have occurred:

Fiscal year 1969 President's budget

Total overhauls	269
1. 15 slippages due to changes in operational commitments; 5 were substituted with other overhauls	−10
2. 18 overhauls canceled, for ships decommissioning and going to inactive reserve status or to disposal	−18
3. 26 overhauls deferred to future years, due to the budget reduction	−26
4. 9 overhauls accomplished in the NRT program. These ships transferred from the active fleet to NRT as a result of the budget reduction	−9
Subtotal, reductions made due to Public Law 90-364	−63
Other: 9 additional overhauls dropped for other reasons (e.g., changes in the ship inactivation schedule)	−9
Fiscal year revised program	197

Mr. ANDREWS. What type and class of ships were deleted from the 1969 overhaul schedule? Supply that for the record.

(The information follows:)

DELETIONS—77 SHIPS

Hull No.:	*Reason*	Hull No.:	*Reason*
CVA 14	1	DD 724	1
CVA 43	1	DD 779	3
CVS 15	2	DD 790	3
CVS 16	3	DD 795	4
AGSS 392	2	DD 825	3
SS 340	3	DD 839	3
SS 365	3	DD 872	4
SS 424	1	DD 950	3
SS 478	3	DDG 11	3
SSN 586	2	DE 1025	5
SSN 589	2	DE 1026	5
SSN 613	3	DE 1044	1
AS 12	3	DE 1045	3
ASR 8	3	DER 383	5
ASR 9	1	AD 16	3
DLG 28	1	AD 18	3
DLG 33	3	AKA 96	2
DD 498	2	APA 37	2
DD 508	5	APA 210	2
DD 577	2		

Hull No.:	Reason
APA 213	3
APD 90	2
LPH 10	3
LSD 14	3
LST 515	3
LST 583	2
LST 838	1
LST 854	1
LST 980	3
LST 1123	1
LST 1150	1
PG 89	1
PG 90	1
MCS 7	2
MSC 121	5
MSC 194	5
MSC 196	5
MSC 197	5
MSC 201	5

Hull No.:	Reason
MSO 437	4
MSO 438	4
MSO 443	4
MSO 448	4
MSO 488	4
MSO 490	4
MSO 491	1
ARL 18	2
AF 55	3
AF 62	2
AFS 2	3
AH 16	4
AKS 1	2
AN 83	2
AO 22	2
AR 5	1
AOG 52	2
ATF 107	3
CC 2	3

REASON CODE

1. Operational shift out of year, not replaced because of funding constraints.
2. Canceled overhaul, ship inactivated/scrapped because of funding reductions (Public Law 90-364.)
3. Deferred to future year because of funding reduction (Public Law 90-364).
4. Overhaul canceled, other reason.
5. Transferred to NRT program and overhauled as NRT.

Recap—77 ships	
No. 1	15
No. 2	18
No. 3	26
No. 4	9
No. 5	9
Total	77

Additions
Hull No.:
DL 1.
DD 715.
DD 703.
LST 509.
ATF 92.

NUCLEAR SUBMARINE OVERHAUL COST OVERRUNS

Mr. ANDREWS. You are now estimating the overhaul cost of the *John Adams*, SSB 620, at $22 million and the *Henry Clay*, SSDN 625, at $21,692,000. What was the original estimated cost of overhauling each of these two nuclear subs?

Captain MORGAN. The original estimate that was contained in the 1969 budget, $20,500,000 for the *John Adams*.

Mr. ANDREWS. That is up, then, $1,500,000?

Captain MORGAN. Yes.

Mr. ANDREWS. For the *Adams*?

Captain MORGAN. I don't have the *Clay* with me.

Mr. ANDREWS. Supply it for the record.

(The information follows:)

	John Adams, SSBN-620	Henry Clay, SSBN-625
Original estimate (September 30, 1967)	$20,190,000	$20,190,000
Current estimate	23,500,000	24,907,000
Increase	+3,310,000	+4,717,000

Note. These figures include total funding in fiscal year 1968, fiscal year 1969 and fiscal year 1970. The figures in the body of the record are fiscal year 1969 only.

Mr. ANDREWS. What about the cost increase in shipbuilding and repairing? We were told last year, if I remember correctly, that costs last year were up 25 percent in some areas. What about that area today?

Captain MORGAN. In overall terms the increase has not been as much as 25 percent.

Mr. ANDREWS. I said last year. I am sure costs are still climbing.

Captain MORGAN. Yes, sir; they are.

NUCLEAR SUBMARINE CORES

Mr. ANDREWS. When you overhaul these subs will you put in new cores?

Captain MORGAN. Yes, sir.

Admiral SHIFLEY. For some regular overhauls they would be recored.

Mr. ANDREWS. A new core is contemplated in the *Adams* and the *Clay?*

Captain MORGAN. Yes, sir.

Mr. ANDREWS. What about the cost of cores now?

Captain MORGAN. The cost of cores, themselves, is included in the procurement account. The cost of the installation of the cores is in this budget.

Mr. ANDREWS. Do you know about the cost?

Captain MORGAN. I do not have the accurate figure as to how much the cost of cores has increased between last year and this year. We will have to provide it.

Mr. ANDREWS. What about mileage, do you get more mileage from these new cores?

Admiral SHIFLEY. That is going up, the trend is up. I can get you a statement on that.

Mr. ANDREWS. Put a chart in the record at this point to show what progress has been made over the last 10 years.

(The information follows:)

COMPARISON OF NUCLEAR CORE COST AND PERFORMANCE

Ship type	Initial cores(s)			Present replacement core(s)		
	Cost (millions)	Miles steamed	Dollars (per mile)	Cost millions	Anticipated miles	Dollars per mile
Submarine (1 reactor)	$4.1	62,000	$66	$4.0	400,000	$10
Aircraft carrier (8 reactors)	61.1	207,000	343	80.0	935,000	85
Frigate (2 reactors)	10.2	309,000	33	11.5	700,000	16

Naval nuclear power unit prices have increased by approximately 10 percent in the last year. These increases were due to escalation in the price of special reactor materials as well as increasing labor costs. However, there has been a marked increase in the life of naval nuclear power units in recent years so that, even with the increasing price of power units, the net cost per unit of energy has declined significantly since the beginning of the nuclear power program.

Admiral SHIFLEY. Ideally, Admiral Rickover I believe is working toward being able to provide cores with a new ship that would last the entire life of the ship.

Mr. ANDREWS. He has told us about that. Also, if I remember correctly, the price of the cores has been decreasing from what they were when you first started using them and you get more mileage out of them.

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. Therefore, your cost of operation has come down?

Admiral SHIFLEY. That is correct, sir.

COST OF NUCLEAR SUBMARINE VERSUS CONVENTIONAL

Mr. ANDREWS. Has the cost of operating the nuclear-powered submarine gotten closer to the cost of operating a conventional type sub?

Admiral SHIFLEY. It is getting closer but nuclear power is still more expensive than fossil fuel power.

Mr. ANDREWS. And better?

Admiral SHIFLEY. Yes, sir, much better. As a matter of fact, the advantages, particularly in the submarine, to be gained from nuclear power are just so many fold higher than and better than a conventional submarine that it is difficult to make a comparison.

Mr. ANDREWS. I wish you would have some of your men put in the record a statement about the experience you have had operating the nuclear-powered submarines vis-a-vis the conventional type, the overall difference in the cost, and compare present-day statistics with 10 years and 5 years ago.

Admiral SHIFLEY. I will be happy to do that.

Mr. ANDREWS. I have always thought it is much, much cheaper in the long run to have an atomic-powered Navy craft whether under the sea or on the sea.

Admiral SHIFLEY. I will be happy to provide that, sir.

Mr. ANDREWS. You might consult Admiral Rickover.

Admiral SHIFLEY. I will ask him if he wouldn't like to contribute to this.

(The information follows:)

COST OF NUCLEAR POWER VERSUS CONVENTIONAL POWER

There is some difficulty in choosing conventionally powered submarines that are "comparable" to nuclear powered submarines for purposes of an operating cost comparison. Even when such factors as length, weight, crew composition, electronics and weapon characteristics can be reasonably matched, the contrasts dominate. Every conventional submarine must return to the atmosphere after relatively short submerged periods in order to continue operating whereas the submerged endurance of nuclear powered submarines is limited only by the endurance of its crew. The conventional submarine is severely limited in speed when either totally submerged or snorkeling as compared to top speed on the surface whereas the submerged speed of a nuclear powered submarine equals or exceeds the top surface speed of a conventional submarine. In addition, the conventional submarine is fuel limited to a maximum cruising radius measured in thousands of miles. In essence, we are comparing two weapons systems with completely different tactical and strategic capabilities regardless of the "match" in size, armament or electronics.

Nevertheless, during the last decade, the average cost of operating nuclear powered submarines has decreased relative to the average cost of operating the most similar diesel electric submarines. The table below shows the reduction in the ratio of operating costs for nuclear powered submarines compared to the operating costs of diesel electric submarines. The average operating costs are based primarily upon overhaul costs, alteration costs, nuclear core costs and core reprocessing costs. The cost of fossil fuel, supplies and equipage, and unscheduled repairs was considered in the analysis but the overall impact

on the ratio was relatively minor. Personnel costs were excluded since the crew allowance for the nuclear and conventional submarines in these classes is virtually identical. The following comparisons were made:

The SS 563 fast attack class with the SSN 478 *Skate* class and the SS 580 fast attack class with the SSN 585 *Skipjack* class.

RATIO OF AVERAGE ANNUAL OPERATING COSTS

1. Submarine being compared: *Skate* SSN class (SSN 578, 579, 583, 584) to the fast attack SS class (SS 563, 564, 565, 566, 567, 568).

Average nuclear cost as a percentage of average diesel cost

Fiscal year:	*Percent*
1961	356
1965	205
1970	196

2. Submarines being compared: *Skipjack* SSN class (SSN 585, 590, 591, 592) to the fast attack SS class (SS 580, 581, 582).

Average nuclear cost as a percentage of average diesel cost

Fiscal year:	*Percent*
1962	219
1965	237
1970	197

COST INCREASE OF SHIP OVERHAULS

Mr. ANDREWS. How much has the original cost estimate increased for the 197 ships now scheduled to be overhauled in 1969? What is your original estimate and the most accurate cost as the most recent date? Do you have those figures?

Captain MORGAN. Yes, sir. In July 1969 when we formulated the final program we expected to be able to overhaul those 197 ships for $430 million.

Mr. ANDREWS. That is your original estimate?

Captain MORGAN. Yes, sir, Now, there have been increases and decreases; some of the ships have gone up, in some cases they have gone down; but at this point we expect to overhaul the ships of the fleet within that budget.

Mr. ANDREWS. $430 million?

Captain MORGAN. $430 million. It is possible we may have to add $5 million or $10 million to it at the end of the year.

Mr. ANDREWS. The increased costs have not been as high this year as they were last year?

Captain MORGAN. I think, sir, it is not the increase in cost has been any less, it is just that we were able to estimate more accurately at the beginning of this year what it was going to be.

ADVANCED PLANNING AND CHANGE ORDERS

Mr. ANDREWS. Included in the $430,663,000 revised estimate for regular overhauls for fiscal year 1969 is an amount of $24,649,000 for advanced planning and change orders. How much of this amount is for advanced planning and how much for the change orders? Do you have those figures?

Captain MORGAN. Yes, sir.

Mr. ANDREWS. Put them in the record.

(The information follows:)

[In thousands]

	Fiscal year 1969	Fiscal year 1970
Advance planning	$11,529	$22,900
Change orders	13,120	7,732
Total	24,649	30,632

Mr. ANDREWS. What types of advanced planning costs are involved here and what were the change orders? Put that in the record.

Captain MORGAN. I can give you the answer to that right now, sir. Advanced planning costs are for design work prior to the time the ship arrives at the shipyard and for the procurement of materiel. Some of the materiel requires long leadtime. Change order costs are for picking up the repairs that arise in a new fiscal year for an overhaul which was started and funded in a prior fiscal year.

Mr. ANDREWS. Don't you find the change orders are very expensive, Captain?

Captain MORGAN. Yes, sir; and we hold them to the least possible amount. We try to get the repair package defined very early and very accurately.

Mr. ANDREWS. But where after the contractor starts work on the job you come in and change orders——

Captain MORGAN. In the case of a ship overhaul a change order refers to work, the necessity for which is discovered in the course of the overhaul. For example, the contractor opens a piece of machinery which needs more work than was originally estimated, that kind of thing.

Admiral SHIFLEY. I might say we have made a lot of progress in this area in the last couple of years. As a consequence, of course, the funds required for planning have gone up, but we are now, on a large ship, starting the detailed planning about a year before the ship is scheduled to go into overhaul. For example, if a ship is going to go into overhaul in fiscal 1970, we have to have funds in 1969. This detailed planning, of course, will better define the work package. We won't have so many things being discovered during the overhaul that must be accomplished so that we can plan our work in an orderly fashion and get it done in a more orderly way and therefore much cheaper. This has worked out very well. The first ship that we used this technique on was one of our carriers, the *Saratoga*. The next ship is the *Roosevelt*. We have been very successful in both of these. The *Saratoga* just completed her overhaul and was back in the fleet as of January. The *Roosevelt* is going to complete this summer. We have found the results to be very satisfactory.

SCHEDULING OF SHIP OVERHAULS

Mr. ANDREWS. Do you still overhaul ships periodically at the end of a certain number of years or months of operation, regardless of whether there are any apparent defects?

Admiral SHIFLEY. Well, I wouldn't say that we have ever found a ship that did not require an overhaul at the end of the planned operating period.

Mr. ANDREWS. Well, do you do that?

Admiral SHIFLEY. Yes, sir. We overhaul them, and I suppose if we ever found a ship that did not require an overhaul we wouldn't overhaul it. But this just has not ever happened.

Mr. ANDREWS. Is that true for all ships, that you bring them in on schedule?

Admiral SHIFLEY. We are unable to bring them all in on schedule. We have never been adequately funded to do that. Every year we are forced to slip some overhauls and not do them for lack of funds.

Mr. ANDREWS. If you slip them this year, do you bring them in next year?

Admiral SHIFLEY. Well, we probably will bring those in and overhaul them, but that forces some that would normally be required to be overhauled that year to slip into the following year.

Mr. ANDREWS. In other words, you have not had enough money in years gone by, say the last 10 years, to give all of your ships periodic overhauls?

Admiral SHIFLEY. That is correct, sir. We, on the average, should overhaul around 240 ships per year, as far as we can see in the future with the size Navy we have now.

Mr. ANDREWS. That is your regular scheduled overhaul?

Admiral SHIFLEY. Yes.

Mr. ANDREWS. And not the nonscheduled jobs that you get?

Admiral SHIFLEY. That is correct, sir.

Mr. ANDREWS. I assume that a nonscheduled overhaul is due to an immediate need?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. You always have that type of overhaul?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. That could even happen to a ship that has just been overhauled on schedule?

Admiral SHIFLEY. That is correct.

1970 FUNDS FOR ADVANCED PLANNING AND CHANGE ORDERS

Mr. ANDREWS. I note that on the overhaul schedule for fiscal year 1970 which has been provided the committee there are no funds for advanced planning or change orders. If you needed these funds in 1969 why are you not requesting them in 1970, or are they included somewhere else in the budget estimate?

Captain MORGAN. They are elsewhere in the budget estimate, sir.

Mr. ANDREWS. Could you tell us where that request can be found?

Captain MORGAN. Yes, sir; it is in the budget, the long backup book which was provided.

Mr. ANDREWS. We have a list of overhauls and it is not on the list, I am informed.

Mr. LOBI. I think you will find on the last page there is an amount of $30,632,000, on the very last page.

Mr. ANDREWS. Yes, here it is. Didn't you want us to see it?

Captain MORGAN. Sir, you will find the advanced planning is larger and the change orders smaller than in 1969, indicating an improved ratio.

NUCLEAR SUBMARINES AND ATTACK CARRIERS TO BE OVERHAULED

Mr. ANDREWS. We note that for 1970, 190 overhauls are scheduled at an estimated cost of $371,935,000. We also note from the justification book that this schedule includes five nuclear attack submarines and four attack aircraft carriers. Which submarines and carriers will be overhauled?

Captain MORGAN. The nuclear attack submarines to be overhauled are the 588——

Mr. ANDREWS. What are the names. Do you know?

Captain MORGAN. I do not have all of the names.

Mr. ANDREWS. Provide it for the record.

(The information follows:)

CVA'S AND SSN'S IN THE FISCAL YEAR 1970 BUDGET

	Carrier	Submarine
CVA-14	Ticonderoga	SSN-588 (Scamp).
CVA-63	Kitty Hawk	SSN-591 (Shark).
CVA-64	Constellation	SSN-604 (Haddo).
CVAN-65	Enterprise	SSN-612 (Guardfish).
		SSN-613 (Flasher).

Mr. ANDREWS. Off the record.

(Discussion off the record.)

COST OF OVERHAULING A NUCLEAR SUBMARINE

Mr. ANDREWS. You have told us that the cost of overhauling a nuclear-powered submarine is $20 to $22 million.

Captain MORGAN. That is the cost of overhauling a fleet ballistic missile submarine.

Mr. ANDREWS. What about the cost of the *Greenling* class sub?

Captain MORGAN. That varies, depending upon whether the ship is to be recored or not during that overhaul. It is between $5 and $10 million.

COST OF OVERHAULING THE CARRIER "ENTERPRISE"

Mr. ANDREWS. What about the carrier, what is the cost of overhauling these carriers that you were telling us about?

Captain MORGAN. Typically, the cost of overhauling a conventionally powered attack aircraft carrier is about $13 million, and for the *Enterprise* we have about $30 million. This is for repairs in all cases.

Mr. ANDREWS. Will that include recoring?

Captain MORGAN. Yes, sir.

Mr. ANDREWS. Which carrier is the CVAN-65?

Captain MORGAN. The *Enterprise*, sir.

Mr. ANDREWS. Will there be any conversion or alteration work done on the *Enterprise* at the time it is in overhaul, and to what extent, and what will be the cost?

Captain MORGAN. There will be alterations done to the ship. There will be no conversion. The alteration will include both alterations to the powerplant and to the rest of the ship, the aircraft operating capability, and so forth. The cost will be about $16 million—$15,900,000 as shown here.

Mr. ANDREWS. Wasn't she the one that had the fire not too long ago?

Captain MORGAN. Yes, sir.

Mr. ANDREWS. Has that damage been repaired?

Captain MORGAN. Yes, sir.

Mr. ANDREWS. What did it cost?

Captain MORGAN. $4.6 million.

Mr. ANDREWS. Now, this $30 million-plus will be over and above that, of course?

Captain MORGAN. Yes, sir.

Mr. ANDREWS. Is she back in shipshape form now?

Captain MORGAN. Yes, sir. Her repairs were completed on the 4th of March?

Mr. ANDREWS. This past March?

Captain MORGAN. Yes, sir.

Admiral SHIFLEY. She is now in Southeast Asia.

Mr. ANDREWS. When do you plan to bring her back and start work?

Captain MORGAN. She comes back in for overhaul in ———.

Mr. ANDREWS. You estimate that the overhaul of this ship costs $30,266,000. Why would the overhaul work on this ship cost so much?

Captain MORGAN. $17,300,000 of that is connected with the refueling.

Mr. ANDREWS. The new cores?

Captain MORGAN. The installation of the new cores; yes, sir.

Mr. ANDREWS. That is right. Procurement pays for the core itself?

Captain MORGAN. That is right, sir; $13,600,000 is the nonnuclear repairs.

Mr. MINSHALL. Would you yield for a minute, Mr. Chairman?

Mr. ANDREWS. Mr. Minshall.

FREQUENCY OF RECORING THE ENTERPRISE

Mr. MINSHALL. How often do you have to recore the *Enterprise?*

Captain MORGAN. She has been recored once before. This is the second recoring. If I am not mistaken, she is expected to go at least ——— years on these cores.

Mr. MINSHALL. So overall it is a less expensive ship to operate, as far as the overall is concerned; yes or no?

Captain MORGAN. There are a number of variables in that, Mr. Minshall.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

BATTLESHIP "NEW JERSEY"

Mr. MINSHALL. How much money is in this budget for the overhaul of the *New Jersey?*

Captain MORGAN. The *New Jersey* is not scheduled for overhaul. There are approximately $600,000 in there for nonscheduled repairs.

Mr. MINSHALL. It has been publicized that as soon as she returns to California from Southeast Asia—that some kind of refurbishing will take place.

Captain MORGAN. No, sir. She came back, she finished her deployment and came back in a routine fashion. She will receive some minor repairs while she is off the line, just as every ship does.

Mr. MINSHALL. When is she scheduled to go back?

Captain MORGAN. I will have to provide that, sir. I don't have it with me. But it is in a few months.

Mr. MINSHALL. Thank you.

Admiral SHIFLEY. After about ——— sir.

(The information is classified.)

Mr. ANDREWS. Mr. Rhodes, do you have any questions on ship overhauls and repairs?

Mr. RHODES. Yes.

COMPARISON OF 1968 ACTUAL TO 1968 ESTIMATE

In the justifications for fiscal 1968 the figure for regular overhauls is listed, actual, at $396 million; nonscheduled repairs, $184 million as the actual expenditures. Can you give us some idea as to how this compared with the estimates you had made for fiscal 1968?

Captain MORGAN. Yes, sir.

In fiscal 1968 for overhauls the President's budget submitted to the Congress was $361 million, 229 overhauls; for nonscheduled repairs the congressional submission in the President's budget was $128 million, and actual for 1968 was $198 million. Now, this reflected a supplementary appropriation in 1968 which was connected with the Southeast Asia operation.

In supplies and equippage—I beg your pardon. Your question was confined to repairs, was it not?

Mr. RHODES. Would you also give us the revised estimate for 1968 which appeared in the 1969 budget?

Captain MORGAN. The 1968 column of the 1969 budget? Yes, sir; I can provide that.

(The information follows:)

Fiscal year 1968 column of fiscal year 1969 President's budget

Regular overhauls (232 overhauls and 1 recore)	$409,700
Unscheduled repairs	166,283

Mr. RHODES. Actually, the revised estimate I have here is $393 million for regular overhauls and $188 million for nonscheduled repairs. There are the figures, I believe, which appeared in the 1969 budget as estimates for 1968, which is up somewhat, of course, from the estimate that was originally given the Congress.

ACCURACY OF 1969 ESTIMATES

Now, as to fiscal 1969, the estimate was $430 million for regular overhauls, $173 million for nonscheduled repairs.

Can you now forecast how close you will come to hitting these figures on the nose or whether you will have a carryover in these accounts?

Captain MORGAN. Sir, we expect to be pretty close on the nonscheduled repairs, too, I have already spoken to the overhauls in fiscal year 1969; nonscheduled repairs, we don't anticipate any changes, any substantial increase in that figure.

Mr. RHODES. Actually then, the estimates on this item known as nonscheduled repairs have been fairly close in the last 2 years?

Captain MORGAN. Yes, sir; but you must recall that they are based really on experience, operating experience with the number of ships we have.

For example, in 1969 we have picked up the *Enterprise* repairs for $4.6 million. Now, that reduces the money available for other ships but we might not need it. It should balance out.

ACCURACY OF ESTIMATES FOR NONSCHEDULED REPAIRS

Mr. RHODES. Is the estimate for nonscheduled repairs really just a guesstimate or is it more precise than I think it is? It appears to be rather precise from the results you have obtained. Yet looking ahead, I don't see how it can be.

Captain MORGAN. Well, the estimated figure for scheduled repairs, for regular overhauls, is formulated by a rather careful analysis——

Mr. RHODES. I did not ask you about regular overhauls. I am asking about nonscheduled repairs.

Captain MORGAN. Yes, sir. I am trying to point out the contrast between the two estimating methods.

We estimate for a regular overhaul because you know which ship is going to require what work, and that is rather precise. The estimate for nonscheduled repairs is done on the basis of the number of ships of each type which will be operating in the fleet for the year, and past experience as to the number of dollars which have been required for nonscheduled repairs on all the ships of that type.

Mr. RHODES. The nonscheduled repairs items include battle damage?

Captain MORGAN. Yes, sir.

Admiral SHIFLEY. Mr. Rhodes, I think an important point in this issue is that we frequently are unable to perform repairs that our best judgment tells us should be made because we are constrained fiscally, we don't have enough money. So frequently we do not make repairs that our best judgment tells us we should. In other words, we try to come out even at the end of the year. We certainly can't spend money that we do not have. If we can't find any other money around that could be reprogramed we must stay within the amount that has been apportioned.

Mr. RHODES. I think you have just said what I was trying to indicate, and that is that this nonscheduled repair account really appears to be a second category of scheduled repairs. I don't see how you can come out this close if you are just guessing what your nonscheduled repairs are going to be. I think you are scheduling this money.

Do you care to address yourself to this point? I think it is wonderful if you can do this, but you have to have a crystal ball somewhere in the Navy the like of which I have never seen, if you can come this close.

Admiral SHIFLEY. Of course, in this area a lot of it, a lot of the estimate depends on our past experience, this is true. Our estimate is not made on the basis of exactly which repairs we know or think will have to be performed on each ship.

SHIPS NEEDING OVERHAUL IN 1970 BUT NOT SCHEDULED

Mr. RHODES. Actually, Admiral, don't you have a list of ships you are going to put in for regular overhaul and then don't you have another list that you do not really give us which you would like to put in for overhaul and probably will if you have the better experience under the nonscheduled repairs category than you thought you were going to have?

Admiral SHIFLEY. No, sir.

Mr. RHODES. You don't have a shadow list anywhere?

Admiral SHIFLEY. No, sir. We have ships that we know would be overhauled if we had the money but, as I indicated previously, I can't ever remember when we had enough money to perform all the overhauls.

Mr. RHODES. Would you submit for the record a list of the ships that your best judgment indicates should be overhauled in fiscal 1970 which are not listed for regular overhaul?

Admiral SHIFLEY. Yes, sir; I can do that.

(The information follows:)

ACTIVE FLEET SHIPS OVERHAULING IN FISCAL YEAR 1971 WHICH SHOULD OVERHAUL IN FISCAL YEAR 1970

Ship	Fiscal year 1971 overhaul start date	Normal interval months	Months since last overhaul
AE 15	July 1, 1970	37.0	37.7
AE 12	July 31, 1970	37.0	42.0
AFS 3	Nov. 2, 1970	37.0	42.2
AGSS 480	July 1, 1970	30.0	31.0
AGSS 569	do	30.0	63.4
AOE 2	May 10, 1971	37.0	50.0
AOG 56	July 1, 1970	37.0	45.8
AR 8	May 28, 1971	48.0	59.9
ATA 188	July 22, 1970	30.0	33.2
CG 12	July 30, 1970	36.5	89.0
CLG 4	July 1, 1970	36.5	45.0
CVA 43	do	48.0	49.7
CVS 38	Nov 16, 1970	36.0	53.2
DD 704	July 1, 1970	37.0	60.4
DD 885	do	37.0	51.9
DD 945	do	37.0	50.2
DD 870	Oct 16, 1970	37.0	47.9
DD 886	Oct. 22, 1970	37.0	41.3
DD 447	Oct. 26, 1970	37.0	44.7
DD 836	Nov. 6, 1970	37.0	45.8
DD 851	Nov. 19, 1970	37.0	46.5
DD 875	Nov. 20, 1970	37.0	46.1
DD 872	Jan. 15, 1971	37.0	67.1
DDG 7	July 1, 1970	37.0	48.4
DDG 2	July 22, 1970	37.0	41.4
DDG 19	July 31, 1970	37.0	40.8
DDG 18	Sept. 30, 1970	37.0	41.8
DE 1047	Oct. 19, 1970	37.0	47.1
DEG 1	Oct. 15, 1970	37.0	55.4
DLG 29	July 1, 1970	37.0	40.7
DLG 34	July 15, 1970	37.0	42.2
LPA 36	July 16, 1970	33.0	41.6
LPH 7	Aug. 28, 1970	36.0	40.7
LPH 10	Nov. 2, 1970	36.0	51.6
LPH 4	Mar. 17, 1971	35.0	44.1
LPH 8	May 12, 1971	35.0	45.9
LSD 27	July 1, 1970	33.0	37.5
LSD 26	May 3, 1971	33.0	47.7
LSD 33	May 14, 1971	33.0	45.9
SS 568	Oct. 15, 1970	30.0	34.8

SSN/SSBN OVERHAULS WHICH HAVE BEEN DEFERRED TO FISCAL YEAR 1971

Ship	Fiscal year 1971 overhaul start date	Last overhaul completion date
SSN 578	Mar. 1, 1971	Sept. 19, 1967
SSN 579	Nov. 3, 1970	Aug. 31, 1967
SSN 594	June 1, 1971	Nov. 20, 1967
SSN 595	May 17, 1971	Mar. 21, 1968
SSN 637	July 6, 1970	May 27, 1968
SSBN 598	July 15, 1970	Feb. 2, 1966
SSBN 601	Jan. 6, 1971	July 5, 1966

NRT SHIPS OVERHAULING IN FISCAL YEAR 1971 WHICH SHOULD OVERHAUL IN FISCAL YEAR 1970

Ship	Fiscal year 1971 overhaul start date	Normal interval months	Months since last overhaul
DD 747	Sept. 17, 1970	33.0	46.1
DD 699	Oct. 1, 1970	33.0	43.7
DD 748	Nov. 17, 1970	33.0	48.6
DD 795	Jan. 5, 1971	33.0	50.4

PROVISION FOR UNANTICIPATED DAMAGE TO SHIPS

Mr. ANDREWS. Admiral, I would like to ask you at this point, is it correct to say that your nonscheduled funds more or less are a cushion to take care of unforeseen damages that might be afflicted on ships?

Admiral SHIFLEY. Yes, sir; this is included.

Mr. ANDREWS. And if your damages are not as much as you anticipated in the fund you could then use some of the nonscheduled funds to overhaul ships that needed it, not on your scheduled list of overhauls?

Admiral SHIFLEY. Yes, sir; I think that is a true statement.

Mr. ANDREWS. And you have no way of anticipating what the damages incurred by ships on the nonscheduled list for overhaul will be in a given year?

Admiral SHIFLEY. No, sir; we don't.

Mr. ANDREWS. As for instance the *Enterprise* fire that cost you $4.6 million?

Captain MORGAN. Yes.

Mr. ANDREWS. Mr. Davis?

Mr. DAVIS. No questions.

BASE OPERATIONS

Mr. ANDREWS. We will now consider base operations.

For "Base operations" and other support you are requesting $568,927,000. This is an increase of $34,614,000 above the actual obligations incurred for fiscal year 1968. Can you explain why you need such a large increase?

Admiral SHIFLEY. I would say generally this is because of the general cost increase in everything.

Mr. ANDREWS. Inflation?

Admiral SHIFLEY. Yes, sir.

SCOPE OF BASE OPERATIONS

Mr. ANDREWS. Just what does this subject cover, Admiral?

Admiral SHIFLEY. This program finances the general operational and support expenses at naval shore activities under command of the operating forces. Funds requested support the operation of activities such as naval stations, air stations, submarine and amphibious bases, fleet support activities, fleet training centers, and Marine Corps air stations in the United States and overseas. Funds will provide for functions such as personnel administration, general administration, fire protection supplies and materials, automatic data processing, travel of personnel, recurring maintenance and repair of real property (buildings, grounds, and other structures) and other public works programs (utility services, janitorial operations, and maintenance and operation of transportation equipment). Additionally, this program finances the Navy's pro rata share of operational costs incurred at NATO activities located in various member countries of the North Atlantic Treaty Organization and for Fleet Marine Force aviation support requirements.

INCREASE COST OF PHILCO-FORD AND KOREAN EXPRESS CONTRACT

Mr. ANDREWS. We note that in 1970 you are reducing the support for activities at Saigon and Da Nang by $24 million. The effect of this is to increase your request for base operations and other support for 1970 by $22,817,000. To what operations is this increase in funding being applied?

Captain CONN. Part of the increase is going to the Philco-Ford contract, and another part of the increase is going to the Korean Express contract.

Mr. ANDREWS. Explain those contracts, how much they cost and the purpose of each, and so forth.

Captain CONN. The Korean Express contract provides third-country nationals under the Korean Express contract for offloading of cargo within the Da Nang area. The Philco-Ford contract furnishes operations and maintenance of facilities and the overhaul and repair of equipment, all equipment and facilities being Government furnished. In other words, they are providing labor.

Mr. ANDREWS. Is the Philco-Ford contract for communications maintenance?

Captain CONN. There are components that they overhaul. I think most of these components are for motor vehicles but I am not sure about the communications equipment.

Mr. ANDREWS. What is the amount of these two contracts?

Captain CONN. The 1969 Philco-Ford contract was $36,200,000 and the Korean Express was $12,500,000. The estimated cost in 1970 is $37 million for the Philco-Ford and $11,700,000 for the Korean Express.

Mr. ANDREWS. How are these contracts awarded, by negotiation or by competitive bidding?

Captain CONN. Under negotiations.

Mr. ANDREWS. Are these cost-plus-fixed-fee contracts? Supply that for the record if you do not have the answer.

Captain CONN. Yes, sir.

Mr. ANDREWS. Also supply for the record the number of employees engaged in the performance of each contract.

Captain CONN. Yes, sir.

Mr. ANDREWS. Also explain what the contracts are for; elaborate on that for the record.

(The information follows:)

KOREAN EXPRESS CONTRACT

The purpose of this contract with Korean Express Keang Nam LTD is to provide stevedoring and litherage services in Da Nang, Republic South Vietnam.

This is a negotiated fixed-price contract under which the Government agrees to make available to the contractor a minimum guarantee of not less than 60,000 measurement tons of cargo for drayage each month. In the event the Government does not make available this quantity of tonnage, it shall pay the contractor the difference in the contract price between the tonnage made available and the guaranteed 60,000 tons. However, if the contractor does not handle the full quantity made available, then he is paid for only the quantity handled. Based on the current contract, the Korean Express Co. will achieve a minimum offload effort in the Danang area of 160,000 measurement tons per month.

Under the provisions of the existing contract, the contractor is responsible for all maintenance and repair of contractor-owned and Government-furnished equipment, including the stocking of spare parts and tools, erection and maintenance of repair facilities and the training, use, and supervision of mechanics and labor. The Government will furnish to the contractor, to the extent available, consumable supplies such as food, tires, parts, and repair services at Navy prices prevailing in the area.

Summary of cargo handled, fiscal year 1969

Month	*Measurement tons*
July	163,000
August	168,000
September	170,000
October	165,000
November	176,000
December	163,000
January	194,700
February	137,000
March	169,105
Personnel employed:	
Local nationals	132
Third country nationals	606
Total	738

PHILCO FORD CONTRACT

This contract is a cost-plus incentive fee contract negotiated in order to provide a capability for the operation, maintenance, and repair of equipment, craft, lighterage, and facilities (facilities include waterfront facilities, covered reefer and open storage, streets, roads, drainage, telephone systems, electrical distribution systems, water supply systems, cantonments, ground, and other structures) under the cognizance of the U.S. Naval Support Activity Danang and as may be required within the I Corps Zone.

Specifically this includes the operation and management of a vehicle and equipment component repair and rebuild facility capable of producing 1,650 units per month, operation and maintenance of a tire recapping facility capable of producing 4,000 units per month, operation and maintenance of a generator overhaul facility capable of overhauling 48 generators (maximum capacity of 1,500 kilowatts) per year, receipt, storage, inventory control, warehousing of material and other functions essential to the operation of a supply depot and the maintenance and repair of Naval small boats and craft at the small craft repair facility.

A total of 3,910 personnel are currently employed; this is comprised of 950 local nationals, 2,800 third country nationals, and 100 U.S. personnel.

In addition the contractor commenced on July 1, 1968, an "on and off the job" training program for 101 Vietnamese personnel. This training program is designed to produce a corps of skilled and semiskilled Vietnamese technicians and mechanics at all levels of labor.

ENEMY INFLICTED DAMAGE AT DA NANG AND SAIGON

Mr. ANDREWS. Has the Navy suffered much damage at Da Nang and Saigon as a result of the bombings or the rocketing?

Admiral SHIFLEY. Yes, sir. We receive attacks in there periodically and sometimes the damage is rather extensive.

Mr. ANDREWS. Are the repairs funded from this appropriation?

Admiral SHIFLEY. I would say several appropriations. Ammunition, for example, is paid for out of the OPN appropriation. They managed to blow up one of our small utility craft loaded with ammunition.

Mr. ANDREWS. I am speaking of real estate, buildings, and warehouses.

Admiral SHIFLEY. Yes, sir. Some of the repairs to those facilities come out of this appropriation.

Mr. ANDREWS. I wish you would put in the record the loss sustained by the Navy because of hostile fire or sabotage in the last few years in these two cities.

Admiral SHIFLEY. That was paid for out of the O. & M.N. appropriation; yes, sir.

(The information follows:)

The loss sustained in the O. & M.N. appropriation due to hostile fire or sabotage occurring at Naval Support Activities Saigon and Danang is as follows:

Fiscal year 1968	$2,000,000
Fiscal year 1969 (through Mar. 30, 1969)	3,100,000

The above costs were to provide for inventory losses and repairs to real property facilities.

FUNDS FOR NATO PROGRAMS

Mr. ANDREWS. What are the NATO programs for which you are requesting $3,704,000?

Admiral SHIFLEY. Captain Conn.

Captain CONN. Just a moment, sir. I don't have that with me, sir.

Admiral SHIFLEY. Can we provide that for the record?

Mr. ANDREWS. Yes, and also give us a breakdown of what the money is spent for.

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. I assume that does not include pay, does it, Admiral Duncan?

Admiral DUNCAN. No, it does not.

(The information was provided to the committee and is classified.)

UNDERWATER DETECTION SYSTEM

Mr. ANDREWS. Now, you are asking for $1.4 million increase to provide for the implementation of an underwater detection system. I wish you would discuss that, Admiral Shifley. Tell us about this program, what progress is being made, what part you play in it, and why you want this increase.

Admiral SHIFLEY. Do we have Captain Kelly here?
Captain Conn, do you have that?
Captain CONN. Yes, sir. These funds are primarily to commence operation in fiscal year ———.
Mr. ANDREWS. This is out of the R. & D. phase?
Captain CONN. This is for implementation of the system.
Mr. ANDREWS. That is what I mean. You have finished all the R. & D. on it?
Captain CONN. That is my understanding.
Mr. ANDREWS. Is it operational? What experience have you had?
Admiral SHIFLEY. This will be the first application of this.
Mr. ANDREWS. Have you tested it?
Admiral SHIFLEY. Yes, sir.
Mr. ANDREWS. How did the tests turn out?
Admiral SHIFLEY. To the best of my knowledge, they were satisfactorily completed.
Mr. ANDREWS. Just what will you get when you install this system? What will this system do?
Admiral SHIFLEY. ———.
Mr. ANDREWS. Is this an addition to what you already have, or is it a new system? It is a new system, is it not?
Captain CONN. In the ——— yes.
Admiral SHIFLEY. This is a system which performs the same function as the ———.
Mr. ANDREWS. Do you have any such system as that today in the ———?
Admiral SHIFLEY. No, sir.
Mr. ANDREWS. This will be the initial deployment?
Admiral SHIFLEY. Yes, sir.
Mr. ANDREWS. This is the ———?
Admiral SHIFLEY. Yes, sir.
Mr. ANDREWS. Portable?
Admiral SHIFLEY. Yes, sir.
Mr. ANDREWS. Can be moved from place to place?
Captain CONN. Air transportable, yes; sir.
Mr. ANDREWS. And you need it in the ———?
Admiral SHIFLEY. Yes, sir.
Mr. ANDREWS. From what I read, I think you do.
Mr. Davis, do you have any questions on base operations?

CHANGE IN DEFINITION OF DATE OF OBLIGATION

Mr. DAVIS. I have a question relating to the $11,200,000 item on page 1–1–11. Had you reached that point, Mr. Chairman.
Mr. ANDREWS. It is on this subject, yes.
Dr. DAVIS. I have a question relating to the rationale of the item which is set forth on page 1–1–11 of our justifications.
Captain JOHNSTON. Yes, sir.
Mr. DAVIS. Is there a sound accounting basis for this or was this primarily just one way of cutting down the actual figures shown in the bookkeeping?
Captain JOHNSTON. I think it is both, sir. There is a one-time saving in fiscal 1969 which was one of the methods used to reduce supplemental

funding in fiscal year 1969. In an accounting sense I believe that it is sound on the basis that if a requisition is submitted and the material requested is not in stock at the point where the request was initially made, the theory—not the theory, but the operation is that the requisition is then referred into the supply system as a whole. The man who has ordered it does not have firm knowledge as to when that requisition will be filled, sir. It might be filled in a week, a month, 2 months. It may have to even be procured before it can be provided to him. Therefore, we were tying up money for indeterminate periods of time pending the filling of a requisition. The money was obligated but not expended.

The system now provides for the stock fund to hold money in abeyance during this interim period and that the bill will be charged to the ordering activity at the time the stock fund delivers what has been ordered. I believe that this is a sound procedure. It would be rather similar to commercial practice. When a commercial concern orders from a supplier he does not pay until delivery. I would say that this is comparable to that process and therefore sound in an accounting or fiscal sense.

Mr. DAVIS. Is this primarily an acounting reform? Project prime that we have been talking about, or its more simply a deferral of charges from one fiscal year to another?

Captain JOHNSTON. I think it can be considered as part of the overall Government directive to go toward an expense base method of operation; therefore, inasmuch as project prime does move us toward an expense based system, this is therefore a part of it; yes, sir.

Mr. DAVIS. This is something that, in your opinion then, would have been done or at least could be substantially justified outside of the expenditure limitations that were imposed?

Captain JOHNSTON. Yes, sir.

Mr. DAVIS. That is all, Mr. Chairman. Thank you.

LEASE-PURCHASE AIRCRAFT AGREEMENTS

Mr. ANDREWS. Now we will discuss lease-purchase aircraft agreements.

Are there any funds in the Navy's 1970 budget request for the rental or purchase of additional service-support aircraft?

Colonel SPARLING. No, sir; there is no line item in this budget for the lease or lease-purchase of aircraft.

Mr. ANDREWS. What amounts did the Navy obligate for this purpose in fiscal years 1967, 1968, and 1969?

Colonel SPARLING. We did lease aircraft in fiscal year 1968 for a period of about 6 months, three aircraft. I do not have the actual costs with me.

Mr. ANDREWS. Have you been leasing aircraft and paying for the lease, or the rent?

Colonel SPARLING. Just these three that we were talking about that we did lease in 1968.

Mr. ANDREWS. What about 1969?

Colonel SPARLING. No, sir; we have not leased any in 1969.

Mr. ANDREWS. How about 1967?

Colonel SPARLING. Not to my knowledge, sir.

PROPOSED LEASE OF FOUR TRANSPORT AIRCRAFT

Mr. ANDREWS. I am reading from Aerospace Daily, October 2, 1968: "Naval Air Systems Command is considering leasing, with an option to buy, four transport aircraft which it described as new light multi-engine turbojet fan. NASC also is planning to include an option to buy two more aircraft of the same model. The lease contract will commence about February 1969. The aircraft will probably be North American Rockwell T-39 Sabreliners. The Navy now is flying three of the executive jet aircraft in VIP configurations."

Colonel SPARLING. Yes, sir. The three that you are talking about are the three that we did lease in 1968 and we did buy them in the fiscal year 1969 PAMN procurement account.

Mr. ANDREWS. You didn't pay for them out of this account?

Colonel SPARLING. The lease for 1968, we did pay out of O. & M. for the 6 months in 1968.

Mr. ANDREWS. You paid for the leasing out of O. & M. funds?

Colonel SPARLING. Yes, sir.

Mr. ANDREWS. But you paid for the purchase of them out of the procurement account?

Colonel SPARLING. In 1969, yes, sir.

Now, the four that they are talking about is four that we asked to lease this year, an additional four. That particular lease has been turned down by Congress, the Senate Appropriations Committee, and that contract has not been let.

Mr. ANDREWS. Admiral, do you consider O. & M. funds proper for the lease of aircraft?

Admiral SHIFLEY. If we are going to lease them, that is the proper appropriation to pay for them; yes, sir.

Mr. ANDREWS. But where it is tied in with a lease-purchase agreement?

Admiral SHIFLEY. The purchase should be out of a procurement appropriation.

Mr. ANDREWS. That is what you did in the case you discussed?

Colonel SPARLING. Yes, sir. Mr. Chairman, we had an urgent need for these aircraft in the Navy.

Mr. ANDREWS. How many aircraft do you anticipate purchasing under the lease-purchase agreements the Navy has been entering into for the last 3 years?

Colonel SPARLING. We have none at the present time, sir.

Mr. ANDREWS. Do you have any plans to do that?

Colonel SPARLING. As I say, we requested four more.

Mr. ANDREWS. But it was turned down by the Senate?

Colonel SPARLING. Yes, sir. We hope to purchase those aircraft.

Admiral SHIFLEY. I think the categorical answer to your question is there are no approved plans to do this at this time, sir.

Mr. ANDREWS. Did the Senate turn down the Navy reprograming 69-1, DOD series 69-23; is that what you are talking about?

Colonel SPARLING. Yes, sir.

Mr. ANDREWS. You are not going to purchase or lease any of these aircraft at all during this year?

Colonel SPARLING. No, sir, we will not.

Mr. ANDREWS. Do you have any in the PAMN appropriation request at this time?

Colonel SPARLING. No, sir; there is none in the PAMN appropriation, the congressional fiscal 1970 PAMN appropriation.

However, we are still talking with the Senate Appropriations Committee in hopes that we may get it.

Mr. ANDREWS. In the letter delivered or addressed to the chairman of the committee dated October 28, 1968, signed by the then Secretary of the Navy, which initiated the procurement of this aircraft under lease-purchase agreements is no longer applicable; is that right?

Colonel SPARLING. That is correct, because they denied it in the Congress; yes, sir.

Mr. ANDREWS. Will you notify the committee if you intend to go any further with these lease-purchase agreements?

Colonel SPARLING. Yes, sir; we certainly will. That is one reason we notified the Congress of our intent at this time. We started this back last October because of the congressional interest. Mr. Ignatius then sent a letter to the Chairman stating his intent at that time, and also to Senator Russell. We certainly will notify the committee of any change in those plans.

USE OF LEASED AIRCRAFT

Mr. ANDREWS. What is the mission of the aircraft which is or which would have been purchased under these lease-purchase agreements?

Colonel SPARLING. The three that we leased in 1968 and purchased in 1969 had all been used in the WESPAC area. We needed to get fast, dependable transportation in WESPAC to get technicians, repair teams, analysis teams, at a fast pace into the Pacific. We gave up four old C–54's in our inventory for these three that we leased and later purchased. This was a very big success in WESPAC. The four that we had hoped to lease and buy this year mainly were to be used by our ferry commands in an effort to reduce our pipeline of combat aircraft. That is, when an airplane is delivered at the factory or has completed its maintenance at a repair facility we want to get that airplane as fast as possible to the end user, the actual squadron who is training pilots. By using these aircraft here again a light, fast, dependable aircraft, we can get these pilots around and do this faster.

Mr. ANDREWS. Mr. Davis, do you have any questions on this lease-purchase of aircraft agreement?

APPLICATION OF LEASE PAYMENTS TO PURCHASE PRICE

Mr. DAVIS. Yes. I would assume since a typical lease-purchase contract does give a substantial credit for payments on the lease to go to the purchase price, that in the instances where lease-purchase was used in 1968 that the credit on the price by virtue of the rental payments was made back to the O. & M. at the time of the actual purchase; is that true?

Colonel SPARLING. No, sir; it is not.

Mr. DAVIS. It is not?

Colonel SPARLING. The actual purchase price was decreased, as you say. Approximately 50 percent of your lease cost, if you buy after 1 year, your lease cost is reduced in the procurement cost by 50 percent—that is, it reduces the cost by 50 percent.

Mr. DAVIS. So that O. & M. really earned something for your procurement account, didn't it?

Colonel SPARLING. I would say morally, yes, sir.

Mr. DAVIS. And that is all it was, a moral obligation?

Colonel SPARLING. Yes, sir. We didn't get any money back from procurement.

Admiral SHIFLEY. I would like to add one thing on this subject, and that is that these aircraft, had they been leased, would have replaced some old aircraft that are about, on the average, 24 to 25 years old.

Mr. ANDREWS. Old C–47's?

Admiral SHIFLEY. C–47's and C–117's.

Mr. ANDREWS. Are you still flying C–47's in the Navy?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. There hasn't been one built in 25 years, has there?

Admiral SHIFLEY. A little less than that. The average age of our C–117's, which was a C–47 modernized in the early 1950's, is now a little over 25 years and the average age of the C–47's that we have in our inventory is a little over 24 years. These are the airplanes that we would like to replace with some of these newer modern aircraft.

Mr. ANDREWS. I don't blame you.

The committee will adjourn until 2 o'clock.

AFTERNOON SESSION

MEDICAL SUPPORT

Mr. ANDREWS. The committee will come to order.

We will now discuss the medical support program, and insert in the record various pages from the justification book.

(The pages follow:)

BUDGET ACTIVITY 3: MEDICAL SUPPORT, SUMMARY OF OBLIGATIONS

[In thousands]

A. Hospitals and medical centers	$89,832	$101,359	$105,087	+$3,728
B. Other medical activities	6,631	6,903	7,459	+556
C. Care in nonservice facilities	64,356	68,332	81,059	+12,727
D. Education and training	4,578	4,607	6,094	+1,487
E. Care of the dead	7,452	8,761	8,714	−47
F. Departmental administration, Bureau of Medicine and Surgery	3,293	3,710	3,710	.....
Total direct obligations in budget document	176,142	193,672	212,123	+18,451

Statement relating fiscal year 1968, 1969, and 1970 programs, budget activity No. 3: medical support

[In thousands of dollars]

1968 program	$176,142
Civilian pay increases	+3,264
Establishment of naval hospital, Orlanda, Fla	+1,593
Increases incident to functional transfers	+4,451
Workload increases and price adjustments	+14,416
Transfer investment equipment responsibility to procurement appropriation	−3,569
Collateral equipment	−1,605
Medical education for national defense program	−1,020
1969 program	193,672
Transfer of funding responsibility from R.D.T. & E., N appropriation	+283
Workload increases and price adjustments	+16,783
Medical education for national defense program	+1,500
Other decreases	−115
1970 program	212,123

EXPLANATION OF INCREASES

Mr. ANDREWS. Admiral Davis, we note that you propose to increase this program from $193,672,000 in fiscal year 1969 to $212,125,000 in fiscal year 1970, an increase of nearly 10 percent. To what extent is this increase due to a larger patient load, and to what extent is it due to price increases?

(The information follows:)

Analysis of proposed budget increase

Price increases	$10,733
Workload increases	4,318
Policy change[1]	1,900
MEND program	1,500
Total	18,451

[1] Change in requisitioning procedures for stock fund material.

INCREASED COST OF MEDICAL CARE

Mr. ANDREWS. What has been your recent experience with regard to price increases, both at naval hospitals and medical facilities, and at nonservice facilities?

(The information follows:)

5-YEAR COMPARISON OF COSTS BETWEEN NAVAL HOSPITALS AND NONSERVICE FACILITIES

[Average cost per inpatient day]

	Naval hospitals	Nonservice facilities
Fiscal year:		
1964	$25.20	$62.82
1965	26.54	65.61
1966	26.98	66.82
1967	28.86	76.34
1968	30.90	84.43

ARMED SERVICES MEDICARE PROGRAM

Mr. ANDREWS. What will be the Navy's contribution to the armed services medicare program for fiscal year 1970? How does that compare with the contribution for fiscal years 1968 and 1969?

(The information follows:)

Navy share of uniformed services civilian health and medical benefits program

Fiscal year:	
1968	$55,892,000
1969	58,669,000
1970	70,259,000

TRAVEL OF PHYSICIANS TO MEDICAL MEETINGS

Mr. ANDREWS. How much are you requesting for the travel of physicians to various medical meetings and conferences, and how many physicians do you anticipate will be traveling?

(The information follows:)

It is estimated that 2,330 physicians out of 4,766 medical officers will attend professional medical meetings and conferences at a total estimated cost of $1,092,-

000. No specific budgetary provision is made for attendance of dentists, nurses, and allied medical personnel. To the extent that such other personnel attend, the number of physicians will be reduced.

Mr. ANDREWS. How did you arrive at this cost?

(The information follows:)

The requirement for attendance at professional meetings was based on:

Attendance by 1,530 physicians stationed in CONUS at $400 per meeting	$612,000
Attendance by 800 physicians stationed outside CONUS at $600 per meeting	480,000
Total	1,092,000

Conus:	
Travel	$219
Per diem	96
Miscellaneous	10
Fees	75
Total	400

Outside Conus:	
Travel	$361
Per diem	144
Miscellaneous	20
Fees	75
Total	600

The foregoing estimates are based on costs experienced during fiscal year 1968.

ACCOMPLISHMENTS IN NAVY MEDICINE

Mr. ANDREWS. Will you give us some up-to-date information on the accomplishments in Navy medicine during the last year?

Admiral DAVIS. I would like to supplement the record, if I may, but I would like to tell you that most of our effort has been concentrated in the care of the severely wounded in Vietnam. We have had a surgical research team over there which is a little more than research, in that they stand a watch and actually work right in the hospital.

The heaviest workload at naval medical facilities in Vietnam occurred in 1968 when the hospital at Danang averaged 2,000 admissions per month with a comparable number of major surgical procedures. The most seriously wounded were provided care by the surgical research group previously established at Danang to study new methods of managing fresh trauma. During a 2-month period, 23 very seriously wounded patients, usually double or triple amputees, were treated by this group. Only one of these casualties died, but without the sophisticated and meticulous care capability of such a team, the mortality rate would have been much higher. The knowledge acquired by this research group will be invaluable assistance both to the military and civilian medical community in the management of fresh trauma and handling of mass casualties.

They have had a wealth of material, unfortunately, to work with. During the last 2 years they have accumulated a great amount of very interesting data on the best methods of taking care of acutely injured people, so much so that I would venture to say that if I were acutely injured, I would much rather be over there for them to take care of

me than perhaps to be out on the highway here in the United States. This has been our major accomplishment.

One fairly recent one which may be of some general interest to you, Mr. Chairman, is the recent development of a holographic microscope by our Medical Research Institute, in collaboration with the University of Michigan and Jodan Engineering Associates, which has the capability of seeing the bubbles that are formed in cases of bends in animals. It is attached to a hyperbaric chamber. Under massive pressure with quick decompression, we now can actually visualize these little nitrogen bubbles. With this particular instrument we hope to be able to get much more accurate decompression tables, much more accurate information about how to handle them.

Mr. ANDREWS. Is that a breakthrough?

Admiral DAVIS. We think so, yes, sir. There is even the possibility that this instrument may be helpful in certain clinical conditions that are characterized by little blood clots that break lose in the bloodstream, and things of this sort, but we have not gone into this as yet.

We are doing a considerable amount of work in some of the tropical diseases that we are now encountering. Malaria, of course, is ever a problem in Vietnam. We are doing some work in plague in Java and Indonesia.

By and large, these cover most of the efforts that we are expending right now.

(The following information was subsequently provided:)

DEVELOPMENT IN NAVY MEDICINE

Blood program.—During 1968, the Navy collected 51,873 units of blood for shipment to Southeast Asia. This greatly exceeded the 18,446 units collected in 1967.

Tissue bank and transplantation.—A new tissue bank was established at the San Diego Naval Hospital to meet the demand for tissue which because of increased battle casualties had increased seven times existing procurement rate. The bank augments the capability of the tissue bank in Bethesda, Md., and greatly enhances the Navy's ability to meet current requirements for freeze dried tissues, especially skin, bone, and dura.

Physical standards.—The visual acuity standards for commissioning and for enrollment in officer candidate programs were revised in 1968. The three most significant changes concern: (1) Conversion to a new approach for the Navy's visual standards—binocular visual efficiency system (BVE is a system that considers the visual acuity of both eyes instead of each eye individually, (2) establishment of appropriate refractive error limits, and (3) lowering of visual standards for most officer candidate programs. The change increases the availability of otherwise qualified applicants without incurring a significant risk to the Navy or qualitative compromise.

Training of civilian nursing students in Navy facilities.—Training agreements were reached with 20 civilian schools and hospitals for use of 19 Navy Medical facilities by civilian nursing students. The academic programs include curriculum for practical nurses and hospital diploma nurses as well as candidates for associate and baccalaureate degree in nursing.

Health benefits program information workshop.—Because of the complex nature of the uniform services health benefits program as well as the fact that many beneficiaries have coverage under other Federal health care programs such as social security and the civilian employees health benefits program it became necessary to establish a health benefits program office at naval hospitals and selected dispensaries. Workshops were held in the Bureau of Medicine and Surgery in 1968 to insure that designated officers were aware of the benefits available under the health benefits program and the procedures for obtaining them so that they might provide assistance to eligible beneficiaries particularly those with questions concerning payment for care provided by civilian sources.

Medical facilities.—Nearly half of the Navy's total normal bed capacity of 16,800 beds are in temporary buildings constructed prior to or during World War II. These buildings no longer lend themselves to increasing medical service requirements and because of age and unreliable electrical systems represent a fire hazard. During 1968 a nine story 650 bed naval hospital was dedicated in Oakland, Calif., replacing temporary buildings used on a 200-acre site since 1942. The new structure features an ultramodern surgery, the Navy's widely known prosthetic laboratory, coronary, and surgical intensive care units, a new aural speech and rehabilitation center, and so forth. Plans for replacement of the naval hospitals in Charleston, S.C. and Corpus Christi, Tex., in fiscal year 1969 were approved but a program for replacement of the naval hospital, Camp Pendleton, Calif. was denied. This hospital suffered a serious fire in November 1966 and only fortuitous circumstances prevented spread of the fire to the entire hospital. Replacement plans have been reprogramed in the Navy's fiscal year 1970 program.

In addition, the Guam naval hospital was expanded in 1968 by activation of Asan annex. The annex has a capacity of more than 400 beds and was intended to reduce overcrowding at the main hospital caused by increased Vietnam casualties.

Space program.—The Navy Medical Department continues to make a significant contribution to the space program and in 1968 provided direct medical support to Apollo 8 Lunar Orbital Flight. Medical personnel were assigned to surgical teams aboard the primary recovery vessels (U.S.S. *Essex* and U.S.S. *Yorktown*) and aboard several of the secondary recovery ships. In addition the naval hospitals at San Diego, Calif., Guam, M.I., Yokosuka, Japan, and Subic Bay, P.I., were alerted for contingency medical support.

Dentistry.—The Navy's preventive dentistry program for prevention of tooth decay and for dental health education was extended to dependents. This program was widely publicized in 1968 by individual notification to dependents in their allotment checks and savings bonds. Since initiation more than 300,000 children have been treated under the program.

A maxillofacial injury study was initiated at Danang, Vietnam and on the hospital ships *Repose* and *Sanctuary*. This study includes documentation of the nature and extent of injury, including evidence from photographs and radiographs and a detailed account of initial treatment. The course of treatment along with the final results of reconstructive surgery at CONUS hospitals will be recorded and used as a basis for making recommendations involving initial treatment of similar cases.

Research on meningococcal meningitis.—A Repository sponsored and supported by the Bureau of Medicine and Surgery was established as a collaborative effort of the Naval Medical Research Unit No. 1, the Naval Biological Laboratory, and the school of public health of the University of California. It is expected that this repository will aid significantly in collecting well defined isolates from healthy carriers and patients with the disease thereby enhancing studies of meningitis epidemiology, pathogenicity, immunity, serology, and genetics. Exchange procedures will be established with the World Health Organization Repository in Marseilles, France and the National Communicable Disease Center, Atlanta, Ga., in the interest of developing broad spectrum classifications of neisseria isolates from widespread geographical areas.

Underwater research.—During 1968 the Navy's underwater physiological research efforts were vastly expanded and in two major research efforts volunteer subjects were exposed to simulated environments at depths greater than 1,000 feet. Extensive psychological, physiological, and human performance data were acquired demonstrating that properly selected and trained personnel can perform complicated tasks deep in the ocean with safety and efficiency if life support equipment provides proper environmental control. Studies are continuing on potential problems in underwater habitation such as infection, diver nutrition, aseptic bone necrosis, and speech performance.

In addition, in an undersea research project known as TEKTITE, jointly sponsored by the Office of Naval Research, NASA, and the Bureau of Commercial Fisheries, civilian marine biologists explored sea life patterns and phenomena during a 60-day period in an undersea habitat in the Virgin Islands. Human behavior studies were concurrently conducted on the Tektite inhabitants. The Naval Submarine Medical Center, New London, Conn. developed and provided decompression tables and biomedical support for Tektite including health care of assigned personnel. Three Navy medical officers were directly involved in support of this mission.

International cooperation.—Historically, Central Java has been the victim of plague outbreaks ever 8 to 10 years. During early 1968, it was again subjected to an epidemic with high morbidity and mortality rates, the Naval Medical Research Unit No. 2, Taipei, Taiwan was invited by the Indonesian Ministry of Health to conduct interepidemic studies of the ecology of plague in the Bojolali area. These studies included the location of the reservoir of plague and exploration of relationship between the host, vector, pathogen, and habitat that make the perpetration of plague possible. By September 1968 the area was declared free of the disease. There is every reason to believe that the friendly attitude expressed will lead to a more rewarding relationship between the research unit and the Indonesian medical profession and that medical science has benefitted greatly from this endeavor.

Mr. ANDREWS. We have previously discussed with you and members of your staff your personnel problems.

Admiral DAVIS. Yes, sir.

Mr. ANDREWS. Does this budget fund the operation of your hospitals?

Admiral DAVIS. Yes, sir.

CONDITION OF NAVY HOSPITALS

Mr. ANDREWS. Generally speaking, what is the condition of your hospitals?

Admiral DAVIS. In general, I think the majority of our hospitals are somewhat like our ships. They are getting obsolescent. They are getting a little old. Their maintenance costs are increasing.

Mr. ANDREWS. You are speaking now of the buildings?

Admiral DAVIS. The buildings; yes, sir. We have had good support from our engineers, but the buildings themselves are getting pretty old. The equipment is in good shape.

Mr. ANDREWS. I was going to ask you about your operating rooms and equipment.

Admiral DAVIS. They are in all cases, I think, equal to the finest anywhere. Our equipment needs have always been adequately met.

SPECIALIZED TRAINING FOR NAVY MEDICAL PERSONNEL

Mr. ANDREWS. Are you giving many of your people specialized training?

Admiral DAVIS. Yes, sir. We have something over 600 inservice residents in specialty-type training. This includes operational medicine, too, like aerospace medicine. We have a sizable program. Were it not for this program, I think we would be in even more serious trouble with the retention of medical officers in the Navy. These programs are good, in my opinion, and I think in most people's opinion.

RETENTION OF NAVY DOCTORS

Mr. ANDREWS. What percentage of retention do you have in connection with your doctors?

Admiral DAVIS. It is a difficult question, but I can answer it like this: Something in the nature of 13 percent of our total corps have 10 years or more service. It would be much more desirable to have at least 20 percent or, preferably, even higher.

Of a total medical corps of approximately 4,500 people, we will have a turnover every year of 1,100 to 1,200. This is largely due to the Berry Plan input of doctors under 2 years' obligation.

TRAINING OF NAVY DOCTORS IN ORGAN TRANSPLANTS

Mr. ANDREWS. Are you giving any of your people training in organ transplants?

Admiral DAVIS. We expect to have an organ transplant team working in Bethesda before the end of this year. It will not transplant hearts. It will transplant kidneys and other organs.

This has been in the planning phase for the last 2 to 3 years. We have a well-qualified surgeon coming to head his team. We have a tissue bank.

Mr. ANDREWS. Is he a Navy man?

Admiral DAVIS. Yes, sir.

Mr. ANDREWS. Regular Navy?

Admiral DAVIS. Regular Navy.

Mr. ANDREWS. He is making a career of it?

Admiral DAVIS. He is making a career of it. He has had this advanced training which has obligated him for several years. He has been trained at Colorado General, where they are doing a considerable number of various organ transplants. He has been there for at least 3 or 4 years.

NAVY MEDICARE PROGRAM

Mr. ANDREWS. How is your Navy medicare program operating? We heard yesterday from General Peatfield, who is the overall head or administrator of the armed services medicare program. He told us about how the program is operating, with particular emphasis on the Army part of it.

Have you anything you would like to say about the Navy medicare program?

Admiral DAVIS. No. I think it might be of general interest to the chairman to know that this program is only a little more than 2 years old, and is increasing with great rapidity, both in its cost and in its acceptance in all of the services. There was a period of time when it took a little while for people to become aware of the benefits of this particular program.

Mr. ANDREWS. That program is about 10 years old now; is it not?

Admiral DAVIS. That is the original medicare program. The new one, which is much more expensive, is a little more than 2 years old.

Mr. ANDREWS. What is the difference between the new plan and the old plan? Does it include more people?

Admiral DAVIS. There are considerably more benefits. Retired and retired dependents are now entitled to care in civilian hospitals under the new plan. There is outpatient care provided, for instance, which never was a feature of the old plan.

Mr. ANDREWS. That is comparable to the medicaid program.

Admiral DAVIS. Yes, sir.

Along that line, one of the things that is responsible for the increased cost, in my opinion, is that under our original medicare program we operated on a fixed-fee basis for the physician. Since the social security medicare program operates under the usual and customary fee basis, in order to get them both together the military medicare program has had to switch to usual and customary fee, which increased the cost of paying the doctor.

OCCUPANCY OF NAVY HOSPITALS

Mr. ANDREWS. What percentage of occupancy do you have overall in your hospitals?

Admiral DAVIS. In CONUS we are averaging in the nature of 85 percent as a round figure.

Mr. ANDREWS. Is that about normal?

Admiral DAVIS. That is about normal.

In some instances in our larger hospitals we are operating at expanded capacity. This is with all beds at 6-foot between centers rather than 8-foot, because the normal bed capacity of the hospital has had to be expanded in order to take care of the casualty situation.

Mr. ANDREWS. Are you handling Vietnam cases in all of your hospitals?

Admiral DAVIS. Not all, no, sir. Most of our smaller hospitals do not take them.

Mr. ANDREWS. You say your rate of occupancy is 85 percent overall. Do you have some hospitals that are 100 percent occupied?

Admiral DAVIS. Yes, sir; based upon the assigned normal bed capacity. You see, we have a method of adjusting what a hospital's operating beds are best kept at, from the standpoint of space, supplies, and the manning of the hospital. In times of stress we have an expanded capacity. They shift the beds for instance, in the open wards, from 8-foot centers to 6-foot centers, which increases the bed capacity by one-third. In several of our larger hospitals this has been necessary in order to meet the load.

EPIDEMICS

Mr. ANDREWS. What about epidemics during the past year? Have you had any of unusual proportions?

Admiral DAVIS. We have had none of unusual proportions. We have a problem in California right now, which is paralleling a similar problem that is present in the civilian population, with meningococci. Spinal meningitis would be the term that you know it by. To date, I think we have had something in the nature of 35 cases with 7 deaths, which is a very high death rate.

Mr. ANDREWS. Is that in the San Diego area?

Admiral DAVIS. Largely; not confined to, but largely.

Mr. ANDREWS. Is that contagious?

Admiral DAVIS. Yes, sir. That is the problem.

Mr. ANDREWS. Can you give any reason why you have it in that particular area and not elsewhere?

Admiral DAVIS. Not really. We have had it elsewhere. For instance, the Army, I think, has had a problem with it on the east coast, at Fort Dix. It is probably due to the fact that you have a number of young men coming from all different areas carrying a number of different germs. They get together and cross infect each other. If they can last out the 3 or 4 months to build up their own tolerance to the other person's germs, they will have little further trouble. It is during that period of time when they are in jeopardy.

NAVY OPERATED HOSPITALS

Mr. ANDREWS. Would you place in the record the total number of hospitals and the total number of hospital beds that the Navy operates?

Admiral DAVIS. Yes, sir.

Mr. ANDREWS. And comment in your remarks about the number of hospital buildings that are over age. In your oldest hospitals, I understand you to say you have the most modern facilities in operating rooms.

Admiral DAVIS. Yes, sir. The equipment is good in all of our hospitals.

Mr. ANDREWS. That is really what counts, is it not?

Admiral DAVIS. Yes, sir.

(The information follows:)

CAPACITY AND CONDITION OF NAVY HOSPITALS

Since 1950, the emphasis of the Navy's medical construction program has been largely directed toward the replacement of the several aged hospitals housed in temporary buildings constructed during World War II. The table depicts the cost of construction required (1) to replace those hospitals whose buildings are more than 50 percent temporary, and (2) to incorporate, by modernization and/or addition, the most recent advances in hospital design. There are 38 naval hospitals worldwide which have 16,800 normal beds.

[In thousands]

State/country, naval hospital	Percent of beds requiring construction	Type construction required [1]	Cost of construction required [2]
California:			
Camp Pendleton [3]	100	R	$19,800
Lemoore	0	.....	0
Long Beach	38	A	6,000
Oakland	0	.....	0
Port Hueneme	100	R.	5,000
San Diego	46	M	14,000
Connecticut: New London [4]	100	R	6,100
Florida:			
Jacksonville	0	.....	0
Key West	50	M-A	9,000
Orlando	100	R	10,000
Pensacola	100	R	14,306
Illinois: Great Lakes	75	M	1,500
Maryland:			
Annapolis	100	R	8,000
Bethesda	77	M-A	34,000
Patuxent River	0	.....	0
Massachusetts: Chelsea [5]	60	R	11,000
New Hampshire: Portsmouth	0	.....	0
New York: St. Albans	42	M	4,000
North Carolina:			
Camp Lejeune	100	M	6,000
Cherry Point	100	R	7,000
Pennsylvania: Philadelphia	100	R-M	44,000
Rhode Island:			
Newport [6]	100	R	10,000
Quonset Point	100	R	5,000
South Carolina:			
Beaufort	0	.....	0
Charleston [7]	100	R	15,687
Tennessee: Memphis [8]	100	R	6,600
Texas: Corpus Christi [9]	100	R	8,000
Virginia:			
Portsmouth	46	A	15,000
Quantico	100	M	3,000
Washington:			
Bremerton	100	R	8,000
Whidbey Island	0	.....	0

See footnotes at end of table.

[In thousands]

State/country, naval hospital	Percent of beds requiring construction	Type construction required [1]	Cost of construction required [2]
Cuba: Guantanamo Bay	0		0
Italy: Naples	0		0
Japan: Yokosuka	100	R	12,000
Mariana Islands: Guam	68	M-A	15,000
Republic of China: Taipei, Taiwan	50	M-A	3,000
Republic of Philippines: Subic Bay, Luzon	0		0
Spain: Rota	0		0

[1] R=replacement; M=modernization; A=addition.
[2] Cost based on fiscal year 1971 DOD cost guide for hospital construction.
[3] 600-bed replacement included in fiscal year 1970 budget.
[4] 125-bed replacement approved by Congress, fiscal year 1969.
[5] 342-bed replacement approved by Congress, fiscal year 1969.
[6] 200-bed replacement (first increment) approved by Congress, fiscal year 1966.
[7] 500-bed replacement approved by Congress, fiscal year 1969.
[8] 230-bed replacement approved by Congress, fiscal year 1968.
[9] 195-bed replacement approved by Congress, fiscal year 1969.

Mr. ANDREWS. Mr. Rhodes, questions on medical support?

PROGRESS IN BANKING ORGANS FOR LATER TRANSPLANT

Mr. RHODES. Doctor, can you tell me anything about the progress that has been made in banking organs for later transplant? Are we able to do that at all, or do you have to take the organ right from the donor to transplant it?

Admiral DAVIS. I can tell you we have no really great progress, but we have what we think is a very exciting program going on where we are using primates, the primate being a baboon in this instance, in the research institute at Bethesda, giving immunosuppressive drugs and storing within him human organs so he may keep them alive for further use elsewhere. This is not novel in the Navy. Other places are doing this. But there has been some degree of success or at least hope of success, and we are continuing this as a very exciting field.

Mr. RHODES. Is it possible to do that under artificial circumstances?

Admiral DAVIS. I would think the major progress will ultimately be made along this line. I would think probably an artificial organ of some type will be better in the long run than the human organ transplantation.

DEVELOPMENT OF AN ARTIFICIAL HEART

Mr. RHODES. I was about to ask you about that. Recently, as you know, there has been an instance where an artificial heart was actually put into the body of a living man, and it kept him alive for some days. He died when they tried to transplant a human heart. Is this hopeful and are you doing work along these lines?

Admiral DAVIS. We are not in this particular category. However, as you likely know, Mr. Rhodes, the National Institutes of Health, to which we have access, is devoting a considerable size of money along this line, and has been for several years, developing an artificial heart, a mechanical type.

TREATMENT OF NEUROPSYCHIATRIC CASES WITH DRUGS

Mr. RHODES. Are we still making substantial progress in the treatment of neuropsychiatric cases with drugs? The Veterans' Administration has been very active in this in past years.

Admiral DAVIS. I could not talk with great expertise on this because, as you probably know, by the time a man has been labeled as psychotic or mentally disturbed sufficient so that he is unfit for duty, we do not keep him in our treatment atmosphere. He goes into veterans atmosphere.

I can say that our psychiatric hospitalization has been greatly reduced by the use of various types of drugs that are currently available to psychiatry.

VIETNAM PSYCHIATRIC CASES COMPARED TO PRIOR WARS

Mr. RHODES. Have you any way of comparing psychiatric cases or perhaps personality deficiencies in the armed services in combat areas now with similar cases, say, during World War II or World War I?

Admiral DAVIS. One of the things that has been striking in the war, if we call it this, in Vietnam has been the relatively lower percentage of this type of case as compared with World War II. The reasons for this are speculative. They perhaps are due to the fact that a man knows exactly when he may expect to come home. I think the fact that he realizes he has good medical backup is also of some value.

The exact reason beyond these is not clear to me. There has not been the high percentage that we had even in the Korean war.

Mr. RHODES. Maybe that is because the ones that might be susceptible to this sort of thing are back here burning draft cards.

Admiral DAVIS. This could be.

Mr. RHODES. I wonder, seriously, if we have not refined our selection processes to the point that perhaps we are not getting the type of individual who would be a risk to have this type of difficulty.

Admiral DAVIS. I think we are better, Mr. Rhodes, but we still have a long way to go. We are better because within the last 10 years we have put psychologists and psychiatrists in most of our recruiting stations, and they have been, I think, quite effective. It still is difficult to find what the breaking point of a man is, though, without a long period of observation.

Mr. RHODES. Thank you, Mr. Chairman.

Mr. ANDREWS. Mr. Davis?

Mr. DAVIS. No questions.

NAVY HOSPITALS IN VIETNAM

Mr. ANDREWS. How many hospitals are funded under this budget in Southeast Asia?

Admiral DAVIS. In Southeast Asia——

Mr. ANDREWS. In South Vietnam.

Admiral DAVIS. There is one hospital at Danang, and the Marine Corps operates three field hospitals.

Mr. ANDREWS. They are funded in this budget?

Admiral DAVIS. They are funded in this budget.

Mr. ANDREWS. What about your hospital ships?

Admiral DAVIS. They are funded in this budget, everything except the ship personnel.

Mr. HICKEY. There is no money in the medical support part of this budget for hospitals in Vietnam. This activity just funds the naval hospitals.

Mr. ANDREWS. That comes under operating support. So, the ships are not funded under this budget?

Admiral DAVIS. We only furnish the personnel, that is right.

Mr. ANDREWS. I wish you would put something in the record about the experience you have had with the hospital ships.

Admiral DAVIS. It has been very gratifying.

(The information follows:)

SOUTHEAST ASIA HOSPITAL SHIPS

Two hospital ships, the U.S.S. *Repose* and U.S.S. *Sanctuary*, provide direct hospital support to operating forces committed to military operations in Vietnam, particularly those engaged in amphibious operations. The *Repose* arrived on station in Vietnam February 16, 1966, and was subsequently joined by the *Sanctuary* April 12, 1967. They are staffed with highly specialized personnel, equipped with the most modern medical equipment, have the capability of providing optimum medical care to the wounded, and offer many advantages over fixed in country medical facilities, that is, versatility, mobility, increased capability, better environment, more efficient utilization of medical personnel, greater support in amphibious operations, et cetera. Though responsible primarily for providing medical service support to members of the Navy and Marine Corps, thus far more than 28 percent of the workload has involved other than members of the naval service.

Since arrival in Southeast Asia, both hospital ships have performed superbly. As an illustration of performance during an amphibious operation conducted in January casualties with devastating wounds were received on *Sanctuary*. These included nine double amputees, five single amputees, and one triple amputee. Four cardiac arrests occurred in triage as the casualties were being received. With rapid transfusions and teamwork three of the four were resuscitated and later evacuated. Such performance more than adequately describes the responsiveness and effectiveness of the hospital ship.

Mr. ANDREWS. That is all for you, Doctor, and your staff. Thank you very much.

Admiral DAVIS. Thank you, Mr. Chairman.

COMPLIMENTS TO ADMIRAL PEARSON

Mr. ANDREWS. I want to say on the record, you have one of the best men you have ever had up here on Capitol Hill as our physician—Admiral Pearson.

Admiral DAVIS. Thank you, sir. We think highly of him, too.

RESERVE FORCES

Mr. ANDREWS. Now we shall consider "Budget activity 5, Reserve Forces," and insert in the record at this point the summary justification page.

(The page follows:)

BUDGET ACTIVITY 5: RESERVE FORCES, SUMMARY OF OBLIGATIONS

[In thousands]

Budget program	1968 actual	1969 estimate	1970 estimate	Difference, 1970 compared with 1969
A. Naval Reserve training ships	$17,450	$17,567	$18,421	+$854
B. Naval Aviation Reserve	38,700	54,726	57,823	+3,097
C. General Naval Reserve support	19,544	20,591	21,772	+1,181
Total direct obligations in budget document	75,694	92,884	98,016	+5,132

Statement relating fiscal year 1968, 1969, and 1970 programs, budget activity 5, reserve forces

[In thousands of dollars]

Fiscal year 1968 program		75,694
Flight operations	+2,108	
Transfer of consumables and spare parts from procurement appropriations	+11,596	
Naval Reserve training ship operations and repairs	+117	
Civilian pay increases	+964	
Civilian substitution program	+1,826	
Functional transfers	+1,384	
NROTC	+508	
Junior NROTC	+193	
Other increases	+1,125	
Civilian personnel reduction consistent with Public Law 90-364	−511	
Maintenance of real property reduction	−600	
Obligation definition change for supply requisitions	−1,500	
Other decreases	−20	
Fiscal year 1969 program		92,884
Flight operations	+1,091	
Naval Reserve training ships operation and maintenance	+854	
Obligation definition change for supply requisitions	+1,500	
Maintenance of real property	+452	
NROTC	+543	
Junior NROTC	+410	
Other increases	+309	
Civilian personnel cost reductions	−27	
Fiscal year 1970 program		98,016

CURRENT READINESS STATUS OF NAVY RESERVE

Mr. ANDREWS. What is the current readiness status of your Reserve Forces?

Admiral DUNCAN. I would like to ask Admiral Burke to reply to that.

Admiral BURKE. The readiness status of personnel is very good.

The units have about the same responsiveness as comparative fleet units.

The Selected Reserve strength authorized in the current year is 129,000.

Mr. ANDREWS. What is the number you have on board?

Admiral BURKE. Actually, right now we are over that strength because the amount was authorized after the beginning of the fiscal year, and we are reaching for a man-year average.

Mr. ANDREWS. We went into this when we covered "military personnel."

Admiral BURKE. Yes, sir.

INCREASE IN FLIGHT OPERATIONS

Mr. ANDREWS. Why are you requesting an increase of $1.091 million for flight operations? Has the flying hour program for Reserve pilots been maintained at 125 hours during fiscal year 1969, and will it be retained at that amount during fiscal year 1970?

Admiral BURKE. Colonel Sparling will reply to that.

Colonel SPARLING. Fiscal year 1969 allows 125 hours per pilot. In 1970, we are expecting 126 hours per pilot. The slight increase in the hours, almost equal, is because we have more pilots flying twin seated aircraft. We require less hours to get the more pilot time.

To answer the question why we need more in fiscal year 1970, a million more, it is because we have a richer mix of aircraft. We are trying to upgrade the Reserve Force to better aircraft. We are putting in the F–8K/L, the new version of the Crusader fighter, which is remanufactured in the Ling-Temco Co. We are adding additional A–4Cs, which is an improved version of the Douglas A–4B Skyhawk. We are putting more of the latest model of the S–2E, antisubmarine warfare aircraft. We are adding the SP–2H and replacing the SP–2E. We are adding more helicopters into the Marine Personnel Reserve. So, we are upgrading the Reserve and have a richer mix of aircraft.

Mr. ANDREWS. I wish you would elaborate on that when you revise your remarks for the record.

(The information was provided to the committee and is classified.)

Mr. ANDREWS. Are there any questions on Reserve Forces?

LOCATION OF RESERVE SHIPS AND AIRPLANES

Mr. DAVIS. Mr. Chairman, would it be appropriate to ask that there be placed in the record a listing of the ships and planes, by types, available for the Reserve Training Forces, and the location where each of those is based?

Mr. ANDREWS. Without objection, that information will be made available in the record.

(The information follows:)

NAVAL RESERVE TRAINING SHIPS

Ship type	Hull No.	Name	Location
DD	507	Conway	Philadelphia, Pa.
DD	508	Cony	Do.
DD	510	Eaton	Do.
DD	540	Twining	San Francisco, Calif.
DD	547	Cowell	Do.
DD	596	Shields	San Diego, Calif.
DD	676	Marshall	Tacoma, Wash.
DD	696	English	Jacksonville, Fla.
DD	700	Haynsworth	Galveston, Tex.
DD	702	Hank	Philadelphia, Pa.
DD	705	Compton	Boston, Mass.
DD	707	Soley	Charleston, S.C.
DD	708	Dickson	Boston, Mass.
DD	712	Gyatt	Washington, D.C.
DD	732	Hyman	New Orleans, La.
DD	734	Purdy	Fall River, Mass.
DD	753	Pierce	New York, N.Y.
DD	756	Beatty	Tampa, Fla.
DD	762	Henley	Norfolk, Va.
DD	775	Keith	Do.
DD	857	Bristol	New York, N.Y.
DE	708	Parle	Chicago, Ill.
DE	1023	Evans	Seattle, Wash.
DE	1024	Bridget	Do.
DE	1025	Bauer	San Diego, Calif.
DE	1026	Hooper	Long Beach, Calif.
DE	219	Blackwood	Whitestone, N.Y.
DER	383	Mills	Baltimore, Md.
DE	532	Tweedy	St. Petersburg, Fla.
DE	634	Whitehurst	Portland, Oreg.
DE	644	Vammen	Long Beach, Calif.
DE	684	Delong	Fort Schuyler, N.Y.
DE	685	Coates	New Haven, Conn.
DE	699	Marsh	Long Beach, Calif.
IX	305	Prowess	Buffalo, N.Y.
PCER	853	Amherst	Detroit, Mich.
PCE	856	Whitehall	Cleveland, Ohio.
PCE	877	Havre	Great Lakes, Ill.
PCE	880	Ely	Sheboygan, Wis.
PCE	902	Portage	Milwaukee, Wis.
PCS	1385	Hollidaysburg	Toledo, Ohio.
MSCO	54	Ruff	Everett, Wash.
MSC	121	Bluebird	Fort Lauderdale, Fla.
MSC	122	Cormorant	Long Beach, Calif.
MSC	190	Falcon	Providence, R.I.
MSC	191	Frigate Bird	Portsmouth, N.H.
MSC	192	Hummingbird	South Portland, Maine.
MSC	193	Jacana	Fall River, Mass.
MSC	194	Kingbird	Pensacola, Fla.
MSC	195	Limpkin	Perth Amboy, N.J.
MSC	196	Meadowlark	Do.
MSC	197	Parrot	Atlantic City, N.J.
MSC	201	Shrike	Wilmington, N.C.
MSC	203	Thrasher	San Francisco, Calif.
MSC	204	Thrush	Miami, Fla.
AGSS	224	Cod	Cleveland, Ohio.
AGSS	236	Silversides	Chicago, Ill.
AGSS	240	Angler	Philadelphia, Pa.
AGSS	244	Cavalla	Houston, Tex.
AGSS	245	Cobia	Milwaukee, Wis.
AGSS	246	Croaker	Portsmouth, N.H.
AGSS	269	Rasher	Portland, Oreg.
AGSS	272	Redfin	Baltimore, Md.
AGSS	287	Bowfin	Seattle, Wash.
AGSS	297	Ling	New York, N.Y.
AGSS	298	Lionfish	Providence, R.I.
AGSS	301	Roncador	San Pedro, Calif.
AGSS	310	Bat Fish	New Orleans, La.
AGSS	334	Cabezon	Tacoma, Wash.
AGSS	338	Carp	Boston, Mass.
AGSS	383	Pampanito	Mare Island, Calif.
AGSS	384	Parche	Alameda, Calif.
AGSS	409	Piper	Detroit, Mich.
AGSS	423	Torsk	Washington, D.C.
AGSS	481	Requin	St. Petersburg, Fla.
APSS	313	Perch	San Diego, Calif.

Naval Air Reserve aircraft

Location and aircraft type:	Number
NARTU, Alemeda:	
Attack (VA)	27
Patrol (VP)	10
Transport (VR)	2
ASW helicopter (HS)	10
ASW carrier (VS)	8
Training (VT)	6
Total	63
NAS, Atlanta:	
Fighter (VF)	20
Patrol (VP)	9
Transport (VR)	3
ASW helicopter (HS)	0
Training (VT)	7
Total	39
NAS, Dallas:	
Fighter (VF)	18
Patrol (VP)	8
Transport (VR)	3
ASW helicopter (HS)	6
Training (VT)	9
Total	44
NAS, Glenview:	
Attack (VA)	22
ASW carrier (VS)	9
Patrol (VP)	11
Transport (VR)	7
ASW helicopter (HS)	11
Training (VT)	9
Total	69
NAS, Grosse Ille:	
ASW carrier (VS)	8
Transport (VR)	3
ASW helicopter (HS)	4
Training (VT)	2
Total	17
NARTU, Jacksonville:	
Attack (VF)	9
ASW carrier (VS)	9
Patrol (VP)	7
Transport (VR)	2
ASW helicopter (HS)	4
Training (VT)	4
Total	35
NARTU, Lakehurst:	
ASW carrier (VS)	11
Transport (VR)	5
ASW helicopter (HS)	4
Training (VT)	2
Total	22

Naval Air Reserve aircraft—Continued

Location and aircraft type:	Number
NAS, Los Alamitos:	
Fighter (VF)	23
ASW carrier (VS)	13
Patrol (VP)	10
Transport (VR)	3
ASW helicopter (HS)	7
Training (VT)	8
Total	64
NARTU, Memphis:	
Attack (VA)	14
Patrol (VP)	6
Transport (VR)	3
Training (VT)	4
Total	27
NAS, Total New Orleans:	
Attack (VA)	9
Patrol (VP)	6
Transport (VR)	3
ASW helicopter (HS)	9
Training (VT)	4
Total	31
NAS, New York:	
Attack (VA)	27
Patrol (VP)	13
Transport (VR)	4
ASW helicopter (HS)	4
Training (VT)	5
Total	53
NARTU, Norfolk:	
Attack (VA)	10
ASW carrier (VS)	10
Transport (VR)	3
ASW helicopter (HS)	7
Training (VT)	6
Total	36
NAS, Olathe:	
Attack (VA)	10
Patrol (VP)	8
Transport (VR)	3
Training (VT)	8
Total	29
NAS, Seattle:	
ASW carrier (VS)	8
Patrol (VP)	6
Transport (VR)	3
ASW helicopter (HS)	5
Training (VT)	2
Total	24

Naval Air Reserve aircraft—Continued

Location and aircraft type:	Number
NAS, South Weymouth:	
Attack (VA)	15
ASW carrier (VS)	9
Patrol (VP)	6
Transport (VR)	3
ASW helicopter (HS)	5
Training (VT)	6
Total	44
NAS, Twin Cities:	
Attack (VA)	13
Patrol (VP)	9
Transport (VR)	3
ASW helicopter (HS)	5
Training (VT)	6
Total	36
NARTU, Washington:	
Fighter (VF)	13
ASW carrier (VS)	8
Patrol (VP)	6
Transport (VR)	3
Training (VT)	7
Total	37
NAS, Willow Grove:	
Fighter (VF)	12
ASW carrier (VS)	2
Patrol (VP)	8
Transport (VR)	3
ASW helicopter (HS)	13
Training (VT)	8
Total	46

Mr. ANDREWS. Any other questions?

Mr. DAVIS. That is all, Mr. Chairman, thank you.

NAVAL PETROLEUM RESERVE

Mr. ANDREWS. Next we will take up naval petroleum reserve. We will insert in the record the summary justification pages.

(The pages follow:)

BUDGET ACTIVITY 7: NAVAL PETROLEUM RESERVE—SUMMARY OF BUDGET

[In thousands of dollars]

Budget program	1969 actual	1969 estimate	1970 estimate	Difference 1970 compared with 1969
A. Naval petroleum reserve	$5,371	$5,414	$5,300	−$114
Total direct obligation in budget document	5,371	5,414	5,300	−114

Activity 7.—Naval Petroleum Reserve

Program A, Petroleum Reserve:

		Amount
1970	Estimate	$5,300,000
1969	Estimate	5,414,000
1968	Actual	5,371,000

Purpose and scope of work

This budget program provides funds for operation of the naval petroleum and and oil shale reserves in accordance with the act of June 4, 1920, as amended (70A Stat. 457, as amended, 76 Stat. 904–906, 10 U.S.C. 7421–38 (supp. V, 1964)), which directs the Secretary of the Navy to explore, prospect, conserve, develop, use and operate the naval petroleum and oil shale reserves for the production of petroleum and shale oil when required for national defense.

Justification of funds

For fiscal year 1970, this budget program provides for (1) continuation of operation of naval petroleum reserve No. 1 in California for the purpose of developing and maintaining the reserve in a state of readiness for production and to protect the Government's oil against drainage; (2) continuation of administration of oil and gas leases on naval petroleum reserve No. 2 in California; (3) continuation of production of protective wells in naval petroleum reserve No. 3 in Wyoming and the drilling of exploratory wells to obtain a more accurate estimate of oil reserves in this reserve; (4) drilling of another gas well in the South Barrow gas field in naval petroleum reserve No. 4 in Alaska; (5) continuation of management of renewable natural resources on naval oil shale reserves in Colorado and Utah, and a study of improving permeability in oil shale by fracturing the shale with high explosives; and (6) administrative expenses and the hiring of consultants.

NEW GAS WELLS

Mr. ANDREWS. How many new gas wells do you expect to drill next year?

Captain MOORE. I am Capt. Howard N. Moore, director of naval petroleum reserves.

We expect to drill one.

Mr. ANDREWS. Where?

Captain MOORE. Point Barrow.

Mr. ANDREWS. Do you have hopes of striking oil?

Captain MOORE. No, sir; gas. We have a gas field. It is not an exploratory well. It is a development well. We expect to find gas. It is a stepout from known gas regions.

Mr. ANDREWS. Is this more or less a routine type operation in which you are engaged?

Captain MOORE. The whole operation is routine.

Mr. ANDREWS. Have you done anything or do you propose to do anything of any special significance during the fiscal year 1969?

Captain MOORE. Not anything new. We have the programs which we mentioned last year and which we are continuing.

NAVAL PETROLEUM RESERVE IN ALASKA

Mr. ANDREWS. We understand from recent articles in newspapers that there have been significant discoveries of petroleum in the Arctic areas. Are any of these near the Naval Petroleum Reserve in Alaska, and how do these discoveries affect the Naval Petroleum Reserve?

Captain MOORE. Yes, sir, the field discovered is about 50 miles from our Naval Petroleum Reserve No. 4. The area is in a large geologic basin. The newly discovered oilfield has been estimated to have 5 to 10 billion barrels of reserves. It will not affect us unless another field has been discovered which crosses our line, and then drainage would take place and we would have to take some action. It does enhance the value of the Naval Petroleum Reserve in the Arctic. We have approximately the same area as they have outside the reserve in the same geologic basin.

As you know, we drilled shallow wells during the fifties and found some oil, but we did not drill deep wells. The new discoveries are deep wells on deeper structures. We could have as much or more oil in NPR No. 4 as is outside, which could be 20 or 30 billion barrels. It will affect us economically when the field outside the reserve is developed and we know more about it.

Mr. ANDREWS. Have any recent rulings or orders issued by the Secretary of the Interior affected your activities?

Captain MOORE. Not directly, sir, none that I know of affect our reserve in Alaska. Interior has no jurisdiction over oil and gas in our reserve.

SLANT DRILLINGS

Mr. ANDREWS. Have you found any slant drilling up there?

Captain MOORE. The nearest well is 50 miles from our boundaries, so there is no slant drilling.

Mr. ANDREWS. It would be too slanted to produce?

Captain MOORE. It would be a long, deep hole.

Mr. ANDREWS. That is what you call, not stealing, but——

Captain MOORE. It would be stealing if they slanted a hole and came on our reserve.

Mr. ANDREWS. Have you had any of that kind of hanky-panky in the last few years at any of your wells?

Captain MOORL. No, sir.

Mr. ANDREWS. You did have in years gone by?

Captain MOORE. No, sir; not slant drilling. We have had, of course, drilling next to our reserve which drains oil out of the same pool. Since we do not produce, that in effect drains some of our oil, but this is legal under State laws.

Mr. ANDREWS. That is not stealing?

Captain MOORE. Not legally stealing.

Mr. ANDREWS. Here is the land line. Your well is over here. This man drills over here. You say he is taking your oil.

Captain MOORE. I did not say stealing. I said he is taking our oil.

Mr. ANDREWS. You said it is legalized stealing.

Captain MOORE. It is legal to take it. It is not legalized stealing. It is called the law of capture in oil and gas law, because the oil in the ground will flow across the boundary when the pressure decreases due to drilling and production from an adjacent operation. The adjacent operation legally captures it as it flows across.

Mr. ANDREWS. He has a perfect right to drill on his side.

Captain MOORE. Yes, I agree.

Mr. ANDREWS. Suppose he had his well there first, and you put yours over here.

Captain MOORE. We would be taking his oil.

Mr. ANDREWS. Have you done that?

Captain MOORE. Yes, sir.

Mr. ANDREWS. What else do you want to tell us about your operation of the last 12 months and the next 12 months?

Captain MOORE. It is going along pretty good, sir. We are not doing anything spectacular.

SUMMARY OF NAVAL PETROLEUM RESERVES

Mr. ANDREWS. How many oil-producing wells do you have?

Captain MOORE. How many producible wells? We have 1,000 in NPR No. 1. We have 115 or 120 in NPR No. 3.

Mr. ANDREWS. Provide for the record a summary of what you have.

Captain MOORE. Yes, sir.

(The information follows:)

STATISTICAL SUMMARY OF NAVAL PETROLEUM AND OIL SHALE RESERVES

1. NAVAL PETROLEUM RESERVE NO. 1

Naval Petroleum Reserve No. 1 was established by Executive order in 1912 and is located in the western part of Kern County, Calif., about 20 miles southwest of Bakersfield. This reserve, including the Elk Hills field, is probably the largest reserve of recoverable oil in the State of California and one of the largest in the United States. The reserve consists of 46,005 acres of which 37,554 are owned by the United States and 8,541 are owned by the Standard Oil Co. of California. The major portion of the Elk Hills field is operated as a unit under a unit plan contract with each participant sharing in production and costs. Roughly the divided ownership of the unit is 80 percent Navy and 20 percent Standard Oil Co. of California. The reserve contains and is estimated to exceed 1 billion barrels of recoverable oil and 250 billion standard cubic feet of gas, valued at more than $3 billion at current prices. The field contains 1,017 producible wells. The total plant value of the facilities in place is $75 million. Today's replacement costs for these facilities would probably be twice this figure. These facilities presently can produce 75,000 barrels of oil per day within a 60-day notice. Currently an operational readiness program is underway which will allow Navy to produce 160,000 barrels per day within a 60-day notice of an open up order by a joint resolution of Congress. Additional plans are being formulated to upgrade the field to provide for a daily production in emergency of 230,000 barrels per day in order to be able to replace all waterborne imports into the west coast. Production from Naval Petroleum Reserve No. 1 is limited to that necessary to prevent loss from drainage to adjacent private producing wells; to prevent loss from water encroachment; to prevent loss by migration and that produced to test the capacities of shallow zone wells. Approximately 2.5 million barrels will be produced and sold in fiscal year 1960.

2. NAVAL PETROLEUM RESERVE NO. 2

Naval Petroleum Reserve No. 2 was established by Executive order in 1912 and consists of 30,181 acres of which 10,446 are owned by the United States and 19,735 are owned by private interests, principally by Standard Oil Co. of California. The lands in Navy custody are leased to several oil companies and the reserve is operated as a normal oilfield because Government holdings are checkerboarded throughout the field and it would be difficult to maintain it as a reserve. It is estimated that the remaining reserves in Navy-held lands now approximate 25 million barrels of oil. Approximately 2.0 million barrels will be produced in fiscal year 1960 from which the Treasury will receive approximately one-eighth royalty.

3. NAVAL PETROLEUM RESERVE NO. 3

Naval Petroleum Reserve No. 3 was established by Executive order in 1914 and consists of 9,481 acres all owned by the United States, located approximately 35 miles north of Casper, Wyo. The field contains 133 producible wells. Presently

known oil reserves are estimated to be approximately 50 million barrels of oil. Navy is now producing some 750 barrels of oil per day from this reserve. This production is necessary to protect the reserve from the activities of adjacent operators. Approximately 300,000 barrels of oil will be produced and sold during fiscal year 1969.

4. NAVAL PETROLEUM RESERVE NO. 4

Naval Petroleum Reserve No. 4 was established by Executive order in 1923 and consists of approximately 23,080,000 acres located between the Brooks Range and the Arctic Ocean. While the reserve has not been fully explored, two significant oil and gas fields have been discovered and interesting shows recorder at several other locations. No activities are being conducted at the present time except in the area of Point Barrow. The South Barrow gasfield has been produced there since 1949 in order to provide a fuel supply to military and Federal civilian agencies located at Barrow. Congress by statute, has specifically authorized this production and in addition the sale of gas to the native population in the village of Barrow. There are seven producible wells on the reserve. It is estimated that the Government will save $1,500,000 in fuel costs by using the gas produced at Barrow during fiscal year 1969. The native's fuel bills have been reduced by as much as $147 per family per annum over the cost of bringing fuel in by tanker. Increasing demand for gas at Barrow by Government and private users has required this office to drill one additional gas well in fiscal year 1969. Presently, the Alaskan petroleum industry in the area north of the Brooks Range and east of Naval Petroleum Reserve No. 4 is engaged in drilling 13 wells, preparing four additional sites for future drilling, as well as employing 17 seismic crews in order to evaluate all geological structures. Most of the drilling wells are associated with the Prudhoe Bay field discovery. The farthest west Prudhoe Bay structure evaluation drilling well is some 20 miles east of Naval Petroleum Reserve No. 4. The drilling closest to Naval Petroleum Reserve No. 4 not associated with the Prudhoe Bay field is located 3 miles southeast of Umiat oilfield of Naval Petroleum Reserve No. 4. Should this well be successful and the operator ultimately produces it, it is conceivable that the Naval Petroleum Reserve No. 4 Umiat field will suffer some drainage. This will not occur until the adjacent lessee has a market for its oil.

5. NAVAL OIL SHALE RESERVES

The Navy has three oil shale reserves. Naval Oil Shale Reserve No. 1 was established by Executive order in 1916. Naval Oil Shale Reserves 2 and 3 were established by Executive order in 1924. Naval Oil Shale Reserves 1 and 3 are located together in Garfield County in Colorado. Naval Oil Shale Reserve No. 2 is located in Uintah and Carbon Counties, Utah. The reserves in Colorado contain 54,893 acres of land and contain an estimated 12 billion barrels of oil in shales yielding 15 gallons per ton or more. The reserve in Utah contains 90,440 acres of land and almost 4 billion barrels of oil in shales yielding 15 gallons per ton or more.

During fiscal year 1968 the above naval petroleum and oil shale reserves had an income of $9,521,008, expenses of $3,862,070, thereby realizing a net income of $5,658,938.

Mr. ANDREWS. Any questions about oil reserves, Mr. Flood?

Mr. FLOOD. No. I am interested in anthracite coal.

Mr. ANDREWS. They told us this morning they do not have a single ship using coal.

Mr. FLOOD. Yes, I know.

Mr. ANDREWS. Mr. Davis?

USE OF PETROLEUM RESERVES

Mr. DAVIS. I am not sure, Mr. Chairman, that I am sufficiently familiar either with the historical development or the utilization of the product of these reserves.

Is all of the output, whether it be petroleum itself or the natural byproducts from petroleum operations, used directly by the Navy?

Captain MOORE. No, sir; none of them are. We do not try to produce anything. We only produce when we have to for protective reasons. When we do produce, we sell the production at competitive sale, to anybody who will purchase the oil. They use it in their refineries and sell it back to industry or back to the military. We deposit the money we get in the Treasury.

HISTORICAL BACKGROUND OF PETROLEUM RESERVES

Mr. DAVIS. What is the historical background of the petroleum reserves?

Captain MOORE. They were originally established, the first one, in 1912 when the Navy quit burning coal and went to oil. It was felt there was not enough oil, at least on the west coast at that time, to fight a long military engagement. So, they set aside NPR No. 1 first, to have a stockpile of oil underground.

Over the years Congress has directed us to develop NPR No. 1 and have it ready for production. We did produce during World War II at the rate of about 65,000 barrels a day to supplement the fuel required on the west coast. We have not produced for defense purposes since that time. It remains in the ground for our needs.

On the west coast in District 5, they import approximately 200,000 barrels of oil a day. It goes up and down from that. These are marine imports. Naval Petroleum Reserve No. 7, our Elk Hills Field, the one that is ready, will produce approximately 200,000 barrels a day to supplement the refineries in the event of an engagement where we cannot bring oil in to the west coast. It just about brings the refineries back up to the capacity that we need.

The other reserves are for the same purpose. They are not fully developed. We have oil shale reserves in Wyoming and Utah that are not developed, but they are there in case they need to be developed in the future.

The one in Alaska we are talking about is wholly undeveloped. We have some test wells in it, but we do not know how much oil is there. It is a possible stockpile for future use.

Mr. DAVIS. That is all I have, Mr. Chairman.

Mr. ANDREWS. That is all, Captain, for the oil reserve.

CIVILIAN EMPLOYEES

Mr. ANDREWS. Yesterday under "Civilian employees" we discussed the summer employment program of the Navy.

Admiral GADDIS. I have the information that I promised to get for you yesterday, Mr. Chairman.

Mr. ANDREWS. Will you supply it for the record?

Admiral GADDIS. I will explain it for the record, yes, sir.

(The information follows:)

In addition to the youth opportunity program which is restricted to disadvantaged youth, the Navy Department does provide summer employment to youth under various other programs. This other summer employment is included within the temporary and part-time budget ceilings. Employment of college students is by the Summer Employment Examination which is administered by the Civil Service Commission to allow college students to compete for summer employment on a merit basis. The cutoff for filing for this examination was January 30, 1969. It is this latter program that is understood to be the one referred to.

REDUCTIONS IN CIVILIAN PERSONNEL

Mr. ANDREWS What was the reduction in civilian personnel strength as a result of the Revenue and Expenditure Control Act of 1968, and how close is the Navy to the June 30, 1966, ceiling?

Admiral GADDIS. In this appropriation, O.&M., Navy, we took out 4,705 as a result of Public Law 90–364.

Mr. ANDREWS. Could you put a dollar value on that? Supply that for the record.

Admiral GADDIS. We will supply that for the record. It is approximately $35 million.

(The information follows:)

The civilian personnel reductions identified with section 201 of Public Law 90–364 total 12,683 end strength; 5,787 of this reduction was contemplated in the fiscal year 1969 President's budget. The balance of 6,896 results in a reduction in funds of $39.1 million. Of this amount $29.4 million was reduced from the fiscal year 1969 appropriation request by congressional action and $9.7 million has been applied to Southeast Asia supplemental requirements.

Mr. ANDREWS. What reductions in expenditures were made in fiscal year 1969 as a result of reduced civilian employment under the Revenue and Expenditure Control Act of 1968?

Admiral GADDIS. For this appropriation, that would be the same number, sir.

SOUTHEAST ASIA CIVILIAN EMPLOYMENT

Mr. ANDREWS. How many civilian employees does the Navy now have in Southeast Asia, which area is exempt from the provisions of the Revenue and Expenditure Control Act?

Admiral SHIFLEY. Captain Conn, do you have that? How many civilians come under the Southeast Asia exemption?

Mr. ANDREWS. Supply it for the record.

Captain CONN. I would have to supply it for the record, sir.

(The information follows:)

As of February 28, 1969, the Department of the Navy had 16,006 exempt Southeast Asia area civilian employees. Only those Southeast Asia spaces authorized since June 30, 1966 are included in the exempt category.

POSSIBLE REDUCTION IN 1970 EMPLOYMENT

Mr. ANDREWS. By what amount can the 1970 budget request be reduced if the personnel reductions required by the Revenue and Expenditure Control Act of 1968 remains in effect?

You may supply that for the record.

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. You will have to do a little research on it.

(The information follows:)

For the most part there would be no savings as long as program requirements are not reduced. To the extent that ships and aircraft maintenance, ammunition assembly and loading, MSTS transport requirements, supply, and other workload is not diminished, the work must be carried out by additional overtime, or by contract, often at an increased cost to the Government. For example, most of our productive work is accomplished at industrial fund activities. Funds for this work are not budgeted specifically for civil service employees, but are related to the work to be performed, such as ships and aircraft overhaul. Statistically, if section 201 of the Revenue and Expenditure Control Act remains in

effect, the Navy will be reduced by approximately 12,200 positions from the fiscal year 1970 figure, resulting in salary reduction of approximately $53 million to all appropriations.

Mr. ANDREWS. Will you provide for the record a schedule showing the reductions applicable to the O. & M. procurement, and the R.D.T. & E. budget requests for 1970?

(The information follows:)

Estimated impact of extension of Public Law 90-364 on the fiscal year 1970 budget request

Fund	*Fiscal year 1970 personnel reduction*
Operation and maintenance, Navy	3,260
Operation and maintenance, Marine Corps	220
Navy industrial fund	7,495
Marine Corps industrial fund	29
Research, development, test, and evaluation, Navy	1,196
Total	12,200

CIVILIAN EMPLOYMENT ON JUNE 30, 1966 AND 1969

Mr. ANDREWS. Again for the record, will you compare the estimated civilian personnel strength of the Navy for fiscal year 1969 with that at June 30, 1966, by title of the Department of Defense Appropriation Act of 1969?

Admiral GADDIS. Yes, sir.

(The information follows:)

TOTAL DIRECT-HIRE EMPLOYMENT

	June 30, 1966	June 30, 1969
Operation and maintenance, Navy	142,211	162,732
Operation and maintenance, Marine Corps	17,042	20,718
Other procurement, Navy	488	.....
Shipbuilding and conversion, Navy	407	.....
Procurement of aircraft and missiles, Navy	257	.....
Research and development, test and evaluation, Navy	30,807	33,587
Military construction, Navy	3,167	3,804
Navy industrial fund	157,352	191,908
Marine Corps industrial fund	.....	1,644
Navy management fund	2,089	34
Laundry service, Naval Academy	149	162
Military assistance	850	660
Family housing, Defense	1,925	.....
Budget employment level	356,744	415,249

Several significant appropriation realinements have taken place since fiscal year 1966 which are reflected in the fiscal year 1969 column.

The most significant of these are:

FISCAL YEAR 1968

a. Transfer of 18,759 end strength at ordnance activities to the "Navy industrial fund" from "Operation and maintenance, Navy."

b. Transfer of 1,925 end strength from "Family housing defense" to "Operation" and maintenance, Navy" and "Operations and maintenance, Marine Corps" (reimbursable).

a. Transfer of 1,644 end strength at depot maintenance activities from "Operations and maintenance, Marine Corps" to the "Marine Corps industrial fund."

b. Transfer of 1,800 end strength from procurement appropriations to "Research, development, test and evaluation, Navy" and "Operations and maintenance, Navy."

c. Transfer of 2,201 end strength at ONR Headquarters from "Operation and maintenance, Navy" to "Research, development, test, and evaluation, Navy."

Mr. ANDREWS. Any questions on "Civilian employees"?

Mr. LIPSCOMB. No, Mr. Chairman.

Mr. RHODES. No questions.

Mr. DAVIES. No questions.

MANAGEMENT STUDIES

Mr. ANDREWS. We will now take up "Management studies." Will you please insert in the record at this point this list of the contract management studies undertaken during fiscal year 1968, 1969, and those proposed for fiscal year 1970?

(Clerk's note: The list of contracts provided for use during the hearings was subsequently revised by the Navy to provide the detailed information desired by the committee.)

Department of the Navy
Procurement of Contractual Studies and Analyses
FY 1970 Congressional Budget Submit

($ in thousands)

Appropriation/Budget Activity	Fiscal Year 1968	Fiscal Year 1969	Fiscal Year 1970
	(2)	(3)	(4)
O&M, Navy	$	$	$
Budget Activity 1	4,053	4,440	5,000
Budget Activity 2	4,443	2,762	3,296
Budget Activity 3	-0-	-0-	-0-
Budget Activity 4	53	148	60
Budget Activity 5	-0-	-0-	-0-
Budget Activity 6	1,445	1,484	1,870
Budget Activity 7	-0-	-0-	-0-
Total	9,994	8,834	10,226

Department of the Navy
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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Fleet Resources Office	O&MN (1)	90	270	-	North American Rockwell	To provide systems analysis of specified organizations on the NAVSUBASE, New London, Connecticut, leading to the design of a fully integrated management information system.
	O&MN (1)	760	762	-	VITRO	Provides for design, analysis, and program support in development of Polaris Tender Management Information System (PTMIS). Subsystems involved are production, financial, supply and a technical library. In addition, the contractor is developing an Atlantic Command Integrated Command & Control and Management Information System (LANTICOMIS).
	O&MN (1)	3,203	3,408	5,00	Stanwick	For development of computer-produced maintenance data. This data supports type commanders and unit commanders in developing and analyzing management information to compare their actual progress against CNO milestones. The

Department of the Navy
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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Fleet Resources Office (contd)						types of reports being analyzed include a float consumption cost and effectiveness surveillance system/in ventory control procedures (access/pica) systems, current ship maintenance programs, restricted/technical availability analyses, shipyard cost data analyses, and Ship Casualty Report/Casualty Correction (CASREP/CASCOR) System. The contract involved analyses of 36 such reports.
	Total	4,053	4,440	5,000		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Air Systems Command	O&MN (2)	122	188		Resources Mgmt Corp.	Conduct analytical studies on Naval weapons systems and their major components and associated support systems and development management information and evaluation and control systems.
				150	Not determined	Provides professional services and technical assistance support in the operational research analysis field. Services include cost effectiveness evaluation of alternatives, development of systems costs and prediction of technical systems reliability and maintainability analysis, development of simulation models and programming and computer services.
	O&MN (2)	95	99	99	Vitro	Studies and analyses to establish and apply improved methods for determination of procurement quantities, inventory control, optimum distribution, maintenance and disposal of

Department of the Navy
Procurement of Contractual Studies and Analyses

Requiring Office	Appn. Budget Activity	Program Estimate ($000) BY 1968	FY 1969	FY 1970	Contractor	Purpose
Air Systems Command (contd)						armament ground support equipment.
	O&MN (2)	59	23	-	General Electric	To develop and furnish a procedure and analytical technique which will optimize resource allocation in support of multiple aircraft and thereby improve aeronautical spares and repair parts utilization and support.
	O&MN (2)	-	75	-	Bunker-Ramo Data Systems	To assist in establishing an effective program for standardization of computer data elements within NAVAIR. The program will insure NAVAIR compatibility with Navy and DOD data element standardization programs, thereby allowing the interchange of information among NAVAIR computer systems and between NAVAIR systems and other systems throughout DOD. The program will also establish a data bank of the standardized data elements to be used in reference.
Total		276	385	249		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ordnance Systems Command	O&MN (2)	175	195	210	E. A. Keeble	Procure technical and professional services for systems design and development of a variety of technical and logistical reports which provide for the determination of worldwide requirements of expendable ordnance, asset projections, distribution and storage, including on-going modification and continuing development of current programs for compatibility, using Fleet developed planning factor inputs, fair sharing of assets, tabulation of line items for various Contingency War Plans and determining of CONUS basic stock levels.
	O&MN (2)	-	60	-	National Acad. of Sc/Nat. Acad. of Engr	Conduct a study for a period of twelve months of new developments in design, materials and manufacturing processes to provide improved technology for the manufacture and processing of gun barrels and gun liners for manual use.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ordnance Systems Command (contd)	O&MN (2)	-	-	50	Battelle	The objective of this study is to identify and remedy Industrial Readiness deficiencies of Naval ordnance items. This project will provide NAVORD with the capability for obtaining quick response services to aid in solving manufacturing technology problems, locating industrial deficiencies and determining open production capacity. Production of current weapons and new designs involving newer materials and more complex configurations requires continuing development of new manufacturing technology. The detailed, specific knowledge required for this program is available only in a large technical organization, active in many diverse fields and having access to the very latest state of the art events. Battelle Memorial Institute is considered to be the only qualified source.
Total		175	255	260		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Electronic Systems Command	O&MN (2)	-	61	-	Not determined	NAVELEX is working to standardize complete electronics systems, rather than systems components. This study will examine the requirements of other Navy commands for electronic systems standardization and compatibility to provide for the maximum use of developed systems.
Total			61			

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ship Systems Command	O&MN (2)	137	-	-	Stanwick	The effort involved the collection and analysis of installation, operational, maintenance, repair and cost data forwarded by ships, type commanders, building yards, repair yards and laboratories. This data was used to establish: (1) corrective maintenance rates and time to repair each component or sub-assembly in the system; (2) failure rates and distribution and repair times and distribution (how often did which item fail and how long did it take to correct) for the systems components and sub-assemblies; (3) the achieved maintainability and availability for the entire supercharged steam generator system for the period of the contract.
	O&MN (2)	40	-	-	Minn-Honeywell	To determine what tasks would have to be accomplished to meet the requirements of the operating forces for improved aircraft ammunition handling.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)	O&MN (2)	200			RCA Service Co.	Radio frequency compatibility and interference studies in support of ship design requirements. These studies are required to develop safety precautions and ship design modifications which prevent radiation hazards to people and destruction of on-board equipment.
	O&MN (2)	92			Booz-Allen	The contract involves development of a system for industrial communications by ship type and class. The developed system will be used to provide a rapid response in determining shipboard communications equipments requirements and as a guide for future communications equipments requirements planning.
	O&MN (2)	83	-	-	Stanwick	Provide automatic data processing products encompassing Maintenance and Material Management, Casualty Reports, and alteration data for fleet use.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)						This effort was to develop and test validation techniques for use by NAVSHIPS in purifying Maintenance Data Collection System (MDCS) data tapes prior to use. Utilizing purified or validated MDCS data reduces the possibility of erroneous analyses due to invalid data. These techniques are currently being utilized by NAVSHIPS to validate all MDCS data tapes received from the fleet.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships System Command (contd)	O&MN (2)	-	100	-	Not determined	This effort is a study to determine the total cost to the consumer for the lifetime of all NAVSHIPS equipment. This study will provide data on the maximum equipment reliability from a cost effectiveness standpoint and will aid in minimizing the over-designing of shipboard equipment. It will also assist in the preparation of better procurement specifications.
	O&MN (2)	-	50	-	QRC Inc.	This contract was a study to develop procedures for quantitative safety assessment in order to prevent accidents in non-electrical (mechanical) ships systems and equipment. The contract resulted in new ideas to be used in future procurements specifications for hardware.

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Requiring Office	Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)	O&MN (2)	-	44	200	Not determined	The objective of this contract is to develop mechanical reliability prediction techniques by attempting to apply electronic reliability techniques to mechanical application. Better prediction of mechanical equipment reliability would permit the Navy to more efficiently stock parts for mechanical equipment.
	O&MN (2)	-	68	-	Not determined	Analysis and evaluation of the effect on ship systems of alternative methods for maintenance logistics support.
	O&MN (2)	-	-	200	Not determined	This contract will provide for a study of facilities and equipment arrangement for submarine overhaul work packages. By designing efficient facilities and equipment for industrial overhaul of submarines, the Navy will be able to significantly reduce the dollar and time overruns that have plagued the industrial overhaul of nuclear submarines.

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Requiring Office	Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)	O&MN (2)	-	-	125	Not determined	This is to be a study of facilities and equipment required to use HY-130 steel in the overhaul and construction of submarines. The basic characteristics of the new materials required for safe operation of submarines are such that existing methods and facilities for such functions as welding and machining are not adequate. The results of this contract will facilitate the implementation of techniques required for industrial use of one of the most important of these materials, HY-130 steel.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)	O&MN (2)	1352			Stanwick	This effort involves ADP support to validate, collate and analyze data and provide print-outs identifying high man-hour consumers, high parts users, high dollar value of parts failed and deferred maintenance items. This data is utilized by NAVSHIPS to identify problem areas and allocate resources to resolve them. Specifically, this ADP support is helping to improve ship material readiness, hardware acquisition specifications, parts support, resource allocations, and pinpoint training deficiencies, particularly on new and complex hardware.
					Comm. Systems	
			799		Inc.	
			45		Sigma Systems	
				1,000	Not determined	
	O&MN (2)	162	315		Stanwick	This contractor effort involves development of properly sequenced operating instructions called the Engineering Operational Sequencing System (EOSS) for use by all shipboard levels. The system provides shipboard personnel with a set of management tools defining each person's role,
				500	Not determined	

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Requiring Offic3	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)						when it occurs, who is involved and how an engineering operation is to be performed on each specific ship. EOSS is intended to bridge the gap between increasing complexity of main propulsion systems and the decreasing availability of skilled shipboard personnel.
	O&MN (2)	28	-	-	Booz-Allen & Hamilton	This study examined a proposed information system for Naval Shipyards and compared its merits to those of the existing system. As a result, it was determined that a faster turn-around time for ship in overhaul, as well as cost avoidances, would result from modifications to the information system.
	O&MN (2)	60	52	50	Larkin Co Not determined	To analyze and develop an accounting system at the Naval Ship Engineering Center, Phila. The system centralized accounting for 40 satellite activities of the Naval Shipyard, Philadelphia,

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)						under the Navy Printing and Publications Office. The contract assisted in the development of a labor distribution system as part of modified Industrial Fund accounting to accomplish this centralization.
	O&MN (2)	-	39	-	Lake Co.	To analyze and develop a system for engineering workload planning for the Naval Ship Engineering Center, Phila. The resultant planning discipline has produced better project scheduling, and more effective utilization of in-house engineering manpower; also, it permits early identification of critical project milestones and proper sequence for reaching them.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)	O&MN (2)	22	-	-	CTI/Informatics	This study was to provide for a new teleprocessing system to reduce the manual effort which had been involved with the "batch" process system for workload planning previously used. The old system, in effect since 1961, had not been satisfying the current needs of managers. The new system, developed under this contract, has reduced manual effort by 70% and has provided the manager with direct access to daily updated information.
	O&MN (2)	55	-	-	Adams Associates	The purpose of this contract was to develop a modification of the standard Management Information System-Payroll System in order to reduce running time of the Management Information System Payroll Application in Naval Shipyards. The development of a more efficient NAVSHIPS MIS Payroll Application was necessitated by a critical situation in computer capacity and ability to process current workload.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Ships Systems Command (contd)	O&MN(2)	447	-	-	Kaiser Engineers	This was an initial study to determine the scope of the problem of modernizing the facilities and equipment of eight Naval Shipyards to cope with changing technology and workload demands. Based on the results of this study, the shipyard modernization program has become an ongoing effort to implement changes to enable shipyards to handle increasingly complex work faster and more efficiently.
	O&MN (2)	162	-	-	Booz-Allen Hamilton	The purpose of this study was to determine if economic and/or military benefits could be gained from shipyard modernization program. The evaluation made demonstrated the military and economic desirability of the proposed modernization of eight Naval Shipyards.
Total		2,840	1,512	2,075		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Facilities Engineering Command	O&MN (2)	75			Computer Service Corp.	The objectives of this contract are as follows: (1) to develop the maintenance subsystem of the Standard Public Works Center Management System. This is the missing link in the total Public Works Management System installed in five Public Works Centers in the Continental US and being installed at the four overseas Public Works Centers. (2) To develop the internal management and preliminary program requirements subsystem of the maintenance module of the standard, Navy-wide Public Works Department Management system.
			100		Process Consulting Inc.	" "
				82	Not determined	" "

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Facilities Engineering Command (contd)	O&MN (2)	252	290	430	Operations Research Inc.	The objective of this effort is to automate the Shore Facilities Planning and Programming System, the basic tool used by CNO to develop the Navy Military Construction Program. This automated system will provide uniform and timely planning and programming information to all echelons of command. The specific modeling application of the system will determine optimum economic utilization of facilities based on alternative pilot training programs.
Total		327	390	512		
Supply Systems Command	O&MN (2)	396	-	-	Planning Research Corp.	The contract provides for studies, surveys and analyses of the data being collected under the Material Management System, development of user requirements and measures of effectiveness, and development of management contracts. Some examples are: (1) Determining the feasibility of and developing a series

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Supply Systems Command (contd)						of mathematical models for ultimate use by management in the maintenance decision-making process; (2) Use of 3-M and other data to determine the general effects of deferring ship overhauls on the basis of maintenance cost and readiness; (3) Developing procedures for collecting configuration change data through the 3-M system; (4) Need for 3-M depot maintenance level data reports to satisfy the requirements of managers in CNO, NAVMAT, SYSCOMS, FLT/TYCOMS; (5) Statistical analysis of Aviation 3-M readiness, utilization and manpower reports; (6) Development of a Priority System for ranking weapons system and supporting program for NAVORD.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Supply Systems Command (contd)	O&MN (2)	97	-	-	E. A. Keeble Assoc.	This effort will develop and furnish data elements for all non-nuclear expendable ordnance. These elements will be used in all those systems that manage conventional ordnance. The data elements now being used by these systems are not compatible between systems nor are they machinable. Thus, there is no way that an inventory manager can effectively access the system. The new elements will make access possible and will be essential to effective worldwide management of the conventional ammunition inventories.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Supply Systems Command (contd)	O&MN (2)	27	-	-	Univ. of Michigan	Development of a problem statement language to achieve machine independence throughout Supply Systems Command's program repertoire. Such machine independence is necessary to allow interchangeability of hardware, facilitate competitive bidding for equipment replacement and allow interchangeability of programs between systems.
	O&MN (2)	44	-	-	COMRESS, Inc.	Use of the Systems Comparison Evaluation and Review Technique (SCERT) to simulate various systems models for the Conventional Ammunition Inventory Management System (CAIMS). This will allow NAVSUP to effectively assess which is the best alternative before choosing the final systems model for development and refinement.
Total		564				

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Strategic Systems Project Office	O&MN (2)	191	159	200	General Electric	To develop computerized long-range planning systems. These systems permit expeditious and accurate response in determining the FBM capability required to meet actual or hypothetical enemy threat.
	O&MN (2)	20	-	-	Systemetrics	To determine best approach to development of an automated system for SSPO budgeting that will reduce time and cost of estimating with no reduction in reliability.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Strategic Systems Project Office(contd)	O&MN (2)	50	-	-	Aries	Resources Management Information System (REMIS)-programming and systems design for the enhancement of REMIS in order to improve reporting and reduce operating time on the computer.
Total		261	159	200		
Chief of Naval Personnel	O&MN (4)	33	138	60	Vitro	To identify, verify and record individual skills and training received based on an evaluation and comparison of individual questionnaires and service records so as to improve the management of personnel resources.
	O&MN (4)	20	-	-	R. L. Martino	To analyze the number of additional personnel required to perform the projected workload in the Management Information Division of BUPERS.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Chief of Naval Personnel (contd)	O&MN (4)	-	10	-	R. May Assoc.	To conduct a comprehensive and critical analysis of the academic and administrative space requirements for students, faculty and administrative personnel of the Naval War College. The study takes into consideration those normal space requirements anticipated in a graduate school and additional requirements necessary to fulfill specialized curricula demands of an advanced military college.
Total		53	148	60		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Intelligence Command	O&MN (6)	398	792	-	IBM Corp.	This classified contract relates to the development and design of the Fleet Intelligence Centers Automation Program and to the program design and redevelopment of the Ocean Surveillance Intelligence System.
				646	Not determined	" "
	O&MN (6)	244	14	-	IBM Corp.	Contract for Naval Intelligence Processing System Support Activity (NIPSSA), which will provide computer program development of formatted files for Fleet Intelligence Centers (Atlantic, Pacific, Europe) in FY 68 and refine these files in FY 69/70.
	O&MN (6)	-	100	-	Planning and Research Corp.	Will provide organizational analysis of Naval Reconnaissance and Technical Support Center's (NRTSC) automatic data processing capability in relationship to newly assigned responsibilities in Ocean Surveillance Information System. The objective of this

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Intelligence Command (contd)						effort is for an operation and systems analysis of NRTSC, including major intelligence data and information interactions between and among NRTSC, selected elements of the Assistant Chief of Naval Operations (Intelligence), and selected elements of the Naval Intelligence Command. The analysis shall encompass both general and specific production procedures, and NRTSC requirements for software support to the operational needs of the Fleet.
	O&MN (6)	-	25	-	Sanders Associates Inc.	Contract for the Naval Scientific and Technical Intelligence Center to determine feasibility of displaying acoustic signatures on cathode ray tube to permit "quick look" capability to replace present time-consuming procedures. This would enable direct movement from tape to the tube for measurement and comparison - the computer will be able to recall other classified signatures and display

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Intelligence Command (contd)						them for comparison with the newly acquired signature. Presently activity must "print out" the whole recorded portion of the tape and search through it for areas of interest. Rapid CRT screening will help eliminate the data-less areas to enable the activity to make hard copy of only signatures of interest.
	O&MN (6)	-	16	25	Preston & Associates	This classified contract concerns information on prisoners of war.
	O&MN (6)	153	-	-	Systems Development Corp.	Contract for the Naval Scientific and Technical Intelligence Center (NSTIC)to establish, convert and maintain machine data base and subsidiary magnetic tapes and to provide for new programming activities supporting Technical Information Office of NSTIC, and to purge, develop, and reorganize corporate source index files and prepare documentation.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Intelligence Command (contd)	O&MN (6)	-	-	432	Not determined	This classified contract relates to sensor data analysis at the Naval Scientific and Technical Intelligence Center.
Total		795	947	1,175		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Office of Information Systems Planning and Development	O&MN (6)	50	-	-	Booz-Allen & Hamilton Inc.	Develop organization, facilities and management methods to implement the major ADP applications currently under development or being planned in the DON. The major tasks of the study included: Determining the organization and reporting relationships which will best serve SECNAV ADP planning, developmental, and operating requirements under study; specifying the characteristics and the order of magnitude of equipment required to handle the SECNAV ADP applications studied; and recommending procedures to enable SECNAV to most effectively and economically provide data processing resources for the applications currently in operation, under development, or being planned.
Total		50	-	-		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Automatic Data Processing Equipment Selection Office	O&MN (6)	20	-	-	Auerbach Corp.	To assess the use of COBOL (Common Business Oriented Language) in industry and facilitate establishment of COBOL as standard computer programming language for the Department of the Navy.
Total		20				
Comptroller of the Navy	O&MN (6)	193	-	-	Peat, Marwick, Livingston & Co.	The study provided professional financial management and systems analysis services for the implementation of the Department of the Navy Program/Budget/ Accounting and Performance Reporting System. This system was required to improve and strengthen financial management procedures and functions by providing greater visibility, greater response, and an improved analytical capability. In addition the system enables the Navy to meet the requirements of Resources Management.

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Comptroller of the Navy (contd)	O&MN (6)	-	92	-	Information Industries Inc.	Provide all necessary computer systems design, analysis and programming in the installation of an allotment system which will be compatible with the final Joint Uniform Military Pay System. To achieve this, the contract will provide for conversion of the allotment master file to a format compatible with the proposed JUMPS master file, with the ultimate objective of incorporating the allotment file as a subsection of the JUMPS file. Moreover, the contract will provide procedures and controls for accommodating rapid inputs to the allotment file from optical character reading devices and will ensure the existing allotment system is kept in full operation during the above-described transition.
Total		193	92	-		

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Requiring Office	Appn. Budget Activity	Program Estimate ($000) FY 1968	FY 1969	FY 1970	Contractor	Purpose
Oceanographer of the Navy	O&MN (6)	387	320	695	Planning Research Corp. of Cal.	The objective of this effort is to develop a system to automate collection of oceanographic data aboard ship, its transmission and storage on shore and its retrieval and utilization in research and practical application. The automated system would allow data to be processed quickly for timely use and will facilitate access to and charting of all the material available on a subject.
	O&MN (6)	-	125	-	Raytheon and Bissett Berman	This is a one-time contract to define a program to equip the Navy's operational oceanographic research vessels with an integrated system of shipboard oceanographic survey equipment. These ships survey the world's oceans oceanographically and acoustically in support of Navy weapons systems. The results of the study will provide for the most effective and efficient equipment mix for these ships.
Total		387	445	695		

CHANGE IN DEFINITION OF MANAGEMENT STUDIES

Mr. ANDREWS. We note that you are requesting $10.226 million for management studies in 1970. This is an increase of $1.392 million over the funds expected to be obligated in 1969. What was the original request for fiscal year 1969? What is the total?

Admiral SHIFLEY. Captain Oller?

Captain OLLER. Last year we were asked by this committee to give a summary for the record of the studies we anticipated. We gave the figure for the record of $1.9 million. We were advised by Congressman Sikes that our definition of management studies and the committee's definition were two different things. As a result, we have had quite a change in our approach to the management of management studies within the office. All management studies are reviewed by us before they are permitted to go out, and they are followed very closely.

We have a Department of Defense instruction regarding management studies to make certain there is a reasonable degree of useful product anticipated, and also to make certain we cannot do it in-house, even by deferring projects of a lesser nature.

We find the discrepancy between last year's $1.9 million and this year's $8.8 million comes about as a result of the redefinition, our definition and your definition.

Mr. ANDREWS. Is it the same thing now?

Captain OLLER. Yes, sir. We were excluding software and computer programs from the definition last year.

Mr. ANDREWS. You are asking more money for next year than you had last year.

Captain OLLER. This is true, sir, $1.4 million more.

Mr. ANDREWS. Why?

Captain OLLER. It is a matter of the scope of the management studies.

MANAGEMENT STUDIES IN PROCESS

Mr. ANDREWS. How many studies do you have underway?

Captain OLLER. I would have to give you that information. I would estimate right now that there are about 18 studies underway.

Mr. ANDREWS. By whom are the studies made?

Captain OLLER. They are made by a variety of organizations: North American Rockwell; Vitro; Booz, Allen & Hamilton; and others.

Mr. ANDREWS. Supply a list of the studies for the record.

(The information follows:)

MANAGEMENT STUDIES RECENTLY COMPLETED OR CURRENTLY UNDERWAY

The following is a list of contracted studies and analysis which have been completed recently or are currently underway in the Department of the Navy (contractor and purpose):

1. North American Rockwell: To provide systems analysis of specified organizations on the Navsubase, New London, Conn., leading to the design of a fully integrated management information system.
2. Vitro: To provide support in development of Polaris tender management information system (PTMIS) program.
3. Stanwick: For development of ADP products for analysis by fleet commands.
4. Resources Management Corp.: Conduct analytical studies on Naval weapons systems and their major components and associated support systems and development management information and evaluation and control systems.

5. Vitro: Studies and analyses to establish and apply improved methods of determination of procurement quantities, inventory control, optimum distribution, maintenance and disposal of armament ground support equipment.

6. Booz, Allen & Hamilton: To determine the optimum use of limited number of spare parts and related items.

7. Bunker-Ramo Data Systems: To complete the Navair data element dictionary and convert it to the proper DOD standard data element format.

8. E. A. Keeble: To procure services for systems design and development of a variety of ADP technical and logistical reports.

9. National Academy of Science/National Academy of Engineers; Updating of gun barrel technology study.

10. Stanwick: Analyze data collected on supercharge steam generators.

11. Minneapolis-Honeywell: Master plan on the improved rearming rates program.

12. ROA Service Co.: Radio frequency compatibility and interference studies in support of ship design requirements.

13. Booz, Allen & Hamilton: Industrial communications systems definitions by ship type and class.

14. Stanwick: Provide automatic data processing products encompassing maintenance and material management for Navships.

15. IRC, Inc.: Procedures for quantitative safety assessment of nonelectrical ships systems and equipment.

16. Stanwick Communications Systems Inc., Sigma Systems: Development of techniques and systems design for processing and analyzing reliability, maintainability, and management data for the type commanders.

17. Stanwick: Provide improved engineering operational sequencing systems for CVA–62, CVA–66, DE–1040, DDG–3, CVA–42, CVA–60.

18. Booz, Allen & Hamilton: Value analysis of Navship management information system for shipyards.

19. Larkin Co.: Analysis and development of accounting system at the Naval Ship Engineering Center, Philadelphia.

20. Lake Co.: Analysis and development of a system for workload planning for the Naval Ship Engineering Center, Philadelphia.

21. CTI/Informatics: To develop teleprocessing system for workload planning.

22. Adams Associates: Modification of standard management information system payroll system.

23. Kaiser Engineers: Shipyard modernization study to determine what is needed to modernize facilities and equipment at eight naval shipyards.

24. Booz, Allen & Hamilton: Economic and military benefit analysis for shipyard modernization.

25. Computer Service Corp.: Develop specific subsystems for the public works center/department management system.

26. Process Consulting, Inc.: Develop specific subsystems for the public works center/department management system.

27. Operations Research, Inc.: Mechanization of the Navy shore facilities planning and programing system. Develop system for optimum facility/usage/requirement related to alternative pilot training program.

28. Planning Research Corp.: Studies, surveys, and analyses of data being collected under the Maintenance and Material Management System; development of potential user requirements and measures of effectiveness; and development of products recommended for use by management.

29. E. A. Keeble Assoc.: Develop and furnish data elements for ammunition items.

30. University of Michigan: Development of a problem statement language to achieve machine independence in program repertoire.

31. Comress, Inc.: Use of SCERT (System Comparison Evaluation and Review Technique) as an aid in the development/refinement of CAIMS. (Conventional Ammunition Integrated Management System).

32. General Electric: To establish computerized long range planning systems that develop both actual and hypothetical FBM Weapon Systems hardware requirements.

33. Systemetrics: To determine best approach to development of an automated system of budgeting that will reduce time and cost of estimating with no reduction in reliability.

34. Aries: Resources Management Information System (REMIS) programing and systems design for the enhancement of REMIS in order to improve reporting and reduce operating time on the computer.
35. Vitro: Study and analysis of various enlisted structures.
36. R. L. Martino: Define functional organization and manpower needs.
37. R. May Assoc.: Academic space requirements for the Naval War College.
38. IBM Corp.: Ocean Surveillance Intelligence System Program Design and Program Redevelopment.
39. IBM Corp.: Develop Program for Ultimate Files Systems in Fleet Intelligence Centers.
40. Planning and Research Corp.: Intelligence System Automation Program Design and Development.
41. Sanders Associates Inc. ADP Support to Acoustic Data Analysis.
42. Preston & Associates: Analyses of special prisoner of war assessment problems.
43. Systems Development Corp.: Analysis Study for scientific and technical intelligence center to develop plan for implementation of operational systems in technical information office.
44. Booz Allen Hamilton: Develop organization, facilities and management methods to implement the major ADP applications currently under development or being planned.
45. Auerbach Corp.: To assess the use of COBOL (Common Business Oriented Language) in industry and facilitate establishment of COBOL as standard computer programing language for the Department of the Navy.
46. Peat, Marwick Livingston & Co.: Conduct system analysis of the Department of the Navy Program/Budget/Accounting and Performing Reporting System.
47. Information Industries Inc.: Provide all necessary computer systems design, analysis and programing in the installation of an allotment system which will be compatible with the final Joint Uniform Military Pay System.
48. Planning Research Corp. of California: Develop and integrated automated data processing system for storage, retrieval, and utilization of oceanographic data within the Navy.
49. Raytheon and Bissett Berman: Evaluate/redesign data systems of operational, oceanographic survey ships.

TYPES OF MANAGEMENT STUDY CONTRACTS

Mr. ANDREWS. Take one case and tell us what they are studying and how much you are paying them for it. Are these contracts negotiated or let out to low bid?

Captain OLLER. It has been a combination. There have been unsolicited ones. There have been some negotiated. This past year we have directed that they be competitive within the next year.

Mr. ANDREWS. What do you mean, "unsolicited"?

Captain OLLER. Wherein we have been advised that there is what you might call a breakthrough in a certain area, and they would like to sell it to us.

Mr. ANDREWS. They try to get the business?

Captain OLLER. That is right, sir.

Mr. ANDREWS. What do you mean by a breakthrough, Captain?

Captain OLLER. I think almost every day someone comes up with a new way to do business, a new technique. They are constantly, quite naturally, trying to market this product.

Mr. ANDREWS. How many of those 29 contracts were unsolicited?

Captain OLLER. I would guess no more than one or two, but I would have to provide that for the record, sir.

Mr. ANDREWS. They just come up and tell you they can do something and want to do it for you at a certain price?

Captain OLLER. This happens many, many times, and most of them are rejected.

EXAMPLE OF A MANAGEMENT STUDY CONTRACT

Mr. ANDREWS. Pick out one contract and tell us what they are studying.

Captain OLLER. I would have to provide it for you.

Mr. ANDREWS. I am not talking about unsolicited studies. I am talking about an example of a contract.

Captain OLLER. In 1968, a contract was let with Booz, Allen, & Hamilton to determine the optimum use of a limited number of spare parts and related items. This was in the Air Systems Command, sir. In 1969 this contract was extended for another $23,000.

The intent here was to keep the cost of spare parts down by limiting the actual number and by getting better mileage from them through efficient positioning, and also by the shifting of inventories.

Mr. ANDREWS. Did not the Navy have the in-house capability of studying this matter without having to pay $23,000 for a contract to have it done?

Captain OLLER. Not without deferring a higher priority subject, sir.

Mr. ANDREWS. You do not place any high priority on this contract you gave them?

Captain OLLER. Yes, sir; we do.

Mr. ANDREWS. There is no telling how much these study commissions cost the Government. Every year they seem to be increasing. This year you want about $1.4 million more to study something.

Mr. FLOOD. Mr. Chairman, I wonder if they ever had a commission to study not having any more study commissions.

Mr. ANDREWS. Do you want to solicit a contract for that purpose?

Captain OLLER. I am sure you could get lots of volunteers to work on that at a price.

Mr. FLOOD. Beginning with you.

CONTRACT WITH PRESTON AND ASSOCIATES

Mr. ANDREWS. Let us look at this one awarded to Preston & Associates. Are you familiar with that one? It is on page 12.

Captain OLLER. Yes, sir.

Mr. ANDREWS. How much did you pay for that study?

Captain OLLER. We paid $16,000 last year, and we anticipate spending $25,000 this year.

Mr. ANDREWS. $41,000.

Captain OLLER. Yes, sir.

Mr. ANDREWS. The purpose of that was to get an analysis of special prisoner-of-war assessment problems.

Captain OLLER. Sir, I cannot discuss this one. I do not have the information. I will have to provide it. It is a matter for the Intelligence Command.

Mr. ANDREWS. Does the Navy have any prisoners of war at this time?

Captain OLLER. I do not know, sir.

Admiral DUNCAN. Yes, we have.

Mr. ANDREWS. How many, Admiral?

Admiral DUNCAN. U.S. Navy missing and prisoners of war, about 253.

Admiral SHIFLEY. These are our people who are prisoners of the enemy.

Mr. ANDREWS. This is for the purpose of having an analysis of special prisoner-of-war assessment problems.

Admiral DUNCAN. I probably misunderstood your question. I thought you meant those of the United States who are prisoners.

Mr. FLOOD. Who wrote that? O. Henry? What does that mean? You have no idea, Mr. Chairman. Neither do I. What in the world are they talking about? What does the language mean? Merely translate the English.

Admiral SHIFLEY. Is there anyone here from Intelligence?

Mr. ANDREWS. Have you come up with anything at the end of the first year for $16,000?

Captain MYERS. I would have to provide that for the record, sir.

Mr. ANDREWS. Do you know of anything they came up with, any suggestions they made?

Captain MYERS. No, sir.

Mr. ANDREWS. Anything that was helpful to the cause for which you paid $16,000?

Captain MYERS. That answer would have to be provided for the record.

Mr. ANDREWS. Does anybody in the room know the answer to that question? What have they offered to do for the $25,000 in fiscal 1970?

Admiral SHIFLEY. I will have to provide it for the record, Mr. Chairman.

Mr. ANDREWS. If you can.

Admiral SHIFLEY. Yes, sir.

(The information was provided to the committee and is classified.)

RESPONSIBILITY FOR ISSUING CONTRACT

Mr. LIPSCOMB. Who is in charge of this study?

Admiral SHIFLEY. That is a study being done for the Intelligence Command, Mr. Lipscomb.

Mr. LIPSCOMB. Who is in charge of letting out the contract and making arrangements for the study?

Admiral SHIFLEY. Captain Oller's organization is generally in charge throughout the Navy of these contracts, but this contract is to provide information and services to the Intelligence Command.

Mr. LIPSCOMB. Do they know the results of the 1969 study before they plan the 1970 study?

Admiral SHIFLEY. I do not have that information, sir.

Mr. LIPSCOMB. Is the man in charge here?

Captain OLLER. The office I am attached to is required to review prospective contracts for management studies to insure that they comply with the overall DOD policy regarding general management studies. They want to keep them to the minimum.

Insofar as contract authority and review, the individual systems commands or offices make the initial deterimnation of the need for the contract and the specifics for it. It is passed up to the Secretary of the Navy's Office for review. Following approval, it goes to a Navy purchasing office.

Once the contract is let, the initial command or systems command who originally asked for it is responsible for insuring that they get what they asked and paid for.

Mr. LIPSCOMB. Before you come here to justify another year of study—you do not know whether they have performed this particular study under the first year's contract or not——

Captain OLLER. Not normally, sir. I should hope by next year we would. Just before Christmas there was established a central location where, for any contract that is reviewed such as this, the subject matter is inserted into a repository of information. We now check to make certain it has not been done anywhere else within Government before, to make sure we are not buying it for a second or third time, and at the same time to see if any elements of it may be useful.

Similarly, we will have to check to see that there is a payoff. At the Secretary level we will have to check to see if there is a payoff from one year to the next before we go forward.

Mr. LIPSCOMB. Can you tell us who Preston & Associates are? Or the subcontractor, who they are?

Captain OLLER. No, sir, I cannot. I can provide that.

NAVY ADVISED TO BE PREPARED TO DISCUSS MANAGEMENT STUDIES

Mr. ANDREWS. Admiral Shifley, the clerk informs me that the Navy was forewarned that one of the general areas of discussion would be management studies, and so far we have not gotten any evidence about what these contracts are, except the price, which is increasing each year.

Here is one which is nearly a year old, and you do not even know who the contracting parties are. You do not know what they have done. All we know is that you want more money for that same contract for next year. We have no evidence that anything has been accomplished during the first year, which cost $16,000.

Mr. FLOOD. You do not know who the parties to the contract are?

Mr. ANDREWS. That is what the captain said.

Captain OLLER. The one you are addressing, sir, is for the Intelligence Command.

Mr. ANDREWS. The contractor is Preston & Associates, and you said you did not know who they were.

Captain OLLER. I am not familiar with the corporation, sir.

CONTRACTOR EMPLOYEES WORKING ON STUDY

Mr. ANDREWS. I would like you to supply for the record who these people are, how many people are working on this contract, what salaries they are getting, and what they have accomplished for the $16,000 that they got in fiscal year 1969.

Captain OLLER. All right, sir.

(The information follows:)

Initially, a total of eight employees from Preston & Associates and its subcontractor, Dunlap & Associates have been assigned to the study. These personnel are as follows:

A. PRESTON & ASSOCIATES, PRIME CONTRACTOR

1. Name: Mr. James Monroe; position: principal investigator; salary: $14.42 (rate/hour); utilization: 160 man-hours.

2. Name: Mr. James Ewing; position: senior operations analyst; salary: $14.42 (rate/hour); utilization: 320 man-hours.
3. Name: Mr. Robert Engle; position: research assistant; salary: $4.85 (rate/hour); utilization: 480 man-hours.
4. Names: Katherine Donovan, Mary Lyon, and William Heenan; position: clerical (coding) staff; salaries: $3 (rate/hour); utilization: 2,800 man-hours total.

These persons will be used for short periods of time and two more people will be added to the list.

5. Name: unknown (position vacant at his time); position: secretarial; salary: $3.50 (rate/hour); utilization: 400 man-hours.

B. DUNLAP & ASSOCIATES, SUBCONTRACTOR

1. Name: Mr. Douglas Whittemore; position: systems analyst; salary: $31.36 (rate/hour); utilization: 170 man-hours.
2. Name: Mrs. Pat Feulhart; position: associate scientist; salary: $17.20 (rate/hour); utilization: 500 man-hours.

Other professionals and technical personnel will be assigned as required to meet contract commitments.

(Clerk's note: Progress on the study to date was provided to the committee and is classified.)

NEED FOR BETTER PREPARATION

Mr. FLOOD. That is all right, Mr. Chairman, but the only trouble with this hearing is that this is an Appropriations Committee, and these people are supposed to be here to give us information on this budget. You have been sitting here as long as I have. They had dress rehearsals down there in the old days, Admiral. They used to go so far as to set up a table like this and have Naval officers sit in these chairs—Flood, Andrews, Whitten, Sikes, Mahon—and bring your witnesses in and dress rehearse them.

Did you ever hear about that?

Admiral SHIFLEY. Yes, sir.

Mr. FLOOD. This is act II, scene I. The answer always was, "We will supply that for the record." Tell them nothing.

Here we are at the hearing. The chairman has placed you on warning about these contracts. These have been around here for years. They are real cats and dogs. Imagine a vice admiral wasting time on a $16,000 contract. We have no information, Skipper.

Admiral SHIFLEY. Mr. Flood and Mr. Chairman, I think the problem is the large number of small contracts here. We really would have the hearing room flooded with people if we tried to have enough people in here who knew the details of all these small contracts.

We have the information here as to the number of contracts, what the company is that the contract is with, and who they are providing services for, and generally the terms of the contract, what they are doing.

But I certainly do not pretend that we have enough people——

Mr. ANDREWS. $10,226,000 is not small change, Admiral. Suppose the record remains as it is and we go to the floor to try to protect your record. Suppose somebody jumps us and asks about this contract for Preston and Associates, $16,000 in 1969, $25,000 for 1970. Tell us something about it. How on earth can we answer those questions? We do not know.

The first thing you know, somebody will offer an amendment to knock it out of there. We cannot defend you. We have nothing to defend you with. That is our problem.

Admiral SHIFLEY. Yes, sir.

Mr. LIPSCOMB. As Mr. Flood and Mr. Andrews pointed out, we have been going into management studies for years.

They have been going on all over the lot. Last year in our report we recommended that an area that could be reduced was management studies. This has been prepared for the staff of the committee and for the Members, a list of all your studies for 3 years. Why couldn't the man in charge, the one who signs the contracts, allocates the money, have a briefing on this and be able to respond with the answers without any trouble at all, without bringing the whole Pentagon over here?

Admiral SHIFLEY. Well, I think it would be rather difficult for one man to know the details of all of these contracts, that is, the subject matter and the details of the studies themselves, sir.

Mr. LIPSCOMB. If we ask what the title of the study is, what it does, who the contractor is, you can look at the record last year and this is the substance of it: Has it produced anything? It seems to me like somebody could sit down and get briefed on this.

Mr. FLOOD. The simplest thing to do, Mr. Lipscomb, would be to reduce the number of contracts to such a number that one man could adequately present them, you see. That would solve the problem. If it is just too big a job for one man to do, then why not reduce it to the level where one man can do it? It is a very simple equation. Otherwise we will never know.

Mr. ANDREWS. Do you have any more questions?

Mr. LIPSCOMB. I have some questions on some of the studies but it appears it wouldn't do any good to go into them.

Mr. ANDREWS. Admiral, don't you believe that to be requesting over $10 million for management studies is inappropriate?

Admiral SHIFLEY. No, sir. I think all of these are useful studies and are needed in the management of the various parts of the Navy.

STANWICK CORP. CONTRACT

Mr. ANDREWS. We note that you are requesting $5 million for the Stanwick Corp. to continue development of the Navy's ADP products for analysis by Fleet Commands System. This is an increase of $1,592,000 over the amount requested for this study in 1969. Why are you increasing the amount for this study?

Admiral SHIFLEY. First, the submittal we provided you is in error. That will be a competitive contract in fiscal year 1970. That particular contract is to support the type commanders in analyzing the data that they get from the maintenance of their ships, primarily, and assist them in making management decisions in this area.

Mr. ANDREWS. Explain that in a little more detail.

Admiral SHIFLEY. For example, we collect quite a lot of information on the maintenance of ships; that is, how often and which parts fail, personnel utilization, and so forth. This information is sent in to the type commanders and also to our central data processing office in Mechanicsburg. This contract is to assist the type commanders in analyzing this information in order that they might better manage the maintenance and support of their ships.

Mr. ANDREWS. Tell us something about the Stanwick Corp.

Admiral SHIFLEY. Well, it is a corporation that provides management services.

Mr. ANDREWS. Where are they located?

Admiral SHIFLEY. Their main headquarters are in Arlington but they have offices in various places at both coasts on this contract.

Mr. ANDREWS. Do you think they know more about Navy ships than Navy people do?

Admiral SHIFLEY. No, sir; I don't think so.

PURPOSE OF THE STANWICK CORP., CONTRACT

Mr. ANDREWS. Why is it necessary to get them to point out the defects in ships?

Admiral SHIFLEY. We don't use them to point out the defects in our ships. We use them to process and analyze information reported by our officers and men so that our Navy engineers can determine the action necessary to improve maintainability, reliability, supply support, training, personnel allocations, and so forth. You know, a good deal of our work is performed under contract, one way or the other.

Mr. ANDREWS. Repair work?

Admiral SHIFLEY. Yes, sir; all kinds of work.

Mr. ANDREWS. Just what do these people do?

Admiral SHIFLEY. They perform three kinds of services. They work on the systems, the information systems, they also——

Mr. ANDREWS. Explain information systems for us.

Admiral SHIFLEY. They work on the systems for analyzing information.

Mr. ANDREWS. What information?

Admiral SHIFLEY. The information that we get from the operations and maintenance of our ships.

Mr. ANDREWS. Who gets the information?

Admiral SHIPLEY. It comes from the ships; the bluejackets and the officers on the ships report the information into their respective type commanders' headquarters.

Mr. ANDREWS. You mean, they notice the defects in the ships?

Admiral SHIFLEY. They make reports.

Mr. ANDREWS. They make a report to their commanding officer?

Admiral SHIFLEY. As to the maintenance work done on the ship and the defects that happen, the repairs that have been made or need to be made. This information is all fed into——

Mr. ANDREWS. Nobody knows the defects and the repairs better than the commander of the ship.

Admiral SHIFLEY. That is right, sir.

Mr. ANDREWS. All right. Here is a ship out at sea or coming into port. You have got your sailors on there. They report to the commander of the ship that something is wrong, something needs to be done. That commander knows what needs to be done. Why should these people have to tell him what needs to be done?

Captain OLLER. The Stanwick Corp. analyzes the information from the commanding officers, and develops a machine computer capability that is to say, an information system which will take that information,

place it on punchcards, automatically process it and give our people ashore or in the repair ships who have to do the repair work or provide the parts the information they need to plan ahead to get these parts and to schedule the work.

STANWICK EMPLOYEES ASSIGNED TO NAVY CONTRACT

Mr. ANDREWS. I still don't see why you have got to get these people based here in Washington—and there isn't a Navy ship within 100 miles of Washington—to tell you what needs to be done with that ship.

Captain OLLER. In the case of the Stanwick Corp., they have people at each of our type commander headquarters, physically located at their offices, doing the work.

Admiral SHIFLEY. People working on this contract are located with the fleets, they do systems design, punch cards, and provide computer time.

Mr. ANDREWS. I am still at a loss to know why the Navy would have to get an outside firm to tell them what to do with ships or when to do it.

Admiral SHIFLEY. Mr. Chairman, we could do this if we had enough uniformed people in the Navy or if we had enough civilian employees. We certainly feel we could do this job just as well, probably better than the Stanwick Corp., or any other management services contractor.

Mr. ANDREWS. I would hope so. How many people from this company are actually employed on this contract?

Admiral SHIFLEY. I couldn't tell you that. I can provide that for you. Obviously, it is quite a number. This is a $5 million contract.

USE OF INFORMATION GENERATED BY STANWICK CONTRACT

Mr. ANDREWS. We were told this morning that you know you have more ships needing repairs than you have money to do the work with.

Admiral SHIFLEY. Yes, sir. The analyses we prepare with assistance from the contractor enables us to establish priorities.

Mr. ANDREWS. So anything that these people tell you is just another layer on the cake.

Admiral SHIFLEY. No, sir.

Mr. ANDREWS. You know you have got the work that needs to be done.

Admiral SHIFLEY. No, sir. These people assist in analyzing what has happened to the ships in the way of breakdowns and this sort of thing, in order that a commanding officer may better maintain his ship.

Admiral DUNCAN. May I say something? Perhaps I might be able to provide information based on shipboard experience.

Mr. ANDREWS. You have been out with the destroyers.

Admiral DUNCAN. Every man on a ship making a repair is required to fill out a form. He fills out how much time he spent, whether he used a repair part, what broke down, and this is all coded. When we started this system there was not enough, nor is there enough now at least in the fleet where I was, enough of our own people to take these forms and to punch the information into a machine and then to analyze it. So Stanwick did this. They had girls and men punching information into cards from data recorded by our men on the ship who

had been working on repairing a pump or repairing a generator. Then by analyzing this, the type commander in the area and the engineers in Washington can tell which kind of generator breaks down the quickest or which piece goes first or which equipment requires the most man-hours for repairs, and a lot of other technical details which other officers here are more familiar with than I. But this is really the purpose of the part of the Stanwick contract that applies to the type commanders of which you were speaking.

Admiral GADDIS. You also find from collecting this data, Mr. Chairman, from the entire Navy, all ships doing this so that all equipment of a similar type, no matter what ship it is on, then can be collected. You can find the spare parts requirements, the overhaul requirements, the deficiencies or the performance of these various kinds of equipment. This is the object, then, of collecting this data, writing programs to get this kind of supply and repair requirement, design requirement data from all of the ships of the fleet. That is the job that the Stanwick contract has been doing.

Mr. ANDREWS. Is this an analysis of the information submitted under the 3M system?

Admiral GADDIS. Yes, sir; this is related to the 3M system.

Mr. LIPSCOMB. Mr. Chairman.

Mr. ANDREWS. Mr. Lipscomb.

RELATIONSHIP BETWEEN STANWICK AND COMMUNICATIONS & SYSTEMS, INC., CONTRACT

Mr. LIPSCOMB. What is the relationship between the Stanwick contract which has amounted to $12 million approximately and the contract that you have with the Communications & Systems, Inc., of Falls Church in the amount of $800,000 for technical assistance and support in their fleet maintenance data collection subsystem? What is the relationship of those two?

Admiral GADDIS. I am not too well up on that one. It is my understanding that that contract with C. & S., Inc., replaced a contract with Stanwick on a competitive basis and involves collating data for the Naval Ships System Command.

Mr. LIPSCOMB. Are they analyzing what Stanwick does and then it goes to this other one to analyze?

Admiral GADDIS. They use the raw data submitted by the ships to the type commanders and thence to MSO, Mechanicsburg. The only connection Stanwick has with these data is the key-punch function—a clerical function only.

Mr. LIPSCOMB. Pretty soon will we have to get somebody to analyze this new contract?

Admiral GADDIS. I would hope not, sir.

Mr. LIPSCOMB. How much is going into this, total, this 3M program now in these contract—so-called—studies?

Admiral SHIFLEY. There is not very much in management studies for the 3M program. Almost all of the work is done in-house. The 3M program, of course, is a name applied to an improved method of managing the day-to-day maintenance of ships and aircraft, and most of the work is performed in-house.

Mr. Chairman, it is obvious that the people here do not know all the details about these contracts as, for example, this one we were just discussing here. Could I suggest that you pick any of these studies that you are particularly interested in and I will bring in someone tomorrow to talk to it, particularly?

Mr. ANDREWS. We have all ready asked you to put something in the record about all of these contracts.

Admiral SHIFLEY. Yes, sir.

(The information follows:)

(Clerks note: The information provided for the record by the Navy appears on pages 485–520.)

Admiral SHIFLEY. May I expand on the purpose of each of these for the record so that you will have more information and more detail? I can assure you that all of these are examined in great detail before they are permitted to become contracts.

Mr. ANDREWS. Where are the details? They are not in the record so far.

Admiral SHIFLEY. I will be happy to provide them for you.

BENEFITS OF THE STANWICK CONTRACT

Mr. ANDREWS. Let me ask you this question: Has any useful information been produced under this study with the Stanwick Corp.?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. Spell it out.

Admiral SHIFLEY. Well, it provides information so that the commanding officers of the ships can better manage their crews and maintain their ships.

Mr. ANDREWS. Can you think of anything else? If you can, I suggest you put it into the record.

(The information follows:)

Stanwick contracts have benefited commanding officers of ships in two broad areas. These are:

1. *Preventive maintenance system (PMS).*—Stanwick developed systematic procedures to better plan, schedule, and carry out shipboard maintenance on a daily, monthly, and quarterly basis.

2. *Maintenance data collection system (MDCS).*—Stanwick assisted in design of products emanating from the MDCS which collects maintenance information on completed and deferred work aboard ship. When processed centrally, reports are sent back to the commanding officer of the ship in the form of "Machinery Histories" and "Current Maintenance Status" which are his principal tools in maintaining the material readiness of his ship—in planning daily maintenance work and in planning for shipyard overhaul.

Mr. LIPSCOMB. Would you yield there, off the record?

(Discussion off the record.)

STANWICK CORP. MANAGEMENT STUDIES CONTRACT

Mr. ANDREWS. We notice in the list of management studies provided the committee that there are several studies to be undertaken by the Stanwick Corp. What is the total amount being requested for the Stanwick Corp. to undertake studies?

Admiral SHIFLEY. They are all listed here, sir. I would have to add them up.

Mr. ANDREWS. Put it in the record.

(The information follows:)

STANWICK CORP. MANAGEMENT STUDIES CONTRACT

The Department of the Navy expects to have or to have had a total of eight contracts with Stanwick Corp. during the 3 fiscal years 1968 through 1970. The 3-year total cost of these contracts is estimated at $13.7 million.

The distribution of these contracts is as follows:

COST ESTIMATE [In thousands]

Study	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Purpose
Fleet Resources Office	$3,203	$3,408	[1] $5,000	For development of ADP products for analysis by fleet commands.
Ships Systems Command	137			Analyze data collected on supercharge steam generators.
Do	83			Provide ADP products encompassing maintenance and material management, casualty reports, and alteration data for fleet use.
Do	1,352			Development of techniques and systems analysis design for processing and analyzing reliability, maintainability, and management data.
Do	162	315		Provide improved engineering operational sequencing system for CVA-62, CVA-66, DE-1040, DDG-3, CVA-42, CVA-60.
Total	4,937	3,723	5,000	

[1] Although this contract has been listed in all submissions as an expected Stanwick contract, it will be competitively procured and may, therefore, be awarded to some other contractor.

NEGOTIATED COST-PLUS-AWARD-FEE CONTRACT

Mr. ANDREWS. We note on a Pentagon news release dated October 1, 1968, that the Stanwick Corp. was awarded a $1,912,465 negotiated cost-plus-award-fee contract to develop and analyze management information products for various naval commands. Was this a management study contract which was approved last year?

Captain OLLER. Yes, sir; it was. It was a part of the $3.4 million that shows in the information which has been provided to this committee.

Regarding the previous question, you asked how much will be awarded to Stanwick for fiscal 1970. Actually, all of those contracts show Stanwick will be competitive in fiscal 1970, without exception. Stanwick may or may not get any of them or all of them.

Mr. ANDREWS. All right. Why was this a negotiated cost-plus-award-fee contract?

Captain OLLER. I will have to provide that for the record, sir.

(The information follows:)

STANWICK CONTRACT TO DEVELOP AND ANALYZE MANAGEMENT INFORMATION PRODUCTS FOR VARIOUS COMMANDS

Negotiated sole-source procurement of this contract was considered in the best interest of the Government for the following reasons:

(*a*) The vital requirements established by 3-M, resources management system, and TYCOM administrative functions as set forth in the fleet management information systems plan would not permit interruption of current support which would be the case in a shift of contractors.

(*b*) The cost of transferring the large body of technical skill developed by Stanwick to another contractor would have been prohibitive.

(*c*) Costs by Stanwick had been continuously audited and carefully controlled by the Navy and had proven reasonable.

(*d*) Performance by Stanwick had been highly satisfactory.

(e) The effort was at the time of negotiations and is now in the process of being moved "in-house" as rapidly as resources become available. A shift in contractor personnel would have retarded this objective by reducing the flexibility provided by Stanwick's immediate responsiveness to Navy's increases in ability to cut back contractor support.

The decision was made to award the contract as cost plus award fee for three reasons:

(a) In prior years, the contract for these services has been awarded as a cost-plus-fixed-fee contract, a contract type that does not require much responsiveness to costs on the part of a contractor. The cost-plus-fixed-fee type contract demands that the contractor carefully consider efficiency and thrift in order to earn his fee. A general switch to the more responsive contract was considered beneficial to the Government.

(b) The fee rate under cost-plus-award-fee (CPAF) type contracts has averaged 8 percent. For comparable commercial endeavor, a contractor usually achieves substantially more.

(c) The quarterly evaluations required by a CPAF contract keep the contractor competitive. These evaluations have been shown to be highly favorable from all participants.

Mr. ANDREWS. Is this the same contract for which you are now requesting $5 million?

Captain OLLER. Yes, sir.

Mr. FLOOD. Mr. Chairman.

Mr. ANDREWS. Mr. Flood.

Mr. FLOOD. Skipper, you don't know why that contract was cost plus? Why, that stands out like a sore thumb. You don't know why?

Captain OLLER. I would have to get that information from the contract personnel.

Admiral SHIFLEY. May I say this, sir: Generally, in this type of a contract it is more efficient, more economical where you are having a follow-on contract to have a sole-source negotiated contract because the man who has been doing this has had to build up an organization, get them trained and organized in order to do it.

Mr. FLOOD. Now, that is a good answer.

Admiral SHIFLEY. If you change contractors, then his organization gets disbanded, somebody else has to go out and hire people, organize, and so forth, and there is a good deal of lost motion in his startup. We pay for this. He doesn't pay for it, we do.

There have been so many questions, though, as Captain Oller says, that all of these that have Stanwick listed here are going to go competitive next year. He stands a little better chance of getting the new contracts than somebody else because he is already organized, has his people, has an organization already going. He ought to be able to underbid them. But this is not proven. He is going to have to do this in order to get the contract.

RETIRED NAVAL OFFICERS EMPLOYED BY STANWICK CORP.

Mr. ANDREWS. Are there any retired naval officers now employed by the Stanwick Corp.

Admiral SHIFLEY. Yes. I don't know how many that Stanwick has.

Mr. ANDREWS. I asked you previously to put into the record the number of people employed on this Navy contract and I wish you would list the names of them and what the background of each of them is.

Admiral SHIFLEY. Of each retired naval officer?
Mr. ANDREWS. Right.
(The information follows:)

RETIRED NAVAL OFFICERS EMPLOYED BY THE STANWICK CORP.

There are 12 retired naval officers out of a total of 250 employees engaged in the TYCOM ADP support contract. All of these former officers are performing operational work at the TYCOM headquarters.

The retired naval officers are as follows:

Commander (ret.), 28 years' service, 1939-67 (apprentice seaman through commander).

Line officer and naval aviator: Experience in ADP applications of project/programing planning and control; experienced at policymaking level with Navy 3-M system (PMS/MDCS); obtained extensive knowledge of amphibious warfare doctrine and techniques.

Lieutenant commander (ret.), 26 years' service, 1941-67 (seaman through lieutenant commander).

Engineer and repair officer: Ship alterations anaylsis, maintenance material management.

Commander (ret.), 20 years' service, 1943-63 (ensign through commander).

Line officer/naval aviator: Experience included assignments as air operations officer U.S. 7th Fleet; Director of Academic Training, Pensacola, Fla.; aircraft maintenance officer, Ellyson Field, Pensacola, Fla.; ordnance officer, U.S.S. *Shangri-La;* project engineer/manager (launch and recovery equipment), Naval Air Experimental Facility, Naval Air Material Command, Philadelphia, Pa.

Lieutenant commander (retired), 20 years, service, 1949-66 (ensign through lieutenant commander), 1943-45 (enlisted service).

Line officer: Experience included weapons maintenance and rework; personnel administration; Staff Anti-Air Warfare Officer Amphibious Group-One; Head of Operations Department U.S.S. *Hollister* (DD-788). Overall experience includes program management, cost analysis, and systems maintenance and management.

Lieutenant commander (retired), 24 years, service, 1939-66 (seaman apprentice through lieutenant commander).

Supply Corps officer: Experience included all facets of ashore and afloat supply procedures; planned and converted five ships of the Pacific Fleet from manual to mechanized supply and accounting procedures; developed curriculum and tests for teaching Navy supply management to newly commissioned Supply Corps Officers.

Lieutenant commander (retired), 24 years, service, 1943-67 (apprentice seaman through lieutenant commander).

Engineer and Repair officer: Experience included coordination of overhaul and repair of vessels; operation and maintenance of steam engineerig plant; repair officer of repair ship engaged in repair of MINFORCE units; manager of 3-M Coordination Center while engaged in design and development of Navy 3-M system.

Lieutenant commander (retired), 30 years, service, 1925-55 (apprentice seaman through lieutenant commander).

Electronics officer: Experience included electronics maintenance officer afloat and ashore; radar installation and maintenance; instructor in radio, radar, and air control; electronic test equipment desk, Maintenance Division, Bureau of Weapons.

Lieutenant commander (retired), 25 years' service, 1942-67 (apprentice seaman through lieutenant commander).

Engineering officer: Experience included administrative, technical, and supervisory assignments relative to repair and maintenance of ships and boats. Special emphasis in areas of: machinery operation; repair and maintenance; budgeting and cost controls; maintainability and reliability; personnel training and safety.

Lieutenant commander (retired), 20 years' service, 1947-67 (ensign through lieutenant commander).

Line officer: Experience included Staff of Commander Naval Air Forces, U.S Atlantic Fleet in Ships Material Readiness Division. which entailed Navy maintenance and alterations requirements and procedures, Navy budgeting procedures, ship/personnel operational requirement interface; shipboard engineer-

ing and maintenance which entailed maintenance, damage control, and personnel training and administration on carriers and submarines.
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Lieutenant commander (retired), 30 years' service, 1935-65 (apprentice seaman through lieutenant commander).

Line officer: Experience included officer in charge of U.S. Atlantic Fleet, Personnel Accounting Machine Installation; Service Force, Atlantic, Personnel Accounting Machine Installation; Personnel Program Planning and Administration with the U.S. Atlantic Fleet; directed the assignment and distribution of enlisted personnel of the U.S. Atlantic Fleet; a tour with Bureau of Naval Personnel, Washington, D.C., as supervisor of IBM tabulating equipment operations.

Commander (retired), 24 years' service, 1943-67 (apprentice seaman through commander).

Line officer: Experience included commanding officer of two destroyers and a minesweeper; executive officer of U.S. Naval Ammunition Depot, St. Juliens Creek, Portsmouth, Va.; Commanding Officer of U.S. Naval Reserve Training Center, Charlotte, N.C.; department head on various ships and shore stations; training officer and instructor at U.S. Naval Schools Command, Norfolk, Va.; and division commander of four ocean-going minesweepers.

Lieutenant commander (retired), 31 years, service, 1933-64 (apprentice seaman through lieutenant commander).

Engineering and ordnance officer: Experience included serving as chief engineer and electrical officer on several ships; tehnical supervisor (nulear weapons) U.S.S. *Ticonderoga* (CVA): Head, Inspection Department Nuclear Weapons Training Center, Atlantic; experience in depth in maintenance, overhaul and operation of engineering plants plus structural and equipment alterations to ships.

STUDY OF FACILITIES AND EQUIPMENT ARRANGEMENTS FOR SUBMARINE OVERHAUL WORK PACKAGES

Mr. ANDREWS. In 1970 you are requesting $200,000 for a new study of facilities and equipment arrangements for submarine overhaul work packages. Why would the Navy require an outside consultant firm to make a study of an area in which the Navy is most familiar?

Captain OLLER. That is a ships system command contract——

Captain FITZPATRICK. The problem here is that in the submarine area we have a program where we are trying to provide overhaul packages, of work for the ships so that they can be worked more efficiently. The idea is to collect all of the material that is needed to put into these work packages and get it ready for installation in these ships. Now, I am not familiar with that contract and I am not exactly sure what it is that they are asking for.

Mr. ANDREWS. Is there anybody in the room familiar with the contract?

Captain FITZPATRICK. It is a question concerning fiscal year 1970, I don't know what the plan is but the contract has not been awarded. I will provide more information on this for the record.

(The information follows:)

During the preparation of the naval shipyard modernization program a state-of-the art report was made. As a result, NAVSHIPS has judged it necessary to conduct a detailed engineering analysis of submarine overhaul work sites at Pearl Harbor Naval Shipyard to assure that the newly developed work package concept and the facilities and equipment for accomplishing the work packages are totally complimentary. This evaluation will include drydocking concepts, material handling, weight handling, utilities and services, specialized product overhaul lines, and the like, less the facilities, equipment, and work packages related to the nuclear reactor portion. This is a one time, short term, highly concentrated study effort and it is in the best interest of the Government to contract for this effort. It is proposed that the contractor would be selected through normal competitive bidding techniques.

STUDY OF SENSORS DATA ANALYSIS

Mr. ANDREWS. You are also initiating a new study of sensors data analysis. What is the purpose of this study?

Admiral SHIFLEY. Is that on the list of studies that we gave you?

Captain OLLER. Yes, sir. It was Intelligence Command, proposed $432,000 contract.

Admiral SHIFLEY. Oh, yes.

Mr. ANDREWS. You have not selected a contractor yet, have you?

Captain OLLER. It is for funds to be allocated in fiscal 1970, sir.

Mr. ANDREWS. Can you tell us what kind of an analysis they will make, what the purpose of the study is?

Captain OLLER. No, sir. I would have to provide the information on this intelligence contract for the record.

(The information follows:)

The contract will provide the Naval Scientific and Technical Intelligence Center (NSTIC) with a completely automated computer system which will provide acoustic characteristics of foreign submarines in printed form, produced by input of raw acoustical data to the machine. The contract requires the contractor to procure and integrate components, develop programing, and support documentation, and peripheral equipment, equip and assemble the system and deliver it to NSTIC where it will be operated by Navy personnel.

NAVY AIRCRAFT LOSSES IN VIETNAM

Mr. ANDREWS. Is the Navy making a study of aircraft losses in Vietnam?

Colonel SPARLING. Studies?

Mr. ANDREWS. Yes.

Colonel SPARLING. Not that I know of, sir.

Mr. FLOOD. What have been the Navy's aircraft losses in Vietnam?

Admiral SHIFLEY. Do you know the total, Colonel?

Colonel SPARLING. No, sir; I don't. I would have to provide that. I can say what we project for 1970. I don't know what our total losses are. I can provide that for you.

Mr. FLOOD. If I was in the Navy I would know at 4 o'clock every plane of every category that we lost, like the back of my hand.

Colonel SPARLING. The Navy does know this, sir.

Admiral SHIFLEY. I can give them to you right now, if you like, Mr. Flood.

Mr. FLOOD. Just give me a round total number.

Admiral SHIFLEY. In North Vietnam the Navy lost ——— in 1965, ——— in 1966, in ——— in 1967, ——— in 1968, and the total up until the 18th of March, we had lost ———.

Mr. FLOOD. Are these all carrier-based craft of the various categories?

Admiral SHIFLEY. These were attack attrition rates, U.S. Navy; yes, sir.

Mr. FLOOD. I say, they are all carrier-based craft?

Admiral SHIFLEY. Yes, sir. These are U.S. Navy carrier based.

Mr. ANDREWS. Mr. Flood, do you have any questions on management studies?

NEED FOR COMMITTEE INVESTIGATION OF MANAGEMENT STUDY CONTRACTS

Mr. FLOOD. Mr. Chairman, we are wasting the time of the committee and of these witnesses. To my knowledge, there never has been an investigation made by this committee of the area of management study contracts. The time has come when the Appropriations Committee must direct a full-dress investigation of this entire area. We are at the end of the line. We have been kicking this around for years. I don't know whose fault it is. I do not think it is the fault of these people in the room, but certainly the time has come when this committee as such must direct an investigation of this whole area of management study contracts. We are getting no place here. This should have been done years ago.

Mr. ANDREWS. Mr. Lipscomb.

SAMPLE OF A MANAGEMENT STUDY TO BE SUBMITTED FOR COMMITTEE USE

Mr. LIPSCOMB. Mr. Chairman, we have always gone into this in detail but I don't think it would add anything to go further. When you come back before the committee, I would like to have an opportunity to look at a study just to see what use it was put to and how it came out. Now, this one is listed on your analysis and the requiring office is the Supply Systems Command. It cost $27,000. The contractor was the University of Michigan. The title of the study was "Development of a Problem Statement Language to Achieve Machine Independence in Program Repertory."

I would like to take a look at the study, see how it was used, the distribution of it and also the performance of the contractor.

Admiral SHIFLEY. Yes, sir; we can provide that.

Mr. LIPSCOMB. Not just for the record, but if we could have it brought in so we could take a look at it tomorrow morning.

Admiral SHIFLEY. Yes, sir. Captain Oller, can you bring it in?

Captain OLLER. Yes, sir.

Mr. LIPSCOMB. That is all I have.

Mr. Andrews. Mr. Davis.

Mr. DAVIS. I have nothing further at this time.

OFF-BASE HOUSING REFERRAL

Mr. ANDREWS. With respect to off-base housing, does the Navy have an off-base housing division?

Captain JOHNSTON. Is this the off-base housing referral system; is that the question?

Mr. ANDREWS. Off-base housing referral.

Captain JOHNSTON. Yes, sir. The major shore activities in the continental United States, Alaska, and Hawaii do have housing referral offices as a part of the normal service to officers and enlisted men reporting there for duty who will not be housed in quarters on the base, sir.

Mr. ANDREWS. What is the estimated cost for supporting this operation in fiscal 1970?

Admiral SHIFLEY. The Housing Referral Service is a DOD sponsored program and is funded through the family housing appropriation with the exception of military personnel expenses which are

funded under the MP, N appropriation. For 1969 there were 201 billets and $1,750,000 was requested in the family housing appropriation and was not appropriated by the Congress.

Mr. ANDREWS. Not appropriated?

Admiral SHIFLEY. Was not appropriated; no, sir.

Admiral GADDIS. It is an administrative service on each base.

Mr. ANDREWS. This $1 million figure would cover all the bases?

Admiral GADDIS. Yes, sir. In the continental United States, Alaska, and Hawaii.

Admiral SHIFLEY. In fiscal year 1970, 85 civilian, 85 military billets and $1,300,000 have been requested under these other accounts. No funds are provided or requested in the O. & M.N. appropriation.

MAINTENANCE OF REAL PROPERTY

Mr. ANDREWS. We will now discuss "Maintenance of real property." The Navy proposes reducing the amount restricted for the maintenance of real property facilities by $8,100,000 in 1970. Why is this reduction being proposed?

Captain REED. We are requesting $147,500,000 in fiscal 1970 for real property maintenance.

Mr. ANDREWS. That is a reduction of $8,100,000.

Captain REED. From $155,600,000 the year before; yes, sir, it is.

EFFECT OF REDUCING REAL PROPERTY MAINTENANCE

Mr. ANDREWS. What effect will this reduction have on your maintenance program?

Captain REED. It will cause us to defer some of the maintenance until later years.

Mr. ANDREWS. You have been doing that for years, haven't you?

Captain REED. Yes, sir.

Mr. ANDREWS. Do you operate on a priority basis when it comes to maintaining real estate?

Captain REED. Yes, sir, we do.

Mr. ANDREWS. Overall, Admiral, what is the condition of your real property?

Admiral SHIFLEY. Our backlog of essential maintenance is going up every year.

Mr. ANDREWS. What is it now?

Admiral SHIFLEY. At the end of this fiscal year it will be up to about $274 million.

Mr. ANDREWS. You are asking for how much as against that backlog?

Admiral SHIFLEY. We are asking for $147,500,000 for the real property maintenance, and a part of this will go to work on trying to hold down the increase in backlog of essential maintenance, and the balance is required for day-to-day recurring maintenance and minor construction.

NAVY USE OF PAINT

Mr. ANDREWS. Is this where you buy your paint?

Admiral SHIFLEY. Yes, sir, for those facilities supported by the O. & M.N. appropriation.

Mr. ANDREWS. Have somebody put in the record the total number of gallons of paint that the Navy uses in a year's time.

Admiral SHIFLEY. We will do our best, sir.

(The information follows:)

Based on purchases from GSA, approximately 2 million gallons of paint were used in-house by the Navy in fiscal year 1968 in connection with the maintenance and repair of real property.

Mr. ANDREWS. I would think that the Navy uses more paint than any other organization in America.

Admiral SHIFLEY. We use a lot of paint, I agree with you. I also notice a lot of unpainted buildings around our installations, Mr. Chairman.

Mr. ANDREWS. The backlog maintenance of $230 million, with a backlog like that you are bound to have some rough surfaces.

Admiral SHIFLEY. That is true. The $230 million does not apply only to the unpainted buildings, however. The $230 million applies to all repair projects. Included are major repairs.

Mr. ANDREWS. Carpenter work, for example.

Admiral SHIFLEY. Yes, carpentry and all types of building trades are included.

Mr. ANDREWS. What is your total backlog of maintenance?

Admiral SHIFLEY. The $230 million is the backlog or will be the backlog.

Mr. ANDREWS. You say that does not include painting?

Admiral SHIFLEY. No, sir. That is routine maintenance and I don't think you could classify that as a major repair.

Mr. ANDREWS. Captain, do you want to make a statement?

Captain REED. Painting is in the backlog but we differentiate between a minor and a major repair. Normally, painting is minor and therefore would be considered as minor.

CONTINUAL YEARLY INCREASES IN MAINTENANCE BACKLOG

Mr. FLOOD. Is that $230 million figure about the level you have had for the last 10 years?

Admiral SHIFLEY. No, sir. It is going up. I would like to correct that. The $230 million figure was for the end of fiscal 1968. At the end of fiscal year 1969 it will be up beyond that, $274 million. This figure has run, since the end of fiscal year 1964, $160 million; end of fiscal year 1965, $170 million; end of fiscal year 1966, $173 million; end of fiscal year 1967, $184 million; end of fiscal year 1968, $230 million; and estimated at the end of fiscal year 1969, $274 million.

Mr. ANDREWS. I am sure increased costs have added to the increased volume of the backlog.

Admiral SHIFLEY. That is correct, sir. As you well know, the cost of housing is going up by leaps and bounds all over the country, every place.

APPLICATION OF $8.1 MILLION REDUCTION IN REAL PROPERTY MAINTENANCE

Mr. ANDREWS. Is there any particular area in which this reduction will be applied, speaking of the $8,100,000 reduction in 1970?

Admiral SHIFLEY. I think the reduction would have to be in the daily maintenance, in view of the fact that as shown by the increase

in the backlog of maintenance here we obviously have not been putting enough money into the major repair area. I think that we would have to raise that. In fiscal year 1969 we estimate we will apply about $13 or $14 million into the backlog of maintenance. This is not enough. I think more will have to go in there in fiscal year 1970. Obviously any reduction would have to be in the daily maintenance.

Mr. ANDREWS. I have always been a strong advocate of maintenance. Sometimes you can be penny wise and pound foolish.

Admiral SHIFLEY. This is correct, sir. I share your view and I think that we will have to paint fewer buildings, cut less grass, sweep fewer streets and apply more money to the backlog of essential maintenance projects.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. ANDREWS. Mr. Flood, do you have any questions on maintenance?

Mr. FLOOD. No.

Mr. ANDREWS. Mr. Lipscomb.

Mr. LIPSCOMB. Off the record.

(Discussion off the record.)

SUPPORT OF FREE WORLD FORCES

Mr. ANDREWS. We will now take up Support of the Free World Forces. What is the total amount included in the O. & M. budget request for the support of free world forces and what country forces will these funds support and in what amounts? Put that in the record.

(The information follows:)

The total amount in the O. & M. budget request for the free world forces is $51.745 million. Comprising the total is ——— million for Vietnam, ——— million for Thailand and ——— million for Korea.

MILITARY-CIVILIAN ASSISTANCE PROGRAM IN VIETNAM

Mr. ANDREWS. Are there any funds being requested for the military-civilian assistance program in Vietnam?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. Provide it for the record.

Admiral SHIFLEY. All right, sir.

(The information follows:)

All funds requested for Vietnam ——— million in this portion of the submission are for military assistance and represent U.S. support of the Vietnamese Navy under the military assistance service funded program. No funds are being requested here for any of the civilian assistance programs in Vietnam.

NAVY SUPPORT OF SEATO HEADQUARTERS

Mr. ANDREWS. We understand that the Navy has been assigned the responsibility of supporting the SEATO Military Headquarters. What is the amount being requested for support of this activity?

Admiral SHIFLEY. SEATO Military Headquarters, $83,000, sir.

Mr. ANDREWS. How will you spend it? What is that for?

Admiral SHIFLEY. The $83,000 budgeted in 1970 covers the U.S. share of the administrative support costs of the SEATO Military Headquarters located in Bangkok.

Mr. ANDREWS. Is it true that prior to fiscal 1970 these costs were included under the MAP appropriation?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. And the 1970 estimate includes $53,000 for U.S. contributions to the International Military Headquarters and $30,000 for national support costs related to SEATO?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. Is the Navy required to provide any other type of support?

Admiral SHIFLEY. For SEATO, not to the best of my knowledge.

Mr. ANDREWS. All right. Any questions about the support of free world forces?

LOGISTIC SUPPORT

Now we will take up your request for logistic support and at this point in the record we will insert various pages from the justification book.

(The pages follow:)

BUDGET ACTIVITY 2.—LOGISTICS SUPPORT, SUMMARY OF OBLIGATIONS

[In thousands]

Budget program	1968 actual	1969 estimate	1970 estimate	Difference 1970 compared with 1969
A. Air systems technical support	$681,593	$1,027,591	$1,024,237	−$3,354
B. Ships systems technical support	598,523	291,501	313,372	+21,871
C. Ordnance systems technical support	183,550	219,799	234,360	+14,561
D. Facilities technical support	146,024	131,017	139,101	+8,084
E. Electronics systems technical support	54,263	78,818	75,902	−2,916
F. FBM system technical support	169,911	162,030	166,548	+4,518
G. Supply support	456,568	473,321	463,972	−9,349
H. Naval Material Command support	14,181	15,356	15,356	.....
Total direct obligations in budget document	2,304,613	2,399,433	2,432,848	+33,415

Statement relating fiscal year 1968, 1969, and 1970 programs, budget activity 2: logistics support

[In thousands of dollars]

1968 program	$2,304,613
A. Air systems technical support:	
Classified and wage board pay increases	+7,290
Consumable material migration	+275,209
Aircraft, engine and component rework	+40,318
Missile and ordnance rework	+5,260
Meteorological support	+1,066
Basic automatic checkout equipment/semiautomatic checkout equipment	+2,772
Technical publications	+2,700
Fixed wing evaluation	+1,864
Weapons range support	+1,400
Quality evaluation and metrology	+1,533
Short airfield and tactical support equipment	+3,401
Contract engineering services	+1,454
Ground support equipment	+3,995
Activity operations	+6,343
Transfer of ground electronics installations	−2,338
Transfer of Marine Corps aircraft operations	−1,921
General equipment	−2,211
Transportation	−1,772
Other logistics	−365

Statement relating fiscal year 1968, 1969, and 1970 programs, budget activity 2: logistics support—Continued

B. Ships systems technical support:	
Classified pay raise	+3,223
Antisubmarine warfare technical support	+3,709
Ship design services	+3,431
Training equipment installation	+6,336
Inactivation of ships and craft	+17,090
Other logistics	+33
Activation of ships and craft	−54,152
Transfer of ship alterations and improvements	−271,320
Consolidated ships allowance list	−15,462
C. Ordnance systems technical support:	
Classified and wage board pay increases	+5,630
Ordnance rework and maintenance	+7,612
Command and administration	+1,172
Antisubmarine warfare rework	+7,544
Surface missile rework	+13,336
Other logistics	+949
D. Facilities technical support:	
Classified pay raise	+1,934
Collateral equipment	+6,780
Major repair and minor construction projects	−11,687
DEEPFREEZE and classified project	−9,627
Other facilities support	−2,407
E. Electronics systems technical support:	
Classified pay raise	+2,104
OMEGA	+1,200
Transfer of material restoration	+2,193
Transfer of logistic support of training operations	+1,976
Field operations	+1,365
Fleet ballistic missile command and control	+1,639
Installation of special purpose communications equipment	+10,421
Other electronic and engineering support	+3,597
F. FBM system technical support:	
Classified pay raise	+969
FBM system equipment repair	+930
Program administration	+352
POLARIS overhaul	−6,486
POSEIDON	−3,046
G. Supply support:	
Classified and wage board pay increases	+10,145
Transportation	+19,895
Supply depot operations	−10,885
Supply management	−712
Other support	−145
Savings from base closures	−1,545
H. Naval material command support:	
Field activities	+381
Departmental headquarters	+704
1969 program	2,399,433
A. Air systems technical support:	
Transfer of fleet support functions from research, development test and evaluation, Navy	+23,400
Missile and ordnance rework	+1,576
Tactics evaluation	+1,000
Ground electronics installation program	+2,700
Aircraft maintenance department shop rearrangement	+1,000
Versatile avionics shop and test	+1,400
Other logistic support	+4,554
Aircraft, engines, and component rework	−23,235
Transportation	−13,513
Field activity operations	−2,236

Statement relating fiscal year 1968, 1969, and 1970 programs, budget activity 2: logistics support—Continued

B. Ships systems technical support:	
Transfer of fleet support functions from research, development test and evaluation, Navy	+16,900
Deep submergence system technical support	+5,831
Reprocessing of nuclear cores	+5,045
Inactivation of ships and craft	+3,021
Salvage support	+1,116
Submarine silencing	+2,000
Restoration of electronic equipment	+1,627
Other logistic support	+1,365
Ship and craft activations	−15,034
C. Ordnance systems technical support:	
Transfer of fleet support functions from research, development test and evaluation, Navy	+11,600
Surface missile rework	+6,235
Ammunition receipt segregation stowage and issue	−2,707
Other logistics	−567
D. Facilities technical support:	
Collateral equipment and personnel support equipment	+13,637
Major repair and minor construction projects	−3,206
Construction battalion center operations	−1,261
Other facilities support	−1,086
E. Electronics sysems technical support:	
Calibration of test equipment	+863
Installation, maintenance and repair of equipment at Naval Training Device Center	+918
Other logistics support	+805
Fleet ballistic missile command and control	−406
Installation of special purpose communications	−5,096
F. Fleet ballistic missile technical support:	
POSEIDON	+10,631
Fleet ballistic missile system equipment repair	−3,896
POLARIS overhaul	−2,217
G. Supply support:	
Transfer from Defense Supply Agency	+4,264
Logistic support programs	+3,479
Miniaturization of Navy Federal catalog data	+2,500
Transportation and terminal services	−18,266
Workload changes	−1,326
H. Naval material command support	—
1970 program	2,432,848

Aircraft Rework and Engine Overhaul

Mr. Andrews. With respect to aircraft rework and engine overhaul, for aircraft rework and maintenance you are requesting $676,242,000. This is an increase of $276,083,000 over the actual obligations incurred for fiscal year 1968. What additional work do you intend to carry out which justifies this large increase over your actual cost for 1968?

Admiral Shifley. We have Captain Suerstedt here.

Captain Suerstedt. Yes, sir. This relates to migration, APA migration.

Mr. Andrews. Explain that.

Captain Suerstedt. With your permission, sir, I have Captain Heile here, of the Air Systems Command. I would like to have him handle that question.

Mr. Andrews. Captain?

Captain HEILE. Mr. Chairman, the increased dollars in the fiscal 1969 budget over fiscal 1968 were placed there to permit us to buy material from the Navy's supply system that had previously been provided free to the user. The material had been procured in the Navy, though, under the procurement accounts the procurement of aircraft and missiles, Navy. Beginning in fiscal 1969 there was a transfer of appropriation responsibility from the procurement account to the operation, Navy, account.

Mr. ANDREWS. The level of activity remains about the same?

Captain HEILE. Yes, sir.

Mr. ANDREWS. This is a bookkeeping proposition?

Captain HEILE. It is part of the resource management system to put expenses in the expense budget and procurement in the procurement budget.

Mr. Andrews. You don't anticipate any increase in the workloads for 1970 over 1968?

Captain HEILE. Very small, sir.

CONVERSION AND MODERNIZATION OF AIRCRAFT

Mr. ANDREWS. Included in this request is $28,500,000 for the conversion and modernization of aircraft. How many aircraft do you intend to modernize and convert?

Captain SUERSTEDT. In 1969——

Mr. ANDREWS. We are talking about 1970.

Captain SUERSTEDT. In 1970, 91 in modernization and 121 conversions.

Mr. FLOOD. Mr. Chairman, I would like to know a little more about this.

Tell me something about conversion and modernization. What kind of aircraft are involved?

Captain SUERSTEDT. The QF–9J in modernization; those are being modified to drone aircraft.

Mr. ANDREWS. Drones?

Captain SUERSTEDT. Drones; yes, sir.

Mr. ANDREWS. For target practice?

Captain SUERSTEDT. Yes, sir.

Mr. ANDREWS. How much do they cost per unit?

Captain SUERSTEDT. In 1970 we anticipate ——— per unit.

Mr. ANDREWS. Who will do the work?

Captain SUERSTEDT. This work will be done at Pensacola, and the TAF–9J also.

Mr. ANDREWS. In-house or by contract?

Captain SUERSTEDT. In-house. This applies also in 1970 to the QT–33 which is the old T bird, the T–33. This is also being modified as is the QF–9J.

Mr. ANDREWS. Do all your modifications consist of drones?

Captain SUERSTEDT. No, sir.

Mr. FLOOD. The drones are conversions?

Captain SUERSTEDT. Yes.

Mr. FLOOD. Have you finished with the conversions? You are going to make these aircraft into drones. What else are you going to convert?

CONVERSION OF C–47'S TO ATTACHÉ AIRCRAFT

Captain SUERSTEDT. We are going to convert the C–47 into an attaché-type aircraft. For use in the attaché area. This is the old C–47 of World War II vintage.

Mr. ANDREWS. That is the one we were talking about this morning,

Captain SUERSTEDT. No, sir.

Colonel SPARLING. Yes, sir.

Mr. FLOOD. There is only one C–47.

Mr. ANDREWS. Aren't they too old to convert or modernize in any way?

Captain SUERSTEDT. No, sir.

Mr. ANDREWS. What are you going to do to them when you convert them?

Captain SUERSTEDT. I will have to supply that for the record. I know that they are updated from the cargo versions. I know they are different communications.

Mr. ANDREWS. That was done in 1969, was it not, at a unit cost of $53,125?

Captain SUERSTEDT. Yes, sir.

Mr. ANDREWS. Did you put new engines in there?

Captain SUERSTEDT. Not in these; no, sir.

Mr. ANDREWS. You don't have any listed for 1970, do you?

Captain SUERSTEDT. No, sir.

LOCATION OF ATTACHÉ AIRCRAFT

Mr. LIPSCOMB. Where is this aircraft going to be used?

Admiral SHIFLEY. I don't know exactly where this one will go.

Mr. ANDREWS. Where are you going to use them and what are they used for?

Captain SUERSTEDT. They are used for attaché purposes. Colonel Sparling, can you say?

Colonel SPARLING. No, sir; I can't. We have six airplanes that are attached to the attaché, from the Navy. Others are from the Air Force. We have one at Oslo, one at Djakarta, one at Monrovia—six total.

Admiral SHIFLEY. This is a DOD-controlled program. The Navy and the Air Force provide the aircraft.

Colonel SPARLING. We don't pay for the operation of these. The Defense Intelligence Agency reimburses the operational costs of these aircraft.

Mr. FLOOD. Is there one down at Quito?

Colonel SPARLING. I will have to supply that.

(The information follows:)

There is an attaché aircraft located at Quito.

Captain SUERSTEDT. There was one down there some years ago.

Mr. FLOOD. Yes. I know about that one. I rode in it once. It is a good conversion, too.

Captain SUERSTEDT. Mr. Flood, the one at Quito was used a lot for bringing in supplies, I believe, to the people in Quito.

Mr. FLOOD. Yes.

CONVERSION OF US-2A AIRCRAFT

Mr. ANDREWS. What about the US-2A? In 1969 you plan on converting 36 of them at a unit cost of $15,030. Will that program be completed in 1969?

Captain SUERSTEDT. No, sir. They are carried on into fiscal 1970.

Mr. ANDREWS. Then you ask for another 39 in fiscal 1970. Is that in addition to the 36?

Captain SUERSTEDT. Yes, sir.

Mr. FLOOD. For what purpose are you converting them?

Captain SUERSTEDT. These are being converted to replace the C-45, the old Beechcraft. The Beechcraft are going out of service, and these are replacing them. These are utility versions for combat-readiness and training proficiency flying.

Mr. ANDREWS. Now, for 1970, for the US-2A, you want money for the conversion of 39 at a unit cost of $45,372?

Captain SUERSTEDT. Yes, sir.

Mr. ANDREWS. Is that slight increase due to inflation?

Captain SUERSTEDT. Material and labor costs, sir. Our labor costs are going up about 3.4 percent.

CONVERSION OF THE QT-33 AIRCRAFT

Mr. ANDREWS. I will ask you about one more group here. The QT-33, what is that?

Captain SUERSTEDT. That is the old T-33. It was a two-seat version of the old Shooting Star that was used during Korea. The Air Force had that aircraft for some time.

Mr. ANDREWS. What are you converting it to?

Captain SUERSTEDT. A Drone. The Q designates the Drone configuration.

Mr. ANDREWS. You had 22 for 1969 at a unit cost of $63,990. You doubled the number in 1970, 44, at a slight increase in cost, $64,476. Again, is that due to inflation?

Captain SAUERSTEDT. Yes, sir.

Mr. ANDREWS. Is that the work you plan to do in-house at Pensacola?

Captain SUERSTEDT. Yes.

MODERNIZATION QF-9J AIRCRAFT

Mr. ANDREWS. Now, I notice the QF-9J, in 1969 you had 12 at a unit cost of $37,920; in 1970 you want four modernized at a unit cost of $38,208. Where will that work be done?

Captain SUERSTEDT. Also at Pensacola.

Mr. ANDREWS. In-house?

Captain SUERSTEDT. Yes.

Mr. ANDREWS. The price which I am quoting, $38,208, is that the unit cost for each aircraft or is that the total for the four?

Captain SUERSTEDT. I can give you that answer in just a minute. We have the backup material and figures available. I believe that is the average unit cost.

Mr. ANDREWS. Average unit cost?

Captain SUERSTEDT. Yes, that is correct.

PROCUREMENT FUNDS FOR MODERNIZATION AND CONVERSION

Mr. ANDREWS. Under "Procurement of aircraft and missiles, Navy," you are requesting $235,000,000 for the modernization and conversion of aircraft. Why are you requesting funds in two appropriations for the same purpose, and especially for the same aircraft?

Admiral SHIFLEY. Captain Suerstedt.

Captain HEILE. If I may, sir: The procurement account procures the material, pays for the design, the engineering of the conversion or the thing to be modernized. The account that we are discussing here, sir, is the installation of that material procured from the PAMN account.

Mr. ANDREWS. You are talking about hardware in one place and labor in the other.

Captain HEILE. Yes, sir. There are some expense-type materials, though, included in this account that I spoke to before.

Mr. ANDREWS. We will adjourn until 10 o'clock tomorrow.

FRIDAY, APRIL 18, 1969.

Mr. ANDREWS. The committee will come to order.

CONTRACT WITH THE UNIVERSITY OF MICHIGAN

Yesterday we discussed some management contracts and the gentleman from California, Mr. Lipscomb, asked that certain information be available this morning. Admiral Shifley, do you have that information?

Admiral SHIFLEY. Yes, sir. That was the contract with the University of Michigan.

Mr. ANDREWS. Mr. Lipscomb.

Mr. LIPSCOMB. Mr. Chairman, I haven't seen it yet.

Mr. ANDREWS. Admiral, suppose you submit that to the committee and we will take a look at it.

Admiral SHIFLEY. Yes, sir.

Admiral BIERI. Could I speak to this?

Mr. ANDREWS. Yes, sir.

Mr. LIPSCOMB. Is this the report?

Captain OLLER. No, sir. That is the background on the contract. It shows what the product will be.

Mr. LIPSCOMB. I want to see the report. I believe I made that very clear.

Admiral GADDIS. He wanted a copy of the report.

Admiral SHIFLEY. Yes. I understood you wanted a copy of the report itself; that is correct.

Mr. LIPSCOMB. I wanted to see the report and the distribution of the report, where it was sent, the use that was made of it.

Captain OLLER. This report was delivered 2 weeks ago, sir.

Mr. GARRITY. Do you have additional copies?

Captain OLLER. I will have to make them available.

Mr. ANDREWS. Admiral Bieri, you want to make a statement, do you?

Admiral BIERI. I would like to, sir.

I am Admiral Bieri, commander of the Supply Systems Command.

This particular contract was with the University of Michigan, was asked for by my ADP people in an effort to try to come to grips with a basic problem that we have of the numbers of analysts and programers that are required in all of the ADP programs.

As you know, this is a very critical field as far as expertise is concerned and it is quite a technical one as far as workload. Anything that we can do to automate the work that is done by our analysts and our programers is that much money ahead.

The object of this contract was to devise a language, a problem statement language in which we could put the problems that we at the management level have in some system or order so that you can translate them into mechanized programs for these machines and get further on with our analysis.

At the other end of the spectrum people are trying to devise a language to go into the computer programs; but in this case we are trying to get a common method of getting our statements of the problem to the analysts in the field.

So they were asked to do two things: to come up with a dictionary for defining our business problems which would be subject to automation and, second, to hold a seminar and indoctrinate our top people in this method.

The man at the University of Michigan that we did the work with was Dr. Daniel Teichroew, who is head of the management engineering department there and is a recognized authority in this ADP area.

We will be able to furnish you with additional copies. We have the report of the dictionary that I spoke of. This is a manual of approaches to defining these problems in automated fashion and we shortly will have the seminar conducted by him and his staff.

Mr. ANDREWS. Do you have any questions now?

Mr. LIPSCOMB. Not at this point.

Mr. ANDREWS. All right.

COST OF ENGINE OVERHAUL

The revised engine overhaul schedule for 1968 which appeared in the justification book for fiscal year 1969 indicated that you would overhaul 7,951 engines at an estimated cost of $88.7 million. The actual for fiscal year 1968 as appearing in this year's justification book shows that you actually overhauled 6,692 engines at a cost of $41.8 million. This is a difference of 1,309 engines and $46.9 million. How was the Navy capable of reducing the cost of these engine overhauls so substantially?

Admiral SHIFLEY. Captain Suerstedt, do you want to answer that one?

Captain SUERSTEDT. Yes, sir.

There was a 15-percent reduction in units. The actual reduction in cost was about 16 percent although it did not appear that way on the face of it. We had, if you will notice, in the 1968 column of the 1969 congressional budget almost 8,000 overhauls and little over 1,500 engine repairs.

In the 1968 column of the 1970 congressional budget there were roughly 6,700 units overhauled which is about 1,200 fewer overhauls. We actually had 2,873 engine repairs in fiscal year 1968.

Essentially, we have reduced the overhauls by about 1,259 and increased the repairs by about 1,346.

Mr. ANDREWS. We are not complaining about saving money, Captain. I want to commend you for what looks like a good job. What we would like to know is how you were able to overhaul 6,692 engines at a cost of $41.8 million when you originally estimated 7,951 engines at a cost of $88.7 million which is a saving of $46.9 million. It looks like the unit cost actually was much less than you estimated.

Captain SUERSTEDT. Between the time of submission of the 1969 congressional budget and the submission of the fiscal year 1970 congressional budget, we have changed our method of displaying the costs. The support costs were incorporated in the engine cost figure in the fiscal year 1969 budget submission. In the later submission we took out supporting program costs and displayed them separately.

SUPPORT COSTS FOR ENGINE OVERHAULS

Mr. ANDREWS. Are you telling us, then, that you haven't saved any money?

Captain SUERSTEDT. We have saved money in that we have cut down on the overhauls and reworked more engines.

Mr. ANDREWS. According to the book, the 6,992 engines cost $41.8 million. How much supporting costs should be added to the $41.8 million?

Captain SUERSTEDT. I think if we take the supporting costs out in the comparison, there is a small difference between the two submissions.

Mr. ANDREWS. In other words, how much of the $88.7 million have you spent or will you spend for engine overhaul and supporting costs?

Captain SUERSTEDT. The supporting costs were in the neighborhood of $36 million.

Mr. ANDREWS. The revised estimate is now before the committee for the fiscal year 1969. It indicates that you estimate the completion of 6,004 engines at a cost of $87.7 million. Why is there such a variance in the cost between 1968 and 1969, especially in view of the fact that you are overhauling the same type engines?

Captain SUERSTEDT. We are not overhauling the same type of engines, sir. We have new engines coming into the inventory that are more comple and fewer engines will cost more money. The TF-30 engine coming in is a more exotic engine. I can give you a breakdown or submit for the record the differences in the unit costs of the engines.

Mr. ANDREWS. I wish you would.

Captain SUERSTEDT. Yes, sir.

(The information follows:)

OVERHAUL COSTS BY TYPE OF ENGINE

ENGINE UNIT COSTS

[Page 2676, following line 3]

Model	Fiscal year 1968		Fiscal year 1969	
	Quantity	Unit cost	Quantity	Unit cost
J-34-WE-34	65	$2,457	45	$7,709
J-34-WE-36/36A	132	2,457	105	7,709
J-34-WE-48	32	3,812	42	8,672
J-48-P-8/8-A/8-B/8-C	299	4,178	361	10,138
J-57-P-4/4A	76	11,006	55	25,702
J-57-P-6B	6	8,446	8	20,285
J-48-P-8-to P8B	4	4,423	----	----
J-57-P-16	38	12,744	51	27,678
J-57-P-10	121	12,005	81	24,306
J-57-P-20A	193	12,672	72	27,409
J-57-P-22	18	11,692	36	25,694
J-79-GE-10	59	13,614	69	29,178
J-65-W-16A	274	6,779	362	15,573
J-65-W-18	5	7,680	----	----
J-65-W-20	90	5,158	----	----
J-79-GE-8B	379	14,984	321	30,785
J-60-P-3A	42	4,665	30	10,840
J-60-P-6	28	4,765	31	10,840
J-52-P-6A	430	10,376	383	25,893
J-52-P-8A	196	10,128	273	22,944
J-65-16A to W20	52	7,245	----	----
J-52-P-8B	1	10,640	----	----
TF-P-6A	64	19,402	77	32,895
TF30-P-8A	10	26,359	65	32,895
R-1820-76A/B/C/D	47	2,778	24	6,413
R-1820-80A	158	2,692	83	6,143
R-1820-82	421	2,272	428	5,786
R-1820-82A	289	2,255	285	5,671
R-985-14B	46	2,171	----	----
R-1820-84A/C	513	2,125	203	5,442
R-1820-86A	244	2,637	289	6,143
R-1820-84B/D	86	2,148	63	5,442
R-2800-52	230	6,698	175	14,693
R-3350-26WA/WB/WC/WD	5	7,624	----	----
R-3350-32W/WA	184	7,960	104	18,434
R-3350-42/34	124	7,109	158	17,434
R-3350-36W/WA	109	6,753	41	18,092
T-56A-7P	61	9,145	20	19,175
T-56A-8P	31	9,752	38	23,180
T-56-A-7P to A-16P	95	9,662	108	23,382
T-56-A-10W/P	154	9,001	180	22,438
T-56-A-14G/P	42	8,691	64	22,411
T-56-A-16P	31	8,465	22	21,730
T-58-GE-8C	5	3,504	----	----
T-58-GE-10	80	4,060	108	9,484
T-64-GE-6	46	7,190	35	14,855
T-58-GE-8E	12	4,915	41	9,147
T-58-GE-8B	303	4,063	124	9,477
T-76-G-10/12	4	3,927	82	8,816
J33-A20/24/24A/35	113	4,855	151	6,801
J85-GE-4	----	----	14	16,786
O-520-5D	----	----	12	3,000
R-1340-61	----	----	1	4,550
R-1830-92	----	----	5	5,428
T-50-BO-4/8	----	----	15	7,000
T-50-BO-10/12	----	----	20	7,000
T-53-L-13	----	----	4	11,078
O-335/5B/5D	30	1,080	10	3,796
O-470-4	137	1,162	148	2,387
O-470-11A/B	48	1,328	48	2,387
R-1830-90C/D	50	2,200	25	6,059
R-2800-97	10	3,523	11	5,768
R-2000	240	2,776	206	8,148
T53-L-9A/11	130	5,610	185	11,078
MK-529-8	----	----	7	+10,556
Total engines	6,692	----	6,004	----

The large increase in unit costs in fiscal year 1969 is primarily the result of the change in funding responsibility for consumable materials from the "Procurement of aircraft and missiles, Navy," appropriation to the "Operation and maintenance, Navy," appropriation.

INCREASED COST OF ENGINE OVERHAUL

Admiral GADDIS. There is an additional item, Mr. Chairman, between 1968 and 1969 in this line item for engines, just as for aircraft overhauls, in that the consumable spare parts were provided from another appropriation in 1968 and are now provided from this line item and this appropriation in 1969 incident to the expense transfer which has been spoken to many times before, sir.

Mr. ANDREWS. Comparing 1970 with actual performance for fiscal 1968, can you explain why, when you are estimating that you will overhaul 693 less engines than you did in 1968, you are requesting an additional $45.3 million? In other words, if you could overhaul 6,692 in 1968 for $41.8 million why can't you overhaul 5,999 in 1970 for a lot less than $87.1 million?

Captain SUERSTEDT. I think we come back here again to the migration increase plus a 3.4-percent increase in labor costs; 60 percent of the costs of modifying an engine are in labor. We have had a 3.4-percent increase in labor costs. Again, we have the complexity, the sophistication of the newer engines coming in.

One of the things that is occurring here is that we are in fact, instead of overhauling, repairing engines.

If an engine requires repair prior to the time it reaches 80 percent of its maximum operating time it is repaired rather than going into overhaul.

AVERAGE TIME BETWEEN ENGINE OVERHAULS

Mr. ANDREWS. You have to repair an engine whenever necessary?

Captain SUERSTEDT. Yes, sir.

Mr. ANDREWS. And you overhaul periodically?

Captain SUERSTEDT. We overhaul an engine if it needs repair after 80 percent of its maximum operating time. The repair really becomes an overhaul. If it requires repair at less than 80 percent we repair the engine and return it to service.

Mr. ANDREWS. How often do you overhaul an engine? At the end of so many hours of flying?

Captain SUERSTEDT. At the end of its maximum operating time.

Mr. ANDREWS. What is that?

Captain SUERSTEDT. I have a breakdown on the average of all the engines. They vary.

Mr. ANDREWS. Put something in the record about the variations of the overhaul periods of the different engines.

(The information follows:)

Flying hours between engine overhauls

Model	Average time between overhaul (hours)
J-34-WE-34	178
J-34-WE-36/36A	581
J-34-WE-48	854
J-48-P-8/8-A/8-B/8-C	372
J-57-P-4/4A	410
J-57-P-6B	577
J-57-P-16	360
J-57-P-10	776
J-57-P-20A	507
J-57-P-22	410
J-70-GE-10	268
J-65-W-16A	552
J-70-GE-8B	616
J-60-P-3A	619
J-60-P-6	378
J-52-P-6A	472
J-52-P-8A	399
TF30-P-6A	215
R-1820-76C/D	657
R-1820-80A	648
R-1820-82A	992
R-1820-84C	451
R-1820-86A	763
R-1820-84B/D	451
R-3350-26/WB/WD	462
R-3350-32/WA	875
R-3350-42	1,258
R-3350-30/WA	653
T-56A-7P	1,990
T-56A-8P	645
T-56-A-10W/P	2,620
T-56-A-14/P	913
T-56-A-16P	1,810
T-58-GE-10	278
T-64-GE-6	215
T-58-GE-8B	503
T-76-G-10/12	38
J33-A20/24/24A	301–413
O-335/5D	401
O-470-4	978
R-1830-90C/D	868
R-1830-92	868
R-2000-6	650
T-50-BO-4/8	115
T-50-BO-10/12	80
T53-L-9A/11	413

The average time between overhauls is based on historical experience. In certain engine models product improvements are made to increase their service life. The use of the same model of engine in different aircraft causes the average time between overhauls to vary significantly because of the operational demands placed on the aircraft.

NAVY ENGINE OVERHAUL CONTRACTORS

Mr. ANDREWS. How are your overhaul contracts awarded?

Captain SUERSTEDT. The majority of them are done in-house. Some of them are done on a competitive basis with industry.

Mr. ANDREWS. How many outside contractors do you have engaged in overhauling Navy engines? Put that in the record.

Captain SUERSTEDT. Aye, Aye, Sir.

(The information follows:)

NAVY ENGINE OVERHAUL CONTRACTORS

Type engine	Contracting agent	Contractor
J-33	Air Force	Southwest Airmotive Co.
J-85	do	General Electric Co.
O-520	Army	Continental Motors Corp.
MK-529-8E	Navy	Dallas Airmotive Corp.
O-335-5D	Army	Franklin Engine Co.
O-470-4	do	Continental Motors Corp.
O-470-11	do	Do.
T-50 (phase out)	Navy	Boeing Aircraft Co.
T-50 (phase in)	do	Stewart-Davis Co.
T-76	do	Garrett Corp.
TF-30	do	Pratt & Whitney.
R-1830	Air Force	Gary Aircraft Co.
R-2000	do	Spartan Aircraft Co.
R-2800-97	Navy	Dallas Airmotive Corp.
R-2800-52	Air Force	USAF Dallas Airmotive Corp.
J-57/75	Navy	Pratt & Whitney.
J-34	do	Do.
J-57-4/10	do	Do.

AWARD OF ENGINE OVERHAUL CONTRACTS

Mr. ANDREWS. Where they are given to outside contractors they are awarded by competitive bidding?

Captain SUERSTEDT. All of those that are put out to industry are done through competitive bidding.

Mr. ANDREWS. Do you do all overhauls in-house when you have the capability of doing so?

Captain SUERSTEDT. Yes. If we have the resources. With the personnel constraints, however, this tends to limit our ability.

Mr. ANDREWS. You only let a contract on that which you cannot do in-house?

Captain SUERSTEDT. Yes, sir.

Mr. ANDREWS. When you did, let a contract, it was by competitive bidding?

Captain SUERSTEDT. Yes.

Mr. ANDREWS. So when you are talking about the price of these engines you are talking about both those done in-house and those done by outside contractors?

Captain SUERSTEDT. Yes.

IN-HOUSE COST OF OVERHAUL VERSUS CONTRACT

Mr. ANDREWS. How does the cost per engine compare between your in-house work and outside contracts?

Captain SUERSTEDT. We feel it is cheaper to be done in-house. We have additional problems where we have to establish new supply procedures for parts in order to have them done by contract.

Mr. ANDREWS. In other words, if you had the capability you would do all your work in-house?

Captain SUERSTEDT. Yes.

Mr. ANDREWS. Because it is cheaper?

Captain SUERSTEDT. Yes, sir. If we had the resources we would do almost all of them.

Mr. ANDREWS. Very well.

CONTRACT TO REWORK SPARROW WARHEADS

The Naval Air Systems Command recently formulized into a contract an unsolicited proposal by the Midday Co. of Lodi, N.J., to rework 350 MK–38, Mod 0 warheads for the SPARROW AIM–7 air-to-air missile. It is reported that this rework is aimed at providing an interface for the missile apparently with a fire control system. What is the purpose of this contract?

Captain SUERSTEDT. I can only say that if we in fact did this——

Mr. ANDREWS. Are you familiar with that contract.

Captain SUERSTEDT. No, sir, I am not.

Mr. ANDREWS. Is anybody in the room familiar with it?

Admiral GADDIS. I am not, sir.

Mr. ANDREWS. I wish you would look into it, Admiral, and put something into the record about it.

Admiral SHIFLEY. All right, sir.

Mr. ANDREWS. Why did the Navy accept an unsolicited proposal for this work?

Admiral SHIFEY. All right, sir; we will provide an answer to that also.

(The information follows:)

The sole producer of MK 38 MOD O SPARROW warhead metal parts is the Midway Co. Recently some of these parts have been accepted by the government "out of tolerance" due to faulty calibration of Government inspection gages. After learning of this problem, the Midway Co. submitted an unsolicited proposal to correct the deficiencies. The resulting contract is funded under the "Procurement of aircraft and missiles, Navy appropriation", which originally financed the metal parts. The contract provides for the correction of 355 sets of MK 38 MOD O warhead metal parts at a total cost of $15,700.

AIR SYSTEMS COMMAND, HEADQUARTERS COST

FUNDS FOR SALARIES AND ADMINISTRATIVE EXPENSES

Mr. ANDREWS. Under the heading of "Air Systems Command, Headquarters Cost," why are you requesting $38.2 million for the salaries and administrative expenses of the headquarters, Office of the Naval Air Systems Command?

Captain HEILE. These funds are for the personnel which we will have on board in the Air Systems Command Headuarters. We anticipate an average on-board count of about 2,600 civilian employees in fiscal 1970. The average salary cost for these people is slightly higher than the fiscal 1968 cost. This comes about in two ways. One is the full year cost of pay raises. Second, the increase, the small increase in grade levels.

In the attrition, the Public Law restrictions on the number of personnel when they are in force, the lower grade personnel seem to turn over much faster than the higher grade personnel.

Mr. ANDREWS. Where will this office be located?

Captain HEILE. This office is in Washington, D.C.

ORIGIN OF THE NAVAL AIR SYSTEMS COMMAND

Mr. ANDREWS. How long has it been here?

Captain HEILE. A Naval Air Systems Command Headquarters was just formed from the old Bureau of Naval Weapons. That was formed in part from the Bureau of Aeronautics. And before that, I am sorry, sir, my history is not that good.

Mr. ANDREWS. This is more or less a reorganization, then, is it?

Captain HEILE. The Naval Air Systems Command, sir, was formed in 1966.

Mr. ANDREWS. In other words, a couple of years ago it was a reorganization.

Captain HEILE. Oh, yes, sir.

Mr. ANDREWS. You say you want 2,600 employees?

Captain HEILE. Yes, sir.

Mr. ANDREWS. Civilian or military?

Captain HEILE. Civilian, sir.

Mr. ANDREWS. How many military will be attached to the System Headquarters?

Captain HEILE. I believe there are approximately 400.

Mr. ANDREWS. That is a pretty good size shop, then, 3,000 people.

Captain HEILE. Yes.

Mr. ANDREWS. $38.2 million for salaries and administrative expenses?

Captain HEILE. Yes, sir.

Mr. ANDREWS. They are pretty highly paid, aren't they—or will be?

Captain HEILE. Mr. Chairman, these people have been on board; this is a continuing thing. This is not a start of a new program, sir. These people have been here for many years. Some I worked with when I was here in 1955.

Mr. ANDREWS. We realize that, Captain, but we are questioning why you need 3,000 people in an office.

Captain HEILE. Excuse me.

Captain SUERSTEDT. If I may, sir, the Naval Air Systems Command in one name or another has been in existence since the start of naval aviation, and the people in the Naval Air Systems Command are primarily the ones who are responsible for the design, production and support of all of the Navy's aircraft.

Mr. ANDREWS. The committee knows what they do.

Captain SUERSTEDT. Pardon me?

CIVILIAN EMPLOYMENT

Mr. ANDREWS. The committee is fairly well acquainted with the responsibility of the office. The question is: Why do you need so many people? How long have you had 2,600 civilians on board in that office?

Captain HEILE. I would say at least for the last 4 years, Mr. Chairman.

Admiral SHIFLEY. That number has been about the same since it was reorganized in 1966. Before that there were more people in the preceding organization which was the old Bureau of Naval Weapons. There was a split in 1966 and the surface ordnance part was taken out so that the part that remains in there now, as Captain Suerstedt says, relates to the design, production, and support of aircraft and integral systems and weapons.

Mr. ANDREWS. Have you ever made a study as to whether or not this office is overstaffed?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. And you concluded that it was not?

Admiral SHIFLEY. Yes, sir.

Captain SUERSTEDT. If I may add here, our study showed that we are grossly understaffed, Mr. Chairman.

Mr. ANDREWS. Did your study reveal that?

Captain SUERSTEDT. Yes, sir.

We had a manpower validation study about 3 years ago. I speak as the assistant commander for logistics and fleet support. In my attempt to meet the requirements of the Navy which are put upon me daily I find that I have about two-thirds of the number of people that I require to stay current with the state of the art and to stay with industry.

LOGISTICS MANAGEMENT INSTITUTE STUDY

Mr. ANDREWS. Captain, the Logistics Management Institute just completed a study of the workload, forecasting and alternative overhaul schedules for Navy aircraft and aircraft engines. Are you familiar with that study?

Captain SUERSTEDT. I am, generally. I am not, in detail.

Mr. ANDREWS. What were the general recommendations made in that study?

Captain SUERSTEDT. I think LMI, in my part of the Air Systems Command, had a hand in it and indicated that we required additional people to meet the requirements of logistics and fleet support today.

Mr. ANDREWS. Why was that study made, do you know?

Captain SUERSTEDT. The study was made, I believe——

Mr. ANDREWS. LMI is an organization, private organization, which works exclusively for the Assistant Secretary of Defense, Installations and Logistics——

Captain SUERSTEDT. Yes, sir.

Mr. ANDREWS (continuing). Performing various management and other type studies?

Captain SUERSTEDT. Yes, sir.

Mr. ANDREWS. So the question is why were they requested to go in and make this study? Was it done at the behest of the Department of the Navy or did they do this on their own, or what reasons were behind it?

Captain SUERSTEDT. I'm not familiar with what generated it. I know that we were involved in it. It was viewed as an attempt on the part of the Navy to assist us in better preparing our position to defend our budget.

Mr. ANDREWS. That is a good study.

Captain SUERSTEDT. To validate and defend.

MANAGEMENT AND SUPPORT SERVICE CONTRACTS

Mr. ANDREWS. Admiral Shifley, would you place in the record at this point all that the Navy spent in 1968, 1969, and all that you propose to spend in 1970 for management studies?

Admiral SHIFLEY. Yes, sir.

(CLERK'S NOTE.—The information requested appears on pages 486 through 520.)

Mr. ANDREWS. And we would like for you to list for the record the total amount for support contracts by types, such as management

service contracts, technical/engineering service contracts, personnel service contracts, and contractor-operated facilities for fiscal years 1968, 1969, and the estimate for 1970 for the military personnel, operation and maintenance, and procurement appropriations. You can also put in the amount for contractor-operated facilities under research, development, test, and evaluation. Put it all in at one place at this point in the record where we can see how much the Navy is spending for studies and service support contracts of one type or another.

Admiral SHIFLEY. Yes, sir.

(The information follows:)

DEPARTMENT OF THE NAVY, FISCAL YEAR 1970 BUDGET REQUEST FOR SUPPORT CONTRACTS

[In thousands of dollars]

Appropriation	Technical/engineering			Personal services			Management services			Contractor operated facilities		
	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Operation and maintenance, Navy	103,169	99,122	91,517	40,972	53,955	56,046	9,994	8,834	10,226	9,818	11,308	12,606
Operation and maintenance, Marine Corps	435	889	1,229	2,392	2,491	2,500	151	662	1,010			
Procurement, Navy	10,739	15,774	10,031							1,367	1,336	1,400
Procurement, Marine Corps		1,000	1,300									
Procurement, aircraft, and missiles, Navy	51,960	57,599	56,953									
Research, development, test and evaluation										7,800	9,200	10,000
Grand total	166,303	174,384	161,030	43,364	56,466	58,546	10,145	9,496	11,236	18,985	21,844	24,006

Mr. ANDREWS. We also want you to supply the committee with a list of all such contracts over, let's say, $250,000 by type and appropriation, including the name of the contractor, the purpose of the contract, the type of contract, and the amount involved.

Admiral SIFFLEY. Yes, sir; for fiscal years 1968 and 1969?

Mr. ANDREWS. Yes, sir.

Mr. ANDREWS. Now will you prepare for the record a schedule showing both the number of military and civilian personnel assigned to the Air Systems Headquarters Office for the fiscal years 1967, 1968, 1969, and 1970? Will you also prepare for the record and analysis of the type of expenses incurred or will be incurred for the fiscal years 1967, 1968, 1969, and 1970?

(The information follows:)

Employment and Expenses, Air Systems Headquarters

TABLE I.—HEADQUARTERS PERSONNEL

Military personnel	Fiscal year 1967	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Officer	436	368	419	421
Enlisted	3	4	4	4
Total	439	372	423	425
Civilian personnel (average)	2,446	2,718	2,639	2,605

TABLE II.—NAVAL AIR SYSTEMS COMMAND HEADQUARTERS EXPENSES

[Dollars in millions]

Type expense	Fiscal year 1967	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Civilian salaries	$27.6	$31.8	$33.2	$33.2
Employee benefits	2.0	2.4	2.5	2.6
Travel	.8	.8	.8	.8
Communications	.5	.7	.7	.7
Equipment and supplies	.4	.3	.3	.3
Miscellaneous costs	.7	1.4	.7	.6
Total	32.0	37.4	38.2	38.2

STUDY OF INVENTORY MANAGEMENT OF AIRCRAFT ENGINES

Mr. ANDREWS. Captain, the Logistics Management Institute will begin a study in April, some time this month, of the inventory management of Navy aircraft engines. It is task No. 67-7. Will you tell us what the purpose of that study is?

Captain SUERSTEDT. Yes, sir. I believe this has been generated by the Office of the Secretary of Defense to see if the Navy's estimates of engine use, our requirements for spares, is accurate. This is a serious problem for us to try to justify our usage data on engines. We are looking forward with a great deal of enthusiasm for this study to be completed.

Mr. ANDREWS. I misled you. Actually, that study has been underway since fiscal year 1967 and it is supposed to be completed on the 30th of May 1969. But as of April it was still in process. Do you know any of the results so far?

Captain SUERSTEDT. No, sir.

Mr. ANDREWS. Are you advised that the studies are being made, what the problem areas are which are being developed by the Logistics Management Institute?

Captain SUERSTEDT. No, sir; I have no feel for that. My personal opinion is that the studies will be quite helpful to us in the logistics area of the Naval Air Systems Command.

Mr. ANDREWS. Captain, will you provide the committee a copy of the report on the workload forecasting and alternative overhaul schedules for Navy aircraft and aircraft engines, and also a copy of this report on inventory management of Navy aircraft engines when it is made available.

Captain SUERSTEDT. Yes, sir.

(The information follows:)

The report entitled "Workload Forecasting and Alternative Overhaul Schedules for Navy Aircraft and Aircraft Engines" was furnished to the committee. The report on inventory management of Navy aircraft engines is expected to be completed in the next few months. A copy will be provided at that time.

AIR SUPPORT PROGRAMS

Mr. ANDREWS. For air support programs, you are requesting $237,612,000. This is an increase of $20,541,000 over your current estimate for fiscal year 1969. Why are you requesting this large increase?

Admiral SHIFLEY. Do you want to take that, Captain Suerstedt?

The major part of this is the shift from the R.D.T. & E. appropriation that we talked about yesterday, Mr. Chairman.

Captain HEILE. $23.4 million.

Admiral SHIFLEY. $23.4 million of that was part of that $51.0 million we were discussing.

TRANSFER OF FUNDING RESPONSIBILITY FROM R.D.T. & E.

Mr. ANDREWS. You state that the reason is the result of a transfer of funding responsibility of $20.5 million from the R.D.T. & E. appropriation. When did the R.D.T. & E. appropriation have anything to do with the ship- and shore-based launching aids, second destination transportation or industrial readiness of the Navy? Is it not a fact that these functions have been in the operation and maintenance appropriation since this appropriation was established?

Admiral SHIFLEY. Yes, sir.

Captain HEILE. Mr. Chairman, yes, sir; those items have always been in our aviation and other support areas. The thrust of the answer was

to show that the large increase, the biggest part of the increase was the transfer of the R.D.T. & E. money into O. & M.N.

The transportation account, between 1969 and what we are requesting in fiscal year 1970 shows a decrease of $13 million.

AIR SYSTEMS SUPPORT PROGRAM

Mr. ANDREWS. Tell us briefly what the air systems support program is.

Captain HEILE. Mr. Chairman, it is a compilation of many small programs. It has in it the repair and overhaul of the ships' catapult and arresting gear, the repair and overhaul of the short airfield tactical systems—the SATS systems—that are being used by the Marines at Chu Lai.

We pay for the second destination transportation in this area. We support quality evaluation and metrology, the calibration of the test equipment in the field; we support the weather service to a small degree.

Mr. ANDREWS. Will you buy any hardware out of this $237 million-plus budget request?

Captain HEILE. The consumable material that I spoke of yesterday, sir. We are buying consumable-type hardware.

Mr. ANDREWS. Such as what?

Captain HEILE. Gaskets—we always refer to that, gaskets, nuts and bolts, things that are consumed in the overhaul, repair, upkeep, maintenance. We are not buying as such a piece of equipment, the complete piece of equipment. Those kinds of things are bought in the procurement account. We buy technical services in this area for the contract technical services support, on-the-job training of service personnel in new weapons systems.

EVALUATION, SURVEILLANCE AND ENGINEERING SERVICES

Mr. ANDREWS. Under this appropriation you are requesting an increase of $4.5 million for evaluation, surveillance and engineering services in various support areas. What is the total amount you are requesting for these services? You can supply that for the record.

(The information follows:)

The total requested for these services in fiscal year 1970 is $7.6 million. A breakdown of this request by program follows:

	In millions
Aircraft structural life surveillance	.6
Tactics evaluation (FO/210)	$4.1
Airborne mine countermeasures	.9
Versatile avionics shop test (VAST)	1.4
Safety and survival equipment	.6
Total	7.6

Mr. ANDREWS. What type of evaluation, surveillance and engineering services are you procuring?

Captain HEILE. The engineering services, Mr. Chairman, are the on-the-job training services primarily for the training on new equipment and new aircraft, the weapons systems in the fleet for which we do not have an inhouse capability for training all of our personnel.

The surveillance part of it is combined with the test equipment calibration. A part of that calibration line item pays for stock surveillance. We take guided missiles out of the stockpile and test them periodically to see that the quality has not deteriorated during storage.

Mr. ANDREWS. What type of contracts are used to procure these services?

Captain HEILE. You mean cost-plus-fixed-fee or fixed price?

Mr. ANDREWS. Just whatever type they are.

Captain HEILE. They are indefinite quantity type contracts with a negotiated fixed man-day rate. We negotiate a man-day rate for various areas. There are special additives for combat zone pay if it is necessary for them to be there. We have centralized this contracting. We do all of our contracting through an office in Philadelphia so that all rates are held as evenly across all contracts as possible, so that we pay about the same rate to each contractor.

Mr. ANDREWS. Are they cost-plus?

Captain HEILE. No; they are fixed man-day rates.

SHIP SYSTEMS TECHNICAL SUPPORT

Mr. ANDREWS. Why are you requesting an overall increase of $21,871,000 for ship systems technical support?

Captain FITZPATRICK. The one single biggest increase is the transfer of the items that were formerly funded in research and development to this appropriation. This accounts for about $16.9 million of the $21 million. The remainder of the increase is an increase required for the reprocessing of nuclear cores. There is some modest increase in support of the deep submergence program.

REPROCESSING OF NUCLEAR CORES FOR SUBMARINES

Mr. ANDREWS. Why wouldn't the cores be in the procurement program?

Captain FITZPATRICK. They are, sir; when you buy new ones. These cores are ones which are removed from submarines and are reprocessed so that they can go back into the subs, et cetera.

Mr. ANDREWS. You told us yesterday you had two atomic submarines scheduled for overhaul in 1970 and you propose to buy new cores. Now, that would be under procurement.

Captain FITZPATRICK. Yes, sir; it would.

Mr. ANDREWS. Where do you use these reworked cores?

Captain FITZPATRICK. It is my understand that they are removed, as I say, from submarines or surface ships that are under overhaul, taken to an overhaul facility, there they are reworked, and then they are available for replacement during future overhauls. We buy new cores where we have to replace the whole core.

Mr. ANDREWS. How much does it cost to refurbish an old core?

Captain FITZPATRICK. There is $8.9 million in the budget for that.

Mr. ANDREWS. Just to rework an old core?

Captain FITZPATRICK. Yes, sir; many of them.

Mr. ANDREWS. What?

Captain FITZPATRICK. A number of them. This is not just one core.

Mr. ANDREWS. I was asking you about one.

Captain FITZPATRICK. Mr. Chairman, it will vary with the kind of core.

Mr. ANDREWS. You have $8 million in here to rework how many cores?

Captain FITZPATRICK. A number of cores.

Mr. ANDREWS. A number of them?

Captain FITZPATRICK. I do not have the exact number.

Mr. ANDREWS. How does that work?

Captain FITZPATRICK. I am not sure, I couldn't answer. I can give you that for the record, but I am not sure.

(The information follows:)

CORRECTION OF TESTIMONY REGARDING REPROCESSING OF NUCLEAR CORES

The information supplied on reprocessing of nuclear cores is somewhat misleading. The following explanation is provided to correct the record. "NAVSHIPS budgets each year in the O&MN account for the reprocessing of expanded reactor cores removed from nuclear powered ships. Reprocessing is a chemical process used to recover the residual uranium from expended nuclear cores for return to the AEC's inventory. Through this operation the AEC determines the quantity of AEC-owned uranium which was burned up during the operation of the core in the ship. The actual work on the expended cores is done by the AEC and funds budgeted are required to reimburse the AEC for both the work done to recover the residual uranium and for the cost of the uranium and for the cost of the uranium or fuel actually burned up in operating the core. Expended cores are shipped to the AEC reprocessing facility when they are removed from a ship incident to refueling.

There is no reusable material residual to the reprocessing other than the AEC-owned uranium which was, in effect, loaned to the Navy at the time the core was fabricated. Therefore, there is no storage of used cores either before or after reprocessing.

In summary, the navy procures new cores from the AEC in the SCN and OPN accounts for new contruction and refueling requirements and installs them in ships. Expended cores which are removed from ships are returned to the AEC for reprocessing to recover uranium and the Navy reimburses the AEC for the reprocessing and for uranium burnup from the O&MN account."

STORAGE OF NUCLEAR CORES

Mr. ANDREWS. When you rework the core, what do you do with it—put it in storage?

Captain FITZPATRICK. I believe so, sir.

Mr. ANDREWS. Have you many in storage?

Captain FITZPATRICK. It is my understanding they are reprocessed in such a fashion as to be available when the ships require them. They are keyed to the overhaul schedule of the ship.

Mr. ANDREWS. Do you know whether or not you have any in storage?

Captain FITZPATRICK. I do not. That is under Admiral Rickover and I do not know if he has anything in storage.

Mr. ANDREWS. My question, my thought is: Why, if you have reworked cores—and I assume they are as good as new, are they not?

Captain FITZPATRICK. I assume so, sir.

Mr. ANDREWS. Why do you want to buy two new cores? They are pretty expensive gadgets.

Captain FITZPATRICK. My impression is that we are buying more than two.

Mr. ANDREWS. I am talking about these two relatively new submarines that you talked about yesterday. You are going to rework those

submarines and put in new cores. If you have got reworked cores in storage and they are just as good as new ones, why buy new ones?

Captain FITZPATRICK. I think one of the answers to that—again, I am speaking out of my field—one of the answers to that is that there is a program for replacing the short-life cores in submarines which only had a life of ——— years, with long-life cores which have a much greater life, much greater operating life before they need recoring or replacement.

This requires purchase of new cores.

Mr. ANDREWS. See how much you can put in the record about how many cores you have in storage, how many have been used, and so forth.

Captain FITZPATRICK. Yes, sir.

(The information follows:)

CORRECTION OF TESTIMONY REGARDING STORAGE OF NUCLEAR CORES

The funds requested for nuclear core reprocessing is for 17 cores from 10 ships. Of this number, eight cores are from the Enterprise (CVAN 65). As stated in the preceding insert to the record, the original testimony on reprocessing of nuclear cores was somewhat misleading; there is no storage of cores since the only product involved is the uranium itself which is in effect loaned to Navy by AEC; the Navy pays only for what it actually has used.

SHIP ENGINEERING LOGISTICS

Mr. ANDREWS. Why do you need an additional $33,384,000 for ship engineering logistics?

Captain FITZPATRICK. There are a number of things covered by that program, sir. It is a very broad program. That $16.9 million of the R. & D. program transfer is a part of that. That is a piece of that.

The nuclear core reprocessing program is in that piece, as is the deep submergence program. Those are three of the big items.

Mr. ANDREWS. All right. Put something else in the record on it.

(The information follows:)

The transfer of functions formerly funded under the R. & D. appropriation (+$16.9 million); reprocessing of nuclear cores (+$5 million) and the deep submergence systems program (+$5.8 million) account for most of the increase. There are other increases for such programs as: submarine silencing, underway replenishment program, antisubmarine warfare technical support, restoration of electronics equipment, technical training, and 1,200 PS–1 boiler program; there are minor offsetting decreases in other technical support areas.

CLASSIFIED PROJECTS

Mr. ANDREWS. For what classified projects are you requesting an increase of $2.6 million and what is the total cost of these projects?

Captain FITZPATRICK. May I ask Captain Nicholson, who has cognizance of the deep submergence project, to respond.

Captain NICHOLSON. Could I ask which increase? There is an item of $1.2 million. Roughly half of that is for the support of the ——— program. The other half is for another classified program ———.

Mr. ANDREWS. ———.

Captain NICHOLSON. Yes, sir.

Mr. ANDREWS. Tell us about that. We haven't heard about that before—I have not.

Captain NICHOLSON. I would prefer to do that in closed session. I cannot disclose the total implications of that here.

Mr. ANDREWS. Is that a brand new project?

Captain NICHOLSON. No, sir. It is about 2 years old.

Mr. ANDREWS. How much is in here for that project?

Captain NICHOLSON. In this appropriation about $600,000.

Mr. ANDREWS. Is that part of this $2.6 million?

Captain NICHOLSON. No, sir.

Mr. ANDREWS. All right. Put as much in the record as you can about it, Captain.

Captain NICHOLSON. Aye, aye, sir.

(The information follows:)

The $2.6 million for project ——— is in addition to the $0.6 million. The Navy's total request in this appropriation for this project is $3.2 million. The shopping list for these funds is:

Item	*In thousands*
(*a*) Integrated test program	$345
(*b*) System engineering	200
(*c*) Design services	250
(*d*) Training	420
(*e*) Contractor field engineering services	310
(*f*) Documentation/configuration control	400
(*g*) Special shipyard services (support services for platform in naval shipyard)	1,275
Total	3,200

ANTISUBMARINE WARFARE SYSTEMS REWORK AND MAINTENANCE

Mr. ANDREWS. Under Antisubmarine Warfare Systems Rework and Maintenance you are requesting $7.8 million for antisubmarine underwater ordnance fleet support. This is the first time you requested these funds. What is this request for?

Admiral GRALLA. The $7.8 million is for investigative effort relative to deficiency correction and minor updating in support of inservice equipments. The item was transferred in 1970 from the research, development, test and evaluation, Navy appropriation to the operation and maintenance, Navy appropriation. This continuing program provides a means of responding to fleet requirements for improvements to in-service antisubmarine warfare ordnance systems through problem investigation, engineering design support of inservice systems and preparation of technical instructions to insure effective accomplishment of required system changes generated by introduction of new systems into the fleet.

SLEEVES AND LINERS FOR THE NEW JERSEY'S 16-INCH GUNS

Mr. FLOOD. Are you making sleeves for the 16-inch guns on the *New Jersey* any place?

Admiral GRALLA. Yes, sir. And liners. We are reworking gun barrels and installing liners essentially at S. & A. Fabricating, at Pocatello, Idaho.

Mr. FLOOD. Did you have any in inventory?

Admiral GRALLA. Yes, sir.

Mr. FLOOD. You do have some?

Admiral GRALLA. Yes, sir. Right now I cannot give you the exact figures of the ones we have but, if memory serves me, we have 19 gun barrels right now ready to go.

Mr. FLOOD. Is that good?

Admiral GRALLA. Yes, sir; tested and ready.

Mr. ANDREWS. How long will a sleeve last?

Admiral GRALLA. We are doing a little better than we thought. Initially a liner lasted a certain number of equivalent service rounds; but in the current deployment of the *New Jersey* by virtue of using extra additives that we have added to the powder and reduced firing rates, she has only used 30 percent of the life of the installed barrels.

Mr. FLOOD. After we close Washington we are making no new ones?

Admiral GRALLA. No, sir; we are redoing the old gun barrels by installing new gun liners.

Mr. FLOOD. How long can you keep that up? What is the life expectancy of a sleeve after reworking?

Admiral GRALLA. It is as good as new. We reline them, put new liners in them. So we have no requirement for any new barrels now. You may recall that we do have in the inventory of the ships that are laid up, additional battleships that will match the *New Jersey*. These ships have 27 additional barrels installed which we have not yet been called upon to use.

MK. 46 TORPEDO

Mr. ANDREWS. You mentioned new torpedoes. Tell us about them.

Admiral GRALLA. Yes, sir. When I say the new torpedoes I am talking primarily of the Mk. 46 torpedo which is in production and which is in the fleet now. The quantities are coming out at a substantial rate. We will have an inventory right now of these light torpedoes and we will work up to ——— eventually.

This is the backbone.

They are light torpedoes, ——— torpedoes and have a homing head in them. They will pick up a ship at about ——— and home in on their own. They can be launched from ships, torpedo tubes of ships, and from aircraft. The ASW aircraft carry them as well.

U.S. MISSILES COMPARABLE TO THE STYX

Mr. FLOOD. What do we have to match what the Egyptians had when they knocked out that Israeli cruiser?

Admiral GRALLA. I take it you are talking about the STYX missile?

Mr. FLOOD. Yes.

Admiral GRALLA. We don't have counterpart to that. I know that you recall we used to have the REGULUS, which is similar to the STYX, has the same characteristics. We launched it from ships or submarines. It was homed in on surface targets. We don't have anything comparable to that right now. One thing which we have which is excellent for use within limited range is the TERRIER, TARTAR, and TALOS——

Mr. FLOOD. Yes; I have heard of those before.

Admiral GRALLA. I know you have. And I have results now to show how good they are now, sir.

Mr. FLOOD. You do?

Admiral GRALLA. Yes, sir.

Mr. FLOOD. The three of them?
Admiral GRALLA. Yes.
Mr. FLOOD. The three of them?
Admiral GRALLA. Yes.
Mr. FLOOD. You are short on one; one is not working.
Admiral GRALLA. Everyone is working.
Mr. FLOOD. Again?
Admiral GRALLA. Yes, sir. We have brought up their capabilities now so that we have a hit expectancy against targets which look like the Komar boats, the PT boats that the Soviets have and we are getting an average of ——— percent kills. As a matter of fact, ———. Now, I must tell you this ———.
Mr. FLOOD. The Russians have had it for 8 years.
Admiral GRALLA. Yes, sir; and we had REGULUS many years ago.
Mr. FLOOD. I know. But they got them right now, built in for the last 8 years.
Admiral GRALLA. They have. We are making a modest effort to obtain enough——
Mr. FLOOD. Modest?
Admiral GRALLA. I say modest efforts.
Mr. FLOOD. Why should you be modest?
Admiral GRALLA. I guess our salesmanship——
Mr. FLOOD. The Rusky has that pigeon and it is a hot pigeon.
Admiral GRALLA. It is, and we don't deny that. However, we have means, as I know you have heard, of combating targets. We have aircraft and aircraft carriers which the Russians don't have.
Mr. FLOOD. I am not talking about those, I am talking about what I am talking about.
Admiral GRALLA. I know that, sir. ——— and I am sure that is what you have in mind.
Mr. FLOOD. Yes.
Admiral GRALLA. All right.

SURFACE MISSILE SYSTEMS REWORK AND MAINTENANCE

Mr. ANDREWS. For surface missile systems rework and maintenance, you are requesting an increase of $6,235,000. What is the total request and why is the increase required? And tell us briefly about this program.
Admiral GRALLA. Yes, sir. The surface system reworks and maintenance handles the rework of our missiles like the three T's which are in our inventory and which are currently getting older. The missiles, as you know, have a certain shelf life. Some of the components such as the propellant deteriorate after they have been on the shelf for a certain number of years. We have been running what we call a bow wave, pushing them out, extending their lives. Generally, they are about twice now what we anticipated.
Mr. ANDREWS. What is that?
Admiral GRALLA. Right now, about 9 years is where we have pushed them to now. In other words, we don't replace the grain in a booster or in a sustainer motor until about 9 years after we have had them. Initially, we thought we would need it every 5 years.
Mr. ANDREWS. You haven't had any 9 years.

Admiral GRALLA. Yes, sir. The TERRIER missile has been with us since about 1948. These are old beasts. Our people raise Cain with them, these have the technology of World War II. We are moving ahead with new missiles.

Mr. ANDREWS. What about the POLARIS, are they included under this?

Admiral GRALLA. No, sir; that is under a separate item.

Mr. FLOOD. It just so happens that Mrs. Flood christened a ship called the *Dale*, now over in the Pacific. Does she have anything new, any of these pigeons, since the day we launched her?

Admiral GRALLA. Yes. She has the same type missile. Those are the updated TERRIERS. Those updated ones we are replacing by what we call the Standard missile, which takes all the dope that we have and gives it a new technology, solid state electronics. Those we have just finished our technical evaluation last week on. We are very proud of them. That is a step up from the HT, which is the homing TERRIER.

IMPROVEMENTS IN SHIP ORDNANCE

Mr. FLOOD. I was the nut around here years ago, as far as the Navy was concerned, because I raised Cain when they started taking 3-inch guns and everything else. Well, we have come back full circle.

Admiral GRALLA. We have, sir.

Mr. FLOOD. What is the attitude of the current brass now sitting in those chairs? You know, this is a different troupe, Act 2, Scene 2.

Admiral GRALLA. Exactly.

Mr. FLOOD. All right. What do you think about it?

Admiral GRALLA. Well, sir, I am very proud of the fact that ship ordnance which was fairly dead has come back. I was the first Commander of the Naval Ordnance System Command, and we pushed pretty hard for guns.

Mr. FLOOD. You know, there is nothing better than being a Monday morning quarterback. Boy, would I like to see the red faces on that one.

Admiral GRALLA. Mine was not one of them.

Mr. FLOOD. So we agree now; is that it?

Admiral GRALLA. You and I are on the same team, preaching to the same choir.

Mr. FLOOD. But I was alone.

Admiral GRALLA. You are not alone now.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Admiral GRALLA. Do you want me to go further?

Mr. ANDREWS. Put something in the record on that.

Admiral GRALLA. All right, sir.

(The information follows:)

From its inception, the Navordsyscom instituted a program for the revitalization of conventional ordnance, an area neglected for many years. This program includes the rehabilitation and modernization of gun systems of World War II and Korean war vintage, the installation of only new guns on new ships and the development of a family of rapid fire lightweight guns. As a part of the program, new and better ammunition has been and is being developed—providing much longer ranges and greater destructive power. These developments are rapidly enhancing the Navy's defensive and offensive capabilities.

SHIP ANTIMISSILE INTEGRATED DEFENSE SYSTEM

Mr. ANDREWS. What is the ship antimissile integrated defense system?

Admiral GRALLA. As a result of the emphasis on antiship missiles like the Styx, which the Soviets have, a project was set up known as Samid, Surface Antimissile Integrated Defense. What we are trying to do is to have a quick reaction to the missile because the big problem is if you are set and ready you can shoot them down but the problem is that it comes over the horizon so quickly at a speed ——— that you have very little time to get on with it. There are ——— defenses that you have, essentially. You can try to ———.

Mr. ANDREW. Do you have that capability?

Admiral GRALLA. Yes, sir; we have. ———.

Mr. ANDREWS. Do you have that capability?

Admiral GRALLA. We have that capability. ———.

Mr. LIPSCOMB. What capability are you now talking about?

Admiral GRALLA. This is the one in the ———.

Mr. LIPSCOMB. When did you get that capability?

Admiral GRALLA. We have just got it this last year. ———.

Mr. LIPSCOMB. Where was it developed?

Admiral GRALLA. ———.

Mr. LIPSCOMB. Through last year you had no capability in this area.

Admiral GRALLA. That is right. ———.

Mr. ANDREWS. Are they expensive, Admiral?

Admiral GRALLA. I can get the cost on that.

(The information follows:)

The cost of SAMID packages varies according to ship class. However, an average procurement and installation for the SAMID immediate package, which is being installed during fiscal year 1969 and 1970, is about $1.3 million. This price includes equipment such as ——— which were previously developed, procured under other programs, and scheduled for installation on an individual basis. The SAMID program combined these improvements as one package and for that reason the costs are included in the above amount.

Mr. ANDREWS. I imagine you want to take much of this off the record.

Admiral GRALLA. It is rather highly classified; yes, sir.

WITHHOLDING OF CLASSIFIED INFORMATION

Mr. LIPSCOMB. They have always had the privilege of taking if off the record. There is nothing new about the procedure for receiving secret testimony before this committee. Perhaps all of the people on that side of the table are not cleared.

Admiral GRALLA. I do not mind that, as long as this is not the public record. We would not want this ——

Mr. LIPSCOMB. The thing that we have been complaining about over the past years is overclassification which has been done by the Defense Department.

Admiral GRALLA. In sensitive areas, we certainly do not want this out.

Mr. LIPSCOMB. Of course not. We don't, either. The thing is, I did not know that we should assume that you are keeping secrets from the committee.

Admiral GRALLA. We are not; no, sir.

Mr. LIPSCOMB. I do not know why you have to worry about it at this late date.

Admiral GRALLA. I was only worried to make sure it was not in the unclassified version.

DEFENSE AGAINST THE STYX MISSILE

Mr. FLOOD. Will the gentleman yield?

Look, Skipper, this is what I don't like. I went into the Styx missile last year at some length. I don't care whether it was on the record or off the record or who knows about it. That doesn't interest me. You fellows told me absolutely that there is no defense against the Styx. Now all of a sudden, out of the clear blue sky, you are back here this year, ready to knock it off. What have you got? A crystal ball or a magic wand or what? Last year you had nothing. Now you have it.

Admiral GRALLA. May I answer that question?

Mr. FLOOD. I don't care who answers, but what happened?

Admiral GRALLA. Last year at least I did not say in my testimony that we did not have any capability against the missile.

Mr. FLOOD. Somebody did.

Admiral GRALLA. They may have. Probably not in this room.

Mr. FLOOD. Somebody told me flatly that they had no defense against the Styx.

Admiral GRALLA. We have, sir. This is the defense I am talking about ———.

Mr. FLOOD. Did you ever hear of the Chief of Naval Operations? He is the guy who told me. Tell him I said so.

Admiral GRALLA. I shall.

Mr. FLOOD. What's the matter, are communications bad, or what, over there? Is that ivory tower too high for you to get to?

Admiral GRALLA. I have no trouble getting to it.

Mr. FLOOD. He told me. You tell me something else all of a sudden.

Admiral GRALLA. You must understand I prefaced my remarks by saying with the advent of Styx we started to work to see what we had.

Mr. FLOOD. Isn't that nice.

Admiral GRALLA. I think this is the usual routine.

Mr. FLOOD. With the advent of Styx, with the advent of the attack upon the Israeli destroyer, you got working on a defense for a Styx system that the Russians had had for 7 years, and we knew it.

Mr. RHODES. As I recall, the difficulty last year—and I wonder if it is not still the difficulty—is that it took a ———. Is that still the situation?

Admiral GRALLA. That is what we are doing now in the ———. I tried to preface my remarks—but obviously did not make it very clear—that what we are trying to do and the trick is ———.

Mr. RHODES. But you do not have that on shipboard now?

Admiral GRALLA. Yes, sir; we have ———.

Mr. RHODES. When will that go in?

Admiral GRALLA. ——— now having this installed on the west coast.

Mr. RHODES. How long will it take to have this capability on all the ships in the active fleet?

Admiral GRALLA. I would have to give that for the record.

(The information was provided to the committee and is classified.)

Admiral GADDIS. The present program, sir; is a reprograming of $12.8 million which was reported in the 1969 supplemental. This was a reprograming from the Southeast Asia Emergency Fund which I testified to. That $12.8 million is to provide the interim system which Admiral Gralla speaks of, in ——— ships scheduled for operation off the present active coast in Southeast Asia.

It will be a significant and large project to do this kind of thing, particularly with a permanent system in all of the ships of the fleet, sir.

Mr. FLOOD. Here is what I still don't understand. I was here at the accouchement of that pigeon. I went through all the life of that bird. We knew the Russians were building the STYX into those ships. We know this as plain as the nose on your face for 7 years. We scratched the REGULUS. We don't bother about defenses to the STYX until a class D outfit like that Egyptian knocked off the Israeli destroyer. Then we say, "Boy, that's a hot pigeon," and we knew it was. We had nothing.

First of all, we didn't have a pigeon ourselves and, second, absolutely no defense for 7 years until they knocked off that Israeli destroyer. What in the world kind of a railroad is that you are running? That's it, gentlemen.

Mr. RHODES. I hope you are putting that system on the 6th Fleet ships, too. It seems to me you have a threat over there that might be even hotter than the one in Vietnam.

Admiral GRALLA. That is in the program as well, sir.

Mr. LIPSCOMB. What do you mean, "it is in the program as well"? It was just stated here that this is an interim system.

Admiral GADDIS. In fiscal 1969; yes, sir.

Mr. LIPSCOMB. That comes through a reprograming.

Admiral GADDIS. Yes, sir.

Mr. LIPSCOMB. How much are you asking for in the 1970 budget?

Admiral GRALLA. In 1970, we are asking for $3.7 million. We reprogramed $12.28 million in 1969. There was nothing in 1968.

Incidentally, that is in the procurement appropriation OPN. In RDT & E, to work on this further, we are asking for ——— million in 1970.

Admiral GADDIS. Which is for development.

Mr. LIPSCOMB. If you have the capability as you specifically said here, why is the Navy looking toward other major programs to combat the threat of the STYX missile?

Admiral GRALLA. ———.

We never have 100 percent capability.

Mr. LIPSCOMB. But you were specific that you have the capability.

Admiral GRALLA. We have a capability and we are continuing to improve it, sir; but that capability consists of many things. First, ———.

Mr. LIPSCOMB. You know they are trying to develop a capability for the ———. They do not have it right now so how can you talk to us in positive terms.

Admiral GRALLA. I must talk to you in positive terms, because those things are positively there.

Mr. LIPSCOMB. You shock me.

Admiral GRALLA. I am sorry about that, sir. ———.

ADEQUATE WARNING TO DEFEND AGAINST A STYX MISSILE

Mr. FLOOD. That still isn't my problem. My problem is, this Israeli destroyer had no idea at all that she was that close to that STYX launcher. What I want to know is, do you today have enough surveillance intelligence hardware so you are not so close to a launcher like the *Elath* was, that you know the launcher is there? That guy didn't. It was a complete surprise. He was dead before he knew it. What about you?

Admiral SHIFLEY. May I say just one word here, sir. I do not want to intimate that we do not take a very serious view of the STYX missile. We do, indeed, as Admiral Gralla has testified here this morning.

On the other hand, I think to put this in proper context you have to realize that, particularly during peacetime, you cannot always stay completely away from a potential enemy's weapons. As, for example, we cannot always stay completely away from torpedo-firing range of his submarines.

On the other hand, we have no right during peacetime to go in and attack him. All we can do is move away. You cannot always do this. So, if some foreign country's submarine gets within torpedo-firing range, there is always the possibility that he will fire a torpedo and hit one of our ships.

By the same token, if one of his destroyers or other ships comes within gunfire range, there is nothing to prevent him from suddenly training his guns around and shooting.

Mr. FLOOD. But the Israelis and Egyptians were in a state of war or what amounted to a state of hostilities—condition red, anyhow. That Israeli destroyer was condition red off that Egyptian coast, and he did not know the STYX launcher was there.

If and when the situation arises, tomorrow morning, off North Korea, I do not know what the President said today, but suppose it is condition red and the destroyer *Dale* is off the North Korean coast, do you know or will they know on the *Dale* that there is a STYX launcher there?

Admiral SHIFLEY. Yes, sir, I am sure he would. This is the same sort of situation that started our active participation in the war in South Vietnam.

Mr. FLOOD. That is all I wanted to know.

Admiral SHIFLEY. A torpedo boat came in.

Mr. FLOOD. The Israelis didn't know. The condition was red. You say you do and the *Dale* will. This afternoon the *Dale* will know?

Admiral SHIFLEY. He certainly has the capability of knowing, yes, sir.

SHIP SUPPORT FUNDS

Mr. ANDREWS. What ship support funds are now included in this appropriation which were formerly under the "Shipbuilding and conversion, Navy," appropriation, and what is the total amount?

Admiral SHIFLEY. I do not know of any.

OVERHAUL AND REPAIR OF MISSILES

Mr. ANDREWS. How much is included in this budget activity for the overhaul and repair of the 3–T's?

Admiral GRALLA. The rework and maintenance of missiles will be $25.327 million.

Mr. ANDREWS. What do you do to the missiles?

Admiral GRALLA. In the missiles we essentially rework the grains, as I mentioned, as they get older. We also take the electronics and test them and rework them. We expect to rework, for instance, about 250 missiles. Sometimes you do not have to do very much to it. Sometimes you do quite a bit.

Mr. ANDREWS. Is it true you plan to replace the 3–T's?

Admiral GRALLA. Yes, sir. They are eventually to be replaced by what we call the STANDARD missile, which we have just started production on.

Mr. ANDREWS. Is there any use to overhaul the present 3–T's if you are eventually to replace them?

Admiral GRALLA. Yes, sir; because the present 3–T's will be with us for a long time to come. They are good missiles. We are just phasing out the old ones, the BW–I's, which are on the BOSTON, but the other ones are still good and we will keep them going.

Mr. ANDREWS. They are the ones you mention having a record of ——— out of ———.

Admiral GRALLA. That was the STANDARD missile, sir.

Mr. ANDREWS. That is the one that will replace the 3–T's?

Admiral GRALLA. Yes, sir.

Mr. ANDREWS. What is your latest experience with the accuracy of the 3–T's?

Admiral GRALLA. We are getting between ——— kill. That is, it takes ——— missiles and you have your kill on targets that we have. ——— percent kill capability.

TOTAL COST OF THE 3–T PROGRAMS

Mr. FLOOD. Will you put in the record at this point, if you have the exact number or a ball-park figure, the cost of that system from the day somebody gave birth to it in R. & D. and walked into this room and told us about the 3–T's, beginning with the first one, 1, 2, 3? Not now, but in the record give us a final figure I never thought I would live this long—a figure for the 3–T's?

Admiral GRALLA. Yes sir.

(The information follows:)

The 3–T weapon system cost in all appropriations including missiles from program initiation through fiscal year 1960 has been $4.7 billion. This investment includes all 3–T missile and missile system development costs, procurement costs, and associated ordnance fleet support costs. The cost also includes depot missile facility military contruction, and checkout and handling equipment, and associated school construction, and equipment. Excluded is the cost of shipbuilding and conversion of missile ships, except direct missile system costs which are included.

POINT DEFENSE PROGRAM

Mr. ANDREWS. What is the status of your point defense program?

Admiral GRALLA. We have a basic point defense system which is one of the features of our antimissile defense.

Mr. ANDREWS. Describe it, please.

Admiral GRALLA. That uses the Sparrow missile, which is an air-to-air missile, essentially. We now put it on the ship launcher, with ship fire control, hand-controlled fire control in the first one. A man controls it.

It has an effective range out to about ——— and does quite well within its limitations.

We have bought 72 of these systems. We are under contract for 72 of these systems. ———.

The point defense system will be superseded later, we hope, with a better system. This is an interim basic point defense system with more automation.

Mr. ANDREWS. Is this a crash program?

Admiral GRALLA. The 72 will fill our needs fairly well in the early stage; yes, sir. We are looking ahead for improvements in this.

Incidentally, we are working with NATO. The NATO nations are interested in this. They have a group working with us on NATO Seasparrow.

Mr. FLOOD. The boys tell me you have something. It is pretty good.

Admiral GRALLA. Yes. It has about a ——— kill capability. The air-to-air missiles themselves, as you know, are short range, so we have large quantities of those available.

Mr. ANDREWS. We are at the end of a section. Mr. Lipscomb, have you any questions?

CLASSIFIED PROJECTS

Mr. LIPSCOMB. Yes, Mr. Chairman.

I would like to refer back to your question, Mr. Chairman, where you asked about classified projects.

Are you requesting an increase of $2.6 million? We have information, Admiral, from the Navy that this $2.6 million which is on page 1–2–16 of the justification sheets, is for ———. When Mr. Andrews asked the question what is ——— the witness said that he could not discuss it before the committee.

We had been informed previously by the Navy that witnesses will be available during the review for any further information desired.

Perhaps Mr. Andrews' question could be answered at this point.

Captain NICHOLSON. The people on the Navy's side of the table are not cleared for this information.

Mr. LIPSCOMB. That answers my question.

Admiral SHIFLEY. This is on a need-to-know basis, sir. We are happy to provide this information to you. If you wish, we can clear the room right now.

Mr. LIPSCOMB. No. That answers the question.

Then, just so we understand, does that mean that many of the things and many of the questions we are asking are not being answered because the room is not cleared?

Admiral SHIFLEY. No, sir.

Admiral GADDIS. That is the only subject so far.

Mr. LIPSCOMB. The Styx missile has a lower classification than the ———.

Admiral SHIFLEY. Yes, sir.

Admiral GRALLA. I have no objection, from my point of view, to telling you all I know about the Styx missile.

Admiral SHIFLEY. No information is being withheld.

Mr. ANDREWS. Let me suggest that sometime in the future we have a little executive session, and one or two witnesses come over and explain that.

Admiral SHIFLEY. Any time at your convenience, sir.

FACILITIES TECHNICAL SUPPORT

PERSONNEL SUPPORT EQUIPMENT

Mr. ANDREWS. Under facilities technical support, you are requesting an increase of $6.2 million for personnel support equipment.

What is the total amount for this equipment, and what type of equipment do you intend to purchase?

Captain KRICKENBERGER. This equipment, Mr. Chairman, primarily consists of beds, mattresses, wardrobes, desks, lamps, rugs, tables, chairs, kitchen equipment, griddles, coffee heaters, juice dispensers, and work tables, for the outfitting, generally speaking, of the barracks, BOQ's, messhalls, and community facilities of the Navy ashore, exclusive of RVN worldwide. The total amount in this budget is $25.9 million, which includes $4.8 million for initial outfitting of newly constructed and rehabilitated facilities and $21.1 million for replacement/augmentation.

We now have a total on-hand inventory of this equipment of $127.9 million. The total backlog in this category is approximately $68.1 million, which includes $35.8 million to furnish the above type facilities up to the habitability standards of the U.S. Navy and $32.3 million for replacement of worn out items presently in use.

The general increases in 1968 up through 1970 reflect the policy of the Chief of Naval Operations to raise the habitability standards for our bachelor enlisted and officer personnel.

CONSTRUCTION COLLATERAL EQUIPMENT

Mr. ANDREWS. Under the same budget activity you are requesting an increase of $7.5 million for collateral equipment for initial outfitting of certain military construction line items. What is the total amount in this budget request for this collateral equipment, and what type of equipment are you purchasing?

You may put that in the record.

Captain KRICKENBERGER. Yes, sir.

(The information follows:)

The total amount in this budget is $7.5 million. This equipment consists primarily of items such as office furniture, classroom furniture, dock equipment, shop equipment and furnishings, dispensary and dental equipment and furniture, and medical equipment for newly constructed facilities. This function was assigned to NavFac effective July 1, 1969.

FUNDS FOR PERSONNEL SUPPORT AND CONSTRUCTION COLLATERAL EQUIPMENT

Mr. ANDREWS. Will you prepare a schedule for the record showing the total amounts for fiscal years 1967, 1968, 1969, and 1970, for both of these types of equipment?

Captain KRICKENBERGER. Yes, sir.
(The information follows:)

[In millions of dollars]

Item	Fiscal years			
	1967	1968	1969	1970
Personnel support equipment	13.8	12.9	19.7	25.9
Construction collateral equipment	[1] 7.6	[1] 6.2	[1] 10.1	7.5

[1] The amounts shown for fiscal years 1967, 1968, and 1969 were not included in the NavFac budget.

INSTALLATION OF COMMUNICATIONS SYSTEMS

Mr. ANDREWS. What communications systems do you intend to install during fiscal year 1970, for which you are requesting $9.084 million?

Admiral SHIFLEY. May we defer that question until a backup witness is here?

Mr. ANDREWS. You may supply it for the record.

Captain ANDREWS. All right, sir.

Mr. ANDREWS. You cannot answer it now?

Captain ANDREWS. I do not have a breakdown of the information.

(The information follows:)

Communications Installation Program, Fiscal Year 1970

[Dollars in thousands]

Fleet multichannel broadcast	$676.9
Microwave systems	338.0
Replacement program	912.8
Antenna systems	343.0
Fleet multichannel ship/shore	1,410.8
Pacific missile range	784.6
Environmental services	256.9
Compromising information bearing emanations	1,153.0
AUTODIN	2,730.0
AUTOSEVOCOM	335.0
DCA HF consolidation	143.5
Total	9,084.0

FLEET BALLISTIC MISSILE SYSTEM TECHNICAL SUPPORT

Mr. ANDREWS. For "Fleet ballistic missile system technical support," you are requesting $166,548,000. This is an increase of $8,518,000 over the estimate for 1969. What are you going to use all this money for, and why do you need an increase in funding?

Admiral SMITH. We have furnished to the committee a 30-some-page description of the various items contained in the $166,548,000 request. The fiscal year 1969 estimate is $162,030,000.

Mr. ANDREWS. Generally speaking, what is it for, Admiral?

Admiral SMITH. It breaks down into operations and engineering support, and general support. Then there is a sub-breakdown of the operations and engineering support between Polaris and Poseidon.

For Polaris, under Operations and engineering support, there is a decrease of $23.057 million. This decrease in the categories of performance evaluation, surveillance, and engineering support for overhaul——

Mr. ANDREWS. Overhaul of what? The missiles?

Admiral SMITH. No. Submarines and the weapons systems equipment on them.

Mr. ANDREWS. You have to make certain modifications on a submarine to change from the Polaris missile to the Poseidon missile, is that correct?

Admiral SMITH. Yes, sir.

Mr. ANDREWS. Is that money in this budget?

Admiral SMITH. No, sir.

Mr. ANDREWS. Where is it?

Admiral SMITH. In the "Shipbuilding and conversion" account. That amounts to approximately $30 million per submarine for the procurement of the new equipment and the installation of the new equipment.

Mr. ANDREWS. Just what will the money from this budget be spent for in connection with Polaris and Poseidon?

Admiral SMITH. In Polaris, it is for evaluation, surveillance, reliability maintenance, repair and alteration of missiles themselves, a small amount for shore facility maintenance.

Mr. ANDREWS. Put the rest of it in the record.

(The information follows:)

The reduction in Polaris operational support in fiscal year 1970 as compared with fiscal year 1969 reflects a conscious decision to minimize the investment in maintaining the reliability of systems destined to be replaced by Poseidon. In general, reductions have been applied where they are not expected to cause unrecoverable degradation of performance or reliability, in those areas where there is greater confidence that the actual degradation is monitorable, and elimination of efforts to improve reliablity or accuracy.

The budget request in support of Poseidon provides for training of crews and the establishment of systems to maintain in operation the reliability and dependability of the weapon system after it deploys. O. & M.N. funds are required to initiate logistic analysis and control, component and system testing, configuration control and documentation maintenance. Poseidon equipment will be in operation at training facilities, test facilities ashore and aboard test ships, and at Polaris missile facilities. O. & M.N. funds are also required for fire control computer programing and analysis to meet operational requirements for presetting and targeting data. These efforts begin as the development program is completed to assure the maintenance of initial weapon system effectiveness after the Poseidon missile is placed in operational service.

RELIABILITY AND ACCURACY OF POLARIS MISSILES

Mr. ANDREWS. What experience have you had in connection with testing Polaris missiles for reliability and accuracy?

Admiral SMITH. We now have two types of Polaris missiles deployed, one called the A–2 with a 1,500-mile maximum range, and the other one the A–3, with 2,500 miles range. We have two different types of tests.

First, the testing at Cape Canaveral on completion of construction and on completion of major overhaul. The reliability experience in that category of missile for the A–2 is ——— percent.

Mr. ANDREWS. Out of how many missiles tested?

Admiral SMITH. That is out of about ——— some missiles, as I remember.

Mr. ANDREWS. Do you consider that good?

Admiral SMITH. Yes, sir.

Mr. ANDREWS. What about the A–1?

Admiral SMITH. The A–1 has been retired.

Mr. ANDREWS. No more in the fleet?

Admiral SMITH. No more in the fleet.

The A–3, the reliability is about _____ percent.

Mr. ANDREWS. Out of how many tests?

Admiral SMITH. This also is more than _____.

Mr. ANDREWS. That is better than the A–2?

Admiral SMITH. Yes, sir.

Mr. ANDREWS. What is the range of the A–3?

Admiral SMITH. The maximum range is 2,500 nautical miles without penetration aids.

Mr. ANDREWS. What about the A–2?

Admiral SMITH. 1,500 miles without penetration aids.

CONVERSION FROM POLARIS TO POSEIDON

Mr. ANDREWS. How are you progressing with the changeover from Polaris to Poseidon?

Admiral SMITH. I would like to break that into two parts.

First, the shipboard equipment, navigation, fire control, and launch. The navigation accuracy tests, both in the factory and aboard surface ship, are better than we expected. The reliability tests are better than the A–3 now. With regard to fire control, we have one single-channel system at Cape Canaveral, and we have just delivered another system for the surface ship, *Observation Island*. Both factory tests and the installation test aboard *Observation Island* and the tests at Cape Canaveral show excellent results in meeting all of the performance and accuracy tests.

Mr. ANDREWS. Admiral, do you plan to convert all of the submarines?

Admiral SMITH. Thirty-one of the 41 submarines.

Mr. ANDREWS. Ten with Polaris and 31 with Poseidon?

Admiral SMITH. Yes, sir.

Mr. ANDREWS. How long will it take to make that planned change?

Admiral SMITH. The conversions are tied to the scheduled overhauls, conversion program. The first submarine to be converted has already entered the yard, and the last one is scheduled to be completed in ———.

Mr. ANDREWS. Thank you, Admiral.

The committee will adjourn until 10 o'clock Monday morning, when we will start with "Supply support."

SUPPLY SUPPORT

Mr. SLACK. The committee will please come to order.

This morning we shall continue the appropriation request for "Operation and maintenance, Navy."

The first item we will consider is supply support.

REQUEST FOR SUPPLIES AND MATERIALS

Admiral Shifley, what is your current inventory of supplies and spare parts for all activities under this appropriation?

Admiral BIERI. May I ask a question there, Mr. Chairman. You asked for the inventory under this appropriation. We carry our inventories in the Navy in the Navy stock fund or in the appropriation that purchases it. I think that is what you are looking for.

Mr. SLACK. Tell us, then, what you now request under this appropriation. Can you supply that?

Admiral BIERI. Under our segment of this appropriation we do not carry specific inventories.

Mr. LOBI. We do have the information, Admiral, and we can supply it.

Admiral BIERI. I withdraw my comment.

(The information follows:)

SUPPLIES AND MATERIAL

	1968	1969	1970
Aviation fuel lubricants and repair parts	256.2	396.2	392.2
Ships fuel	148.3	150.5	134.2
Ships spare and repair parts, consumables (mops, toilet paper, cleaning materials, etc.)	189.5	199.8	181.8
Shipboard medical and dental materials	6.8	6.5	7.5
Shipboard issued allowances of aviation spare and repair parts	13.5	28.7	25.9
Shore, station, and bases supplies, office supplies, documents, chemical, cleaning supplies, building materials for repair of buildings and structures, forms and manuals, nuclear core reprocessing and other centrally managed fleet-related programs	(133.1)	(134.0)	(135.0)
	(4.6)	(5.2)	[1] (5.1)
	213.2	139.2	140.1
Hospital and dispensary medical and surgical supplies	26.8	27.0	28.0
Training and instructional materials and documents	12.2	13.0	13.5
Communications equipment, spare and repair parts	11.1	12.0	13.0
All other consumable supplies and materials	98.1	67.1	75.8
Total	975.7	1,040.0	1,012.0

[1] Nuclear core reprocessing.

EXCESS NAVY SUPPLY SYSTEM INVENTORIES

Mr. SLACK. On June 30, 1968, the Navy had $12,009,982,000 of supply system inventories, which does not include $959,809,000 of shipboard supplies. Of these inventories, $1,523,591,000 was excess to DOD needs. Why does the Navy have such a large excess of supplies and spare parts?

Admiral SHIFLEY. Admiral Bieri.

Admiral BIERI. On the question of size, if you are talking about a $12 billion total inventory and an excess of $1 billion, this is not a

tremendously large excess, considering the large amount of technical material involved, which has an obsolescence factor attached to it.

One of the specific reasons, though, that the inventories have not been brought down as rapidly as we would like is that we have been reluctant to dispose of material, particularly that which is located in the Pacific area, until we know whether or not we are going to need those items in the present conflict.

We recognize that there is a lot of material that might have a use, and we carry it strictly for purposes of insurance. I think you will find, however, that the excesses of material that are in the Navy stock account are relatively small.

Mr. SLACK. However, based upon a $12 billion figure of supply system inventories, the excess would amount to about 10 percent. Is that a fair statement?

Admiral BIERI. Yes, sir.

EXCESS STOCK IN SOUTHEAST ASIA

Mr. SLACK. What is the total amount of excess stock you now have in the Pacific area, and in the Southeast Asia area in particular?

Admiral SHIFLEY. I have some information on that, Mr. Chairman. I think your question is directed to our inventory at NSA, Danang, which is our big supply point in the I Corps Tactical Zone. The inventories down there have been running, on the average, about $62.6 million, with a turnover of about $28 million per month.

We have found that from March to December 1968 they had reported about $7.3 million of excess material. In January they reported $12 million. There have not been very many excesses reported since then. In February they reported an additional $1 million. That is the latest information I have. That is a total of about $20 million in a year's time.

These are reasonably small excesses, and the primary reason for holding this down and being able to report these reasonably small excesses is that they are on a pull system of supply. They order only what they need. We do not push supplies to them.

INVENTORIES AND EXCESS IN PACIFIC

Mr. SLACK. Please supply for the record, Admiral, the overall total amount in excess in the entire Pacific-area.

Admiral SHIFLEY. Yes, sir.

Mr. SLACK. At the same time, you might put in the total amount of inventories in the Pacific area.

Admiral SHIFLEY. Yes, sir.

(The information follows:)

As of December 31, 1968, the total value of Navy inventories ashore in Southeast Asia and the rest of the Western Pacific area was $686 million. This includes items held in the Navy stock account and the appropriations purchases account. Based on our average monthly issue value in this area of $157 million, we are well below the Navy's authorized on hand stock levels in terms of days' supply. Nonetheless on an item analysis basis, there is material in long supply. The total value is approximately $62 million. There are a number of categories of items making up this total. For example, there are quantities being held for contingencies, others where we forsee future issue and consider it more economic to retain quantities in long supply than dispose with the probability of having to

replace later. There are also true excesses, such as obsolescent items and others which now have excess quantities due to reduced usage. These latter are screened for other service utilization through PURM/PURA procedures, and if still excess are then screened worldwide by the appropriate Navy inventory manager for possible use outside of this area prior to any disposal action.

EFFECT OF INVENTORIES AND EXCESSES ON O. & M. FUND REQUIREMENTS

Mr. SLACK. With this large supply of stocks on hand, why are you requesting $1.012 billion for more supplies and spare parts in fiscal year 1970?

Admiral SHIFLEY. I do not believe I understood your question, Mr. Chairman. Could you repeat it, please, sir?

Mr. SLACK. I will repeat the question: With this large supply of stocks on hand, why are you requesting $1.012 billion for more supplies and spare parts in fiscal year 1970?

Admiral GADDIS. I think Mr. Lobi can answer this question, sir.

Mr. SLACK. Will you respond to that question?

Mr. LOBI. The $1.012 billion is what we expect to consume during the year for such things as fuels, spare parts, supplies, and materials of various nature. We do not in the O. & M. appropriation stockpile or stock any of these items. Either we buy them from the stock fund, either GSA, DSA, or the Navy stock fund, or we buy them in the open market. But, essentially, anything we buy in this appropriation under "Supplies and materials," we expect to consume in the same fiscal year.

Mr. LIPSCOMB. What we are trying to arrive at here is: Have you any way of telling whether you are making a buy on stocks which you already have in excess in Southeast Asia? Have you any way of telling that you are not compounding your excess?

Mr. LOBI. No, sir; I could not from our data that we have here, unless Admiral Shifley can from the overall stock inventory levels. Any excesses we might have, sir, the stock fund would buy less, trying to consume things that are already on hand. If so, we would still have to pay for it.

For instance, if you have an excess at Danang, when we purchase it out of that particular stock fund, O. & M. appropriation would have still to buy it, but the money would go back into the stock fund and, presumably, for any excesses that they may have, sir, they would simply buy less in the future to eat down the excess.

Admiral SHIFLEY. Mr. Lipscomb, I think you are referring to the procedures that have been set up specifically to avoid this, known as PURM–PURA.

Admiral Bieri, I think, can provide some details on how this system works to prevent our buying when we do have excesses, not only excesses in the Navy but excesses in the Army or Air Force.

Mr. LIPSCOMB. We know basically how the system works. The Army, for instance, gave us examples of some items that they knew were in excess and would not have to be purchased in 1970. Some they were trying to dispose of to other services or other agencies.

We are trying to establish whether the $1.012 billion is for stock that you do not already have in excess. The Army used such examples as paper plates, paper cups, and some other items that were in long supply. Does the Navy have any way of determining that?

Admiral BIERI. Yes, sir. We are in the same system in the Pacific that the Army and the Air Force are in. It is a joint service endeavor of reporting all of our assets to the central controlling agency in Okinawa. This information is immediately fed to the inventory control points of the three services or DSA that control the individual items that are in excess. So, what is true of the Army in the Pacific is also true of the Navy and the Air Force insofar as reporting and circulating excess reports to the other services is concerned.

We in the Navy do not buy common items. We buy ships parts, aeronautical parts, and electronics parts which are not common to the other services. They are parts peculiar to the Navy.

Mr. LIPSCOMB. We are trying to assure ourselves that a real evaluation was made of excess stocks so that your $1.012 billion is a figure that you feel today is necessary for utilization in 1970. I assume that you took this under consideration.

Captain JOHNSTON. If there is any excess, Mr. Lipscomb, it would not be in this appropriation. It would be in the holdings of the stock accounts themselves. The money which is requested in this appropriation is to purchase for consumption, for end use. It is not a holding account in which stocks are held which may develop to be in excess; for example, perhaps paper plates. The stock account is the bulk supplier. We are the consumer in this appropriation.

Mr. LIPSCOMB. But you do the buying.

Captain JOHNSTON. We buy from the stock account, sir. The stock account is the procuring agent.

Mr. LIPSCOMB. If you have excess, you overbought.

Captain JOHNSTON. We buy only for consumption in this appropriation.

Mr. LIPSCOMB. If you have excess, you did not consume all you bought. Is that not it?

Captain JOHNSTON. No, sir. The excess is in the stock account itself. It is unsold stock which is excess.

NEED FOR REPLENISHMENT OF SHIPBOARD AND OPERATING STOCKS

Mr. SLACK. Are your current shipboard stocks a part of the stock fund?

Captain JOHNSTON. No, sir, they are not except for certain of our load-carrying ships.

Mr. GARRITY. Your current operating stocks are not a part of the stock fund inventory?

Captain JOHNSTON. That is correct.

Mr. GARRITY. All right. At June 30, 1968, you had $959,809,000 of shipboard stocks.

Captain JOHNSTON. Yes.

Mr. GARRITY. You have other stocks, the amount of which we do not know, at bases throughout the world, which are not part of the stock fund. These also will be replenished by this $1.012 billion which you are requesting this year for what you term an operating stock.

Captain JOHNSTON. That is correct, sir.

Mr. GARRITY. With all these stocks that you have that are not part of the stock fund, do you need this $1.012 billion?

Captain JOHNSTON. That is correct, sir.

Mr. GARRITY. Have you made any analysis to determine whether or not you really need all of this? If you have an inventory of $959 million aboard ship, do you really need all of this additional $1.012 billion to replenish it? Is there any excess there that would not be required?

Captain JOHNSTON. There are indeed items which are carried aboard ship in the current inventory which will not be used during the year. There are other items in those inventories aboard ship that will be replenished numerous times in the course of a single fiscal year. Some of the spare parts that you carry on board ship are by nature insurance items, for which there is a very low utilization. If something breaks aboard ship, he frequently is not close to a stock fund outlet, so you have to carry these items whether you are having high utilization or not.

The amount developed for purchases of material from the stock fund is based almost in its entirety on experience. In other words, we record and track every purchase from the stock, any of the stock accounts. We have developed quite precise figures as to the anticipated consumption in dollar value by all the ships and shore activities of the Navy. This $1.012 billion is the sum total of all of these requirements for annual purchases.

Mr. ANDREWS. I think it would be helpful if you would put in the record at this point, Captain, the amount requested each year for the last 5 years and the amount actually used each year. That would show how much you overshot your estimate.

Captain JOHNSTON. Yes, sir.

Mr. ANDREWS. This $1 billion that you are asking now is to buy from the wholesale, so to speak——

Captain JOHNSTON. That is correct.

Mr. ANDREWS (continuing). And to put it on your self. You may use it or you may not use it.

Captain JOHNSTON. That is correct, sir.

Mr. ANDREWS. I think a table like that in the record would be helpful.

Captain JOHNSTON. We will provide that, sir.

(The information follows:)

Object Classification 26.0—Supplies and materials amounts submitted to Congress.

	Original estimate	Actual	Actual change from original estimate
Fiscal year:			
1968	$1,007,283	$975,713	−$31,570
1967	1,004,362	996,051	−8,311
1966	821,027	841,866	+20,839
1965	824,318	785,265	−39,053
1964	782,702	701,764	−80,938
1963	699,490	705,730	+6,240

The above table indicates that actual obligations for supplies and materials are slightly less than the original budget estimates. The average actual experience over the last 4 years, fiscal years 1965–1968, shows an actual obligation amount of 1.6 percent less than the original budget estimates. However, it should be noted that the original estimates do not reflect any impact that congressional reductions to the presidential budgets may have had on material purchases.

Admiral GADDIS. Could I add one point, sir? You speak to the inventories in ships and at stations. These are inventories maintained in accordance with an allowance list, which is modified, modernized, and kept up to date in order to have on board those things necessary to effect repairs, and so forth.

You can transfer back into the stock fund with credit anything that is not necessary to be on an allowance list on board. So, really, what we are talking to here when we talk to the billion dollars usage is the net of returns and usage, and it is very closely controlled.

INCREASE TO INVENTORY OF NAVY STOCK FUND

Mr. SLACK. With all of these stocks on hand, why in 1970 are you increasing by $100 million the inventory of your current operating stocks in the stock fund?

Admiral BIERI. Is this an increase of $100 million in the Navy stock fund, sir?

Mr. SLACK. Yes.

Admiral SHIFLEY. May we provide some information on this for the record, sir?

Mr. SLACK. If you would, please.

(The information follows:)

Several factors contribute to the increased Navy stock fund operating stock investment projected in fiscal year 1970. Increased prices for selected existing stock items to reflect latest replacement, obsolescence, and transportation cost experience is part of it. It is also anticipated that there will be some increase related to support of the new range items added to the fund through the extensive fiscal year 1969 capitalization program. In addition, the increase reflects a need for greater depth of operating stock to support the increased stock fund sales program projected for fiscal year 1970.

ADP PROGRAMS

Mr. SLACK. The next subject is ADP programs.

LOGISTICS SUPPORT ADP SYSTEMS

How many logistic support ADP systems does the Navy have in operation? Provide the numbers and a list of the names, for the record, if you will, please.

Admiral SHIFLEY. Yes, sir.

(The information follows:)

1. Conventional ammunition inventory management system.
2. Navy logistics information system.
3. Naval Ordnance management information system.
4. Uniform automatic data processing system/industrial naval air stations.
5. Uniform automatic data processing system/inventory control points and uniform automatic data processing systems/stock points.
6. Standard Navy maintenance and material management systems.
7. Public works management system.
8. Shipyard management information system.

Mr. SLACK. Would you give us the number at this time, Admiral?

Admiral SHIFLEY. Do you have the specific number, Captain Oller?

Captain OLLER. In the logistic area, I would say approximately eight major systems.

AUTOMATIC EQUIPMENT CHECKOUT SYSTEMS BACE/SACE

Mr. SLACK. We note you are requesting funds in 1970 to rework and update the basic automatic checkout equipment system (BACE) and the semiautomatic checkout equipment system. (SACE) Will you tell us about these two systems and why they need to be reworked and updated?

Captain OLLER. Admiral Shifley, if I may, in this particular area we found, after we used these particular systems, that they could be greatly improved, and this money has been requested to do just this, to take a new look at the systems and, like many of our systems, come up with one which will do a better job.

Mr. SLACK. You may elaborate on this for the record.

Admiral SHIFLEY. Yes, sir.

(The information follows:)

The rework and update of BACE/SACE includes repair, inspection, calibration, a performance demonstration utilizing self-test tapes, and a complete verification with each respective aircraft system.

The BACE/SACE equipment needs to be repaired and updated to maintain compatibility with the aircraft systems which they support. The improvements or changes in the aircraft systems are made to increase operational capability of the aircraft weapon system, to overcome a deficiency in operation, or to improve the maintainability and reliability of the aircraft system. The BACE/SACE equipments are updated by installation of kits which accomplish the necessary changes to the test equipment required as a result of changes to the aircraft systems.

AUTOMATED VERSATILE AVIONICS SHOP TEST SYSTEM—AVASTS

Mr. SLACK. What is the difference between these two systems and the new automated versatile avionics shop test system (AVASTS)? Are they interrelated in any way?

Admiral GADDIS. The admiral has information on that here.

Admiral SHIFLEY. I can talk to that.

SACE, BACE, and VAST are similar to each other to the extent that they all are shop test equipment. However, there is a difference in the scope of their application. The VAST is a standardized computer-controlled, general-purpose electronic intermediate maintenance test system which will be installed in all attack and ASW aircraft carriers and selected air stations. The impact of VAST will be to provide a giant step forward toward the optimization of an aircraft carrier's capability for operating with any make of aircraft models on a demand basis.

The presently utilized BACE/SACE support equipment differs from VAST in that the BACE/SACE is designed for a particular model aircraft, and the aircraft supported by its own complex of test equipment manufactured especially for that system. The BACE/SACE is designed for the A-6A/E-2, R-A5C aircraft, respectively, to test only the particular avionic equipment it supports, and the test equipment is not interchangeable among other aircraft models.

Another objective of VAST is to reduce the space required for avionic shops in aircraft carriers. This will be accomplished by testing many avionic equipments at one test station rather than by testing each system on its own specialized test bench.

MAINTENANCE AND MATERIEL MANAGEMENT—3M

Mr. SLACK. Admiral, will you supply the committee, for the record, how these three systems interface with the 3M system?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

BACE (basic automatic checkout equipment), SACE (semiautomatic checkout equipment), and VAST (versatile avionics shop test) equipments are used by aviation technicians to check and test avionics systems, equipments, and components. BACE was developed for the RA–5C aircraft, and SACE is associated with the A–6A and E–2A aircraft. These equipments are used by aircraft maintenance department personnel aboard aircraft carriers and at naval air stations (intermediate level maintenance). The VAST system, currently in the early production stage, will be used initially in conjunction with the A–7E aircraft. However, it is planned that this equipment will have wide application in off-line (intermediate level) testing of aircraft avionic equipments across a broad range of aircraft types.

All three of these test equipment systems interface with the 3M system through the medium of maintenance data collection subsystem (MDCS) procedures. MDCS is designed so that each maintenance man reports, on standard forms, actions he takes in testing, checking, repairing, and alineing equipments. These data are automatically processed for use by maintenance and materiel management personnel in establishing usage rates, predicting failure rates, evaluating design faults, and myriad other actions leading to more efficient and more economical support of avionic equipments.

UNIFORM ADP SYSTEM AT INDUSTRIAL NAVAL AIR STATIONS

Mr. SLACK. For 1970, you are requesting $3.4 million for the implementation of a uniform automatic data processing system at the seven industrial naval air stations. What is the purpose of this new system, and what is it intended to provide?

Captain OLLER. This is an improvement of an ongoing system which currently varies from industrial naval air station to industrial naval air station. What it is intended to do in the future is to provide standard management for the industrial naval air station in such areas as fleet readiness, supply, the Naval air rework facilities production, planning and control, controllership, public works, off-station support or satellite station assistance, and also fleet unit support.

Each of the seven activities in the past has developed data processing applications to meet their particular requirements. We feel that by developing one system and testing it and then exporting it to the other six, we can save funds through uniformity—uniformity in the systems design and programing required to come up with this system, and in data elements and applications.

We feel that the time has come when we can improve the timeliness and accuracy of the entire program.

Mr. SLACK. Do any of these three systems tie into the 3M system?

Captain OLLER. There is a tie-in to the 3M system.

Mr. SLACK. Was there any cost associated with this system in fiscal years 1968 and 1969?

Captain OLLER. The ongoing cost of this actual work in 1968 was $2.3 million, and in 1969, $3.4 million. I cannot say this money was for the development of the system. It was for the development and operation of the systems currently in use. The $3.4 million for 1970 will be used not only to operate, but also to work on the new prototype system.

Mr. SLACK. When was this system actually installed?

Captain OLLER. This is a system which I cannot say was installed, sir. Pieces of it have been placed in operation over a period of the last 4 or 5 years. The first installation of the standard application will be in fiscal year 1970.

Mr. SLACK. What will be the total cost to install this system, including design, testing, installing, and operating cost?

Captain OLLER. The total cost to install the uniform automatic data processing system for industrial naval air stations is $13.5 million. This includes design, testing, installation, and operation.

Mr. SLACK. Who was the contractor who developed this system?

Captain OLLER. Development of the uniform automatic data processing system for industrial naval air stations is an internal Navy effort.

ADP SYSTEMS FUNDED UNDER SERVICEWIDE OPERATIONS

Mr. SLACK. Admiral, you are requesting $26 million under servicewide operations for the operation of ADP systems. What systems will this $26 million support, and what are their purposes?

Captain OLLER. The systems covered here, sir, will involve certain areas, such as the oceanographic surveillance system, the type commanders automatic data processing system, the weather service or environmental data processing system, the programing, planning, and budgeting system JUMPS, financial control, a small amount of money for testing requirements for future data processing equipment installations, and the development of systems for command and control by the Naval Command Systems Support Activity.

Mr. SLACK. What is the Navy Integrated Command/Management Information System, and how much is being requested in 1970 for this operation?

Captain OLLER. NICOMIS is a system in planning at the present time, to be installed within the Office of the Chief of Naval Operations. It is designed to pull together at one level, information from other systems for an integrated information system for the Chief of Naval Operations.

I will have to provide for the record the exact amount of funds requested for it.

Mr. SLACK. Very well.

(The information follows:)

$100,000 is being requested for the Navy Integrated Command/Management Information System in fiscal year 1970.

Mr. SLACK. What is the Navy Readiness Analysis System?

Captain JOHNSTON. The Navy Readiness Analysis System is an effort to provide on a real time basis for all echelons of command, a controlled definition of the readiness of all ships and aircraft squadrons of the operating forces, their readiness to perform the missions for which they are designed and for which they exist.

Mr. SLACK. How much is requested in this budget for the support of this system, and what is the increase over fiscal year 1969?

Captain JOHNSTON. The amount requested in the coming fiscal year is $300,000, which actually represents a decrease of about $140,000 below 1969, sir.

NAVY ADP SYSTEMS INITIATED OR EXPANDED IN FISCAL YEAR 1969

Mr. SLACK. How many new ADP systems will the Navy put into operation in fiscal year 1969?

Captain OLLER. In fiscal year 1969, sir?

Mr. SLACK. Yes.

Captain OLLER. We anticipate no new ADP systems in 1969, sir.

Mr. SLACK. How many ADP systems will the Navy expand during fiscal year 1969?

Captain OLLER. Approximately five, sir.

Mr. SLACK. Which five are they?

Captain OLLER. I was limiting my remarks to the area of logistics support. If this is erroneous——

Mr. SLACK. This is over-all.

Captain OLLER. Over-all. We are expanding the application of data processing in the Atlantic and Pacific Fleets, in their data processing support systems. Similarly, we are expanding the Ship Systems Command management information systems for our shipyards. We are having a major expansion in the Supply Systems Command for stocks points and inventory control points. We are expanding our BuPers Manpower and Personnel Management Information System, and JUMPS is coming in 1970, sir.

I would like to comment, though, that in the expansion of these systems, we are doing so only after full consideration of the effectiveness of the current system and any possible interrelationship with other major systems. We are fully aware of the intent of this committee last year in stating that new systems or major expansions shall not be undertaken without first fully analyzing what we have, and it is being done within this context.

APPROVAL OF ADP SYSTEMS

Mr. SLACK. Were these systems all reviewed and approved?

Captain OLLER. Yes, sir, they were.

Mr. SLACK. That is, the expansion of them was reviewed and approved?

Captain OLLER. Yes, sir.

Mr. SLACK. By the Office of the Comptroller?

Captain OLLER. Within the Office of the Assistant Secretary of the Navy for Financial Management, sir.

Admiral SHIFLEY. The Office of the Secretary of the Navy, sir. The Office of the Secretary of the Navy has an organization that passes final judgment on the expansion or the establishment of a new system, sir.

Mr. SLACK. How about the OSD Comptroller?

Captain OLLER. In recent months, more frequent discussions with General Carter's office have taken place, and in recent weeks the OSD Comptroller's office has started a comprehensive review of all our logistics efforts and all our logistics systems, and from the conversations I have had with them, they intend to move into other areas so eventually they will be reviewing all major systems expansions or all major system implementations.

Mr. GARRITY. If the expansion and implementation of these systems had not been reviewed by OSD yet, how could you go ahead with these systems and the expansion of these systems during 1969?

Admiral SHIFLEY. May I take that, sir. I think Captain Oller was talking in the context of an ADP organization and the Secretary of Defense Office specifically reviewing these. All funds we request, of course, are reviewed in the Office of the Secretary of Defense by the Comptroller. In that sense, all of these are reviewed, sir.

Mr. DAVIS. In the absence of not just a review, but in the absence of explicit approval, I am curious about these expansions, in the light of the very definite language that appeared in this committee's report on pages 28 and 29 last year. I thought the committee made itself quite clear that in the absence of an affirmative result from that kind of review at the Secretary of Defense level, expansion was supposed to be slowed.

Admiral SHIFLEY. All of our requests for funds are, indeed, reviewed in detail by the Office of the Secretary of Defense, sir.

Captain OLLER. In fact, this year for the first time OSD and the Bureau of the Budget conducted a comprehensive review of data processing.

Mr. DAVIS. Are you speaking of operational concepts or of funding when you refer to this review?

Captain OLLER. In this instance, it was both, sir.

Mr. DAVIS. When did you get approval for these various items from the Secretary of Defense level?

Admiral GADDIS. The funding and program approval which Admiral Shifley spoke to, sir, was achieved in a special program decision after the OSD review of these specific submissions in this budget, for both 1969 and 1970—a specific detailed approval of programs and the funding therefor.

The additional approval which Captain Oller spoke to as resting within the Secretary of the Navy is the specific review, by the Special Assistant to the Secretary of the Navy, which speaks to the specifics of the kind of data-processing equipment, the approval of the competitive contract review and assignment, in addition to the program and funding review and approval from OSD.

Mr. DAVIS. Are we talking about the same reviewing authority here? Are we talking about General Carter's operation at the Secretary of Defense level?

Admiral SHIFLEY. I am not sure how active he is in preparing the program budget decisions. The program budget decision is generally signed out by the Deputy Secretary of Defense himself. I am sure that General Carter has a voice in going over this and making a recommendation to the Secretary of Defense before he signs.

Captain OLLER. His office did participate in this particular one, sir.

Mr. DAVIS. That is all, Mr. Chairman.

NAVY OFFICE OF INFORMATION SYSTEMS PLANNING AND DEVELOPMENT

Mr. SLACK. How much is being requested for 1970 for the support of the Office of Information Systems Planning and Development in the Office of the Assistant Secretary of the Navy? What will be the cost in fiscal year 1969?

Captain OLLER. We are asking for $600,000 for OISPD in fiscal 1970, and the cost in fiscal 1969 was $600,000, sir.

Mr. SLACK. What has that office accomplished during the last year?

Captain OLLER. I would classify the accomplishments into four major areas, sir.

Mr. SLACK. You may supply that for the record, if you will, please.

Captain OLLER. Yes, sir.

(The information follows:)

ACCOMPLISHMENTS OF THE OFFICE OF INFORMATION SYSTEMS PLANNING AND DEVELOPMENT (OISPD)

OISPD is responsible for improving the planning, development, and operation of ADP and information systems throughout the Department of the Navy. In close conjunction with offices at the Assistant Secretary of Defense (Comptroller) (ASD) (COMPT)), Chief of Naval Operations (CNO and Commandant of the Marine Corps (CMC) levels, this office strives to provide high caliber, lower cost decision support for all levels of Department management.

1. Accomplishments during the first year of operation include improvement of the information systems network of the Department. OISPD continues to work with ASD (COMPT), CNO, and CMC staffs in pulling together the various subsystems which make up this network. Consistent with congressional guidance, a large portion of the effort has focused on improving the review of information systems. This insures that systems under development or being planned are carefully evaluated prior to approval of expansion.

2. The office has undertaken a major overhaul of servicewide ADP reporting. Now being implemented, new policies and procedures provide both internal managers and external authorities with a better understanding of how ADP resources are being used to support overall Department objectives.

3. Computer software management continues to be a major area of OISPD activity. The work of Cmdr. Grace Hopper, USNR (retired), a leading expert on higher order languages, has been instrumental in promoting machine independence and in assisting lower echelon commanders to increase the overall productivity of ADP software and control associated escalating costs. Comprehensive COBOL manuals and programing guidelines are among the products of her efforts to date.

4. Increased emphasis has been placed on sharing existing computers and on the efficient reutilization of Government-owned equipment to save acquisition dollars. In fiscal year 1968, the total value of ADP reutilization by Navy was $13.8 million. In the first 6 months of fiscal year 1969, this has increased to $16.3 million.

COST OF ADP SYSTEMS TO O. & M., NAVY

Mr. SLACK. The next question is for the record, Admiral.

What is the total amount in the operation and maintenance budget request before us for the operation of ADP systems? Also show comparable figures for fiscal years 1968 and 1969.

(The information follows:)

DEPARTMENT OF THE NAVY

AUTOMATIC DATA PROCESSING PROGRAMS APPROPRIATION, OPERATION AND MAINTENANCE, NAVY

[In millions of dollars]

Program by activities	Equipment rental and maintenance	Civilian salaries	Contract services	Supplies, materials, other	Total
Fiscal year 1968:					
1. Operating forces	7.7	10.6	3.7	3.7	25.7
2. Logistics support	15.2	27.2	3.8	5.4	51.6
3. Medical support	.5	1.3	.....	.1	1.9
4. Training and MILPERS support	3.1	7.5	.3	.7	11.6
5. Servicewide operations	2.5	13.6	3.6	2.1	21.8
Total	29.0	60.2	11.4	12.0	112.6
Fiscal year 1969:					
1. Operating forces	8.5	13.1	4.0	4.6	30.2
2. Logistics support	19.2	30.6	5.6	6.7	62.1
3. Medical support	.6	1.6	.....	.2	2.4
4. Training and MILPERS support	4.0	8.6	.2	1.0	13.8
5. Servicewide operations	3.2	15.2	2.1	2.2	22.7
Total	35.5	69.1	11.9	14.7	131.2
Fiscal year 1970:					
1. Operating forces	12.1	13.7	4.3	4.8	34.9
2. Logistics support	22.4	31.2	5.6	6.5	65.7
3. Medical support	.8	1.7	.1	.2	2.8
4. Training and MILPERS support	5.1	9.1	.1	1.5	15.8
5. Servicewide operations	4.2	17.0	2.6	2.2	26.0
Total	44.6	72.7	12.7	15.2	145.2

COST OF APD SYSTEMS—ALL NAVY APPROPRIATIONS

Mr. SLACK. The second question for the record:

What is the total amount for the Navy in all appropriations for the operation of ADP systems for fiscal years 1968, 1969, and 1970?

(The information follows:)

DEPARTMENT OF THE NAVY—AUTOMATIC DATA PROCESSING PROGRAMS

(In millions of dollars)

Appropriation/fiscal year	Equipment purchases	Equipment rent/ maintenance	Civilian/ military salaries and related	Contract service	Supplies materials/ other	Total cost
Fiscal year 1968:						
Military personnel, Navy			29.6			29.6
Operation and maintenance, Navy		29.0	60.2	11.4	12.0	112.6
Military personnel, Marine Corps			9.8			9.8
Operation and maintenance, Marine Corps		5.3	2.8	1.3	1.4	10.8
Navy industrial fund		13.3	18.5	1.9	3.6	37.3
Research and development	3.2	10.8	12.6	5.0	2.5	34.1
Military construction					.4	.4
Other procurement, Navy	2.6					2.6
Procurement, Marine Corps	6.1					6.1
Total	11.9	58.4	133.5	19.6	19.9	243.3
Fiscal year 1969:						
Military personnel, Navy			35.9			35.9
Operation and maintenance, Navy		35.5	69.1	11.9	14.7	131.2
Military personnel, Marine Corps			12.4			12.4
Operation and maintenance, Marine Corps		9.3	3.7	.5	2.3	15.8
Navy industrial fund		10.2	20.0	2.9	6.4	39.5
Research and development	.4	11.0	13.8	5.8	2.3	33.3
Military construction					1.3	1.3
Other procurement, Navy	1.6					1.6
Procurement, Marine Corps						
Total	2.0	66.0	154.9	21.1	27.0	271.0
Fiscal year 1970:						
Military personnel, Navy			37.2			37.2
Operation and maintenance, Navy		44.6	72.7	12.7	15.2	145.2
Military personnel, Marine Corps			12.5			12.5
Operation and maintenance, Marine Corps		13.6	3.8	1.3	2.3	21.0
Navy industrial fund		12.0	19.8	2.8	6.9	41.5
Research and development	2.0	13.6	14.5	5.6	3.1	38.8
Military construction					.8	.8
Other procurement, Navy	1.3					1.3
Total	3.3	83.8	160.5	22.4	28.3	298.3

Mr. SLACK. Mr. Andrews.
Mr. ANDREWS. No questions.
Mr. SLACK. Mr. Lipscomb.
Mr. LIPSCOMB. No questions.
Mr. SLACK. Mr. Davis.
Mr. DAVIS. No questions.

TRAINING AND MILITARY PERSONNEL SUPPORT

Mr. SLACK. We will now consider the request for "training and military personnel support," and insert in the record at this point the summary justification pages.

(The pages follow:)

DEPARTMENT OF THE NAVY, OPERATION AND MAINTENANCE

BUDGET ACTIVITY 4.—TRAINING AND MILITARY PERSONNEL SUPPORT, SUMMARY OF OBLIGATIONS

[In thousands]

Budget program	1968 actual	1969 estimate	1970 estimate	Difference 1970 compared with 1969
A. General training and military personnel support	$81,745	$101,317	$114,743	+$13,426
B. Naval Academy	16,763	19,843	21,121	+1,278
C. Aviation training	90,183	117,563	128,822	+11,259
D. Departmental administration, Bureau of Naval Personnel	16,201	16,628	17,528	+900
Total direct obligations in budget document	204,982	255,351	282,214	+26,863

Statement relating fiscal year 1968, 1969, and 1970 programs, budget activity 4: Training and military personnel support

[In thousands of dollars]

Fiscal year 1968 program	$204,892
Civilian substitution program	+8,457
Civilian pay increases	+7,074
Establishment of Naval Training Center, Orlando	+4,406
Project transition	+1,151
Transfer of consumables and spare parts from procurement appropriations	+15,264
Facilities management	+1,295
Overseas dependents education	+8,492
Naval Academy	+1,344
Collateral equipment	+328
Other functional transfers	+3,147
Student loading	+1,709
Flight operations increase to support pilot training	+6,789
Other increases	+517
Civilian personnel reduction consistent with Public Law 90-364	−2,557
Obligation definition change for supply requisitions	−2,200
Other decreases	−4,757
Fiscal year 1969 program	255,351
Facilities management	+2,018
Naval Academy	+1,243
Overseas dependents education	+2,225
Continued phase-in of Naval Training Center, Orlando, and Development and Training Center, San Diego	+1,582
Joint uniform military pay system and additional computer rental	+896
Voluntary off-duty educational programs	+1,393
Expansion in educational programs and tuition increases	+5,152
Increased cost of messmen contracts	+1,400
Flight operations increase to support pilot training	+6,677
Pilot training program support for increased pilot training rate	+2,771
Obligation definition changes for supply requisitions	+2,200
Other increases	+458
Collateral equipment	−862
Civilian personnel cost reductions	−786
Recruit training	−104
Fiscal year 1970 program	282,214

PROJECTS TRANSITION, REFERRAL, AND 100,000

Mr. SLACK. How much is in this budget request for Project Transition?

Admiral SHIFLEY. $1.3 million.

Mr. SLACK. How does this compare with fiscal year 1969?

Admiral SHIFLEY. This is a $0.8 million increase over fiscal year 1969 and represents full year costs of the program. The costs of fiscal year 1969 were not for a full year.

Mr. SLACK. How much is the Navy requesting for Project Referral?

Admiral SHIFLEY. None.

Mr. SLACK. How much is in this request for Project One Hundred Thousand, and what is the increase over fiscal year 1969?

Admiral SHIFLEY. Funds for Project One Hundred Thousand are not specifically identified. However, the Navy estimates that costs for all Navy appropriations total about $2.4 million in fiscal year 1969. This cost is estimated to remain level for fiscal year 1970.

(EDITOR'S NOTE.—For further information see page 594.)

MESSMEN CONTRACTS

Mr. SLACK. For messmen contracts, you are asking for an increase of $1.4 million. What is the total cost of these contracts, and why is the increase required?

Admiral SHIFLEY. The total cost of the messmen contracts is $5.8 million. The increase is attributable to four factors of mess operations. The conversions of messes from military messmen to contract messmen that was under phase I of the civilian substitution program requires an additional $0.5 million. Messes which have converted from a metal mess tray operation to crockery service under habitability criteria for improving the retention ratio of trained navymen requires $0.5 million in the extra handling cost of crockery. Expansion of service to provide a meal for late shift students in schools that operate either 16 or 24 hours daily requires $0.1 million. A personnel cost increase of $0.3 million results from the rise in local wage scales.

FACILITIES MANAGEMENT

Mr. SLACK. For "Facilities management," you are requesting an increase of $2.618 million. What is the total amount being requested for facilities management, and why is there a need for an increase?

Admiral SHIFLEY. The total amount requested for facilities management is $54.3 million. The increase is needed to provide for utilities, janitorial services, and other operating costs for added facilities such as the new technical training buildings and new buildings at the naval training centers, Great Lakes and San Diego, the postgraduate school at Monterey, Calif., the Naval Academy and the Naval Schools Command, Newport. Additionally funds are required to reduce the backlog of essential maintenance and to accomplish major repair and alteration projects.

NAVY ENLISTED SCIENTIFIC EDUCATION PROGRAM (NESEP)

Mr. SLACK. What is the NESEP program which we see mentioned in the justification book, and what has been the cost of this program for fiscal years 1968, 1969, and 1970?

Admiral SHIFLEY. The Navy enlisted scientific education program provides college education for highly qualified enlisted personnel in

fields of sicence or engineering, including systems engineers for advanced fire control systems, advanced armament, digital computers, and nuclear propulsion. Candidates are sent to a designated college or university for not to exceed 4 consecutive years. Upon receipt of a baccalaureate degree, graduates are commissioned in a category commensurate with their education and special qualifications and needs of the service. The costs for fiscal year 1968 was $1,012,000; estimated cost in fiscal year 1969 is $1,100,000 and the fiscal year 1970 estimate is $1,405,000. This is one of the best programs we have. It discovers talented enlisted men who would probably have no other opportunity to go to college and produces fine naval officers.

COSTS ASSOCIATED WITH PROJECT TRANSITION AND PROJECT ONE HUNDRED THOUSAND

Mr. LIPSCOMB. For the record, would you put in the funds that are expended in Project Transition, Project One Hundred Thousand, and any other comments that you care to make?

Admiral SHIFLEY. Yes, sir.

Mr. LIPSCOMB. Is this the activity that Project Value is being developed under?

Admiral SHIFLEY. It is in this account but not this budget activity, sir.

Admiral GADDIS. It is in the budget activity servicewide operations, sir.

Mr. LIPSCOMB. Then if you will just put in the amount of funds, and the personnel participating in Projects Transition and One Hundred Thousand.

Admiral SHIFLEY. Yes, sir.

(The information follows:)

PROJECT TRANSITION

	Fiscal year 1969	Fiscal year 1970
Civilian staff	69	82
Military staff	59	39
Operation and maintenance (in millions)	$0.5	$1.3
Training plan, counseled	48,000	68,000
Training plan, trained	18,000	28,000
Sites	14	14

PROJECT ONE HUNDRED THOUSAND

[Dollars in millions]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Operation and maintenance, Navy	$1.14	$1.32	$1.29
Military pay, Navy	1.01	1.07	1.14
Research and development, Navy	.16	.04	.01
Total	2.31	2.43	2.44
Trainees	8,182	12,240	10,400

These costs are related to the process of bringing a man into the Navy under this program and providing basic training. Action starts by recruiting persons who would not have been qualified under previous mental standards or who have

a correctable physical deficiency, and continues by attempting to correct the deficiencies during the basic training period so that the individual can perform as an acceptable member of the naval service in a regularly established billet. Total costs for this effort include support for recruiting, administrative expenses connected with data processing and preparation of reports, medical and remedial literacy action, research and personnel studies, special processing and testing, and additional pay and allowances of recruits and military staff personnel attributable to the project.

LIBRARY IMPROVEMENT PROGRAM

Mr. SLACK. You are requesting $1.3 million for the second phase of the library improvement program at the Naval Academy. How much did you request for this program last year, and what did you do with the funds?

Admiral SHIFLEY. The $1.3 million increase you refer to is the total increase for the Naval Academy. Only $0.3 million of this is for the library improvement program. In fiscal year 1969, we requested $0.95 million for library improvement. The funds were used as follows:

[Dollars in millions]

	Fiscal year 1969
Civilian salaries	$0.49
Books and periodicals	.24
Recataloging	.02
Book restoration	.05
Supplies, equipment, other costs	.15
Total	.95

Mr. SLACK. I believe there was a recent reprograming for about $2 million for the library improvement program. Why was this increase necessary, and what were the funds used for?

Admiral SHIFLEY. Only $0.6 million of the fiscal year 1969, reprograming action was for the library improvement program. The reprograming resulted from a need to correct internal Navy initial assignment of a portion of the congressional reduction in the fiscal year 1969 budget. Closer study of the application of the congressional reduction indicated that restoration through reprograming was required to provide a satisfactory funding level at the Academy. It has long been Navy policy that the Naval Academy merits highest priority consideration in funding. The urgency for an improved funding level at the Academy is not a temporary requirement related directly to Southeast Asia actions, but rather a continuing one needed to assure that Naval officers of the future are academically and professionally qualified to meet the operational demands that they will face.

Reports of the Board of Visitors to the U.S. Naval Academy and the latest report of the Commission on Institutions of Higher Education of the Middle Atlantic State Association of Colleges and Secondary Schools (Accreditation Commission) have stressed the urgent need for upgrading the Academy instructional program, including the provision of much improved library facilities and services. The Board of Visitors has noted the urgency of funding needs for course improvement, additional faculty support, and improvement in techniques of instruction, in addition to the library expansion and improvement. Naval Academy library facilities, including books, are deficient for a college-level institution of the size and scope of the

Naval Academy. There are many colleges with smaller student bodies with much superior libraries. For example, Trinity College in Hartford, Conn. with 2,000 students has about 2½ times the number of volumes the Naval Academy has. There are 4,100 midshipmen at the Naval Academy.

Mr. SLACK. What is going to be the total cost of this library improvement program?

Admiral SHIFLEY. The continuing cost of staffing and maintaining the library at the required level is expected to level off at approximately $0.9 million by fiscal year 1974. This is an increase of about $0.3 million over the fiscal year 1968 base cost. The increased cost in the interim 5-year period for additional staffing, books, recataloging, rebinding, and other costs will be about $2.5 million.

ADP TRAINING OF MIDSHIPMEN

Mr. SLACK. I note that you are requesting funds to expand the ADP capability for training midshipmen. What type of training is being given with this equipment? What is the total cost of this program?

Admiral SHIFLEY. The Naval Academy is using computer equipment as one innovative method of instruction. This requires the rental of computer equipment and the salaries of programers and other operational personnel. Various segments of instruction are being employed experimentally.

In cooperation with the Office of Education, three comprehensive areas of instruction in economics, physics, and management physiology are being developed for use as the Naval Academy.

Inasmuch as this is a developmental effort, the principal costs are being met with Navy research funds and funds provided by the Department of Health, Education, and Welfare. This cost is about $1.5 million annually at present. About $0.2 million annually of "Operation and maintenance, Navy" funds contained in this program will be used for programers, operator personnel and time-sharing costs of commercial computers.

COST OF HEATING AND AIR-CONDITIONING PROJECTS AT NAVAL ACADEMY

Mr. SLACK. I note from the justification book that you intend to install a new high-temperature hot water plant at the Naval Academy and air condition some older buildings. What will be the total cost of this renovation program?

Admiral SHIFLEY. This is not actually a renovation program. The new high-temperature hot water plant was built with military construction funds at a cost of $3.5 million. It will begin operation in June 1969 and the cost of the operation will be approximately $0.1 million in fiscal year 1970.

The air conditioning of some of the older buildings and of the new Michelson and Chauvenet Halls was also accomplished with military construction funds at a cost of about $0.7 million. The additional utilities cost resulting from the air conditioning in fiscal year 1970 is also approximately $0.1 million.

Mr. SLACK. Have you any questions with regard to the questions just asked?

Mr. ANDREWS. No questions.

Mr. LIPSCOMB. No questions.

Mr. DAVIS. No questions, Mr. Chairman.

HELICOPTER PILOT TRAINING

Mr. SLACK. The next subject is helicopter pilot training.

HELICOPTER PILOT TRAINING IN FIXED WING AIRCRAFT

Last year we had quite a discussion of the need to give helicopter pilots training in fixed-wing aircraft. It was the opinion of the committee in its report on the fiscal year 1969 appropriation request that this training be discontinued.

Is the Navy still continuing this practice?

Admiral SHIFLEY. Yes, sir; they are.

Mr. SLACK. When does the Navy expect to comply with the committee report?

Admiral SHIFLEY. Mr. Chairman, the reason we are continuing to train them in fixed-wing aircraft is because it is less expensive to train a helicopter pilot that way, to start him out on fixed wing and then shift him over to helicopters, rather than give him all his training in helicopters.

Mr. SLACK. Why would it be cheaper?

Captain THOMAS. I am Captain Thomas, Director of Aviation Training.

Today we are training helicopter pilots in fixed-wing aircraft for several reasons. One, it is cheaper today to train a helicopter pilot with the assets that we have on board, namely, the T–34 aircraft and T–28 aircraft, and then to give him the helicopter training.

This has proven satisfactory to both Navy and Marines. If we were to go to the helicopter training as was suggested, it would require some 150 additional helicopters to do this kind of work.

Secondly, it would provide us with a pilot who has a very definite, narrow potential. For instance, we have only 10 percent of our pilot seats in the Navy for helicopter pilots. If we were to have people helicopter-only qualified, it would give us a management problem.

Those are the two basic reasons that we have for doing this. It would also require more facilities. At the present time, until our fixed-wing assets are depleted, it would be better for us to continue training in this manner.

Mr. SLACK. Of course, this was not the opinion of the majority of the committee and this view, as I understand it, was stated last year before this decision was made.

If there is anything you can add, other that what was stated last year, we would be happy to have it. We would like to know when and if the Navy intends to comply with the mandate of a committee of Congress.

Captain THOMAS. Mr. Chairman, we are constantly studying this, and we would be most delighted to train the pilots at as little cost as possible and still be able to do the job. We are constantly studying this thing, and it will be under constant study in the future, also.

PILOTS TRAINED BY CATEGORY AND COST

Mr. SLACK. Will you prepare for the record a schedule showing the number of pilots trained in each category for fiscal years 1968, 1969, and 1970? Will you also prepare a schedule showing the average cost of training these pilots for these 3 years?

Captain THOMAS. Yes, sir.

(The information follows:)

NAVY/MARINE PILOT TRAINING

	Total trained		
	1968	1969 [1]	1970 [1]
Jet	795	901	1,228
Prop	711	875	944
Helo	828	749	688
Total	2,334	2,525	2,860

[1] Planned.

	Cost to train		
	1968	1969 [1]	1970 [1]
Jet	$107,210	$98,705	$98,705
Prop	55,570	50,550	50,550
Helo	51,255	37,880	37,880
Composite average	77,840	65,050	65,050

[1] Estimates.

Note: Comparison of pilot training costs between the services are misleading unless all the services base their costs on the same criteria and use comparable cost elements. This is not the case now and common cost factors on which a reasonable comparison could be made are non-existent.

FIXED-WING PILOT TRAINING

Mr. SLACK. Next we will consider fixed-wing pilot training.

Why are you planning such a large increase in your pilot production for fiscal year 1970?

Admiral DUNCAN. We have a shortage of pilots in the Navy, Mr. Chairman. We asked for and received permission for an increase in pilot production from the Office of the Secretary of Defense. Our pilot training rate is authorized at 2,860 in fiscal year 1970. This is an increase of about 13 percent over fiscal year 1969. Of those 2,200 will be naval aviators and the remainder will be trained for the Marine Corps, Coast Guard, and foreign countries.

We estimate as of the end of this year we will be about 2,000 pilots short. At the end of fiscal year 1970, with the same force levels, our deficit will decrease to about 1,300. We expect that in fiscal year 1971 our pilot inventory will approximate requirements.

COLLEGE PROGRAMS FOR PILOT INSTRUCTORS AND PILOT TRAINEES

Mr. SLACK. The next question you can respond to for the record, if you will, please.

I believe last year the Navy initiated a program whereby a pilot trainee could obtain his master's degree while undergoing flight train-

ing. What has been the participation in this program and has the Navy noticed any effect on the ability of pilots to be able to conduct their flying training and obtain a master's degree at the same time? If you prefer to respond now, we would like to have it.

Admiral DUNCAN. Yes, sir.

We have a program which started this year for instructors on duty at Pensacola. This is actually an undergraduate program designed to give aviation instructors an opportunity to obtain a baccalaureate degree while serving as flight instructors in basic aviation training.

Mr. SLACK. When did you change the concept?

Admiral DUNCAN. This is the first time that we have installed this program for instructors. In January 1969, 16 flight instructors started undergraduate studies at the University of West Florida. The instructors concerned are engaged in flight instruction duties the equivalent of one-half day and participate in university courses the other half day.

Mr. SLACK. The fact sheet that you presented to the committee last year, on May 28, 1968, stated under "Program Description" the following:

The MS program will be offered to qualified officer flight students who will pursue graduate level studies in aeronautical systems concurrent with pilot training.

So my question is, when did you change the concept?

Admiral DUNCAN. There are actually two different programs, one for instructors and one for pilot trainees.

Mr. SLACK. Will you give us all the facts in this regard for the record?

Admiral DUNCAN. Yes, sir, Mr. Chairman.

(The information follows:)

The following describes the present status of the two programs.

Instructors.—This program enables flight instructors at Pensacola who do not possess a baccalaureate degree to attend university classes on a part-time basis (usually 50 percent) while serving the remainder of their time as Navy flight instructors. The student pays the academic costs assisted by either the G.I. bill or the Navy's tuition aid program. Upon successful completion the instructor obtains a baccalaureate degree from the University of West Florida. Sixteen students were enrolled in this program in January 1969.

Prospective Pilots.—This program permits selected student pilots holding undergraduate degrees in engineering, physical sciences or mathematics to obtain a master of science degree in aeronautical systems from the University of West Florida at the same time that they are undergoing flight training for designation as naval aviators. This is a cooperative program in which the students obtain university academic credit for portions of their flight training. This feature permits the student to complete flight training and the related university courses in the 18-months normally associated with flight training. The cost of this program is paid by the Navy, but the student extends his service obligation an additional year.

The program started with an experimental class on 31 March 1967 with 32 students. Of these 28 successfully completed the program including flight training within 18 months after the start of flight training. Based on this initial effort an on-going program was convened in January 1969. This program is designed to enroll 30 student naval aviators each academic quarter.

SERVICE-WIDE OPERATIONS

Mr. SLACK. The next item is entitled service-wide operations and we will insert in the record various pages from the justification book at this point.

(The information follows:)

SUMMARY OF OBLIGATIONS

[In thousands]

Budget program	1968 actual	1969 estimate	1970 estimate	Difference 1970 compared with 1969
A. Servicewide communications	$119,961	$133,032	$141,767	+$8,735
B. Naval intelligence	17,262	20,572	36,279	+15,707
C. Naval Weather Service	7,044	7,667	8,086	+419
D. Oceanography	57,406	63,024	76,539	+13,515
E. Office of the Chief of Naval Operations Field Activities	113,937	118,182	130,172	+11,990
F. Departmental administration, Office of the Chief of Naval Operations	12,184	13,538	14,000	+462
G. Navy secretarial field activities	71,163	77,316	70,273	−7,043
H. Departmental administration, Navy secretariat	22,441	17,301	17,481	+180
Total direct obligations in budget document	421,398	450,632	494,597	+43,965

Statement relating fiscal year 1968, 1969, and 1970 programs, budget activity No. 6: Servicewide Operations

[In thousands of dollars]

1968 program	$421,398
Transfer Office of Naval Research funding to Research, Development, Test and Evaluation, Navy appropriation	−7,280
Internal audit program	+558
Official mail costs	+920
Employees' compensation fund	+1,052
Continued implementation joint uniform military pay system	+582
Civilian graded pay increase effective July 1968	+2,925
Extraordinary military expenses	+1,579
Net of minor increases and decreases	+683
Leased communications and communications stations operations	+10,381
Support of naval security group operations	+2,690
Weather service operations	+623
Intelligence programs	+3,310
Oceanographic operations	+5,618
Chief of naval operations activities	+5,599
1969 program	450,632
Continued implementation joint uniform military pay system	+1,865
Internal audit program	+610
Official mail costs	+1,676
Employees' compensation fund	535
Leased communications	+1,100
Communications stations operating costs	+5,672
Support of naval security group operations	+1,193
Weather service operations	+410
Intelligence programs	+3,921
Oceanographic operations	+13,516
Classfied projects	+5,048
Support of allied naval forces in Vietnam	+1,854
Unified and subordinate commands	+2,415
Naval command systems support activity	+622
Net of minor increases or decreases	+1,890
1970 program	494,597

Communications

Mr. Slack. Under the title "Communications," I note that there is an increase in 1969 over 1968 of $13,072,000. I believe the committee indicated last year that communication costs should be reduced during fiscal year 1969. What is the reason for this large increase, this unprecedented increase? Who is going to respond to that?

Admiral FITZPATRICK. I am Admiral Fitzpatrick, sir. The increase that you referred to is primarily the result of the increased cost for the switch nets of the Defense Communications System, the leased costs.

Mr. SLACK. Why was that done, in view of the committee report?

Admiral FITZPATRICK. The increase in communications per se is only that which is addressed in general service communication, exclusive of the Naval Security Group operations. That increases only about $10 million and is directly attributable in large measure to the increased costs for leased services of the Defense Communications System, lease charges.

Mr. SLACK. You are requesting an increase of $8,735,000 for service-wide communications. This is an increase from $133,032,000 in fiscal year 1969 to $141,767,000 in fiscal year 1970. Why are you requesting an additional increase for 1970?

Admiral FITZPATRICK. That additional increase can be broken down into two increments. The first increment of approximately $6.8 million is occasioned by the Naval Communications System. Two million dollars is occasioned by increases in the cost of Naval Security Group operations. The increase in Naval Communications Systems costs here are generally attributable to the increase in operating costs because of previous investment, such as the new stations that exist now at Sugar Grove, W. Va., and the new Harold D. Holt Communications Station in northwest Australia; the fact that we are now operating more multichannel capabilities and some higher powered transmitters. We are also funding here full-year costs for certain spares associated primarily with the satellite terminals that we are responsible for and spare parts for newly installed equipment which has been put in in the last part of 1969 and which we anticipate for 1970.

The increased costs of utilities associated with this newly installed equipment and the fact that under the Navy and the Defense Department program of consolidations we have inherited certain maintenance and repair costs as well as those associated with certain new construction; therefore, these costs now have visibility in this program, whereas previously they were somewhere else.

COMMUNICATIONS COSTS, O.&M. NAVY

Mr. SLACK. That is a very good response. Thank you.

For the record, Admiral Shifley, what is the total amount for communications in the O. & M. Navy, appropriation request for fiscal years 1968, 1969, and 1970?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

OPERATION AND MAINTENANCE, NAVY
COMMUNICATIONS SYSTEM COSTS

[Dollars in thousands]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Station operating costs	$45,497	$50,827	$55,932
Leased lines and refile	51,695	56,700	57,800
Equipment installation and repair projects	6,175	13,665	9,667
Total	103,367	121,192	123,399

IMPROVEMENTS IN COMMUNICATIONS OPERATIONS

Mr. SLACK. Has the Navy taken any steps to improve its communications operations during fiscal year 1969? Also tell us what is planned for fiscal year 1970?

Admiral FITZPATRICK. We are following a program of consolidations in the Navy. This is both inspired in-house as well as in response to a certain policy that has been adopted in the Office of the Secretary of Defense. Illustrative of this is the fact that the Navy will assume in the defense communications arena the responsibility to operate all DCS as well as non-DCS facilities here in the Washington complex principally associated here with high frequency. We have recently done the same thing, taken on this same responsibility on the west coast.

Within the Navy we are consolidating message centers and facilities in geographical complexes in order to arrive at and achieve increased economies, enhanced efficiencies, and discharge responsibilities to respond to the operational commanders and the commands that exist in those geographical complexes.

Mr. SLACK. What is the Navy doing to eliminate unnecessary message and communication handling centers?

Admiral FITZPATRICK. This program of consolidation will do that. I might add, however, that in the Navy it has always been our operational method that we do not have separate communications centers and message centers. The function of message processing and distribution has always been a single function performed in the communications system.

Mr. SLACK. Are you actually cutting down on any of these message and communications handling centers?

Admiral FITZPATRICK. Yes, sir.

Mr. SLACK. Could you supply for the record the number that will be eliminated in 1969 and also in 1970?

Admiral FITZPATRICK. Yes, sir.

(The information follows:)

Communications consolidations, fiscal 1969—10 facilities in 6 geographical complexes.

Under consideration, fiscal year 1970 or later—38 facilities in 11 geographical complexes.

DEDICATED COMMUNICATIONS SYSTEMS

Mr. SLACK. How many dedicated communications systems does the Navy operate and what do you use these systems for?

Admiral FITZPATRICK. The dedicated communications circuitry that I would identify as fitting that category pertaining to the Navy generally falls into these categories:

We have the environmental dedicated network which serves the ASW weapons and this sort of thing; the Weather Service; we have the Navy high command network which, among other things, serves presidential communications as our contribution to that function. ———.

We have a small dedicated network which contributes to the NMCS support principally relating to the national emergency command post afloat (NECPA). We have certain data networks which we retain

as dedicated networks, non-AUTODIN. There is the facsimile network and then we have a small dedicated network in the service of Naval Forces/Europe.

COMMUNICATIONS WITH POLARIS SUBMARINES

Mr. ANDREWS. How do you communicate with the POLARIS ships at sea, Admiral?

Admiral FITZPATRICK. Presently communication with POLARIS ships at sea is accomplished through ———.

Mr. ANDREWS. Do you use one of these systems which you mentioned?

Admiral FITZPATRICK. ———.

Mr. ANDREWS. Are you planning a new low frequency station in Nevada or elsewhere?

Admiral FITZPATRICK. No, sir. At the moment we are in a R. & D. and test phase looking toward the possible establishment of an ELF, extra low frequency transmitter site which will be located in the northern part of the State of Wisconsin.

Mr. ANDREWS. Is that for communicating with submarines at sea?

Admiral FITZPATRICK. ———.

Mr. ANDREWS. Thank you.

PROJECT BULLSEYE

Mr. SLACK. What is the BULLSEYE communication project which you mentioned in the justification book on page 1-6-6? What was the total cost of that program in 1968 and what will the total cost be in 1969 and in 1970?

Admiral FITZPATRICK. The total cost I will have to provide for the record, Mr. Chairman. I do not have that figure. ———.

(The information was provided as follows:)

Bullseye funding

	Dollars in thousands
Fiscal year 1968	$2,447
Fiscal year 1969	2,718
Fiscal year 1970	3,068

Mr. SLACK. Who do you operate this communications project for?

Admiral FITZPATRICK. ———.

Mr. SLACK. Is this a dedicated system?

Admiral FITZPATRICK. The interconnecting circuitry is dedicated; yes, sir.

Mr. ANDREWS. Would you tell me for my own information what is a dedicated system?

Admiral FITZPATRICK. Very simply, it is one that is not shared with anyone else. It is devoted full-time to a functional employment. ———.

Mr. ANDREWS. This is a special-purpose system that can be used only for that designated purpose?

Admiral FITZPATRICK. Yes, sir.

RENTS TO FOREIGN GOVERNMENT

Mr. SLACK. For the record, you mention that one of the reasons for the increase in 1970 is the full impact of additional rents to a foreign

government. To which government are these rents paid and for what purpose?

Admiral SHIFLEY. Yes, sir.

(The information was provided to the committee and is classified.)

LEASED LINES AND REFILLS

Mr. SLACK. For leased lines and refills you are requesting $57,800,000, of which $25,026,000 is for other leases. What are these other leases? Will you provide a schedule for the record?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

OTHER LEASES

[Dollars in thousands]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Joint voice and channel derivation	$13,786	$12,539	$7,787
Autosevocom	1,200	1,276	2,625
Commercial refile	1,712	1,786	2,005
Federal Telecommunications System (FTS)	1,517	1,828	2,194
Naval districts	510	932	1,607
Dedicated circuits	9,102	7,939	8,808
Total	27,827	26,300	25,026

Mr. SLACK. Are there any questions at this point?

Mr. ANDREWS. No questions.

Mr. LIPSCOMB. No question, Mr. Chairman.

Mr. DAVIS. No questions, Mr. Chairman.

INTELLIGENCE

Mr. SLACK. The next item is entitled Intelligence.

For Navy Intelligence you are requesting an increase of $15,707,000 for fiscal year 1970.

CHANGE FROM CONTRACT HIRE TO CIVIL SERVICE

According to the justification book $11.8 million of this increase reflects the transfer into this budget program of extraordinary military expense funds formerly contained under Navy Secretariat Field Activities. These funds covered personnel compensation and temporary duty travel of 968 agents of the Naval Investigative Service who were previously hired under contract and will be transferred to Civil Service positions in fiscal year 1970. Will you tell us what this is about for the record?

Admiral SHIFLEY. Aye, aye, sir.

(The information follows:)

By Program/Budget Decision (PBD) No. 277 of December 1968, the Secretary of Defense directed that, commencing in fiscal year 70, the Naval Investigative Service's contract agents be converted to Civil Service status and that their funding be under a conventional appropriation subhead. In effect, $11.8 million was transferred from the "Contingency" to a conventional subhead in the Navy's fiscal year budget request. Further, the PBD imposed a personnel ceiling of 968 agents, the number of man-years which the $11.8 million would purchase. The primary reason for the decision was concern with the growth over the past sev-

eral years in the size of the contingency appropriation, and the fact that each increase in the appropriation, such as the recent Federal pay raise, required congressional approval because of specified limitations or ceiling on such funds.

For many years, special agents of Naval Intelligence have been paid out of a "Contingencies" fund made available to the Secretary of the Navy by the Congress, and suballotted by the Secretary to the Assistant Chief of Naval Operations (Intelligence). The use of such funds has permitted great and useful flexibility in the employment and utilization of personnel for investigative and counter-intelligence duties. Utilizing the annual "Contingencies" appropriation, a system of contract agents was established prior to World War II. These agents are Federal employees in every sense except that of having Civil Service status. They receive pay, health insurance, retirement, and other benefits, comparable to their Civil Service colleagues. A great advantage of the system has been that personnel ceilings have not applied. As many man-years of employment could be obtained as available funds permitted. Further, due to the requirement for unusual and unexpected demands inherent in investigative operations, and as a result of an ever increasing workload, the contract personnel have been called upon for, and have willingly contributed, innumerable uncompensated hours in excess of the normal government work week. These uncompensated hours have equated to 70 to 100 man-years of productive effort per year for each of the past several years. Under these arrangements, a corps of almost a thousand agents has been developed.

Under PBD No. 277, 968 man-years and 968 personnel spaces were transferred to civil service. Of the $11.8 million transferred to conventional funds, $11.4 is for agent personnel compensation and benefits and $0.4 million for agents' operational travel. Normal costs would be the same under either category of funding; however, the provisions of the public law concerning premium pay (administratively uncontrollable overtime as defined in sec. 5545(c)(2), title 5, United States Code) will become applicable to the entire agent corps under conversion and will require additional funding to the amount of $0.9 million per annum over previous expenditure levels in order to insure maintenance of current workload and productivity levels.

Mr. SLACK. Mr. Lipscomb.

Mr. LIPSCOMB. In answering that question would you also set forth the difference between what you are asking here and what you used to pay under the contractual service?

Admiral SHIFLEY. Yes, sir.

Mr. LIPSCOMB. Is it different?

Admiral GADDIS. The cost is the same, sir.

Mr. LIPSCOMB. When you say the cost is the same, do you mean with all of the so-called fringe benefits, too, of civil service?

Admiral GADDIS. It is my understanding, sir, that when they were hired on contracts before the contract called for their employment to follow the procedures and benefits or civil service schedules. Now that they are being converted to civil service, these same people, there is no shift in the rate of payment relative to this change from being contract to civil service.

OTHER INTELLIGENCE INCREASES

Mr. SLACK. What other intelligence programs are you increasing in fiscal year 1970?

Admiral HARLFINGER. The $3.9 million difference between this last figure covers the third generation computer equipment with associated software and supplies for intelligence data processing and ocean surveillance and additional manpower and support costs to support increased requirements in other intelligence functional area, including imagery or photographic interpretation and scientific and technical intellingence; and then in the intelligence management and support. Finally, the intelligence data-handling system.

Mr. SLACK. The justification book states that part of this additional civilian employment is required to support increased requirements in photographic interpretation. Isn't this operation a responsibility of the Defense Intelligence Agency?

Admiral HARLFINGER. The Defense Intelligence Agency parcels out certain projects of which the Navy is executive agent for one portion and it is in this area in which we have additional tasks.

Mr. LIPSCOMB. Do you mean they do not reimburse you for this out of DIA?

Admiral HARLFINGER. No, sir.

Mr. LIPSCOMB. We understand correctly, don't we, that DIA does have the responsibility for interpretation of photographic imagery?

Admiral HARLFINGER. Right.

Mr. LIPSCOMB. Then if we follow your statement, they parcel out certain tasks to the Navy to do?

Admiral HARLFINGER. Which are peculiar to the Navy in particular. In other words, certain Naval photography, a portion of which goes into the National objectives and certain imagery reproduction which goes into the carriers, flagships, and others. The integrated operational intelligence centers (IOIC's) is particularly a naval task and follows this down through the whole chain. Now, there are certain elements of this, in particular in regard to the submarine threat, that is a specific task of the Navy given to them by DIA. We are the agents for the submarine threat and analyzing of photography of all the new submarines that we would see of another nation, and it is done in the Naval Reconnaissance and Technical Support Center. We do the imagery interpretation. We take the imagery that we get and define what this new submarine or other naval ships would look like. This is a very exact science. That is a particular thing assigned to the Navy. Other services are assigned other projects.

Mr. LIPSCOMB. Then what do you do with your product? Turn it over to DIA?

Admiral HARLFINGER. Our product goes back into DIA and comes out under DIA cover or auspices. Almost 65 percent of this work is national tasking assigned by DIA.

The other 35 would be in support of the Navy tasks supporting ships at sea. Information goes into their target folders and the like, items which would not be useful to the Air Force and the Army. You have the same thing at the Scientific and Technical Intelligence Center, STIC. I will use a rough percentage, roughly 65 percent of their work or probably closer to 75 percent of their work is done in support of the national objectives as the executive agent for the DIA. The other 25 to 30 percent is in direct support of the Navy.

Mr. LIPSCOMB. To your knowledge, after you turn your product over to DIA, do they do further work on it?

Admiral HARLFINGER. No, it is a simple system of dissemination because they are the central point of dissemination.

Mr. LIPSCOMB. Do they reevaluate your interpretation of the imagery?

Admiral HARLFINGER. It is used in many respects. A particular book would be used, for example, in the final makeup of the national

intelligence estimate which works its way up from DIA over into the U.S. Intelligence Board Subcommittee which would be working on that estimate.

Mr. LIPSCOMB. Does DIA reevaluate your product and your interpretation of that?

Admiral HARLFINGER. No, sir.

Mr. LIPSCOMB. Navy's interpretation is the final evaluation?

Admiral HARLFINGER. That is final except as it is interrelated with the total threat. That is what I am trying to say, with respect to the national intelligence estimate. But that part of it—oh, there are arguments, during the preliminary evaluation in these subcommittees as to the essential meaning of the products. The submission is questioned in minute detail and the whole intelligence community goes into each item very thoroughly. Such questions as: Is this nuclear submarine multiengine? Does it have this particular type of armament, range, missiles, types of torpedoes, etc.?

When you have very little evidence to go on, everybody adds to it. We start out first with photo imagery; then add other known facts.

Mr. LIPSCOMB. Why doesn't DIA do the job itself?

Admiral HARLFINGER. They do not have the resources.

Mr. LIPSCOMB. You know, DIA comes before us, too and they are always trying to get the resources. You say they do not have the resources?

Admiral HARLFINGER. Yes, sir; but these resources are in naval technology, construction of ships, and we learn very heavily on the materiel bureaus. A lot of figures do not show up in here. For example, we ask the Ships Systems Command, for the use of their technical experts. We do the same with Navy laboratories personnel and they all contribute to the Naval Reconnaissance and Technical Support Center and to the Naval Scientific and Technical Intelligence Center in the interpretation of this photography.

Mr. LIPSCOMB. Thank you.

IMPROVEMENTS IN NAVAL INTELLIGENCE PROGRAM

Mr. SLACK. Have there been any improvements in the Navy intelligence program during fiscal year 1969? Tell us what is planned for fiscal year 1970.

Admiral HARLFINGER. This applies across the board.

Mr. SLACK. Yes, sir.

Admiral HARLFINGER. Well, I could cover—some things I prefer to submit for the record but, in general, we have tightened up the management of the collection system. We are consolidating the two production activities in one area, STIC, and the Naval Photo Reconnaissance and Technical Support Center. This came about because of two reasons. Naval Intelligence Processing System Support Activities (NIPSSA) which is automatic data processing and storage ashore and afloat, leading all the way to the intelligence centers on the flag ships and carriers. This whole system is being brought into one central place at Suitland, Md. It had been previously scattered all over. We are moving and consolidating for two reasons. One is they are widening Shirley Highway and we are losing all our buildings at Quarters K. The second

reason is GSA wanted to move these activities down to Alexandria into a leased building for 2 years and then consolidate. We went to Suitland, to our Naval Reconnaissance and Technical Support Center and found enough room to put the heart of all these data processors and these various scattered computers into one place. This will form essentially the ocean surveillance intelligence system that is required in this day and age with the Russians having more ships in every ocean, both warship and merchantmen. We will thus save one extra more by going to Suitland first and we will be better able to have a better place and keep it closer together, to keep close track of these ships as well as doing the normal intelligence analytical work connected with these types of activities.

Mr. SLACK. You will supplement the record?

Admiral HARLFINGER. I will add for the record.

(The information was provided to the committee and is classified.)

Mr. LIPSCOMB. What other improvements have you made in naval intelligence?

Admiral HARLFINGER. I would like to submit this for the record.

Mr. LIPSCOMB. You must have outstanding examples of improvements that you put into effect.

Admiral HARLFINGER. Yes, sir. I say I would like to put it in the record, if I may. Everything that comes to my mind is now rather sensitive.

Mr. LIPSCOMB. This committee was very critical of the overall Government intelligence efforts last year. I should think that you would want to build a good record this year. Well, do it for the record. You know, last year in our committee report again we said we were disturbed about our intelligence—and not just the Navy, I don't mean that.

Admiral HARLFINGER. May I say for the record, sir, ———. As a result of this ——— I have tightened up our means of communications between intelligence, as collected, and analyzed and delivered to the people who build the ———. This is, I would say, a major effort. We have done this through various means. We have tied a direct tie line between the Scientific, Technical Intelligence Center called STIC to each and every one of our Navy laboratories who are responsible, in turn. For example, take the ——— that you heard described last year. ———. Now, through this improved means of communication, improved means of collection against this ——— we think we have made our greatest gains this year.

Now, the same can be said of the ———. I think we have really tightened up the Navy system of collection, analysis, and dissemination to the customer who needs this type of information. I think this has been beneficial to the Navy as a whole.

The same applies across the board in research and development. It is quite a change in this particular year over former years whereas we built a lot of our ——— using our own developments as a model to build against. We are starting to get better information now so that the research and development people are building against exact and specific details of ———.

Admiral GADDIS. I would offer in addition, sir, that tactically this has made it possible for us to train our people going out on operations in the ———.

In about three specific areas that I can think of it has paid off dividends in specific tactical applications.

Mr. LIPSCOMB. Thank you. You can expand more for the record.

(The information was provided to the committee and is classified.)

NAVAL INTELLIGENCE CIVILIAN EMPLOYMENT

Mr. SLACK. How many civilians are employed by Naval Intelligence activities? How many additional civilian employees do you intend to hire during fiscal year 1970, other than the transfers we referred to a moment ago?

Admiral HARLFINGER. The total of 262. The largest increase is for the Naval Scientific and Technical Intelligence Center which receives an increase of 124 positions; 26 for the new consolidation that I told you about of the automatic data processing; 55 more in the Naval Reconnaissance and Technical Support Center; and in headquarters we receive 32, and in NIPSSA 24, and Navy Field Operational Intelligence Office, one.

Mr. SLACK. How many civilian employees are employed by Naval Intelligence activities at the present time?

Admiral HARLFINGER. How many are employed total?

Mr. SLACK. Yes, total.

Admiral HARLFINGER. 1,426, end strength 1969.

Mr. SLACK. Now, to recapitulate, how many additional civilian employees do you intend to hire during 1970?

Admiral HARLFINGER. The additional figure is 262, sir, leaving the agents out of this.

Mr. SLACK. Are there any further questions on Intelligence?

CONTROL OVER INTELLIGENCE-GATHERING SHIPS AND AIRCRAFT

Mr. ANDREWS. Does your shop have anything to do with the plane that was shot down? Was that under your jurisdiction?

Admiral HARLFINGER. Navy places the requirements in generally through DIA into the Joint Staff for all of this reconnaissance. In other words, the Navy, Army——

Mr. ANDREWS. Does the request for an overflight or a flight like that originate in your office?

Admiral HARLFINGER. No. ———

Admiral SHIFLEY. This airplane was under the operational control of the Joint Chiefs of Staff.

Mr. ANDREWS. I understand. All right.

Admiral HARLFINGER. Navy has requirements, as I was mentioning, for technical data for the various laboratories who are building the weapons. We write these requirements, in turn give them to DIA where all the other services' requirements are gathered. Then there is a priority system. In turn, they decide how many flights, how many ships, or other platforms will be utilized.

Mr. ANDREWS. You do participate in the determination of the need for a flight?

Admiral HARLFINGER. Oh, yes, sir.

Mr. ANDREWS. But the actual order for the flight is down originally from the Joint Chiefs of Staff office over to the local commander?

Admiral HARLFINGER. Right, sir.

Mr. ANDREWS. The President has said that the tragedy that occurred—which, in my opinion, was an act of war—would not stop certain flights in the future.

Admiral HARLFINGER. I firmly believe we need to have our scout planes, reconnaissance planes; we need to gather both the intelligence and we have to be on guard always for surprise attacks.

Mr. ANDREWS. I am not arguing against the decision for the need.

Admiral HARLFINGER. Yes, sir.

Mr. ANDREWS. That is all.

Mr. SLACK. Mr. Lipscomb.

RECRUITMENT OF CIVILIANS FOR NAVAL INTELLIGENCE ACTIVITIES

Mr. LIPSCOMB. Admiral, I believe you said there were 1,426 civilian employees in the naval intelligence activities?

Admiral HARLFINGER. Yes.

Admiral SHIFLEY. That was 1969, Mr. Lipscomb.

Admiral HARLFINGER. Yes; leaving out the agents.

Mr. LIPSCOMB. Leaving out the agents?

Admiral HARLFINGER. Yes, sir.

Mr. LIPSCOMB. What is the number and kind of jobs that are not filled at the present time out of the total 1,426? That is your authorized level?

Admiral HARLFINGER. Yes, sir; I think I have the end strength right now.

Captain MYERS. Presently we are about five short of that end strength figure, Mr. Lipscomb.

Mr. LIPSCOMB. Five?

Captain MYERS. Yes, sir.

Mr. LIPSCOMB. That is a pretty good record. But are those five in any particular area?

Admiral HARLFINGER. Usually we have a problem in hiring the more technical people. There the pipeline is a little slower.

Mr. LIPSCOMB. The additional employees requested for fiscal 1970, as I understood your answer, happen to be in the very technical area.

Admiral HARLFINGER. Yes, sir.

Mr. LIPSCOMB. How do you anticipate getting 262 new employees in this technical areas?

Admiral HARLFINGER. We have a great number of these people in the Scientific and Technical Intelligence Center and at Naval Reconnaissance Technical Support Center pipeline earmarked, that we are already interviewing. We constantly interview people for these jobs. But the end strength, as the Captain says, we are about five short now. That is a matter of the moment. A month from now we may be five over and 2 months from now we may be five under. But we keep very close tabs, as we are usually pretty short in intelligence resources. Navy is one of the smaller intelligence activities that you review.

Mr. LIPSCOMB. As I correct that you need 262 new ones?

Admiral HARLFINGER. 262.

Mr. LIPSCOMB. That is a rather large increase.

Admiral HARLFINGER. Yes, sir.

Mr. LIPSCOMB. Where are you going to find them?

Admiral HARLFINGER. We get them from college graduates, ex-naval officers, and we will get them from—I suppose the general market, people who decide they do not like to be in business who would rather have a Government job, who have been trained in this type of activity.

Mr. LIPSCOMB. Qualified intelligence specialists are difficult to find. For example, would a college graduate qualify for a high-level intelligence position?

Admiral HARLFINGER. Well, this is scientific analysis, really. You have a larger labor market. This is not just intelligence. They are used in the intelligence system but you have each one of the disciplines such as metallurgy, engineering, let's say, communications, electronics. Each one of these disciplines in the NRTSC the Navy Scientific Intelligence Center and elsewhere are not necessarily intelligence people. They are people trained in these sciences. Then we in turn train them as intelligence analysis. Naturally, they should have the basic knowledge with respect to analytic methods.

Mr. LIPSCOMB. You mean a college graduate comes out with an educational background in photographic interpretation that would be valuable in your imagery operation?

Admiral HARLFINGER. No, sir. I would say we usually get people who have been in the business as enlisted men and also photo interpreters. When they come to the end of their enlistment we really try to hire these people because this is highly specialized.

Mr. LIPSCOMB. It is not a problem you are worried about then.

Admiral HARLFINGER. No, sir.

Mr. LIPSCOMB. I heard testimony last year from DIA, from Army—the intelligence community—in our lengthy hearings with respect to the serious personnel problem that they had in getting qualified people to serve in intelligence. At least, that is my memory of the thing. Now, if you can go out and pick up 262 qualified people, that is very good, and evidently the Navy has had no problem in this area.

Admiral HARLFINGER. Oh, it is a hard problem, sir; we recruit. It is not an easy problem but we work at it and we get good people.

Mr. LIPSCOMB. How do you recruit on a college campus? Have you been up to Harvard lately, the University of Michigan, the University of California, MIT? Of course not.

Mr. ANDREWS. What do you pay them, Admiral?

Admiral HARLFINGER. They range from GS–8 on up.

Captain MYERS. From the 8 level approximately, on up.

Mr. ANDREWS. What is that salary?

Captain MYERS. About $8,000 or $9,000 starting salary.

Mr. ANDREWS. Do you get that many who would be draft-exempt? The draft board is waiting for them when they get out of college.

Captain MYERS. Two programs, two of our field activities that we have had have been highly successful, they are advertising through the trade journals. It seems as though there has been a stability in the technical field in this past year because Government workers are not rotating as much, at least not in our area. I think Mr. Garrity probably knows we have had difficulties in the past in filling some of our vacancies, but in the past 6 months we have been extremely successful and feel confident that we could fill these vacancies that we are asking for for next year.

Mr. ANDREWS. Wouldn't one of these men, if you took him, be exempt from the draft?

Captain MYERS. No, sir, not necessarily. As the admiral pointed out, we are picking up a number of young men who have been highly trained on active duty in the intelligence area, both officers and enlisted. Unfortunately, the career doesn't look as good there for them so they come into the civilian community and pick it up.

Mr. ANDREWS. Thank you.

Captain MYERS. Yes, sir.

Mr. SLACK. Mr. Davis.

RELATIONSHIP OF NAVAL AND DEFENSE INTELLIGENCE ACTIVITIES

Mr. DAVIS. Just generally; what operational activities of Naval Intelligence have been taken over by the Defense Intelligence Agency, generally?

Admiral HARLFINGER. I am not aware of any in this past year.

Mr. DAVIS. At any time? What I am trying to get at is this: Have we just created another layer on top when we created the overall Defense Agency or have they actually taken some of the load off of you?

Admiral HARLFINGER. May I say this—I must say now this is my opinion: I think that the Defense Intelligence Agency had a very good mission and did a very good service in the beginning, in that this country was faced with a missile threat that we knew very little about, and there seemed to be some difference among the services and there used to be a constant difference of the testimony given over here in front of Congress. DIA was one way of bringing this together before it got over here, in arriving at a sound national intelligence estimate.

I know this does not exactly answer your question but it is my belief that I have a very hard job to do to ———. It is to this end we asked for certain of these increases.

Mr. DAVIS. When the agency was established, did they actually take part of the operation and part of the manpower away from Naval Intelligence?

Admiral HARLFINGER. Oh, yes, sir. I do not have the facts and figures here, but it was quite a large portion.

SHIFT FROM CONTRACT TO CIVIL SERVICE STATUS

Mr. DAVIS. Now, can you relate that response to this $11 million transfer that we see here.

Admiral HARLFINGER. No. The $11 million is a paper transfer, sir.

Admiral SHIFLEY. We had 968 and now have 968 investigators that were paid for out of another part of this same appropriation. They are hired under contract. They are civilians. They are not Civil Service. They have a contract with the Navy.

They are being shifted over next year and will become Civil servants, part of the Civil Service, at the same dollar figure as in 1969. So there is no increase in the number, there is no increase in the dollars.

It is merely a shift in their status from contract employees to Civil Service status. They will be doing exactly the same work next year.

Mr. ANDREWS. Admiral, are you the Chief of Naval Intelligence?

Admiral HARLFINGER. Yes.

TOTAL NAVAL INTELLIGENCE PERSONNEL

Mr. ANDREWS. How many military Navy people do you have attached to your office throughout Naval Intelligence?

Admiral HARLFINGER. 1,025, inclusive of Navy officers, enlisted men and Marines.

Mr. ANDREWS. How many civilians?

Admiral HARLFINGER. 1,426.

Mr. ANDREWS. 1,426 and 1,025?

Admiral HARLFINGER. Yes.

Mr. ANDREWS. Is that 1,025 officers and enlisted men?

Admiral HARLFINGER. Yes, sir.

Admiral SHIFLEY. That is a total of approximately 2,500, and 1,426 of them are civilians.

Admiral HARLFINGER. Yes.

Admiral SHIFLEY. 1,025 are military.

Admiral HARLFINGER. Today it is 1,025.

Admiral SHIFLEY. It is almost 2,500.

Mr. LIPSCOMB. Plus the agents?

Admiral HARLFINGER. Plus the agents.

Mr. ANDREWS. How many agents?

Admiral HARLFINGER. 968.

Mr. ANDREWS. Roughly 3,500?

Admiral HARLFINGER. Yes.

Mr. DAVIS. That is all I have, Mr. Chairman.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. SLACK. The next item is "Oceanography."

OCEANOGRAPHY

Mr. SLACK. For "Oceanography" you are requesting an increase of $13,515,000. What is the reason for this increase?

Captain AYRES. The increase requested is due primarily to operation of 4 new survey ships in fiscal year 1970 and full year operations of 4 survey ships delivered in fiscal year 1969. This expanded capability will permit increased hydrographic and ASW/USW surveys and AGOR support to meet military and statutory requirements. Limited expansion is also planned to meet requirements in support of Project CAESAR and for mine warfare environmental surveys.

Mr. SLACK. What are the four new Oceanography survey ships to be put into operation in fiscal year 1970 and how are their operational cost funded?

Captain AYRES. The ships put in operation in fiscal year 1970 are the hydrographic survey ships U.S.N.S. *Wyman*, *Chauvenet*, and *Harkness* and the oceanographic survey ship U.S.N.S. *Wilkes*. All of these ships will be MSTS manned and funded from this appropriation under budget activity 6. Two military manned hydrographic survey

ships and one military manned oceanographic survey ship, funded primarily from this appropriation under BA 1 and in the Military Personnel Navy appropriations, will be inactivated in the same period.

PROJECT CAESAR

Mr. SLACK. You are asking for additional funds for the limited expansion of the CAESAR project. What is this project? What is the amount of the additional funds being requested for 1970 and what is the total amount for this project and what was the funding for 1968 and 1969?

Captain AYRES. Project CAESAR refers to the production and installation of the ———

The funds requested are for additional oceanographic surveys required ——— Specifically, oceanographic surveys must commence ——— and a ship must be chartered through MSTS in order to implement the effort. Hydrographic surveys ——— are also funded in this budget activity.

The additional funds being requested for fiscal year 1970 are $1,238,000, of which $908,000 is for the charter ship. The total amount for this project in this appropriation and budget activity is $1,992,000. The funding for this project in fiscal year 1968 and fiscal year 1969 was $691,000 and $705,000 respectively. These figures are exclusive of the costs of a military manned oceanographic survey ship utilized in ——— surveys.

PROGRESS IN OCEANOGRAPHY

Mr. SLACK. Have we made any progress in Oceanography in the last couple of years?

Captain AYRES. We have indeed, in a number of areas. As examples, our oceanographic prediction services to the operating forces have expanded several fold in scope and have improved in both accuracy and utility; we have perfected an array sonar sounding system which surveys a path over 3 miles wide in the deep ocean with great precision, and automatically prepares contoured strip charts from the data; we have vastly improved our data handling and chart production techniques through ADP; we have collected key environmental data over millions of square miles of the ocean, and come a long way toward translating these data into tactical indexes relating to the performance of a number of antisubmarine and undersea warfare systems; our survey and research techniques and equipments have seen major improvement, particularly in the geophysics area; and our ability to survey with precision has been expanded to the entire world ocean. The Navy has, in addition, strengthened its management of the oceanographic program by the establishment of the Office of the Oceanographer of the Navy, and by the assignment of the Chief of Naval Research, Deputy Chief of Naval Material for Development, and the Commander of the Naval Weather Service Command as assistants to the Oceanographer for management of the science, engineering, and prediction service areas respectively.

Mr. SLACK. The subcommittee will stand in recess until 2 o'clock.

(AFTERNOON SESSION)

PUBLIC AFFAIRS, RELATIONS, AND INFORMATION

Mr. SLACK. The committee will come to order.

The next subject we will consider is the Navy's public affairs, relations, and information activities.

How much is being requested for public affairs, public relations, and public information activities of the Navy Department?

Admiral GEIS. As Chief of Information, Navy Department, I have requested $587,000 for departmental operations, and $767,000 for field activities for a total of $1,354,000 for fiscal year 1970.

Mr. SLACK. Will you provide for the record a breakout of this cost for fiscal years 1968, 1969, and 1970?

(The information follows:)

	1968	1969	1970
Departmental	$535,000	$587,000	$587,000
Field	616,000	767,000	767,000
Total	1,151,000	1,354,000	1,354,000

POSSIBLE CONSOLIDATION OF HOMETOWN NEWS CENTERS

Mr. SLACK. Why cannot the Navy consolidate its hometown news center operations with those of the Army and the Air Force?

Admiral GEIS. On the basis of an informal and unilateral study conducted by the officer in charge of the Fleet Home Town News Center, it appears that such a consolidation would be feasible. I am not prepared to state flatly that it would be desirable either from the standpoint of assured savings in funds or increased efficiency of operation. Despite the savings which seem the obvious result of any consolidation of common overhead items, savings have not always resulted from such consolidations. It is quite clear from our study that the immediate requirement would be for more rather than less money to prepare a new location for such a joint operation.

AUTOMATION AT HOME TOWN NEWS CENTERS

Mr. SLACK. Why is the Navy automating its hometown news center operations?

Admiral GEIS. For the same reason that all kinds of tasks are automated, that is, to increase production without the corresponding increase in manpower which would be required to achieve the higher level manually. The number of news media which request the services of FHTNC and the indications we received from the media concerning the usefulness of the material we provide are convincing evidence that more individual recognition of Navy men and women in their home areas could be obtained than at present if we had the means to increase our production.

DUPLICATION OF PUBLIC INFORMATION PROGRAMS

Mr. SLACK. Why does the Navy need a public information headquarters office organized on the same lines as that of the Office of the Assistant Secretary of Defense for Public Affairs?

Admiral GEIS. It should perhaps be pointed out first of all that the Navy had a public information organization before there was a Department of Defense. It was organized generally along the lines which the office of the Assistant Secretary of Defense for Public Affairs is now organized. Beyond that, since the OASD/PA originates policy which the Navy and the other services follow, reviews actions proposed by the Navy, and serves as the releasing authority for Navy news of a national character, it seems logical to have the two organized in a fashion which facilities these relationships. I can explain why the Navy Office of Information is organized as it is; I am not sure it is appropriate for me to speak for OASD/PA's organization.

Mr. SLACK. Is there any duplication between operations of your public affairs office and that of the Office of the Assistant Secretary of Defense for Public Affairs?

Admiral GEIS. In all of the scores of daily contacts between the Navy Office of Information and the OASD/PA I would be hard pressed to state flatly that no duplication exists. However, most of the relationships between the two offices—even when it involves sequential handling of the same project—involve actions which are more accurately described as complementary rather than duplicating. For example, an inquiry from a newsman will be referred by OASD/PA to my office for reply. We will research the answer and give it to OASD/PA for delivery to the newsman. But, before giving the answer to the newsmen, OASD/PA will often provide the additional service of security review to insure that the answer includes no sensitive information. In addition, I should point out that if the question had been purely routine it would never have been referred to my office at all but would have been answered by OASD/PA. Thus, the two offices working together provide the most accurate and comprehensive information to the newsmen and, ultimately, to the American people.

I have been examining my own office for duplicated effort and making changes to eliminate it. I have asked my staff to apply the same critical eye to our relationships with OASD/PA. I will not hesitate to recommend changes to OASD/PA procedures to eliminate any duplication we may find.

Mr. SLACK. Are there any questions with regard to public affairs, relations, and information?

Mr. MINSHALL. I have no questions, Mr. Chairman.

Mr. SLACK. Mr. Andrews, have you any questions with regard to public affairs, relations, and information?

Mr. Andrews. The news we usually get is bad. Perhaps you can improve on that and give us more cheerful news.

That is all, Mr. Chairman.

CIVILIAN EMPLOYEE TRAINING

Mr. SLACK. Will you please provide for the record, Admiral, a detailed listing of the types of training to be provided civilian employees with the $738,000 you are requesting under servicewide support.

Admiral SHIFLEY. Yes, sir.
(The information follows:)

The term "long term civilian training" refers to training consisting of more than 120 consecutive training days in either Government or nonGovernment facilities. The subject matter may cover management or various fields of specialization. The objective of this type of training is to enable the Department of the Navy to keep abreast of managerial, technical and scientific advancements, both within and outside the Federal Government. Some examples of long-term civilian training are as follows:

EMPLOYEE JOB TITLE AND COURSE PURSUED

Aerospace engineer (flight systems) Engineering Administration (George Washington University).
Supervisory procurement agent, Business Administration (Temple University).
Supervisory auditor, Advanced Business Administration (Northeastern University).
Assistant professor, Engineering Department, Naval Academy, Oceanographic Engineering (Catholic University).

The Department of the Navy is also participating in the educational program in systematic analysis which is administered by the National Institute of Public Affairs in cooperation with the U.S. Civil Service Commission, the Bureau of the Budget, and five universities. This program is designed to encourage Federal departments and agencies to identify and develop persons who are expected to make a major contribution to systematic program analysis in their organizations. Typical subject matter includes micro-economics, quantitative methods, public expenditure theory and systems analysis.

One Navy civilian space is allocated at the National War College. The mission of the college is to prepare selected personnel for the exercise of joint and combined high level policy, command and staff functions and for planning national strategy. The academic program of the college is designed to accomplish the mission through a systematic study of the nature, formulation, and implementation of national security policy. Examples of study are: the military force necessary to implement national policy in peace and war; strategy and war planning; the impact of science and technology upon the armed forces; and departmental and interdepartmental problems which concern the national security.

Navy civilian employees are also enrolled in the defense systems analysis education program at the University of Rochester. This 15-month program provides advanced study in the planning-programing-financial management system.

In addition, planned individual study programs will enable an engineer at the naval avionics facility, Indianapolis to study industrial administration; a naval architect at the Naval Ship Engineering Center to study advanced naval architecture; a professor at the Naval Postgraduate School to study computer science to update his capabilities related to the school's program in computer science for officer students; an entomologist of the Naval Facilities Engineering Command to study graduate level entomology and related subjects.

PROJECT VALUE

Mr SLACK. How much is the Navy requesting for the support of Project Value?

Admiral GADDIS. $300,000.

Mr. SLACK. To be used for what?

Admiral GADDIS. The Department of the Navy has been designated as the host component for 10 cities which will require counselors, city coordinators, and a Navy Department coordinator.

The Navy envisions training up to 2,250 youth over the 15-month period of the project. The Department of Labor will pay the cost of salaries and training of the trainees, but the service department must pay the cost and support of its designated counselors and participants. This is what the $300,000 is for.

Mr. SLACK. Are there questions?

Mr. MINSHALL. Will you list for the record the 10 cities?

Mr. YENNELLA. Washington, D.C.; Boston; Long Beach; New Orleans; New York City; Norfolk; Oakland; Philadelphia; San Diego; Seattle; and Oahu. This is 11 rather than 10 cities. These cities represent areas in which there is a concentration of naval activities.

PROCUREMENT OF TECHNICAL MANUALS

Mr. SLACK. Admiral, will you provide for the record at this point the amounts being requested for the preparation and procurement of technical manuals for fiscal years 1968, 1969, and 1970?

Admiral GADDIS. We can provide them now or place them in the record.

(The information follows:)

The estimated contractual costs for preparation and procurement of technical manuals is as follows:

Actual fiscal year 1968	$5,516,000
Estimate, fiscal year 1969	6,834,000
Estimate, fiscal year 1970	7,978,000

Mr. SLACK. Admiral, according to information provided the committee, there is an increase of $1.144 million being requested for this purpose in fiscal year 1970—referring to the technical manuals. Why are you requesting this increase?

Admiral GADDIS. The $1.144 million increase is requested for two reasons. First, approximately $700,000 is generated by changes in weapons systems which necessitates an updating of the technical manuals. Second, in fiscal year 1969 and prior years, technical manuals procured indirectly through other Defense Department agencies were classified as in-house costs. In fiscal year 1970 those manuals procured directly or indirectly from other Defense agencies are considered contractual costs to the Navy.

UNIFIED AND SUBORDINATE COMMANDS

Mr. SLACK. The justification book states that a $2.4 million increase is being requested for the unified and subordinate commands for requirements deferred by prior year austere funding. What requirements were deferred in prior years because of this austere funding?

Captain ABERCROMBIE. Of the $2.4 million increase referred to, only $0.2 million is applicable to requirements deferred by prior year austere funding. Requirements deferred are $0.1 for travel and supplies, and $0.1 for the message center computer at CINCLANT.

Mr. SLACK. If they could have been deferred in prior years, why cannot they be deferred in fiscal year 1970?

Captain ABERCROMBIE. The $0.2 million can be deferred; however, the $0.1 million increase for message center computer at CINCLANT is to properly distribute the cost of operating this computer between the unified and the fleet staff.

Mr. SLACK. Are there any questions up to this point, Mr. Andrews?

Mr. ANDREWS. No questions.

TECHNICAL MANUALS

Mr. MINSHALL. I would like to ask what is the total amount for technical manuals. The increase the $1.144 million is an increase of what percentage, for technical manuals.

Admiral GADDIS. The change is from $9.086 million to $10.682 million in this line item for technical manuals, engineering drawings, documentation, and technical data.

Mr. MINSHALL. Is that an inflationary increase?

Admiral GADDIS. For technical manuals only, the level is $6.834 million in 1969, and $7.978 million in 1970.

Mr. MINSHALL. Will you supply for the record the reason for this increase?

Admiral GADDIS. Yes, sir.

Mr. MINSHALL. Thank you.

(The information follows:)

Approximately $700,000 of the $1.144 million increase reflects updating of manuals due to changes in various weapons systems; $400,000 is now shown as contractual whereas they were previously considered as in-house costs. They are acquired from other Defense agencies.

DELETION OF PROVISO AGAINST SPECIAL TRAINING

Mr. SLACK. Next we will consider the proposed deletion of the proviso against special training.

Section 503 of the general provisions of the Department of Defense Appropriation Act for fiscal year 1969 provides in part:

That no appropriations contained in this Act, and no funds available from prior appropriations to components departments and agencies of the Department of Defense, shall be used to pay tuition or to make other payments to educational institutions in connection with the instruction or training of file clerks, stenographers, and typists receiving, or prospective file clerks, stenographers, and typists who will receive compensation at a rate below the minimum rate of pay for positions allocated to Grade GS-5 under the Classification Act of 1949, as amended.

This proviso has been carried in the Department of Defense appropriation act for many years. It is being requested that the provision be deleted from the fiscal year 1970 Department of Defense appropriation bill.

A fact sheet provided the committee states that the Navy is requesting that this proviso be deleted. Will you tell us why the Navy is requesting the deletion of this proviso?

Admiral GADDIS. Yes, Mr. Chairman.

It is possible to live with this proviso in the act. There is no question about it. However, in developing new systems for doing business, particularly when you are associated with ADP systems, this proviso of the act which restricts you from providing training to clerical, typist, stenographic-type positions, automatically restricts you from teaching them directly in contractor facilities the things necessary for them to be coordinated into the new system. In other words, where a typist originally was making out a schedule of charges, now he must prepare a punch card or something like that. This proviso of the act makes it necessary for you to train supervisory personnel in external activities, and then they in turn train the clerical-typist type personnel. In other

words, it can be done, but it seems eminently desirable when what we are talking about principally is taking advantage of the training provided by contractors, and I quote, "without additional charge to the Government," of operating personnel of your organization when a new system is instituted, that the people can be trained direct much more easily than training your supervisors and then having the supervisors train your clerical personnel.

Mr. ANDREWS. What is the length of the training period?

Admiral GADDIS. It would vary, sir, but it is of short duration—3, 4, or 5 weeks.

Mr. ANDREWS. You say they would be trained at contractor's expense?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. Why is that?

Admiral GADDIS. The proviso in a whole series of contracts which we have—I have a list of them across here—concerning training and technical services, specifically provides that this training in the procedures of any systems installed will be provided. "Without additional charge, contractor shall train an adequate number of operating and programming personnel."

Mr. ANDREWS. Don't you think the contractor takes the training into consideration when he fixes the original price?

Admiral GADDIS. Either he trains these people or he trains the supervisors, who in turn must train these people.

Mr. ANDREWS. And at his expense?

Admiral GADDIS. Yes, sir. It would not change the size of the contract.

Mr. ANDREWS. When an employee is being taught, of course the Government pays his or her salary.

Admiral GADDIS. It is on-the-job training, sir. It is not the kind of thing for which you go to a special school.

Mr. ANDREWS. Is the training given in a Navy office in which the machine is installed?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. Does this limitation save the Navy any money, or not?

Admiral GADDIS. I do not think so, sir, because it requires the training of the supervisors in the system, and then the retraining of the clerical personnel in the same system on the job, as if the contractor personnel had trained them.

Mr. ANDREWS. I read here that:

It is estimated that if the restrictive language is removed from the DOD Appropriation Act, of the 38,000 employees in those restricted categories in the Department of the Navy, approximately 10 percent, or 3,800, are hired as replacement each year.

Is that about right?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS (reading):

Of this number, approximately 900 to 1,300 would require some training in non-Government facilities, particularly in the areas of ADP and peripheral equipment operations, such as cardpunch operators, quality control clerks, et cetera, and in the higher utilization of the minority and disadvantaged groups. This training will be accomplished by contractors within the terms of contracts for equipment already under way. No additional funds will be required.

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. What is the history of this proviso? Who suggested it originally?

Admiral GADDIS. It is hearsay, as far as I am concerned. It is a longtime provision.

Mr. ANDREWS. Hearsay evidence is permissible in this committee, but not in a courtroom. Tell us what you hear said.

Admiral GADDIS. The original restriction was to insure against clerical-type personnel being educated in the process of hiring and then educated to the point of being able to handle the job.

There is every good reason for having that kind of restriction on education for lower-level, clerical-type personnel.

Mr. ANDREWS. I understand the Navy would like to be permitted to have certain clerical employees receive instructions in the use of these sophisticated machines at the cost or expense of the contractor.

Admiral GADDIS. Yes, sir, without taking the extra time first to educate the supervisors and then have to——

Mr. ANDREWS. How long has this proviso been in the bill?

Admiral GADDIS. 1949 is the date of the act. I presume it has been in that long.

Mr. ANDREWS. We did not have so many sophisticated machines back in those days.

Admiral GADDIS. No, sir. I will have to admit, sir, that we have been able to live with this provision and would continue to, but it is extremely more complex.

Mr. ANDREWS. How does this tie in with Project Value?

Admiral GADDIS. There is no relation to Project Value, sir.

Mr. ANDREWS. I sometimes wonder how the Navy ever operated without all these sophisticated machines that you have today.

Admiral GADDIS. The job was simpler and it was more handwork and it took longer.

Mr. ANDREWS. We have had a good Navy through the years, but that is progress, I guess. You are doing a good job better now with the machines.

Admiral GADDIS. Yes, sir. It is similar to the difference between getting your information from a lookout or getting it from a radar, sir.

Mr. ANDREWS. That is a good answer.

That is all, Mr. Chairman.

Mr. SLACK. Are there any further questions with regard to this subject?

Mr. MINSHALL. I have no questions, Mr. Chairman, thank you.

OPERATING COSTS—NUCLEAR VERSUS CONVENTIONAL SHIPS

Mr. RHODES. Admiral, do you have any figures to give the committee concerning the difference between operation and maintenance of a nuclear ship as compared to a conventional ship of the same category?

Admiral SHIFLEY. We are working up some information on this and will provide it for the record, sir. I do not have it yet.

Mr. RHODES. I think this should cover a reasonable period of years so as to include the cost of overhaul. It costs more to overhaul a nuclear ship. You have to put in a new core and the like. I would like to

have some idea of what costs we can expect as for these two categories of ships over a reasonable period of years.

Admiral SHIFLEY. As I recall the request from last Wednesday, it was to go back and cover a period of 10 years, what the situation was 10 years ago, 5 years ago, and what it is now, in order to get a trend.

Mr. RHODES. That would be satisfactory.

Mr. MINSHALL. As long as you are doing it, I think you might as well put in a whole discussion about the advantages of operating a nuclear ship over a conventional ship.

Mr. ANDREWS. If necessary, we will call on Admiral Rickover to help prepare it.

(The information follows:)

ADVANTAGES OF OPERATING A NUCLEAR SHIP AS COMPARED TO A CONVENTIONAL SHIP

"Nuclear propulson has the fundamental advantage of permitting our warships to go anywhere in the world, to deliver their combat load and to return; all without logistic support. Nuclear propulsion in the combatant ships will free the striking forces of our Navy from the obvious restrictions of reliance on a worldwide propulsion fuel distribution system. As our potential enemies continue to improve their capabilities over, under, and on the sea, the importance of reducing our dependence on logistic support becomes increasingly critical."

This quotation is from a report issued by the Joint Committee on Atomic Energy, December 22, 1963. Today the new and improved nuclear-powered submarines and surface ships which have been added to the fleet or are being built make it an even more cogent statement of the benefit gained from the use of nuclear power in combatant ships.

The importance of the relative freedom from logistic support for a nuclear-powered ship as compared to an otherwise comparable, fossil-fueled ship has been demonstrated repeatedly by our nuclear-powered surface ships off Vietnam.

Nuclear propulsion helped make possible the fleet ballistic missile weapons system, which continues to be the Nation's foremost strategic deterrent.

Operations such as under-the-icecap patrols, high-speed, submerged crossings of the Atlantic, and sustained submerged operations by attack-type, nuclear-powered submarines have, in the short space of 10 or 12 years evolved from daring exploits headlined around the world to standard operating procedure.

The fact that a nuclear powered submarine or frigate or aircraft carrier is not just a new submarine, frigate or carrier, but a radically different weapons system is not always recognized. This explains at once the difficulty associated with drawing comparisons between nuclear-powered and fossil-fueled ships, and also the controversy that such comparisons have sometimes aroused. Fossil fueled ships cannot do what nuclear powered ships can do.

Experience with nuclear powered ships in actual operations has clearly demonstrated that earlier predictions of the advantages of nuclear power for combatant warships were correct.

In a memorandum to the SECDEF dated 26 September 1963, SECNAV Korth stated:

"The Navy continues to recommend a policy of installing nuclear propulsion in surface warships because it will significantly increase their versatility and effectiveness in war or deterrence of war. Increased range, responsiveness, staying power, and reduced vulnerability provided by nuclear propulsion will make naval forces much stronger and more useful as instruments of national policy and power. Nuclear propulsion provides the following specific advantages which substantially increase military effectiveness both offensively and defensively:

a. Virtually unlimited endurance at high sustained speed which means:

1. Increased tactical flexibility and freedom for independent action.

2. Enchanced opportunity to use evasive transit tracks.

3. Improved capability to operate in bad weather or to take circuitous routes to avoid storms.

4. Ability to extend attack along greater perimeter.

5. Reduced vulnerability to submarine and guided missile attack and freedom from dependence upon replenishment in area of high threat.

6. Greatly reduced dependence upon mobile logistic support.

7. Elimination of concern for loss of fuel oil facilities at the source, prepositioned fuel depots, or en route to the refueling rendezvous.

8. Ability, under severe threat situations, to operate from distant bases, completely free of logistic dependence, cycling in rapid transits for ammunition and aviation fuel.

b. Feasibility to design for sealing ship against atomic, biological, and chemical attack due to elimination of air intake required for boilers.

c. Elimination of corrosive effect of stack gases on radar antennas and aircraft and the hazard of flying through the turbulent path of the exhaust gases. Elimination of stacks and air intakes eases topside arrangements.

d. Increasing shipboard electric power requirements for new radars, sonars, and missile systems can be accommodated by nuclear reactors without reducing the range of the ship during operational deployments."

In January, 1966, Rear Adm. Henry L. Miller, USN, Commander, Carrier Division 3, wrote of his experiences with *Enterprise* and *Bainbridge* during their first Vietnam deployment:

ADVANTAGES OF NUCLEAR POWER AND ITS UTILIZATION IN A COMBAT ENVIRONMENT

(By Rear Adm. Henry L. Miller, U.S. Navy, Commander Carrier Division 3.)

Since the advent of mechanical propulsion, ships have been freed from the uncertainty of dependence on the wind for motive power, but this advantage has been significantly reduced by the constant requirement for fuel whether it be coal or oil. Today, this inhibiting characteristic has been eliminated by the development of nuclear power.

The advantages of nuclear propulsion for surface ships do not appear dramatic nor spectacular when compared to nuclear powered submarines, for nuclear power gave us the true submersible for the first time in history—a truly dramatic breakthrough in the state of the art. However, once the lines are cast off from dockside and the nuclear powered ship starts to move, the commander realizes immediately that the unlimited, sustained power in the hull of that ship can give us or any other power that develops it, a dynamic revolution in naval warfare. It allows a commander to devote his attention and plans, toward effectively executing whatever task he has been assigned, without having to worry every step of the way about his logistic support of black oil.

As you recall, during World War II, we developed replenishment and refueling at sea to a high art. Such achievements greatly reduced our dependence on shore bases; allowed us to keep our combat ships at sea longer, and thus increased our combat effectiveness. Still, the times that fuel oil or the lack of it played a vital role in the success or failure of battles of World War II is astounding. Historians credit the inability to provide adequate fuel oil as being one of the most significant items leading to the downfall of Japan.

Today, nuclear powered task groups, without the constant periodic black oil replenishment, can add to our combat effectiveness by totally eliminating the black oil need. Nuclear power has and will continue to have a tremendous impact on the effectiveness and capability of the fleet as a whole.

The ultimate product of nuclear power when equated to a surface warship could probably best be summed up as "a vastly increased response." Whether it be providing greater versatility, flexibility, mobility, reliability or any of the dozens of highly desirable features of a man-of-war, the nuclear propelled man-of-war responds the best. In short, it can do just about everything better, easier, and faster than her conventional brethren. As such, nuclear power becomes of vital significance in the execution of national policy and the application of naval power.

During the past several months, we have had occasion to observe, in combat, the first nuclear task group, including the aircraft carrier U.S.S. *Enterprise*, CVAN65, and the frigate U.S.S. *Bainbridge*, DLGN25. A broad reference has just been made to the influence nuclear power could have on the waging of war. I would now like to draw attention to several advantages of the superiority of the all nuclear powered task group. Then I want to give several specific examples that have been experienced during these past several months of combat and that point up and support the advantages I will now enumerate:

1. Increased tactical flexibility as a result of unlimited endurance at high speed. This permits:

(*a*) Greater use of evasive tracks when approaching the objective area thereby reducing the probability of detection.

(*b*) Longer routes to avoid storms.

(*c*) Capability to operate in bad weather is improved by the elimination of the hazardous and, sometimes, infeasible refueling requirement under these circumstances.

(*d*) The high speed endurance extends the ability to attack along a greater perimeter of coastline.

(*e*) The ability to maintain high sustained speed reduces the vulnerability to submarine and guided-missile attack. High speed is one of the most important measures to employ against submarines and guided-missiles.

2. Reduction of replenishment frequency with a greatly reduced dependence upon all forms of mobile logistic support (not only fuel)—as a result of increased storage space formerly required for fuel oil. *Enterprise* took on aviation fuel and ammunition about once every few days.

3. Air intakes for boiler operations are eliminated thereby greatly improving the capability to seal the ship against atomic, biological and chemical attack—a quantum jump in ability to survive.

4. Elimination of the undesirable stack gases and smoke which not only make it difficult for the pilots sitting in their planes prior to take-off or during approaches to a landing but also adds considerably to the Navy's maintenance bill due to the corrosive effects of the stack gases on communication and radar antennas and on aircraft.

5. The concern for loss of fuel oil facilities is eliminated. This includes the loss of facilities at the source (in any foreign country) by political action. It also includes the loss of prepositioned fuel depots to the enemy or the loss of the replenishment oilers enroute to refueling rendezvous as a result of enemy action.

6. There is the ability, under severe threat situations, to operate from distant bases completely free from mobile logistic dependency, with the capability of high speed return to such bases for replenishment of aviation fuel and ammunition.

7. Increased maneuverability resulting from much more rapid acceleration and deceleration.

8. High standards of technical training set in the nuclear propulsion program.

9. A cleaner ship internally and externally saving hundreds of thousands of hours a year in cleaning ship and aircraft.

10. And finally—ships in the 1967 and 1968 programs will be with us until the turn of the century. We are buying time if we build nuclear powered ships. We are buying reduced effectiveness if we purchase oil burning warships.

Most of the above comments apply to any nuclear combat ship, be it carrier, destroyer, or cruiser. I would like to emphasize a few pertinent points, however, with respect to the DLGN *Bainbridge*. Several specific examples of her performance on this deployment will be mentioned later. She, of course, derives all the same benefits from nuclear power that the carriers do with the exception of those affecting air operations. But some are particularly applicable to her specialties—air defense and anti-submarine warfare.

A. With a nuclear ship, the screen commander has one always ready as a submarine search and attack unit. There is no need to worry about which ship is ready or how long the unit may be away from the screen. Nor is there a need to relieve her with a freshly refueled ship.

B. Independence from an external fuel source enables her to provide uninterrupted screening of aircraft carriers or other large ships. This is especially applicable during replenishment operations while the force is at a vulnerable slow speed and steady course.

C. There is no need for the carrier to interrupt air operations to refuel her nuclear-powered escort because the escort is freed from worries over fuel.

D. She can more readily follow speed changes of the carrier, for example, faster acceleration and deceleration.

E. And finally, as a picket she can remain on station without oiler need, or destroyer relief in order to retire to refuel.

Now, for some examples of how some of these advantages of nuclear propulsion have affected our operations on the current deployment.

First, let me speak of the transit of *Enterprise* and *Bainbridge* from Norfolk, Va., to Subic Bay in the Philippine Islands, a concrete example of not only flexibility but conservation of resources as well.

We were directed to maintain a speed of advance (SOA) of something in excess of 20 knots the entire 16,000-mile trip. This was accomplished with ease; with absolutely no strain. While doing this, flight operations were conducted for

a total of 9 days and 3 nights. In addition, a 13-hour search was made in an area of the South Atlantic Ocean as a result of a man falling overboard. Regardless of this high SOA and resultant delays, the entire transit proved to be a routine event with arrival in WestPac exactly as scheduled and yet with sufficient jet fuel remaining to conduct days of heavy combat operations. The most obvious and immediate gain was the fact that *Enterprise* commenced combat operations shortly after arrival with an air wing in a comparatively high state of readiness. This was demonstrated by the fact that on only her second day of operations, she set a new daily record for combat sorties by any CVA performing in-country support.

In contrast to the *Enterprise* transit, had any other oil-burning CVA such as *Forrestal* class attempted to accomplish the same transit in the same timespan and conduct similar operations, it would have consumed some several million gallons of fuel en route. This would have necessitated prepositioning oilers along the track in order to prevent the oil-burning CVA from running out of fuel. The inconvenience and added expense of maintaining the oilers are, of course, obvious. A conventional frigate the size of *Bainbridge* would have had to refuel several times along the track at the high sustained speed made by *Enterprise* and *Bainbridge*.

This same situation would exist in a tactical environment as well. If for example, *Forrestal* and *Enterprise* were ordered from the South China Sea to another area at flank speed, to forestall or counter another outbreak of Communist aggression, *Forrestal*, in order to carry out the speed required, would possibly (depending on how far) require refueling before departure and perhaps require it seen after arrival. This would generate a requirement for an oiler to be scheduled to fuel *Forrestal* soon after arrival. If an oiler were not available for this purpose, *Forrestal* would proceed to station at a much slower speed than desired in order to conserve fuel, and upon arrival limit her operations—also to conserve fuel—until an oiler could be positioned.

Enterprise, however, and with *Bainbridge* as an escort ship, could respond instantly, arriving ready to meet the task without need for fuel and remain on station within the limits of her expenditure of aviation fuel and ordnance. This is much greater than *Forrestal*, as a result of the increased storage space for these items usually required for fuel oil storage, air intakes for boilers, and the huge smokestacks.

Thus, in comparing the responsiveness and staying power of these two mighty ships, *Enterprise* would be able to arrive sooner, stay longer, and deliver many more combat sorties than *Forrestal*—this increased effectiveness stemming primarily from the fact that she has nuclear rather than conventional propulsion.

To document this in even more detail, I would like to mention the following:

First is the fact that *Enterprise* carries one more squadron—an A4C squadron at the present—than any of the other big CVA's. Although *Enterprise* is slightly larger than *Forrestal*, for example, one of the primary space savers comes as a result of elimination of smokestacks, air intakes, and the many other items normally running up through the ship to provide for the proper functioning of conventional boilers. A quick glance at a side view diagram of *Enterprise* and any other CVA points up the smaller island structure of *Enterprise* with a resultant increase in available aircraft parking space. This same condition exists down through the lower decks as well. The end product is more shop space, living space, storerooms, and so forth, and on the hangar deck, again more aircraft parking and maintenance space.

Commenting further on the storage space, we have now found, even with the high intensity of flight ops, that a longer refueling cycle is completely acceptable with respect to aviation fuel. The only factor affecting this cycle is the pumping rate of the tanker *Enterprise* refuels from. The advantages to be gained from this longer period between replenishments versus the shorter period include such important items as:

A. Lesser period of higher vulnerability from air, surface, or submarine attacks.

B. Greater periods of time to be performing combat operations.

C. Greater periods of time can be spent at remote distances from the unrep "lifeline."

D. More crew rest in what is already a greatly overworked environment.

These, and many others have often been enumerated before in discussion of nuclear power but they have been particularly notable during the operating period since December 2, 1965 when *Enterprise* went on the firing line in the South China Sea.

(Paragraph deleted by the Department of Defense.)

A similar situation exists with regard to conventional ordnance stowage, the second item of primary significance is evaluating *Enterprise*'s combat staying power. If, under normal circumstances, a reasonable onboard reserve is maintained, this, with the previously mentioned greater jet fuel, provides a potent and previously unattainable sustained operational capability. And going still further, *Enterprise* could be sent with full jet fuel and ammunition loads to any ocean area of the world and fight for many days before running out of fuel and ammunition.

We had several specific examples of rapid reaction during the first few days of our combat operations. The first occurred as we were proceeding from Subic Bay to our station off the southeast coast of South Vietnam. We received word of a submarine sighting by an underway replenishment (unrep) ship some 145 miles from our position. The unrep ship was without ASW protection so we were directed to detach a ship to provide assistance. *Bainbridge* was, without question, the obvious and in fact only choice. Within less than 5 hours she had transited the 145-mile distance and was actively performing ASW search in the suspect area. Most probably our earliest concern with *Bainbridge* would have been several days later when we may have had to send an ammunition ship to replenish ordnance if she had had any extensive ASW engagements. If the ordnance usage were relatively light, our next concern may have been weeks hence when we decided to send along some fresh vegetables.

In contrast, the two conventionally powered destroyers also accompanying us required nearly 5 hours' time to close *Enterprise*, top off with black oil and then depart to the submarine contact area. By the time they arrived, some 10 to 20 hours had elapsed. Then, of course, the immediate and necessary problem of keeping them in fuel oil began. Regardless of the amount of combat operations they engaged in, an oiler unrep ship would have been a twice a week necessity. Again, the inconvenience and added expense is obvious.

Some 5 days later this situation repeated itself when an additional destroyer was required to be moved rapidly from our task group north to the Tonkin Gulf area, a distance of about 500 miles. Again, *Bainbridge* was the logical choice. Twenty hours after she was directed to detach, she arrived on station fully prepared to execute all missions assigned. Not so a conventional destroyer. The average oil burner would probably have required refueling soon after arrival in the gulf area. Continued frequent refueling would, of course, then have continued as the norm.

Enterprise too was involved in a similar incident shortly after arriving on the line. Late one evening, while operating southeast of Saigon, a message was received to the effect that the Cam Ranh Bay Airfield was generally unserviceable because of heavy rains. *Enterprise*'s bird farm of about 100 planes was required early the following morning in the 2d Corps northerly area of South Vietnam. Response was instantaneous and because of her capability for sustained high speed, *Enterprise* was launching support operations in this northern area in less than 9 hours after the initial alerting message. Conventional ships can, of course, take similar actions. However, they would require redisposition of replenishment ships to supply fuel. The nuclear ships can immediately respond to a request of this type, operate for some days, and then return to their normal stations without affecting replenishment force schedules and positions.

Increased maneuverability was mentioned earlier as a much desired advantage of nuclear power. The examples of this are a daily, in fact more properly, an hourly occurrence. The maneuverability, combined with tremendous acceleration and deceleration characteristics, provide the carrier skipper with a truly amazing response—it is an instantaneous response. Getting underway, turning into the wind for launch and recovery, approaches to replenishment ships and general ease of shiphandling are constantly recurring examples of this. And, of course, in the ever-present environment of possible enemy offensive surface craft and surface-to-surface missiles, this rapid response could very easily mean the difference between survival and disaster. In routine evolutions, *Enterprise* has consistently left the destroyers—commonly referred to as the greyhounds of the seas—in her wake. One conventionally powered DD skipper said he drops behind station some 1,500 yards in, for what is to the big "E", a routine acceleration from 15 to 25 knots. In a man-overboard maneuver if "E" is 12 knots or lower, she stops immediately and goes to full speed astern. This cannot be done in a conventionally powered ship.

This capability for sustained speed and outstanding maneuverability provides another especially attractive feature in the South China Sea. Because of under water geographical conditions, the submarine in this area is essentially required to remain near the ocean surface. *Enterprise* considerably enhances her own safety by avoiding the submarines with the use of her speed.

An advantage also mentioned earlier was elimination of stack gases and smoke. The point was made of the reduction or elimination of these corrosive effects on the aircraft and the ship, and on ship's components so that many thousands of man-hours were saved each year in the process by a vast reduction in cleaning requirements. Today under our present tempo of operations, this savings in manpower is probably one of the most important items that can be realized. When 16- to 20-hour days are the routine, the ability to make available, additional manpower, even if only to permit the crew to get an additional hour or so of much needed sleep, is of special significance in the ship's overall performance.

An excellent example of corrosion control is available in one of the F–4B squadrons presently on board. A year ago, this squadron with essentially the same aircraft were deployed on the U.S.S. *Ranger*, a conventionally powered ship. Any man who was a plane captain on that cruise will attest to the long hours he devoted to sweeping stack gas residue from his airplane in an attempt to maintain some semblance of cleanliness. The problem of corrosion control became so acute that corrosion control teams on the F–4B had to be increased from four to six men working 12 hours a day plus augmentation with an additional four to six men on nonoperating days just to curtail the spread of corrosion. And still within 3 months after deployment the airplane out of commission time because of the necessity to repair and replace access covers, stabilators and all open seams on the F–4B approached the point of being unacceptable. A post deployment inspection revealed that some of the aircraft had reached such an advanced stage of corrosion damage that a major effort had to be expended in this area of repair.

Conversely, in the first 3 months aboard *Enterprise*, the F–4B corrosion control teams have been maintained at a level of five men. They have noted a marked difference in the corrosion control effort required aboard *Enterprise* as compared with other carriers. To date none of the covers or doors mentioned previously have had to be replaced. The aircraft are immeasurably easier to keep clean, freeing the plane captain for other important duties. Records indicate that a 15- to 20-percent reduction in man-hours required for corrosion control has been realized during this deployment on *Enterprise*.

Similarly the commanding officer of *Bainbridge* has completed a survey of his ship which indicates a savings of 440 man-hours per week as a result of having no oil burning residue to contend with. This time is, of course, well spent in preventive maintenance and training rather than in cleaning the ship.

One minor but interesting side note that helo pilots have brought to the attention of the commanding officer of *Bainbridge* was the lack of stack gases when inflight refueling. Any aviator who has ever operated off a conventionally powered carrier can attest to the discomfort of random stack gases blowing over the flight deck. To a helo pilot, required to sit directly in the gas for upwards of 10 minutes when refueling, the advantages from *Bainbridge*'s unique situation could be quite helpful.

Another advantage gained directly from the nuclear plant is increased electrical power. The demands for this power are many and varied and increasing almost daily with the introduction of better radars, sonars, and missile systems. This electrical power is of course generated by steam power, and is made available through the ship's propulsion plant. It follows that the greater the requirement for electrical power, the greater the fuel consumption and thus a consequent reduction in fuel available for propulsion. For nuclear powered ships this is not a consideration.

One additional word on catapults. As you know, all our carriers now use steam pressure for the firing of catapults. And, of course, as just mentioned, this steam must come from the ship's engineering plant. We found last year in the South China Sea in *Ranger* during conditions of low wind and high temperatures requiring the ship to steam at very high speeds during launchings that the rate of buildup of steam in the catapults could become critical. Delays of 10 to 20 seconds between launches on the heavy aircraft was not uncommon while waiting for adequate steam pressure to build up. Although this seems minor, when the requirement exists for large launches or for rapid response to a threat to the force, this time can be significant. This slow buildup has not been the case with *Enterprise*. Regardless of the conditions, steam is available now and in the quantities desired.

These last several paragraphs have cited just a few examples of the many advantages we have already experienced during this "combat cruise." They are realistic and typical. They are the type of items that will continue to occur in increasing frequency as the full operational capability of nuclear power is investigated, exploited, and documented.

And now let us examine another facet of nuclear power that takes on considerable importance when the topic of providing for additional nuclear propelled warships is discussed. This facet is cost effectiveness.

By 1963, nuclear propulsion technology had progressed to the point where we were technically capable of constructing a carrier of the same size and operating characteristics as *Enterprise* but with only four reactors producing the same shaft power as *Enterprise*'s eight. These reactor cores had about a 7-year life as opposed to the approximately 3-year life of *Enterprise*'s cores. Since that time, the state of the art has taken another quantum jump and we can now produce a two reactor plant that can drive a ship the size of *Enterprise* and will require refueling only once in the life of the ship.

A study was made on the total cost of constructing and operating a two-reactor nuclear carrier over its lifetime, with its aircraft. The nuclear carrier was compared to the conventional carrier's total cost under the same conditions. The total cost for the nuclear powered carrier came to 2% more than the conventional. With nuclear powered escorts, the all-nuclear task group was calculated to be about 6% more expensive than the conventional carrier group, depending on the specific assumptions for force composition and costs.

(Three paragraphs deleted by the Department of Defense.)

The successful operations of *Enterprise*, *Bainbridge* and *Long Beach* have demonstrated the military advantages of nuclear powered surface ships, and have confirmed our ability to build effective and reliable ships of this type. Reactor core improvements in the past 10 to 11 years, as validated by the nuclear submarine program, have increased the life of nuclear cores by a factor of over three and at the same time have decreased the cost by a factor of three or more, so that today the actual cost per unit of energy is only one-tenth what it was 10 years ago, and there is every possibility that we will be able to make further improvements in the unit cost of nuclear energy in the future.

Two final points that have implication far beyond the immediate situation with *Enterprise* and *Bainbridge*. First, we have seen an almost complete revolution in undersea warfare with the advent of the nuclear submarine. And all within the last decade. The concept of what are virtually self-sustained boats in our submarine fleet, combined with the deadly Polaris missile is one of the greatest single military advantages that the United States possesses over any other nation in the world today. We know, however, that the U.S.S.R. has succeeded in producing nuclear powered submarines and I assume they are progressing rapidly with a submarine compatible missile similar to Polaris. In other words the power advantage in this one vital area is lessening. We have, however, the most powerful surface Navy in the world today. We can retain our current overall naval superiority—and in fact increase it—by a conversion to nuclear powered warships. Nuclear power is such a significant advance in the state of the art in naval warfare that the Nation with the first nuclear navy will become the world's leading naval power.

My second point is the significance that the nuclear power program can have on our national industrial potential. Nuclear plants for civilian use are a natural follow-on to nuclear power in naval ships. This advancement in technology, and in fact, creation of a new industry will be a requirement for our future domestic needs. The Atomic Energy Commission has stated as early as 1962 that in 10 years 20 percent of our new powerplants will be nuclear powered. This will continue to spread well beyond the borders of the United States. Every nation will be looking for a nuclear powerplant and other products of nuclear power, and will naturally turn to the nation with the best product. A nuclear power industry with a sound base in research, development and production will provide vast benefits to that nation, far beyond all expectations. We have competition. Great Britain, France, Russia, and Germany at this very moment. All are engaged in building nuclear power industries of some kind. France is concentrating her nuclear power in building submarines. Germany on the other hand is pointing her R. & D. in nuclear power to merchant ships. Great Britain and Russia are interested primarily in putting nuclear power into their navies. The United States, however, has one dramatic and successful advantage—a full decade of experience with at least a partial nuclear Navy and one merchant marine ship. This is an advantage we cannot—we must not—lose. The freedom and economic well-being of our Nation is at stake.

In summary, the evolution of the Navy to a progressive program of nuclear power can revolutionize our naval establishment and naval warfare in a more dramatic manner than that realized by the change from sail to steam or from coal burning to oil burning propulsion plants. The future of the U.S. Navy is nuclear power. We must not ignore it.

The Chief of Naval Operations, in a memorandum to the Secretary of the Navy dated April 14, 1966, summarized the advantages that nuclear powered surface ships have over their fossil-fueled counterparts, as confirmed by operating experience gained during more than 1,220,000 miles steamed by the *Enterprise, Long Beach, Truxtun,* and *Bainbridge.*

1. Virtually unlimited endurance at high speeds which gives:
   (*a*) Increased tactical flexibility and freedom of independent action.
   (*b*) Capability to cycle in high speed transit to and from distant and less vulnerable sources of ammunition, aviation fuel, and other supplies needed to continue in action.
   (*c*) Freedom to extend attack along a greater perimeter.
2. Reduced vulnerability due to:
   (*a*) Freedom to extend attack along a greater perimeter.
   (*b*) Improved capability for sealing ship against nuclear, biological, and chemical attack.
   (*c*) Enhanced opportunity to use evasive transit tracks.
3. Significantly reduced dependence upon logistic support gives:
   (*a*) Decreased requirement for mobile support forces.
   (*b*) Reduced requirements for Navy special fuel oil (NSFO) at bases and prepositioned at depots.
4. Greater attack effectiveness due to:
   (*a*) Ability to be on attack station a higher percentage of time.
   (*b*) Increased ability to exploit weather conditions.
5. Reduced maintenance effort on hulls of ships and aircraft by elimination of corrosive stack gases.

All of the above advantages, with the exception of reduced topside maintenance, apply equally to submarines.

But there is really no way of comparing the FBM submarine with a diesel submarine because there are no diesel submarines armed with strategic weapons. Two quotations provide some insight as to the importance of the nuclear powered fleet ballistic missile submarine as a strategic deterrent:

"The nuclear propelled ballistic missile submarine marks the closest approach now foreseeable to an ultimate deterrent" (Senator Clinton); and "Once one has seen a Polaris firing, the efficacy of this weapon system as a deterrent is not debatable" (President John F. Kennedy).

The nuclear powered attack submarine possesses the same advantages of endurance, speed, and maneuverability inherent in nuclear powered surface ships. But the use of nuclear power in a submarine also makes it a true submersible, virtually independent from reliance on the earth's atmosphere within the limits of crew endurance. The fact that it is a true submersible makes the nuclear powered attack submarine not only a formidable offensive weapons system, but probably the best defensive (ASW) system against other submersibles.

NAVAL AIRFIELDS

Mr. MINSHALL. How much traffic do you have in and out of Patuxent Naval Air Station and what you are using it for?

Admiral SHIFLEY. Yes, sir.

(The information follows:)

The Naval Air Station, Patuxent River, Md., primarily supports the Naval Air Test Center and Fleet antisubmarine operational and training squadrons. During calendar year 1968 the combined local and transient flights at Patuxent River totaled 157,952 flight operations.

Mr. MINSHALL. What are some of your other major airfields?

Admiral SHIFLEY. One of our master jet fields is Oceana, which is down near Virginia Beach. Another master jet field which is very busy——

Mr. MINSHALL. What are some that are not so busy?

Admiral SHIFLEY. I would say Quonset is not as busy as the master jet fields.

Mr. MINSHALL. What do you do there?

Admiral SHIFLEY. It supports primarily antisubmarine air groups.

Mr. MINSHALL. Without getting into too much detail, include the west coast, south, gulf, and all the rest.

Admiral SHIFLEY. I will give you the essential facts.

Mr. MINSHALL. What do you have around New England and New York?

Admiral SHIFLEY. We have Floyd Bennett, but that is a Reserve station, NAS New York. Then we have Quonset, which I mentioned. We have a field at Brunswick, Maine, which supports patrol plane operations.

Mr. MINSHALL. And at Mayport down in Florida?

Admiral SHIFLEY. We have a field down there, but that is primarily to support the carriers and the other ships that are homeported or based there. This is not a fleet operating field with combat squadrons permanently based there.

Mr. MINSHALL. Is the Navy Department maintaining any airfields and/or strips that are not being used or in mothballs, so to speak, or being used very little?

Admiral SHIFLEY. No, sir; none that I recall.

Mr. ANDREWS. What did you do with that field at Sanford, Fla.?

Admiral SHIFLEY. I am not sure we even still own the property, but it has not been an operational field for many years. That was a World War II field, part of the operational training complex in Florida.

(Clerks note: The Navy subsequently supplied the following additional information:)

The Navy closed NAS Sanford, Fla., on July 1, 1968, and transferred the Sanford mission to NAS Albany, Ga. The city of Sanford requested use of the field and facilities and was granted a right-of-entry on March 15, 1969. Approval of a deed of transfer to the city is currently pending.

Mr. MINSHALL. What are you using Floyd Bennett for?

Admiral SHIFLEY. Reserve training, and there are a number of other activities.

Mr. MINSHALL. Is it not getting a little congested up there? Are there not a lot of buildings going up there?

Admiral SHIFLEY. They are closing in on it, yes, sir.

In addition to the Navy air operations out of Floyd Bennett, there are a number of other operations. The Coast Guard operates out of there. The New York Police operate some aircraft of various descriptions out of there. It is getting built up there, it is true.

Mr. MINSHALL. Have you any fields up on Long Island?

Admiral SHIFLEY. No, sir.

(The information follows:)

The Navy owns the airfield on Long Island at Calverton currently being operated by the Grumman Aircraft Corporation. The airfield is used in connection with test and production of military aircraft.

Mr. MINSHALL. Put the whole story in the record.
Admiral SHIFLEY. Yes, sir.
Mr. MINSHALL. Thank you very much.
(The information follows:)

LEVEL OF ACTIVITY AT NAVAL AIRFIELDS

The following table shows the primary missions supported and the level of activity at Naval Air Activities in the Continental United States during Calendar Year 1968:

Station	Primary missions supported	Total operations,[1] calendar year 1968
NAS, Alameda, Calif.	Aircraft rework/various	132,352
NAS, Albany, Ga.	Jet reconnaissance	75,092
NAS, Brunswick, Maine	Antisubmarine patrol	40,925
NAS, Cecil Field, Fla.	Jet attack	202,228
NAS, Chase Field, Tex.	Advanced jet training	285,810
NAF, China Lake, Calif.	Research and development	31,258
NAS, Corpus Chiristi, Tex.	Advanced prop training	512,166
NAS, Dallas, Tex.	Naval Air Reserve	118,461
NAS, El Centro, Calif.	Various	114,923
NAS, Ellyson, Fla.	Helicopter	1,579,435
NAAS, Fallon, Nev.	Jet attack	85,162
NAS, Glenview, Ill.	Naval Air Reserve	62,175
NAS, Glynco, Ga.	Technical training	48,155
NAS, Grosse Ile, Mich.	Naval Air Reserve	30,102
NAS, Imperial Beach, Calif.	Helicopter	158,000
NAS, Jacksonville, Fla.	Aircraft rework/various	35,660
NAS, Johnsville, Pa.	Research and development	12,237
NAS, Key West, Fla.	Various	159,826
NAS, Kingsville, Tex.	Advanced jet training	553,930
NAS, Lakehurst, N.J.	Various	148,062
NAS, Lemoore, Calif.	Jet attack	347,012
NAS, Los Alamitos, Calif.	Naval Air Reserve	120,402
NavSta, Mayport, Fla.	Various	26,563
NAS, Memphis, Tenn.	Technical training/Naval Air Reserve	58,350
NAS, Meridian, Miss.	Basic jet training	421,663
NAS, Miramar, Calif.	Jet fighter	342,000
NAS, Moffett Field, Calif.	Antisubmarine patrol	121,402
NAS, New York, N.Y.	Naval Air Reserve	51,818
NAS, New Orleans, La.	do	106,225
NAS, Norfolk, Va.	Aircraft rework/various	121,853
NAS, North Island, Calif.	do	173,581
NAS, Oceana, Va.	Jet attack/fighters	148,800
NAS, Olathe, Kans.	Naval Air Reserve	40,823
NAS, Patuxent River, Md.	Research and development and antisubmarine	157,592
NAS, Pensalcoa, Fla.	Basic prop/jet training	367,584
NAS, Point Mugu, Calif.	Research and development	49,548
NAS, Quonset Point, R.I.	Aircraft rework/various	64,895
NAS, Saufley Field	Basic prop training	1,312,450
NAS, Seattle, Wash.	Naval Air Reserve	30,133
NAS, South Weymouth, Mass.	do	49,885
NAS, Twin Cities, Minn.	do	74,915
NAS, Whidbey Island, Wash.	Jet attack	123,156
NAS, Whiting Field, Fla.	Basic prop training	720,230
NAS, Willow Grove, Pa.	Naval Air Reserve	59,927

[1] Aircraft operations include aircraft arrivals and departures, field carrier landing practices, ground-controlled approaches (actual and simulated), and touch-and-go flights.

REVOLVING AND MANAGEMENT FUNDS, NAVY

WITNESSES

REAR ADM. W. D. GADDIS, U.S. NAVY, DIRECTOR OF BUDGET AND REPORTS, OFFICE OF THE NAVY COMPTROLLER
VICE ADM. R. SHIFLEY, U.S. NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS (LOGISTICS)
CAPT. W. N. FITZPATRICK, U.S. NAVY, COMPTROLLER, NAVAL SHIPS SYSTEMS COMMAND
CAPT. W. McHENRY, SC, U.S. NAVY, DEPUTY COMMANDER, PROGRAMING AND FINANCIAL MANAGEMENT, NAVAL SUPPLY SYSTEMS COMMAND
CAPT. M. GODEK, U.S. NAVY, COMPTROLLER, MSTS
COL. R. W. CALVERT, U.S. MARINE CORPS, DIRECTOR, FINANCIAL MANAGEMENT DIVISION, HQMC

Mr. SLACK. The next item is entitled "Revolving and Management Funds, Navy."

Admiral Gaddis, will you please proceed with your statement.

GENERAL STATEMENT

Admiral GADDIS. Mr. Chairman and members of the committee, it is my pleasure to appear before you to provide information regarding the revolving and management funds used within the Navy and Marine Corps. Through the use of the funds we are able to more effectively finance and manage certain of our operations that lend themselves to the commercial-type aspects, of such funds. The Navy and Marine Corps Stock Funds, the Navy Management Fund, Naval Working Fund, Naval Industrial Fund and the newly established Marine Corps Industrial Fund are considered to be our more significant revolving funds and with your permission I would like to devote my remarks to these funds. In particular I will give you some details on the expanded scope of coverage of items financed in the Navy Stock Fund.

NAVY MANAGEMENT FUND

The programs financed through the Navy Management Fund are reviewed and justified as part of their respective parent appropriations. Transfers are made from the parent appropriation to the management fund, which, in effect, acts as a "clearing house" in the settlement of charges.

Our requirements in fiscal year 1970 are $677 million, about the same level as that expected in fiscal year 1969. Most of this is to finance transportation of material and equipment.

NAVAL WORKING FUND

The total activity in the Naval Working Fund in fiscal year 1970 is estimated at $18 million. This is about a $3.5 million increase over the level experienced in fiscal year 1968 but is the same as that expected in fiscal year 1969. The coverage and content of the fund has remained essentially the same for the past several years.

NAVY STOCK FUND

The planned expansion of the scope of coverage by the Navy Stock Fund was implemented on July 1, 1968. This expansion is part of a continuing Department of Defense program to improve management of inventories. We reported to the committee last year that this expansion was estimated to require the capitalization into the stock fund of approximately $1,116 million in expense or consumable-type items which were formerly financed by the "Procurement of Aircraft and Missiles, Navy" and "Other Procurement, Navy" appropriations. It is now expected that about $1,199 million in inventory will be actually capitalized into the fund during the current year. With respect to sales our experience indicates that purchases of these items by customers will amount to approximately $430 million or $90 million less than planned. This, in turn, has caused us to reduce the fiscal year 1969 transfer to the "Procurement of Aircraft and Missiles, Navy" appropriation to $345 million vice the $375 million reported last year. This reduction is reflected in the "Procurement of Aircraft and Missiles, Navy" budget now before you. Our stock replacement program has been adjusted downward to offset for the lower sales projection.

Fiscal year 1970 obligations for the Navy Stock Fund are estimated at $2,762 million, which is $497 million more than the plan for fiscal year 1969. This increase does not represent a further growth in the scope of coverage by the fund but is related to the expansion of our retail inventory system in which obligational authority is required to move material from a wholesale segment of the stock fund to a lower level which is commonly referred to as the retail system. The retail system was installed so that we can have simplified financial control over material which was formerly managed by applying only stock level discipline. Fiscal year 1970 sales of $2,910 million, an increase of $562 million over fiscal year 1969, includes primarily an increase of $421 million of sales for the retail system and $121 million in aviation-expense type.

Inventory levels are expected to decrease by the end of fiscal year 1970 to $1,501 million, a decrease of $140 million from the amount estimated to be on hand at the beginning of the year. This decrease is all in long supply or excess stocks since we expect to hold the mobilization reserve stock level at $246 million.

MARINE CORPS STOCK FUND

During fiscal year 1969 and fiscal year 1970 the scope of the Marine Corps Stock Fund remains unchanged. Fiscal year 1970 sales are estimated at $258 million or only $6 million more than the planned amount for fiscal year 1969. Obligational requirements are set at $241 million for the budget year. This represents a $5 million increase over the amount planned for fiscal year 1969. The budget calls for an end-year inventory of $172 million, including $83 million of mobilization reserve stocks. Total inventory is $19 million lower than the inventory on hand at the beginning of the year.

NAVY INDUSTRIAL FUND

At the time the President's budget was prepared there were 85 activities operating under the Navy Industrial Fund. The two largest industrial fund programs are our naval shipyards and the Military Sea Transportation Service which do an annual business approximating $1.2 billion each. Other major facilities operated under the industrial fund are aircraft maintenance and ordnance with an annual volume of business approximately $600 and $500 million, respectively. Subsequent to the preparation of the fiscal year 1970 budget only one additional account has been added. This is the Naval Weapons Station, China Lake, Calif., which was consolidated with the already industrially funded Naval Weapons Center, Corona, Calif., on January 1, 1969. In addition to the China Lake activity, it has been decided to industrially fund 14 more Research and Development activities effective July 1, 1969.

The fiscal year 1970 budget contemplates the continuation of the progress payment procedures inaugurated in January 1968, thus retaining an operating policy similar to our contractual dealings with private industry.

Cash working capital allocated to industrial fund activities on December 31, 1968, totaled $173.8 million. The operations for fiscal year 1968 reflected a gain of $22.7 million on revenue of $3.7 billion, a variation of less than two-thirds of 1 percent from achieving the desired breakeven point. This data is shown in exhibit 1.

Revenue for fiscal year 1969 and fiscal year 1970 exclusive of the additional revenue which will be obtained from the aforementioned consolidation is estimated to be $4.1 billion and $4.0 billion, respectively. This represents a turnover rate of allocated working capital to annual sales of approximately 22½ to 1 for both fiscal year 1969 and fiscal year 1970.

Exhibit II lists the activities operating under the Navy Industrial Fund on December 31, 1968, together with certain operating information.

MARINE CORPS INDUSTRIAL FUND

In implementing the Department of Defense policy of uniform financial procedures for operating commercial-type facilities, the Marine Corps Maintenance Depots at Albany, Ga., and Barstow, Calif., were converted to industrial fund operations on July 1, 1968. The cash working capital allocated to these two activities amounts to $4.6 million and was obtained by transfer from the Navy Industrial Fund.

Sales for fiscal year 1969 and fiscal year 1970 are estimated to be $24.4 million and $25.2 million, respectively.

This completes my statement, Mr. Chairman. I will now attempt to answer any questions you might have on the Department of the Navy Revolving Funds.

EXHIBIT I.—NAVY INDUSTRIAL FUND—STATEMENT OF REVENUE AND EXPENSE, BY ACTIVITIES, FISCAL YEAR JUNE 30, 1968

[In thousands of dollars]

	Revenue	Expense	Gain/loss
Shipyards (9)	1,218,851	1,216,817	+2,034
Military Sea Transportation Service (1)	1,277,859	1,261,355	+16,504
Aircraft maintenance (7)	409,476	408,456	+1,020
Ordnance plants (15)	410,088	405,857	+4,231
Naval avionics facility (1)	49,880	49,970	−90
Polaris missile facilities (2)	9,315	9,273	+42
Research activities (3)	161,266	161,238	+28
Base services (9)	132,162	132,707	−545
Printing plants (37)	35,122	35,617	−495
Total (84)	3,704,019	3,681,290	+22,729

EXHIBIT II.—NAVY INDUSTRIAL FUND ACTIVITIES AS OF DEC. 31, 1968

[Dollars in thousands]

	NIF implemented	Corpus allocation	Estimated sales, fiscal year 1970
Shipyards (9) (under NavShips management)		$65,750	$1,247,117
Philadelphia	April 1952	7,000	
Charleston, S.C.	July 1953	5,500	
Norfolk, Va.	do	9,000	
Portsmouth, N.H.	April 1954	7,600	
Boston, Mass.	do	7,800	
Puget Sound, Wash.	July 1954	6,500	
Long Beach, Calif.	August 1954	4,600	
Mare Island, Calif., San Francisco, Calif.[1]	September 1954	12,250	
Pearl Harbor, Hawaii	December 1954	5,500	
Military Sea Transportation Service (1) (under CNO management)	July 1951	31,000	1,244,364
Aircraft maintenance (7) (under NavAir management)		24,000	627,569
Quonset Point, R.I.	May 1959	2,000	
Alameda, Calif.	March 1962	5,000	
North Island	April 1962	5,000	
Norfolk, Va.	July 1962	4,500	
Cherry Point, N.C.	August 1962	1,600	
Jacksonville, Fla.	October 1962	2,400	
Pensacola, Fla.	November 1962	3,500	
Ordance Plants (15) (under NavOrd management)		25,900	465,513
Forest Park, Ill.	January 1953	2,960	
Indian Head, Md.	October 1952	3,000	
Louisville, Ky.	February 1957	2,200	
Yorktown, Va.	April 1959	1,100	
Keyport, Wash.	January 1960	1,100	
St. Juliens Creek, Va.	July 1967	400	
Bangor, Wash.	do	750	
Crane, Ind.	do	5,600	
Earle, N.J.	do	900	
Hawthorne, Nev.	do	1,300	
McAlester, Okla.	do	2,100	
Oahu, Hawaii	do	750	
Charleston, S.C.	do	500	
Concord, Calif.	do	2,500	
Seal Beach, Calif.	do	800	
Naval Avionics Facility (1) Indianapolis, Ind. (under NavAir management)	July 1955	4,400	53,376
Polaris missile facilities (2) (under Special Projects Office management)		955	11,576
Atlantic, Charleston, S.C.	July 1967	675	
Pacific, Bangor, Wash.	do	280	

EXHIBIT II.—NAVY INDUSTRIAL FUND ACTIVITIES AS OF DEC. 31, 1968—Continued

[Dollars in thousands]

	NIF implemented	Corpus allocation	Estimated sales, fiscal year 1970
Research Activities (4)		$7,300	$211,516
NRL, Washington, D.C. (under ONR management)	January 1953	2,000	
NOL, Corona, Calif. (under DLP management)	September 1953	800	
NSRDC, Carderock, Md. (under DLP management)	July 1957	4,000	
NMDL, Panama City, Fla. (under DLP management)	July 1968	1,000	
Base services (9) (under NFEC management)		12,265	134,037
PWC Norfolk, Va	July 1957	1,900	
PWC Treasure Island, Calif	August 1957	165	
PWC Pearl Harbor, Hawaii	November 1958	1,800	
PWC Newport, R.I	July 1959	900	
PWC Guam, M.I	April 1962	1,800	
PWC Subic Bay, R.P	July 1962	2,000	
PWC San Diego, Calif	July 1963	1,700	
PWC Great Lakes, Ill	July 1967	1,000	
PWC Pensacola, Fla	do	1,000	
Printing plants (37) (under NavSup management)		1,725	47,878
Navy Publications and Printing Service [2]		1,225	
Philadelphia, Pa	September 1951		
Norfolk, Va	do		
New Orleans, La	November 1951		
Pensacola, Fla	September 1952		
San Juan, P.R	September 1960		
Charleston, S.C	November 1952		
Brooklyn, N.Y	December 1952		
Washington, D.C	do		
Boston, Mass	January 1953		
Great Lakes, Ill	February 1953		
Bremerton, Wash	March 1953		
San Diego, Calif	April 1953		
Vallejo, Calif	May 1953		
Pearl Harbor, Hawaii	June 1953		
Naples, Italy	September 1953		
Defense Printing Service		500	
Subtotal		173,795	4,042,946
Unallocated cash		5,958	
Total (85)		179,753	4,042,946

[1] Mare Island and San Francisco Naval Shipyards were merged on May 11, 1965, into a single naval shipyard known as the San Francisco Bay Naval Shipyard with headquarters at Mare Island.
[2] Includes listed major plants plus 21 branch plants not listed.

Navy Stock Fund

Mr. Slack. Admiral, what transpired in the operations of the Navy stock funds which prevents you from transferring the $375 million which you anticipated to the "Procurement of Aircraft and Missiles, Navy," appropriation?

Admiral Gaddis. Mr. Chairman, all along the plan provided that most of the cash to be transferred would be generated from sales of newly migrated items. The reduction in the transfer amount to $345 million has stemmed from several factors. In part it related to difficulty in predicting sales for these newly stock funded items since information used to predict was extremely limited in some instances. There were some misforecasts of usage of migrated items. Experience suggests too that customers may be a bit more cautious in ordering Navy Stock Fund material since there is a charge. Since the original sales projection, there has been a $89,880,000 reduction in the amount

estimated to accrue from new items. Steps have been taken to minimize the impact of the reduction in other financial areas where possible. Also, the necessity to increase inventory levels for support in Southeast Asia has contributed to the reduced cash availability for transfer. This higher support level began with the TET offensive last spring after the fiscal year 1969 budget was completed.

INCREASED CAPITALIZATION OF INVENTORIES

Mr. SLACK. If the Navy is capitalizing $85 million more of inventories than originally estimated during fiscal year 1969, why cannot you transfer all of the $375 million you originally anticipated transferring?

Admiral GADDIS. Mr. Chairman, the cash generation is primarily dependent on the realization of sales from newly stock funded items. Notwithstanding an increase in the gross projected capitalizations for these items, sales have lagged somewhat because of the reasons I have mentioned. In addition, the most recent budget includes approximately $55,391,000 worth of material which will be decapitalized in fiscal year 1969. Thus, the net difference in capitaizations for all material since the original fiscal year 1969 budget was submitted is an increase of $29,928,000.

DECLINE IN STOCK FUND SALES

Mr. SLACK. Last year, the Navy anticipated sales of $2,585 million for 1969. However, the revised sales for 1969, as currently estimated, are only $2,348,500,000. What caused the decline of $236,500,000 in sales?

Admiral GADDIS. When the fiscal year 1969 President's budget was prepared in October 1967, Navy was planning to implement a new program whereby all consumer requirements for expense material not normally carried in the supply system would be procured by the stock fund, rather than consumer appropriations, and subsequently sold to the consumer. The objective in this program was to charge the consumer appropriations when material is received and consumed. It was estimated that this program would require $157 million of additional apportioned obligational authority which would be offset by $157 million of additional stock fund sales. Subsequently it was decided that this program could not be implemented by July 1, 1968, and financial plans were adjusted accordingly. The remaining $79 million reduction in sales is the net adjustment related to several changes I mentioned earlier, such as, the difficulty in accurately forecasting sales of newly migrated items given the limited historic basis for projecting.

POSSIBILITY OF "PROCUREMENT OF AIRCRAFT AND MISSILES, NAVY" TRANSFER IN LIGHT OF REDUCED CASH BALANCE

Mr. SLACK. Last year, you estimated a cash balance at June 30, 1969, at $162,807,000 after the cash transfer of $375 million. The actual cash balance at December 31 was $123,205,000. The estimated cash balance at June 30, 1969, is now estimated at $31,840,000. With the decline in sales and the inability to generate the cash estimated at June 30, 1969, how do you anticipate being able to transfer the $345 million to procurement of aircraft and missiles, Navy?

Admiral GADDIS. The cash position situation is very tight and will require close control in order to generate the $345 million transfer. With the vast capitalization program being executed, there have been a number of problem areas, particularly in the first half of fiscal year 1969 as the program got underway. Since that time there has been considerable progress made in refining reporting procedures, in executing price changes to reflect the most current costs, and in stressing discipline to record collections at the time of sale. In view of these actions, it is expected that performance in the second half of fiscal year 1969 will surpass the first part of the year. Barring some unforeseen obstacle to this progress, it appears now that the Navy stock fund will be able to transfer the $345 million.

CASH TO PURCHASE INCREASED OPERATING STOCKS

Mr. SLACK. You are projecting an increase in operating stocks of about $100 million during fiscal year 1970. Where do you expect to get the cash to purchase these additional operating stocks?

Admiral GADDIS. The increase to operating stocks in fiscal year 1970 is partly the result of repricing actions and partly the result of a stock rebalancing effort. As for the latter, the effect of the fiscal year 1969 capitalization program will have a carryover effect in fiscal year 1970 for sales and revenues. It is estimated that a substantial amount of the inventory available at the beginning of fiscal year 1970 will be sold without a need for replacement. A portion of the cash generated in this manner will be used to fund the increase in operating stocks.

LONG SUPPLY STOCKS

Mr. SLACK. During fiscal year 1969, your long supply stocks increase by $264 million. What is causing this large increase?

Admiral GADDIS. Most of the increase in long supply inventory in fiscal year 1969, is a temporary condition and is another aspect of the mass migration of items to the Navy stock fund during the year. Included in this inventory are economic retention and contingency retention stocks. Prudence dictates that these stocks be retained in the event they are needed for mobilization or other exigency. There are two other segments of these migrated stocks. They are stock held for normal sales in subsequent years and those that are considered to be potentially excess and are slated for disposal.

Mr. SLACK. During fiscal year 1970, long supply stocks will decline by $230 million. How do you anticipate accomplishing this reduction?

Admiral GADDIS. The major reasons for the reduction of the long supply material will result from achievement of the forecasted future sales without replacement and disposal of potential excess which I mentioned in my previous answer.

VALIDITY OF FINANCIAL STATEMENT PROJECTIONS

Mr. SLACK. Can the committee place any validity in the projection shown in the financial statements for fiscal years 1969 and 1970?

Admiral GADDIS. Mr. Chairman, I believe these represent the most valid projections the Navy could make of the financial program for these years. I recognize, as I think you do, that these projections are

to support a dynamic situation and could change. Should there be changes, you can be assured that we will accommodate to them as wisely as we can within the ground rules prescribed by the OSD, the Bureau of the Budget, and by the Congress.

Mr. SLACK. Will you provide for the record a cash reconciliation showing how the Navy arrives at the cash available on June 30, 1969, including the transfer of $345 million, and also showing a reconciliation through June 30, 1970.

Admiral GADDIS. Yes, sir.

(The information follows:)

[In thousands]

	Fiscal year 1969	Fiscal year 1970
Cash on hand, beginning	$13,840	$31,840
Collections	2,331,000	2,903,000
Expenditures	−1,968,000	−2,767,000
Cash transfer to PAM, N	−345,000	0
Cash on hand, ending	31,840	167,840

Mr. SLACK. Are there any questions with regard to the Navy stock fund?

TRANSFER FROM STOCK FUND TO OTHER ACCOUNTS

Mr. ANDREWS. Was the fund tapped any last year for reprogramming or other purposes, Admiral Gaddis?

Admiral GADDIS. In fiscal 1969, sir, the Navy stock fund is scheduled to transfer to the "Procurement of Aircraft and Missiles, Navy," appropriation $345 million. This is the result of the transfer of aviation consumable material from direct purchase by procurement appropriation to purchase through the stock fund. The capitalization of this material in the stock fund and the resultant sales during the period when on-order material would normally accrue to the funds, results in this one-time increase in the availability of dollars in the fund, and this to be transferred to the "Procurement of Aircraft and Missiles" appropriation.

Mr. ANDREWS. How long has it been since appropriated money was given to the fund?

Admiral GADDIS. This fiscal year 1967 supplemental provided transfer to the stock fund of $77 million.

Mr. ANDREWS. Other than that, it has been self-sustaining?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. If this $345 million is taken from the fund, in what position will it leave the fund?

Admiral GADDIS. This will not mean a reduction in the cash position of the fund, because the dollars result from the sale of transferred material into the fund.

Mr. ANDREWS. Do you consider the condition of the fund adequate today?

Admiral GADDIS. Yes, sir; I consider that the fund is adequate. The cash position is extremely austere. We had $15 million of cash at the end of the past year, and are scheduled to have $32 million at the end of this year. That is a tight position, but we have been able to live with it through very close controls.

Mr. ANDREWS. Will the $345 million to be taken from the fund be in goods rather than cash?

Admiral GADDIS. No, sir. This will be a cash transfer.

Mr. ANDREWS. You say you have a balance of $15 million?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. Is that after the $345 million is taken from the fund?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. When will the cash be transferred?

Admiral GADDIS. It will be transferred to the PAM appropriation before June 30 this year, sir.

CURRENT CASH POSITION OF THE STOCK FUND

Mr. ANDREWS. So, as of some recent date or as of today, you have roughly $361 million in cash?

Admiral GADDIS. We are still amassing that money as we achieve sales, sir. The last cash position through February, we had $145 million cash in the fund.

Mr. ANDREWS. How much cash do you have today?

Admiral GADDIS. I do not have an exact number, sir.

Mr. ANDREWS. If you only had $145 million cash last February, how are they going to be able to take $345 million? You do not generate money that fast, do you?

Admiral GADDIS. We will generate more cash in the latter half of the year than we did in the first half of the year, sir. For instance, our estimated position for end March is just over $200 million. We expect to achieve the $361 million position by the end of June, which will allow the $345 million transfer.

Mr. ANDREWS. And leave you a balance of $15 million, which you consider to be adequate for the beginning of fiscal year 1970?

Admiral GADDIS. The end 1969 position will be $32 million; yes, sir. Our start 1969 position was $15 million.

Mr. ANDREWS. I thought you told me you will have $15 million——

Admiral GADDIS. I am sorry, sir. I had $15 million to start with.

Mr. ANDREWS. Let us go back. You started fiscal 1969 with $15 million?

Admiral GADDIS. That is right, sir. We will have $32 million at the end of 1969.

Mr. ANDREWS. Plus $345 million that will have been taken from the fund. So, the fund did pretty well in 1969.

Admiral GADDIS. Yes, sir. This requires an increase of $363 million in 1969, a one-time increase, I might add. This is not the normal routine of things.

Mr. ANDREWS. It has been traditional to tap this fund every time it has a little surplus.

Admiral GADDIS. Yes, sir, but may I explain, sir. As of the start of the year, we had a small cash balance.

Mr. ANDREWS. $15 million.

Admiral GADDIS. Yes, sir. Then we transferred into the fund the inventory of aircraft consumables from the procurement of aircraft and missiles appropriation. Some of the sales of those assets then result in the increased cast position in the fund.

Mr. ANDREWS. What are you going to do if the fund gets so low that you cannot operate in the normal way that the fund is supposed to operate? You might even have to ask for an appropriation.

Admiral GADDIS. There are only two ways, sir. One is to request a transfer between working capital funds of the Defense Department which the Secretary of Defense has received authority from the Congress to do.

Mr. ANDREWS. You mean take from the Marine Corps and put it in the Navy, or from the Army and put it in the Navy?

Admiral GADDIS. Something like that.

Or the alternative is to ask for appropriations from the Congress.

Mr. ANDREWS. I am impressed with the way you generate money in that fund, because you are not supposed to make too much of a profit on it, are you?

Admiral GADDIS. No, sir. This is supposed to be——

Mr. ANDREWS. You just swap goods and merchandise. Isn't that about the size of it?

Admiral GADDIS. Yes, sir.

TRANSFER OF ASSETS TO THE STOCK FUND

Mr. ANDREWS. I still do not see how you could generate $360 million in fiscal 1969, starting off with $15 million in the fund and winding up with $32 million in the fund plus $345 million that has been taken out of the fund.

Admiral GADDIS. The place the additional money comes—remember, I said this is a one-time increase this year—is that the fund had assets transferred into it from the procurement appropriation of some $1.199 billion worth of merchandise.

Mr. ANDREWS. And you turned around and sold that?

Admiral GADDIS. Yes, sir, some of it.

Mr. ANDREWS. That is where you generated your $360 million?

Admiral GADDIS. Yes, sir. Over a part of the year, those sales result in cash. Over the rest of the year, those sales result in no cash increase because we have to replace in kind.

Mr. ANDREWS. All right, That is all. I think the fund has done pretty well this year.

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. If you were not tapped for the $345 million, you would really have an impressive record at the end of the fiscal year.

Admiral GADDIS. The $345 million, sir, was a part of the adjustment at the time of the transfer-in of the assets and, therefore, really our relative position is the begin-year position versus the end-year position, $15 million versus $32 million.

Mr. ANDREWS. I think, personally, the more you pull down from the fund in merchandise, the better off you are.

Admiral GADDIS. That is true.

Mr. ANDREWS. Not letting the merchandise pile up on you.

Admiral GADDIS. That is why we agree that we should make this transfer, sir.

GENERATION OF STOCK FUND PROFITS

Mr. RHODES. How do you generate a profit in this fund?

Admiral GADDIS. The only way you can generate a profit is to charge more for the material to the user than you paid for it when you obligated stock fund dollars to replace.

Mr. RHODES. How much more do you charge?

Admiral GADDIS. We normally in the aircraft inventory, where obsolescence is a little higher, charge a surcharge of 12 percent to cover obsolescence, transportation, breakage, and so forth.

Captain MCHENRY. I am Captain McHenry, of the Supply Systems Command.

To give you some other specific examples, in the hull, mechanical, and electrical parts for the ships of our Navy, where we have a high degree of obsolescence, we are charging a total surcharge of 25 percent, which breaks down 5 percent for first and second destination transportation, and 20 percent to cover obsolescence, losses by inventory, pilferage, and the like.

In an area such as fuel, where there is very little obsolescence and we sell the product, our surcharge runs seven-tenths of 1 percent plus the transportation charges.

Mr. RHODES. You do have shrinkage?

Captain MCHENRY. We have shrinkage in the tanks, yes, sir.

Mr. RHODES. Does this cover the shrinkage?

Captain MCHENRY. Yes, sir.

Admiral GADDIS. You also get contaminated tanks from time-to-time.

Mr. RHODES. This is a matter of taking the money out of one Government pocket and putting it in another.

Admiral GADDIS. Yes, sir. We try to make it a no-profit operation.

Mr. RHODES. It is purely an accounting device.

Admiral GADDIS. Yes, sir.

Mr. RHODES. With which I agree. It seems to me easier to understand it this way.

I think we have to bear in mind that we are really playing with our own money.

Admiral GADDIS. It is a $2.5 billion business with no reason to exist except service to the customer.

Mr. RHODES. You would not want to buy any stock in it, would you?

Admiral GADDIS. No, sir. I wouldn't make a penny.

NAVY INDUSTRIAL FUND

Mr. SLACK. The next item is entitled "Navy Industrial Fund."

INDUSTRIAL FUNDING OF R. & D. ACTIVITIES

Admiral Gaddis, you state that it has recently been decided to consolidate the Naval Weapons Station at China Lake with the Naval Weapons Center at Corona, Calif., and in addition to industrially fund 14 more research and development activities effective July 1, 1969. Who decided to industrially fund these research activities and why was this decision made?

Admiral GADDIS. The Navy Department requested and the Department of Defense approved the industrial funding of these additional research facilities. Use of the working capital concept for these activities will allow us to lodge total expense to each customer in the time period in which the benefit is realized and thus will facilitate better management by focusing attention on the cost of performance.

Mr. SLACK. Which research activities will be industrialized?

Admiral GADDIS. The new research activities to be industrialized effective July 1, 1969 are as follows:

Naval Applied Science Laboratory, Brooklyn, N.Y.
Navy Radiological Defense Laboratory, San Francisco, Calif.
Navy Underwater Sound Laboratory, New London, Conn.
Naval Air Development Center, Johnsville, Pa.
Naval Ordnance Laboratory, White Oak, Md.
Naval Underwater Weapons Research and Engineering Station, Newport, R.I.
Naval Weapons Laboratory, Dahlgren, Va.
Naval Civil Engineering Laboratory, Port Hueneme, Calif.
Navy Electronics Laboratory Center, San Diego, Calif.
Naval Undersea Warfare Center, San Diego, Calif.
Naval Air Engineering Center, Philadelphia, Pa.
Naval Air Test Center, Patuxent River, Md.
Naval Air Propulsion Test Center, Trenton, N.J.
Naval Ships Missile System Engineering Station, Port Hueneme, Calif.

Mr. SLACK. Will you list for the record all the research activities to be industrially funded commencing July 1, 1969?

Admiral GADDIS. The research activities which will be industrially funded on July 1, 1969 are as follows:

Navy Research Laboratory, Washington, D.C.
Naval Weapons Center, Corona Laboratories, Corona, Calif.
Naval Ship Research and Development Center, Carderock, Md.
Naval Ship Research and Development Laboratory, Panama City, Fla.
Naval Applied Science Laboratory, Brooklyn, N.Y.
Navy Radiological Defense Laboratory, San Francisco, Calif.
Navy Underwater Sound Laboratory, New London, Conn.
Naval Air Development Center, Johnsville, Pa.
Naval Ordnance Laboratory, White Oak, Md.
Naval Underwater Weapons Research and Engineering Station, Newport, R.I.
Naval Weapons Laboratory, Dahlgren, Va.
Naval Civil Engineering Laboratory, Port Hueneme, Calif.
Naval Electronics Laboratory Center, San Diego, Calif.
Naval Undersea Warfare Center, San Diego, Calif.
Naval Air Engineering Center, Philadelphia, Pa.
Naval Air Test Center, Patuxent River, Md.
Naval Air Propulsion Test Center, Trenton, N.J.
Naval Ships Missile System Engineering Station, Port Hueneme, Calif.

1969 PROFIT FOR INDUSTRIALLY FUNDED ACTIVITIES

Mr. SLACK. For fiscal year 1968, the Navy originally estimated that its industrially funded activities would break even. Now you report these activities made a profit of $22,729,000. How was this profit realized?

Admiral GADDIS. Most of this profit, $16.5 million, relates to MSTS operations. Over the years it has been the policy to maintain a stabilized tariff rate structure in MSTS to simplify as much as possible the budgeting of appropriation expenditures for sealift. The present tariff rates have been in effect since May 1967. Application of these rates to the sponsors' lift requirements has at times resulted in relatively small profits to MSTS and other times has resulted in relatively small losses. These fluctuations are the result of minor but inevitable variations in the mix of commodities and modes of shipping from the MSTS breakeven budget plan. The relatively small profit (1.3% of sales) developed by MSTS for the year ended June 30, 1968 is the result of such minor variation. The remaining $6.2 million profit for all the other activities represents a very minor variation, less than three-tenths of 1 percent of sales, from our anticipated breakeven plan and was primarily due to the increased use of fixed cost contracts which are not readily adjustable to actual costs incurred. I would like to point out that as of June 30, 1968, after consideration of the $22.7 million gain for fiscal year 1968, that the cumulative gains and losses for the Navy Industrial Fund as a whole since its inception in 1950 reflected only a slight deficit of $641,000.

Mr. SLACK. What is the Navy going to do with these profits?

Admiral GADDIS. As I mentioned previously, we have a cumulative loss vice profit in the fund as of June 30, 1968. You will note that our retained earnings account reflected a deficit of $641,000 as of June 30, 1968.

PROJECTED PROFIT FOR INDUSTRIALLY FUNDED ACTIVITIES IN 1969

Mr. SLACK. The Navy Industrial Fund activities have already realized a profit of $12,991,440 for fiscal year 1969. Of course, you originally estimated last year that you would break even during fiscal year 1969. What is your total projected profit for the year?

Admiral GADDIS. We do not anticipate a profit in the Navy Industrial Fund for fiscal year 1969. Although our operations do show a $13 million gain through December 31. $9.8 million of this was attributable to MSTS operations. MSTS is currently experiencing sharply increased costs, labor, for example, which have had an adverse effect on the last 2 months, operating results. January and February losses amounted to $1.8 million, thereby reducing MSTS profit through February 28 to $8 million. We anticipate that this trend will continue for the balance of the year and that a break-even operation will be achieved in the Navy Industrial Fund for fiscal year 1969. Indicative

of the MSTS trend are the monthly operating results from July 1968 through February 1969 which are in millions of dollars as follows:

Fiscal year 1969:	Gain or loss
July	+4.4
August	+1.6
September	+.8
October	+6.9
November	−.5
December	−3.4
January	−.7
February	−1.1

Mr. SLACK. How many of the industrially funded activities made a profit during fiscal year 1968, and how many incurred a loss?

Admiral GADDIS. Forty activities had gains and 44 had losses.

Mr. SLACK. What has been the results thus far in fiscal year 1969 on the individual industrially funded activities?

Admiral GADDIS. Thirty-eight activities had gains and 47 had losses as of December 31, 1968.

PRIOR YEAR ADJUSTMENT WRITEOFFS

Mr. SLACK. Against the profit you have thus far made in fiscal year 1969, you have written off $3.9 million of prior year adjustments. What are these prior year adjustment writeoffs, and why would they be written off against current operations instead of the profits realized in fiscal year 1968?

Admiral GADDIS. Primarily, this $3.9 million writeoff against the prior year account was required to correct an overstatement of profit by MSTS in fiscal year 1968 which was caused by an underaccrual of certain commercial shipping costs. When the actual cost data became available through receipt of invoices in fiscal year 1969, it was necessary to adjust earnings in the prior year account in order to equate income with work accomplished and thus maintain the current year Gain and Loss Statement as a useful management tool.

MSTS PROFITS

Mr. SLACK. The Military Sea Transport Service made a profit of $16,504,000 in fiscal year 1968, and during the first half of fiscal year 1969 has realized a profit of $9,839,000. What will the Military Sea Transport Service do with these profits?

Admiral GADDIS. Although MSTS realized a profit in fiscal year 1968 and the first 6 months of fiscal year 1969, the cumulative gains and losses for MSTS through December 31, 1968 reflect a deficit of $622,000. Losses sustained since then have increased this deficit to $2.5 million as of February 28, 1969. Therefore, there are no cumulative profits at this time available from the MSTS operation.

SUMMARY OF OPERATING RESULTS BY FUND

Mr. SLACK. Will you submit for the record a schedule showing the operating results of each industrial funded activity during fiscal year 1968 and for the first half of fiscal year 1969?

Admiral GADDIS. Yes, sir.

(The information follows:)

Navy industrial fund activities—summary of operating results for fiscal year 1968

[Amounts in thousands]

	Activity gain or loss
Shipyards (9):	
Philadelphia, Pa	−$93
Charleston, S.C	+958
Norfolk, Va	−1,313
Portsmouth, N.H	−1,015
Boston, Mass	+197
Puget Sound, Wash	−153
Long Beach, Calif	+344
San Francisco, Calif	+1,438
Pearl Harbor, Hawaii	+1,071
Activity group, gain or loss	+2,034
Military Sea Transportation Service (1)	+16,505
Aircraft maintenance (7):	
Quonset Point, R.I	+366
Alameda, Calif	+565
North Island, Calif	−406
Norfolk, Va	−261
Cherry Point, N.C	+139
Jacksonville, Fla	+807
Pensacola, Fla	−190
Activity group, gain or loss	+1,020
Ordnance Facilities (16):	
Naval Avionics Facility, Ind	−90
Forest Park, Ill	−314
Indian Head, Md	−214
Louisville, Ky	+182
Yorktown, Va	+102
Keyport, Wash	−88
St. Juliens Creek, Va	+63
Bangor, Wash	+811
Crane, Ind	+1,087
Earle, N.J	+1,042
Hawthorne, Nev	+43
McAlester, Okla	+686
Oahu, Hawii	+170
Charleston, S.C	+82
Concord, Calif	+43
Seal Beach, Calif	−64
Activity group, gain or loss	+4,141
Polaris missile facilities (2):	
Atlantic, Charleston, S.C	+24
Pacific, Bangor, Wash	+18
Activity group, gain or loss	+42
Research activities (3):	
NRL, Wash., D.C	+22
NOL, Corona, Calif	−63
NSRDC, Carderock, Md	+69
Activity group, gain or loss	+28

Navy industrial fund activities—Summary of operating results for fiscal year 1968—Continued

[Amounts in thousands]

	Activity gain or loss
Base Services (9):	
PWC Norfolk, Va	−10
PWC Treasure Island, Calif	+7
PWC Pearl Harbor, Hawaii	−204
PWC Newport, R.I	−178
PWC Guam, M.I	−16
PWC Subic Bay, R.P	−92
PWC San Diego, Calif	−223
PWC Great Lakes, Ill	−132
PWC Pensacola, Fla	+303
Activity group, gain or loss	−545
Printing plants (37):	
Navy Publication and Printing Service [1]	+109
Defense Printing Service	+35
Philadelphia, Pa	+213
Norfolk, Va	+42
New Orleans, La	−69
Pensacola, Fla	+13
San Juan, P.R	−56
Charleston, S.C	−31
Brooklyn, N.Y	−124
Washington, D.C	−355
Boston, Mass	−62
Great Lakes, Ill	−82
Bremerton, Wash	−106
San Diego, Calif	−65
Vallejo, Calif	−109
Pearl Harbor, Hawaii	+241
Naples, Italy	−90
Activity group, gain or loss	−406
Grand total (84)	+22,720

[1] Includes 21 branch plants not listed.

Navy Industrial Fund Activities—Summary of Operating Results for the 6 Months of Fiscal Year 1969 Ended Dec. 31, 1968

[Amounts in thousands]

	Activity gain or loss
Shipyards (9):	
Philadelphia, Pa	−$516
Charleston, S.C	+720
Norfolk, Va	+554
Portsmouth, N.H	−204
Boston, Mass	−486
Puget Sound, Wash	+468
Long Beach, Calif	−453
San Francisco, Calif	+1,419
Pearl Harbor, Hawaii	+437
Activity group, gain or loss	+2,010
Military Sea Transportation Service (1)	+9,839

Navy Industrial Fund Activities—Summary of Operating Results for the 6 Months of Fiscal Year 1969 Ended Dec. 31, 1968—Continued

[Amounts in thousands]

	Activity gain or loss
Aircraft Maintenance (7):	
Quonset Point, R.I.	+636
Alameda, Calif.	−137
North Island, Calif.	+102
Norfolk, Va.	−1,592
Cherry Point, N.C.	+387
Jacksonville, Fla.	+1,365
Pensacola, Fla.	−327
Activity group, gain or loss	+434
Ordnance Facilities (16):	
Naval Avionics Facility, Ind.	−114
Forest Park, Ill.	+265
Indian Head, Md.	−102
Louisville, Ky.	−380
Yorktown, Va.	+284
Keyport, Wash.	−130
St. Juliens Creek, Va.	+236
Bangor, Wash.	−236
Crane, Ind.	+764
Earle, N.J.	−363
Hawthorne, Nev.	+439
McAlester, Okla.	−87
Oahu, Hawaii	−21
Charleston, S.C.	−85
Concord, Calif.	+384
Seal Beach, Calif.	+288
Activity group, gain or loss	+1,145
Polaris Missile Facilities (2):	
Atlantic, Charleston, S.C.	−109
Pacific, Bangor, Wash.	+16
Activity group, gain or loss	−93
Research Activities (4):	
NRL, Wash., D.C.	−30
NOL, Corona, Calif.	+51
NSRDC, Carderock, Md.	+327
NMDL, Panama City, Fla.	−192
Activity group, gain or loss	+156
Base Services (9):	
PWC Norfolk, Va.	−153
PWC Treasure Island, Calif.	− 99
PWC Pearl Harbor, Hawaii	− 9
PWC Newport, R.I.	− 35
PWC Guam, M.I.	+102
PWC Subic Bay, R.P.	+ 91
PWC San Diego, Calif.	+ 2
PWC Great Lakes, Ill.	− 9
PWC Pensacola, Fla.	− 23
Activity group, gain or loss	−133

Navy Industrial Fund Activities—Summary of Operating Results for the 6 Months of Fiscal Year 1969 Ended Dec. 31, 1968—Continued

[Amounts in thousands]

	Activity gain or loss
Printing Plants (37):	
Navy Publication and Printing Service [1]	— 62
Defense Printing Service	— 73
Philadelphia, Pa	+107
Norfolk, Va	+ 46
New Orleans, La	— 29
Pensacola, Fla	+ 52
San Juan, P.R	— 26
Charleston, S.C	+ 17
Brooklyn, N.Y	— 52
Washington, D.C	—228
Boston, Mass	— 59
Great Lakes, Ill	— 83
Bremerton, Wash	— 53
San Diego, Calif	— 5
Vallejo, Calif	— 90
Pearl Harbor, Hawaii	+215
Naples, Italy	— 43
Activity group, gain or loss	—366
Grand total (85)	+12,992

[1] Includes 21 branch plants not listed.

CAPITAL ADDITIONS AND IMPROVEMENTS

Mr. SLACK. During fiscal year 1969, you anticipate expending $10,419,000 for capital additions and improvements. What type of additions and improvements do you intend to make to industrially funded activities?

Admiral GADDIS. First, I would like to clarify that this $10.4 million does not represent any capital additions or improvements to be procured by the industrial fund. DOD policy prohibits the use of industrial funds for this purpose. All capital expenditures required to improve existing plant facilities must be budgeted in the applicable appropriation. The $10.4 million which you refer to here represents outlays for capital equipment and military construction that are included in our fiscal year 1970 budget request under appropriations such as "Other procurement, Navy," and "Military construction, Navy." For example, between $4 and $5 million of the requested amount is for our shipyard modernization program and is included under the OPN appropriation. The remainder is for various facility improvement projects at our other industrial-funded activities and is budgeted in the applicable appropriations responsible for funding the projects.

Mr. SLACK. How much does the industrial fund anticipate spending for capital equipment during fiscal years 1969 and 1970?

Admiral GADDIS. None, since it is contrary to Department of Defense regulations to use the industrial fund for this purpose. Any expenditures required for capital equipment at our Navy industrial fund activities must be budgeted for in our appropriation accounts.

Military Sea Transport Service

Mr. Slack. The next item is entitled "Military Sea Transport Service."

OPERATION AND CONTROL OF MSTS

Admiral, who controls the operations of the Military Sea Transport Sevice?

Admiral Gaddis. The Military Sea Transport Service is commanded by Admiral Ramage within the Navy Department. It operates completely industrially funded. Captain Godek, the Comptroller of the MSTS, is here to answer your questions.

Mr. Slack. Is this an independent Navy operation apart from the normal chain of command which we are accustomed to in regard to Navy operations?

Captain Godek. In that strict sense, yes, sir, it is.

Mr. Slack. What do they do?

Captain Godeck. Our business is to provide the sealift requirements to fulfill the delivery of the Army, Navy, Air Force, and Marine Corps cargo. We provide the ships either through our own nucleus fleet or charter ships to provide the sealift throughout the world.

SHIPS IN THE MSTS FLEET

Mr. Minshall. Can you give us a breakout at this point of how many you have in your nucleus and how many you charter, a sort of backdrop for your whole operation?

Captain Godeck. Yes, sir. My latest sheet that I have is the April 11, 1969 fleet. In the active nucleus fleet, we have 85 cargo ships, 3 passenger ships, 26 tankers, and 38 special project ships.

In the chartered fleet we have 150 of the cargo ships, 47 tankers. And we have 4 special project ships.

We also have the MARAD or the General Agency Agreement ships, the maritime administration contribution. We have 144 GAA ships MARAD ships in our inventory, 85 of which are operational and the others are in a reduced operational status.

So, as of April 11, 1969 our total fleet numbers 320 cargo ships, 3 passenger ships, 77 tankers, and 42 special project ships.

MSTS PASSENGER SHIPS

Mr. Minshall. Tell us about the passenger ships. What are they and where are they operating, from where to where?

Captain Godeck. Originally, sir, we had a total of 16. In fiscal year 1966 we started laying them up and returned 5 to the NDRF. We have 11 which are considered active. By "active," I mean there are two categories of operation. We have only 3 in a fully operational status. Two of them are in a shuttle service between Korea for the movement of ROK troops to RVN, and the other one is in a rotation with the other two, so as one comes off the line for overhaul and comes back to the west coast, the third one goes out to replace it. Those are the only 3 ships we have in operation:

Six ships are in reduced operational status in New York at the Brooklyn Army Terminal and two ships are in reduced operational status in San Francisco.

MSTS SHIPS IN MOTHBALL

Mr. MINSHALL. How many ships do you have laid up or in moth balls?

Captain GODEK. There are the 8, 6 on the east coast and 2 on the west coast.

Mr. MINSHALL. What other ships do you have in moth balls, if any?

Captain GODEK. We have none, sir. When we turn them over to the NDRF, they go under the MARAD control.

Mr. MINSHALL. Thank you, Mr. Chairman.

MSTS OPERATIONS OUT OF NEW YORK

Mr. ANDREWS. Captain, what do you mean by limited operation out of New York? How many ships did you say you have there?

Captain GODEK. We have no active operating fleet. We have 6 transports tied up in reduced operational status. We operate a mother ship concept where one ship's crew of a total of 52 men provide the watchkeeping services to be sure there is no flooding and no fires.

Mr. ANDREWS. But you make no crossings?

Captain GODEK. No, sir. In 1966, we took the passenger ships out of the Atlantic and transferred some to the Pacific. The initial unit moves were in one ship. Then after the materiel and the men were moved, that is, the Army and the Marine Corps, then the personnel were transfered by MAC airlift.

So, as the ships were no longer needed for combined cargo and passenger moves, we took them out of service.

USE OF MSTS TO MOVE TROOPS TO VIETNAM

Mr. ANDREWS. Are you taking any servicemen from the west coast to South Vietnam?

Captain GODEK. No, sir; we are not.

Mr. ANDREWS. There is no surface transportaiton for servicemen to Vietnam?

Captain GODEK. At the present time, that is correct.

Mr. ANDREWS. Have you sent any by surface?

Captain GODEK. Oh, yes, sir. In 1966 and early 1967, we used sea transport for the unit moves where the men were accompanied by their unit personnel vehicles, carriers, etc.

Mr. ANDREWS. Could you send them over by surface cheaper than by flying them over?

Captain GODEK. In the initial build-up; yes, sir. I think in the complete analysis of productive man-days, the small amount of time that a man spends in air travel, he is more gainfully employed over a longer period of time.

Mr. ANDREWS. Does MSTS operate any aircraft?

Captain GODEK. No, sir.

MSTS SHIPS OPERATING BETWEEN KOREA AND VIETNAM

Mr. ANDREWS. Now you say you have three ships, two operational and one on standby, operating between RVN and South Korea?

Captain GODEK. Yes, sir.

Mr. ANDREWS. Do you charge for the transportation of servicemen and equipment, goods?

Captain GODEK. Yes, sir; this is the fulfillment of an Army requirement and we bill the Army for the movement of those troops. Any other troops that may move, if they happen to be Air Force or Marine Corps, those charges are offset against the total cost to the Army.

Mr. MINSHALL. Will you yield?

Mr. ANDREWS. Yes.

Mr. MINSHALL. Are all these troops that are moved from South Korea to RVN moved by ship or are some transported by air?

Captain GODEK. To my knowledge, except for emergency moves they are moved by ship.

Mr. MINSHALL. Why is this particular run strictly a ship movement rather than by air?

Captain GODEK. This is a highly productive move in that we can very effectively load the people at Pusan and then discharge them in RVN. They have their personal gear accompanying them into Vietnam and when they leave Vietnam it also comes back to Korea with them.

Mr. MINSHALL. Wouldn't that be the case if they were transported by air?

Captain GODEK. Yes, sir; I believe it would, sir.

I think it would be more costly by air.

Admiral GADDIS. I think also, sir, the nature of the moves where large numbers of service units are involved, makes it more efficient to do it by ship than air, whereas from the west coast to RVN, air is more efficient and they have gone to that.

Mr. MINSHALL. How much of a run is this? What are we talking about in days or miles?

Admiral GADDIS. Three and a half days.

Captain GODEK. I believe it is 2 days for loading and the leg between Pusan and RVN.

Mr. MINSHALL. You still feel it is more economical for this, or the Defense Department does, to do it by ship rather than by air?

Captain GODEK. Yes, sir.

Mr. MINSHALL. Thank you.

Mr. ANDREWS. Are the South Koreans on a rotation basis down there to South Vietnam like our troops are?

Captain GODEK. Yes, sir. We move a transport from Korea into RVN about every 22 days.

Mr. ANDREWS. Are other servicemen aboard?

Captain GODEK. Only servicemen and their equipment.

Mr. ANDREWS. What is the capacity of those ships?

Captain GODEK. I do not have that figure immediately available. I will provide it.

(The information follows:)

Ship	Regular	Emergency
USNS Geiger	1,852	2,811
USNS Barrett	1,850	2,784
USNS Upshur	1,849	2,779

There are two different classes of ships, and these three, as they are completed in overhaul, are rotated back to the west coast. Another ship may conveniently be undergoing an overhaul which may have a larger capacity, which would be a replacement. So I can provide those specific figures.

(The information follows:)

Ship	Regular	Emergency
USNS Barrett	1,850	2,784
USNS Geiger	1,852	2,811
USNS Upshur	1,849	2,779
USNS Patch	1,800	2,456
USNS Buchner	1,748	2,156
USNS Darbey	1,725	2,172
USNS Rose	1,761	2,253
USNS Gordon	3,250	4,548
USNS Walker	3,250	4,716
USNS Pope	3,250	4,817
USNS Weigel	3,250	4,602

Mr. MINSHALL. Can you see any future need for these ships if you were not using them on this run from South Korea to RVN?

Captain GODEK. The only knowledge I have, sir, is that there is a requirement for the Marine Corps to provide transport in the initial move of the Marine Expeditionary Forces and for that reason the transports are kept in a reduced operational status.

MSTS SHIPS IN A REDUCED STATUS

Mr. MINSHALL. You say you have some of these other passenger types on a standby basis?

Captain GODEK. Yes, sir; reduced status.

Mr. MINSHALL. What do you mean by that?

Captain GODEK. They can be ready in 90 to 120 days. They have no crews, they have not been updated insofar as any alterations, and they have not been overhauled since they were put into the reduced status.

Mr. MINSHALL. Where are they being laid up in reduced status?

Captain GODEK. There are six in New York and there are two in San Francisco.

Mr. MINSHALL. How long would it take you to outfit these ships if you had to?

Captain GODEK. Any one ship could probably be made ready in less than 30 days. To make all eight ready, we estimate would take from 90 to 120 days.

Mr. MINSHALL. What is the capacity of all of these ships? Can you put that in the record?

Captain GODEK. Yes, sir. I will put each ship's troop-carrying capacity into the record, if that is what you mean.

Mr. MINSHALL. Yes, sir.

(The information follows:)

Ship	Regular	Emergency
USNS Patch	1,800	2,456
USNS Buchner	1,748	2,156
USNS Darby	1,725	2,172
USNS Rose	1,761	2,253
USNS Gordon	3,250	4,548
USNS Walker	3,250	4,716
USNS Pope	3,250	4,817
USNS Weigel	3,250	4,602

Mr. MINSHALL. Thank you.

Mr. ANDREWS. One of those ships you were talking about—the ones in New York and San Francisco; weren't they World War II troopships?

Captain GODEK. Yes, sir. They are all World War II, just about all.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

REVIEW OF MSTS OPERATING DECISIONS

Mr. SLACK. Who reviews the management decisions of MSTS?

Captain GODEK. The financial decisions, sir?

Mr. SLACK. Overall; the operating decisions.

Captain GODEK. Our normal procedure is to submit our planning budget and our operating budget to the Comptroller of the Navy. He, in turn, I believe, reviews it in consonance with his other industrially managed funds, then sends it to the Department of Defense. We then are given a review by a combined Bureau of the Budget-Department of Defense review board.

Mr. SLACK. Is it reviewed by the Office of the Secretary of the Navy or by his staff?

Captain GODEK. Yes.

Admiral GADDIS. Yes, sir.

Captain GODEK. The Army, Navy and Air Force requirements are the bases for the details of our development of these figures.

Mr. SLACK. Is there really a need for this function to be industrially funded?

Captain GODEK. I believe it is probably one of the most efficient ways to run it. We are given the latitude to make recommendations for increases or decreases in rates depending upon whether or not we have to make immediate responses for urgent needs for the transports. Had we been appropriation-funded we probably wouldn't have the latitude that we have in the industrial fund to lay them up or break them out as we need them.

Mr. SLACK. Please elaborate for the record.

Captain GODEK. Yes, sir.

(The information follows:)

NEED FOR MSTS TO BE INDUSTRIALLY FUNDED

There is a real need for MSTS to be operated as an industrial funded activity. The transportation service function performed by MSTS is for each of the services of the Department of Defense and the State Department (AID). Under the industrial fund, MSTS bills each agency based on the amount of

tonnage actually lifted. The industrial fund provides a sound business practice method of allocating the costs to the user based upon actual services provided. At the same time, the industrial fund operation is capable of quickly expanding or reducing its ship capability as the workload increases or decreases.

At the inception of the Southeast Asia situation, with the concurrence of the Chief of Naval Operations and the Office of the Assistant Secretary of Defense, MSTS activated 170 ships from the National Defense Reserve Fleet (NDRF). The Maritime Administration (MARAD) allocated ships to MSTS. These ships, under the operational control of MSTS, were manned by contractor (U.S. shipping companies) personnel.

During a period of urgent need, the personnel of the Merchant Marine were acquired immediately by competent U.S. shipping companies. By this process, U.S. Navy personnel were not diverted from their assignments, nor was congressional legislation required to authorize personnel increases. When the sealift workload started falling off, MSTS was able to withdraw the surplus shipping capability and place these ships in a reduced operational status (ROS). The administrative procedure in both MSTS and MARAD provided a very rapid acceleration and deceleration of shipping capability needed by the Army, Navy, Marine Corps and Air Force.

The industrial fund provides the most efficient means of managing the ocean transportation requirements of the Department of Defense. Under the industrial fund, MSTS recovers its cost at fixed rates per ton of cargo. Each year the rates are reviewed and are established to result in no profit or loss. However, because of the innumerable factors affecting operating profits or losses do occur. A review of the causes for actual profit or loss alerts COMSTS to take corrective action. Concurrently, other reviews are being made to improve sealift capabilities so that the Shipper Services can have the needed sealift capability at least cost to the government.

Mr. SLACK. Why cannot this operation be financed on a direct appropriation basis? Place the answer to that in the record.

(The information follows:)

POSSIBILITY OF FINANCING MSTS BY DIRECT APPROPRIATION

The operation could be funded on a direct appropriation basis. However, if MSTS were appropriation funded we would be justifying the ocean transportation appropriation requirements for the Department of the Army, Department of the Air Force, Department of State (AID) and the Department of the Navy.

Any major fluctuations in shipper services' requirements could result in reprograming actions which could have a deleterious effect on immediate, appropriate action. If the workload were greater than planned, MSTS would not be funded adequately and would be required to process a supplemental funding request which properly belongs to the service. If the workload were less than planned, MSTS would have to initiate action for reprograming excess funds within the Navy, when in effect, savings should benefit all shipper services.

Under our industrial fund concept DOD is the central clearing house for shipper service's requirements and funds. Each service, as a segment of its operation and maintenance appropriation, provides the entire requirement and cost for its transportation. The industrial fund concept provides a rapid response and reduction of administrative workload which would not be so under the appropriation funded basis.

MSTS RELATIONS WITH PRIVATE INDUSTRY

Mr. SLACK. What is the relationship between MSTS and industry, including shipbuilders, shippers, and labor unions?

Captain GODEK. We maintain a very close relationship. We have frequent meetings with members of industry to get a feel for their needs and to let them be aware of our requirements so that we can both plan effectively the needs and plans for ships. Insofar as the building of ships is concerned, we invite the shipping industry by means of a request for proposal to submit bids on specifications which we generate

for the various types of ships we are interested in. We also submit requests for proposals from our contracting officer, industrywide, for them to fulfill and provide ships for MSTS shipping needs.

CHARTER AGREEMENTS WITH FALCON AND CENTRAL GULF

Mr. SLACK. As you know, the committee in the past has expressed its interest in possible cost savings to both MSTS and its customers through the expanded use of large modern tankers. Since we last talked about this subject there have been several developments which we wish to discuss at this time. First of all, MSTS has recently entered into long-term agreements to replace the MSTS tanker fleet. I am referring to the agreement with Falcon to charter five 36,000-ton class tankers and with Central Gulf for nine additional tankers of the 26,000-ton class. Could you brief us on the terms of these agreements which have been entered into?

Captain GODEK. The Falcon Tankers, sir, were in fiscal year 1967. Falcon Tankers were to build ships with their own capital and then put them on long-term charter, 5-year charter periods, with renewable 5-year terms, the MSTS use of those tankers. Those were tankers of their specifications with MSTS use for the forseeable future. The nine tankers, the latter one you referred to, we had one outstanding—one of the better bids that Central Gulf was to provide the capital and we, in turn, were to charter these ships on a bare boat basis, to keep these ships operational for a period of approximately 20 years with an initial period of 5 years, and then to renew at our option the charter hire for the tankers.

Mr. SLACK. What is the comparative cost of constructing these ships under those charter agreements in lieu of having them constructed by the Navy with direct appropriations? You may elaborate for the record.

Captain GODEK. Yes, sir. I believe just generally, though, it is the interest plus the profit that the contractor would deem appropriate for his investment.

(The information follows:)

COMPARATIVE COST OF CHARTER VERSUS DIRECT CONSTRUCTION

The cost to MSTS for construction of nine diesel tankers under bareboat charter hire agreement is estimated at $218,402,179 based on level debt service over 20 years. This cost consists of the bareboat charter contractor's investment in the tankers after reducing the ship construction costs by the equity sold to other investors, plus interest on the funds required to finance the owner's investment, plus a fixed fee to the owner to cover overhead and profit. The details of these costs to MSTS are shown elsewhere. Although the costs to MSTS would amount to $218,402,179, the costs should be discounted over the period of payment in order to arrive at a fair comparison with costs of having the ships constructed by the Navy with direct appropriations. The cost to MSTS discounted at 10 percent over 20 years would amount to $92,973,807.

The costs to the U.S. Government of having the ships construtced by the Navy with direct appropriations are estimated at $118,143,790, with shipyard construction cost. This amount is not discounted since the expenditures would not be deferred.

The details of the foregoing costs are shown elsewhere.

Mr. SLACK. Please provide for the record figures which will show the comparable costs.

Captain GODEK. Yes, sir.

(The information follows:)

NAVY VERSUS CONTRACTOR CONSTRUCTION COST

Construction cost to contractor (estimated)

	9 tankers
Shipyard cost	$118,143,790
Legal fees	252,210
Supervision	450,000
Financing costs	1,250,000
Interest during construction	3,536,000
Commitment fees—Late delivery	1,468,000
Total construction cost	125,100,000
Less equity to be sold to other investors	22,140,000
Bareboat charter contractor's investment	102,960,000
Interest at 8½ percent level debt service	113,206,579
Overhead and profit	2,235,600
Costs to MSTS before discounting	218,402,179
Discounted costs	92,973,807

The costs of construction by the Navy with direct appropriations would be the shipyard costs of $118,143,790. The discounted costs to MSTS of constructing nine diesel tankers under bareboat charter agreement would amount to $92,973,807, which would be less than the costs of construction by direct appropriation. The foregoing estimate contemplates a bareboat charter agreement exending 20 years, with 8.75 percent interest during the construction period and 8.5 percent interest on the $102,960,000 funds borrowed by the contractor to finance his investment. The interest of $113,206,579 is calculated on the basis that repayment of the $102,960,000 would be in equal monthly installments sufficient to pay the principal and interest in 20 years.

Mr. SLACK. Let me say that we would expect in this comparative statement to have you point up the depreciation costs, et cetera.

Captain GODEK. Yes, sir. We have a complete file on the factors which were taken into consideration during our evaluation when the contractors submitted their bids.

(The information follows:)

Under bareboat charter agreement, the contractor would depreciate his investment in the ships. In the example provided in the foregoing figures, it would be expected that the contractor's depreciable investment would be $125,100,000 less an estimated scrap value and that this investment would be subject to accelerated depreciation.

Mr. SLACK. What are the characteristics of these tankers? Are they specifically designed to meet MSTS needs?

Captain GODEK. I do not have those. I will provide those for the record.

(The information follows:)

Characteristic of four Falcon tankers: LOA, 669 feet; beam, 89 feet; draft, 34 feet 3 inches; DWT, approximately 34,000; BBL capacity, 300,000; speed 16.5; cargo systems 5.

Characteristics of 9 MSTS designed tankers: LOA, 600 feet (maximum); beam, 90 feet (maximum); draft, 32 feet 6 inches (maximum); DWT, 25,000 plus or minus 50 L/T; capacity, 220,000 barrels (minimum); speed, 16 knots (minimum); cargo systems, 4 coated cargo tanks and piping.

The Falcon tankers were not specifically designed for MSTS. They are one of many types which MSTS can and does utilize. They will have some added features required by MSTS such as limited replenishment-at-sea capability, cargo segregations to carry multigrade cargoes, and communications.

The nine tankers proposed to be constructed and bareboat chartered by MSTS would be of a design to meet MSTS needs. They would replace the 16 T-2 (16,500 DWT) Government-owned tankers in the MSTS fleet.

PROVISIONS OF CHARTER AGREEMENTS

Mr. SLACK. What is the present status of those build-for-charter agreements? Who will own these tankers after the initial 5-year charter period?

Captain GODEK. I am not familiar with the terms of the contract. There are provisions in the contract for the termination. If for any reason MSTS chooses not to extend the charter and terminates the industry accepts these for their own use.

Mr. SLACK. As we understand those agreements, they provide for a 3-year construction period and then a 5-year charter for operations. This, in effect, commits the Government to an 8-year contract. What contracting authority does MSTS have for the retention of civil vessels for a period of 5 or 8 years versus a 1-year period?

Captain GODEK. I believe the Department of Defense approves a 5-year program and it is on the basis of the approval of the 5-year program that this was the charter hire period. Prior to this there is the preparation, getting the tanker ready for delivery to MSTS. I am not that familiar with the legal terms but I can provide it for the record.

Mr. SLACK. Would you define what you mean by a 5-year defense program?

Captain GODEK. Yes, sir. Maybe Admiral Gaddis would prefer to answer it.

Admiral GADDIS. Go ahead.

Captain GODEK. Each year in addition to the current year's budget which we submit, we update the 4 onward years in each one of our program elements. These are reviewed by the Chief of Naval Operations, for requirements; by the Navy Comptroller for the budgeted dollars we are requesting; and processed through OSD and Bureau of the Budget. Under our industrial fund, they review the entire MSTS program.

Mr. SLACK. Mr. Garrity.

Mr. GARRITY. This is the 5-year defense program?

Captain GODEK. Yes, sir.

Mr. GARRITY. But this program is not approved by the Congress at any period of time, is it?

Admiral GADDIS. That is true, Mr. Garrity, it is not. The 5-year approval for contracting for MSTS is under its recognized industrial operation, but specifically may not exceed lift capability that is not readily foreseen in the proposed 5-year program of operations as detailed in the 5-year plan. That is where the 5-year defense program comes into it. Any expansion of their charter fleet would have to be restricted to a comparable expansion plan. Now, as an industrial operation, they do not have the appropriation restriction such as the O. & M. restrictions to 1 year, and so forth, that you would have for a lease.

Admiral SHIFLEY. If I may talk off the record here, Mr. Chairman.

Mr. SLACK. Certainly.

(Discussion off the record.)

Captain GODEK. In the development of our budget we establish rates for sea transportation and recover those moneys that we pay to the contractor through billing the shipper services. In this case the Army, Navy, Air Force, Marine Corps pays for the POL transportation.

Mr. ANDREWS. The MSTS just takes over the finished ship as a lessee?

Captain GODEK. Yes, sir.

Mr. ANDREWS. For 5 years?

Captain GODEK. Yes, sir.

CONTRACTS WHEREBY TITLE REVERTS TO GOVERNMENT AT END OF LEASE

Mr. ANDREWS. At the end of the 5 years where is the title to that ship? Is the title still with the contractor?

Captain GODEK. I am not quite sure of the terms of that. I think through the entire 20 years it stays with him, sir.

Admiral SHIFLEY. It would depend on the terms of the contract. Of course, it would be possible, I suppose, to write a contract in such a way that it would pay off the entire cost of the ship so that the title would go over to the Government at the end of, say, 20 years, if you are able to do this. I don't believe that this is quite legal at the moment.

Captain GODEK. Excuse me, sir, but just to set the record straight, the second part of this, or the nine-tanker contract has been terminated because the company that was initially interested in providing the money cannot provide the money at the rate they quoted to us in their bid. Consequently, they withdrew. We have no successful bidders for our nine-tanker program.

Mr. ANDREWS. When did that happen?

Captain GODEK. Just a week ago.

Mr. ANDREWS. Have they felt the pinch of inflation; is that it?

Captain GODEK. Yes, sir. They were quoting originally at 7½ percent and they were unable to have that 7½ percent over a long period of time. Again, as Admiral Shifley pointed out, the restrictive 5-year period ties their hands in going to their money lenders to have long-term loans.

Admiral GADDIS. This is the point that Admiral Shifley was referring to when speaking of the longer contracting period, sir, because under the longer contracting period there is an arrangement whereby you could go through the same process, charter for a longer period of time and at the end of that period of time you would take title to the ships.

Mr. ANDREWS. I don't see why an arrangement like that could not be worked out. It happens in many instances in Government contracts. I think in some cases after a period of 20 years the title to a Post Office building reverts to the Government.

Admiral GADDIS. This is done by the General Services Administration, it has been done by the Post Office Department. We have contemplated it in a couple of our facility procurements where direct appropriation was not appropriate.

Mr. ANDREWS. Take the public housing field.

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. At the end of 40 years the Housing Authority takes title to a property. I don't think they are going to get too much the way these units are beat up. And the same thing would be true with ships, you would not have much more than hulls after 20 years.

Admiral SHIFLEY. This would be particularly appropriate for procurement of high-cost facilities and equipments—where things cost

a lot, everybody in business does it. You do it when you buy a home, everybody does it. It would certainly ease the strain of laying out the entire cost of something in 1 year.

Admiral GADDIS. This is the object of the enabling legislation which we are working on at this time.

COMPARISON OF COST OF LEASED VERSUS NAVY BUILT SHIPS

Mr. ANDREWS. Mr. Slack asked you a question a few minutes ago: Why do you think this is the cheapest way to operate rather than take appropriated money and go into your own Navy Yard and build the ships that you need?

Captain GODEK. There is not the requirement for the initial outlay of appropriated dollars.

Admiral SHIFLEY. I think, as a matter of fact, Mr. Andrews, it probably in the long run would cost you a little more. It stands to reason that it would because you have to pay something for the money, the interest on the money, you also have to pay a profit to the person that you lease from. So that you would pay out that much additional. On the other hand, there is a lot of advantages to it, as I mentioned, in that you would not have to pay out the entire cost of the ship in the first year.

Mr. ANDREWS. What it amounts to then, you are renting instead of owning.

Captain GODEK. Yes, sir.

Admiral SHIFLEY. You buy it on terms.

INCREASED COSTS OF SHIPBUILDING

Mr. ANDREWS. We had some questions here the other day about the increased costs of shipbuilding in the last year. Somebody said it was around 6 percent. Is that a figure that we were furnished with?

Admiral SHIFLEY. I don't know what figure you were provided but that sounds as though it is on the low side of the bracket, to me.

Mr. ANDREWS. Last year we were told in some areas they increased costs as high as 25 percent for ship construction, 1 year over another year, or it may have been 1 year over the 2 preceding years. This is a bad time to build anything.

Admiral SHIFLEY. That is correct. That is what we have concluded, sir.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

LEGAL BASIS FOR OBLIGATING FUNDS FOR LONG TERM SHIP CHARTER

Mr. SLACK. Section 3732 of the Revised Statute (41 U.S.C. 11) provides that no contract or purchase on behalf of the United States shall be made unless the same is authorized by law or is under an appropriation adequate to its fulfillment. Since these agreements will be financed out of Operation and Maintenance funds and since these funds are for only a 1-year period, how can you enter into a 5- or 8-year agreement in view of the requirements of that statute? Provide that for the record.

Admiral GADDIS. We would be pleased to.

Mr. ANDREWS. May I ask a question?

Mr. SLACK. Yes.

Mr. ANDREWS. While your lawyer is giving an answer to that one, let him also point out crystal clear why a 5-year contract is valid and a 10-year contract is not.

Admiral SHIFLEY. Yes, sir.

Admiral GADDIS. Yes, sir.

(The information follows:)

FEBRUARY 19, 1969.

MEMORANDUM COVERING THE LEGAL BASIS FOR THE OBLIGATION OF MSTS FUNDS WITH RESPECT TO LONG-TERM CHARTERS

It has been the practice of MSTS ever since its creation, for the past two decades, to enter into bare boat charters for a period which was keyed to the planning cycle officially established within the Department of Defense for operational and fiscal purposes. This planning cycle is expressed in the 5-year defense plan. The current MSTS Request for Proposal (RFP) for the charter of nine (9) 25,000 DWT tankers to be constructed over a 3-year period contemplates the use of these tankers for an initial period of 5 years. Thus, the initial obligation of the Government is for a maximum period of 8 years, which embraces both the construction period and the bare boat charter period. This 8-year period is keyed to the force structure established in the 5-year defense plan. This plan provides for the basic requirement of the force structure for an 8-year period as well as the establishment of a financial plan over a 5-year period. It is the projected requirement under the 8-year planned cycle that supports the initial period of the proposed charter.

The enabling legislation providing for the establishment and operation of working-capital funds (10 U.S.C. 2208), under which MSTS operates, authorizes the Secretary of Defense to establish working-capital funds to "(1) finance inventories of such supplies as he may designate; and (2) provide working capital for such industrial-type activities, and such commercial-type activities that provide common services. . . ." By law, these "funds shall be charged, when appropriate, with the cost of—(1) supplies that are procured or otherwise acquired, manufactured, repaired, issued or used; and (2) services or work performed." While these authorized costs are required to be reimbursed from available appropriations (primarily DOD customer appropriations) or otherwise credited for those costs, it is inherent to the nature of a revolving working capital fund financing an industrial-type activity that it may be obligated for a period beyond the needs of the current fiscal year with appropriate consideration of the anticipated reimbursements.

Congress has spelled out specific controls on which it intended to rely for the operation of working-capital funds. Subsection (f) of 10 United States Code 2208 states:

"The requisitioning agency may not incur a cost for supplies drawn from inventories, or services or work performed by industry-type or commercial-type activities for which working-capital funds may be established under this section, that is more than the amount of appropriations or other funds available for those purposes."

Subsection (h) of the enabling act (10 U.S.C. 2208) directed the Secretary of Defense (SECDEF) to prescribe regulations for the management of working-capital funds. It is well settled that regulations expressly directed by the Congress have the force and effect of law if consistent with the law to be implemented. SECDEF did establish such regulations, under which a charter was issued to MSTS. The authority of MSTS to obligate funds and to enter into long-term contracts was expressed in section IX of the charter as follows:

"Military Sea Transportation Service is authorized to enter into contracts including long-term contracts as may be necessary in the best interest of economy and/or national defense for materials and services provided that the cash requirements to liquidate the contingent liability for undelivered materials or services under such contracts plus other commitments and liabilities will not exceed the total available cash plus anticipated receipts for the same period . . ."

Alone, this section would probably be sufficient to sustain any contract considered economically advisable. However, we have for many years applied the added test to this broad provision of determining a period of predictable operations. Within this predictable period, we can then apply the test of available funding to cover long-term contracts authorized by section IX of the charter. Although the funding provisions in section IX do not necessarily require a 100-percent coverage of the gross obligation, as is the requirement for appropriation accounts generally, each long-term contract must be adequately covered by available resources, plus anticipated receipts, for current payments thereon.

These aspects were discussed generally during the hearings on Senate 2788, and in a letter dated March 10, 1954 from the Secretary of the Navy to the Chairman, Committee on Armed Services, U.S. Senate. These proceedings led to the enactment of Public Law 575, 83d Congress, authorizing MSTS to enter into certain 10-year charter contracts similar to the one here under discussion. That statute is not available for this proposed procurement.

It is the considered opinion of the cognizant legal staff that the period of predictable operations which could support long-term contracts by MSTS and meet the several provisions of law discussed above is five (5) years, with a construction period of not to exceed three (3) years. This has its roots in the DOD five year defense plan, which is based upon a projection of physical requirements of the force structure for a period of eight (8) years. This plan not only establishes plans, programs, and operations of the Department of Defense during the 8-year period, but also determines budgeting and funding for a 5-year period. When Congress receives annual budgets for DOD requirements, it is advised of long-range plans contained in the DOD 5-year defense plan. Certainly, Congress is not in any way committed to appropriate future funds based on present budget planning and structure. Nonetheless, we have for several years been planning the defense operations and programs on the 5-year defense plan. The plan, for example, projects disposition of forces and activities. Supply pipeline budgets for the cost thereof are projected. We can reasonably anticipate during such planning period that Congress will appropriate funds to MSTS customers for such basic requirements. To proceed beyond this 5-year defense plan for the present purpose could only be on conjecture.

In establishing any liability in anticipation of receipts beyond the current fiscal year, the probability of any technological change which would affect the continued use of the service sought must be considered. This should be in addition to the indicated requirements found in the 5-year defense plan. Generally, the capacity covered by long-term charters probably should be less than 50 percent of the total charter requirements of the type of transportation covered by the long-term charters. This is consistent with MSTS planning for this procurement, and gives a more certain predictability to the anticipated revenues for the period involved. Any liability from termination claims should also be included in this calculation. In accepting this approach in past years, this discipline was always applied. A good operating rule in regard to total obligations outstanding (of the fund), including liability under long-term charter hire, should be that in no event should the total liability incurred at any time exceed the corpus of the fund plus anticipated revenues for 2 years. The proposed program for the charter of nine (9) tankers could be supported within this rule.

In view of the foregoing, it has been concluded that the bareboat charter of nine (9) 25,000 d.w.t. tankers, as provided in the request for proposals and contemplated in the charter with the Central Gulf Steamship Co., is legal and proper under the statutory authority cited in this memorandum.

LAWRENCE E. CHERMAK,
Counsel for the Comptroller of the Navy.

MSTS FACT SHEET

After full advertisement and under competitive procedures, an award was announced on February 12, 1969 to Central Gulf Steamship Corp. for the bareboat charter by the Navy of nine 25,000 d.w.t. tankers. These tankers are to be built under a contract between Central Gulf Steamship Corp. and Bethelehem Steel Corp., in the latter's shipyard at Sparrows Point, Md. The period of construction is 3 years.

The tankers are of a size, draft and speed not now in existence under the American flag. No commercial counterpart is available to Military Sea Transport Service (MSTS), nor will such be made available except under a long-term charter. The nine new tankers are to replace 16 small T–2 type tankers owned and operated by MSTS. These overaged T–2 tankers are inefficient, deteriorated and expensive to operate. They will be laid up or scrapped as the new tankers are delivered.

The charters have an initial period of 5 years with a series of annual options by which the Government may extend the period for a total of 15 additional consecutive years. During this time, the Government may direct the owner to charter the tanker to others; or it may terminate the charter during the extended period, but in that case may pay certain termination charges. The Government may also offer to buy the tankers by tendering a preagreed price that declines with the years; and if such offer is rejected, the owner waives all right to any termination charges. Upon termination of a charter at any time by failure of the Government to exercise options to extend the period, charter hire will be adjusted retroactively by adding or subtracting the difference between the fair net market value of the tanker at the time and a declining schedule of the total loss value of the tanker agreed to as part of the charter.

Charter hire is at a fixed rate, but the total to be paid over the full extended term is estimated as sufficient to return to the owner approximately 82½ percent of the cash capitalized value of the tanker (which value is estimated at about $13,500,000 each), plus interest on the 82½ percent of that value, plus a very small profit factor. The owner's recovery of equity and principal profit is represented by the remaining value of the tanker and the advantages of tax deferment. It is estimated that over the fully extended charter period, the bareboat charter hire plus operating expenses will result in a long ton mile cost for transportation that is less than MSTS is presently paying in operating expenses alone for the transportation by the overaged Government-owned T–2 tankers to be replaced by the new privately owned tankers.

DEPARTMENT OF THE NAVY,
OFFICE OF THE GENERAL COUNSEL,
Washington, D.C., June 18, 1969.

SUPPLEMENTAL MEMORANDUM COVERING THE LEGAL BASIS FOR THE OBLIGATION OF MSTS FUNDS WITH RESPECT TO LONG-TERM CHARTERS

The Department of the Navy may not obligate any funds of the Navy Industrial Fund which would result in obtaining services for a period greater than the requirements established under the 5-year defense plan. The 5-year defense plan establishes an 8-year period of requirements for the force structure of the Navy. Under this force structure it would be proper to enter into a contract for services over an 8-year period which would include a 3-year construction period and a 5-year period for services. This concept applies to bareboat charters or any other service contracts required to support the Military Sea Transportation Service. Within this concept it would not be possible to enter into a contract where the services to be rendered would cover a 10-year period instead of a 5-year period.

LAWRENCE E. CHERMAK,
Counsel for the Comptroller of the Navy.

OPINION OF GAO

Mr. SLACK. Has the MSTS or the Department of the Navy obtained an opinion from the General Accounting Office as to the validity of these contracts?

Admiral SHIFLEY. No, sir.

MSTS COSTS VERSUS CHARTER COSTS

Mr. SLACK. Tell us generally if the cost of charter tankers has gone up or down in the last 3 years and what has been MSTS experience in that same time as to the cost of petroleum transportation with naval tankers? Provide that for the record, if you will.

Admiral GADDIS. Yes, sir.
(The information follows:)

The cost per ton-mile to move bulk petroleum in chartered tankers increased about 11 percent between fiscal year 1966 and fiscal year 1968. There was considerable variance in the increases for different types of charters, ranging from 6 percent for long-term consecutive voyage charters to 18 percent for time charters. Ton-mile costs for the Navy tankers assigned to MSTS rose about 6½ percent during the period.

AVAILABILITY OF AMERICAN-OWNED TANKERS IN AN EMERGENCY

Mr. SLACK. What number of tankers would be available to you in an emergency situation?

Captain GODEK. At the present time, sir?

Mr. SLACK. Yes.

Captain GODEK. The 26 active nucleus fleet plus those that we have chartered for the period of their charter hire. They range from 1 to 5 years. They are usually 1-year contracts with options to renew.

Mr. SLACK. Do you have any specific commitments from U.S. oil companies to make tankers available to you in case of an emergency?

Captain GODEK. None that I know of sir; no, sir. On no ships do we have any specific commitments from U.S.-flag oil companies.

Mr. SLACK. In an emergency do we feel that we can be sure we can rely on foreign crews even if they are on U.S.-owned tankers? Supply that for the record.

Captain GODEK. Yes, sir.
(The information follows:)

DEPENDABILITY OF CREWS OF AMERICAN-OWNED SHIPS REGISTERED UNDER FOREIGN FLAGS

There were 400 privately owned ships registered under the flags of Panama, Liberia, and Honduras on March 31, 1969. These ships are considered as being under effective U.S. control, and are obligated under contracts with the Maritime Administration to be available in time of national emergency. By definition and custom, "national emergency" has come to be interpreted as applying to a time when requisitioning of American-flag merchant ships is in effect.

The crews of these 400 ships are recruited from many nationalities. Some ships have full complements from one country, such as Italy or Germany. Other ships have multinational crews. A number of these "effective control" ships have American officers and foreign unlicensed personnel.

During World War II, many non-Americans sailed in American ships or in ships of foreign countries allied to the United States. Because these non-Americans sympathized with the cause for which the United State was fighting, there were no problems of dependability; the record of these seamen is outstanding in support of the democratic free world.

The Korean conflict was a United Nations effort, and ships of foreign registry were used successfully because the governments under which these ships were operating were committed to the United Nations action in Korea. There were no incidents of seamen refusing to sail ships to the combat zone.

The Vietnam operation has been carried out in a different climate, and several well-publicized instances have taken place where non-American seamen have refused to sail their ships to the combat zone. Additionally, at least one Swedish tanker owner specifically requested that his ship not be sent to Vietnam because of the anti-American sentiment in Sweden. This tanker was used satisfactorily for cargo destined to the Pacific area outside the war zone. While it may be argued that the crew was willing to take the ship to Vietnam, the repercussions in Sweden which could have occurred cannot be estimated with any accuracy.

The dependability of non-American seamen now manning ships owned by citizens of the United States and under effective U.S. control is, at best, a matter

where reasonable doubt may be said to exist. The circumstances of World War II and Korea have been outlined. On the assumption that the U.S. war effort had the general approval of either the NATO nations or those members of the United Nations outside the Soviet bloc, it might be postulated that the citizens of those nations who comprised the crews of the effective U.S. control ships would sail those ships to the war zone. On the other hand, assuming that the U.S. war effort were as unpopular around the world as the present Vietnam campaign has become, it is problematical how much dependability could be credited to the foreign seamen.

Based on experience during the Vietnam operation, it may be concluded that in similar circumstances in the future there will be some difficulty in finding foreign crews to sail ships under effective U.S. control into the war zone. To destinations around the world outside the war zone, ships probably will be sailed without measurable objections on the part of the seamen. Support of the combat forces will have to be maintained by ships of American registry manned by U.S. nationals. So long as there are adequate numbers of American ships, there should be no logistical problems. If the magnitude of the military effort exceeds the capability of the American ships, and combat supplies have to be moved by ships other than of American registry, the probability of personnel refusals to sail ships to support the unpopular military operation appears to be substantial.

USE OF SUPER TANKERS BY MSTS

Mr. SLACK. Has MSTS given any further consideration to the use of large tankers such as those in the capacity of 200,000- to 300,000-ton range?

Captain GODEK. Yes, sir. There has been consideration given in our overall requirements. For the flexibility that we need in MSTS we have insisted that we need the smaller tankers and that is why we have wanted to limit our buying to that class.

Mr. SLACK. How many larger tankers do you have under charter contract?

Captain GODEK. May I supply that for the record? By larger, you mean is excess of 45,000?

Mr. SLACK. No, in excess of 200,000 tons.

Captain GODEK. I don't think we have any of that capacity.

Mr. SLACK. Then what do you have in excess of 45,000 tons?

Captain GODEK. In excess of 45,000; yes, sir.

(The information follows:)

During the last half of calendar 1968, eight tankers of 45,000 DWT or more were under charter, totalling 425,000 DWT, or 23 percent of the total MSTS tanker fleet.

OSD STUDY REGARDING THE USE OF LARGE TANKERS

Mr. SLACK. Since we discussed the use of larger tankers with you in 1967 the Office of Assistant Secretary of Defense for Systems Analysis has prepared a report on the study of the use of these tankers.

The study is entitled "Ocean Transportation of Petroleum Products in Support of the Department of Defense Forces." Have you examined this study in detail and what are your general conclusions regarding the recommendations made in this study?

Captain GODEK. I would like to supply that for the record. I have not seen that particular study.

(The information follows:)

We have received and examined a working draft of the staff study so titled, dated May 22, 1967. To our knowledge a final report has not been published.

We generally agreed with the conclusions and recommendations except those pertaining to the use and charter of foreign-flag tankers.

We believe foreign flag should only be used when U.S. flag are not available. U.S.-flag tankers must be supported in order to insure U.S.-flag tankers will be available in times of emergency.

Mr. SLACK. Would you provide to the committee a summary of the major conclusions and recommendations of this study, and why MSTS agrees or disagrees with each?

Captain GODEK. Yes.

(The information follows:)

OSD STUDY CONCERNING THE USE OF LARGE TANKERS

SUMMARY OF CONCLUSIONS

1. There will be an increasing need for large tankers as terminal and port facilities change to accommodate them.

Comment: It should be pointed out that the study by large tankers refers to ships of 40,000 to 60,000 DWT class. MSTS agrees. Experience has demonstrated that more can be used as terminals and suppliers improve.

2. Continued need for "handy" sized tankers 25,000 DWT maximum 32 foot draft for approximately 40 percent of the projected peace time demand for bulk POL transportation. The heed must be met by new construction.

Comment: Agree MSTS to meet military requirements, needs and uses all sizes of tankers: small 30,000 bbl T-1's, handy size 25,000 DWT; medium 30,000 to 40,000 DWT; and large over 40,000 DWT. The larger sizes are available on commercial market, but 25,000 and under can only be obtained by appropriations or charter and build. Experience has demonstrated that 40 percent is a good proportion.

3. Significant savings to DOD would result from changes in policy to permit use of foreign flag tankers.

Comment: A savings would result, but perhaps not on the long run. Such change would not maintain the U.S. flag tanker fleet required for National Defense.

SUMMARY OF RECOMMENDATIONS

1. Analysis be made by sponsoring services of POL terminals to determine cost effectiveness of improvements to permit use of larger tankers for POL deliveries.

Comment: Agree. Sponsoring services (Army, Navy, Air Force) do review terminals on a case-by-case basis where the long range requirement are of sufficient volume to possibly economically support cost of improvements to permit use of large tankers.

2. MSTS continues to long term charter the maximum number of large tankers compatible with product availability and destination terminal facilities, including multi-port loading and unloading to reduce total cost.

Comment: Agree. This is and has been standard operating procedure.

3. MSTS be authorized to employ on short-term foreign flag tankers whenever cost of U.S. flag would exceed twice cost of foreign flag.

Comment: Disagree. U.S. flag should be used when available. Difference in cost of crew, construction, M. & R., etc., results in greater cost for U.S. flag tankers. Foreign flag cannot be relied upon for use in combat areas.

4. Funds be programmed for serial production of 9 new tankers of approximately 25,000 DWT to replace MSTS nucleus T-2 tankers.

Comment: Agree. The 16 old costly T-2's should be replaced by modern efficient 25,000 DWT either by appropriated funds or charter and build.

5. The design configuration and special features of standardized new tankers be established with strategic mobility concepts for delivery of bulk POL to military service terminals.

Comment: Agree. Such factors were considered in the design.

Mr. SLACK. At this time will you tell us whether or not you agree with the statement on page 7 of the study which states "It is obvious that since the use of large tankers is accompanied by significant econ-

omies, handy tankers should be used only when ports, channels, POL storage throughput capacities make it impossible to use larger tankers?"

(The information follows:)

Generally agree, but other facts must also be considered: suitable tanker availability, deadline delivery dates, charter market conditions and operational flexibility.

Mr. SLACK. The study goes on to state:

Specific trade-off analysis, port by port, of the cost to increase or relocate storage capacities and to dredge or provide offshore mooring and delivery systems if necessary versus the savings achieved by larger tanker deliveries have not been made. Such analyses are recommended. The results of these analyses can best be responded to by changes in the long-term charter fleet size mix.

Has such analysis been initiated by MSTS for U.S.-controlled ports; and if not, why have they not been undertaken?

(The information follows:)

This statement is covered by one of the recommendations of the study which states, "Analyses, on a terminal-by-terminal basis, be made by the sponsoring services (Army, Navy, Air Force) to determine the cost effectiveness of incurring the costs of the facilities needed to achieve the savings which would result from use of large tankers for POL deliveries." Such port and terminal analysis must be made by the services who own or control the terminal, who can determine future needs, requirements, volume of throughput, etc., and who must obtain necessary funds for terminal improvements. The services do make such studies and MSTS provides necessary tankers data and costs. Recent studies have been made for Norfolk, Subic Bay, Goose Bay, and Pearl Harbor.

Mr. SLACK. Are there any questions with regard to this item, Mr. Andrews?

SHIPMENT OF OIL AND GAS TO SOUTHEAST ASIA

Mr. ANDREWS. Captain, do you have the responsibility for shipping oil and gas to Southeast Asia?

Captain GODEK. Defense Fuel Supply Center purchases all POL required by Department of Defense. Part of the POL is purchased at the refinery and delivered to required destinations by MSTS tankers. The balance is purchased and delivered to the destinations by the oil company supplier. For Southeast Asia approximately 45 percent of the petroleum required is delivery by MSTS tankers and 55 percent is delivery by the oil companies utilizing their own or chartered tankers. The oil companies supply the product, the ocean transportation, in country storage and in country distribution to U.S. bases and air fields.

Mr. ANDREWS. MSTS then furnishes gas and oil for Southeast Asia?

Captain GODEK. Throughout the world; yes, sir.

Mr. ANDREWS. Where do you get that oil from? How do the ships get there? Where do they leave from?

Captain GODEK. These ships are in the Arabian Gulf, the Caribbean, South America, wherever the source for the particular product happens to be, in the fulfillment of the Defense Fuel Supply Agency's requirements for the moving of oil.

Mr. ANDREWS. You get oil then from several different places?

Captain GODEK. Yes sir; many places.

Mr. ANDREWS. The ships go out loaded, of course, and come back empty?

Captain GODEK. Yes, sir.

Mr. ANDREWS. Doesn't that make it doubly expensive to handle gas and oil?

Captain GODEK. I don't know that it doubles the expense——

Mr. ANDREWS. I did not mean double, but very expensive is what I should have said.

Captain GODEK. I think by and large we move ships closest to the source of supply and then keep shuttling them throughout the world from one spot to another, so that a ship may have a light voyage from the Far East, Asia, but chances are that they would shift it into the Arabian Gulf for its next load.

Mr. ANDREWS. For a refill?

Captain GODEK. Yes.

Mr. ANDREWS. You shuttle them between the Arabian Gulf and Vietnam?

Captain GODEK. Throughout the world.

Mr. ANDREWS. About how long does it take to make that trip?

Captain GODEK. I don't know. I can provide it.

Mr. ANDREWS. Maybe we don't want to put it in the record.

Captain GODEK. I don't think it is classified.

Admiral GADDIS. I do not think it is classified.

Mr. ANDREWS. All right. Put something in there about the cost of taking oil down there, the length of the trip, and so forth.

Captain GODEK. Yes, sir.

(The information follows:)

The distance varies somewhat, depending on the loading and discharge ports, but averages about 9,000 miles per round trip. During the last 6 months of fiscal year 1968 we moved an average of 900,000 barrels of petroleum products per month from the Arabian Gulf to Vietnam. This cost to the military services was about $1,130,000 per month (NOTE: This is transportation cost only.)

The voyage from the Arabian Gulf (Persian Gulf) to Southeast Asia is 12–14 days depending upon the tanker's speed, etc. Round voyage including loading and discharging is approximately 30 to 39 days.

Mr. ANDREWS. You do not get any oil nearer than the Arabian Gulf?

Captain GODEK. Yes, sir. We get some of our distillate products off of the west coast.

Mr. ANDREWS. You have been doing that for years.

Captain GODEK. Yes, sir.

Mr. ANDREWS. But you need it now down there in South Vietnam?

Captain GODEK. Yes.

SHIPMENT OF OIL TO VIETNAM BY CHARTERED SHIP

Mr. ANDREWS. Tell us briefly, give us an example of this situation: You charter a ship from a private owner, a private company. What are the details of that transaction? How do you determine the price that you pay for the ship and the wages of the crewmen? Who furnishes the crewmen and what nationality are they? Do they take any oath with respect to allegiance to the American cause?

Captain GODEK. We have many variations. I can take an American-flag ship which is under charter. It may be chartered for a single voyage, if that product is close to the source where the ship happens to be available. If there is more than one ship available then it is a

question of supply and demand. We pay for the tanker an ATRS rate or American tanker schedule rate, which varies by the size of the ship, the product carried and all of the charges, depending upon whether that ship with that particular product has to transit the Panama Canal. We pay the toll charges, and all subsequent charges are taken into consideration also. The American crew aboard that ship is paid whatever the current wages are by whatever union the crewmen aboard that ship happen to belong to. If it happens to be going from one of our Gulf ports to the Far East, and if that happens to be the product needed there, then as soon as that ship enters the war area the crew then is paid a bonus. They get a 100-percent bonus on top of their regular base pay.

Mr. ANDREWS. In other words, a man who makes $500 a month, makes $1,000 a month as soon as he gets into the dangerous waters?

Captain GODEK. Yes, sir; as soon as he gets there and until he leaves, for any day or fraction of a day he is in the war area.

Mr. ANDREWS. If that ship is tied up due to a dock strike—and we did have a situation like that in Saigon—he is sitting out there and he gets that hazardous duty pay, or however you want to describe it?

Captain GODEK. Yes, sir.

Admiral GADDIS. This is one of the major reasons why we have worked so hard to improve turnarounds in the ports of Southeast Asia.

Mr. ANDREWS. What is the average turnaround time now?

Captain GODEK. It is approximately 11 days total for cargo ships, sir.

Mr. ANDREWS. How far out is the hazardous duty pay measured?

Captain GODEK. In miles from the coast, I cannot give it. I can outline the geographical boundaries.

Mr. ANDREWS. Put something in the record on that.

(The information follows:)

GEOGRAPHICAL BOUNDARY OF WAR ZONE

The war area bonus agreed to among ship operators and the maritime unions is identical to that promulgated as a combat zone by the Executive order of April 24, 1965, which is described as follows:

"Vietnam, including the waters adjacent thereto within the following described limits: From a point on the east coast of Vietnam at the juncture of Vietnam with China southeastward to 21° north latitude, 108°15' east longitude; thence southward to 18° north latitude, 108°15' east longitude; thence southeastward to 17°30' north latitude, 111° east longitude; thence southward to 11° north latitude, 111° each longitude; thence southwestward to 7° north latitude, 105° east longitude; thence westward to 7° north latitude, 103° east longitude; thence northward to 9°30' north latitude, 103° east longitude; thence northeastward to 10°15' north latitude, 10°427' east longitude; thence northward to a point on the west coast of Vietnam at the juncture of Vietnam with Cambodia."

Ships entering or departing this area normally would be approximately 100 miles from the Vietnamese coast.

Admiral SHIFLEY. Eleven days is not just for tankers but for cargo.

Captain GODEK. That is right. The time for a tanker depends on its size. It can vary from as little as 6 hours to discharge its total cargo to a maximum of 6 days for the largest tanker that we have.

Mr. ANDREWS. Is there any way you can put in the record an indication of the total amount of transportation cost, surface transportation cost—which is all you are concerned with—for the cargo, gas,

oil, everything that goes into Southeast Asia, South Vietnam, in connection with the war effort? Put it on a yearly basis for the last 5 years, if you can do that. I think it would be a staggering figure.

(The information follows:)

YEARLY SURFACE TRANSPORTATION COST OF GOODS SHIPPED TO VIETNAM

It is not possible to calculate or estimate with precision the total ocean transportation cost of supplying cargo and petroleum to support the military effort in Southeast Asia. One of the major problems, for which no solution is apparent, results from the fact that a considerable volume of Vietnam support cargo and petroleum is not delivered directly to Vietnam, but to intermediate points: for example, Okinawa and Guam. From those places it may be transported, subsequently, by ship to Vietnam, consumed by fleet ships or organic aircraft of the several services. Even in the case of cargo that is subsequently reshipped to Vietnam, it is not feasible to determine the initial cost of transporting that specific cargo to the point from which it was later reshipped.

The following figures represent the best available approximations of the cost to the military departments for service provided by MSTS in connection with transporting cargo and petroleum to Vietnam and Thailand. The figures include the cost of intra-Vietnam water transportation and related services, including tankers and reefer (refrigerated) ships providing "floating storage" facilities.

[In millions of dollars]

Fiscal year—	Cargo service	Petroleum service	Total
1968	606.3	34.1	640.4
1967	516.4	18.2	534.6
1966	292.0	5.3	297.3
1965	40.2	.....	40.2
1964	16.5	.....	16.5
Total	1,471.4	57.6	1,529.0

Mr. MINSHALL. What is the average freighter time from the west coast to Vietnam?

Captain GODEK. I believe it is pretty close to two and a half weeks.

Mr. MINSHALL. You say your average turnaround time is 10 days?

Captain GODEK. Yes, sir, for all ships. This depends again on whether or not the ports are already filled, whether the depots can receive the particular cargo aboard the ship, and in some instances where there are critical storages such as ammunition we may have to leave our ships back in the Philippines before we let them come into the war zone area to avoid paying unnecessary war bonus until that ship can come in.

THEFT OF MATERIAL SHIPPED TO VIETNAM

Mr. ANDREWS. Captain, can you tell us anything about the alleged theft of the material shipped into the Vietnam ports? Does that come under your jurisdiction?

Captain GODEK. No, sir.

Admiral SHIFLEY. Insofar as Navy is concerned, of course, they carry cargo for everybody but most of the Navy's cargo goes into

Danang. We have not had very much pilferage in Danang. It has been very minor in Danang.

Mr. ANDREWS. Do you make that as a categorical statement?

Admiral SHIFLEY. Yes, sir.

Mr. ANDREWS. Or have you just not caught them?

Admiral SHIFLEY. I think we can say categorically there has been very little pilferage.

Mr. ANDREWS. I saw a picture on television showing the black markets "Buy anything you want made in America." It looks, like, to me, that someone could stop those black markets. This war means too much to some of those people down there. They have never had it so good. You have men down there today riding in Cadillacs who 5 years ago were walking or riding a bicycle. That is why I can't believe some of them are interested in getting a peace settlement. So I read and so I am told and so I see on television—great big cans of vegetables, you can see the labels "Property of the U.S. Army," and they are out in plain view for sale on the black market in Saigon.

Admiral GADDIS. I think Saigon is the center of this sort of thing, sir.

Mr. ANDREWS. It is the center of everything down there.

Admiral SHIFLEY. I don't want to make it appear that I am saying that other people do not have as good control as we do, but I think it is true that up at Danang our security is better. Because of the situation we are able to have tighter control than they have down in Saigon. The Navy does not have very much shipped into Saigon.

Mr. ANDREWS. Who ships into Saigon?

Admiral SHIFLEY. The Army and Air Force. Mostly Army.

Captain GODEK. It is our ships but it is not Navy cargo. It is controlled by either the Army stevedoring or the Vietnamese contractors who come under control of the Army in Saigon.

Admiral GADDIS. We have an advantage in Danang, sir, in that we control the lighterage and we control the docks.

Mr. ANDREWS. Didn't you have a big rocket attack there last night or the night before last?

Captain GODEK. Shell fuel storage was hit. That is a commercial storage.

Mr. ANDREWS. The Navy did not suffer damage from those rockets or shells, or whatever they lobbed over there?

Captain GODEK. To the best of my knowledge, the most recent attack which was written up was on a commercial storage. Although there were some military casualties, the preponderence were civilians in the area of the Shell storage.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. SLACK. Mr. Minshall.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. RHODES. No questions.

OPERATION AND MAINTENANCE, NAVY (LIQUIDATION OF CONTRACT AUTHORITY)

WITNESS

REAR ADM. W. D. GADDIS, U.S. NAVY, DIRECTOR OF BUDGETS AND REPORTS, OFFICE OF THE NAVY COMPTROLLER

Mr. SLACK. The next is "Operation and Maintenance," Navy (liquidation of contract authority).

The Navy is requesting $66 million in fiscal year 1970 for the liquidation of obligations incurred pursuant to section 3732, Revised Statute (41 U.S.C. 11) during fiscal year 1966. We will at this point in the record insert the justification submitted in support of this request.

(The justification follows:)

OPERATION AND MAINTENANCE, NAVY (LIQUIDATION OF CONTRACT AUTHORIZATION)

For an additional amount for "Operation and maintenance, Navy," fiscal year 1966, for liquidation of obligations incurred pursuant to section 3732 of the Revised Statutes (41 U.S.C. 11), $66 million.

STATUS OF UNFUNDED CONTRACT AUTHORIZATION (In thousands of dollars)

	1968 actual	1969 estimate	1970 estimate
Unfunded balance, start of year	75,000	64,854	66,000
Contract authorization	.....	1,146	.....
Administrative cancellation of unfunded balance	−10,146	.....	.....
Unfunded balance, end of year	−64,854	−66,000	.....
Appropriation to liquidate contract authorization (79 Stat. 865) (75 Stat. 377)	.....	.....	66,000

Note: This appropriation liquidates certain obligations incurred during 1966 under the authority of sec. 3732 Revised Statutes (41 U.S.C. 11).

Mr. SLACK. Do you have a statement with regard to this appropriation request?

Admiral GADDIS. I do have; yes, sir.

Mr. SLACK. You may proceed. Without objection, we will insert your statement into the record as though read.

GENERAL STATEMENT

Admiral GADDIS. The President's budget includes an appropriation request of $66 million for "Operation and maintenance, Navy" to liquidate fiscal 1966 obligations incurred under section 3732, Revised Statutes (41 U.S.C. 11). In fiscal 1966 the Department of the Navy was authorized by the Department of Defense to utilize the provisions of this section to fund certain of its operation and maintenance requirements related to the force buildup in Southeast Asia. Section 3732 permits the military departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year. Under this authority, fund availability of $83.7 million was authorized by the Office of the Secretary of Defense for "Operation and maintenance, Navy."

The following table shows obligations incurred against this authority as of December 31, 1968, assets applied against these obligations, and the current cash deficiency.

FISCAL YEAR 1966 O. & M., NAVY CASH DEFICIENCY

[In millions of dollars]

Purpose	Obligations, Dec. 31, 1968	Assets applied	Cash deficiency
Fuel	3.2		
Transportation	15.8		
Ship activation and overhauls	46.7		
All other	14.8		
Total	80.5	15.2	65.2

As the table shows, most of these funds were required for fuel, transportation, and ship activation and overhauls.

Appropriation of the amount requested will not increase the availability of funds to the Department of the Navy in fiscal 1970 nor result in increased fiscal 1970 obligations or expenditures. Rather, the funds will serve the single purpose of liquidating the cash deficiency which currently exists in the fiscal 1966 "Operation and maintenance, Navy" account.

BASIS FOR INCURRING THE DEFICIENCY

Mr. SLACK. Admiral, why was there a need to incur these obligations during fiscal year 1966?

Admiral GADDIS. Early in calendar year 1966, it became apparent that the funds needed to support Southeast Asia requirements would exceed those requested of the Congress. An analysis of these requirements was developed and submitted to the Secretary of Defense. As a result of his review, it was determined that a deficiency of $209.2 million had to be met. It was determined that $56.1 million of this deficiency should be accommodated by program reductions from within the appropriation, $69.4 million would be met through the use of the Secretary of Defense's transfer authority under section 636 and that the remaining deficiency of $83.7 million would require coverage through the invocation of 3732 of the Revised Statutes. The incurring of this latter deficiency in this amount for items specifically covered by the statute was authorized by the Secretary of Defense.

Mr. SLACK. What type of support were these funds used for?

Admiral GADDIS. These funds were used for fuel ($3.4 million); transportation ($15.8 million); ship activations and overhauls ($46.7 million); and all other Southeast Asia requirements ($14.8 million).

USE OF SECTION 3732 AUTHORITY TO ACTIVATE AND OVERHAUL SHIPS

Mr. SLACK. On what basis did the Navy conclude that it could use about $37.9 million for the activation and overhaul of ships since section 3732 specifically states that funds are to be used only for clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies?

Admiral GADDIS. The term "transportation" as used in the text of 3732 R.S. was interpreted as including the cost to repair or maintain vehicles (including ships, boats) used for transportation. Therefore, the ship activations and repairs which were determined by Navy to qualify for funding under section 3732 R.S. fell in the transport, hospital, or replenishment category. Examples of shipwork costs accommodated under Section 3732 R.S. are cost increases on the hospital ship activations (*Repose* and *Sanctuary*) and MSTS dry cargo ship activations; activation of non-self-propelled barracks craft; and cost increases on several MSTS troop transport activations.

OTHER OBLIGATIONS INCURRED UNDER SECTION 3732

Mr. SLACK. Of the obligations incurred, $14.6 million is characterized as being used for all other activities. Will you give us a more definite description of what these funds were used for?

Admiral GADDIS. The $14.6 million obligated for all other activities supported Southeast Asia requirements for:

Fleet travel.
FMFPAC messing support.
Maintenance and rehabilitation of personnel facilities.
Advance base functional components.
Armed Forces courier service, travel.
Collateral equipment, personnel support facilities.

DISTRIBUTION BY APPROPRIATION OF 1966 EMERGENCY FUNDS

Mr. SLACK. Admiral, was any of the $1.7 billion included in the Department of Defense Appropriation Act for fiscal year 1969, Public Law 89-213 for emergency funds, Southeast Asia, allotted to the "Operation and maintenance, Navy," appropriation?

Admiral GADDIS. No sir, the Navy received $549.6 million of the $1.7 billion. These funds were distributed as follows:

	Million
PAMN	$190.2
OPN	167.1
PMC	149.1
MCN	43.2
Total Navy	549.6
Army	569.1
Air Force	581.3
Total	1,700.0

USE OF 1966 SUPPLEMENTAL FUNDS

Mr. SLACK. Why were not the funds appropriated for "Operation and maintenance, Navy," in the Supplemental Appropriation Act of 1966, Public Law 89-374, approved on March 25, 1966, sufficient to meeting the requirements of the Navy for the remainder of the fiscal year?

Admiral GADDIS. Subsequent to the preparation of the fiscal year 1966 SEA supplemental budget estimates, changes in plans for sup-

port of operations in Southeast Asia occurred which materially affected the fiscal year 1966 financial plan. The Secretary of Defense was so informed. On April 11, 1966, the need of the Navy to use the authority of section 3732 was recognized to the extent that the fiscal year 1966 projected deficiency could not be reduced by transfer between appropriations, reprograming, and other management actions.

Mr. SLACK. Were any of the funds which we just mentioned applied to the liquidation of deficiencies incurred under section 3732 during fiscal year 1966?

Admiral GADDIS. No sir, none of the $1.7 million was received into the appropriations incurring deficiencies under section 3732.

UNFUNDED OBLIGATIONS INCURRED IN FISCAL YEAR 1966

Mr. SLACK. The committee has been advised by the Office of the Secretary of Defense that the Navy was authorized to incur deficiencies in the amount of $83,700,000 during fiscal year 1966. What was the amount of the unfunded obligations incurred during fiscal year 1966?

Admiral GADDIS. Unfunded obligations (i.e., qualifying under sec. 3732) reported in fiscal year 1966 amounted to $48.9 million. Unobligated balances as of June 30, 1966 in non-3732 areas amounted to $34.1 million. These were used to offset the unfunded obligations incurred thus leaving a cash deficiency of $14.8 million as of June 30, 1966.

DEFICIENCIES INCURRED IN FISCAL YEARS 1967 AND 1969

Mr. SLACK. As we understand it, the Navy incurred obligations of $14,824,000 in fiscal year 1966, $60,176,000 in 1967, and $1,146,000 in 1969. Will you explain how you can incur additional deficiencies of $60,176,000 in 1967 and $1,146,000 in 1969?

Admiral GADDIS. The $14.8 million reflects the net cash deficiency in the appropriation as of June 30, 1966. The $60.2 million and $1.1 million reflect additional cash deficiencies reported in fiscal year 1967 and fiscal year 1969, respectively. The cash deficiency is the net unfunded requirement after applying available unobligated balances in non-section 3732 areas against obligations incurred under the authority of section 3732. The table below is a chronology of the development of the $66 million unfunded balance. Adjustments shown in the column entitled "Unobligated Non-3732 Offsets" reflect the net of adjustments to existing obligations and to fund availability created by the acceptance of reimbursable orders. Adjustments to both obligations and accepted orders are a normal occurrence in this appropriation after the first year of fund availability. As noted in the table, total authorizations under section 3732 amounted to $83.7 million and it is anticipated that $3.2 million of such authorizations will not be required. Of the remaining $80.5 million, $14.4 million will be funded by the application of available resources, leaving a net appropriation requirement of $66 million.

[In millions of dollars]

	Cumulative sec. 3732 obligations	Unobligated non-3732 offsets	Net cash deficiency
Balances, June 30, 1966	48.9	34.1	14.8
Fiscal year 1967 adjustments	+31.1	−29.1	+60.2
Balances, June 30, 1967	80.0	5.0	75.0
Fiscal year 1968 adjustments	+0.4	+10.6	−10.1
Balances, June 30, 1968	80.4	15.6	64.9
Fiscal year 1969 adjustments:			
July-December	+0.02	−0.4	+0.3
January and February		−0.5	+0.5
March-June (estimated)		−0.3	+0.3
Total	+0.02	−1.2	+1.1
Balances, June 30, 1969 (estimated)	80.5	14.4	66.0
Authorization	83.7		
Estimated unused authorization	3.2		

Note: Totals may not add due to rounding.

USE OF APPROPRIATED FUNDS TO LIQUIDATE DEFICIENCIES

Mr. SLACK. We note that $10,146,000 of fiscal year 1968 "Operation and maintenance" funds were used to liquidate part of the unfunded obligations incurred. How did you generate these funds in order to liquidate these deficiency obligations?

Admiral GADDIS. In fiscal year 1968, downward obligation adjustments in non-section 3732 obligations amounted to $10.6 million. Upward obligation adjustments in section 3732 type transactions amounted to $0.4 million. This resulted in a net increase of $10.1 million available to offset unfunded balances.

Mr. SLACK. Why were not additional fiscal years 1967, 1968, and 1969 funds used to liquidate the balance of these obligations?

Admiral GADDIS. No transfer authority existed in the Department of Defense Appropriation Acts of 1967, 1968, or 1969 to liquidate the unfunded balances in prior year annual appropriations.

Mr. SLACK. Mr. Andrews.

FUNDING 1966 DEFICIENCIES IN 1970

Mr. ANDREWS. The Army has a comparable problem, does it not?

Admiral GADDIS. Yes, sir; much larger than ours, more money.

Mr. ANDREWS. $145 million?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. This whole statute goes back to 1861?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. Was designed to let the field commander incur expenses to keep the Army moving?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. My question is this: This had to do with South Vietnam?

Admiral GADDIS. Yes.

Mr. ANDREWS. You knew about this in December 1968?

Admiral GADDIS. December of 1968? Yes, sir.

Mr. ANDREWS. My question is this: Why was not this request in the supplemental bill that came before the Congress?

Admiral GADDIS. It is my understanding that it was a free choice. You are speaking of the 1969 supplemental at the same time?

Mr. ANDREWS. The 1969 and the supplemental; right.

Admiral GADDIS. This supplemental for 1969 and the fiscal 1970 bundget were prepared at the same time.

Mr. ANDREWS. Whose decision was it to let it travel under this old statute?

Admiral GADDIS. It is my understanding that it was the decision of the then Secretary of Defense.

Mr. ANDREWS. Made when?

Admiral GADDIS. December 1968.

Mr. ANDREWS. Then it made the 1966 Navy budget look better, did it not?

Admiral GADDIS. By $66 million; yes, sir.

Mr. ANDREWS. Right. The one in connection with the Army made the Army budget look better for 1966.

Admiral GADDIS. I don't think that this was the intent, in all candor.

Mr. ANDREWS. I did not say it was, but I did say it made it look better.

Admiral GADDIS. Yes, sir, by that much money.

Mr. ANDREWS. Now, when was this $66 million debt incurred?

Admiral GADDIS. It was incurred during the last days of fiscal 1966.

Mr. ANDREWS. Then this made the 1966 budget look better?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. For 1966?

Admiral GADDIS. Yes.

Mr. ANDREWS. Here you are coming in now asking for money to pay for a bill that was incurred in 1966 and we had a supplemental in April of 1966 for fiscal 1966. My question again arises: You made your military budget look better for 1966 by roughly $200 million?

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. A pretty good way to keep books.

Admiral GADDIS. I would note that the specific increase in requirements reflected in the utilization of this authority in 1966 surfaced after the supplemental for 1966 was submitted to the Hill; rather than submit a second one, the decision was made by the Secretary of Defense to go ahead with this one.

Mr. ANDREWS. It does not look good to me to ask the Congress to fund in 1970 bills that were incurred in 1966. It makes the 1966 bill look much better by $200 million-plus. The Marines may have a comparable problem.

Admiral GADDIS. They have a comparable problem.

Mr. ANDREWS. The Air Force may have one.

Admiral GADDIS. Yes, sir.

Mr. ANDREWS. We may come up here with a $1 billion debt incurred in '66 that we will have to pay in 1970.

Admiral GADDIS. The Marine portion is only $2,500,000.

Mr. ANDREWS. Thank you.

Mr. SLACK. Mr. Lipscomb.

Mr. LIPSCOMB. No questions.

Mr. SLACK. The committee will adjourn until 10:00 o'clock tomorrow morning when we will take up operation and maintenance, Marine Corps.

TUESDAY, APRIL 22, 1969.

OPERATION AND MAINTENANCE, MARINE CORPS

WITNESSES

BRIG. GEN. GEORGE C. AXTELL, U.S. MARINE CORPS, ASSISTANT CHIEF OF STAFF, G-4 (LOGISTICS), HQMC

REAR ADM. W. D. GADDIS, U.S. NAVY, DIRECTOR OF BUDGET AND REPORTS, OFFICE OF THE NAVY COMPTROLLER

BRIG. GEN. E. H. SIMMONS, U.S. MARINE CORPS, DEPUTY FISCAL DIRECTOR, HQMC

LT. COL. E. L. MEEKER, U.S. MARINE CORPS, HEAD, FACILITIES AND O. & M. APPROPRIATIONS BRANCH, G-4 DIVISION, HQMC

LT. COL. J. W. COTTOM, U.S. MARINE CORPS, ASSISTANT HEAD, BUDGET OPERATIONS SECTION, BUDGET BRANCH, FISCAL DIVISION, HQMC

EDWARD T. BEESE, HEAD, BUDGET OPERATIONS SECTION, BUDGET BRANCH, FISCAL DIVISION, HQMC

DANIEL F. LAYMAN, DEPUTY DIRECTOR, DATA SYSTEMS DIVISION, HQMC

CHILTON L. MISCH, MANPOWER UTILIZATION SPECIALIST, G-1 DIVISION, HQMC

HOWARD J. LINZ, HEAD, OPERATIONS BRANCH, FINANCIAL MANAGEMENT DIVISION, SUPPLY DEPARTMENT, HQMC

MRS. ROSEMARY S. FOSTER, PROGRAM ANALYST, G-4 DIVISION, HQMC

J. A. LOBI, OFFICE OF THE NAVY COMPTROLLER

OPERATION AND MAINTENANCE, MARINE CORPS

For expenses, necessary for the operation and maintenance of the Marine Corps including equipment and facilities; procurement of military personnel; training and education of Regular and Reserve personnel, including tuition and other costs incurred at civilian schools; welfare and recreation; conduct of schoolrooms, service clubs, chapels, and other instructional, entertainment, and welfare expenses for the enlisted men; procurement and manufacture of military supplies, equipment, and clothing; hire of passenger motor vehicles; transportation of things; medals, awards, emblems, and other insignia; operation of station hospitals, dispensaries and dental clinics; and departmental salaries; [$435,700,000] *$457,000,000*, of which not less than [$22,661,000] *$22,426,000* shall be available only for the maintenance of real property facilities. (*5 U.S.C. 503, 3101, 3109, 5542, 5702-04, 5724-27, 5730, 5742, 5912, 5941, 5948, 5944, 7903; 10 U.S.C. 265, 276, 1037, 1071-85, 1125, 1481-88, 2110, 6911, 7214, 7571, 7580; 31 U.S.C. 22a, 104; 37 U.S.C. 404-11; 39 U.S.C. 712, 4169; Department of Defense Appropriation Act, 1969.*)

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
PROGRAM BY ACTIVITIES			
Direct program:			
1. Training an operations	279,061	305,412	296,799
2. Depot supply system	67,848	71,953	78,207
3. Transportation of things	64,878	65,079	59,679
4. Marine Corps Reserve training	6,637	6,225	5,827
5. Cataloging	2,398	2,751	2,751
6. Departmental administration	13,137	13,180	13,737
Total direct program	433,959	464,600	457,000
Reimbursable program:			
1. Training and operations	31,640	25,615	25,210
2. Depot supply system	41,228	2,600	2,700
4. Marine Corps Reserve training	182	159	194
6. Departmental administration	113	56	107
Total	73,163	28,430	28,211
Subtotal	507,122	493,030	485,211
Intrafund obligations	−32,457	−4,312	−4,312
Total obligations	474,665	488,718	480,899
FINANCING			
Receipts and reimbursements from:			
Federal funds	−37,306	−20,718	−20,499
Non-Federal sources [1]	−3,401	−3,400	−3,400
Budget authority	433,959	463,600	457,000
Budget authority:			
Appropriation	393,550	435,700	457,000
Transferred to other accounts	−160	.....	.....
Transferred from other accounts	40,569	.....	.....
Appropriation (adjusted)	433,969	435,700	457,000
Proposed supplemental for wage-board increases	.....	1,950	.....
Proposed supplemental for civilian pay act increases	.....	2,650	.....
Proposed supplemental for Southeast Asia operations	.....	25,300	.....
Relation of obligations to outlays: Obligations incurred, net	433,959	464,600	457,000
Obligated balance, start of year:			
Appropriation	123,744	124,023	154,623
Contract authorization	4,639	2,232	2,500
Obligated balance, end of year:			
Appropriation	−124,023	−154,623	−159,123
Contract authorization	−2,232	−2,500	.....
Adjustments in expired accounts	−6,769	.....	.....
Increase in indefinite contract authorization of prior years (adjustment in expired accounts)	.....	268	.....
Outlays, excluding pay increase supplemental	429,348	407,900	452,200
Outlays from wage-board supplemental	.....	1,900	50
Outlays from civilian pay act supplemental	.....	2,600	50
Outlays from proposed supplemental for Southeast Asia	.....	21,600	2,700

[1] Reimbursements from non-Federal sources are principally from sales of surplus U.S. Government property and sales of goods and services to individuals, including laundry and unofficial telephone service (10 U.S.C. 2481 and 7581; 70 Stat. 1105).

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation:			
Permanent positions	116,813	111,594	110,582
Positions other than permanent	495	487	375
Other personnel compensation	2,442	2,674	2,674
Total personnel compensation	119,750	114,755	113,631
Direct obligations:			
Personnel compensation	108,290	102,260	101,675
Personnel benefits	8,122	7,106	7,170
Travel and transportation of persons	12,625	12,948	15,228
Transportation of things	65,225	65,407	60,007
Rent, communication and utilities	8,447	8,721	6,596
Printing and reproduction	1,916	2,098	2,133
Other services	28,341	32,592	39,155
Supplies and materials	189,851	221,924	212,810
Equipment	12,980	12,458	13,140
Lands and structures	24	36	36
Insurance, claims, and indemnities	115	125	125
Refunds	−1,077	−1,075	−1,075
Total direct obligations	433,959	464,600	457,000
Reimbursable obligations:			
Personnel compensation	11,460	12,495	11,956
Personnel benefits	860	940	900
Travel and transportation of persons	400	432	432
Transportation of things	900	900	900
Rent, communications and utilities	2,428	2,428	2,428
Other services	2,267	2,300	2,315
Supplies and materials	54,024	8,099	8,444
Equipment	800	800	800
Land and structures	24	36	36
Refunds			
Total reimbursable obligations	73,164	28,430	28,211
Subtotal	507,122	493,030	485,211
Intrafund obligations	−32,457	−4,312	−4,312
Total obligations	474,665	488,718	480,899

PERSONNEL SUMMARY

Total number of permanent positions	20,821	21,075	20,701
Full-time equivalent of other positions	467	477	386
Average number of all employees	20,980	20,642	21,003
Average GS grade	5.8	5.9	5.9
Average GS salary	$7,115	$7,435	$7,442
Average salary of ungraded positions	$6,805	$6,958	$7,010

Opening Remarks

Mr. Slack. The committee will please come to order.

The committee will now consider the Marine Corps request for "Operation and maintenance" funds for fiscal year 1970. The request is for $457 million, a reduction of $7,600,000 from the amount currently proposed to be available for fiscal year 1969.

JUSTIFICATION MATERIAL

At this point we will insert certain pages from the justification book into the record.

(The pages follow:)

DEPARTMENT OF THE NAVY—OPERATION AND MAINTENANCE, MARINE CORPS
APPROPRIATION INTRODUCTION

[In thousands]

	1968 actual	1969 estimate	1970 estimate
Total direct obligations	$433,959	$464,600	$457,000
Proposed supplemental for civilian pay increase		−4,600	
Proposed supplemental for operations in Southeast Asia		−24,300	
Proposed transfer to other accounts	+160		
Net adjustments	−40,569		
Appropriation	393,550	435,700	457,000

This appropriation provides the funds for the costs of all Marine Corps missions, functions, activities, and facilities except for those costs related to procurement of major items of equipment and ammunition, personnel costs of the Regular and the Reserve Establishments, military family housing, and those functions supported by Navy-sponsored appropriations.

The funds contained in this appropriation are intended primarily for the support of the operating forces with particular emphasis on the Fleet Marine Forces. A significant Marine Corps objective is to train and maintain the Fleet Marine Forces at a high level of combat readiness for service with the fleet, or ashore, or for such other duties as the President may direct. At the present time a major portion of the Fleet Marine Force Pacific is engaged in combat operations in Vietnam. The operational aspects of that operation and the climatic conditions of that area have resulted in significant increased costs above those normally associated with the peacetime training effort. Additionally, the Marine Corps, in coordination with the other services, will continue to develop the tactics, techniques, and equipment used by landing forces in amphibious operations.

The two Fleet Marine Forces supported by this appropriation are composed of Marine Expeditionary Forces (Marine Division/Marine Aircraft Wing Teams) including a combination of combat and service support organizations, and a variety of supporting units. It provides funds to support operations of our Fleet Marine Force committed to combat in Southeast Asia, and the uncommitted Fleet Marine Forces. It also supports two landing force training commands, the Marine detachments ashore, and the security forces to naval and other Government activities ashore.

The individual training of enlisted personnel from recruit training to the highest Marine Corps technical training and advanced training at schools of the other services and at civilian institutions as well as individual training of officers from basic to the highest level training is supported by funds in this appropriation. Such schooling is designed to produce highly trained and highly disciplined officers and men for duty with the Fleet Marine Force, capable of effective growth as well as effective performance.

Shore facilities receiving budget support from this appropriation are: four major unit support bases; two recruit depots; the air installations (Marine Corps peculiar items only); three major supply activities; one Marine Corps Development and Educational Command; one overseas training facility at Vieques, P.R.; two landing force training commands, and numerous Marine Barracks and detachments (partial support of some is provided by Navy appropriations). These facilities are being maintained at standards that will permit the most effective utilization, avoid major replacement costs, serve as a means of attracting properly motivated personnel to a service career, and allow their operation and maintenance on an economical and effective basis.

This appropriation also supports the Marine Corps supply system. The principal objective of the supply system is to provide the combat forces with the proper materiel and equipment in the proper quantities and condition at the proper time and place.

Except for military personnel costs, this appropriation provides the funds for the support of the Marine Corps Reserve units, both ground and aviation (Marine Corps peculiar support only), including the funds necessary to support annual field training. The objective is to provide a strong Reserve capable of rapid assimilation by the operating forces when and if required.

This appropriation also supports other miscellaneous activities such as special training, recreation and welfare services, cataloging, recruiting, equipment overhaul and repair, and miscellaneous individual expenses.

The expansion and almost total commitment of Fleet Marine Force Pacific units to combat in Vietnam has resulted in an increased workload for virtually all training units/commands and logistic support functions throughout the Marine Corps during the past 3 years.

SUMMARY OF OBLIGATIONS

[In thousands]

	1968 actual	1969 estimate	1970 estimate	Difference 1970, compared with 1969
Training and operations	$279,061	$305,412	$296,799	−$8,613
Depot supply system	57,848	71,953	78,207	+6,254
Transportation of things	64,878	65,079	59,679	−5,400
Marine Corps Reserve training	6,637	6,225	5,827	−398
Cataloging	2,398	2,751	2,751	.....
Departmental administration	13,137	13,180	13,737	+557
Total direct obligations in budget document	433,959	464,600	457,000	−7,600

BUDGET ACTIVITY 1: TRAINING AND OPERATIONS—SUMMARY OF OBLIGATIONS

[In thousands]

Budget project	1968 actual	1969 estimate	1970 estimate	Difference 1970 compared with 1969
Unit purchase and maintenance of materiel and operating expenses	$161,779	$178,975	$158,180	−$20,795
Station operation and maintenance other than real property (unit training)	53,066	58,064	60,860	+2,796
Maintenance of real property facilities (unit training)	13,094	11,917	13,263	+1,346
Station operation and maintenance other than real property (individual training)	20,303	23,382	24,360	+978
Maintenance of real property facilities (individual training)	5,851	5,544	5,381	−163
Special training expenses	2,536	2,624	3,101	+477
Station operation and maintenance other than real property (security and service)	8,174	10,245	10,782	+537
Maintenance of real property facilities (security and service)	625	620	678	+58
Recruiting	3,537	3,624	3,772	+148
Central procurement, maintenance parts, and organizational equipment	8,888	8,829	14,812	+5,983
Troops services	1,208	1,588	1,610	+22
Total direct obligations in budget document	279,061	305,412	296,799	−8,613

BUDGET ACTIVITY 2: DEPOT SUPPLY SYSTEM—SUMMARY OF OBLIGATIONS

[In thousands of dollars]

Budget project	1968 actual	1969 estimate	1970 estimate	Difference, 1970 compared with 1969
Repair, rework, renovation, and preservation of materiel	27,185	31,133	36,669	+5,536
Depot operations and maintenance other than real property	37,851	38,055	38,749	+694
Maintenance of real property facilities	2,812	2,765	2,789	+24
Total direct obligations in budget document	67,848	71,953	78,207	+6,254

BUDGET ACTIVITY 3: TRANSPORTATION OF THINGS—SUMMARY OF OBLIGATIONS

Budget project	1968 actual	1969 estimate	1970 estimate	Difference 1970 compared with 1969
Inland transportation	$14,782	$14,681	$14,381	−$300
Ocean transportation	36,156	39,398	35,098	−4,300
Air transportation	13,940	11,000	10,200	−800
Total, direct obligations in budget document	64,878	65,079	59,679	−5,400

BUDGET ACTIVITY 4—MARINE CORPS RESERVE TRAINING, SUMMARY OF OBLIGATIONS

[In thousands]

Budget project	1968 actual	1969 estimate	1970 estimate	Difference, 1970 compared with 1969
Operation and maintenance other than real property, MCR, ground	$5,082	$4,713	$4,315	−$398
Maintenance of real property facilities, MCR, ground	299	315	315	.....
Operation and maintenance other than real property, MCR, aviation	1,256	1,197	1,197	.....
Total direct obligations in budget document	6,637	6,225	5,827	−398

BUDGET ACTIVITY 5: CATALOGING, MARINE CORPS

SUMMARY OF OBLIGATIONS

Budget project	1968 actual	1969 estimate	1970 estimate	Difference, 1970 compared with 1969
Cataloging	$2,398	$2,751	$2,751	0
Total direct obligations in budget document	2,398	2,751	2,751	0

BUDGET ACTIVITY 6: DEPARTMENTAL ADMINISTRATION—SUMMARY OF OBLIGATIONS

[In thousands of dollars]

Budget project	1968 actual	1969 estimate	1970 estimate	Difference, 1970 compared with 1969
Personal services	10,580	10,583	10,583	.....
Other expenses	2,557	2,597	3,154	+557
Total direct obligations in budget document	13,137	13,180	13,737	+557

General Statement

Mr. Slack. General Axtell, we welcome you back before the committee for your second appearance. We also welcome your supporting witnesses.

Mr. Slack. Will you please proceed with that statement.

General AXTELL. Mr. Chairman and members of the committee, I am Brig. Gen. George C. Axtell, Assistant Chief of Staff for Logistics, Headquarters, U.S. Marine Corps, appropriation sponsor for the operation and maintenance, Marine Corps budget. I appreciate this opportunity to appear before you to present the Marine Corps' request for operation and maintenance funds.

The funds contained in this budget request are for all costs required to support Marine Corps missions, functions, activities and facilities except for those costs related to procurement of major items of equipment; military personnel costs, family housing costs; and for those specific functions supported by Navy-sponsored appropriations. This appropriation finances our Fleet Marine Forces (which contains four active divisions and three active aircraft wings); basic, technical and professional training; operation and maintenance of training bases, supply activities, Marine detachments and security forces; and the Marine Corps Reserve Division/Aircraft Wing Team.

The operation and maintenance budget request for fiscal year 1970 totals $457 million. Of the total requested, $243 million or 53 percent supports Southeast Asia activity.

The fiscal year 1970 request represents a decrease of $7.6 million over the level for fiscal year 1969. This is a net amount which results from several large decreases offset by a number of smaller increases.

The major decreases total $27.4 million. They are all related to the assumption that combat intensity and materiel consumption in SEA will be less in fiscal year 1970 than fiscal year 1969.

The major increases are: $2.4 million for an increase in the average number of officers and men aboard our bases and an increase in associated training support; $5.2 million for full year operation of ADPE installed during fiscal year 1969; $7.2 to refund work scheduled for rebuild in the industrially funded depot equipment repair installations; $1.8 for maintenance of real property; $3.2 for FMF equipment improvement and fire protection previously funded from other appropriations in prior years.

Budget activity 1 (training and operations), contains a major net decrease of −$8.6 million over fiscal year 1969. This results from assumed lower combat intensity in fiscal year 1970 than projected for fiscal year 1969 which reduces funds available to the Fleet Marine Forces $20.8 million. This $20.8 million reduction is offset by increased costs for training, maintenance of real property, full year funding of data processing equipment installed in fiscal year 1969, and improvement of FMF equipment funded from another appropriation in fiscal year 1969.

An increase to fund work in process at our Albany, Ga., and Barstow, Calif., depot rebuild installations is included in budget activity 2.

Budget activity 2 (depot supply system) and budget activity 3 (transportation of things) both contain decreases due to the projected reduction in combat intensity and materiel consumption addressed in activity 1.

Budget activity 4 (Marine Corps Reserve training) has a reduction related to one-time costs experienced in fiscal year 1969 for initial procurement of individual items of equipment required for the additional 3,000 personnel authorized in the Selective Reserve by Public Law 9-500.

Budget activity 5 (cataloging Marine Corps) is level with fiscal year 1969.

Budget activity 6 (departmental administration). Includes costs for: increased data processing; printing and publication; communication services; and military and civilian temporary additional duty travel.

In summary, based on the projection that the intensity of combat operations will be reduced in fiscal year 1970, the $457.0 million is considered adequate for the continued support of the Marine Corps efforts in Southeast Asia and to insure that our uncommitted Fleet Marine Forces are in a materiel readiness posture which will permit their initial deployment should the occasion arise.

This completes my formal statement, I will be glad to try to answer any questions on this appropriation request.

Mr. SLACK. Are there any questions on the overall statement at this point, Mr. Andrews?

PROJECTION REGARDING INTENSITY OF COMBAT

Mr. ANDREWS. General, I noticed twice in your statement here you make reference to the projection that the intensity of combat operation will be reduced. You say this reduced request is related to the assumption that the combat intensity in Southeast Asia will be less than in fiscal 1969. That is an optimistic statement. I certainly hope and pray it is a truthful assumption.

Who is making these assumptions that we are going to slow down in 1970, indicating that there may be an end to that war in 1970?

General AXTELL. Yes, sir. It is based on the equivalent of 15 percent less activity in 1970 than in 1969; that is correct, sir.

REDUCTION BY THE NAVY AND DOD IN THE MARINE CORPS 1970 REQUEST

Mr. ANDREWS. You are asking for $457 million O. & M., Marine Corps, 1970. What was the original amount, the original request of the Secretary of the Navy and DOD? How much did the Navy and DOD cut you?

General AXTELL. The original request to DOD was for $524.7 million. There was a cut of $67.8 million. Our original request to the Secretary of the Navy totaled $544.4 million, a reduction of $19.7 million.

Mr. ANDREWS. $544 million?

General AXTELL. Our original request to the Secretary of the Navy was $544.4 million.

Mr. ANDREWS. You are coming up here requesting $457 million?

General AXTELL. Yes.

Mr. ANDREWS. You have been cut $87 million from your original request. Now, I do not think that the Marine Corps makes any assumption that things are going to get better over there. I do not share any such assumption. I think it is going to get worse until we get tougher and fight that war to win. When the Secretary of State came out and told the Senate Committee, 2 weeks ago, that we have no objective of trying to win a military war in Southeast Asia, we had better get prepared for it to go on like Tennyson's brook, forever. That is all I want to say.

You have been cut pretty deeply from your original request.

General AXTELL. We have, sir.

Mr. ANDREWS. And the only way you can make it is for these assumptions to come true; otherwise—I do not want to be putting words in your mouth—otherwise you are going to have to come back for a supplemental.

General AXTELL. If the intensity of combat operations there does not decrease, as they have decreased over last spring—there has been a reduction in the intensity since then—if we do not attain a 15 percent reduction over the 1969 level in 1970, that is correct, sir.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. SLACK. Mr. Lipscomb.

REDUCTIONS BASED ON LOWER LEVEL OF ACTIVITY IN 1970

Mr. LIPSCOMB. General, in answering Mr. Andrews you used the figure of $457 million as the O. & M. Marine Corps figure as submitted to the Congress in the original budget request last January for fiscal year 1970. What has been, if any, the reductions in the revised budget which is before the committee now for the Marine Corps?

General SIMMONS. There were no reductions in O. & M. as a result of the Secretary of Defense review.

Mr. LIPSCOMB. It still remains at $457 million?

General AXTELL. That is correct, sir.

Mr. LIPSCOMB. What were the types of reductions that were made from the original request of the Marine Corps to the Secretary of the Navy?

General AXTELL. The type reductions from our submission to OSD was a $5.8 million reduction for Free World Military Forces. ——— $40.3 million, grouping together; because of a lower level of operations, $10.3 million reduction was assessed because our activity at the end of the year after we submitted our budget had reduced; the other $30 million was based on the assumed lower level of activity—15 percent below the 1969 level that we would expect to experience in 1970.

Mr. LIPSCOMB. I thought I heard you say $43 million.

General AXTELL. $40.3 million.

Mr. LIPSCOMB. $40.3 million was the reduction for a lower level of activity?

General AXTELL. Yes. When we originally submitted our budget it was based on the Tet Offensive. The activity decreased after that time and we did accept the $10.3 million reduction at that time, based on the level of operations of our original submission. The other $30 million of the $40.3 million was based upon the assumed lower level of activity in 1970 than we projected in 1969, approximately 15 percent.

Mr. LIPSCOMB. So is is actually $70.6 million overall for a lower level of activity in fiscal year 1970?

General AXTELL. I would have to break that down. No; the $40.3 million is the total.

Mr. LIPSCOMB. What was this 15 percent?

General AXTELL. It equates to the $30 million that I just mentioned, sir. We started out on a higher level in 1969 based on the level of

activity, on the Tet Offensive increase. Based on that level, our projection indicated we would need $40.3 million, but since the level of activity did reduce we took out $10.3 million. That was accepted. Then they took an additional assessment of $30 million, which equates to 15 percent.

General SIMMONS. We were given the figure of $30 million as a directed reduction in the course of the program budget review.

Mr. LIPSCOMB. This is just in operation and maintenance?

General AXTELL. That is correct, sir.

Mr. LIPSCOMB. Thank you very much.

General AXTELL. Yes, sir.

ONLY MINOR CHANGES IN O. & M. FUNDS BETWEEN 1969 AND 1970

Mr. SLACK. General, the Marine Corps request for fiscal year 1970 is only $7.6 million below the amount proposed to be available for fiscal year 1969. Generally, there has been a somewhat larger difference in the Marine Corps request for operation and maintenance funds from year to year. Why is it that the Marine Corps was able to project estimates so close between fiscal years 1969 and 1970?

General AXTELL. Our request for operation and maintenance in the 1969 and 1970 was based on our computation of increments and decrements throughout our budget, assuming the level of activity would decrease by 15 percent, offset by such things as an increase for full year ADP funding; we had an increase of man-years, small increase in end strength, and also offset, as I indicated before, because of the change in logistics guidance ———. We had an increase of $7.2 million to fund one-time work in our industrial plants. We had $6.2 million taken out as far as the funds we needed to increase our depot maintenance for certain electronics equipment. This was held at our 1969 level straight through 1970.

General SIMMONS. If I could add a comment to that, sir: Of all the direct Marine Corps appropriations this is the most difficult one to project because of the variables which are not under Marine Corps control. Over half of this appropriation goes to support of Southeast Asia operations. It is most difficult to project forward into the time frame of this budget. There will be changes in operational intensity, there will be lows and escalations, there will be surprises on both sides, there may be additional forces introduced into the country or forces withdrawn from the country. All these things cause variations. For example, suppose that we did have a cessation of hostilities and we were able to withdraw significant forces, these very withdrawals would general large operation and maintenance cost primarily in the area of transportation of things.

So of all of our appropriations this is the one that is most difficult to project.

INCREASE INCLUDED IN THE 1970 BUDGET

Mr. SLACK. The reduction of $7.6 million is a net reduction. What is the total amount of the increases included in the budget for fiscal year 1970?

General AXTELL. Total amount of the increases?

Mr. SLACK. The total amount of the increases, and what they are for. First, the figure of the total amount of increases.

General SIMMONS. I can provide the most significant increases, if you would like. I do not have the total. Full year funding of ADP is plus $5.2 million; increased personnel loads at our Marine Corps bases, $1.2 million; maintenance of real property, $1.2 million above the reduced floor for fiscal year 1969; migration from R.D.T. & E. Navy to O. & M. Marine Corps, equipment improvement item, increase of $3.1 million; rework and renovation of ammunition, $1.7 million; funding for work in process at our repair centers under the Marine Corps Industrial Fund, $7.2 million. These are the significant increases.

Mr. SLACK. The total of the items that you have just given to me is $18.5 million.

General SIMMONS. I have a complete increment/decrement schedule which we can introduce for the record.

(The information follows:)

INCREASES AND DECREASES IN 1970 OVER 1969

[In thousands]

Fiscal year 1969 program	$404,600
Assumed reduced level of combat intensity and reduced materiel consumed related to operations in Southeast Asia	−21,832
Automatic data processing equipment rental and other associated costs, Fleet Marine Forces	+1,092
Automatic data processing equipment rental and associated costs, supporting installations	+4,131
Operation and maintenance of new facilities	+509
Base support costs for increased number of military personnel at Marine Corps bases	+1,196
Fire protection support at Marine Corps Bases, formerly funded under the family housing, management account, defense	+278
Maintenance of real property	+1,205
Support of equipment at the communications-electronics school at Marine Corps Recruit Depot, San Diego, and an increased training load	+400
Operation of the computer science school, Quantico, Va.	+393
Additional student input to the Navy enlisted scientific education program, the special education program, and the Marine Corps Associate degree completion program	+91
Costs to support training of a greater number of Marines attending factory type schools on computer and aviation subjects, and at military locations where government quarters are not available	+261
Training devices	+122
Increased officer accessions, and enlisted recruiting workload	+148
Support for improvement of Fleet Marine Force (FMF) equipment formerly funded from the research, development, test and evaluation, Navy (R.D.T. & E., N.) appropriation	+3,100
Rework and renovation of ammunition	+1,664
Official mail, reimbursable to the Post Office Department	+500
Contract technical services	+727
Funds for work in process at the Marine Corps Depot maintenance activities	+7,222
Reduction in planned depot maintenance program	−1,138
Decrease in preservation, packing, and crating, due to the anticipated reductions in shipments to Southeast Asia	−548
Decrease due to anticipated decrease in material requirements for supply support of Southeast Asia	−704
Decrease in land, ocean and air transportation attributable to anticipated reduction in tonnage shipped to Southeast Asia	−5,400
Net decrease due to one-time funding of individual equipment in support of recruitment of Marine Corps Reserves in fiscal year 1969	−308
Decrease related to civilian personnel	−923
Other increases and decreases (net)	+241
Fiscal year 1970 program	457,000

FUNDING TRANSFERRED FOR THE R.D.T. & E. APPROPRIATION

Mr. SLACK. What is the total amount of funding transferred from the R.D.T. & E. appropriation for fiscal year 1970?

General AXTELL. The total amount of funding transferred from the R.D.T. & E. appropriation in fiscal year 1970 is $3,100,000.

PREFUNDING OF WORK SCHEDULED FOR REBUILD

Mr. SLACK. On page 2 of your statement, General, you mention that the Marines are requesting an increase of $7.2 million to prefund work scheduled for rebuild in the industrially funded depot equipment repair installations. Will you give us some additional information on this request?

General AXTELL. I will, sir. This is a requirement on the industrial funding concept. We fund all work as it is introduced into the schedule to be rebuilt. Our past practice—this should have been done in fiscal year 1969 but we have had a waiver on it. Our past practice had been to fund as the work was actually accomplished.

Mr. GARRITY. What do you mean by fund as introduced to rebuild?

General AXTELL. As the articles go in the funds have to go with the particular work order.

Mr. GARRITY. I thought that procedure had been changed and billing were now on the basis of work completed.

General SIMMONS. This year only. DOD policy requires full-year funding of work to be performed by the Industrial Fund. Under the Industrial Fund which was effective 1 July, 1968, last year at our Marine Corps bases at Barstow, Calif., and Albany, Ga., we just did not have funds available in the 1969 Appropriation Act to fully fund the work in process at that time as well as the new work to be inducted during the year 1969. Therefore, at our request, the Navy Comptroller submitted to the Assistant Secretary of Defense, Comptroller, a request for a waiver of this policy for this year only.

Mr. GARRITY. This is only for 1-year funding of work in process?

General SIMMONS. Yes.

Mr. GARRITY. In future years billings will be on an incremental basis, on the basis of work completed?

General SIMMONS. These are moneys that we should have had to get properly started with the Marine Corps industrial fund last year. This is a one-time only situation. It is essentially a bookkeeping transaction.

Mr. GARRITY. Then is this, in effect, a direct appropriation to the Marine Corps Industrial Fund?

General AXTELL. No. To the best of my understanding, this is paying for the work as introduced.

General SIMMONS. This is not the corpus of the industrial fund, no, sir.

General AXTELL. No, sir.

Mr. GARRITY. But it does add to the corpus of the industrial fund.

Mr. LOBI. No, sir; it would not. If I may just comment on this: In the industrial fund you must fund the total work package when you contract for work with a project order. Now, towards the end of the fiscal year you have material being reworked which has not been completed in that fiscal year but will go on into the next fiscal year. So you must fund the work in process at the end of the fiscal year.

Up until this time the industrially funded activity has been funded on a level of effort. That is we have only funded the work accomplished in that particular year. But the regulations require that we fully fund the work package as we induct work into the rework facility. Therefore, any of the work which follows on into the next fiscal year must be funded in a preceding fiscal year. It is to cover the work in process which will go on into the next fiscal year.

Mr. ANDREWS. In other words, you have to pay in advance?

Mr. LOBI. It is a contractual arrangement where you obligate the money for the entire work to be done regardless of what fiscal year it is finished in.

Mr. ANDREWS. That is paying in advance.

Admiral GADDIS. One point to add is this: The funding of the work in process is relative to having funds to support the obligation. You do not pay in advance in that you actually pay the money as the expenditures are incurred by the industrial fund activity. But the money must be available in the area in which the work was inducted—in that year.

Mr. ANDREWS. You have got to block it off, in other words?

Admiral GADDIS. Yes.

Mr. ANDREWS. You place an order to have some work done on the first of May. It cannot be completed until the first of August. Now, if the cost of that work is $1 million you have to earmark the $1 million in May?

Admiral GADDIS. Yes, sir; even though you are paying $250,000 a month for 4 months for actually the conduct of the work. The money must be available for obligation at the start of the work even though it is not paid except as the work is performed in process.

IMPROVEMENTS IN FLEET MARINE FORCE EQUIPMENT

Mr. SLACK. General, we also note in your statement that you are requesting an increase of $3.1 million for FMF equipment, improvement of FMF equipment and for fire protection previously funded from other appropriations. What does FMF indicate?

General AXTELL. Fleet Marine Force.

Mr. SLACK. What equipment improvements do you intend to implement with these fiscal year 1970 funds?

General AXTELL. This is a transfer from our R.D.T. & E. account where we had previously funded it. These funds are to continue technical services or engineering services, for engineering improvement, of tracked vehicles for instance, and other types of motor vehicles. It supports maintenance of drawings, engineering records, engineering changes as a sort of a product improvement fund that they thought was better associated in the operation and maintenance accounts because it is not actually R. & D. or research, the development phase, sir.

Mr. SLACK. Are there any questions with regard to the overall funding, Mr. Andrews?

Mr. ANDREWS. No.

Mr. SLACK. Mr. Lipscomb?

PRODUCT IMPROVEMENT

Mr. LISCOMB. General, can you tell us more about product improvement? How does it work?

General AXTELL. You have a contract to support our tracked vehicle LVT; you will have a failure of some component or some part over a period of time which needs changing or upgrading. Now, you get a fix on it. An unsatisfactory report comes in on that. We get a surge of these things. Then you go in and contract to find a better way to improve this particular component. This is where the funds go to support this type of development.

Mr. LIPSCOMB. If a truck breaks down you repair it?

General AXTELL. You repair it; yes, sir.

Mr. LIPSCOMB. That is not product improvement.

General AXTELL. That is not product improvement. We will have a generator or a spring or some other component of the transmission go bad. Now, you have parts to replace them but somehow over a period of time you find out that this part is not holding up or not giving the service life it should. What they are trying to do—they may have to redesign a small component, a cog or something similar or a different metal should be put into it or a different method of engineering should be used. These are the costs associated with improving that part which goes into the equipment.

Mr. LIPSCOMB. This has been in the R.D.T. & E. budget in the past?

General AXTELL. It has.

Mr. LIPSCOMB. Did you in any way change the administration?

General AXTELL. No, sir; not as far as we are concerned, the actual operation, no, sir.

Mr. LIPSCOMB. You used to do the research and everything on that part and then get your funds from R.D.T. & E.?

General AXTELL. It was budgeted for in that appropriation, yes, sir, and then was suballotted to the same people who are doing the same work now, sir.

Mr. LIPSCOMB. Is this done under contract with manufacturers?

General AXTELL. Yes, sir. We have some with manufacturers.

Admiral GADDIS. It could be done in-house by either the Marine Corps or Navy laboratories.

Mr. LIPSCOMB. Do you have any records available as to how much of the funds have been spent in the past with contracts?

General AXTELL. We can furnish that.

General SIMMONS. Yes, sir. In 1968 under R.D.T. & E. we had $1,900,000; in 1969 we had $3.6 million for the same purposes.

Mr. LIPSCOMB. That is the total?

General AXTELL. That is the total; yes, sir. We can give a spread for the record.

(The information follows:)

COMMERCIAL CONTRACTS FOR PRODUCT IMPROVEMENT

Fiscal year	R.D.T. & E.	O. & M., MC
1968	$1,900,000	0
1969	3,600,000	0
1970	0	3,100,000

In fiscal year 1968, commercial contracts were awarded to the Aerojet General Corp. for $40,700 for wheeled vehicle improvement. The remainder of the funds for product improvement were issued to the following for performance of services requested by modification work orders:

Army Materiel Command.
Army Tank Automotive Command.
Navy Ships Command.

In fiscal year 1969, commercial contracts were awarded to the San Bernadino Materiel Co. for $33,300 for wheeled vehicle improvement. The remainder of the funds for product improvement were issued to the following for performance of services requested by modification work orders:

Army Materiel Command.
Army Tank Automotive Command.
U.S. Army Engineer Waterways Experimental Station.
Navy Ships Command.

In fiscal year 1970, it is not anticipated that commercial contracts will be awarded for product improvement.

General SIMMONS. In 1968 that $1.9 million included $500,000 for tracked vehicle improvement, $300,000 for wheeled vehicle improvement, and $1.1 million for amphibious vehicle improvement. In 1969 the $3.6 million split the same three ways was $200,000 for tracked vehicle improvement, $300,000 for wheeled vehicle improvement, $3.1 million for amphibious vehicle improvement.

CONTRACTOR'S RESPONSIBILITY FOR PRODUCT IMPROVEMENT

Mr. LIPSCOMB. Why is this not the contractor's responsibility, the one that sold the original equipment?

General AXTELL. It is not included. You have a guarantee for a certain equipment that is produced but this is something beyond that period of time, sir, just as you have, I think, a similar practice, if you are manufacturing or maintaining trucks, and so forth.

General SIMMONS. As an example, I can read you the project description justification for this year's tracked vehicle improvement in the amount of $200,000. The justification reads as follows: Funds are for the support of vehicle design agents, VDA; for ONTOS, that is, antitank vehicle, heavy and flame tanks, and the tracked recovery vehicle, VDA, provides engineering services during the service life of the end items in maintaining drawings and specifications current, product improvement, investigations, furnishing field technical representatives, preparation of technical instruction bulletins, and proposed modification work orders.

Mr. LIPSCOMB. This request appears to be about $500,000 less than in 1969.

General AXTELL. Less; that is correct.

Mr. LIPSCOMB. Thank you, Mr. Chairman.

CIVILIAN EMPLOYEES

Mr. SLACK. The next item under "Operation and maintenance, Marine Corps," is entitled "Civilian employees."

EXPENDITURE REDUCTIONS RESULTING FROM REDUCED CIVILIAN EMPLOYMENT

General, what expenditure reductions were made during fiscal year 1969 as a result of reduced civilian employment under the Revenue and Expenditure Control Act of 1968?

General AXTELL. In 1969 we reduced our civilian productivity by 60 people under Public Law 90–364.

General SIMMONS. A reduction of $200,000 was associated with that reduction.

Mr. SLACK. The answer is $200,000?

General SIMMONS. Yes, sir.

Mr. SLACK. What was the number of civilian employees reduced as a result of this act?

General SIMMONS. Sixty.

Mr. SLACK. How many were general schedule employees and how many were wage board employees?

General AXTELL. They were all graded employees.

REDUCTION IN CIVILIAN EMPLOYMENT DURING 1969

Mr. SLACK. As I understand it, the Marine Corps will not reduce its civilian personnel strength at all during fiscal 1969. Is that a fair statement?

General AXTELL. Insofar as Public Law 90–364 is concerned, sir?

Mr. SLACK. In the overall.

General AXTELL. Well, sir——

Admiral GADDIS. I have the data on that, sir. In 1970 there will be 380 less civilian personnel hires, Marine Corps, versus 1969.

Mr. SLACK. I referred to the year 1969 rather than 1970.

Admiral GADDIS. Excuse me.

General AXTELL. Our end strength in 1968 was 20,581, and we have increased our end strength to 20,718 but this increase was primarily the increase in ARVN of 1,942 foreign billets that drove our strength up as offset by transfer to the industrial fund of 1,643 people.

Mr. SLACK. Who are the 1,942 that were increased for Southeast Asia support as set forth in the fact sheet?

General AXTELL. The 1,942 are personnel supporting the III MAF in ARVN.

INCREASED CIVILIAN EMPLOYMENT IN SUPPORT OF SOUTHEAST ASIA ACTIVITIES

Mr. SLACK. Information provided to the committee indicates that the Marine Corps civilian personnel strength was increased by 1,942 during fiscal year 1969 in support of Southeast Asia activities.

General AXTELL. That is correct, sir.

Mr. SLACK. In what country will these employees work?

General AXTELL. These employees will work in South Vietnam, and they are all foreign nationals.

Mr. SLACK. Who are these employees?

General AXTELL. They are South Vietnamese, sir.

Mr. SLACK. What duties were they employed to perform?

General AXTELL. They will do such duties as from working in galleys, messhalls, to working in our maintenance shops, providing other housekeeping-type functions to support the activity in Southeast Asia.

General SIMMONS. I can give you some typical positions.

Mr. SLACK. Insert a full list into the record, at this point, if you will.

General SIMMONS. Yes, sir.

(The information follows:)

Positions occupied by the 1942 Foreign Nationals hired for duty in Southeast Asia.

The type and number of positions referred to are as follows:

FOREIGN NATIONAL EMPLOYEES

Position title:	Number
Administrative assistant	12
Air conditioning/refrigeration mechanic	1
Automotive mechanic	85
Baker	4
Carpenter	113
Carpenter helper	8
Clerk/typist	51
Cold storageman	2
Cook helper	93
Diesel mechanic	5
Driver	9
Electrician	25
Equipment repairman	3
Gardner	3
Guard	16
Heavy equipment operator	3
Interpreter/translator	54
Janitor	33
Key punch operator	9
Kitchen helper	378
Laborer	559
Laundry operator	30
Maintenanceman	43
Mason	9
Nurse	9
Nurse aide	4
Painter	14
Plumber	17
Plumber helper	3
Repairman	12
Stock control clerk	4
Telephone operator	5
Tire repairman	5
Warehouseman	66
Welder	5
Kit Carson scout	250
Total	1942

Mr. LIPSCOMB. May we have just a couple, just as examples?

General SIMMONS. A few representative samples are: administrative assistant, air-conditioning/refrigeration mechanic; automotive mechanics, quite a few of those; bakers, carpenters, quite a few of those; clerk-typists; cooks' helpers; interpreter-translators; laborers, the largest number of all; kitchen helpers, a very high number; warehousemen; plumbers; plumbers' helpers; telephone operators; welders; a few key punch operators; a few guards.

TRANSFER OF CIVILIAN EMPLOYEES TO THE INDUSTRIAL FUND

Mr. LIPSCOMB. How do you accomplish this transfer, these foreign nationals?

General AXTELL. You mean, make our total strength come out from the previous year?

Mr. LIPSCOMB. It says this increase of 1,942 is attributable to Southeast Asia support, offset by reductions of 1,643 due to the transfer to the Marine Corps Industrial Fund.

General AXTELL. Those people were transferred to the industrial fund, 1,643, they are paid out of the industrial fund and no longer are paid directly out of the O. & M. Marine Corps funds. This is part of the industrial fund program of bringing all the activities under the industrial fund so that where the customer pays for his work, just as he would contract some place else for the total package of the cost of the repair program.

General SIMMONS. The figures that you were given earlier as to end strength, were those civilian employees of the Marine Corps which are paid under this appropriation. To repeat these figures, the end strength for 1969 is 20,718; the end strength for fiscal year 1970 is 20,338, but the total number of Marine Corps civilian employees under all appropriations, end strength, 1969, is 26,484 end strength 1970, 26,266. In addition to those funded by O. & M. Marine Corps, we also have a significant number funded by Operations and Maintenance, Navy, as well as the Marine Corps Industrial Fund. Our end strength in 1968 was 24,817. That will show you the difference between 24,817 in 1968 and 26,484 in 1969. I think that is what you are getting at.

Mr. LIPSCOMB. Thank you.

EMPLOYEES EXEMPT FROM REVENUE AND EXPENDITURE CONTROL ACT

Mr. SLACK. How many civilian employees does the Marine Corps now have in Southeast Asia which are exempt from the provisions of the Revenue and Expenditure Control Act of 1968? Provide that for the record.

(The information follows:)

As of March 31, 1969 the Marine Corps had 3,847 civilian employees in the Southeast Asia area exempt from the provisions of the Revenue and Expenditure Control Act of 1968.

INCREASES IN CIVILIAN EMPLOYMENT

Mr. SLACK. We note from the justification book that the average civilian employee strength will increase by 361 during fiscal year 1970. Why are you increasing the average employee strength and what type of positions will be filled?

General AXTELL. The total man-years average I believe you are talking about increases because we took on the 1,942 in late fiscal year 1969 and they will be employed for a full year 1970, but we have to reduce our end strength from end 1969 to end 1970. So the man-years will be higher through the year and will drop down during the latter part of the year to obtain our end strength.

Mr. SLACK. How close is the Marine Corps to its June 30, 1966, civilian employee ceiling as required by the Revenue and Expenditure Control Act of 1968?

General AXTELL. It is projected that as of June 30, 1970, the Marine Corps will be 589 above the June 30, 1966, civilian employee ceiling required by the Revenue and Expenditure Control Act of 1968.

EFFECT OF CONTINUING THE REVENUE AND EXPENDITURE CONTROL ACT IN 1970

Mr. SLACK. By what amount can the fiscal year 1970 budget request be reduced if the personnel reductions required by the Revenue and Expenditure Control Act of 1968 remain in effect?

General AXTELL. If the personnel reductions required by the Revenue and Expenditure Control Act of 1968 remain in effect it is estimated that the fiscal year 1970 operations and maintenance, Marine Corps budget would be reduced by $1,159,000.

In respect to personnel reductions associated with the Revenue and Expenditure Control Act of 1968, it should be recognized that, although the Marine Corps civilian employee ceiling for fiscal year 1970 is 589 above the required June 30, 1966, ceiling, since June 30, 1966, the Marine Corps has converted 1,549 military to civilian positions under this appropriation. None of the positions converted were related to SEA. Further, from the effective date of the law to the end of fiscal year 1970, the Marine Corps will have reduced its non-Southeast Asia operations and maintenance, Marine Corps funded employment by 478 (2.7 percent).

In view of the military to civilian conversions, the planned end fiscal year 1970 strength is in reality less than the comparable (adjusted) end fiscal year 1966 strength.

Mr. SLACK. Are there questions with regard to civilian employees, Mr. Andrews?

Mr. ANDREWS. No questions.

Mr. LIPSCOMB. No questions.

ADP OPERATIONS

Mr. SLACK. The next item is entitled "ADP Operations." We note from your statement that you are requesting an increase of $5.2 million for the full-year operation of ADP equipment installed during fiscal year 1969. What is the total amount in the Marine Corps O. & M. request for the rental and operation of ADP equipment?

General SIMMONS. In fiscal year 1970 it is $20,973,000.

General AXTELL. That includes supply, materiel, and other costs, contractual services and civilian/military services as related to the equipment.

Mr. SLACK. What was the amount in 1969?

General AXTELL. Total amount of all those things, 1969, was $15,750,000. This is the total ADP costs, everything associated with it, sir.

TOTAL COST OF ADP EQUIPMENT

Mr. SLACK. What is the total amount being requested by the Marine Corps in all titles of the appropriation bill for the rental, purchase,

and operation of ADP equipment and how much was requested for fiscal years 1968 and 1969?

General AXTELL. The total amount for all appropriations?

Mr. SLACK. For all appropriations.

General SIMMONS. In fiscal year 1970 it is $35.9 million; in fiscal year 1969 it was $30.6 million.

Mr. SLACK. What about 1968?

General SIMMONS. $28.5 million.

Mr. SLACK. Would you break it down as between appropriations, for the record?

General AXTELL. Yes, sir.

(The information follows:)

AMOUNTS, BY APPROPRIATION, FOR ADP OPERATIONS IN FISCAL YEAR 1968, FISCAL YEAR 1969, AND REQUESTED FOR FISCAL YEAR 1970

[Dollars in thousands]

Appropriation	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Military personnel, Marine Corps	$9,846	$12,372	$12,518
Operations and maintenance, Marine Corps [1]	10,773	15,750	20,973
Operations and maintenance, Navy [1]	1,844	2,302	2,354
Procurement, Marine Corps	6,063	0	0
Military construction	0	200	103
Total	28,526	30,624	35,948

[1] These appropriations include: Equipment rental and maintenance; civilian salaries and related costs; contractual services; and consumable material and other related costs.

NEW ADP SYSTEMS

Mr. SLACK. How many new ADP systems were put into operation by the Marine Corps during fiscal year 1969?

General AXTELL. No new ADP systems were put in in 1969, if I understand the chairman's question.

Mr. SLACK. That was the question. How many were put into operation during 1969?

General AXTELL. New systems; no, sir.

Mr. SLACK. The answer is zero?

General AXTELL. Yes.

MARINE CORPS AUTOMATIC DATA SERVICE CENTER

Mr. SLACK. When was the Marine Corps Automatic Data Service Center established and what is its purpose and function?

General AXTELL. It was established at the beginning of 1968. May I correct that for the record? We changed the title in 1968. I do not have the exact date handy as to when it was first started.

Mr. SLACK. Include therein the purpose and function.

General AXTELL. I will, sir.

(The information follows:)

What is now the Marine Corps Automated Services Center was initially established on May 1, 1965, by authority of the Secretary of the Navy. At that time it was designated at the "Marine Corps Reserve Data Services Center." Its mission was to provide data processing services for pay and personnel functions in support of Marine Corps reserve forces. SecNav Notice 5450 of August 15, 1967, redesignated this installation as the "Marine Corps Automated Services Center." The present mission of this installation is to provide data processing services for pay and personnel functions in support of Regular and Reserve Marine Corps forces.

UPGRADING OF ADP SYSTEMS

Mr. SLACK. How many of the ADP systems were upgraded in 1969?

General AXTELL. Six.

Mr. SLACK. What was the purpose for upgrading these six?

General AXTELL. The purpose of upgrading our computer is to change from a second generation family to establish a third generation system throughout the Marine Corps so we can have standard and compatible programs, and to handle the volume of business, both personnel accounting, military accounting, maintenance and operational reporting, which is required in the current enviromental setting.

Mr. ANDREWS. May I ask a question, Mr. Chairman?

Mr. SLACK. Yes.

Mr. ANDREWS. General, when you put in these systems do you decrease civilian employment?

General AXTELL. At the present time I will have to say no, sir. Until you get the complete system in, the complete third generation, both at Headquarters Marine Corps, throughout our various establishments, and also out to the consuming unit, it is necessary to run a redundancy of your systems until this complete package is in. I do foresee a reduction once we pass this transitional stage, sir, insofar as the number of people that will be required to do this same job, but I can't say now by putting one computer in here and there that we will save some people right at this time because we have to run parallel systems until we get the whole package in. It does take some time, but in the long run we will, sir.

Mr. ANDREWS. So is it correct to say that you have the same number of civilian employees doing bookkeeping work that you had before you got into the computer system?

General AXTELL. We do. But what is happening, sir, we are getting much more detailed information, information that is required to manage and to utilize other things like personnel accounting, keeping track of it, our ability to be more knowledgeable, have more knowledge of our supply system, which in turn reduces the amount of funds required to maintain your supply system. There are many indirect payoffs in it that I cannot give at this time.

Mr. ANDREWS. But you have not hit any of them yet?

General AXTELL. Yes; we think we have some, but I can't come out and identify specifically where they are. We are reducing our pipeline, we are getting a better turnaround on our supply system. In other words, we are improving our readiness. Our readiness has continued to improve because of this ability to identify what is needed, where it is

needed, and to keep track of it and also get better utilization of our skills and personnel.

Mr. ANDREWS. Thank you.

INCREASE IN ADP FUNDING FOR HEADQUARTERS, MARINE CORPS

Mr. SLACK. Why is additional ADP funding required at Headquarters, Marine Corps?

General AXTELL. There are several reasons why we need it in Headquarters, Marine Corps. To really effectively utilize the third-generation computer and finally get the payoff we are all looking for, we need the same capability throughout the system so we can use standard programs, so that they can exchange information.

Mr. SLACK. What system are you referring to?

General AXTELL. I am referring to a third generation of whatever is rented, sir, something that is compatible with our present 360 family that we have now. It will be the alternate site for our manpower or control system we have at Kansas City in the pay system. If something goes out at that point, it will be an alternate system to maintain certain records. It is needed to take this information that is produced at our supply centers, our operational readiness reporting from the Fleet Marine Forces, our maintenance records, to extract that information and give us management information on a more up-to-date basis, to enable us instead of looking historically, to project into the future what we are going to require.

Mr. LIPSCOMB. When do you estimate the payoff is going to come?

General AXTELL. I believe we are having payoffs now, but we do not have sufficient people to come down and specify exactly what is taking place. But the real payoff is going to come, sir, if we can get sufficient computers in 1970 and 1971 to complete our system, providing third-generation computers in the divisions and wings and to get our headquarters computer operating at Washington, and then you will see some significant payoffs in the following years.

Now, you have to take this in order of magnitude, the output of work that is going to be accomplished, too. When you talk about payoffs, I am talking about the effectiveness of your supply system, getting people, knowing where they are, the effectiveness of your pay system and the effectiveness of your maintenance system, and things like that.

Mr. LIPSCOMB. Our questions on ADP are not directed to only the Marine Corps, you know.

General AXTELL. No; I am sorry if I gave that impression.

LACK OF VISIBLE PAYOFF OF COMPUTER SYSTEMS

Mr. LIPSCOMB. We see so many computer systems running throughout. It runs into the billions of dollars and the Marine Corps is small enough that you can get a picture of it a little better. But we ask: When is the payoff coming? Because we have been buying computers, putting in systems, working on systems, and still we keep seeing more inventory, more employees, and the defense budget goes up. I understand the requirement and use, but when can we expect that the computers will start paying off? If I ask you "Can you show me a

system that has been completed and is paying off?"—I wonder where in the Defense Department you would tell me to go to see it. Instead, somebody would tell us that they need a new machine. Just yesterday or the other day before I asked for a report and was given a report which is an investigation of a system and a new computer that will set up a matrix that will tell how to make another computer to do the job.

The study only cost $27,000 so it was not very expensive. But the computer cost several millions of dollars.

General SIMMONS. Sir, I can describe two small systems that I think are apparently paying off in the area of our disbursing service. We have one called Carepay, which is a misleading acronym. It stands for central automated reserve pay. We are now paying all members of our organized Marine Corps Reserve out of Kansas City on an automated pay system which saves the preparation of many small manual pay records and accounts. It is sort of a pilot model for what we hope to be able to do in JUMPS, the joint uniform military pay system. Another subdisbursing system we now have is an automated bond and allotment system where we are working from optical-scannable bond authorizations or allotment authorizations that come through the system and then are scanned at Kansas City.

Mr. ANDREWS. Before you get away from Kansas City, General, you have two computers out there doing very useful work, very efficiently. Have you been able to reduce the manpower in that office in Kansas City?

General SIMMONS. No, sir. The number of manpower continues to go up at Kansas City but we are reducing the effort out in the field in the area of pay, and that is all I am addressing myself to right now. As a matter of interest to you gentlemen, you know how much congressional correspondence you send us on failures of allotments because somewhere along the line the allotment request by the man does not get into his pay record. We look to a quantum reduction in allotment failure as a result of this system.

Mr. LIPSCOMB. I never have any complaints about the Marine Corps.

General SIMMONS. Off the record.

(Discussion off the record.)

HEADQUARTERS PERSONNEL ASSIGNED TO ADP FUNCTIONS

Mr. SLACK. How many Marines are involved in ADP operations at the Pentagon, and what is the associated military personnel cost?

General AXTELL. You mean by that at Headquarters, Marine Corps, sir?

Mr. SLACK. Yes, I do.

General AXTELL. May I supply that for the record. I have it but I cannot put my fingers on it at the moment.

Mr. SLACK. Very well.

General AXTELL. I have it broken out for headquarters.

(The information follows:)

As of April 22, 1969, there are 143 military personnel employed in ADP functions at Headquarters, Marine Corps. The estimated annual cost for these personnel is $1.8 million in fiscal year 1969 and fiscal year 1970.

NEW COMPUTER FOR THE MARINE CORPS INSTITUTE

Mr. SLACK. Why is it necessary for the Marine Corps to get a new computer for the Marine Corps Institute, since the present one is only operating one shift, 5 days a week?

General AXTELL. The Marine Corps is not getting a new computer for the Marine Corps Institute. The Marine Corps Institute will pay its associated cost of the new computer that we hope we will be able to procure for Headquarters, Marine Corps.

Mr. SLACK. It is not a new computer for the Marine Corps Institute?

General AXTELL. No, sir; it is not.

General SIMMONS. We have no dedicated computers as such. We have all general-purpose computers, and all the various systems and customers use them on a time-sharing basis.

Mr. SLACK. Are there further questions with regard to ADP operations? Mr. Andrews?

Mr. ANDREWS. No questions.

Mr. SLACK. Mr. Lipscomb?

Mr. LIPSCOMB. No, Mr. Chairman.

COMPUTER SCIENCE SCHOOL

TYPES OF COURSES BEING TAUGHT

Mr. SLACK. The next item is entitled "Computer Science School." General, when was the computer science school established by the Marine Corps, and what type of courses are being taught there?

General AXTELL. It was established in January 1968. I have a list of the courses. There are about six courses, sir.

General SIMMONS. There are four enlisted courses: A course on the IBM 360 operating system of 13 weeks; a course on the IBM 360 disc operating system of 12 weeks; a course on programing the IBM 1401 of 7 weeks; and then a systems design and analysis course of 7 weeks.

For the officers, there is a 12-week system engineering training course; and for senior officers there is a 1-week automatic data processing orientation course.

We expect in fiscal year 1970 to have a total of 130 officers and 770 enlisted pass through the school.

NEED FOR A MARINE CORPS COMPUTER SCIENCE SCHOOL

Mr. SLACK. Why is it necessary that the Marine Corps have its own computer science school rather than utilize the facilities of the Defense Computer Institute operated by the Navy Department?

General AXTELL. The school at the Defense Institute does not provide us with the type training on the type computers we are operating in the Fleet Marine Force, in the specific programs that we are employing.

General SIMMONS. We do make a good deal of use of the Defense Computer Institute, but it is primarily of an orientation nature because the instruction is nonspecific as relates to Marine Corps systems. By the same token, we make large use of contractor schools, but here the contractor schools, of course, are oriented to their own product.

As we are getting away from complete orientation to one manufacturer, we would like to have our own school so we can teach our own systems. We think it is more efficient and more effective.

COST OF THE COMPUTER SCIENCE SCHOOL

Mr. SLACK. What is the cost of operating the Computer Science School for fiscal years 1969 and 1970?

General AXTELL. We project to spend $150,000 in 1969, and we are requesting $543,000 in 1970.

Mr. SLACK. Is this school operated on a contract basis?

General AXTELL. No, sir. We have had some contractual assistance in the school in the first year or two provided to us by the manufacturer. It is a Marine Corps school, sir.

Mr. SLACK. Are there questions with regard to the Computer Science School?

Mr. ANDREWS. No questions.

Mr. LIPSCOMB. No questions.

INCREASED RENTAL COSTS FOR ADP EQUIPMENT

Mr. SLACK. A few moments ago I asked the question "Why is it necessary for the Marine Corps to get a new computer for the Marine Corps Institute since the present one is only operating one shift, 5 days a week?" The answer was that it was not getting a new computer.

General AXTELL. That is correct, sir.

Mr. SLACK. I read from a fact sheet prepared for the committee.

Question: ADP Rental and Operation (page 2-24). Explain more fully the requirement for the increase of $475,000.

The answer reads as follows:

The above amount is the result of expected increased expenses at two separate installations, the Marine Corps Automated Data Services Center, Kansas City, and the Marine Corps Institute (MCI), Marine Barracks, Washington, D.C.

What are these increases for?

General AXTELL. The part for Kansas City is to provide full-year funding for equipment installed last year. The funds that are allocated to the Marine Corps Institute are to pay its proprotionate share, on a time-sharing basis, of the headquarters computer. Each customer or agency outside the headquarters has to identify and stand on its own merits as to its contribution to the total cost, sir.

Mr. SLACK. Very good. Thank you.

MANAGEMENT STUDIES

The next item is entitled "Management studies." What amount does the Marine Corps intend to obligate during fiscal years 1969 and 1970 for contract management studies?

General AXTELL. We have in the 1969 budget $1.010 million. We have obligated at the present time $750,000. In 1970, we have in the budget request $1.010 million for "Management studies."

Mr. SLACK. What contract management studies will be carried out with this proposed $1 million?

General AXTELL. It is a contract on the subject of Marine Corps Maintenance Management System. It will be conducted by the North American Rockwell Corp., the Autonetics Division, sir.

PROJECT TRUMP

Mr. SLACK. What progress are you making with your contract studies on the maintenance procedures for Project TRUMP?

General AXTELL. As of July 15 we established a baseline of a conceptual Marine Corps Maintenance Management System which requires further study. In this phase, the objectives, basic policies, guidelines for management were established. Our gross plan for the management of equipment was identified. Our maintenance management organization was defined. A systems design proposal was submitted to support a maintenance management system. The means for identifying the degrees of skill, the capability proposed. Develop new occupational field. And a means of assigning maintenance responsibility.

In essence, the system design produced was ready for a sytsems engineer to draft specific programs. We are going on from there with our study to identify exactly what is taking place in the Fleet Marine Force, because this is a sort of optimum system. We are drafting and going back to improve our present system in those areas and automate it where we can identify significant payoffs. Otherwise, we do not want to change the system. This is what the program is doing at the present time.

Mr. SLACK. General, does this require a new computer?

General AXTELL. No, sir. We will use our general-purpose computers which we have throughout our system. That is the intent. In other words, we are not having dedicated computers for this particular purpose.

Mr. SLACK. How much is included in the budget request for fiscal years 1969 and 1970 for Project TRUMP as a whole?

General AXTELL. 1969 and 1970, $2.020 million. That is the total for both years, or $1.010 million in each year.

Mr. SLACK. This was the same figure referred to a while ago for contract management studies.

General AXTELL. That is it, sir. That is the only one we have. They are one and the same.

Mr. SLACK. You are going to continue that in 1970?

General AXTELL. We plan to, yes, sir.

Mr. SLACK. Did I understand you to say Project TRUMP was finished?

General AXTELL. Phase 1, sir. We finished Phase 1, sir, of four phases. We have four phases to complete. It is our expectation that the funds for 1970 will be sufficient to complete this program.

Mr. SLACK. Are there questions with regard to management studies, Mr. Andrews?

Mr. ANDREWS. No questions.

Mr. SLACK. Mr. Lipscomb?

Mr. LIPSCOMB. No questions.

Mr. DAVIS. No questions.

Contract Services

Mr. Slack. The next item is "Contract services." For fiscal year 1970, you are requesting an increase of $727,000 for contract technical services. What is the total amount being requested for contract technical services, and what was the amount for 1968 and 1969?

General Axtell. In 1968 we had $502,000; in 1969, $402,000; and in 1970, $1.129 million for "Contract services."

SERVICES TO BE PROVIDED BY CONTRACT

Mr. Slack. What type of services will be provided?

General Axtell. These will provide, in the second year those technical services on such things as our new automated fire distribution system, the HAWK, the introduction of components for Marine tactical data system for the second year we have it in operation until our school develops skilled people in these functions and they are brought up to date in the field in the actual operation of this complicated equipment.

Mr. Slack. Is it necessary to have such a large increase to provide this service?

General Axtell. It is, sir. We are updating our HAWK missile system and our Marine tactical data system, the air control, sir. The new equipment has just been introduced, and we need these people there to help us maintain this expensive equipment in the sense that they provide the on-the-job training that you just cannot provide to that degree in a school, sir. We do have schools to train people to take over this function.

HAWK MISSILE CONTROL SYSTEM

Mr. Slack. What is the HAWK missile control system which is requiring an additional $413,900 in fiscal year 1970?

General Axtell. That includes the HAWK system, $126,000; the tactical air control center, $690,000; new teletype sets, $45,000; $156,000 for other components of our tactical data communications control center, three groups; plus our compatibility computer group for our air control system, which is rather technical, $38,000.

That will aggregate the total figure when put together in one package, sir.

Mr. Slack. Of the increase for 1970, $313,100 is associated with new requirements for teletypewriter sets, tactical data communications control system, and an improved light antiaircraft missile system. What are these new teletypewriter sets to be used for?

General Axtell. These new teletypewriter sets are to be employed at our various communications centers which we are upgrading or replacing at our various communications centers, groups, divisions, and wings, and our Fleet Marine Forces.

Mr. Slack. Is this for a dedicated system?

General Axtell. No, sir; this is not dedicated. This is our total system. These teletypewriters are used to take all type work within our communications systems.

IMPROVED HAWK SYSTEM

Mr. SLACK. What are the new tactical data communications control system and the improved light antiaircraft missile system?

General AXTELL. In the improved antiaircraft missile system we are gradually upgrading our missile system to improve its reliability, to increase its envelope ——— to increase its range, to improve its acquisition gear at lower altitudes. This is a series of replacement of components into it. If we get approval of the improved HAWK, these are the basic building blocks to improve our basic system that we hope to attain this capability, what we call the improved HAWK system.

As far as our tactical control system, MTDS, these are the various components that go into the total system for controlling air control for air defense, to provide facilities for control of air and close air support, and to automate these systems into it in addition to the HAWK system. These are new components that are going in, that have been phasing in over a period of 4 or 5 years. The new components are just recently reaching the Fleet Marine Force, and we need people to insure that we get the operational capability in the Marine Corps.

DEPLOYMENT OF THE HAWK MISSILE SYSTEM IN VIETNAM

Mr. ANDREWS. General, are you using the HAWK anywhere?

General AXTELL. Yes, sir. The Marine Corps deployed the first HAWK system in South Vietnam. We have it in South Vietnam at Danang.

Mr. ANDREWS. What is it used for?

General AXTELL. It is a deterrent, sir. It is air defense, close in air defense, sir; in other words, against aircraft.

Mr. ANDREWS. The question is: Have you used it?

General AXTELL. No, sir; we have not been attacked by aircraft.

Mr. ANDREWS. Could they be used as antipersonnel weapons?

General AXTELL. No, sir.

Mr. ANDREWS. Antitank?

General AXTELL. No, sir.

Mr. ANDREWS. Only antiaircraft?

General AXTELL. Antiaircraft and missiles that are within the envelope of its capability.

Mr. ANDREWS. Do you have them deployed at your bases in South Vietnam?

General AXTELL. We have, sir.

Mr. ANDREWS. What about your tests?

General AXTELL. About every 6 months they have an operational test against drones and other aircraft to test its operational capability.

Mr. ANDREWS. What are the results of the latest test?

General AXTELL. Highly effective, sir. They get ——— out of ——— direct hits, something like that.

Mr. LIPSCOMB. On what?

General AXTELL. On drones.

Mr. LIPSCOMB. What kind of drones?

General AXTELL. It is a prop drone; the ones I am familiar with are subsonic, sir.

USE OF HAWK AGAINST A MISSILE

Mr. LIPSCOMB. What kind of missile would come under the HAWK envelope?

General AXTELL. I was asked that question once before, and I said none. If there is a missile that would stay at speeds, within its envelope, an air-breathing missile, in the improved HAWK system.

Mr. LIPSCOMB. What kind of missile would be deployed in North Vietnam that would come within its envelope?

General AXTELL. I do not know of one, sir.

Mr. LIPSCOMB. The HAWK is deployed there for antiaircraft?

General AXTELL. That is correct, sir.

Mr. LIPSCOMB. Your answer implies it would be used against a missile.

General AXTELL. If I did, I want to correct that.

Mr. LIPSCOMB. There are no missiles deployed in North Vietnam?

General AXTELL. I took Mr. Andrews' question to broaden the discussion a little bit as to its total capability, not confining it to its deployment in Southeast Asia.

Mr. LIPSCOMB. You have never tested a HAWK against a missile?

General AXTELL. No. The tests did not come off.

Mr. LIPSCOMB. The HAWK is a good weapon system, but we cannot expand its capability beyond what it was designed for.

TECHNICAL MANUALS

Mr. SLACK. Please provide for the record a schedule showing the amounts to be obligated in fiscal years 1968, 1969, and 1970, for technical manuals.

(The information follows:)

The following amounts were obligated or budgeted for technical manuals:

Fiscal year:	
1968	$690,000
1969	659,000
1970	669,000

Mr. SLACK. Are there further questions on the item entitled "Contract services"?

PURCHASE OF FURNITURE AND FIXTURES

The next item is "Purchase of furniture and fixtures."

General, what is the total amount being requested in fiscal year 1970 for the purchase of collateral equipment, and what type of equipment will be purchased?

General AXTELL. The total amount in the O. & M., MC budget for fiscal year 1970 for procurement of collateral equipment required for military construction in fiscal year 1970 is $1,900,000. A representative listing of type of equipment being procured is as follows:

Dormitory furniture and fixtures.

Sterilizers, X-ray units, dental units, dental chairs, electrosurgical apparatus.

Office furniture and fixtures.

Classroom equipment (projectors, recorders, chairs, desks, and benches).

Maintenance shop equipment (battery chargers, voltmeters, lathes, benches, cleaning tanks, spray guns).

MAINTENANCE OF REAL PROPERTY

REDUCTION IN THE FLOOR ON MAINTENANCE OF REAL PROPERTY

Mr. SLACK. The next item is entitled "Maintenance of Real Property." For fiscal year 1970, you are requesting a reduction in the floor for the maintenance of real property facilities. Why are you requesting this reduction, and what effect will it have on your maintenance program?

General AXTELL. We are requesting this reduction in the floor of $1.5 million as a result of our requirement for supplement 1969. We reviewed all our expenditures, seeing where we could absorb or take funds to support the Southeast Asia operation, and this is one of the accounts where we reluctantly decided we would request a reduction.

General SIMMONS. I might say this request has been overtaken by natural events, that is, flood damage in southern California, and we will be spending substantially more than the reduced floor for the maintenance of real property.

Mr. ANDREWS. How much damage did you suffer?

General SIMMONS. Considerable, sir, in the vicinity of $1 million worth of damage at Camp Pendleton and a somewhat less amount at El Toro.

Mr. SLACK. What is your current estimate for 1970?

General SIMMONS. The figure is $22.4 million.

Mr. SLACK. What is your current estimate of what the floor should be? In other words, you said you would perhaps spend a lot more, so what would be your estimate of the floor?

General SIMMONS. Sir, as far as 1969 is concerned, with respect——

Mr. SLACK. 1970.

General SIMMONS. If we were to catch up or try to get back on schedule, we would have preferred to see $23.4 million as the fiscal year 1970 floor, rather than the $22.4 million.

Mr. SLACK. You are asking for a reduction from $22.661 million to $22.426 million. That is correct, is it not?

General SIMMONS. These are the 1969 to 1970 figures you just gave, sir. The $22.6 million is the floor in the language of the law now. It goes down to $21.1 million. I said earlier this was largely academic as far as the Marine Corps is concerned, because we will be spending something over $22 million.

Mr. SLACK. According to the committee print, it goes back to $22.426 million.

General SIMMONS. In fiscal year 1970, sir.

Mr. SLACK. What was the $21 million figure that you referred to?

General SIMMONS. The 1969 floor.

Admiral GADDIS. That is the request in the 1969 supplemental and the language of the supplemental to reduce the floor to $21.161 million.

General AXTELL. Two different years, sir.

Support of Free World Forces

Mr. Slack. The next item is entitled "Support of Free World Forces." What is the total amount being requested for Support of Free World Forces, and what country forces will these funds support?

General Axtell. In fiscal year 1970, we are requesting ——— million to support the Thailand Marine Corps, the Korean Marine Corps, and the South Vietnamese Marine Corps, sir.

MODERNIZATION OF THE SOUTH VIETNAMESE MARINE CORPS

Mr. Slack. Of this amount, how much is for modernization of the South Vietnamese Marine Corps?

General Axtell. I do not have a specific figure for pure modernization. We have been upgrading. There is very little in our O. & M. budget for modernization, sir, because most of the modernization is replacement of equipment and would come under procurement. It is very minor, sir.

General Simmons. For the three appropriations, if you want to go beyond O. & M. Marine Corps, for fiscal year 1970, the total amount for modernization and improvement of the Vietnamese Marines is ——— million. Of this ——— million is in procurement, Marine Corps; ——— is in military personnel, Marine Corps.

Mr. Slack. Are there questions with regard to the item entitled "Support of free world forces"?

(No response.)

Projects One Hundred Thousand and Transition

Mr. Slack. The next item is entitled "Projects One Hundred Thousand and Transition."

PROJECT ONE HUNDRED THOUSAND

How much is included in the 1970 request for Project One Hundred Thousand?

General Axtell. We have no direct money in this appropriation for Project One Hundred Thousand, but approximately $60,000 in 1969 and 1970 is attributable to supporting costs, only, absorbed out of other funds, sir. We have not come in with a specific item request on it.

PROTECT TRANSITION

Mr Slack. Is any money being requested for Project Transition?

General Axtell. Yes, sir. $1.035 million.

FUNDS NOT SPECIFICALLY BUDGETED FOR PROJECT ONE HUNDRED THOUSAND

Mr. Lipscomb. I did not quite understand your comment about Project One Hundred Thousand. I understand you are estimating $60,000.

General Axtell. Yes, sir.

Mr. Lipscomb. Where is this shown in the justification?

General Axtell. It is not broken out in the justification, sir.

Mr. Lipscomb. Where is it coming from?

General AXTELL. It is absorbed as part of the reporting costs in the reporting system. This is the best we could do. Our costs are primarily concerned with personnel-type information, specific data, reports on people. They require additional information on these people. This is where the cost is primarily attributable.

Mr. LIPSCOMB. Under what account?

General AXTELL. That would be under activity 6.

Mr. LIPSCOMB. Just as a point of interest, tell us how you get that out of this account without budgeting for it.

General SIMMONS. For Project One Hundred Thousand, sir?

Mr. LIPSCOMB. Most other services have it right in their justification sheet so we can easily see it.

General SIMMONS. The costs for Project One Hundred Thousand fall primarly between military personnel, Marine Corps, and O. & M., Marine Corps. We have fully integrated Project One Hundred Thousand into our regular recruit training program. Therefore, with the exception of the medical remedial enlistment program, there are no direct costs or no readily identifiable costs attributed to Project One Hundred Thousand.

However, it is true that we have to recycle some of the Project One Hundred Thousand marine training. So, there are indirect costs. This causes an increase in the average training time for these marines as compared to others. However, since there is no compensatory allowance, we absorb this cost and accept it as a reduction in trained manpower which is available to us at any one time.

With respect to the medical remedial enlistment program, medical costs have been recorded over a period of about a year, and they seem to average out about $268 per man.

In addition, we have about 22 noneffective days for each of these MREP recruits.

We have restructured and reoriented some of our basic courses in order better to accommodate Project One Hundred Thousand trainees. The net effect has been that our instructor staffs are working longer and harder to accomplish the job, but to date we have not added any new instructor billets, nor have we redesignated any billets specifically identified with Project One Hundred Thousand.

As far as numbers of trainees in fiscal year 1968, we had a total of 9,564. In 1969, we expect 11,354. In 1970, we expect 12,324.

ASSIGNMENT OF INDIVIDUALS TO PROJECT ONE HUNDRED THOUSAND

Mr. LIPSCOMB. How does the Marine Corps define Project One Hundred Thousand?

General SIMMONS. It represents those proportions of the new mental standards and of the medical remedial enlisted program which we are assigned or assessed by the Department of Defense, which we must accept as part of our input into the Regular Marine Corps.

Mr. LIPSCOMB. What is the difference between them and the normal input?

General SIMMONS. In case of new mental standards, this is the lower edge of mental group 4.

Mr. LIPSCOMB. You are assigned a certain percentage of the lower edge of mental group 4?

General SIMMONS. Yes, sir.

Mr. LIPSCOMB. What other factor? You say physical?

General SIMMONS. Yes, sir, there is the remedial physical program. It is a much smaller program, sir. In those totals of numbers I gave you, we had 578 in 1968, 1,094 in 1969, and we expect 948 physically remedial candidates in 1970.

UTILIZATION OF PROJECT ONE HUNDRED THOUSAND INDUCTEES

Mr. LIPSCOMB. Have you any records available as to the uses and utilization of your Project One Hundred Thousand manpower? What happened to them?

General SIMMONS. They lost their identity in the rank and file of the Marine Corps. Their assignments as far as military occupation specialties, of course, are governed to some extent by the level of their mental attainment. To the best of my knowledge, once trained, they perform well.

Mr. LIPSCOMB. I should think your experience, for instance, with the lower portion of mental group 4 would be helpful in evaluating Project One Hundred Thousand. What happened to these men? Did they go into infantry or did they turn out to be cooks? Can they drive trucks?

General SIMMONS. We did keep track of them. That is what this $60,000 data processing cost is for, keeping tabs on them.

To give you a more definitive answer, I would have to provide it for the record, but my impression, sir—this is all it is—is that as the Marine Corps gets more and more sophisticated, we have a larger requirement for the mental groups 1 and 2 for such things as data processing, and so forth, so by the very nature of things, the mental groups 3 and 4 tend to perform the rank and file jobs—cooks, bakers, truckdrivers, infantrymen, artillerymen, and so forth. We have no option on the numbers we take. This is an assessed or assigned percentage.

Mr. LIPSCOMB. In other words, you are saying the use of Project One Hundred Thousand personnel as far as the Marine Corps is concerned has not in any way jeopardized your capability, and they have performed well and are performing tasks that would ordinarily be performed by men who came under your previous higher standards and requirements?

General SIMMONS. I do not think I said quite that, sir. I said there were some indirect costs and there were some losses in time——

Mr. LIPSCOMB. I am not talking about costs now. I am talking about capability and the use of these men for the standards of the Marine Corps. I think I gathered from our conversation the fact that you are taking in the lower level of mental group 4 has not jeopardized your operations one bit. There was a charge some time ago when we were talking about Project STEP, special training enlistment program, that it might lower the capability and operation of some of the branches of the service. That is why we have had higher standards.

General SIMMONS. I think this is true, sir. I am saying that, by and large, these persons, once trained, perform satisfactorily. If we had our option or our choice, we woud prefer to have fewer mental group 4 and the new mental standards, and more of the higher mental groups.

Mr. LIPSCOMB. I have been concerned with Project One Hundred Thousand. I am willing to change my view on it if we can show that it is producing good results, beneficial to our country.

General SIMMONS. Sir, rather than try to give you a definitive answer, I would prefer to provide for the record a statement as to our experience.

Mr. LIPSCOMB. All right. As long as you are doing that, include your disciplinary problems, too, if any.

(The information follows:)

MARINE CORPS EXPERIENCE WITH PROJECT ONE HUNDRED THOUSAND INDUCTEES

The Marine Corps has participated in Project One Hundred Thousand since its inception on 1 October 1966. As of 31 March 1969, 46,361 accessions in the mental group IV category (AFQT 10–30), and 1,544 medically remedial accessions had been accepted under the provisions of the program. Included within the mental group IV category were 18,317 new mental standards (AFQT 10–20) accessions. Thus, during this 30 month period, the Marine Corps has accepted 19,861 new standards accessions.

Recruit training data collected on 14,318 new standards accessions during the period 1 January 1967–31 December 1968 reveals that 8.2 percent of these personnel had been discharged prior to completing recruit training. By comparison, the average recruit training attrition rate for all Marines during the same period was 4.14 percent.

Recruit training data also indicates that 28.7 percent of the new standards accessions accepted during the 2 year period have required recycling or received remedial training. This recycle/remedial training rate is over twice that for other accessions.

For purposes of comparison, a control group of 2,730 personnel (910 mental group I & II, 910 mental group III, 910 mental group IV A) was established to compare with a group (585) under the new mental standards. Comparisons of percentages between these two groups over a 2 year period are shown below:

[In percent

Situation	Control group (2,730)	New mental standards (58)
Attrition rate:		
Recruit training	4.1	8.4
Entry level skill training	0	.8
Desertion	2.1	5.3
KIA/DOW	4.1	6.5
Administrative discharge after joining unit	10.8	9.6
Disciplinary records:		
Nonjudicial punishment	19.0	39.0
Summary court-martial	1.0	5.0
Special court-martial	2.0	3.0
General court-martial	.2	0
Field performance rating:		
Desired	80.0	65.0
Marginal	17.0	26.0
Unsatisfactory	3.0	9.0

COST OF PROJECT TRANSITION

Mr. LIPSCOMB. How about your experience with Project Transition? How much have you spent from the beginning of this program, Project Transition?

General AXTELL. In 1968, we spent $74,000; and in 1969, the program was getting under way and we expect to have it geared up to the full program. We have $1.035 million. We expect to turn out 1,098 trainees in 1969, and our projection for 1970 is 1,413 trainees. Only a small number of those eligible for this program actually participate in it.

BENEFITS OF PROJECT TRANSITION

Mr. LIPSCOMB. What has been your experience to date with Project Transition?

General AXTELL. I am not sure I understand your question, sir.

Mr. LIPSCOMB. What did you get for the million dollars?

General AXTELL. We do not get a whole lot for Transition because the Program Transition is to provide for someone who does not have a skill or who has incurred a disability while in service——

Mr. LIPSCOMB. What did you as a taxpayer get for the expenditure of a million dollars, then?

General SIMMONS. The presumption of the project is that we return to civilian society a man who is better equipped to enter that society.

Mr. LIPSCOMB. Do you keep any records on the result of your efforts with the men who go through Project Transition?

General AXTELL. To the best of my knowledge, no records are kept once they phase into civilian life. I will confirm my information with the personnel people.

Mr. LIPSCOMB. As far as the Marine Corps people are concerned, did Project Transition perform a function and did the Marines obtain any results? This is a mammoth program in the Department of Defense. The Marines are just a small part of it.

General AXTELL. Yes, sir, we are.

Mr. LIPSCOMB. The thing is, you can evaluate it better than the big programs.

General AXTELL. I do not have the specifics as to the capabilities and evaluation of people who have completed specific schools.

General SIMMONS. Sir, we do have the records here of participation in the program. What we do not have is what happens to them after discharge.

Mr. ANDREWS. You could not possibly do that, General.

Mr. LIPSCOMB. Does this not cost about $7,000 or $8,000 per Transition participant? We must be expending this money on an individual for some purpose.

General AXTELL. It is about $700 to $1,000, sir.

Mr. LIPSCOMB. I thought you said 1,000 men.

General AXTELL. In 1969, sir.

Mr. LIPSCOMB. How much did you spend?

General AXTELL. We project $1.035 million.

Admiral GADDIS. That is on the basis of trained output, sir, on the basis of those who received some training, which is just over 10,000. It would be significantly less per person.

Mr. LIPSCOMB. What I am looking for, and I imagine other members of the committee are, too, is if a man went through this training and you were trying to help him become an accountant, a house painter, or something, we must know if we got results.

General AXTELL. We can provide information whether they satisfactorily completed a course of instruction.

EFFECT OF CANCELLING PROJECT TRANSITION

Mr. LIPSCOMB. Let me put it this way, and you can answer for the record. What loss would there be if we deleted $1.035 million from the Marine Corps budget?

General AXTELL. The loss would be that we would not be able to provide this service to these people who have not acquired a skill while in the service for their transition to civilian life, people who suffered a disability and need to acquire another skill in order to become useful citizens once they are discharged from the services. This program is broad. We are trying to provide, a capability that will enable someone who has ably served his country to do something else.

As for the real social evaluation, unless you work with it, it is difficult to put a real definition on it. I think it serves a useful purpose. That is my own personal opinion.

HOW PROJECT TRANSITION OPERATES

Mr. ANDREWS. General, take a specific case and tell us what you do, where you do it, how you do it, and how long it takes to get the job done.

General AXTELL. Yes, sir.

We arrange for a school at Camp Pendleton, both on-base and off the base, teaching people to be draftsmen, to be butchers, electricians, automobile mechanics.

Mr. ANDREWS. Take the example of the butcher.

General AXTELL. We put them in our commissary, sir, put them in on-the-job training.

Mr. ANDREWS. This man has been to Vietnam?

General AXTELL. Yes, sir. He is in the last several months of his service.

Mr. ANDREWS. How much time remaining does he have?

General AXTELL. Normally about 3 months.

Mr. ANDREWS. He has 3 months' service remaining. You put him in a butcher shop with your professional butchers, and he works with them in the butcher shop. He leaves there and you lose track of him. You couldn't possibly keep track of all those who receive this training.

General AXTELL. It would be a costly program, and it would be voluntary on his part.

Mr. ANDREWS. Suppose he does not want to take training when he has 3 months remaining, what do you do?

General AXTELL. Many of them do not take the training. They just serve in their military specialty.

VALUE OF PROJECT TRANSITION

Mr. ANDREWS. Personally, you think this is a good program?

General AXTELL. I will put it personally, speaking not as a military officer. Any program by which we can upgrade those people who have no skill to do something useful in civilian life is a good program. I think it has some utility. The scope of it is very limited. That is my personal opinion.

Admiral GADDIS. I can give you a specific example, Mr. Andrews. I know personally a lad, a Marine corporal, general service, who came back from Vietnam in June, went into the auto mechanics training at Quantico sometime in July, and was due for discharge in September, but stayed on, on his own, for 3 weeks to finish the school, and he is now a mechanic's helper in a garage in Illinois, outside Joliet, which is his hometown.

Mr. LIPSCOMB. What is wrong with that kind of testimony?

Admiral GADDIS. This just happens to be my personal knowledge of one marine. Statistically it is not significant. As an example, it is a good example of what this can do for a man.

Mr. LIPSCOMB. The way the record stands now, if you account for just one man being helped, we are better off.

Admiral GADDIS. This is why I brought it up, sir.

Mr. ANDREWS. Are the people in the program mostly in the Category IV?

General SIMMONS. Not necessarily.

General AXTELL. I would have to do an analysis. These are people who have not acquired any skill whatsoever. They may have just been infantrymen.

USE OF CATEGORY IV SOLDIERS IN COMBAT

Mr. ANDREWS. I want to ask this question in connection with the Category IV people. Have any of them been in combat?

General AXTELL. Yes, sir.

Mr. ANDREWS. What kind of soldier do they make?

General AXTELL. These people in this category have a slightly lower qualification in marksmanship. They have a tendency not to measure quite up to the standards of the other people.

Mr. ANDREWS. You really do not expect them to?

General AXTELL. That is correct.

Mr. ANDREWS. But overall, they make pretty good soldiers?

General AXTELL. I have not had experience with it. I would like to supply that for the record.

(The information follows:)

A complete analysis of the data contained in the current master file of the Marine Corps personnel accounting system and all statistical files for fiscal years 1967 and 1968 would be required to provide accurate information as to the number of mental group IV category personnel who had served, or who are serving in Vietnam. However, data collected on 10,841 new mental standards personnel joined during the period 1 January 1967 to 30 September 1968 indicates that 6,168 or 64.6 percent of the 9,541 accessions in this population who finished entry level training had served or were serving in Vietnam as of 12 March 1969. Analysis of similar data indicates that 2,092 or 76.6 percent of the 2,730 personnel comprising the control group have so served.

Information concerning field performance ratings of new mental standards and control group personnel in a combat situation or in a combat area appears on page 711.

Mr. ANDREWS. What about disciplinary problems with them?

General AXTELL. We have a little more disciplinary problems with them, yes, sir.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. SLACK. Further questions?

PROJECT VALUE

Mr. LIPSCOMB. Are you participating financially in any way with Project Value, which is a new program?

General SIMMONS. Very minute participation, sir. We have identified 50 spaces for the Marine Corps in the total Project Value program. We do not expect to have any military or civilian personnel overhead in order to administer these 50 people.

Mr. LIPSCOMB. You have no funds, and you are not contributing any funds to the Department of Labor?

General SIMMONS. No, sir.

PROJECT REFERRAL

Mr. LIPSCOMB. How about Project Referral?

General AXTELL. Is that the Federal summer employment program for youth, sir?

Mr. LIPSCOMB. We will get to that. You are not involved in Project Referral?

General AXTELL. Not that I am aware of. It has not been brought to my attention.

SUMMER YOUTH EMPLOYMENT PROGRAM

Mr. LIPSCOMB. Do you have funds allocated for the summer youth employment program?

General SIMMONS. The funds would be those which would always be allocated for summer employment. Our goal is 600 spaces, sir.

Mr. LIPSCOMB. 600 spaces. Have you any costs attached to that?

General SIMMONS. No specific funds especially for it, no, sir.

Mr. LIPSCOMB. Would you put in the record what the 600 spaces will cost the Marine Corps?

General SIMMONS. Yes, sir.

Mr. LIPSCOMB. How many did you have last year?

General AXTELL. We will provide that for the record.

Mr. LIPSCOMB. Supply for the record all the details on the Marine Corps participation in the summer youth employment program.

Admiral GADDIS. I can give a quick summary of the program applicable to both Navy and Marine Corps, sir.

Mr. LIPSCOMB. You can do it for the record.

Admiral GADDIS. Yes, sir.

(The information follows:)

During the summer of 1968, the Marine Corps employed 344 disadvantaged youths and the fiscal year 1969 related cost was $235,000. The Marine Corps goal for summer 1969 is 600 youths (450 disadvantaged, 150 others). The fiscal year 1970 cost is estimated at $490,000.

The Department of the Navy is fully committed to the 1969 Federal summer employment program for youth. As of this date I have received a secretarial directive of April 4, 1969, to all Navy and Marine Corps activities employing civilians, establishing goals for participation. Specific goals set for fiscal year 1969 are to employ a number equal to at least 4.2 percent of the regular full-time complement. Disadvantaged youth, employed under the Youth Opportunity Campaign must comprise at least 75 percent of the quota.

No funds are included in the fiscal year 1970 estimates for the Youth Opportunity Campaign.

Mr. LIPSCOMB. No further questions.

Mr. DAVIS. No questions.

USE OF PERSONNEL TRAINED IN THE VIETNAMESE LANGUAGE

Mr. SLACK. Where does the Marine Corps assign a marine officer after he completes a year of study at the Defense Language Institute in the Vietnamese language? Generally speaking, how do you handle these officers or enlisted personnel after they have been through a year of training in the Vietnamese language?

General AXTELL. Normally, anybody who goes through a course of instruction like that is assigned to a position that requires the use of his skill.

Mr. SLACK. The committee is aware of an instance recently where an officer went through a year's study of the Vietnamese language at

the Defense Language Institute and was immediately sent to Vietnam and put into an artillery outfit as an artillery officer, without any possibility to use his training. Would this be an appropriate way to use an officer who has been through the Institute?

General AXTELL. I would say most officers in an artillery battalion or infantry regiment have use for the Vietnamese language. We operate with Vietnamese units. He can be employed as a liaison officer with the Vietnamese unit he is supporting.

Sitting from this vantage point, I would have to have more specifics to indicate that this would not be a useful assignment.

Mr. SLACK. Do you use these officers in your intelligence program in any way or in your work with the Vietnamese civilians?

General AXTELL. Yes, sir, we do.

Mr. SLACK. Will you provide something for the record concerning your experience in the use of these officers or enlisted men who have been sent through this Vietnamese training program?

General AXTELL. You are talking about the Language School at the Presidio?

Mr. SLACK. Either there or here in Arlington.

General AXTELL. I will, sir.

Mr. SLACK. Thank you.

(The information follows:)

Quotas for the Vietnamese language course are based on a forecast of billet vacancies which are expected to develop.

Our experience has been that of approximately 102 Marines who were assigned to the course during fiscal year 1968, about 63 percent completed it, 20 percent failed, and 17 percent were extended due to illness, leave, or marginal cases which required an additional period in which to satisfactorily complete the course.

Upon completion of the 47 week Vietnamese language course at the Defense Language Institute (DLI), and based on the total billet requirements as they are known, personnel are ordered to Vietnam. Occasionally requests for extended tours are received from linguists who are presently serving in Vietnam after their replacements are en route. Since the personnel occupying unique linguist billets work closely with the Vietnamese populace, where personal relationships are very important, we normally approve their requests for extensions. In such cases, the incoming linguist is normally assigned duty in the area where he is best qualified. It is highly desirable to have personnel who are conversant in Vietnam assigned to all units as our operations place our units in close contact with civilian as well as adjacent Vietnamese units in combat operations.

OPERATION AND MAINTENANCE, MARINE CORPS (LIQUIDATION OF CONTRACT AUTHORITY)

WITNESSES

BRIG. GEN. GEORGE C. AXTELL, U.S. MARINE CORPS, ASSISTANT CHIEF OF STAFF, G–4 (LOGISTICS), HQMC

REAR ADM. W. D. GADDIS, U.S. NAVY, DIRECTOR OF BUDGETS AND REPORTS, OFFICE OF THE NAVY COMPTROLLER

Mr. SLACK. The next item to be considered is operation and maintenance, Marine Corps, liquidation of contract authority.

In fiscal year 1970, the Marine Corps is requesting $2.5 million for liquidation of obligations incurred during fiscal year 1966 under section 3732 of the revised statutes (41 U.S.C. 11).

We will insert in the record at this point appropriate justification pages.

(The pages follow:)

OPERATION AND MAINTENANCE, MARINE CORPS (LIQUIDATION OF CONTRACT AUTHORIZATION)

For an additional amount for "Operation and maintenance, Marine Corps," fiscal year 1966 for liquidation of obligations incurred pursuant to section 3732 of the Revised Statutes (41 U.S.C. 11) $2,500,000.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Status of unfunded contract authorization:			
Unfunded balance, start of year	4,639	2,232	2,500
Contract authorization		268	
Administrative cancellation of unfunded balance	−2,407		
Unfunded balance, end of year	−2,232	−2,500	
Appropriation to liquidate contract authorization			2,500

JUSTIFICATION FOR LIQUIDATION OF UNFUNDED CONTRACT AUTHORIZATION

The amount of $2,500,000 is required to liquidate obligations incurred during the fiscal year 1966 under the authority of section 3732, Revised Statutes (41 U.S.C. 11). The obligations were incurred to provide support to operations in Southeast Asia.

GENERAL STATEMENT

Mr. SLACK. General Axtell, have you a statement with regard to this appropriation request?

General AXTELL. Yes, sir.

Mr. SLACK. You may proceed.

General AXTELL. The President's budget includes an appropriation request of $2.5 million for operation and maintenance, Marine Corps, to liquidate fiscal 1966 obligations incurred under section 3732, Revised Statutes (41 U.S.C. 11). In fiscal 1966 the Department of the Navy was authorized by the Department of Defense to utilize the provisions of this section to fund certain of its operation and maintenance requirements related to the force buildup in Southeast Asia. Section 3732 permits the military departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year. Under this authority, fun availability of $7.9 million was authorized by the Office of the Secretary of Defense for Operation and Maintenance, Marine Corps.

The following table shows obligations incurred against this authority as of December 31, 1968, assets applied against these obligations, and the current cash deficiency.

FISCAL YEAR 1966 O. & M. MARINE CORPS CASH DEFICIENCY

[In millions of dollars]

Obligations, Dec. 31, 1968	Assets applied	Cash deficiency
2.8	0.6	2.2

Appropriation of the amount requested will not increase the availability of funds to the Department of the Navy in fiscal 1970 nor result in increased fiscal 1970 obligations or expenditures. Rather, the funds will serve the single purpose of liquidating the cash deficiency which currently exists in the fiscal 1966 O. & M., Marine Corps account.

OBLIGATIONS INCURRED UNDER SECTION 3732

Mr. SLACK. What was the total amount of obligations incurred under this authority?

Admiral GADDIS. $2.5 million.

Mr. SLACK. The question was: What was the total amount of obligations incurred under this authority?

Admiral GADDIS. $6.1 million, sir, but $3.6 million was liquidated by assets from the appropriation in 1967 and 1968, so only $2.5 million remained uncovered.

Mr. SLACK. How can you incur an obligation in fiscal year 1969 for an authority applicable to fiscal year 1966?

Admiral GADDIS. We have not incurred any obligations in 1969, sir. All of these were obligations incurred in fiscal 1966, sir, and the assets applied to reduce the obligations to the present level of $2.5 million were assets which resulted from the 1966 program.

Mr. SLACK. Then would you speak to the figure of $268,000 which appears on page 2-9 of the justification book under contract authorization?

Admiral GADDIS. That is a rounding number, sir, to insure that this will be a one-time request for funding, and any amount of the $2.5 million that is not actually expended will revert to the Treasury Department.

USE OF 1966 SUPPLEMENTAL FUNDS TO COVER 1966 OBLIGATIONS

Mr. SLACK. Why was not the $102.6 million appropriated for "Operation and maintenance, Marine Corps," in the Supplemental Defense Appropriation Act of 1966, Public Law 89-374, approved on March 25, 1966, sufficient to meet the requirements of the Marine Corps for the remainder of fiscal year 1966?

Admiral GADDIS. It was anticipated at the time that the supplemental request for fiscal 1966 was prepared, sir, that it would. As you recall, in the latter part of that year there were significant increases in the manpower strength in Southeast Asia. This small increase beyond that 1966 supplemental funding was found to be necessary late in the year, and the Secretary of Defense approved the request for implementation of 3732 to meet these expenditures.

CHOICE OF 1970 BUDGET TO LIQUIDATE 1966 BALANCES

Mr. SLACK. Since the Marine Corps has been successful in reducing the total unfunded balance to $2.5 million, why cannot fiscal years 1968, 1969, or 1970 appropriated funds be used to liquidate this amount?

Admiral GADDIS. It was chosen to request the amount in the fiscal 1970 budget request. These funds must be covered either by fiscal 1966 dollars or by appropriated dollars in a later appropriation. It was a question of choice of appropriation, and we chose 1970 rather than 1969 supplemental, sir.

Mr. SLACK. Are there further questions?

Mr. LIPSCOMB. No questions.

Mr. SLACK. We thank you, gentlemen, for your appearance before the committee this morning.

The committee will stand adjourned until 2:00 o'clock this afternoon.

TUESDAY, APRIL 22, 1969.

AFTERNOON SESSION

OPERATION AND MAINTENANCE, AIR FORCE

WITNESSES

MAJ. GEN. GEORGE S. BOYLAN, DIRECTOR OF AEROSPACE PROGRAMS, DEPUTY CHIEF OF STAFF, PROGRAMS AND RESOURCES
BRIG. GEN. WILLIAM F. PITTS, DIRECTOR OF BUDGET, COMPTROLLER OF THE AIR FORCE
ALBERT N. RHODES, OPERATIONS DIVISION, DIRECTORATE OF BUDGET
MAJ. GEN. JAMIE M. PHILPOTT, DEPUTY ASSISTANT CHIEF OF STAFF, INTELLIGENCE
DANIEL P. COLLINS, PLANS AND PROGRAMS DIVISION, DIRECTORATE OF COMMAND CONTROL AND COMMUNICATIONS
COL. MILLER G. WHITE, PLANS AND PROGRAMS DIVISION, DIRECTORATE OF PERSONNEL TRAINING AND EDUCATION
COL. GEORGE S. MAXWELL, DATA SYSTEMS COORDINATING DIVISION, DIRECTORATE OF DATA AUTOMATION
BRIG. GEN. FRED A. HEIMSTRA, DIRECTOR OF PLANS AND HOSPITALIZATION, OFFICE OF THE SURGEON GENERAL
COL. VITO T. VELLA, DEPUTY DIRECTOR OF DATA AUTOMATION, COMPTROLLER OF THE AIR FORCE
CHARLES D. McELHANON, PLANS AND PROGRAMS DIVISION, DCS/SYSTEMS AND LOGISTICS
LT. COL. RALPH JOHNSON, ALLOCATIONS DIVISION, DIRECTORATE OF AEROPACE PROGRAMS

OPERATION AND MAINTENANCE, AIR FORCE

For expenses, not otherwise provided for, necessary for the operation, maintenance, and administration of the Air Force, including the Air Force Reserve and the Air Reserve Officers' Training Corps; operation, maintenance, and modification of aircraft and missiles; transportation of things; repair and maintenance of facilities; field printing plants; hire of passenger motor vehicles; recruiting advertising expenses; training and instruction of military personnel of the Air Force, including tuition and related expenses; pay, allowances, and travel expenses of contract surgeons; repair of private property and other necessary expenses of combat maneuvers; care of the dead; chaplain and other welfare and morale supplies and equipment; conduct of schoolrooms, service clubs, chapels, and other instructional, entertainment, and welfare expenses for enlisted men and patients not otherwise provided for; awards and decorations; industrial mobilization, including maintenance of reserve plants and equipment and procurement planning; special services by contract or otherwise; and not to exceed [$3,311,000] for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Air Force, and payments may be made on his certificate of necessity for confidential military purposes, and his determination shall be final and conclusive upon the accounting officers of the Government; [$6,551,000,000], of which not less than $250,000,000 shall be available only for the maintenance of real property facilities, and not to exceed [$210,000] may be transferred to the appropriation for "Salaries and expenses", Environmental Science Services Administration, Department of Commerce, for the current fiscal year, for the operation of the Marcus Island upper-air station.

$ 2,920,000

$ 6,711,700,000

$ 215,000

DEPARTMENT OF THE AIR FORCE
OPERATION AND MAINTENANCE, AIR FORCE
Program and Financing (in thousands of dollars)

		1968 actual	1969 estimate	1970 estimate
	Program by activities			
	Direct program:			
	1. Aircraft fuel and oil	657,183	717,209	662,211
	2. Logistical support	2,309,199	2,925,266	2,730,475
	3. Training support	377,796	410,093	466,472
	4. Operational support	1,873,939	2,177,173	2,109,450
	5. Medical support	192,319	199,283	206,100
	6. Servicewide support	490,177	516,918	534,072
	7. Contingencies	3,186	3,163	2,920
	Total direct program	5,903,799	6,949,105	6,711,700
	Reimbursable program:			
	1. Aircraft fuel and oil	6,777	5,585	5,585
	2. Logistical support	206,214	208,466	208,466
	3. Training support	22,111	18,685	18,685
	4. Operational support	168,337	128,425	128,425
	5. Medical support	5,555	3,259	3,259
	6. Servicewide support	8,767	15,580	15,580
	7. Contingencies	11	....	....
	Total reimbursable program	417,772	380,000	380,000
10	Total obligations	6,321,571	7,329,105	7,091,700
	Financing:			
	Receipts and reimbursements from:			
11	Federal funds (-)	-319,868	-304,255	-316,300
13	Trust funds (-)	-59,076	-44,100	-44,100
14	Non-Federal sources (-) 1/	-19,589	-19,600	-19,600
21	Unobligated balance available, start of year (-)			
	Military assistance orders (22 USC 1819)	-22,784	-11,146	....
	Other reimbursable orders (5 USC 172d-1)	-8,500	-899	....
22	Unobligated balance transferred from other accounts (-)	-9,870	....	....
24	Unobligated balance available, end of year:			
	Military assistance orders (22 USC 1819)	11,146	....	....
	Other reimbursable orders (5 USC 172d-1)	899	....	....
	Budget authority	5,893,929	6,949,105	6,711,700

		1968 actual	1969 estimate	1970 estimate
	Budget authority:			
40	Appropriation	5,403,025	6,551,000	6,711,700
41	Transferred to other accounts (-)	-496	-884	....
42	Transferred from other accounts	491,400	489	....
43	Appropriation (adjusted)	5,893,929	6,550,605	6,711,700
44.10	Proposed supplemental for wage-board increases	....	31,600	....
44.20	Proposed supplemental for civilian pay act increases	....	59,600	....
44.40	Proposed supplemental for Southeast Asia	....	307,300	....
	Relation of obligations to outlays:			
71	Obligations incurred, net	5,923,038	6,961,150	6,711,700
72	Obligated balance, start of year	812,402	789,026	960,176
74	Obligated balance, end of year (-)	-789,026	-960,176	-961,376
77	Adjustments in expired accounts	-2,597	....	....
90	Outlays, excluding pay increase supplemental	5,943,817	6,450,800	6,651,200
91.10	Outlays from wage-board supplemental	....	30,600	1,000
91.20	Outlays from civilian pay act supplemental	....	57,800	1,800
91.40	Outlays for Southeast Asia supplemental	....	250,800	56,500
	OBJECT CLASSIFICATION (in thousands of dollars)			
	Personnel compensation:			
11.1	Permanent positions	1,917,449	1,603,774	1,557,097
11.3	Positions other than permanent	10,682	25,057	20,885
11.5	Other personnel compensation	62,755	52,911	51,307
	Total personnel compensation	1,990,886	1,681,742	1,629,289
	Direct obligations:			
	Personnel compensation	1,918,088	1,618,124	1,561,805
12.1	Personnel benefits: Civilian	156,970	132,236	129,020
13.0	Benefits for former personnel	4,764	3,155	3,155
21.0	Travel and transportation of persons	184,903	173,200	170,400
22.0	Transportation of things	582,292	528,511	495,800
23.0	Rent, communications, and utilities	373,317	392,000	429,600
24.0	Printing and reproduction	38,510	39,000	39,000
25.0	Other services	1,155,223	2,211,067	2,075,055
26.0	Supplies and materials	1,413,470	1,785,288	1,745,200
31.0	Equipment	72,659	62,767	59,000
41.0	Grants, subsidies, and contributions	1,113	1,293	1,293
42.0	Insurance claims and indemnities	122	126	126
	Subtotal	5,901,431	6,946,767	6,709,454

		1968 actual	1969 estimate	1970 estimate
95.0	Quarters and subsistence charges (-)	-181	-200	-200
	Total direct obligations	5,901,250	6,946,567	6,709,254
	Reimbursable obligations:			
	Personnel compensation	72,798	63,618	67,484
12.1	Personnel benefits: Civilian	4,792	5,988	5,291
21.0	Travel and transportation of persons	2,348	3,356	3,356
22.0	Transportation of things	10,261	12,244	12,244
23.0	Rent, communications, and utilities	18,812	14,725	14,725
24.0	Printing and reproduction	1,684	1,374	1,374
25.0	Other services	191,002	189,321	185,152
26.0	Supplies and materials	103,291	85,311	85,311
31.0	Equipment	11,784	5,024	5,024
43.0	Interest and dividends	....	39	39
	Total reimbursable obligations	417,772	380,000	380,000
	Total Air Force	6,319,022	7,326,567	7,089,254
	ALLOCATION TO ARMY			
	Personnel compensation:			
11.1	Permanent positions	2,365	2,356	2,270
11.5	Other personnel compensation	25	6	6
	Total personnel compensation	2,390	2,362	2,276
12.1	Personnel benefits: Civilian	159	176	170
	Total Army	2,549	2,538	2,446
99.0	Total obligations	6,321,571	7,329,105	7,091,700
	PERSONNEL SUMMARY			
	Total number of permanent positions	278,404	221,138	217,744
	Full-time equivalent of other positions	1,717	4,634	2,854
	Average number of all employees	284,657	230,904	224,240
	Average GS grade	7.1	7.1	7.1
	Average GS salary	$ 8,088	$ 8,479	$ 8,483
	Average salary of ungraded positions	$ 5,544	$ 5,333	$ 5,333
	ALLOCATION TO ARMY			
	Total number of permanent positions	225	179	182
	Average number of all employees	259	187	180
	Average GS Grade	8.9	8.8	8.8
	Average GS salary	$10,388	$10,979	$11,080
	Average salary of ungraded positions	$ 6,694	$ 7,139	$ 7,189

Mr. SLACK. The committee will please come to order.

This afternoon we shall commence consideration of the budget request for "Operation and maintenance," Air Force. At this time the committee will give consideration to the request of the Air Force for fiscal year 1970 Operation and Maintenance Funds. It should be noted that in reviewing this budget request the committee will give consideration to the revised budget as recently presented to the Congress in H. Doc. No. 91–100.

For fiscal year 1970 Operation and Maintenance Funds, the Air Force is requesting $6,711,700,000. This is a reduction of $4,300,000 below the original budget submission as presented to the Congress in January. As revised, this budget also represents a reduction of $237,405,000 below the amount currently estimated to be available for fiscal year 1969 which includes the supplemental request presently pending before the Congress.

The committee is pleased to have with us again this year General Pitts to present this budget request. General, we welcome you and all your supporting witnesses. We would like to remind you to feel free to call upon your supporting witnesses to discuss any of the areas and answer any of the questions which will develop during these hearings.

General, will you please proceed now with your statement.

GENERAL STATEMENT

General Pitts.

Mr. Chairman and Members of the Committee, for the Operation and Maintenance Appropriation $6.712 billion is requested for FY 1970, compared to an actual obligation of $5.904 billion in FY 1968 and a FY 1969 program of $6.949 billion. Within these totals, SEA expenses were $1.780 billion in FY 1968 and will be $2.539 billion and $2.300 billion in FY 1969 and FY 1970, respectively. The major reductions in Southeast Asia cost are $58.2 million associated with B-52 sorties and $193 million related to an estimated decrease in Southeast Asia activity rates.

Provision has been made for the forces and military personnel to support a sustained sortie rate in FY 1970 if this action becomes necessary.

The following are the other major changes which occur between FY 1969 and FY 1970:

	(In Millions)
Reduction of 3,400 civilian personnel	-59.5
Electronic Data Processing rentals and services	+21.7
Long Line Communications	+10.5
Depot Maintenance of Equipment (Non-SEA)	-14.9
Modernization Program for Vietnam Forces	+43.2
Pilot Training	+14.7
REDCOSTS - Non-Personnel Costs	- 3.7

AIRCRAFT FUEL AND OIL

The FY 1970 estimate for aircraft fuel and oil is $662.2 million as compared to $717.2 million in FY 1969. These funds will support the flying hour program of the Regular Air Force units, the Air Force Reserve and our allies in Southeast Asia. While the dollar requirement decreases in FY 1970, the flying hour program increases by 379,816 hours. This is due primarily to the recognition of anticipated slippages in the Non-SEA program, a full year effect of the costs of B-52 sorties in SEA, and the estimated effect of the decrease in SEA activity rates that I mentioned previously. A reduction of $23 million is associated with the assumption on SEA activity rates. Since there is no way to precisely estimate the degree of combat de-escalation that may occur and its effect on the flying hours for a particular aircraft, the projected dollar reduction is based solely on judgment. Major changes between fiscal years 1969 and 1970 related to the flying hour program are:

	(In Millions)
Change in B-52 sortie rates	$-18.5
31 thousand additional flying hours for the F-111A	+6.6
Increase of 98 thousand hours for the F/RF-4	+16.0
Reduction of 92 thousand hours in the F-100 program	-8.8
An increase of 127,744 hours for the T-37 and T-38 aircraft in support of the continued expansion of the undergraduate pilot training program	+5.0
Estimated effect of Southeast Asia activity rate decreases	-23.0

DEPOT MAINTENANCE

The depot maintenance program provides for the repair and overhaul of all Air Force equipment that is beyond the capability of operational units.

For FY 1970, $1.260 billion is requested - a decrease of $136 million from the FY 1969 program. A large part of this reduction - $82 million - is related to the estimated effect of decreased activities in Southeast Asia.

Of the $1.260 billion requested, $1.239 billion will be used to purchase repair and overhaul services from the Depot Maintenance Industrial Fund (DMIF). The remaining $21 million will finance depot maintenance activities such as storage of aircraft, missiles and vehicles; the equipment calibration program; technical data changes and the maintenance technology office which are not included in the Industrial Fund.

As you are aware, a large percentage of our aircraft inventory is comprised of old aircraft. With utilization rates far higher than ever before, and retention of aircraft longer than their designed life, many serious structural fatigue problems are being experienced. Examples are the center wing replacement on C-130B/E aircraft; replacement of spar caps and wing panels on C-124's selected for retention; center section and lower wing outer panel replacement on the F-100; replacement of

wing spars and wing fold fittings on A-1's; rear bulkhead modification on all versions of the C-135; repair of wings on A and T-37's; and completion of the longeron and side skin modification on the long-life B-52G/H. Fatigue tests and analyses are being conducted on several other older aircraft to detect and correct the problems before they affect the operational capability of the aircraft.

Another area relating to older aircraft is the requirement to update systems within the aircraft, through modification. The costs of the kits are financed in the Aircraft Procurement Appropriation, and the installation costs are borne by this account. In many cases, aircraft are removed from storage, rehabilitated and converted for an entirely different mission than envisioned in the original design. Examples of this are: A-1 trainers obtained from the Navy and converted to tactical roles, C-119 transports to a gunship role, and RB-66's modified to a Tactical Electronic Warfare System.

The majority of the equipment being installed in aircraft is state-of-the art systems which require a high level of engineering and depot support to assure their operation in a combat environment. Sensors, low-light-level TV, ECM, and navigation systems are examples of this type equipment.

Southeast Asia operations continue to account for a large percentage of the budget. Crash and battle damage, damage from ground attack, performance demands on aircraft due to adverse landing field conditions, stresses due to short-duration sorties, and the corrosive conditions prevailing in Vietnam are all contributing factors. The rigorous conditions involved in SEA and the variety of configurations adopted for specialized operations will result in a heavy depot maintenance workload upon completion of that conflict.

Some of the more significant programs to be done in FY 1970 are: IRAN and modification of B-52 aircraft at a cost of $58 million; IRAN and modification of the C-130, including continuation of the program started in FY 1969 to replace the center wing sections, which in FY 1970 will be accomplished on 180 aircraft at a cost of $49 million; support of the F/RF-4, the mainstay of our tactical forces, will require $79 million; wing repairs, IRAN and modification of the F-100 will cost $21 M.

We also have an increasing program for overhaul of engines and exchangeable components for support of our aircraft. The widely used J-57 engine will cost $55 million to overhaul plus $34 million for component support. As the flying hours accumulate on the J-79 engine, particularly those used on the F-4, the overhaul removal interval is decreasing. For the overhaul of the J-79, we expect to spend $31 million. Guidance and control systems for the Minuteman missile will require $25 million. We are continuing our efforts to develop repair capability for items normally disposed of when they are worn and to improve the repair processes and techniques in order to reduce costs and increase effectiveness.

TRANSPORTATION

For the transportation of materials from CONUS depots to our forces world-wide and the Air Force share of APO mail, $433.1 million is requested for FY 1970. This compares to a program of $470.8 million in FY 1969. Approximately 78% of the total transportation request is to support our requirements in the Pacific There is a reduction of $10.3 million for the movement of munitions to Southeast Asia by the Military Sea Transportation Service related to the lower number of B-52 sorties. Tariff reductions by the Airlift Service Industrial Fund account for a reduction of $3.9 million, and other Non Southeast Asia activities reduce by $12 million. These reductions are partially offset by movements of additional units to Southeast Asia to replace existing units. To move the unit equipment will cost $2 million. This account is also affected by the assumption that activity rates in Southeast Asia will decrease and has been reduced $19 million.

LOGISTICAL SUPPORT OF ALLIED FORCES

The FY 1970 estimate for support of the Vietnamese Air Force and our allies in Laos and Thailand is $77.8 million, which represents a decrease of $6.8 million from the FY 1969 program. For FY 1970, $7.0 million is included for support of Phase I of the Republic of Vietnam Armed Forces Improvement and Modernization Plan. To finance a contract in Thailand requires an increase of $1.3 million. The cost of reconditioning and servicing aircraft, engines and other equipment of our allies decreases some $4.4 million, primarily due to a one-time requirement in FY 1969 to

recondition T-28 aircraft and UH-34 helicopters. A decrease of $10 million is related to the estimated effect of Southeast Asia activity rates.

LOGISTICAL OPERATIONS

For Logistical Operations $959.6 million is requested for FY 1970, a decrease of $14.3 million over the FY 1969 level of $973.9 million. The estimate provides for the operating expenses of five major supply depots and two supporting installations. The major cost ($591.6 million) is associated with the pay of 67,970 civilian personnel manyears. This compares to a FY 1969 program of 71,713 manyears at a cost of $628.0 million. Partially offsetting this decrease are increases of $17.9 million for in-service engineering to provide the funding level experienced in prior years when the majority of these costs were financed in the major Procurement appropriations; $7.3 million for rental of computers in the Air Force Logistics Command; $5.2 million to improve the capability of the engines used in the SR-71 aircraft; $6.0 million for location of and development of data on hard rock sites for possible construction of missile launch facilities and combat centers; and $3.8 million for data processing services by contract, of which $2.2 million is for support of the C-5A Malfunction Detection Analysis Recording Subsystem (MADARS).

TRAINING

For Air Force individual training programs in FY 1970 $466 million is requested, compared to $410 million in FY 1969. These funds will provide for the individual training of personnel for the Regular Air Force, Air Force Reserve, Air National Guard, and students from selected foreign countries. They also provide for Air Force training of students from other Services and government agencies.

The program is generally divided into six categories: Military and Technical Training, Flying Training, Professional Education, Reserve Officers Training Corps, Air Force Academy, and the Air Force Reserve.

MILITARY AND TECHNICAL TRAINING

The programmed decrease in total Air Force strength directly affects the number of new enlistees we must recruit and train. In FY 1970 approximately 122,000 new airmen will enter basic military training at Lackland AFB. This includes 18,000 for the Guard and Reserve Forces and 104,000 for the active force, a decrease of approximately 15,000 from the FY 1969 program. Approximately 80 percent of the new active force airmen, upon completion of a six-weeks basic military training course, will attend a technical training school where they will acquire a basic technical skill. The other 20 percent will be assigned directly to operational units for on-the-job training, supplemented in most cases by correspondence courses.

Programmed adjustments in Air Force strength have the reverse effect on advanced technical training loads. Increases are necessary in this type training to compensate for losses of more highly skilled men. As was discussed by General Faver during the Military Personnel hearings, the requirement for new officers also increases. These additional officers will be attained by increasing the input at the Officers Training School at Medina Air Force Base in Texas. This is the source we must use, as it is the only one that can react quickly enough to achieve a short term increase. Over half of our new officers will enter flying training in FY 1970 to become either pilots or navigators.

FLYING TRAINING

Under the general heading of "flying training" we include undergraduate training for pilots and navigators, advanced and specialized courses such as electronic warfare officer, instructor pilot, helicopter conversion, and survival training. The FY 1970 budget estimate for this type training is $133.4 million, compared with $118 million in FY 1969.

Following exhaustive analysis of future requirements for pilots and navigators, we now plan substantial increases over the next two years. Our new undergraduate pilot training base at Columbus, Mississippi will receive its first class of students in July of this year, and by the end of FY 1970 our total pilot training establishment will be operating near its capacity. Programmed production of new jet

pilots for the Air Force is 3,450 for FY 1970, an increase of 307 over the FY 1969 budget figure. Moreover, enough students will be entered to assure a production of 3,875 in FY 1971. Pilot production for the U.S. Marine Corps and for foreign countries will also increase, so that in total we expect to train about 500 more pilots in FY 1970 than in FY 1969.

The number of new navigators for the Air Force will rise from 800 in FY 1969 to 1,000 in FY 1970. A further increase to 1,200 is programmed for FY 1971. This increased program results from the decision to use navigators in lieu of pilots in the second seat position in a portion of our F-4's and F-111's, plus the loss of older navigators through retirements and resignations. All undergraduate navigator training is conducted at Mather AFB in California.

Training loads in other specialized and advanced flying training courses remain at about the FY 1969 level.

MODERNIZATION OF VIETNAMESE AIR FORCE

Our training budget includes $37.3 million for Improvement and Modernization of the Vietnamese Air Force. This program provides for the training of Vietnamese Air Force personnel to increase their helicopter force. The helicopter pilots and mechanics will be trained by the U. S. Army and the Air Force will reimburse the Army for the costs. The fixed wing training will be accomplished by the Air Force as will related technical training.

PROFESSIONAL EDUCATION

Professional education of Air Force personnel is the mission of the Air University, headquartered at Maxwell AFB, Alabama. Its responsibilities include resident schools such as Air Command and Staff College and the Air War College, which provide general military schooling for officers. Short courses are also given to assure that officers are kept informed of the latest developments in weapons and operations. The Airmen Education and Commissioning Program continues to be an excellent source of new officers. This program enables a number of well-qualified airmen to pursue an undergraduate degree in civilian institutions. Upon graduation they are enrolled in Officer Training School and subsequently commissioned in the Air Force. With very few exceptions these education programs for the coming fiscal year will be held at the FY 1969 level.

At the Air Force Institute of Technology, we do plan to increase entries in the School of Systems and Logistics by about 1,500 students. Approximately 55 percent of this increase will be students from other Services and government agencies entering joint courses. The largest increases are in the fields of contract administration and materiel management.

Officer manning problems caused by Southeast Asia commitments have, for the past two years, forced us to limit the number of Air Force officers attending our staff colleges to 30 percent of the pre-Southeast Asia levels. We had hoped to begin increasing attendance during FY 1970, but subsequent to submission of this budget, have reluctantly decided that present restrictions must remain in force.

We are, of course, continuing such programs as off-duty tuition assistance, through which we strive to assure that the widest feasible range of individual educational and occupational growth opportunities are readily available to Air Force personnel.

AIR FORCE RESERVE

As you know, it is now planned that all Air Force Reserve units called to active duty early in 1968 will be released this year. This action results in an increase in FY 1970 of some $8.9 million in this account over the FY 1969 program. This occurs because when the Reserve Air Technicians are on active duty, they are paid from the Military Personnel Appropriation. When they revert to inactive status, they are paid out of Civilian Personnel funds. The force structure changes programmed for the Reserve have been presented in detail by General Marchbanks in a previous hearing. Designed to modernize, streamline, and strengthen the Air Force Reserve, these changes result in an increased requirement of $1.8 million. The total request for the Reserve program in FY 1970 is $90.6 million.

AIR FORCE ACADEMY

For operation of the Air Force Academy in FY 1970, we are asking $21.3 million, an increase of approximately $1.2 million over the current year. About half of this increase is for pay of civilian personnel. The remainder is required to finance the continuing growth of the Academy in accordance with the program approved by the Congress several years ago. Cadet population will rise by 277 during FY 1970 from 3,874 to 4,151.

OPERATIONAL SUPPORT

The estimate for the Operational Support program will finance the locally incurred costs for the operation of the Strategic, Air Defense, Tactical, and Airlift Forces. During FY 1970 these forces will be located at 146 major installations and be responsible for the operation of 259 aircraft squadrons and 33 missile squadrons.

The funds requested will also provide for the base level operating expenses of the Air Defense Ground Environment System such as: Ballistic Missile Early Warning System (BMEWS), Semi-Automatic Ground Environment System (SAGE), the Distant Early Warning System (DEW LINE), the Backup Interceptor Control (BUIC), the Space Detecting and Tracking System (SPACETRACK) and the Air Force portion of the Canadian Continental Air Defense Integration North (CADIN). The FY 1970 estimate is $2.1 billion as compared to an FY 1969 program of $2.2 billion. I will summarize the major changes which have occurred by type of force; i.e., Strategic, Defensive, Tactical, and Airlift.

STRATEGIC FORCES

The FY 1970 estimate for Strategic Forces overall reflects a relatively small, net decrease from the FY 1969 program. It is expected that these forces will continue to be preoccupied largely with Southeast Asia actions where they have three, primary, conventional bombing responsibilities. The most important of these is that of sanctuary denial or the continuous harassment that prevents the enemy from assembling large forces for sustained attacks against allied ground troops. They also are called upon to fly direct support missions, hitting strike zones within a few miles of advancing allied forces, and to interrupt the enemy's supply lines to the battlefields.

In addition to the foregoing, the estimates provide support for the operation of three (3) FB-111 squadrons in the last half of FY 1970 and for a new Satellite Basing Program.

Only military bases are to be used as satellite bases. On each satellite base, the alert force complex will be sited in close proximity to the runway to obtain minimum alert reaction time.

Strategic Forces costs of $366.6 million for FY 1970 are $5.0 million below the FY 1969 program. This is a net adjustment, however, which includes the following principal increases:

	(In Millions)
Satellite Basing Program	$3.6
Activation, equipping, and operation of three FB-111 squadrons	3.9
Electronic data processing equipment rentals for continuation of the base-level standardization program (Phase II) and for replacement of large scale computers for command and control	1.6

Principal decreases totaling $14.0 million result from the closure of Clinton Sherman Air Force Base, the transfer of Columbus Air Force Base to the Training Program and the full year effect of personnel changes in FY 1969.

DEFENSIVE FORCES

The estimate for Defensive Forces is related to the requirements of the Aerospace Defense Command and the Alaskan Air Command. The interceptor and missile forces during FY 1970 will be at the levels presented last year for the end of FY 1969. However, there will be further downward adjustments in the Control and

Surveillance systems. These actions represent a continued implementation of the plan established in December 1967 wherein selective reductions can be made in consonance with a re-orientation to a concept of perimeter radar coverage. Also inherent in the plan is the assumption that under the approved modernization program a completely efficient wartime surveillance mission capability will be provided by AWACS in the mi-1970's. In summary, the reductions planned for accomplishment by end FY 1970 are: one combat center, two direction centers, ten long-range search radars and six stations of the Distant Early Warning Line.

Primarily as a result of the foregoing the FY 1970 estimates for Defensive Forces are approximately $11.4 million below the FY 1969 program. This net amount encompasses a decrease of $11.9 million associated with the Control and Surveillance system reductions. It is partially offset by an increase of $2.2 million to improve the scope of the SPACETRACK computer program, and an increase of $1.0 million incident to the conversion of Backup Interceptor Control sites (BUIC II) to the expanded operational capability possessed in the BUIC III configuration.

TACTICAL FORCES

The Tactical Forces encompass the operations of the Tactical Air Command, Pacific Air Force, Air Force in Europe, U.S. STRIKE Command, and the Air Force Southern Command. The FY 1970 estimate for these forces is $1.069 million, $1 million less than the FY 1969 program of $1.070 million. The estimate is affected by the relocation and consolidation of Air Force activities in Europe, which has been given the name REDCOSTE, deactivation of the Air National Guard Units and modernization of our forces through new weapons systems.

As a part of the force modernization program, during FY 1970 we will add into the force F-111D and F-111E squadrons and A-37 squadrons.

	(In Millions)
Principal increases are:	
Supply equipage for F-111 aircraft	$7.1
Rental of data processing equipment	2.6
Supply equipage for A-37 aircraft	1.8
Personnel for new or expanded programs and reassessment of workloads	5.2
Minor maintenance and repair projects	1.1
Principal decreases are:	
REDCOSTE - Non Personnel Expenses	$3.7
Deactivation of ANG Units	11.2
Reduced supply requirement	2.3
Reduced equipment requirements	1.4

AIRLIFT FORCES

The estimate for Airlift Forces will finance those operations of the Military Airlift Command (MAC) not financed by the Airlift Service Industrial Fund. This encompasses the requirements of world-wide air rescue operations, weather service, and audio-visual activities. Provision is also made for certain DOD-wide requirements such as aeromedical evacuation, joint airborne training, and the transportation of military personnel in Southeast Asia to and from rest and recuperation areas. The Air Force, as the designated Department of Defense executive agent for these activities, is responsible for total financing. For FY 1970 $229.8 million is being requested for MAC programs and compares with a FY 1969 program of $230.9 million. The $1.0 million increase is a net result of the changes which affect the airlift program. Significant adjustments are:

	(In Millions)
ADPE Requirements	+2.3
Transfer of in-country Aeromedical Evacuation responsibility from Military Airlift Command to U.S. Air Force Europe	-2.3

MEDICAL SUPPORT

For the Medical Support Program we are requesting $206.1 million, an increase

of $6.8 million over FY 1969. It is planned to operate 101 hospitals during FY 1970, two less than in FY 1969.

The major increase, $1.9 million, is for medical-dental supplies related to the continued increase in the cost of drugs and medicines. Other increases are $0.9 million for payment to the Department of Labor, Bureau of Employees Compensation; $2.2 million for care of patients in civilian facilities; and $0.7 million related to increased costs of labor in contractual service requirements.

COMMUNICATIONS

Leased longline communications services and facilities are the largest single segment of the Service-Wide Support Program. The FY 1970 Program of $198.5 million is an increase of $10.5 million over the current FY 1969 Program of $188 million. The change is comprised of $14.7 million in new requirements, offset by reductions of $4.2 million in existing programs. Commercial carrier rate increases which became effective in September and November of 1968 resulted in additional costs of $5.8 million in FY 1969 and $7 million in FY 1970. These new prices are included in the totals for both fiscal years.

The largest single increase, $7.2 million, is related to the Defense Communications Service (DCS) Automatic Voice Net (AUTOVON) program. $6 million is to provide for Air Force use of the AUTOVON switching facilities which are now scheduled for activation in the European and Pacific areas beginning in June 1969. The remaining $1.2 million is needed to provide additional subscriber circuits to improve service to Air Force locations in the CONUS. The hope is to ultimately further reduce "dedicated" voice communications services through use of AUTOVON in lieu of the dedicated circuits currently in use.

Other significant increases are in the Continental Air Defense Integration Northward (CADIN) and DCS Automatic Digital Network (AUTODIN) programs. These increases are $3.7 million and $1.9 million, respectively. The CADIN increase provides for completion of the ongoing program to provide automatic switching for voice and digital data communications required for Air Defense purposes within Canada and between Canada and the CONUS. The AUTODIN increase provides for subscriber charges for increased Air Force use of the AUTODIN capabilities in the European and Pacific areas using the new DOD-owned Digital Subscriber Terminals which are expected to become available in quantity from prior year procurements during the last quarter of this fiscal year.

Six other lesser increases total $1.9 million. Included are additional communications services designed to increase the command and control capability of CINCPACAF over deployed forces; and collection and transmission of intelligence information by the USAF Security Service; the seismic detection and reporting capabilities of the Air Force Technical Applications Center and improved communications for the CINCSTRIKE command and control system.

The FY 1970 program reductions of $4.2 million includes $1.6 million in the Semi-Automatic Ground Environment (SAGE) system resulting from the inactivation of selected Air Defense facilities previously discussed. The replacement of "dedicated" voice circuits by AUTOVON for Presidential communications results in a $1.1 million reduction; and substitution of AUTOVON for certain "dedicated" voice facilities used by the Strategic Air Command and Hq USAF for command and control reduces our requirements by $1.5 million.

In summary, we are asking for a new appropriation of $6,711,000 for Fiscal Year 1970. This estimate, while considered austere, is deemed to be adequate to finance the planned level of activity rates. It must be recognized, however, that many uncertainties face us with regard to activity rates in Southeast Asia. This concludes my statement, Mr. Chairman. I am prepared to respond to any questions you might have at this time.

Mr. SLACK. Thank you very much, General Pitts. Before we begin our detailed questioning, we will, at this point, insert various pages from the justification book.

(The pages follow:)

SUMMARY OF REQUIREMENTS (Dollars in Thousands)

PROGRAM NO.	TITLE	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
410	Aircraft fuel and oil	$ 657,183	$ 717,209	$ 662,211
430	Logistical support	2,309,199	2,925,266	2,730,475
440	Training support	377,796	410,093	466,472
450	Operational support	1,873,939	2,177,173	2,109,450
470	Medical support	192,319	199,283	206,100
480	Servicewide support	490,177	516,918	534,072
490	Contingencies	3,186	3,163	2,920
	TOTAL DIRECT OBLIGATIONS	5,903,799	6,949,105	6,711,700

PROGRAM 410: Aircraft Fuel and Oil

	PROGRAM REQUIREMENTS (In Thousands of Dollars) FY 1968	FY 1969	FY 1970
Total Direct Obligations.....	$657,183	$717,209	$662,211

PURPOSE AND SCOPE

This estimate covers funds for fuel and lubricating oil required to support the operation of all Air Force and Air Force Reserve aircraft except those assigned to research and development activities, the Air National Guard, and that portion of the airlift service of the Military Airlift Command which is financed by the Air Force Industrial Fund. Provision is also made in this estimate for fuel and oil utilized by installations in aircraft field maintenance activities and for operation of such ground support equipment as auxiliary power units, crash boats and crash fire trucks which consume aviation type fuel. In addition, funds are included for procurement of chemical-type fuel having special application in the Strategic Air Command.

JUSTIFICATION OF FUNDS REQUESTED

The following table summarizes the fund requirements associated with the components of this estimate and compares them with corresponding prior years' fund requirements:

	(In Thousands of Dollars) FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
A. Flying Program Requirements.....	$635,200	$701,309	$669,311
Less: Estimated effect of SEA activity rate decreases.....	-	-	-23,000
B. Fuel and oil for aircraft maintenance and miscellaneous issues.....	20,963	14,900	14,900
C. Special fuel elements for Strategic Air Command..	1,000	1,000	1,000
D. Total Program Requirements.....	657,183	717,209	662,211

PROGRAM 430: Logistical Support

	PROGRAM REQUIREMENTS (In Thousands of Dollars)		
	FY 1968	FY 1969	FY 1970
Total Direct Obligations.....	$2,309,199	$2,925,266	$2,730,475

PURPOSE AND SCOPE

The funds requested for this program are required for the logistical support of the Air Force, Air Force Reserve, Air Force ROTC, and Free World Military Forces in Southeast Asia. Provision is made for depot level maintenance of airborne and ground equipment, depot supply operations, distribution of materiel other than first destination, procurement operations, logistical support of RVAF and allied forces, Vietnam, engineering/installation of fixed ground communications-electronics equipment and operation and maintenance of logistical installations.

JUSTIFICATION OF FUNDS REQUESTED

The Fiscal Year 1970 estimate of $2,730,475 thousand for the Logistical Support Program provides for the pay of 69,276 civilian personnel manyears employed in logistical installations and for the non-personnel expenses required to operate the logistics system.

Major increased items of cost include operation of the SR-71, $5,200 thousand; development of the C-5A Malfunction Detection Analysis Recording Subsystem (MADARS) $1,600 thousand; rental of EAM equipment, $7,275 thousand; service engineering, $17,903 thousand; Hard Rock Silo Survey, $6,000 thousand; improvement and modernization of the Republic of Vietnam Armed Forces, $7,000 thousand; and classified projects, $5,460 thousand.

These increases are offset by decreases of $58,332 thousand in depot maintenance; $20,517 thousand in second destination transportation; $36,568 thousand related to the decrease of 3,746 manyears for FY 1970 and $126,000 thousand estimated to be the effect of Southeast Asia activity rate decreases.

SUMMARY OF REQUIREMENTS (Dollars in Thousands)

PROJECT NO.		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
431	Depot Maintenance	$ 846,906	$1,395,911	$1,259,931
432	Depot Supply Operations	157,508	153,631	143,596
433	Distribution of Materiel other than First Destination Transportation	483,208	470,790	433,100
435	Procurement Operations	67,595	70,786	67,682
436	Logistical Support of RVAF and Allied Forces, Vietnam	40,295	84,624	77,816
437	Engineering/Installation of Fixed Communications-Electronics Technical Components	56,190	64,300	63,480
438	Base Operations	657,497	685,224	684,870
	TOTAL DIRECT OBLIGATIONS	2,309,199	2,925,266	2,730,475

PROGRAM 440 Training Support

	PROGRAM REQUIREMENTS (In Thousands of Dollars)		
	FY 1968	FY 1969	FY 1970
Total Direct Requirements	$377,796	$410,093	$466,472

PURPOSE AND SCOPE

This estimate provides for the individual formal training of Regular Air Force, Air Force Reserve, Air Force Academy Cadets, Air Force Reserve Officers Training Corps, Air National Guard, foreign students and students from other Services and Government agencies. Generally, the Training Support Program includes:

a. Basic Military Training
b. Basic Technical Training
c. Advanced Technical Training
d. Non-Resident Technical Training
e. Resident Professional Military Schools
f. Air Force Institute of Technology
g. Undergraduate Pilot and Navigator Flying Training
h. Advanced and Specialized Flying Training (Non-crew)
i. Air Force Reserve Officers Training Corps activities
j. Air Force Reserve Flying and certain other Reserve activities
k. USAF Academy Cadet Education and Training
l. Recruiting Service (Personnel Procurement)

JUSTIFICATION OF FUNDS REQUESTED

Training support activities of the Air Training Command, Air University, Air Force Academy, and the Air Force Reserve are largely provided for in this program. The following table summarizes funding by command for fiscal years 1968-1970.

Command Distribution
(In Thousands of Dollars)

	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
Air Training Command	$244,365	$269,278	$310,955
Air University	35,766	40,889	43,643
Hq Air Force Reserve	78,749	79,830	90,551
Air Force Academy	18,916	20,096	21,323
TOTAL	377,796	410,093	466,472

MAJOR FUNDING CHANGES FROM FY 1969 to FY 1970

1. Air Training Command: Costs increase $41,800 thousand from FY 1969 to FY 1970. Major changes in program costs are:

	(In Thousands of Dollars)
a. Added costs associated with the increase in undergraduate pilot and navigator production programmed for FY 1970 and FY 1971.	+$ 14,700
b. RVNAF improvement and modernization plan. This program provides for training of Viet Nam military personnel to enhance their capability to perform the military mission. These funds will provide for training helicopter pilots and maintenance personnel.	+ 37,300
c. Closeout of Amarillo Air Force Base, December 1968	- 4,300
d. Decreased student inputs and loads.	- 5,900

2. Air University: Costs increase $2,700 thousand from FY 1969 to FY 1970. The major changes are associated with:

a. Increased tuition costs for students in attendance at civilian institutions.	+ 900
b. The number of schools participating in the Junior ROTC program increase from 112 in FY 1969 to 200 in FY 1970.	+ 800
c. Scholarships will be granted to 4,750 Senior ROTC members in FY 1970 versus 4,000 granted in FY 1969.	+ 900

3. Hq Air Force Reserve: Costs increase $10,700 thousand from FY 1969 to FY 1970. The prime factor for this change is the early release of units to active duty in FY 1968. + 10,700

4. Air Force Academy: Costs increase $1,200 thousand for FY 1969 to FY 1970. Major changes in program costs are:

a. Increase in civilian personnel requirements associated with the academy expansion program.	+ 600
b. Support costs related to the increase in cadet strength from 3,874 at end FY 1969 to 4,151 at end FY 1970.	+ 600

PROGRAM 450: Operational Support

	PROGRAM REQUIREMENTS (In Thousands of Dollars)		
	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
Total Direct Obligations.....	$1,873,939	$2,177,173	$2,109,450

PURPOSE AND SCOPE

This budget program provides funds for the locally incurred Base Operations and Maintenance expenses in support of the Strategic, Air Defense, Tactical, and Transport/Troop Carrier missions of the Air Force.

JUSTIFICATION OF FUNDS REQUESTED

The following is a comparison of the major programs which this budget program supports:

	FY 1968	FY 1969	FY 1970
Operational Bases.....	151	151	146
Aircraft Squadrons.....	280	263	259
Missile Squadrons.....	34	33	33

In addition, these funds also support the operation and maintenance of the complex air defense communications detection and control systems such as the Ballistic Missile Early Warning System (BMEWS); the Semi-Automatic Ground Environment System (SAGE) with the new Back-Up Interceptor Control (BUIC); the Distant Early Warning System (DEW) Line; the Space Detection and Tracking (SPACETRACK) System; and the Continental Air Defense Integration North (CADIN).

(In Thousands of Dollars)

Other significant activities supported by funds in this program include the Air Force Communications Service, the Joint Chiefs of Staff Directed and Coordinated Exercise Program as well as Rotations, Air Operations and Maneuvers, and Special Airlift Services. The Alaska Communications System was transferred to the Air Force Industrial Fund during FY 1968.

This budget program is comprised of the following projects.

PROJECT	TITLE	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
451	Alaska Communications System	$ 2,446	$ 0	$ 0
	(Direct Hire Man Years)	(209)	(0)	(0)
	(Civilian Personnel - Total Requirements)	(1,803)	(0)	(0)
	(Less: Reimbursements)	(10)	(0)	(0)
	Direct Civilian Personnel Requirements	1,793	0	0
	Direct Non-Personnel Costs	653	0	0
456	Allied Forces Southeast Asia (Non-Personnel Costs)	4,952	32,645	27,106
458	Base Operations and Maintenance	1,866,541	2,144,528	2,132,344
	(Direct Hire Man Years)	(99,776)	(98,813)	(96,610)
	(Civilian Personnel - Total Requirements)	(601,608)	(620,117)	(606,365)
	(Less: Reimbursements)	(20,774)	(31,503)	(33,418)
	Direct Civilian Personnel Requirements	580,834	591,600	(576,784)
	Direct Non-Personnel Costs	1,285,707	1,552,928	1,555,560
	SUB-TOTAL	1,873,939	2,177,173	2,159,450
	Less: Estimated effect of SEA activity rate decreases	-	-	- 50,000
	Total Direct Obligations	1,873,939	2,177,173	2,109,540

The following table reflects the distribution of funds by major command in support of Base Operation and Maintenance requirement. Included within the totals are significant Special Programs which are detailed on subsequent pages.

(Dollars in Thousands)

	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
Operating Agencies			
Alaskan Communications System	$ 2,446	$ 0	$ 0
Secretary of the Air Staff	21,661	24,055	24,117
AF Data Systems Design Center	2,580	3,848	4,726
Air Force Communications Service	63,271	68,206	69,540
U. S. Strike Command	1,610	2,279	3,498
Headquarters Command	34,962	38,834	37,656
Military Airlift Command	208,490	230,854	229,824
Strategic Air Command	319,330	371,653	366,627
Alaskan Air Command	50,608	58,498	57,522
USAF Southern Command	9,003	10,176	9,242
Pacific Air Forces	534,038	695,913	686,059
Tactical Air Command	176,637	200,908	206,214
Air Defense Command	312,898	311,358	300,894
U. S. Air Forces, Europe	136,405	160,591	163,531
Total	1,873,939	2,177,173	2,159,450

PROGRAM 470: Medical Support

	PROGRAM REQUIREMENTS (In Thousands of Dollars) FY 1968	FY 1969	FY 1970
Total Direct Obligations	$192,319	$199,283	$206,100

PURPOSE AND SCOPE

This program provides for the medical support of Air Force active duty military personnel and their dependents, retired military personnel and their dependents, members of the Air Force Reserve, and Air Force Reserve Officers Training Corps Students. This support includes hospitalization, outpatient care, dental care, military public health and occupational medicine, bioenvironmental engineering, veterinary medicine, medical supplies for aeromedical evacuation (including casualty staging flights for all services), physiological training (including altitude chamber operations and pressure suit fittings) and the operation of epidemiological flights. This support also includes the operation and maintenance of Air Force medical facilities in the United States and overseas; medical care and hospitalization of Air Force active duty and retired personnel and their authorized dependents in civilian facilities and by civilian physicians; the training of military personnel in medical specialties; printing services for medical purposes; and administrative expenses of the medical service at departmental level.

JUSTIFICATION OF FUNDS REQUESTED

The Fiscal Year 1970 direct obligation estimate of $206,100 thousand contains $151,866 thousand for the operation and maintenance of medical facilities; $45,876 thousand for care of Air Force personnel and their dependents in medical facilities of other government agencies and in civilian medical facilities; and $8,358 thousand in support of the medical training program, initial outfitting of newly constructed medical facilities, the medical support program, and medical administration at departmental level.

SUMMARY OF REQUIREMENTS (Dollars in Thousands)

PROJECT NO.	Title	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
472	Initial Outfitting of Medical Facilities and WRM	$ 659	$ 289	$ 833
473	Medical Education and Training	4,040	4,276	4,256
475	Medical Care in Non-AF Facilities	41,190	43,693	45,876
476	Medical Support	749	822	847
477	Medical Administration	2,326	2,453	2,422
478	Operation and Maintenance of Medical Treatment Facilities	143,355	147,750	151,866
	TOTAL DIRECT OBLIGATIONS	192,319	199,283	206,100

The estimate of $45,876 thousand for medical care in non-Air Force facilities provides for furnishing medical care to active duty and retired Air Force military personnel and their authorized dependents in facilities of the Veterans Administration and the Public Health Service and in civilian medical facilities.

The estimate of $151,866 thousand for the operation and maintenance of medical facilities provides for pay of civilian staff, temporary duty travel, communications, printing and binding, contractual services, purchase of medical and non-medical supplies, materials and equipment required for the operation and maintenance of medical treatment facilities, and for projects involving major repair, rehabilitation, and alteration of existing medical facilities. $5,630 thousand is included for reimbursement to the Bureau of Employees Compensation for charges made in accordance with Public Law 86-767.

Major Funding Changes from FY 1969 to FY 1970

		($ In Thousands)
Medical Care in Non-Air Force Facilities		+$ 2,183
Increase in rates	+$ 1,968	
Net of changes to workload	+ 215	
Operation and Maintenance of Medical Treatment Facilities		+ 4,116
Decreased cost for personnel services and benefits	- 404	
Increased cost of other contractual services	+ 704	
Increased cost for supplies	+ 1,969	
Increased cost for equipment	+ 391	
Increased cost for civil engineer services	+ 125	
Payment to the Department of Labor for Bureau of Employees Compensation	+ 873	
Net of other adjustments	+ 458	
Net of other Adjustments		+ 518

PROGRAM 480: Servicewide Support

	PROGRAM REQUIREMENTS (In Thousands of Dollars)		
	FY 1968	FY 1969	FY 1970
Total Direct Obligations.....	$490,177	$516,918	$534,072

PURPOSE AND SCOPE

This budget program provides for the direct administrative, operation and maintenance expenses of Headquarters, United States Air Force; field extension offices of Headquarters, United States Air Force; and major air command headquarters. It also includes costs of servicewide leased commercial communications systems; the operation and maintenance expenses of the USAF Security Service and the Aeronautical Charting and Information Center; requirements associated with certain classified activities which are directed by Headquarters USAF and programs in support of JCS and OSD.

JUSTIFICATION OF FUNDS REQUIRED

A fiscal year summary of funds by budget project required for servicewide support of the Air Force is presented in the following table:

SUMMARY OF REQUIREMENTS

PROJECT NO.	TITLE	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
481	Command Administration.....	$134,527	$139,006	$138,463
482	Commercial Communications Systems and Networks.....	172,970	187,982	198,535
485	Servicewide Activities.....	47,376	48,483	48,250
489	Special Activities.....	135,304	141,447	148,824
480	Total Direct Obligations.....	490,177	516,918	534,072

PROGRAM 490: Contingencies

	PROGRAM REQUIREMENTS (In Thousands of Dollars)		
	FY 1968	FY 1969	FY 1970
Total Direct Obligations.....	$3,186	$3,163	$2,920

PURPOSE AND SCOPE

This program contains funds to provide for emergency and miscellaneous current expenses required for official courtesy and protocol representation, maintaining and furthering Inter-American and foreign relations, community relations, congressional travel in connection with inspection of Air Force activities, and for other purposes of a classified nature. Expenditures in this program are authorized and approved by the Secretary of the Air Force.

JUSTIFICATION OF FUNDS REQUESTED

A fiscal year comparison of funds by budget project required for contingencies support is presented in the following table:

Project No.				
491	Miscellaneous Current Expenses.....	$ 441	$ 439	$ 431
492	Special Expenses.....	2,563	2,589	2,354
493	Classified/Investigational Expenses.....	182	135	135
	Total Direct Obligations.....	3,186	3,163	2,920

Overall Funding Requirements

Mr. Slack. General, are there any major funding transfers between appropriations which will occur during fiscal year 1970 that will have a major effect on the comparability of the request for fiscal year 1970 with the amount estimated for 1969?

General Pitts. Yes, sir; $20 million for engine support of the SR–71 aircraft that was previously carried in Aircraft Procurement Appropriation. This transfer results from the fact that the aircraft is no longer in production and those charges properly should be borne in the Operation and Maintenance Appropriation.

Chaff is another item; $6.5 million has been transferred from aircraft procurement to the O. & M. budget for these procurements.

Mr. Slack. What is Chaff?

General Pitts. Chaff is a product made from aluminum foil, sir, cut into ribbons of certain lengths. It is an electronic countermeasure system. Dropped out of aircraft, in single bundles, it resembles aircraft on a radar screen.

General Boylan. It was first developed in World War II and used extensively over Germany.

General Pitts. To confuse enemy radars.

Mr. Andrews. You use it as a decoy?

General Pitts. Yes, sir. ———.

Mr. Andrews. I have seen rods about that long (indicating).

General Pitts. Yes, sir. ———.

Mr. Slack. Was there any R.D.T. & E. money transferred?

General Pitts. No, sir; not to my knowledge. But I would like to review that for the record, sir.

Mr. Slack. You might list any others for the record.

(The information follows:)

Transfer of R.D.T. & E. Money

Certain intelligence systems, which in prior years were financed from the R.D.T. & E. appropriation while they were in the research and development phase, will become operational in fiscal year 1970. Accordingly, the financing becomes the responsibility of the O. & M. appropriation. The additional costs to O. & M. in fiscal year 1970 as a result of this transfer of responsibility is $3,025,000.

Funding Adjustments

Mr. Slack. General, we note from your statement that the reduced funding level for Southeast Asia is $239 million. We note that the overall reduction in the request for operation and maintenance funds is $237 million. Is the committee to assume from this that the funding level for activities other than Southeast Asia remain relatively the same during fiscal year 1970?

General Pitts. No, sir. This is a net out of a number of major decreases and major increases. I can give you some examples. For reduced Southeast Asia activities rates, as I indicated in my statement, minus $193 million; reduced B–52 sorties, minus $58 million; for reductions in personnel, minus $60 million. There are a variety of others, depot maintenance, non-Southeast Asia, minus $14 million. Those all come up to a major decrease of about $394 million. Some items under increases which total $159 million would be the improve-

ment and modernization of the Vietnamese Air Force, $43 million; increase in pilot training, $20 million.

Mr. SLACK. We referred to only other than Southeast Asia. In that last you mentioned Southeast Asia.

General PITTS. These are increases and decreases that go across the appropriation, sir, Southeast Asia and non-Southeast Asia.

Mr. SLACK. Let me restate the question, if I may:

We note from your statement that the reduced funding level for Southeast Asia is $238 million. We also note that the overall reduction in the request for operation and maintenance is $238 million. Is the committee to assume from this that the funding level for activities other than Southeast Asia remain the same during fiscal year 1970?

General PITTS. No, sir. There are some increases and decreases for non-Southeast Asia items as well as for Southeast Asia items, sir. I can give you some decreases in the non-Southeast Asia items if you like.

Mr. SLACK. Would you elaborate in your response for the record?

General PITTS. Yes, sir.

(The information follows:)

O. & M. FUNDING LEVELS

The following are the major changes in non-southeast Asia costs which occur between fiscal year 1969 and fiscal year 1970:

Major decreases:	
Personnel cost	−59.5
Depot maintenance	−14.9
Transportation	12.0
REDCOSTE—Nonpersonnel costs	3.7
Air defense inactivation	11.0
Major increases:	
F/FB–111—F/RF–4	34.0
Data processing rental and software	21.7
Data automation maintenance	1.7
Leased communications	10.5
ROTC program	1.7
SR–71	2.8
Hard rock silos	6.0
Service engineering	18.0
SAC basing plan	4.0

Mr. SLACK. Can you give us at this time some examples of other than Southeast Asia?

General PITTS. Yes, sir. In decreases related non-Southeast Asia activities there is a minus $60 million connected with personnel; there is a minus $14 million for depot maintenance, non-Southeast Asia; there is a minus $4 million incidental to reductions of costs in Europe. There is an acronym for that program—REDCOSTE. There is a minus $12 million associated with transportation, non-Southeast Asia. A minus $3 million associated with SR–71 activities; a minus $11 million associated with Air Defense inactivations and phasedown.

For some increases in non-Southeast Asia: $34 million associated with the FB–111 and F/RF–4 aircraft; $22 million associated with electronic data processing equipment; $6 million associated with hard rock silo development; $10 million associated with communications; $4 million associated with SAC satellite basing and $18 million associated with service engineering.

Mr. SLACK. Thank you very much.

General PITTS. Yes, sir.

COST OF B-52 OPERATIONS IN SOUTHEAST ASIA

Mr. SLACK. Will you briefly outline for the committee the changes which have occurred in the recent review of the 1970 budget which have resulted in the net decrease of $4.3 million from the original budget estimate?

General PITTS. Yes, sir. For Phase II, Vietnamese Air Force modernization, $20 million on the plus side; for Air Force Reserve retention, plus $1.6 million; for a slowdown in reduction of costs in Europe under REDCOSTE, plus $19 million; for herbicides, minus $14 million; for medical reimbursements, minus $1.6 million; for service engineering, minus $5 million; for electronic data processing, minus $3.6 million; for civilian employment, minus $14 million; for transportation, minus $12 million; for supplies, minus $22.1 million, and to finance the B-52 sorties at the 1600 rate during fiscal year 1970 plus $27.4 million. Those pluses and minuses net out to a minus $4.3 million.

Mr. SLACK. General, we note from your statement that one of the major reductions in Southeast Asia costs is $58.2 million associated with the full-year effect of reducing the number of B-52 sorties per month in Southeast Asia from 1800 to an average of 1600. Yet one of the items listed in the revision to the original budget is an increase of $27.4 million to provide funding for an average of 1600 sorties per month through June, 1970. Does this in effect mean that in the original budget submission you projected a decrease of $85.6 million for reduced B-52 sorties?

General PITTS. Basically, yes, sir.

Mr. SLACK. In your statement you say that——

Mr. LIPSCOMB. Do you want to leave it just like that: "basically, yes"? The fact is that it was underfunded, originally, wasn't it?

General PITTS. Yes, sir. The original budget as submitted was based on a basic program to fly an average of 1600 sorties during fiscal year 1970. However, included in the original budget was an overall decrease of $220 million related to an anticipated decrease in Southeast Asia activity rates. Within the $220 million, $27.4 million was related to B-52 sorties. A subsequent review determined that to fully finance the 1600 program it was necessary to reduce the $220 million to $192.6 million which would provide the funds necessary to finance the 1600 sortie program.

Mr. ANDREWS. You were saving $58 million by cutting down from 1,800 sorties to 1,600?

Mr. ALBERT RHODES. Yes, sir.

Mr. ANDREWS. That is a very, very expensive operation. What is the total cost of operating 1,600 sorties?

Mr. ALBERT RHODES. In O. & M. in 1970 it would be $266.5 million.

Mr. ANDREWS. That was for the 1,600 sorties in 1970?

General PITTS. For 1,600 sorties per month in fiscal year 1970; yes, sir.

Mr. ANDREWS. That is a real expensive operation, isn't it?

General PITTS. Yes, sir. To fund the 1,800 sorties per month in fiscal year 1969 requires $325.7 million.

Mr. ANDREWS. What does that include?

General PITTS. That includes the fuel and oil (POL), depot maintenance, logistical support, transportation, travel, systems support, spare parts, and other base operating costs.

Mr. ANDREWS. Everything incident to having the B–52's in the theater and ready to operate?

General PITTS. Other than the military personnel costs and munitions; yes, sir.

Mr. ANDREWS. This does not include munitions?

General PITTS. No, sir; they are provided for in "Procurement."

Mr. ANDREWS. Can you tell me how much they cost?

General PITTS. I don't have that. I can give you a rough figure, for 200 sorties per month for a fiscal year, roughly $54 million.

Mr. ANDREWS. I wish you would place in the record the ammunition cost, the total cost of operating B–52's in 1968, and as much as you can for 1969, everything.

General PITTS. All right, sir.

Mr. SLACK. That is total procurement, O. & M., military personnel, the whole ball of wax, you want the total?

Mr. ANDREWS. Right.

General PITTS. Yes, sir.

Mr. ANDREWS. He gave us a figure here of $325 million.

General PITTS. That is O. & M. costs associated with 1,800 sorties in fiscal year 1969.

Mr. ANDREWS. Right. But that did not include military personnel pay and ammunition?

General PITTS. No, sir.

Mr. ANDREWS. In other words, we would like to see in the record just what it cost to operate the B–52's.

Mr. SLACK. We would like to have the total cost and the cost per sortie. Can you break it down that way?

General PITTS. We can give you an average cost per sortie for the various elements of cost.

Mr. SLACK. That would be fine.

Mr. ALBERT RHODES. We compute the costs in O. & M. by type of expense. We price the flying hours at a special rate for B–52's in Southeast Asia, we price the ammunition separately, the depot maintenance separately, the systems support. Each one of those has a factor. For instance, on an average sortie we know we drop 27 tons of ammunition. To this we apply a conversion factor for measurement tons and then price the measurement tons times the rates charged by, for instance, the Military Sea Transport Service to ship it over there. We can put that table in and I think it will probably be more meaningful.

Mr. ANDREWS. I would like to know just what it costs to operate B–52's.

General PITTS. Yes, sir.

(The information follows:)

B-52 MUNITIONS AND OPERATING COSTS

[In millions of dollars]

Appropriation	Fiscal year 1968	Fiscal year 1969
Operation and maintenance	166.0	325.7
Other procurement, munitions	330.2	486.0
Aircraft procurement, spares	51.9	21.8
Military personnel	33.3	59.9
Total	581.4	893.4

B–52 average costs per sortie

Aircraft POL	$3,397
Depot maintenance	4,424
Transportation	3,468
Military sea transport service	(2,312)
Stevedoring	(626)
Commercial surface	(530)
Systems support supplies	1,349
Base operating support	1,270
KC–135 support	1,368
Munitions	22,500
Aircraft spares	872
Military personnel	2,773
Total average cost per sortie	41,376

Mr. LIPSCOMB. May I ask something off the record, please?

Mr. SLACK. Yes.

(Discussion off the record.)

COST OF SUSTAINING A SORTIE RATE OF 1,800 PER MONTH IN 1970

Mr. SLACK. General Pitts, in your statement you say that provision has been made for the forces and military personnel to support and sustain a 1,800-sortie rate in 1970 if this action becomes necessary. How much added cost is involved in retraining the forces and the military personnel to support a sustained 1,800-sortie rate? What appropriations are affected by this?

General PITTS. The resources to support the 1,800-sortie per month rate are in the numbers of aircraft and personnel. We have the aircraft deployed to Southeast Asia in necessary numbers to support the 1,800-sortie rate. We have the military personnel, the combat crews, maintenance personnel, munition loaders in sufficient quantities to sustain the 1,800-sortie rate. So you would need additional moneys in the "Other procurement" account for munitions and in the "Operation and maintenance" account for the operating cost to sustain the 1,800 sorties throughout fiscal year 1970.

Mr. SLACK. How much added cost is involved in the military personnel?

General PITTS. None in military personnel. We have the resources aboard.

A ball park figure for those extra 200 sorties would be $50 million in O. & M. costs and $54 million in munitions costs, sir.

Mr. SLACK. Is the money already in the budget for this? I understood you to say provisions have been made for it.

General PITTS. No, sir; just for the military personnel, and we have the aircraft out there.

So the moneys to operate those aircraft, that is the Operation and Maintenance money of $50 million and in Other Procurement $54 million to provide munitions—and these are ball park figures—those moneys are not in this budget.

Mr. SLACK. All you have there is the personnel in the Air Force?

General PITTS. Yes, sir.

VIETNAMESE AIR FORCE MODERNIZATION PROGRAM

Mr. SLACK. Another increase reflected in the revised budget is $20 million for Phase II of the Republic of Vietnam Air Force moderniza-

tion. What is the total amount included in the 1970 budget for this modernization program, and why was this additional $20 million added?

General PITTS. In the fiscal year 1970 O. & M. budget, sir, there is $44.3 million associated with the improvement and modernization program for the Vietnamese Air Force.

The second part of that question, sir, I am sorry, I did not catch.

Mr. SLACK. Why was the $20 million figure added?

General PITTS. That was the phase II portion of the improvement and modernization program; $24.3 million is associated with phase I.

I will ask General Boylan to explain the program to you, sir.

General BOYLAN. Mr. Chairman, in combination, phase I and phase II of the Vietnam improvement program and as its objective an acceleration of military capabilities on the part of the South Vietnamese.

In substance, we are moving from some ——— squadrons to ——— squadrons of various types to be supported in South Vietnam. Our objective is to have the program largely completed by fiscal year ———

It includes, in broad categories, tactical squadrons equipped with ——— F–5's, ——— squadrons of A–1's, ——— squadrons of A–37's, a number of helicopter squadrons, transports, ——— gunship squadrons equipped with the AC–47, liaison-type units for forward air controller, a training unit, and some reconnaissance units.

The bulk of the funds that we are addressing here is related to the training that has to be accomplished to put these units in being, to qualify the pilots and maintenance personnel and all the rest.

Basically, the training task that we have, I would say falls into three categories. No. 1 is an English language problem. This is necessary because practically all of their instruction in technical training will be provided in English. This program largely is being conducted in-country in South Vietnam.

The second part of the program relates to that which the Air Force will be responsible for. This program is aimed at the fixed-wing aircraft, the A–1's, the trainers, the gunships, the F–5's, et cetera. We plan to do in this country, and in a moment I can give you some of the locations and what we will be doing at those locations.

The third phase of the program relates to training that the Army will do for us, and that is principally all of the helicopter training. Of course, the Army will do this on a reimbursable basis between the Air Force and the Army.

The Army will conduct helicopter training at places like Fort Rucker. We will conduct T–41, and T–28 undergraduate pilot training at Keesler AFB.

Mr. ANDREWS. You are speaking of training Vietnamese pilots?

General BOYLAN. That is correct, sir.

Those locations will be the undergraduate pilot training. This is where the language-qualified and educationally qualified student enters training and receives initial qualification as a pilot.

They expect, for example, something like 30 percent attrition on the input.

Following the basic qualification on fixed-wing or helicopter training, the Vietnamese pilot will receive transition training to F–5's, A–37's, and cargo aircraft at places like Williams, England Air Force Base, and Eglin. I think those will be the three locations.

In summary, these funds are in direct support of the training effort to build in-country ——— Vietnamese squadrons.

Mr. SLACK. You may expand on that for the record, if you care to.

(The information follows:)

VNAF MODERNIZATION

The Republic of Vietnam improvement and modernization plan is designed to upgrade the forces of the Government of Vietnam (GVN) so that the burden of the war can be shifted to them (GVN). The current effort will increase the Vietnamese forces from 20 to ——— squadrons and will be achieved in two phases.

Phase I is designed to provide maximum possible GVN ground combat support capability, assuming U.S. participation in the war at presently approved levels. It incorporates conversion of ——— CH-34 helicopter squadrons to UH-1H's and activates ——— new UH-1H squadrons. The training of the first ——— squadrons is being accomplished in-country by Army units transitioning H-34 personnel into UH-1H's. The remaining helicopter pilots and initial cadre of helicopter mechanics will be trained in CONUS by the Army. (Follow-on training, that is, upgrading of mechanics to higher skill levels will be accomplished by AF through the use of field training detachments). OSD approved $1.1 million in fiscal year 1969 and $24.3 million in fiscal year 1970 for O. & M. costs of phase I. The fiscal year 1970 President's budget includes $17.3 million in P-440 and $7 million in P-430. The $17.3 million in P-440 is to reimburse the Army for training ——— helicopter pilots and ——— mechanics. The $7 million is for clothing, books, maps, publications, tools and other items required to support the program.

Phase II has an objective to provide a balanced and self-sufficient RVNAF force structure capable of meeting insurgency requirements only based on assumption of United States/allies and North Vietnam withdrawal from South Vietnam. It provides for ——— additional VNAF squadrons by fiscal year 1972 for a total of ——— squadrons. All fixed wing undergraduate pilot training and combat crew training will be accomplished by AF. (This includes a total of ——— VNAF personnel to be trained in CONUS.)

$20-million P-440 requirements have been identified for phase II. This amount was not reflected in the President's budget but was approved as part of the revised budget.

TRAINING OF VIETNAMESE PILOTS

Mr. ANDREWS. How many pilot students are to be trained?

General PITTS. I will ask Colonel White to answer that.

Mr. ANDREWS. Colonel, do you have the information now?

Colonel WHITE. I have the figures for the fixed-wing pilots to be trained by the Air Force during fiscal year 1970 beginning their training at Keesler Air Force Base, in July of this year. We will enter, 206 students and expect to produce 144 graduates. Also during fiscal year 1970 the Army will enter approximately 1,486 helicopter students to produce 1,040 helicopter pilots.

Mr. LIPSCOMB. What is the length of the training of the fixed-wing pilot?

Colonel WHITE. It is a 210-hour course. It takes 42 weeks.

Mr. LIPSCOMB. I read in the paper the day before yesterday that we just transferred some A-37's over to the South Vietnamese. Where were those pilots trained?

Am I right that some A-37's were transferred?

General BOYLAN. Yes, sir; that is right.

Colonel WHITE. The pilots who entered the A-37 training, which is provided by the Tactical Air Command in combat crew training schools in this country, were qualified pilots when they came or they were product of the normal pilot training program that we do for the Vietnamese which has been ongoing all along at Keesler.

Mr. LIPSCOMB. Those A–37's that were turned over this week sometime are manned by South Vietnamese pilots, is that correct?

General PITTS. Yes, sir.

Mr. LIPSCOMB. How long does it take to train a South Vietnamese pilot on a helicopter?

Colonel WHITE. The Army's helicopter pilot training program for Vietnamese is 30 weeks, sir.

General BOYLAN. The future A–37 CCTS will go to England Air Force Base as opposed to Keesler.

Mr. LIPSCOMB. It is planned to turn over some more squadrons to South Vietnam within the next 6 to 8 months.

General BOYLAN. We will provide _____ T–41, _____ during fiscal year 1970. Then we will provide _____ squadrons in fiscal year 1971, composed of _____ squadrons of O–1's and _____ squadrons of helicopters.

Mr. SLACK. General Pitts, we notice on page 10 of your statement that funds are being provided to increase the output of Vietnamese Air Force helicopter pilots, and that this training will be done by the Army on a reimbursable basis from the Air Force.

If this training is to be done by the Army, why are these funds in the Air Force budget?

General PITTS. Basically, sir, because the pilots to be trained are in the Vietnamese Air Force. Unlike the U.S. Army, the Vietnamese Army does not have an Air Corps. They rely on the Vietnamese Air Force to provide the helicopter battlefield airlift mission which is organic to our Army. The U.S. Air Force does not have the capability to train large numbers of helicopter pilots, but, as General Boylan pointed out, the U.S. Army does at Fort Rucker, Ala. Under budget guidance, component services of our Armed Forces budget for requirements of their sister services in the Vietnamese Armed Forces. Hence we have funds in our budget for this training to be provided by the U.S. Army on a reimbursable basis.

PROJECT REDCOSTE

Mr. SLACK. In the revised budget, you are asking for an additional $19 million because of REDCOSTE slippage.

First of all, tell us what this program is and why you are requesting an additional $19 million.

General PITTS. I will ask our director of programs, General Boylan, to answer that, sir.

General BOYLAN. Mr. Chairman, REDCOSTE is an acronym for "Reduction of Costs, Europe." It stems from a Department of Defense survey of forces and support elements in Europe, all three services—Army, Navy, Air—last summer. The defense team visited installations and looked at the relationship of the support overhead to the combat posture, and concluded that, in fact, savings could accrue in Europe through consolidations, eliminations, and changes.

Mr. SLACK. Is this the same as REFORGER?

General BOYLAN. No; it is not. REFORGER relates to dual basing of U.S. Forces in the United States and having them committed to Europe, and possessing the capability to deploy them on very short notice. The two programs are not directly related.

Throughout the fall and into the budget development process, the Department of Defense and the services exchanged views on the extent of reductions that could be accommodated in Europe and, in fact, as of this date some actions have been directed. I can give you that list if you so desire.

As pertains to the Air Force at the moment.

(Additional classified information was provided for the committee's use.)

General BOYLAN. The total REDCOSTE package as pertains to the Air Force in the original budget submission of O. & M. and military personnel, is——— a total of $88.4 million. ———.

Mr. SLACK. What will be the amount of the savings in fiscal 1970?

General BOYLAN. The reduction for fiscal year 1970, taken as an aggregate in our original budget was $88.4 million. There has been a restoration of $19 million and ——— civilian spaces in the revised budget for a net revised reduction of $69.4 million. For the record, I will break that down into budget categories.

Mr. SLACK. If you will, please.

(The information follows:)

FISCAL YEAR 1970 REDCOSTE SAVINGS

The budget adjustment of $19 million was in the O. & M. appropriation. A total of ——— million was for civilian pay and ——— million for other support.

After this adjustment the total REDCOSTE savings programed for fiscal year 1970 is ——— million in O. & M. and ——— million in military personnel for a total savings of $69.4 million.

Mr. LIPSCOMB. Do you mean that your original REDCOSTE action cut too many civilian employees, and now you have to restore them?

Mr. ALBERT N. RHODES. Yes, sir.

General BOYLAN. The answer, Mr. Lipscomb, is yes, based on the projected timing of these actions and the type of action. For example, one of the REDCOSTE actions proposed a move ———. The Air Force and the Department of Defense have not fully agreed on the feasibility of this action. Because the final decision to execute this part of the plan has not been received, Defense realistically appreciated that the timing was such that some adjustment in personnel would be necessary.

It is a point of judgment. Whether or not the move will be direct, ——— I do not know. However, it is still in the basic REDCOSTE plan, and we have developed a plan to move ———.

Mr. ANDREWS. What is the reason for the move, General, and how much will it cost to move? I was over there several years ago, and you had a nice setup ———.

General PITTS. That is part of the argument, sir—the offsetting costs in making the move versus what you save by moving. For one thing ———.

Mr. ANDREWS. Where are all those ——— that you just mentioned?

General PITTS. ———.

Mr. ANDREWS. Would you not have more crowded conditions at ———?

General PITTS. Without the construction ——— yes, sir.

Mr. ANDREWS. You have a good setup. ———.

Mr. LIPSCOMB. The Air Force thinks so, too.

Mr. ANDREWS. Who is chomping at the bit to want to move?

General BOYLAN. The project was conceived and developed by the Department of Defense, sir.

Mr. ANDREWS. When you say Department of Defense, we have had two or three over there in the last 18 months. Which branch of that Department of Defense are you talking about—3 months ago, 12 months ago, or as of today?

General BOYLAN. It was approximately 9 months ago. The plan was developed in the summer of 1968. Systems Analysis acted for the Department of Defense in the survey.

Mr. ANDREWS. I do not know anything about whether ——— should be moved or not, but if you have a good setup ——— you ought to think a long time before moving. Of course, it is not in your jurisdiction to say whether it is moved or not. I wish you would put a cost figure in here of the estimated cost of such a move.

General BOYLAN. We will be happy to do so, sir.

Mr. ANREWS. Is any money requested in this budget to make such a move?

General PITTS. Yes sir, in O. & M., there is some.

Mr. ANDREWS. Would there be money in O. & M. to make the move?

Mr. ALBERT N. RHODES. To make the move, yes, sir. Any construction required, of course, would be in the construction budget, Mr. Andrews.

(The information follows:)

A total of $2.8 million has been provided in the O. & M. appropriation for the move ($1 million in fiscal year 1969 and $1.8 million in fiscal year 1970). In addition, $4.2 million in military construction projects will be required, primarily at ———.

Mr. ANDREWS. What is the thinking about the future use ———.

General BOYLAN. ———.

Mr. LIPSCOMB. There is something about ———, though, that I think could be looked at. ———. Maybe this is what gives ——— the trouble.

General BOYLAN. Mr. Lipscomb, I wanted to make one final comment on REDCOSTE and the Air Force view. The Air Force does not totally disagree with the actions of OSD. We in large measure agree that reductions are possible. Specifically with respect to ——— the Air Force has urged that certain reductions be made ——— but that the facilities ——— remain as they are. I am agreeing with your suggestion. That is absolutely correct.

Mr. LIPSCOMB. ———.

General PITTS. Your point is very well taken.

General BOYLAN. The Air Force agrees that some reductions are possible ———.

Mr. ANDREWS. ———.

General PITTS. No, sir. Congressman Lipscomb has a fine point, and we are taking a very hard look at ——— as General Boylan indicated, and we agree reductions can be made.

General BOYLAN. We view these as two separate points. They come together because of the Defense objective of reducing our budget by about $88 million and savings in the balance of payments of about ———.

PROCUREMENT OF HERBICIDES

Mr. SLACK. We note that one of the reductions in the budget estimate is $14 million for the procurement of herbicides. What is the total being requested for procurement of these herbicides, and what is your current inventory level?

General PITTS. For fiscal year 1970, $15.9 million is requested for procurement of herbicides. The dollar value of herbicides inventory in the Air Force stock fund fiscal year 1970 budget estimate is $12.5 million.

NEW DATA AUTOMATION PROGRAMS TO BE STARTED IN 1970

Mr. SLACK. What new projects or programs does the Air Force intend to initiate during fiscal year 1970?

General PITTS. Basically no new starts, sir, except in data automation.

Mr. SLACK. Would you elaborate at this point, General Pitts, on the fact sheet presented to us entitled "New Starts Fiscal Year 1970 Budget," under Air Force item No. 2, contract services, new contracts being installed in fiscal year 1970.

General PITTS. Yes, sir.

They are all data automation items, sir. The first one, is the data storage and retrieval program at headquarters, Air Force Logistics Command, AFLC, $120,000. Next, is the Hill engine test facility—again under AFLC, $40,000. This makes a total of $160,000.

Mr. SLACK. You may list the balance of them for the record, if you will, please.

General PITTS. Yes, sir.

(The information follows:)

There are no other new starts included in this revised budget.

AIR FORCE PROJECTS OF DOUBTFUL MILITARY VALUE

Mr. SLACK. The committee has been supplied various information which indicates that the Air Force intends to initiate new projects and increase certain programs in 1970 which are of doubtful military value, such as, for example, Project Value, increases in ADP operation, and other programs. We will discuss these projects and programs at the appropriate point in the hearing, but generally speaking, do you think the Air Force needs all these new projects, programs, and general increases which we notice in the justification book?

General PITTS. Project Value was one which was started in 1969, Mr. Chairman.

On the automatic data processing equipment projects, these are ongoing programs, and the answer to the question is yes, we believe they have value.

Mr. SLACK. Mr. Andrews?

Mr. ANDREWS. No questions.

Mr. SLACK. Mr. Lipscomb?

Mr. LIPSCOMB. No questions.

Civilian Employment

Mr. Slack. The next item is entitled "Civilian employment."

CHANGES IN CIVILIAN EMPLOYMENT PROPOSED FOR 1970

At the end of fiscal year 1970, you are projecting an end strength of 219,834 civilian employees. This is a reduction of 3,394 employees below the June 30, 1969, strength of 223,228.

Although the Air Force anticipates reducing civilian employment in total, do you anticipate hiring any additional civilian employees durng fiscal year 1970 and, if so, for what operations?

General Pitts. That reduction from 1969 to 1970, sir, is effected by a net out of increases and decreases which brings you down to the end strength figure of 219,834 civilian personnel.

I can give you some examples of some of the increases and decreases.

For example, under Strategic Forces program, some increases totaling 225 people. A decrease in the Air Defense Force of 293 people. Decreases incident to closing Clinton-Sherman Air Force Base, 324 people. Increases for intelligence and communications activities programs, 331 people. Personnel savings from electronic data processing equipment installations, minus 363 people.

Mr. Slack. You might place the balance in the record at this point.

General Pitts. All right, sir.

(The information follows:)

Civilian Employment

The increases and decreases I have described were based on program changes validated during the budget review before the consideration of a general increase in employee productivity. Subsequently, a reduction of 4,639 positions was made for anticipated gains in productivity. This reduction, in general, affects the manning levels of all operations. The review leading to the revised budget resulted in an additional reduction of 3,684 positions not related to specific program adjustments. The application of these across-the-board reductions has not been assessed completely. In general, as indicated by the estimated end strengths in the budget request, projected increases related to programs which are of a high priority will be increased. However, the majority of the increases related to program changes which I have referred to cannot be authorized. Any increase authorized would require greater reductions elsewhere. For example, it already has been determined that the increases for intelligence and communications will not be authorized and those in the logistical support area cannot be supported within the reduced employment levels.

INCREASES IN EMPLOYEE PRODUCTIVITY

Mr. Slack. In the backup material supplied the committee on civilian employees, we note a decrease of 4,639, which is attributable to an increase in employee productivity.

Would you please explain how you arrived at this figure, and tell us the operations to which the decrease is to be applied?

General Pitts. I will ask Mr. Rhodes to answer that question, sir.

Mr. Albert N. Rhodes. Mr. Chairman, that is more or less a percentage decrease similar to those we have had for the last several years. It applies to all agencies of the Department of Defense in anticipation that as employees have been on the job longer, their productivity will increase.

DECREASES IN EMPLOYMENT RESULTING FROM INSTALLATION OF PHASE II OF THE BASE LEVEL DATA AUTOMATION SYSTEM

Mr. SLACK. Information supplied the committee also indicates that as a result of the installation of the new phase II base level data automation system, a reduction of approximately 3,000 manpower spaces will be realized at a savings of $105.3 million. Was that savings taken into consideration in the preparation of the fiscal year 1970 budget estimates?

General PITTS. Yes, sir; and I have an expert witness from the automatic data processing field, Colonel Vella, deputy director of data automation who will supply the details.

Colonel VELLA. Yes; 723 spaces will be reduced in fiscal 1970.

Mr. SLACK. Does that figure appear in the justification book?

Mr. ALBERT N. RHODES. Those are military and civilian positions that Colonel Vella stated, sir. The civilian portion would have been included in the budget.

Mr. SLACK. Will you point this up for the record, and show us where the civilian employees are?

Colonel VELLA. Yes, sir; I can do that.

(The information follows:)

PERSONNEL REDUCTIONS RESULTING FROM INSTALLATION OF THE PHASE II BASE LEVEL DATA AUTOMATION SYSTEM

Of the 723 spaces reduced in fiscal year 1970, 363 are civilians. These reductions have been made to the budget in the following programs:

Budget program:	*Number of spaces reduced*
430	15
440	46
450	282
480	9
690	11
Total	363

INCREASES IN EMPLOYEE PRODUCTIVITY

Mr. SLACK. If your increased productivity for fiscal year 1970 equates to 4,639 positions against a yearend strength on June 30, 1969, of 223,228 positions, then your increase in productivity for the fiscal year 1970 would be approximately 2 percent. Is this not a fairly low increase in productivity in terms of what is being experienced in private industry today?

General PITTS. I do not know what the figure for private industry is, Mr. Chairman, but this is a productivity increase levied on us by the Department of Defense, and it has been fairly historical down through the past several years.

Mr. ANDREWS. Put something in the record about it.

General PITTS. All right, sir; we will.

(The information follows:)

PRODUCTIVITY INCREASE

In the President's manpower report transmitted to the Congress in January, productivity gains in the nonfarm sector of the private economy were reflected

at an average annual rate of approximately 3 percent. The rates have varied from a high of 4.6 percent during 1961–62 to a low of 1 percent during 1966–67. It would be a difficult and complex undertaking to make a general comparison of anticipated productivity increase for the Air Force during fiscal year 1970 with that being experienced in the private economy due to the problems of comparability of operations. However, both the private and Government sectors of the economy have been experiencing productivity gains related to the increased use of data automation equipment. In addition to the reduction of 4,639 positions specifically identified with a general increase in productivity, the fiscal year 1970 budget request has been reduced by 363 civilian and 360 military positions associated with the introduction of the phase II base level data automation system. As discussed previously, the annualized personnel savings when equipment is fully operational will be aproximately 3,000 positions. Also, the development of manpower requirements for budget requests reflects workload adjustments, including those related to increase in output per man-hour and thus reflect gains in productivity; however, these adjustments are made before the application of a general productivity reduction. The Air Force has been striving to manage its manpower resources effectively and economically and these efforts will be continued.

SUBSTITUTION OF MILITARY PERSONNEL FOR CIVILIAN POSITIONS

Mr. ANDREWS. Are any additional civilian positions being requested for Project Transition in fiscal year 1970?

General PITTS. No, sir.

Mr. ANDREWS. Have all efforts under the civilization program during the last few years now been terminated?

Mr. ALBERT N. RHODES. Yes, sir.

Mr. ANDREWS. Is the Air Force now instituting a program for the substitution of military personnel for vacated civilian positions?

General PITTS. No, sir.

Mr. ANDREWS. Tell us something about that.

General PITTS. You want us to tell you something about that for the record, sir?

Mr. ANDREWS. Yes.

(The information follows:)

SUBSTITUTION OF MILITARY PERSONNEL FOR CIVILIAN POSITIONS

The Air Force has no plan for the institution of a program for the substitution of military personnel for vacated civilian positions resulting from the Revenue and Expenditure Control Act. However, in February 1967 a program was initiated to alleviate some of the problems associated with CONUS/oversea imbalanced skills. An imbalanced skill is one in which military authorizations in the continental United States are not sufficient to support oversea requirements. This program was designed to convert vacated stateside civilian positions in imbalanced skills to military. This increases the CONUS base to which unskilled airmen may be assigned and trained to meet oversea requirements. All such conversions are accomplished without changes in the total military and civilian strength ceilings. Accordingly, as civilian to military conversions are made in specialties which are imbalanced, offsetting conversions are made in others. There is no involuntary termination of employment involved in the program. A specific example of the imbalanced skills problem would be our specialty 291XO, communications center specialist. The CONUS authorization for military personnel is 7,979 and the oversea requirement is 9,387. The oversea tours vary from 12 to 36 months depending on the location. Considering the varying tour lengths, approximately 6,000 replacements must be assigned overseas each year.

Obviously, the CONUS authorizations will not support the oversea requirement on a continuing basis and provide a reasonable CONUS residency for military personnel. This condition impacts upon the morale of personnel in imbalanced specialties and contributes to people instability in the CONUS working environment. Civilian vacancies in imbalanced skills which result from the employment limitaton provisions of Public Law 90–364 are converted to mili-

tary whenever possible. The permissible rehire authority for civilian employees is used to fill vacant positions in specialties which do not have an imbalanced skill condition. It is entirely possible that there are, or will be, situations in which the civilian losses occasioned by the Revenue and Expenditure Control Act will necessitate the assignment of military personnel to perform the duties of former civilian incumbents. This would be a temporary arrangement until the civilian resources became available and would happen only in those cases in which the duties involved must be performed as an essential adjunct to mission accomplishment.

OTHER PERSONNEL COMPENSATION

Mr. ANDREWS. What will the request for $51.307 million for "Other personnel compensation" be used for, and how much for each category of expense?

Mr. ALBERT N. RHODES. Do you want that now, Mr. Chairman, or could we provide that for the record? It is about 10 different items.

Mr. ANDREWS. Put it in the record.

(The information follows:)

Other personnel compensation

	Millions
Overtime.—Payments for services in excess of the 40-hour week or 8-hour day	$20.100
Holiday pay.—Payments for services of 8 hours or less on holidays	4.000
Sunday pay.—Payments above the basic rate for 8 hours or less of regularly scheduled work on Sundays for which this premium pay is given	3.400
Nightwork differentials.—Payments above the basic rate for nightwork which is not subject to overtime or Sunday pay	3.100
Post differentials.—Payments above the basic rate for service at hardship posts abroad and which are based upon conditions of environment differing substantially from those in the continental United States	1.800
Cost of living allowances.—Payment to compensate for the higher cost of living in Alaska, Hawaii, and U.S. territories	4.900
Hazardous duty pay.—Payments above the basic rate because of assignments involving hazardous duty	3.000
Other payments above basic rates.—Payments above basic rates for any other premium pay, such as flight pay, premium pay in lieu of overtime, pay in excess of the basic 260-day rate, et cetera. Includes payments to foreign national employees, such as bonuses and other pay entitlement	11.007
Total	51.307

REDUCTIONS RESULTING FROM THE REVENUE AND EXPENDITURE CONTROL ACT

Mr. ANDREWS. What was the reduction in civilian personnel strength as a result of the Revenue and Expenditure Control Act of 1968, and how close is the Air Force to the June 30, 1966, ceiling?

General PITTS. The number of people that were reduced by the Revenue and Expenditure Control Act is 9,831 personnel during 1969, and at this point in time, sir, we are below our June 30, 1966, level of employment for full-time permanent, nonexempt employment.

Mr. ANDREWS. What reductions in expenditures were made for fiscal year 1969 as a result of reduced civilian employment under the Revenue and Expenditure Control Act of 1968?

If you do not have that, supply it for the record.

General PITTS. All right, sir.

(The information follows:)

EXPENDITURE REDUCTIONS RELATED TO REDUCED CIVILIAN EMPLOYMENT

A reduction of $37 million was made in fiscal year 1969 based on the reductions in civilian employment to result from the employment limitation provisions of the Revenue and Expenditure Control Act of 1968.

EMPLOYMENT EXEMPT FROM THE REVENUE AND EXPENDITURE CONTROL ACT

Mr. ANDREWS. How many civilian employees does the Air Force now have in Southeast Asia, which area is exempt from the provisions of the Revenue and Expenditure Control Act, and how many do you anticipate having there at the end of fiscal year 1969 and 1970?

Mr. ALBERT N. RHODES. Mr. Chairman, the number of employees actually employed as of February 28, 1969, related to Southeast Asia who are exempt is 15,420.

Mr. ANDREWS. How many of the 15,420 are Americans, and how many are natives?

Mr. ALBERT N. RHODES. I would have to furnish that, Mr. Chairman.

(The information follows:)

NUMBER OF AMERICAN AND SOUTH VIETNAMESE CIVILIAN EMPLOYEES

The Air Force currently has a total of 15,420 civilian employees in Southeast Asia whose positions are exempt from the provisions of the Revenue and Expenditure Control Act. We are now in the process of replacing 974 military positions in Thailand with 1,461 local national personnel which will result in a projected end strength for fiscal year 1969 of 16,881. Increased employee productivity and other budget adjustments result in a projected end strength for fiscal year 1970 of 15,112. Of the 15,420 currently filled positions, approximately 500 employees are U.S. citizens and 14,020 are local national personnel.

SAVINGS TO RESULT FROM CONTINUATION OF THE REVENUE AND EXPENDITURE CONTROL ACT

Mr. SLACK. By what amount can the 1970 budget request be reduced if the personnel reductions required by the Revenue and Expenditure Control Act of 1968 remain in effect?

General PITTS. The answer to this is rather complex since it must be based on several assumptions and the ultimate validity of the assumptions may be influenced by events or actions over which the Air Force will have little or no control. First, the baseline for reductions in fiscal year 1970 is assumed to be our currently projected June 30, 1969 end strength. Although it now appears that our fiscal year 1969 end strength will be as projected, operations under Public Law 90-364 during the remainder of the year could result in adjustments. Second, the rate of voluntary employee separations cannot be predicted precisely and it is assumed that full-time permanent employee losses will be at the rate of 1 percent per month, approximately the rate now being experienced. Third, the Department of Defense has been authorized to fill up to 75 percent of the full-time permanent position vacancies resulting from operation of the law. Within this total rate, the Air Force has been authorized a rehire rate of 85 percent. It is assumed that the 85-percent rate will continue during fiscal year 1970 since the total Air Force nonexempt, full-time permanent employment level projected for June 30, 1969 is approximately 12,000 below June 30, 1966. Employment as of June 30, 1966 is the level to which Public Law 90-364 requires that total Federal civilian employment be reduced. Based

on these overall assumptions, if the employment limitation provisions of the Revenue and Expenditure Control Act remain in effect, the fiscal year 1970 budget request for operation and maintenance could be reduced by approximately $1.1 million. The net expenditure reduction could be less since the cumulative effect of employment reductions during fiscal years 1969 and 1970 would require increased use of overtime to accomplish essential workloads.

Mr. SLACK. What would be the reductions applicable to operation and maintenance, industrial fund, and the R.D.T. & E. budget requests for fiscal year 1970 if the Revenue and Expenditure Control Act is continued?

General PITTS. As previously stated the reductions applicable to the Operation and Maintenance Appropriation would be $1.1 million which is related to an estimated employment reduction of 3,677 below June 30, 1969 and 283 below the fiscal year 1970 budget request. On the same assumptions, the R.D.T. & E. appropriation could be reduced $3.3 million based on an estimated employment reduction of 493 below June 30, 1969 and 706 below the fiscal year 1970 budget request. The Air Force industrial fund would be an estimated 1,036 employees below June 30, 1969 and 914 below the fiscal year 1970 budget request, if the employment limitations of the Revenue and Expenditure Control Act were continued during fiscal year 1970. The dollar value of the associated payroll costs would approximate $3.1 million. However, under industrial fund operations no real savings would be experienced scince workload is governed by customer requirements and is accomplished through a combination of organic and contractual effort with the labor mix determined by many factors. The industrial fund workload as now projected for fiscal year 1970 would have to be accomplished by a combination of increased overtime and contractual effort if the organic workforce were decreased. Real savings associated with employment reductions in this area could be realized only through corresponding reductions in industrial fund workloads based on reduced customer requirements. If the employment limitations continue as presently administered and based on the previously stated assumptions, the Air Force full-time permanent, nonexempt, employment on June 30, 1970 would be approximately 17,000 below June 30, 1966.

COMPARISON OF CURRENT EMPLOYMENT WITH JUNE 30, 1966 EMPLOYMENT

Mr. SLACK. For the record, will you compare the estimated civilian personnel strength of the Air Force for fiscal year 1969 with that at June 30, 1966, by title of the Department of Defense Appropriation Act of 1969, including both general schedule and wage board employees?

General PITTS. Yes, sir.

(The information follows:)

The operation and maintenance appropriation end strength on June 30, 1966, was 269,698 and was composed of 133,118 general schedule employees and 136,580

wage board type employees. June 30, 1969 estimated strength is 223,228 and is composed of 123,789 general schedule employees and 99,439 wage board type employees. The research, development, test, and evaluation appropriation end strength on June 30, 1966, was 28,508 and was composed of 20,976 general schedule employees and 7,532 wage board type employees. June 30, 1969 estimated strength is 27,592 and is composed of 20,511 general schedule employees and 7,081 wage board type employees. The Air Force industrial fund end strength on June 30, 1966, was 4,739 and was composed of 934 general schedule employees and 3,805 wage board type employees. June 30, 1969, estimated strength is 57,534 and is composed of 10,884 general schedule employees and 46,650 wage board type employees. The military assistance program end strength on June 30, 1966, was 552 and was composed of 245 general schedule employees and 307 wage board type employees. In fiscal year 1969 civilian employees supporting the military assistance program are included in the operation and maintenance strengths. This transfer was effected to provide a uniform civilian authorization and funding policy for MAP support. Prior to the transfer, some civilian positions were funded directly by MAP and some were funded by O. & M. with reimbursement from MAP. Under the revised procedures, all civilian positions are funded initially from O. & M. with subsequent reimbursement from MAP based on man-years of effort expended in support of the military assistance mission. It should be noted that the increase in Air Force industrial fund strengths and decrease in operation and maintenance strengths between 1966 and 1969 is due in part to the establishment of depot level maintenance as an industrially funded activity effective July 1, 1968.

Management Studies

Mr. Slack. The next item is entitled "Management studies." How much is included in this budget request for management studies during fiscal year 1970?

General Pitts. Nothing, sir.

Mr. Slack. Will the Air Force have any management studies undertaken during fiscal year 1969?

General Pitts. No, sir.

Mr. Slack. What is the amount being requested for technical service contracts for fiscal year 1970?

General Pitts. I would like to furnish that for the record, if I might, Mr. Chairman. I can give you some examples of contracts, Mr. Chairman. I do not have the dollar amount. I could supply that for the record.

For instance operation of the BMEWS sites is a contract with RCA, Radio Corp. of America. For maintenance of the DEW Line, we contract with Federal Electric Company. For SPACETRACK, we contract with General Electric.

Mr. Slack. Would you supply for the record the total amount for support contracts by types, such as management service contracts, technical/engineering service contracts, personnel service contracts, and contractor operated facilities for fiscal years 1968, 1969, and the estimate for 1970 for the military personnel, operation and maintenance, and procurement appropriations. You can also put in the amount for contractor operated facilities under research, development, test, and evaluation.

General Pitts. Yes, sir.

(The information follows:)

SUPPORT CONTRACTS BY TYPES FOR FISCAL YEARS 1968, 1969, AND 1970

[In thousands]

Appropriation(s)/type	Fiscal year— 1968	1969	1970
Military personnel	0	0	0
Operations and maintenance:			
Management services	$49	0	0
Technical service/engineering	147,081	$192,071	$234,939
Personal service [1]	91,581	58,119	57,115
Contractor-operated facilities	97,263	102,716	99,678
Subtotal, operation and maintenance	335,974	352,906	391,732
Procurement: Technical service/engineering	864	642	750
Research, development, test, and evaluation:			
Management services	248	0	0
Contractor-operated facilities	141,987	91,834	90,955
Subtotal, research, development, test and evaluation	142,235	91,834	90,955
Grand total	479,073	445,382	483,437

[1] These are reported pursuant to the definition discussed with the committee staff; however, under the definition for this type of contract, the armed services procurement regulation would define these as nonpersonal service contracts, as they provide for specific tasks to be performed in specific places, free of Government direction, supervision, and control over the contractor's employees at a fixed price for the work to be performed.

Mr. SLACK. Are there any funds being requested for management service contracts in this budget?

General PITTS. No, sir; there are none in the O. & M. budget.

Mr. SLACK. Will you provide the committee with a list of the various support service contracts over $250,000 entered into by the Air Force during fiscal years 1968 and 1969, and those anticipated for 1970? Also show the type of contract involved. We would like this provided for all Air Force appropriations. However, Federal Contract Research Centers should be excluded.

General PITTS. I understand. We will supply the information, sir.

SUPPORT OF FREE WORLD FORCES

Mr. SLACK. The next item is entitled "Support of free world forces."

1970 FUNDING LEVEL

What is the total amount included in the operation and maintenance request for the support of free world forces, and what country forces will these funds support, and in what amounts?

General PITTS. The total in this budget for the support of free world forces is $157,138,000.

For Vietnam it is ———; for Laos it is ———; and for Thailand ———.

Mr. SLACK. Does this amount for Vietnam include the modernization?

General PITTS. Yes, sir it does.

Mr. SLACK. Are there any funds being requested for the military-civilian assistance program in Vietnam?

Mr. ALBERT N. RHODES. Referring to AID-DOD realinement? Yes, sir; the actions that were taken several years ago when we picked up Air Traffic Control Centers and several other contracts. In 1970, the amount is $21,125,000.

Mr. SLACK. I would like the types of programs involved please.

Mr. ALBERT N. RHODES. Of this amount, $2,600,000 is for training of Vietnamese personnel as air traffic controllers; ——— represents the Air Force share of a contract which provides for passenger and commodity movement in Vietnam and ——— covers airlift of food stuffs to friendly forces in remote areas ———.

AIR FORCE SUPPORT OF CENTO MILITARY HEADQUARTERS

Mr. SLACK. We understand that the Air Force has been assigned the responsibility of supporting the CENTO Military Headquarters. What is the amount being requested for the support of this activity?

General PITTS. $40,000 for the U.S. contribution to the International Military Headquarters.

Mr. SLACK. Is the Air Force required to provide any other type of systems or support?

General PITTS. Yes, sir; $272,000 for national support costs related to CENTO.

Mr. SLACK. If there are no further questions, we thank you, gentlemen.

The committee will stand adjourned until 10 o'clock tomorrow morning.

WEDNESDAY, APRIL 23, 1969.

Mr. SIKES. The committee will resume its hearings.

CHANGE IN MISSION AT VARIOUS MILITARY INSTALLATIONS

The Department of Defense has announced the approval by the Secretary of the consolidation, reduction, realinement, or elimination of the mission at 40 military installations. The information provided the committee mentions several Air Force operations or facilities which are affected.

Are those facilities included in the announcement the same as those which you mentioned yesterday which appear on page 16 of your statement? I quote:

In summary, the reductions planned for accomplishment by end fiscal 1970 are one combat center, two direction centers, 10 long-range search radars, and six stations of the Distant Early Warning Line.

General BOYLAN. That is correct, Mr. Chairman.

Mr. SIKES. These, then, are the same as those which you included in your statement yesterday?

General BOYLAN. That is correct, sir.

Mr. SIKES. Are there any others included in the announcement by the Secretary which were not included in your statement to the committee?

General BOYLAN. Not to my knowledge, Mr. Chairman.

Mr. SIKES. Have you provided for our record a listing of savings to be realized by each of these actions in the fiscal 1970 budget?

Mr. ALBERT N. RHODES. Not a precise listing, Mr. Chairman, but in the justification book in several places we have shown minuses related to these. We can provide a list for you.

Mr. SIKES. Very well. I would like that provided for the record at this point. I would like a breakdown of each of the actions planned, and the reason for the action, for each of the facilities which are affected, for the record at this point.

(The information follows:)

LISTING OF SAVINGS TO BE REALIZED—BREAKDOWN OF ACTIONS PLANNED AND REASON FOR ACTIONS AT CERTAIN MILITARY FACILITIES

The North American Air Defense Command's (NORAD) ground environment and command/control structure will be realined. This is in keeping with current plans to modernize the air defense system by incorporating the latest technological advances. Key elements of the realinement are:

The 4th Air Force of the Aerospace Defense Command (ADC) and its Combat Center (CC) at Hamilton Air Force Base, Navato, Calif., will be phased out this summer. Other subordinate units of the 4th Air Force will be reassigned to other NORAD subcommands.

The 30th NORAD Division Headquarters and its Direction Center at Topsham Air Force Station, Maine, and the 26th NORAD Division Headquarters and its Direction Center at Adair Air Force Station, Corvallis, Oreg., will be phased out this summer. Their missions will be reassigned to other NORAD divisions.

As part of the realinement, one aircraft control and warning squadron, five defense early warning stations, and six radar squadrons of ADC will be closed by September 1969, and two additional aircraft control and warning squadrons and two radar squadrons will be closed by December 1969. Three of these sites will be taken over by the Federal Aviation Administration.

The above actions result in the following inactivations and resultant savings in O. & M. in fiscal year 1970:

Installation closures, reductions, and consolidations

Alaska:	
Anchorage—The Air Force's 626th Aircraft Control and Warning Squadron at the Fire Island Air Force Station will be inactivated and the facility declared excess by December 1969	$197,000
Dutch Harbor—The Air Force's Detachment 2, 714th Aircraft Control and Warning Squadron at the Driftwood Bay DEW Station will be inactivated and the facility declared excess by September 1969	412,000
Kulowiyi—The Air Force's 712th Aircraft Control and Warning Squadron at the Northeast Cape Air Force Station will be inactivated and the facility declared excess by September 1969	214,000
Nikolski—The Air Force's Detachment 1, 714th Aircraft Control and Warning Squadron at the Nikolski DEW Station will be inactivated and the facility declared excess by September 1969	412,000
Port Heiden—The Air Force's Detachment 5, 714th Aircraft Control and Warning Squadron at the Port Heiden DEW Station will be inactivated and the facility declared excess by September 1969	412,000
Port Moller—The Air Force's Detachment 4, 714th Aircraft Control and Warning Squadron at Port Moller DEW Station will be inactivated and the facility declared excess by September 1969	412,000
Unalakleet—The Air Force's 718th Aircraft Control and Warning Squadron at the Unalakleet Air Force Station will be inactivated and the facility declared excess by December 1969	128,000
Unimak—The Air Force's Detachment 3, 714th Aircraft Control and Warning Squadron at the Cape Sarichef DEW Station will be inactivated and the facility declared excess by September 1969	412,000
California: Novato—The Air Force's Combat Center and 4th Air Force (Aerospace Defense Command) at Hamilton Air Force Base will be inactivated by September 1969	1,851,000
Illinois: Arlington Heights—The Air Force's 755th Radar Squadron at the NORAD Center will be inactivated by September 1969	312,000
Iowa: Waverly—The Air Force's 788th Radar Squadron at the Waverly Air Station will be inactivated and the facility declared excess by September 1969	914,000
Maine: Topsham—The Air Force's 36th Air Division (Aerospace Defense Command) at Topsham Air Force Station will be inactivated and the facility declared excess by September 1969	1,210,000
Minnesota: Chandler—The Air Force's 787th Radar Squadron at Chandler Air Force Station will be inactivated and the facility declared excess by September 1969	764,000
Montana: Great Falls—The Air Force's 801st Radar Squadron at Malmstrom Air Force Base will be inactivated by December 1969	338,000
Ohio: Bellefontaine—The Air Force's 604th Radar Squadron at Bellefontaine Air Force Station will be inactivated and the facility declared excess by September 1969	796,000
Oregon: Corvallis—The Air Force's SAGE Direction Center and the 26th Air Squadron (Aerospace Defense Command) at Adair Air Force Station will be inactivated and the facility declared excess by September 1969	1,534,000
Pennsylvania: Oakdale—The Air Force's 662nd Radar Squadron at the Army Oakdale installation will be inactivated by December 1969	262,000
Texas:	
Pottsboro—The Air Force's 745th Aircraft Control and Warning Squadron at Perrin Air Force Base will be reduced to training operation by September 1969	659,000
Sweetwater—The Air Force's 683rd Aircraft Control and Warning Squadron at Sweetwater Air Force Station will be inactivated and the facility declared excess by September 1969	623,000

CHANGES IN THE AIR DEFENSE WARNING SYSTEM

Mr. SIKES. There seems to be a rather significant change in direction in the warning system. What primarily has brought this about? Is there, in your opinion, any diminution of the threat, or is it that you are accomplishing the necessary surveillance in other ways?

General PITTS. Mr. Chairman, General Boylan is director of aerospace programs, Headquarters U.S. Air Force. I would like to ask him to answer that question.

Mr. SIKES. General Boylan.

General BOYLAN. Mr. Chairman, the reductions referred to previously are a continuation of a Department of Defense program to realine the air defense posture, the program starting about 1967. This realinement anticipates a progressive phasedown in ground-based electronic surveillance capabilities, to be offset in the mid-1970's by the introduction of airborne warning and control aircraft, called AWACS. With this introduction, a degree of survivability against nuclear attack would be afforded by the surveillance and control system.

Related to this aspect of the shift from principal reliance on ground-based surveillance and control to airborne surveillance and control was the previous proposal by the Department of Defense to introduce certain major modifications in the fighter-interceptor force. This was known as F–106X. While that program is a line item in the 1970 submission to the Congress in the amount of $18.5 million, which is intended to be used for fire control and missile systems, it will be applicable to any aircraft that may be chosen. The Department of the Air Force has proposed to the Secretary of Defense that the Air Force will not pursue development of the F–106X, but will deliberately propose, possibly for fiscal year 1971 consideration by the Congress, a program to acquire an advanced interceptor.

ADP PROGRAMS

Mr. SIKES. The committee would like to discuss the various ADP programs carried on by the Air Force and hear what has happened thus far under these programs in fiscal 1969, and the plans which are offered for fiscal year 1970.

FUNDS FOR OPERATION OF ADP SYSTEMS

What is the total amount in the "Operation and maintenance" budget for the operation of ADP systems for fiscal years 1969 and 1970?

General PITTS. For fiscal year 1969, sir, $202,133,000. For fiscal year 1970, $226,052,000.

I can break those out by items, if you would like, sir, under rental, contract services, maintenance, and pay for civilians in this account.

Mr. SIKES. I would like that done both for fiscal 1969 and the requested amount for fiscal 1970.

General PITTS. All right, sir.

Mr. SIKES. You may provide that for the record.

General PITTS. All right, sir.

(The information follows:)

O. & M. BUDGET FOR OPERATION OF ADP SYSTEMS

[In thousands of dollars]

	Fiscal year 1969	Fiscal year 1970
Rental	65,435	86,521
Contract services	7,278	7,907
Maintenance	7,620	9,024
Civilian pay	121,800	122,600
Total	202,133	226,052

Mr. SIKES. What is the total number of personnel, both military and civilian, involved in all data automation activities, worldwide?

General PITTS. For fiscal year 1970, sir, or both years?

Mr. SIKES. Both years.

General PITTS. For fiscal year 1969, 13,755 civilians and 14,985 military for a total of 28,740. For fiscal year 1970, 13,893 civilians and 16,135 military for a total of 29,028.

MANAGEMENT OF ADP SYSTEMS

Mr. SIKES. For the record, I want a listing of the various ADP management systems the Air Force now has in existence, and plans for the future for all appropriation activities.

General PITTS. Yes, sir.

(The information follows:)

MANAGEMENT OF ADP SYSTEMS

LOGISTICS

Base level.—One hundred sixty-six UNIVAC 1050's, processing a centrally designed, standardized data system, are used to provide daily supply response to mission and support activities on a real time basis. The computers provide current inventory and dollar control information worldwide, including Southeast Asia, for all categories of base equipment and supplies.

Depot level.—Ninety-five computers, mainly IBM 7080's, IBM 360/65's, IBM 360/40's, and RCA 301's, are used by the Air Force Logistics Command (AFLC) for wholesale asset inventory and distribution, other logistic management support (procurement, maintenance, transportation) to depot industrial repair lines, and general management support. The IBM 360/40's are for the AFLC base support system and are discussed separately in this record. (Planned)—The advanced logistic system (ALS) will be implemented incrementally during the 1970's on seven, advanced design computer systems with remotes acquired by competitive selection. The seven computer systems will replace the 95 computers mentioned above, many of which will then become available for reutilization. The advanced logistic system and its associated computers are discussed separately in this record. A separate action, in the competitive selection process currently, will require for AFLC's Wright-Patterson AFB a large-scale, scientific computer with remotes to serve the computation and simulation needs of both AFLC and the Air University's Air Force Institute of Technology. Installation is expected during 1970.

Transportation (planned).—The MACTRAC system (military airlift command traffic reporting and control system) is designed to serve users, operators, and managers of the Military Airlift Command (MAC) and other Department of Defense elements. It will operationally control traffic moving through MAC facilities and will also provide overall managerial control of MAC's traffic function. The data processing system will handle passenger reservations and documentation, cargo documentation, and prepare records for passenger and cargo billing and for other operational and management purposes. The computer equipment to support this system will be selected competitively and be used at the

21st Air Force (McGuire Air Force Base) and the 22d Air Force (Travis Air Force Base). The present schedule calls for implementation during mid-1970.

BASE MANAGEMENT

One hundred and seventy-four computers, mainly Burroughs 263's, process centrally designed, standardized data systems in support of base legal activities responsible for resource management and operational performance. A large volume of detailed data is required to provide mandatory controls, inventories, and managerial reports. The dominant applications processed are for programs and operations, military and civilian personnel, and accounting and finance (civilian payroll, checkwriting, fund records, and allied accounting). (Planned)—The bulk of these Burroughs 263 computers are being replaced progressively by more advanced Burroughs 3500 computers, discussed separately in this record. A few of the Burroughs 263's will be retained for use in those locations where it is not economical to install a 3500 configuration.

BASE MILITARY PAY

One hundred and forty-five NCR 300 computers process the standard accrued military pay system (AMPS) throughout the Air Force. Hard copy pay records, reflecting entitlements, allotments, and the various deductions for each military member are the basis of the system. This small, dedicated equipment computes net entitlements to members, and tabulates gross changes to the personnel appropriation in terms of total amounts withheld (allotments, taxes, etc.). Resulting accounting reports permit tighter managerial control of the military personnel appropriation, quality checks of the centralized allotment system, and computational accuracy in pay.

MAJOR AIR COMMAND HEADQUARTERS MANAGEMENT

Seventeen computers, mainly Honeywell 800/200 systems, operate at command headquarters to process and summarize base level management reports for commanders and their staffs. The dominant applications processed are the equipment management system, the personnel management system, the military construction program, appropriated funds reports, and medical records reporting. (Planned)—Currently saturated with workload, it is planned to replace these computers during fiscal year 1972 with more flexible and responsive computers, competitively selected, for improved support of major air command standard management systems.

MAJOR FUNCTIONAL CENTERS

Headquarters USAF data services center.—Nine computer systems, mainly IBM 7094's and IBM 1401's, provide data processing support to the headquarters staff and to the Office of the Secretary of Defense. (Planned)—The installed equipment will be replaced in the near future with two dual-processor General Electric 635 computer systems, which have been competitively selected.

Air Force data system design center.—One Burroughs 3500, one Burroughs 263, and one Univac 1050 II system provide computing capability for the development and testing of standard Air Force systems centrally designed by the center and then operated throughout the Air Force at base level.

USAF military personnel center.—Two Burroughs 5500 computers maintain a centralized data bank of information on military personnel, and support the centralized military personnel management systems for officers and airmen. (Planned)—A new weighted airman promotion system (WAPS) is being developed currently. It incorporates weighted factors to be applied in the airman promotion procedure and will be processed on a Honeywell 1250/1501 computer system. Installation is scheduled for October 1, 1969 to fulfill an Air Force commitment to Congress. In order to include this system, we deleted several lower priority projects.

Air Force accounting and finance center.—Six computer systems, mainly RCA, support military pay plus military appropriations and fund reporting Planned)—TWO IBM 360 computer systems are scheduled to replace the installed equipment.

Air Reserve personnel center.—Two RCA 501 computers provide Reserve Force managers with personnel data compatible with that prescribed for the Active

Duty Air Force. The data systems and computers facilitate the assimilation of Air National Guard and Air Force Reserve individuals and units into the Active Force during national emergencies in support of partial or full mobilization.

COMMUNICATIONS

One hundred and thirty-six computers, mainly UNIVAC 1004's and UNIVAC 418's, provide communications and telecommunications support. Some of the computers are for communications security. Other computers are for AUTODIN Switching centers and terminals or for other communications terminals; as such, they provide user-to-user service, store-and-forward service, and message switching and processing. The services are provided to the Defense Supply Agency and the Defense Communications Agency as well as to the Air Force.

WEATHER

Twenty-three computers, mainly UNIVAC 1108's, 1004's and UNIVAC 418's plus an assortment of IBM equipment, provide support for the collection, processing, and dissemination of weather information to designated Department of Defense and governmental agencies. The Air Force Automated Weather Network provides on-line receipt of weather information, construction and short-term retention of a global weather base, completion of necessary analyses and prognoses, preparation of classified and unclassified products, and the dispatch of these products worldwide over a wide variety of communications media.

INTELLIGENCE

Forty-seven computers, mainly IBM models but including computers of six other manufacturers, support all Air Force intelligence missions. The computers are used to collect, assemble, validate, format, edit, compute, display, disseminate, and generate intelligence products for the entire Air Force intelligence community. The Air Force intelligence data handling system (IDHS) and other intelligence systems interface with the worldwide intelligence network of the Defense Intelligence Agency.

COMMAND AND CONTROL

Thirty-nine computers, mainly IBM models but including computers of four other manufacturers, provide Air Force commanders the means to exercise continuous control of their forces, weapons, and support resources. The Air Force Integrated Command and Control (AFICCS) receives and disseminates orders and information, processes, distributors, stores, retrieves, and displays data as an aid to decisionmaking, the evaluation of plans, and the monitoring of operational situations. (Planned)—AFICCS is incorporated in the World-Wide Military Command and Control System (WWMCCS) update project, which has not as yet received final approval from the Office of the Secretary of Defense. When approved, the Air Force will receive new command and control computers, competitively selected. Included in the WWMCCS project are new computers to replace the FSQ–31 computers at Headquarters Strategic Air Command and the computers in the NORAD Cheyenne Mountain complex (CMC). Only the command and control computers in NORAD (CMC) will be replaced. If WWMCCS is delayed, a requirement exists to authorize replacement computers for these two installations because of operational urgency.

RESEARCH AND DEVELOPMENT

One hundred and twenty computers of a variety of manufacturers support applied research, development, and testing at 15 Air Force centers, laboratories and ranges. Another 10 computers support basic research within the laboratories of the Air Force Office of Aerospace Research. (Planned)—Competitive selection of computers is in process to replace IBM 1460, IBM 7094, and IBM 7044 computers at the Air Force Cambridge Research Laboratory. Similarly, the IBM 7094 and IBM 7044 computers at the Aeronautical Systems Division will be replaced. At the Air Force Satellite Control Facility, Calif., new computers will be installed to support real-time satellite command and control. Installation of three IBM 360/67's, two Control Data 6600's, two Honeywell 516 display units plus new UNIVAC 1130's in the remote tracking sites will replace installed Control Data 160 computers.

QUASI-SCIENTIFIC (PLANNED)

An in-house, competitively selected computer capability is planned to replace computer services currently obtained by contract from commercial service bureaus in support of the mission of Headquarters, Office of Aerospace Reserach (OAR). The data system processed is identified as the OAR Management and Scientific Information Data System.

MISCELLANEOUS

Twenty-five computers of varying sizes and manufacture are employed in miscellaneous management and operational support functions:

a. *Management support at intermediate command.*—Nine computers (NCR 315's, RCA 301's, Burroughs 263's).

b. *Education and training.*—Four computers (IBM 1620's, Scientific Data System 920's).

c. *Ground safety (the Inspector General).*—One IBM 360/40.

d. *Air defense (SAGE—Semiautomatic ground environment).*—Nine computers, AN/FSQ-7's.

e. *Photo mapping.*—Two computers (Scientific Data System 920, RCA 301).

NEW EQUIPMENT FOR THE DATA SERVICES CENTER

Mr. SIKES. On April 7, 1969, the committee was advised that the Air Force was installing a new automated data processing system for the Data Service Center Headquarters in Washington, D.C. The letter states that the equipment will provide the increased computer capability needed to meet requirements for increased quantity and quality of data processing service. It further states that the Data Service Center provides data processing support to the Air Staff and the Office of the Secretary of Defense.

What is the purpose of the new system, if you can boil it down into simple words?

General PITTS. Yes, Mr. Chairman. I have an expert witness from our directorate of data automation, the deputy director, Col. Vito Vella, and I would like to ask him to reply to that question.

Colonel VELLA. The equipment, which is located in the basement of the Pentagon, is used to manipulate tremendous volumes of data used not only by the Air Force but by the Department of Defense. The center is a service bureau type operation.

Mr. SIKES. Why is it necessary at this time?

Colonel VELLA. The equipment that is currently located there is saturated and old. Because of this many elements in the Pentagon have had to go out on contract for necessary additional service. The need is for a third generation equipment at this point.

Mr. SIKES. You are simply substituting third generation equipment for second generation, are you not?

Colonel VELLA. No, sir. We are also going to substitute third generation systems for second generation systems.

Mr. SIKES. I am not exactly certain that you have convinced me that all of this is essential. Has the old system broken down?

Colonel VELLA. The old system, sir, has not broken down per se, but it has reached the point of saturation.

Mr. SIKES. How long has the second generation system been in operation?

Colonel VELLA. I would say since about 1962, sir. The average systems life of a computer system is about 5 years.

Mr. SIKES. You are going to have to have a new generation every 5 years?

Colonel VELLA. Not necessarily, sir, but in this particular case the equipment is saturated.

Mr. SIKES. You have heard the old story about what would happen if all the alligator eggs were hatched and the alligators grew up, haven't you? Is that what you are doing to us in data-processing equipment if Congress does not see that some of these eggs do not hatch and the little baby processing machines do not grow up?

Colonel VELLA. No, Mr. Chairman. We do exercise a great deal of restraint over the growth of systems. We are attempting to provide the manager, the man who has to make the decisions, only the types of information that he must have in order to make those decisions.

In fact, one of the biggest users of the Data Service Center is our own budget folks. Much of the data being presented here and much of the data that you ask for to be placed in the record comes from the machines which are located in that Center.

Mr. SIKES. Will this system interface with other Air Force management systems currently in operation or planned for the future?

Colonel VELLA. Yes, sir, it will. In fact, it is the apex, if you will, of the systems which are operational in the field. Data flows upward in a pyramid form. You start at the base level where all of the data enters the system. The Data Service Center forms the apex where information is finally gathered, summarized and turned over to the manager who must make the decision. Intermediate management information requirements are siphoned off as needed.

Mr. SIKES. Was it approved by the Air Force Data Systems Design Center?

Colonel VELLA. Sir, the Data Systems Design Center really has nothing to do with the Data Service Center. It is a completely different organization. The Data Systems Design Center prepares or designs systems which are used out in the field. Where the two organizations interface is that the data from the field systems eventually works its way up the structure to Headquarters, USAF, and here they are brought together.

Mr. SIKES. Is there coordination?

Colonel VELLA. Coordination and collaboration.

Mr. SIKES. Not competition?

Colonel VELLA. No competition, sir. We make sure of that.

Mr. SIKES. Is it reviewed and approved by the ADP review group in the Office of the Assistant Secretary of Defense (Comptroller)?

Colonel VELLA. Yes, sir. In fact, the plan for replacement of equipment for the Data Service Center was personally reviewed by Dr. Anthony when he was Comptroller of the Department of Defense. The rest of the systems which we are using are also under constant review by the review organization of OSD. In fact, through the review process, the budget process if you will, this year they minutely examined everything that we do in ADP, so much so that our new starts have been reduced to about $4 million, which is an extremely low figure for the Air Force.

General PITTS. I might add at this point, this is in consonance with the desire of the committee last year as expressed on page 28 of their report.

NEW ADP SYSTEM FOR THE AIR FORCE ACCOUNTING AND FINANCE CENTER

Mr. SIKES. On December 19, 1968, it was announced by the Air Force that a new automatic data processing system would be installed at the Air Force Accounting and Finance Center in Denver, Colo. The announcement further states that the new system will provide an increased computer capability needed for the current data processing task at the Accounting and Finance Center and for the implementation and continued operation of the Joint Uniform Military Pay System.

How much will the operation of this system cost for the fiscal years 1969 and 1970?

Colonel VELLA. While we are locating that figure, may I comment that the JUMPS computer which is currently in process of installation, of course, has as one of its major purposes the consolidation of all the military pay in one central location. It is also one of the systems that has been reviewed by the Department of Defense.

As a result of installing this equipment, we hope to be able to release about 138 NCR 390 computers which are currently located at various places throughout the Air Force.

The cost of JUMPS is $600,000 for fiscal year 1969 and $1.2 million for full year funding in 1970.

Mr. SIKES. I am not sure I understand the increase of $600,000.

Colonel VELLA. The equipment is being installed in increments, to start with. Secondly, the cost in fiscal year 1969 is not a full year cost of the system. For the first time in fiscal year 1970 you see a full years' funding of that particular system.

This, by the way, is a phenomenon that occurs in the entire ADP budget. It occurs over and over again.

Mr. SIKES. Was this system reviewed by all parties concerned before it was approved for installation and the contracts awarded?

Colonel VELLA. Yes, sir. Actually, JUMPS itself, the system, is a triservice system. The three services working together, under the guidance and auspices of the Department of Defense, have collaborated step by step. Everyone knew what everybody else has been doing. The system has been approved as a system. The equipment itself was obtained through the competitive bid process.

AIR FORCE ADP SYSTEMS TO BE INSTALLED OR UPDATED IN 1970

Mr. SIKES. The committee has been advised that in addition to the two systems previously mentioned, the Air Force will either install or update the following systems during fiscal year 1969: The air weather service system, the Air Force communications service system, the intelligence data-handling system, the Air Force Logistics Command system, the Air Force military personnel system, and phase II of the base level data automation standardization program system.

Were all of these systems reviewed and approved during fiscal year 1969 by the Data Systems Design Center of the Air Force and the ADP review group in the Office of the Assistance Secretary of Defense (Comptroller), before they were approved for installation or upgrading?

That is a rather long question. Do you understand it?

Colonel VELLA. I think I follow it.

As far as the Data Designs Design Center is concerned, they are in the business of designing systems, so they do not review.

REVIEW AND APPROVAL OF NEW ADP SYSTEMS

Mr. SIKES. Who approves it?

Colonel VELLA. The systems are basically approved at headquarters, USAF, by the collaborative actions of the Air Staff itself, in other words, by the functional users, people from my directorate, and other experts. If the system is large enough, it goes before the Data Automation Panel, who also review and approve the system.

As far as the OSD people are concerned, sir, I would have to put it on the basis of the review process, the budget process. They review the systems and approve them.

Mr. GARRITY. The committee's instructions were not to review it through the budget process. The committee's instructions, through the report, were to give it a detailed review independently. So, how can you say that during the budget process you could give all these systems the adequate review that we anticipated or intended by our report?

Colonel VELLA. Sir, it is not the budget review process itself. There is a whole series of activities that are going on between the agencies and the Department of Defense where our working relationships are becoming tighter and tighter, and have been ever since the committee report was issued.

For example, the Department of Defense now has a Department of Defense ADP Policy Committee. We are members of this policy committee. We meet with them every month. We meet with our sister services every month. We discuss many things. Among the things discussed are some of the systems that you are asking about. The major accounting system which we have installed has been approved by the Comptroller of the Department of Defense. The joint uniform military pay system, which is another large system, has been approved by the Comptroller of the Department of Defense. Again, the replacement equipment that we talked about for the Data Service Center, has been approved by the Department of Defense.

In the Department of Defense ASD (I. & L.) Office, we have a new group that has been formed whose primary purpose is to look at logistics systems. The Air Force, which considers itself the forerunner in the development of automated logistics systems, has worked quite closely with the other sister services in giving them a helping hand in installing logistics systems throughout the world. We are now working just as close with the new group which has been formed, and the new group is, in fact, reviewing all the existing systems.

So, through this entire series of events, we feel the intent and the spirit of the pronouncement made in the congressional report are, in fact, being carried out.

Mr. SIKES. Does your answer apply to each of the six systems which I mentioned?

Colonel VELLA. Yes, sir.

STUDY CONTRACT FOR COMPUTER PROGRAMING DOCUMENTATION

Mr. SIKES. The Air Force recently entered into a study contract for computer programing documentation. What is the purpose of this study?

Colonel VELLA. Sir, this is one of a series of small research and development contracts by which we are attempting to take advantage, if you will, of advances in the state of the art in applying technology or a better degree of technology to the various and sundry things that we do in the Air Force.

Documentation, for example, of automated systems is extremely important. Unless you have followed a documentation procedure that is clear and precise, a man cannot come behind you and pick up after you have left and continue with your activities.

Mr. SIKES. Small in what sense? What is the cost of it?

Colonel VELLA. I will have to get it for the record. I do not have it with me.

(The information follows:)

In the fiscal year 1969 R. & D. budget, we have included $75,000 for this project.

Mr. SIKES. I am not sure that I understand just what you propose to accomplish with this. What is the duration of the study contract, and what really will you have when the study is completed that you do not have now?

Colonel VELLA. We are attempting to obtain from a group of experts who possess expertise beyond the expertise that we possess in-house, a method or procedure to lay out the various steps that are necessary to examine our problem and to indicate the steps needed for a solution. We are not asking them to define the problem or solve the problem, but to show us exactly the thinking and philosophy that underlies the process, and then how we document these various steps. With advanced language types available what type of supporting documentation is needed? The language itself is partial documentation. How will our forms be laid out? How will our files be structured? These are the kinds of things we are attempting to resolve. The product to be obtained under contract is a standard documentation system.

The reason this is important is that once we have a standard system, it will be used for documentation throughout the Air Force. As it is now, you have people following one documentation method at the Data Systems Design Center, perhaps another one at SAC Headquarters, perhaps another one at MAC, and so forth, around the Air Force. We need one system. We want to avoid having to retrain people every time they move.

BASE SUPPORT STOCK CONTROL AND DISTRIBUTION SYSTEM

Mr. SLACK. What is the status of the Air Force Logistics Command's base support stock control and distribution system?

Colonel VELLA. The present status of this project is:

Two of the six approved 360/40's are installed. One computer installed at Wright-Patterson is being used for program development, test, and debugging while a second computer is installed at Sacramento, Calif., to test these programs and the concept in an operational environment prior to proceeding with implementation of the total system.

The live pilot test is being conducted at Sacramento air materiel area. The pilot test began on April 1, 1969, and is scheduled to be completed by July 1, 1969.

Subsequent deliveries of 360/40 computer systems are to be scheduled after successful completion of the pilot test.

Whenever we have instituted a program that will affect our air materiel area computers the programing, testing, and debugging of those programs has been accomplished at our central facilities at Wright-Patterson. The Newark Air Force Station account will be satellited on that computer in addition to the AMA workload.

ALS–X DATA SYSTEM

Mr. SLACK. The Air Force Logistics Command has under development the ALS–X data system—Air Force logistics system—which is to be used at various inventory control points at all AMA's.

Will you briefly tell us the current status of this program, when it is scheduled to be installed, how it differs from other supply support systems now operating at the AMA's, and its estimated cost?

Colonel VELLA. The U.S. Air Force wholesale logistics system in existence today is basically a second generation ADP system which processes data sequentially in batches. This system is only capable of processing a single program at a time and many programs must be processed to perform a given operation. This system, in general, is only adequate to a specific limited function; is hampered by untimely and not easily accessible data; and lacks the capabilities which the state-of-the-art has made available. It does not provide an adequate base or model for a responsive future logistics system.

The advanced logistics system—ALS—is designed to bring about a major overhaul to the Air Force's wholesale logistics system through use of large-scale, third generation ADP equipment with remote input-output capability, rapid data update and retrieval capability from large immediate access storage, direct inter- and intra-air materiel area Depot/AFLC—communications links, and data management techniques compatible with this advanced concept. The system will operate in an environment of user-to-computer-to-user communication via remote input-output devices. Requisitions, inventory information, catalog data, document control files and other data will be maintained on immediate access storage devices. This will permit rapid response to inquiries and allow file update as activity is generated. The new system will permit air materiel areas to interrogate data files at other locations.

The concept envisions common data banks used in simultaneous multiprocessing operations, eliminating numerous redundant records and delays in the present sequential system. More complete systems, encompassing all actions required because of a specific transaction, will replace today's functionally oriented systems. The results of the improved handling of transactions will be a more rapid response to customer requirements, a reduction of stock inventory levels and pipeline, rapid and automatic posting of records, and a reduction of personnel resources.

The preliminary cost estimate for this new system averages $53 million per annum during the first 7 years. This amount includes

personnel costs to operate the ADPE, facilities, communications, lease of ADPE, contract services, ADPE supplies, one-time costs, and so forth. Tangible net dollar savings to the Government are expected. The savings will be in the areas of reduction for stock inventory, reductions in manpower spaces, and the release of approximately 95 currently installed computer systems.

As ALS project is now undergoing Hq USAF review. It will then be submitted for approval by the review committee established at Department of Defense level to carry out the review action directed by the Congress in the House report on the fiscal year 1969 appropriation bill. Subject to receipt of the required approvals, the current schedule of implementation is:

First installation, Wright Patterson AFB Test Site, August 1970.

Second installation (pilot installation at an air materiel depot), January 1971.

Next two installations, April 1971.

Last two installations, May 1971.

PHASE II BASE LEVEL DATA SYSTEM

Mr. SLACK. The Air Force announced on February 28, 1969, that it had authorized the Burroughs Corp. to go ahead with the installation of the phase II base level data system at 150 bases throughout the world. We have discussed this system during prior years' hearings with the Air Force.

Was this system thoroughly reviewed so that it is now ready for implementation?

Colonel VELLA. Sir, I have the phase II project officer with me, Colonel Maxwell, who will answer that question.

Colonel MAXWELL. Sir, at Langley Air Force Base, from the 2d of December through the 5th of February of this year, we conducted a thorough evaluation of the system that had been implemented under the aegis of phase II.

Mr. SIKES. Did the Air Force give thorough consideration to the necessity for installing this system at each Air Force base or satellite base?

Colonel MAXWELL. Yes, sir.

Mr. SIKES. Is it necessary for each Air Force base or satellite base to have a real time computer operation?

Colonel MAXWELL. Yes, sir. All of the satellites will not have the total system, as you are aware. Some of them represent only the ability to access through a remote input, a standard computer located elsewhere.

Mr. SIKES. Have you encountered difficulties in the tests that you have run on this?

Colonel MAXWELL. Yes, sir; the normal types of difficulties. Any time we run an operational test, of course, we anticipate difficulties. We did encounter them here, and we are attempting to overcome them.

Mr. SIKES. Have they been overcome?

Colonel MAXWELL. They are in the process of being overcome; yes, sir.

Mr. SIKES. What does that mean?

Colonel MAXWELL. We have identified, for example, various improvements associated both with the system and with the software that supports the system. We are striving now to reduce the total throughput time associated with it, and also, as a result of having the ultimate user evaluate the products in an actual operating environment, eliminate or reduce or perhaps add additional requirements that they themselves have identified.

Mr. SIKES. Costwise, will you reach the point that it is too expensive from the standpoint of the advantages to be gained, to have this operation at each air base or a partial operation at each air base?

Colonel MAXWELL. No, sir. The total system will show a profit, a savings.

Mr. SIKES. Can you supply some supporting material for the record on that?

Colonel MAXWELL. Yes, sir; I will be glad to.

(The information follows:)

Savings in Implementation of Phase II of ADP System

	Millions
Lease cost for ADPE in fiscal years 1968 and 1969	$1.9
ADPE purchase price less rental rebate in fiscal year 1970	67.5
ADPE maintenance cost	17.8
Communications networks	1.7
Increased cost of computer program maintenance	3.1
Parallel operation	2.7
Site preparation	5.4
Equipment transportation	.4
Phase II selection, implementation and control	.6
Systems analysis and initial programing	3.8
Initial training (salaries)	4.2
Satellite device lease costs	5.1
Projected total cost	114.2
Benefits	
Release of installed ADPE	47.6
Release of installed PCAM	17.4
Reduction in operational supplies	4.7
Reduction in follow-on training costs	1.3
Reduction of approximately 3,000 manpower spaces	105.3
Projected monetary benefit	176.3
Projected net benefit	
Projected benefits	176.3
Projected costs	114.2
Net monetary benefit	62.1

ABILITY OF HEADQUARTERS TO QUERY SYSTEMS AT EACH BASE

Mr. SIKES. When will this system or some other system be installed at Headquarters, Air Force, which will be able to query the base level systems at each base?

Colonel MAXWELL. There is nothing presently planned that will do that, Mr. Chairman. That would be a follow-on application if it is undertaken.

Mr. SIKES. No such system is now being installed at the same time as the phase II system?

Colonel MAXWELL. No, sir. We are talking now about a direct input-output going from computer core to computer core. In the sense Colonel Vella has indicated that the data that are accumulated at the base ultimately flow up and are available here at headquarters to the users, that sort of hierarchy exists; but there is no plan at the moment for a direct computer-to-computer contact.

PROJECTED COST OF PHASE II

Mr. SIKES. During the hearings last year, the committee was advised that the phase II base level data system would cost in the neighborhood of $79 million. The latest information indicates the total projected cost will be $114.2 million, a very drastic increase. What is the reason?

Colonel MAXWELL. As I recall, the figure of $79 million represents the equipment cost of $61 million that was associated with the bid of 135 systems. Added to that was the $18 million cost for maintenance. If you purchase the equipment rather than lease it, you pay for separate maintenance under a maintenance contract. That then gave you the $79 million figure.

The $114.2 million, as you will notice, involved the total cost associated with reprograming, providing sites, all this sort of thing. This encompasses the total cost associated with the system as opposed to only the equipment and maintenance costs.

Mr. SIKES. Does that mean there will be a similar jump next year which is not now known to the committee?

Colonel MAXWELL. No, sir. This is the total cost of the system for its projected life.

COST OF SYSTEMS ANALYSIS IN CONNECTION WITH PHASE II

Mr. GARRITY. We note costs which did not appear last year, such as systems analysis, $3.8 million.

Colonel MAXWELL. That is the cost of actually designing the system by the data systems design center and other command units that would convert the program to a standard system.

Mr. GARRITY. This is the cost of updating other systems?

Colonel MAXWELL. Incorporating them. What we attempted to do, sir, was where each of the commands had what they previously called command add-ons, they would take the standard system and perhaps diverge slightly to accommodate a command-peculiar requirement. These were all made known in response to a requirement laid on by the Data Systems Design Center. As a result wherever possible, these were incorporated in a standard system written by the design center, which now will be implemented in phase II and will be exercised by a command identifying through an option the fact that this command needs to have these additional data.

OTHER COSTS ASSOCIATED WITH PHASE II

Mr. GARRITY. What is the cost of $5.1 million associated with the satellite device costs?

Colonel MAXWELL. These are the remote input-output devices that will be located at the satellites that do not have a standard system.

Mr. GARRITY. That is in addition to the purchase price or the lease rental cost of the equipment of $67.5 million?

Colonel MAXWELL. That is correct, yes, sir.

Mr. GARRITY. What is the communications network, which will cost $1.7 million? What sort of network is that?

Colonel MAXWELL. Of course, when we talk about satellites, we are talking about the need to provide some sort of communication from the main computer to the output device located at the satellite location. We are talking about a tradeoff in communications costs as opposed to the location of a computer at the satellite location.

BENEFITS TO BE DERIVED FROM PHASE II

Mr. GARRITY. We were discussing a few moments ago the benefits to be derived from the installation of this system. You show a net benefit of $176.3 million, of which $105.3 million represents the reduction of approximately 3,000 manpower spaces. How did you arrive at that anticipated reduction?

Colonel MAXWELL. As a part of system design, and before the systems were presented to the Data Automation Panel in Air Force Headquarters, it was of course required that savings associated with the implementation of the system be identified. These savings are those identified by the ultimate user that he would anticipate realizing as a result of the implementation of the phase II system.

Mr. GARRITY. Have you realized any reductions in civilian personnel as of this time?

Colonel MAXWELL. As we noted yesterday, sir, 723 of those spaces will be withdrawn in fiscal year 1970; 363 of those spaces are civilian.

Mr. GARRITY. Do you think this is a realistic estimate of the manpower spaces that you are going to realize?

Colonel MAXWELL. Yes, sir.

Mr. GARRITY. The Air Force definitely intends to eliminate 3,000 positions?

Colonel MAXWELL. Yes, sir. As part of the phase II planning these will be eliminated.

COMMITTEE'S REPORT REGARDING NEW ADP SYSTEMS

Mr. SIKES. In the committee's report last year on page 29, we stated that until such time as the newly established ADP system review offices had an opportunity to review the various systems now in existence and those being planned for the future, the expansion of all systems should be held in abeyance. Why did the Air Force proceed with the implementation of the base level phase II and other systems, knowing that it was contrary to the intent of the committee?

Colonel VELLA. Sir, we did not feel in our discussions with OSD that really we were expanding or that we were doing something which was contrary to the intent of Congress. Phase II, for example, was already an approved program.

Mr. SIKES. Did you review this matter with the committee or take arbitrary action on your own?

Colonel VELLA. No, sir; it was not reviewed with the committee.

Mr. SIKES. Why not? That would indicate you were not particularly concerned with the viewpoint of the committee.

Colonel VELLA. Yes, sir; we were concerned with the viewpoint of the committee, but we felt that we had, in fact, complied with the committee's intent not to expand our system.

Mr. SIKES. Why didn't you ask the committee whether the committee agreed with you or not?

All right, General, you probably want to take this one.

General PITTS. I wanted to get straight whether you were talking about the review committee within OSD, the DOD Subcommittee, or the Committee on Appropriations. The colonel was speaking to this committee of Congress.

Mr. SIKES. I will repeat the question: In the committee's report last year on page 29, we stated that until such time as the newly established ADP system review offices had an opportunity to review the various programs now in existence and those being planned for the future, the expansion of all systems should be held in abeyance. Why did the Air Force proceed with the implementation of the base level phase II and other systems, knowing that it was contrary to the intent of the committee?

General PITTS. If I understand the question, sir, Colonel Vella tried to bring out that we had discussed this matter with the review personnel, the review structure down in the Office of the Assistant Secretary of Defense—Comptroller—and that this was an ongoing program that had already been approved. In that context they did not think they were not being responsive to the desires of the committee.

Mr. SIKES. Do you feel you were thus complying with the desire of the committee?

General PITTS. We felt so; yes, sir.

Mr. SIKES. Did you at that time indicate to the committee that you felt that you had complied with the committee's stated wishes in the matter?

Colonel VELLA. I do not understand the question.

General PITTS. May I go off the record just a minute.

(Off the record.)

Mr. SIKES. The question is: Did you advise the committee that you felt you were complying with its stated desires and that on that basis you proceeded?

General PITTS. We did not advise this committee.

Mr. SIKES. Why not?

General PITTS. As I stated previously, sir, we did not think we were acting against the wishes of the committee, because of the fact that we had discussed this program with the Assistant Secretary of Defense—Comptroller—the DOD review structure, it was an ongoing program already approved and we went ahead with implementation of it.

Mr. SIKES. It was an approved but not a funded program, is that not correct?

General PITTS. Sir, the portion that we financed in fiscal year 1969, was contained in the fiscal year 1969 appropriation.

COMPUTER EVALUATION SERVICE

Mr. SIKES. For the "Computer evaluation service" (COMPRESS), you are requesting $245,000 in fiscal year 1970, which is an increase of $183,000 over your fiscal year 1969 planned level. What is this program?

Colonel VELLA. Sir, this program ties in with the question that was asked on the advanced logistics system at AFLC. It is a simulation program. We have contracted for a series of programs which permits us to simulate workload against a whole series of different types of computers, thereby giving us a feel of several things: whether the systems we are designing will do the job that we are attempting to do; is the system we are attempting to design within the state of the art; and, what type of systems exist in the field as far as the commercial world is concerned that can possibly do the job.

Mr. SIKES. Why is the increased funding necessary?

Colonel VELLA. The increased funding is necessary because we are slowly but surely coming to the apex of getting ready to put together this advanced logistics system that you have asked us to give you a report on for the record. We will bring that out there, too, sir.

DATA STORAGE AND RETRIEVAL SYSTEMS

Mr. SIKES. For fiscal year 1970, there is a request for $320,000 for data storage and retrieval systems. Is this another new program?

Colonel VELLA. No, sir; that is a contractual activity which is being carried out by the Air Force Logistics Command which evaluates the lifespan of propulsion engines and ordnance for the MINUTEMAN. It is directly tied in with the MINUTEMAN system.

Mr. SIKES. Has there been a similar fund in prior appropriations requests?

General PITTS. No, sir; there were no funds in 1968 or 1969 for that program.

Mr. SIKES. That would indicate it is a new program. What is the purpose of it? What do you expect to accomplish with it?

Colonel VELLA. We expect to conduct studies to determine the deterioration of the propulsion system and determine the reliability and lifespan of the propulsion system itself for the MINUTEMAN.

PROJECT LITE ADP CONTRACTUAL SERVICES

Mr. SIKES. For ADP contractual services in connection with Project LITE, you are requesting $428,000 for fiscal year 1970, the same amount as your planned level for fiscal year 1969. Is this to be a permanent requirement each year?

Colonel VELLA. No, sir. The reason I say this is because there are certain decisions being made on LITE right now which may convert LITE from a contractual-type operation which it is at the moment, to an inhouse-type system.

Mr. SIKES. At greater or less cost?

Colonel VELLA. It would only be converted if it was at less cost.

Mr. SIKES. How much less?

Colonel VELLA. Sir, I am not certain of that figure.

INCLUSION OF ALL AIR FORCE REGULATION IN LITE DATA BASE

Mr. SIKES. We note from a recent LITE newsletter that all Air Force regulations have now been included in the LITE data base. Is it necessary to put all this information into the LITE data bank?

Colonel VELLA. Sir, if you are going to have a retrieval system to do the job that you want to do, to answer all your users, it is essential that you put into it all the information that anyone is going to call for.

Of course, the Air Force regulations are the basic directive by which we in the Air Force live. We have to have these in the data bank if we are to know the direction in which we are to move.

Mr. SIKES. Is it the intention of the Air Force to continue to expand the LITE data base to include all DOD regulations and all other legal information that is available?

Colonel VELLA. Sir, I cannot answer that question. I would have to defer to other people.

General PITTS. May we research that and supply it for the record, sir?

Mr. SIKES. Yes.

(The information follows:)

All DOD directives and instructions are on the LITE data base. Army and Navy regulations are not at present. It is the intent of DOD to put on the data base as much legal and regulatory material as is necessary to meet the needs of DOD users of the LITE system and information desired by other Government users on a reimbursable basis. We hope eventually to include the Armed Services Board of Contract Appeals decisions and the more recent Court of Claims decisions, less Indian claims and income tax cases.

UTILIZATION STUDY OF LITE DATA BANK

Mr. SIKES. Has anyone made a utilization study of the information now incorporated into the LITE data bank?

Colonel VELLA. Yes, sir; such studies have been made. We would like to present it for the record, if we may.

Mr. SIKES. Tell us what the results have been, and what purpose they have served?

(The information follows:)

UTILIZATION STUDY OF LITE DATA BANK

STUDY OF SEARCHES BY DATA BASE

	Comptroller General decisions, vol. 1-18	Comptroller General decisions, vol 19-45	Unpublished Comptroller General decisions	United States Code	Armed Services Procurement Regs	Court of Military Appeals	Board of Review
Fiscal year 1968	284	791	625	185	62	129	101
Fiscal year 1969 (March)	167	538	480	166	134	198	192

The number of searches since July 1, 1968, has decreased for two main reasons:

(*a*) Funds for EDPE were reduced by the Air Force with a resulting decrease in the number of computer hours available for searches.

(*b*) A major new LITE product, the Key Word in Context (KWIC) index of the published Comptroller General's decisions, was generated by LITE and published by the Government Printing Office. Distribution of this index, the first to consolidate all published Comptroller General decisions into a single index, has,

as expected, decreased the number of searches requested against the published Comptroller General data base. Most relatively simple searches can be done in a few minutes with this index; LITE continues to get the tough ones.

Perhaps the best way to describe what purposes have been served is by including some extracts from the LITE Newsletter and copies of unsolicited letters received after various offices had used the LITE service.

Excerpts of Users' Comments from LITE Newsletters: LITE Newsletter—Vol. I, No. 2, February 1968:

* * * * * * * *

Mr. Harold Seidman, Assistant Director, Management and Organization, Bureau of the Budget, in a congressional subcommittee hearing on August 1, 1967:

"In the case of the United States Code we used Project LITE. But in the case of the District of Columbia Code, which is not in a computer, that had to be done manually, and that was a very complex and difficult job, going through the whole District of Columbia Code, line by line. And it took a period of months, while we had the data for LITE in about a week—where we got several volumes back. It greatly simplified our job."

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LITE Newsletter—Vol. I, No. 3, March 1968:

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From Dr. Charles J. Zinn, Law Revision Counsel, House of Representatives Committee on the Judiciary, concerning one of his recent search requests:

"The system saved time. My request for references to Weather Bureau and to Const and Geodetic Survey in the United States Code covered the entire Code. It would have taken hundreds of hours to research manually."

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LITE Newsletter—Vol. II, No. 1, January 1969:

* * * * * * * *

"I wish to take this opportunity to express my appreciation to all the members of your LITE staff who have been so helpful to us here in CHAMPUS during the past year. The assistance which they provided has saved us countless hours of research, and has uncovered a wealth of information which would otherwise be completely unavailable to us. This latest search * * * is an excellent example of how useful your services are to us here in the field.

"Again, many thanks to you and your staff for the tremendous service you are making available to all of us."

Sincerely,

(Signed) EDWARD A. TURROU,
Colonel, JAGC, USA (OCHAMPUS).

* * * * * * * *

Letter from: Department of the Air Force, Headquarters Pacific Air Force, APO San Francisco 96553, June 28, 1967, Reply to attention of DMP,

Subject: LITE System.

To: AFAFC (SJA).

"1. Thank you for the immediate response to our letter requesting a search in reference to heads of procuring activities. Utilization of the LITE search saved this office many manhours that would have been spent researching the ASPR for the required information.

"2. Recommended further advertising of your available services, aimed at

BASE PROCUREMENT OFFICER
FOR THE COMMANDER IN CHIEF,
(Signed) JOHN D. COOPER,
(For J. R. Medberry,
Lieutenant Colonel, Colonel, USAF, Director of Procurement, Deputy Chief of Staff, Materiel.)

* * * * * * * *

Letter from: The Deputy Secretary of Defense, Washington, D.C., March 10, 1966.

To: Hon. L. Mendel Rivers, Chairman, Armed Services Committee, House of Representatives.

DEAR MR. RIVERS: "In response to your request of November 8, 1965, and in line with further discussions between our staffs, I am forwarding your committee

50 copies of a composite index of titles 10, 32, 37, 50, and 50 appendix of the United States Code and related materials.

"This comprehensive index is based upon the total text of the five titles, all of which, as you know, have particular application to the Defense Establishment. Every significant word appearing in the entire text of these titles has been indexed alphabetically in context as it appears in the United States Code.

"This material has been produced through the use of the LITE (legal information through electronics) system, developed by the Air Force in its Accounting and Finance Center, Denver, Colo. The system is currently producing like material with respect to the published decisions of the Comptroller General of the United States and, with the cooperation of that official, his hitherto unpublished decisions. Similar indexes can be made available for the armed services procurement regulations, international agreements pertaining to defense, regulations and manuals of the Defense Contract Audit Agency, as well as other titles of the United States Code.

"Aside from the capacity of the system to produce these comprehensive indexes, there is, of course, a capability to search the text included in the data base electronically, retrieve any desired portions and print them out in any format responsive to the needs of the user. Our current plans for expansion of the system provide for the inclusion of significant decisions of the Armed Services Board of Contract Appeals, texts of defense and other appropriation acts, together with the text of the single Department of Defense military pay and allowances manual now under preparation.

"I would hope that you and members of your committee and staff will feel free to request any assistance we can provide through the system."

Sincerely,

(Signed) CYRUS VANCE.

* * * * * * *

Letter from: House of Representatives, Committee on Armed Services, Suite 2120, Rayburn House Office Building, Washington, D.C., March 11, 1966.

To: Hon. Cyrus Vance, Deputy Secretary of Defense, Washington, D.C.

DEAR MR. SECRETARY: "I have your letter of March 10, 1966, forwarding the 50 copies of the composite index of titles 10, 32, 37, and 50, and 50 appendix of the United States Code and related materials.

"I would like to take this opportunity to extend our congratulations to those individuals in the Air Force Accounting and Finance Center in Denver who developed and produced this system. The committee will find it extremely useful.

"I have already congratulated Secretary McNamara publicly during a hearing, but I would like for you to extend our appreciation to all who worked on this project."

Sincerely,

(Signed) L. MENDEL RIVERS,
Chairman.

* * * * * * *

As to the effect of LITE on the number of lawyers: In the short run, LITE is not expected to have any measurable effect on the number of lawyers required by DOD. The number of additional legal tasks that have been imposed would cancel out any effect LITE might have. Within the past few years, additional duties have been imposed on DOD lawyers by the following:

(1) Hospital Recovery Act (recovering the Government's expenses of caring for military personnel incurred through the negligence of third parties).

(2) E.O. 10988 (Organization of Government Employees).

(3) Requirements imposed by the courts; e.g., *Miranda* and its military counterparts requiring greater use of qualified lawyers.

(4) AFR 30-30 (its counterparts, conflict of interest regulations in the other services).

(5) Requirement by Air Force to use lawyers in all courts and boards.

Despite these additional tasks, there has been no significant increase in the number of attorneys.

LITE's primary contribution is to improve the quality of legal work. It frees the lawyer from the time-consuming drudgery of manual legal research to devote more time to tasks only he can do: analyzing facts, interviewing witnesses, preparing arguments, writing opinions. It provides him, according to our tests, with more of the relevant material than manual research. It allows types of research now impractical. He can research large masses of material for recur-

rences of similar words, so he can analyze the difference or similarities in usage—a considerable aid to statutory interpretation. "Needle-in-the-haystack" research of material conventional searching does not find are feasible with LITE.

In addition to providing improved results on individual legal problems, LITE also assists the lawyer by producing computer-generated indices which greatly extend the speed and accuracy of manual searching. Recently LITE was used to produce a one-volume consolidated index to all the published decisions of the Comptroller General, which has been published by the Government Printing Office.

Two important additional benefits of LITE should be noted. First, its data base contains material that is not indexed nor readily available, though of considerable importance. For example, the unpublished Comptroller General decisions are neither indexed nor published and can be conveniently researched and retrieved only through LITE. An extensive data base of international agreements of interest to DOD and their negotiating history is on LITE tapes. This data base is unindexed and only one complete set, in the OSD General Counsel's office, is in existence. Other LITE material, while published, is not readily available in the field and, when available, may be out of date. Such material can best be obtained through LITE.

LITE has an extremely important additional benefit for the Department of Defense. It puts the junior attorney on the same footing with an experienced one insofar as finding the relevant law and regulations is concerned. The experienced attorney usually knows the relevant law, regulations, and decisions in his field and uses LITE primarily for unusual problems or when assigned work outside his regular area. The junior attorney, by using LITE, has quick access to all the same material. A manual search, we have found by testing, is not only tedious but usually misses nearly half of the relevant material. With our low retention rate for attorneys, LITE makes maximum use of younger lawyers.

LITE was a pioneering effort, both in electronic retrieval of legal information and in full text retrieval of any kind of information. It is still developing and is not yet capable of doing as many searches as users require. At the end of fiscal year 1968, for example, 500 searches were being done per month and demand was climbing at the rate of 100 per month. This year, the monthly average has had to be reduced to around 200 for lack of computer time. With considerably increased capacity and more sophisticated means of communicating results to users, which will take several years to develop fully, it is likely that eventually the number of library personnel and researchers (not all of them necessarily lawyers) can be reduced.

Mr. SIKES. Questions on this item?

Mr. MINSHALL. I have no questions, Mr. Chairman.

Mr. SIKES. Mr. Davis?

(Off the record.)

HOW PROJECT LITE WORKS

Mr. SIKES. I think it would be useful to have an explanation of Project LITE for the record.

Colonel VELLA. LITE is one one of the really unique applications of a computer. What we have done with LITE is to take the United States Code, the Comptroller General's decisions and Air Force regulations, indexed them scientifically, and have stored the information in a computer. If one of the Air Force lawyers; for example, or the Army or the Navy, has an inquiry and wants to check on some point of law in a court-martial, or other proceeding all he does is frame his inquiry and send it to the LITE source, which happens to be out in Denver. They will retrieve from the LITE data base the various legal references that he needs to pursue his particular case.

It is one of the up and coming things in the computer world.

It is also used by Government agencies, other than the Air Force. It is used by some of the civil agencies on a reimbursable basis.

Mr. MINSHALL. How long has this system been in effect?

Colonel VELLA. I believe it has been in existence for 4 or 5 years. They have been working on it. It is a progressive thing.

Mr. MINSHALL. How much is it used?

Colonel VELLA. It is used quite extensively. Enough so that practically every year we take a close look at it too see whether we want to keep it in existence. We look at our users and at our costs, and we have always come to the conclusion that it was worthwhile to keep it in being.

Mr. SIKES. Anything else?

Mr. DAVIS. Is this handled for you by a legal reporting group on a contract basis?

Colonel VELLA. No, sir. Of course, the operation is headed up by a lawyer. The computer itself and the computer facilities are under contract.

We have our own legal staff that works with it. Some are not full-fledged lawyers, of course. Let's say they are in between. They are legal clerks and other types. They are the ones who handle the system.

The system itself is on contract. By that I mean the computer and the peripheral equipment that goes with it.

REDUCTIONS IN LEGAL STAFF RESULTING FROM LITE

Mr. MINSHALL. Have you been able to reduce your legal personnel as a result of this system?

Colonel VELLA. I do not believe so, sir; no.

Mr. MINSHALL. Why not, if it is doing their work more efficiently?

Mr. SIKES. You better ask them if they have increased the number of lawyers as a result of this system.

Colonel VELLA. We are doing the work for the Air Force and, as I pointed out, also for other civil agencies and for all the other military departments.

Mr. MINSHALL. Have any other agencies been able to reduce their legal personnel?

Colonel VELLA. I do not know, sir. They probably are being used more effectively. Just think of the time that is saved by the lawyers not having to research volumes and volumes of material.

Mr. SIKES. Will you have fewer or more lawyers as a result of this system?

Colonel VELLA. Mr. Chairman, I will have to research that.

Mr. SIKES. Show on the record how many lawyers you had prior to and subsequent to the advent of the system, and the future anticipated effect of the system.

General PITTS. Mr. Chairman, if I might introduce a point on this, I don't think the intent is to save lawyers so much as to provide a faster service for lawyers, thereby providing information on a quicker time basis.

Mr. SIKES. I am still interested in knowing whether more or fewer lawyers are going to be required.

General PITTS. Yes, sir.

(The information follows:)

NUMBER OF LAWYERS PRIOR AND SUBSEQUENT TO ADVENT OF LITE DATA BANK

Project LITE will not directly affect the number of lawyers the Air Force needs. LITE is merely a research tool and as such will not reduce our requirements for lawyers. LITE will enable Air Force lawyers to more economically utilize their research time. This may, in the long run, result in some manpower

savings. However, this is extremely speculative at this time. The lawyers, military and civilian, currently authorized in the Air Force judge advocate general's function for the following time periods are:

End fiscal year 1968	1,349
End fiscal year 1969	1,339
End fiscal year 1971	1,415

The increases reflected in fiscal year 1971 are due primarily to the addition of authorizations to support the Military Justice Act of 1968 which imposed the requirement for the Air Force to use lawyers in all courts and boards. Within the past few years, several statutes, Executive orders, directives and court decisions have imposed additional work requirements on Air Force lawyers.

Satellite Basing Program

Mr. Sikes. We will now take up the "satellite basing program." On page 14 of your statement you mention the new satellite basing program. Give us a description of that program.

EXPLANATION OF THE SATELLITE BASING PROGRAM

General Pitts. I will ask our director of programs, General Boylan, to answer that question.

General Boylan. Mr. Chairman, at the present time we are operating our B–52 force from some 30 main operating bases. By main operating base, that is where the entire squadron of 15 aircraft and possibly associated tankers are assigned on a permanent basis.

Next, at the end of fiscal 1970 we will have 26 main operating bases. In light of the known growth in the Soviet submarine-launched ballistic missile capability, the Air Force has strongly recommended and the Department of Defense has approved a program which will permit the Air Force to spread its alert bomber force over more bases, and consequently because of the shorter warning time from the submarine-launched ballistic missile threat we predict a higher probability of survival of that alert force.

The program is projected to include ultimately ——— such bases. Our current planning based on the present bomber structure is oriented at ———. All of these bases are military installations, Air Force, Navy, Army. We will locate at each of these bases ——— aircraft. It could be ——— bombers, it could be ——— tankers, or any combination of aircraft.

With respect to the funding in fiscal 1969, we are putting some $3.58 million to initiate the program, including test of the concept at Homestead Air Force Base, Fla. This involves bombers and tankers from Ramey.

In fiscal 1970, including military personnel, construction, and operating costs, the amount included in the total Air Force budget is $11.9 million for the satellite program.

General Pitts. If I could interject at that point, in the O. & M. budget with those figures that General Boylan gave, there are $717,000 in 1969 and in the fiscal year 1970 budget $3.6 million.

General Boylan. Now, the bombers to be accommodated are standard 40 percent of the force on alert and this will be spread between the satellite base and the main operating base.

Mr. Sikes. When did this program receive its approval?

General BOYLAN. The program received approval by the Secretary of Defense in late fall 1968.

FUNDING OF THE SATELLITE BASING PROGRAM

Mr. SIKES. How has it been funded to date?

General BOYLAN. The requirements in the fiscal 1969 budget are from Air Force resources.

Mr. SIKES. You mean reprogramings?

General PITTS. In 1969; yes, sir.

Mr. SIKES. Has this information been provided to the committee?

Mr. ALBERT RHODES. In O. & M. the $717,000, Mr. Chairman, was taken within the operational support program from other non-Southeast Asia lower priority requirements and therefore did not require a reprograming report to the committee.

Mr. SIKES. I would like to have the information submitted to the committee, showing the source of funds and the method of obtaining the funds.

(The information follows:)

SOURCE OF FUNDING SATELLITE BASING PROGRAM

The requirement for $700,000 was financed from within the funds available in the operational support program. This was accomplished by a readjustment in financing of the overall Systems Development Corp. computer programing contract. This contract supports various components of the semiautomatic ground environment (SAGE) system and this decrease in contractual effort was made possible through continuous scrutiny of the interrelationships between combat centers, direction, centers, Headquarters NORAD/CONAD, and the backup interceptor control system.

CONSTRUCTION COST OF SATELLITE BASES

Mr. SIKES. Will there be any construction in fiscal 1969?

General BOYLAN. Yes, sir.

Mr. SIKES. How is that being funded?

General BOYLAN. My records show there is a requirement for $1.48 million to be supplied from emergency P-341 funds available.

Mr. SIKES. I would like to have a breakdown on that information made available to the committee.

General BOYLAN. That will be done.

(The information was provided to the Committee and is classified.)

ADEQUACY OF EXISTING RUNWAY FACILITIES

Mr. SIKES. In your testimony, you speak of the requirement for this complex to be sited in close proximity to runways to obtain minimum alert reaction time, that you are proposing as satellite bases some Army and Marine Corps bases. Will they have adequate runway facilities?

General BOYLAN. Those bases that are being considered, Mr. Chairman, have all been surveyed by Headquarters, Air Force personnel and Strategic Air Command personnel to determine the operational feasibility. These surveys were conducted in conjunction with the host, be it Air Force, in the case of for example ——— or in the case of the Marine Corps air station, the Marine Corps itself.

Mr. SIKES. What about Army bases?

General BOYLAN. In those cases also, Mr. Chairman.

Mr. SIKES. Where there are existing runways that are adequate?

General BOYLAN. That is correct. Both from the standpoint of length, the clearance criteria, the load-bearing criteria, and other factors.

Mr. SIKES. Are new funds being requested for fiscal 1970 for this program?

General BOYLAN. Yes, sir.

1970 COST OF SATELLITE BASING

Mr. SIKES. Provide a breakdown showing the funds that will be requested in fiscal 1970; the breakdown should also show not only O. & M. but the new construction and other costs.

General PITTS. And military personnel; yes, sir.

(The information follows:)

Fiscal year 1970 breakdown of new construction and other costs—SAC satellite basing

O. & M	$3,590,000
Construction	3,450,000
Military personnel	4,860,000
Total	11,900,000

APPROPRIATION OF FUNDS FOR THE SATELLITE BASING PROGRAM

Mr. DAVIS. Mr. Chairman, aren't we getting into an entirely new program here that is going to involve land acquisition, installations, construction, and a great many things that are going to hit your Committee on Military Construction right between the eyes without your having at least up to this point any knowledge of the thing?

Mr. SIKES. That appears to be the case, but I would be glad to have you answer the question, General.

General PITTS. No, sir. To answer the question directly as to the chairman's Subcommittee on Military Construction, the funds that are being requested for this program in fiscal year 1970 will be a subject to be addressed in the military construction hearings this year. This does not involve land acquisition. As General Boylan brought out, we are going to use existing Air Force and/or Army and Navy facilities that are available without cost. They are already there.

So we will require some construction to provide those facilities necessary for the Strategic Air Command crews and maintenance personnel to perform this alert mission at satellited bases. Those funds for military construction in 1970, as I stated previously, will be a subject to be addressed to Mr. Sikes' subcommittee in the forthcoming hearings for this fiscal year.

The previous work, for fiscal year 1969, was done by internal reprograming, as General Boylan stated. I believe we owe an answer for the record as to those funds.

Mr. SIKES. That is the request.

General BOYLAN. May I add one point there?

Mr. SIKES. Yes.

General BOYLAN. I mentioned that Homestead Air Force Base is the scene of the site of the test which has been underway now for about

3 months. At Homestead the amount of peculiar construction required for the ——— aircraft totals some $73,000. It includes minor alteration, $5,000; a trailer hookup for utilities; a backup generator; six crew trailers; security lights, and a fence with a value of $7,500, and a composite facility for which emergency construction funds are being used in the value of $45,000. But again, it is on existing Government property adjacent to existing adequate runway facilities.

General PITTS. I might point out, sir, in that connection that Homestead was a former SAC base with a SAC B-52 wing on it. It has been turned over to TAC now. So the facilities are there in great part for this mission. They were built there when the base was a part of the SAC mission.

Mr. SIKES. Since you are not basing satellites with B-52's the use of the term "satellite basing program," would appear to be somewhat confusing and something of a misnomer. Why did you select that terminology?

General BOYLAN. Mr. Chairman, we do have something of a problem in terminology.

Mr. SIKES. You have always invented new words when you needed them.

General BOYLAN. Yes, sir; it stems from the thought process that the main operating base is the center and, in fact, is the mother earth, and the small increment away from that main operating base is satellited to the main operating base. I think this is the logic of the term.

I agree with you that in this world, in these times, it is confusing.

Mr. SIKES. Is this a program which will be implemented both in the United States and overseas?

General BOYLAN. Only in the Continental United States, sir.

Mr. SIKES. Questions?

STATUS OF THE FB-111 PROGRAM

Mr. MINSHALL. Yes, Mr. Chairman.

I see in the statement here on page 14 that they are operating three FB-111 squadrons. I am just concerned a little bit about the status of the FB-111 program.

General PITTS. The FB-111, Mr. Minshall, has been terminated with the 1969 buy at four squadrons of aircraft. This will give us a UE of ——— aircraft and ——— additional aircraft for command control and attrition, a total of ——— aircraft.

The ——— additional aircraft are for attrition and command use.

Mr. MINSHALL. How is it working out in its role?

General PITTS. The FB-111 is in testing at this time.

Mr. MINSHALL. That is my point. How is it testing?

General PITTS. The testing so far, to my knowledge, has been quite successful. They are very happy with it.

General BOYLAN. They are. SAC is very happy with the airplane. It has performed well. It is the same basic airframe as the F-111D which has experienced wing carrythrough problems.

The manufacturer and our systems command personnel and test personnel feel that the fix on this structure is in hand. We have had absolutely no problems with the FB-111 in the test program.

Mr. MINSHALL. What is the nature of the fix?

General BOYLAN. I think basically they found something that is, in retrospect you know, pretty obvious, that work with the high heat-treat steels requires tightly controlled fabrication procedures and rigid quality control. The carrythrough box which, of course, handles the mechanism for sweeping the wing, originally had a failure in the ground test program and that failure was traced to a defective bolt. The inspections which followed uncovered no repetition of this situation. However, during the failure investigation a high stress concentration was located in the aft lower corners of the wing carrythrough structure. This condition was verified by flight test and action initiated to provide a fix.

Our engineers designed a gusset to put in the corners of this box in order to strengthen it by redistributing the stresses. Then while testing the gusset fix we experienced a second failure. It has been determined that that failure stemmed from stresses that were induced by holes that were drilled in another area of the box to carry brackets for hydraulic tubing and wiring.

So, as I said earlier, our engineers and the contractor are quite sure they are on top of this problem. The FB-111 itself is basically the same airframe, would inherit the same kind of problem, but we have had no problems in the test program of the FB-111.

FB-111 TESTING PROGRAM

Mr. MINSHALL. When are you going to complete your testing program so there is no doubt as to the usefulness of this bird?

General BOYLAN. The category 2 tests will be largely completed by early summer of 1970, and category 3 tests by Strategic Air Command will be underway in April 1971.

Mr. MINSHALL. What is the difference between a category 1, a category 2 and a category 3 test?

General BOYLAN. In our parlance, category 1 is the tests that the contractor performs as required. Category 2 is when the contractor turns over the airframe to an Air Force test organization—normally, these tests are performed at one of our test centers. At that point the Air Force looks at the mission worthiness of the airframe, and assesses its performance.

The first operational units normally designated to perform category 3 tests that certify the aircraft to full operational use in an Air Force unit, prove that it can be operated and maintained by an Air Force unit.

Mr. MINSHALL. When do you reach that stage, in calendar what?

General BOYLAN. This will be completed in July 1971, sir.

CERTIFICATION OF FB-111 AS FULLY OPERATIONAL

Mr. MINSHALL. You can understand our concern for this F-111 series, TFX series, that has been plagued with so many problems, especially in the Navy version. Now, you come along with problems in the same basic aircraft and that concerns the members of this committee.

General BOYLAN. Again, I think it is the Air Force judgment that the problems have been centered in this wing-carrying structure. What that problem is, has been with high confidence identified and with high confidence the resolution of the problem is at hand.

Mr. MINSHALL. It will be another year, though, before you can give us a final answer?

General BOYLAN. When I said July 1971, I meant to say the completion of category 3 tests in the unit. The first operational unit begins its equippage in the third quarter of fiscal year 1970. The combat crew training squadron begins to get its aircraft in September of this year.

Mr. MINSHALL. When will you be able to tell whether this FB-111 will be operationally ready to go into the Air Force without any question?

General BOYLAN. I think the Air Force considers at the present time, with some restriction on G loading, that the aircraft can be entered into the force now.

Mr. MINSHALL. What do you mean, with some restriction on G loading?

General BOYLAN. It has to do with this: Because of the wing-box problem, we have restricted the F-111 to a G load below the maximum for which it is designed. Until all of the engineering fixes are completed, there will be some restriction in G loading of the airplane.

Mr. MINSHALL. When will you arrive at that point where there will be no restrictions?

General BOYLAN. May I submit the answer to that question for the record?

Mr. MINSHALL. What is your best guess now? You can correct it later.

General BOYLAN. Mr. Minshall, I have confidence in this answer: I think by the end of this calendar year the final fix will be moving into all of these airframes, F-111's and FB-111's, and early next year, I would say before the end of fiscal 1970, all of the operational inventory will have received a fix.

If my answer to you is in any way in error, I will see that the committee and you are informed.

CUTBACK IN AIR FORCE-TYPE F-111 SERIES

Mr. MINSHALL. This whole program has been characterized by slippage, slipping to the point of falling flat on its face in the case of the Navy bird. I am very much concerned about this.

How much is your cutback in production for the entire series of the Air Force-type F-111's?

General BOYLAN. I will trace the production for you, sir.

We are going to stabilize after all of the adjustments that you have alluded to, including the total cutback in the approved Air Force fighter procurement, from six wings to four; withdrawal of the Navy, the withdrawal of the United Kingdom, we are going to reduce from an anticipated peak of about 18 aircraft per month—this will occur next April—to a ——— per month production rate beginning in January 1971 to the conclusion of the program.

MODIFICATIONS TO THE F–111 AND THE FB–111

Mr. MINSHALL. The test aircraft you had in Vietnam have all been recalled?

General BOYLAN. There are no F–111's in Vietnam now.

Mr. MINSHALL. Where are those birds now?

General BOYLAN. At General Dynamics, Fort Worth.

Mr. MINSHALL. What are they doing with them?

General BOYLAN. Modifying them with the wing-box fixes, prior to returning them to the TAC inventory.

My earlier discussion with you, sir; related to the FB–111 test.

Mr. MINSHALL. I understand. How is the fighter version coming along, as long as we are talking about it?

General BOYLAN. It is performing quite well, sir. The Air Force pilots like and respect the airplane. Again, the principal problem with the F–111 has been in carrythrough box incident that we have talked about.

Mr. MINSHALL. The same problem that you have in the FB–111?

General BOYLAN. Yes, sir. It is basically the same fuselage arrangement. The differences between the two aircraft lie principally in higher gross weight for takeoff for the SAC airplane, extended wingtips. With the higher gross weight there is some strengthening of the landing gear.

Mr. MINSHALL. Will this fix, as you anticipate it, in any way restrict the operational characteristics of this bird as to speed or turn characteristics, altitude, weight, or anything else?

General BOYLAN. Absolutely not, sir.

Mr. MINSHALL. That is all, Mr. Chairman.

AUTHORIZATION FOR THE SATELLITE BASING PROGRAM

Mr. DAVIS. Before we leave the satellite bases, Mr. Chairman, where are we authorizationwise with respect to that?

General PITTS. Do you mean congressional authorization, Mr. Davis?

Mr. DAVIS. Yes.

General PITTS. I do not think that we consider that the basing of the force needs to be authorized by Congress.

Mr. SIKES. What you are saying is it just does not involve procurement or construction.

General PITTS. No, sir.

Mr. SIKES. Other than the presently authorized levels; is that what you were saying?

General PITTS. Yes, sir; exactly. This involves basing a force but no additional procurement of aircraft. Of course funds for any necessary construction must receive authorization.

Mr. DAVIS. I am not worried so much about the procurement of the aircraft as I am the authorization of physical facilities. In other words, before you get to Mr. Sikes' subcommittee you do have to go to Armed Services to get authorization for some of the construction items.

General PITTS. For military construction we will, yes, sir; to the two Armed Services Committees for authorization.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. SIKES. Does the satellite basing program apply only to SAC aircraft?

General BOYLAN. That is correct, sir. The term is used, as you well know, Mr. Sikes—it was mentioned in the ADP program—as a satellite location using this equipment. The answer to your question is the satellite program we were discussing with respect to bomber dispersal is restricted to strategic bombers and tankers.

Mr. SIKES. Will you provide a listing for the record of the bases which will be utilized?

General BOYLAN. Be happy to do that, sir.

(The information was provided to the committee and is classified.)

SUPPLY SUPPORT

Mr. SIKES. We will now take up "Supply support." For the record, will you show the current Air Force inventories of supplies and spare parts for all activities under this appropriation?

General PITTS. Yes, sir.

(The information follows:)

Effective July 1, 1968, all O. & M. financed inventories were transferred to the several Air Force stock funds except for those in the Pacific Air Force. On July 1, 1969, the O. & M. base owned stocks of the Pacific Air Force will be capitalized under the Air Force stock fund.

EXCESS INVENTORY OF SUPPLIES AND SPARE PARTS

Mr. SIKES. On June 30, 1968, the Air Force had on hand $12,012 million of supply system inventories. Of this amount, $1,165 million-plus was excess to DOD needs. Now, this is running close to 10 percent. Why would there be such a large excess of supplies and spare parts?

Mr. ALBERT RHODES. Mr. Sikes, this wouldn't be in the O. & M. appropriation. This has to be either in the "major procurement" appropriations—and I am not familiar with the figures you are talking to—or it would have to be in the stock funds. If you remember, last year we went for the first time to extensive stock fund operations within the Air Force and at the same time we transferred a number of spare parts from the major procurement accounts into the O. & M. as operating supplies. In O. & M. today, 1969 and 1970, we just buy for consumption from the stock fund. We do not maintain any inventories in O. & M. any longer, with one exception. The bases in Southeast Asia area and the rest of the Pacific area except Guam are not under stock funds. We intend to do it on July 1 of this year.

Mr. SIKES. The figure that we have is listed as potential DOD excess under the Air Force, $1,165 million-plus.

Mr. ALBERT RHODES. If this is out of an OSD audit report which I am familiar with, of about 6 or 8 months ago—this was determined at that time to not be O. & M. except for a very minor amount in the Pacific area.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. This is out of the DOD report on real and personal property as of June 30, 1968. On page 86 it lists under table 32, "Supply System Inventories," which shows the Air Force has total stocks of $12,042,505,000.

Mr. ALBERT RHODES. I believe this would be the major procurement accounts, plus the stock fund inventories.

Mr. SIKES. It does include the stock fund inventory?

Mr. ALBERT RHODES. I assume so, sir.

Mr. SIKES. What can you tell us about the excessive supplies and spare parts? What would be an accurate figure?

Mr. ALBERT RHODES. Mr. Chairman, not being familiar with the figures, since they do not pertain particularly to O. & M., could we furnish this for the record for you?

Mr. SIKES. All right.

(The information follows:)

SUPPLY SYSTEM INVENTORIES

The amounts referred to are from table 32, page 80 representing total Air Force inventories. The excess amount of $1.105 billion does not include any O. & M. funded excesses. The details by categories of supply to support table 32 are reflected on table 39 of the same report, which does not reflect excesses funded from O. & M.; because base funded stocks are reported as unstratified stocks. Effective July 1, 1968, O. & M. stocks, with the exception of those in the Pacific Air Force, were transferred to the several Air Force stock funds. On July 1, 1969, the O. & M. base owned stocks of the Pacific Air Force will also be capitalized under the Air Force stock fund.

EXCESS AIR FORCE STOCKS IN SOUTHEAST ASIA

Mr. SIKES. Does the Air Force at present have an excessive supply of stocks in the Pacific area and in the Southeast Asia area in particular? Can that question be answered now?

Mr. ALBERT RHODES. Mr. Chairman, the Pacific Air Command has had a very extensive program of redirecting stocks, redistributing stocks. We did have some excess stocks at certain locations. The command, through the numbered air forces, have put controls on the bases. Before they submit requisition back to the United States they go through a screening process to see if it is available at other locations.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. The committee is familiar with what has transpired out in Southeast Asia under the PURM/PURA program. What we are trying to determine is the amount of excess stocks which have been accumulated by the Air Force in that area.

Mr. SIKES. Is that information available?

Mr. ALBERT RHODES. No, sir, it is not available, but we can secure it. The last report I had from the budget officer at Pacific Air Force, who was on his third tour of the bases with a whole team from the Pacific Air Force Headquarters, this had gotten down to a relative minor amount at this time.

Mr. SIKES. I would like a breakdown for the record on the situation we were discussing and a comparison showing the figure 6 months ago and 12 months ago.

General PITTS. We will supply that.

(The information follows:)

Supply of Stocks in Pacific Area and Southeast Asia

PACIFIC AIR FORCE INVENTORY REPORT

[General supplies includes electronics parts for aircraft and ground equipment, engineer, photographic, janitorial, ground POL, automotive]

	PACAF total	SEA	Non-SEA
Dec. 31, 1967:			
On-hand inventory	$196,264,020	$175,330,355	$20,933,665
Due in	58,374,374	48,788,810	9,585,564
Total inventory	254,638,394	224,119,165	30,519,229
Economic retention stocks included in on-hand inventory [1]	132,176,296	124,409,839	7,766,457
Percentage of economic stocks to total inventory	52	56	25
June 30, 1968:			
On-hand inventory	$137,540,203	$110,071,308	$27,468,895
Due in	66,294,062	49,984,280	16,309,782
Total inventory	203,834,265	160,055,588	43,778,677
Economic retention stocks included in on-hand inventory [1]	74,966,001	68,291,544	6,674,457
Percentage of economic stocks to total inventory	37	43	15
Dec. 31, 1968:			
On-hand inventory	$128,256,831	$100,059,849	$28,196,982
Due in	47,832,901	37,349,048	10,483,853
Total inventory	176,089,732	137,408,897	38,680,835
Economic retention stocks included in on-hand inventory [1]	71,981,690	56,912,489	5,069,201
Percentage of economic stocks to total inventory	35	41	13
Mar. 31, 1969:			
On-hand inventory	$115,528,647	$90,385,048	$25,143,599
Due in	70,073,760	54,564,065	15,509,695
Total inventory	[2] 185,602,407	144,949,113	40,653,294
Economic retention stocks included in on-hand inventory [1]	53,285,356	48,793,970	4,491,386
Percentage of economic stocks to total inventory	29	34	11

SYSTEMS SUPPORT [3]

[Primarily aircraft parts, components for guns, gun barrels, aircraft tires]

June 30, 1968:			
On-hand inventory	$81,346,636	$67,350,556	$13,996,080
Due in	29,198,430	23,937,216	5,261,214
Total inventory	110,545,066	91,287,772	19,257,294
Economic retention stocks included in on-hand inven ory [1]	35,481,700	31,510,164	3,971,536
Percentage of economic stocks to total inventory	32	35	21
Dec. 31, 1968:			
On-hand inventory	$59,608,968	$48,070,385	$11,538,583
Due in	19,678,189	16,097,568	3,580,621
Total inventory	79,287,157	64,167,953	15,119,204
Economic retention stocks included in on-hand inventory [1]	20,527,216	17,321,265	3,205,951
Percentage of economic stocks to total inventory	26	27	21
Mar. 31, 1969:			
On-hand inventory	49,389,902	37,325,551	12,064,351
Due in	19,971,967	16,673,304	3,298,663
Total inventory	[2] 69,361,689	53,998,855	15,363,014
Economic retention stocks included in on-hand inventory [1]	15,047,665	11,854,552	3,193,113
Percentage of economic stocks to total inventory	22	22	21

[1] Items that remain in inventory in excess of 1 year's anticipated consumption (long supply). Under OSD criteria assets are not defined as excess until they exceed 3 years' anticipated consumption.
[2] All inventories on hand in Pacific Air Force (PACAF) on June 30, 1969, will be transferred to Air Force stock funds.
[3] Systems support materiel was transferred to O. & M. from the major procurement appropriations effective July 1, 1968.

PACAF has an asset redistribution center (PARC) which was established to redistribute assets among Air Force bases in PACAF. Procedures were established to identify items in long supply that could be redistributed to meet current needs. Bases submit requisitions to PARC (located at Don Muang AB, Thailand) for supply action. If PARC has the item on record it directs the owning base to ship to the requisitioning base, and the requisitioning base is notified of the action. There is no movement of assets to PARC—only data. Assets move from the base with long supply to the base with a requirement. Only when a PARC denial is received are the bases authorized to procure from another supply source. Where applicable, requisitions which have been processed as a PARC denial are forwarded to PURA for application of PURA assets.

PURCHASE OF SUPPLIES AND SPARE PARTS IN 1970

Mr. SIKES. Now you are asking for $1,745 million for more supplies and spare parts in fiscal 1970. Does this take into consideration any excess that you have in Southeast Asia or elsewhere?

Mr. ALBERT RHODES. This would all be for consumption, Mr. Chairman, because even the Pacific bases will be on a stock fund operation effective July 1 of this coming year.

Mr. SIKES. So you feel any excess which is available is being evaluated as a part of this new requirement?

Mr. ALBERT RHODES. Has been done and is being done; yes, sir.

Mr. SIKES. I would like to have for the record a table showing the total amount obligated for supplies and materials for fiscal 1968 and estimates for fiscal 1969 and 1970.

(The information follows:)

AIR FORCE OPERATION AND MAINTENANCE APPROPRIATION—OBLIGATIONS FOR SUPPLIES AND MATERIALS

[In thousands of dollars]

	Fiscal year 1968 (actual)	Fiscal year 1969 (estimate)	Fiscal year 1970 (estimate)
Aircraft fuel and oil	657,183	717,209	662,211
Operating supplies	756,280	1,068,079	1,082,989
Total	1,413,470	1,785,288	1,745,200

The $312 million increase in fiscal year 1969 for operating supplies is primarily for spare parts for aircraft, procured from the stock fund. In fiscal year 1968 and previous years, these supplies were paid for by the major procurement appropriations. The transfer to operation and maintenance appropriation in fiscal year 1969 reflects the effect of the appropriation purification actions which were discussed in last year's budget presentation. The fiscal year 1970 estimate provides for the transfer of chaff from the other procurement appropriation as previously discussed.

Mr. SIKES. Are there questions on the supply support?

Mr. MINSHALL. No.

Mr. DAVIS. No.

Mr. SIKES. Very well.

AIRCRAFT FUEL AND OIL

CHANGES IN THE FLYING HOUR PROGRAM

Turning to "Aircraft fuel and oil" on page 18 of the justifications, there are shown several increases and decreases in the flying-hour program requirements which affect the aircraft fuel and oil request. For

example, for tactical fighters you show an increase of $23,200,000 and a decrease of $14,689,000. I would like to have highlighted some of the significant changes in the program and the reasons for them and you can do this for the record.

General PITTS. Yes, sir.

(The information was provided to the committee and is classified.)

FUEL PRICE INCREASE

Mr. SIKES. Have you made any provision in this budget for fuel price increases which may occur during fiscal 1970?

General PITTS. We have not.

Mr. SIKES. Do you anticipate this is realistic?

Mr. ALBERT RHODES. We put into the budget, Mr. Chairman, a price increase that went into effect January 1, 1969, and this was based on stock fund evaluations after discussions with the Defense Supply Agency on contracts they knew they were going to let. We have had three different price increases in the last 18 months but we do not think it prudent to anticipate at this time future price increases.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. If you have had price increases, three price increases in the last 18 months, why would you not think it prudent to anticipate that there will be a further price increase or increases in fiscal year 1970?

Mr. ALBERT RHODES. The price increases—the degree of the price increases are such that I don't think the Air Force of the Defense Department would want to come over and say "We think we are going to need this" when we do not have any backup or factual information to support it. It would just be a guess. It is similar to wage board salaries. If you go back, in the last 10 years, every year wage boards have gone up but the degree they have gone up has varied so much that we do not put them into the future budget.

Mr. MINSHALL. Will you yield, Mr. Chairman?

Mr. SIKES. Yes.

Mr. MINSHALL. Dollarwise, what have these last three increases cost you over the 18 months' period?

Mr. ALBERT RHODES. $24.5 million—was in the 1969 supplemental and related to Southeast Asia.

We had about another $44.8 million which we reported in the reprograming report to the Congress where we took non-Southeast Asia requirements and transferred them to the aircraft fuel and oil account.

Mr. MINSHALL. What is the total, then?

Mr. ALBERT RHODES. $69.3 million.

AVAILABILITY OF PILOTS TO CARRY OUT FLYING HOUR PROGRAM

Mr. MINSHALL. In computing your flying hour program do you make certain that you have sufficient pilots available, qualified by specific type of aircraft to meet your planned program?

Colonel JOHNSON. Yes sir. However, historically, changes in forces, mission requirements, production, and modification schedules, aircraft groundings, pilot attrition, and aircrew ratios changes to support new

mission requirements result in variances of actual accomplishments compared to program. Therefore, the flying hour program is discounted dollarwise, to assure compatibility between anticipated, but specifically undefinable, program deviations by mission design and series aircraft and funding within which the program is managed.

Mr. MINSHALL. How many pilots are on board?

Colonel JOHNSON. I don't have the specific figure.

General PITTS. We do not have that figure with us, but we could supply it for the record.

Mr. MINSHALL. Supply it, and more detail with reference to this question as to the specific type of aircraft, choppers, the whole bit.

General BOYLAN. I can give you a total inventory of our Air Force pilots.

Mr. MINSHALL. Provide it in the record.

General BOYLAN. By type; yes, sir; we will do it.

(The information follows:)

AVAILABILITY OF PILOTS TO CARRY OUT FLYING HOUR PROGRAM

The total active pilot inventory (all grades) as of March 31, 1969, related to mission and type aircraft is as follows:

Transport, troop carrier, tanker, search and rescue	9,941
Helicopters	1,002
Tactical fighter and fighter interceptor	6,845
Tactical and strategic bomber	2,069
Reconnaissance and training	3,945
Flight test	448
Supervision and staff in rated positions (base level, wing, division and numbered Air Force headquarters, major air command, Headquarters USAF, JCS, international headquarters, air attachés, etc.)	9,976
Technical and management in nonrated positions	2,408
Total	36,634

EFFECT OF C–5 SLIPPAGE ON FLYING-HOUR PROGRAM

Mr. MINSHALL. In the backup material provided to the committee you show that in 1970 you will have a yearend active inventory of eight C–5 aircraft with a flying-hour program for 1970 of 8,564 flying hours. With the slippage in the C–5 delivery schedule do you still anticipate that the flying-hour program will be met as planned?

Mr. ALBERT RHODES. No, sir.

Mr. MINSHALL. I did not hear the answer.

General BOYLAN. Mr. Minshall, the original C–5 flying-hour program will not be met precisely. However, because of the slip in the C–5 there will be force adjustments such as retaining C–133's a few quarters longer, and at least one C–124 squadron which will tend to increase those programs and hold the total flying hours relatively constant for strategic airlift, which is financed from the military airlift industrial fund and the O. & M. funded transport training program.

Mr. MINSHALL. But as you look down the road, how do you think this will affect your flying-hour program?

General BOYLAN. Mr. Minshall, as a matter of judgment, I think the net effect of the C–5 slip on the total Air Force flying-hour program will be minimal because we are taking, as I said, offsetting airlift actions and those will increase as opposed to the C–5.

PILOT REQUIREMENT FOR THE C–5 PROGRAM

Mr. MINSHALL. How many pilots do you anticipate you will need for the C–5 program?

General BOYLAN. May I submit that for the record?

(The information follows:)

After all C–5 aircraft for which we now have procurement authorizations are operational, we will need 727 pilots for this program. This requirement is based on our current plans using peacetime aircraft utilization rates.

General BOYLAN. As you know, the planned force for the C–5 will be six squadrons. Those will be financed from the industrial fund. In addition to those flying squadrons there will be some eight aircraft in a combat crew training school called the transport training unit, which will be financed in the O. & M. appropriation. The crew ratio for the C–5 squadrons, per aircraft, will be 3.3 to 1, 3.3 crews to each aircraft. In the transport training unit the crew ratio will be approximately 1 to 1.

Mr. MINSHALL. Are you having any simulator training going on now with the C–5's?

General BOYLAN. The simulator is on procurement, as I recall, and it will be installed at Altus, Okla., which will be the site of the C–5 training this fall.

It will be installed on the original schedule, anticipated for the C–5 training aircraft. The net effect would be that simulator will be installed prior to the receipt of training aircraft at Altus.

BUDGET REDUCTIONS RESULTING FROM C–5 SLIPPAGE

Mr. MINSHALL. You have in this budget 8,564 flying hours. What is the cost of that and what aircraft are you going to use to be getting this much time?

General PITTS. The 8,564 hours were programed for the C–5 aircraft to be used by the crew training school at Altus. The slippage in the program will result in a revised program of 3,888 hours for the C–5 in O. & M.

Mr. MINSHALL. In other words, there will be a sizable reduction in your flying-hour program.

General PITTS. It will be a reduction, sir, in the O. & M. funded C–5 flying-hour program.

Mr. MINSHALL. Will you give that in a little more detail for the record?

General PITTS. We will.

(The information follows:)

The reduction of 4,676 flying hours for the C–5 decreases the O. & M. budget estimate by $3,020,696 ($1,921,836 for aircraft fuel and oil and $1,098,860 for base support).

C–5 FLYING HOUR COST

Mr. MINSHALL. What is a ball park figure, right now? Can you give us a feel for it, please?

Mr. ALBERT RHODES. C–5A cost per flying hour is $411 per hour. That is for fuel alone.

Mr. MINSHALL. That is just for the fuel?

Mr. ALBERT RHODES. Yes, sir.

Mr. MINSHALL. What is the rest of your prior costs? There are a lot of other things that you have to crank into that.

Mr. ALBERT RHODES. Yes. About $235 per hour for system support spares.

Mr. MINSHALL. What could you anticipate your total cost per hour for operating a C–5 would be?

Mr. ALBERT RHODES. I do not have that.

Mr. MINSHALL. You ought to have something, this is your shop.

Mr. ALBERT RHODES. I was speaking only to the operation and maintenance.

Mr. MINSHALL. I am not asking you—just you—the question. Someone in the room ought to know this. How much does it cost to fly a C–5? You know how much it costs to fly a C–133, you know how much it costs to fly the 141's and all the rest. How much is it going to cost to fly a C–5 per hour?

Mr. ALBERT RHODES. We have the fuel costs.

Mr. MINSHALL. Not just the fuel costs. I mean, crank in the whole bit.

Mr. ALBERT RHODES. We can furnish this, including aircraft spares and other costs.

Mr. MINSHALL. We want to have for the record a basis for comparison so also include the flying hour costs for the C–124, C–133, and C–141.

General PITTS. Yes, sir.

(The information follows:)

COST PER HOUR OF OPERATING C-5 AND C-124/C-133—COSTS PER FLYING HOUR

	C-124	C-133	C-141	C-5
POL	$113	$151	$238	$414
Depot maintenance	113	179	55	205
Civilian pay	17	30	17	53
Other support[1]	49	55	55	139
Subtotal	292	415	365	811
Replenishment spares[2]	63	73	73	152
Total	355	488	438	963

[1] Other support includes supplies, TDY, communications, engineering technical services, and contractual services.
[2] To provide a more reasonable comparison the factor used for C-5 is the present estimate for fiscal year 1973 funding. The fiscal year 1970 factor is $690.

Industrial fund operating cost per ton mile

	Cents
C–5A	2.1
C–141	3.8
C–130	5.4
C–124	9.6

PLANNED MISSION TO THE C–5

Mr. DAVIS. What is the C–5 designed to do? Is that to supplement your existing transport fleet, or is that a replacement for some existing aircraft that we have?

General BOYLAN. The C–5 was specifically designed to provide an airlift capability for classes of Army equipment which never before could be airlifted. This accounts principally for its great increase in size over the C–141. It is also designed, it has designed into it other charac-

teristics that are not present in the C–141, such as short field landing capability, 4,000 feet; a landing gear which permits landing on relatively unprepared surfaces. It is designed so you can load from the rear and drive through.

Mr. DAVIS. I have seen one.

General BOYLAN. Specifically, the aircraft will replace the C–133's and C–124's that are now residual in our force.

CURRENT STATUS OF C–5 PROGRAM

Mr. MINSHALL. Can you tell us something about the current status of the C–5 program? With respect to the projected costs, that is, and the problems that they have?

General PITTS. At this point in time, sir, we have had delivered five C–5 aircraft which are the five research and development funded or test aircraft. I believe at this point that four of those aircraft are flying. Follow-on deliveries will be from aircraft procurement-production aircraft, if you will.

Basically, in the test program to date the aircraft has met or exceeded all specifications laid down or guaranteed by the contractor. In other words, the plane is proving to be a very, very fine aircraft for its intended use.

On costs for the aircraft, sir——

Mr. MINSHALL. This answer is not going to be quite so easy.

General PITTS. No, sir. If I might for just a minute go into the backup material here.

General BOYLAN. Mr. Minshall, we can give you very precise numbers as to the current estimate to complete this program.

Mr. MINSHALL. We have read so much in the press, I think you had better have something in here.

General BOYLAN. Yes. There are basically three factors that work to drive the C–5 costs upward. Number one is inflation. The estimates were based on, I believe, 1964 dollars, and many personnel in the Department of Defense agree that some $500 million of the current estimated program increase is related to inflation. The second factor——

Mr. MINSHALL. What percentage do you ascribe to inflation over that period?

General PITTS. All of us are well aware of the impact of inflation during the past few years and virtually all indexes show substantial increases. The airframe price index shows an increase of over 27 percent from 1964 to 1968.

Mr. SIKES. Why didn't you anticipate there would be an increase in costs from inflation at the time that the cost estimates were made? Didn't you do that?

General PITTS. Yes, sir. When we made our original cost estimates we recognized that there would be fluctuations in the economy. However, to provide a better basis for comparison of different aircraft configurations and to permit evaluation of contractor proposals on a like basis inflation was omitted from our early studies. In addition, we recognized this problem and included provisions in the contract for adjustments due to abnormal economic escalation.

Mr. SIKES. The fact is this is going to cost a great deal of moneys more than you anticipated. We will go into this in detail in the procurement hearings, but since we are into it I think me should discuss the original and the current estimated costs per copy and the costs for the total program.

General BOYLAN. We will be happy to do that, sir.

Mr. SIKES. You may provide detailed information for the record, but roughly what is the situation now?

General PITTS. Roughly, there is going to be—and this is a rough figure—there is going to be about a $1.2 billion increase in the estimated cost of the program over our original estimate.

Mr. MINSHALL. Percentagewise, how much is that over the original contract price?

General PITTS. Adding the amounts for the weight increase and inflation, the $3,116 million becomes $3,966 million which compares to our current estimate of $4,348 million.

Mr. MINSHALL. Just so we are talking with respect to the same figures.

General PITTS. Yes, sir. Roughly 9 to 10 percent.

Mr. MINSHALL. About 10 percent?

General PITTS. Yes, sir.

THREE BASIC CAUSES FOR C–5 COST OVERRUNS

General BOYLAN. The original estimates that covered this program were in the order of $3.1 billion. The current Air Force estimate stemming from three basic causes—and I have only touched on one of those—is $4.3 billion.

Mr. MINSHALL. What are the other basic causes aside from inflation? You said there were three.

General BOYLAN. The original estimate in 1964 was based on an airframe that was sized at about 645,000 pounds gross weight for takeoff. The aircraft which won the design competition is something like 728,000-pound airplane on takeoff. Now, this is not a weight increase for the same productivity. The aircraft that is being produced at Lockheed produces more airlift than the earlier estimate. But the point here is that it just absolutely costs more money to build an airplane that in the final analysis grosses more in weight.

Mr. SIKES. You gave us in the figure just previously an estimate. Now, that did not include ground support equipment, et cetera, or spares?

General BOYLAN. The figure I gave you included the research and development and the production program, including peculiar base ground support equipment but not spares.

General PITTS. No, sir; it did not include the below-the-line costs; that is right.

Mr. SIKES. So that we are talking about a $5 billion or $6 billion program all told,

General PITTS. About $5.1 billion total if you add below the line spares and equipment plus construction through fiscal year 1974; yes, sir.

Mr. MINSHALL. Is that the current estimate or was that the original cost?

General PITTS. That is the current estimate cost of the program through fiscal year 1974.

Mr. MINSHALL. How much is that over your original cost?

General BOYLAN. The original figure that I was quoting to you of $3.1 billion did not include the spares. So to some degree we are comparing apples and oranges. But the third factor that influenced the cost is the fact that the contractor, we believe, felt that he could take the C–141 engineering experience and extrude, if you will, a C–5. He found that not to be the case. The very size of the airplane presents a completely different engineering problem. So he had in the initial phases a good bit of reengineering to do. All of these factors in combination, inflation, an estimate based on a different airplane of lower weight and Lockheed's engineering performance initially, have driven these costs up.

For the record, Mr. Chairman, we will be specific as to the previous estimates and our current estimates.

(The information follows:)

For research and development and aircraft procurement our 1964 technical development plan estimated cost was $3.116 billion and our current estimate of the ceiling price (excluding spares) is $4.348 billion. Of the increase, approximately $500 million is because of economic inflation; $350 million is attributable to an 83,000 lb. weight increase due to a larger aircraft with added capability; and the balance is because of the technical difficulties encountered with manufacturing the aircraft.

The gross unit flyaway cost in the original 1964 technical development plan was $18 million compared to the current estimate of $26.9 million.

INCREASE IN C–5 WEIGHT

Mr. SIKES. What about the overweight problem?

General BOYLAN. It is not an overweight problem. It was the original estimate for total cost based on an airplane with gross takeoff, including cargo, of something like 645,000 pounds. The airplane was finally designed to have a gross weight at takeoff of 728,000 pounds. The airplane as 728,000 pounds carries more than the airplane at 645,000.

Mr. SIKES. Then this is not a problem insofar as the Air Force is concerned?

General BOYLAN. No, sir. We are very happy with the 728,000-pound airplane.

CONTRACT CHANGES IN THE C–5 PROGRAM

Mr. SIKES. Let's get on to the matter of contract changes. Apparently there have been an unusually large number of contract changes; is that correct?

General BOYLAN. In the C–5 program, Mr. Chairman?

Mr. SIKES. Yes.

General BOYLAN. It is my very definite impression that, if anything, this program has been characterized by an almost absence of contract changes.

General PITTS. There have been some changes to the program that the contractor has done himself in order to meet specs, but not as a result of engineering change proposals directed by the Air Force, Mr. Chairman.

General BOYLAN. The concept of procurement, the total package contract, minimizes that type of thing.

General PITTS. That is the third element in the cost growth. General Boylan touched on two. One in inflation, two is the size of the aircraft. The aircraft grew in size from the original estimate of the program to the plane that went under contract.

The third element is the changes that the contractor has had to effect due to technical difficulties with building a plane of this size.

General BOYLAN. I explained that.

Mr. SIKES. We will got into this in much more detail when we get to procurement.

Mr. MINSHALL. If you will yield.

Mr. SIKES. Yes.

CHANGES TO ORIGINAL C–5 WEIGHT

Mr. MINSHALL. To have an aircraft, if I figure it right, that is 42 tons heavier than anticipated, is a lot more bird, isn't it?

General BOYLAN. Yes, sir, it is a lot more bird and produces a lot more airlift.

Mr. MINSHALL. Just out of curiosity where did they put those pounds, most of this weight? Is it overall?

General BOYLAN. It is an overall sizing of the aircraft, Mr. Minshall. I don't have the original dimensions.

Mr. MINSHALL. Put those in the record. Then we can have something to go on when we get into "Procurement."

General BOYLAN. We will do that.

(The information follows:)

The aircraft visualized in the 1964 technical development plan cost estimate of $3.116 billion included some general sizing parameters but was not a completely designed airplane and there were significant differences in comparison to the present C–5A. For example, the engine was estimated to have 38,700 pounds of thrust compared to 41,100 of the current C–5A engine. The wing area was thought to be 5,660 square feet versus the present 6,200 square feet. The cargo compartment floor area was estimated at 2,350 square feet in relation to the current 2,700 square feet. The original payload was estimated at 185,000 pounds versus 220,000 pounds for the C–5A of today. The original gross weight was estimated to be 645,000 pounds versus the current estimate of 728,000.

Mr. SIKES. Do you have questions, Mr. Davis?

Mr. DAVIS. No.

LOGISTICS SUPPORT

INSPECTION AND REPAIR OF THE F/RF–4

Mr. SIKES. With respect to logistics support, air materiel operations, in connection with the inspection and repair as necessary program—IRAN—you show in the backup material an increase in 1970 of $37.3 million for the F/RF–4, the F–100 and the F–105. What is the requirement for these increases?

Mr. MCELHANON. First addressing the F/RF–4, as you know, there is an ascending inventory. We are developing maintenance programs on aircraft that are now old enough for maintenance that were not in former years coming into the IRAN program.

Mr. SIKES. Does that also mean that you have had to defer a lot of rework that should have been done? Is that included?

Mr. McELHANON. Yes.

Mr. SIKES. Is that an accumulation beyond the normal accumulation?

Mr. McELHANON. Yes, sir; to a degree.

Mr. SIKES. To what degree?

Mr. McELHANON. I don't want to make a big point of this, but we have had a bit of a problem with having capability to handle the rather massive workload on the F–4. We are trying to expand this and as we get expansion we get greater capability. We are trying to keep pace with it. But there has been some deferral because of a lack of capability to handle the work.

Mr. SIKES. We have here an increase of $37.3 million. How much of that is due to deferrals which normally would have been provided for and which were not provided for?

Mr. McELHANON. Let me address each aircraft in turn, because in your "for instance" I believe you added the F–4, the F–105, and the F–104, and there is a different story for each.

The F–4 needs about $10 million work in a deferred category that we would like to have done in 1968 or 1969 but which will impinge upon us in fiscal 1970. One of the major problems with the F–4 is the problem we have had on the electrical connectors. We spoke during the supplemental hearings of the potting compound problem. We have a rather large program in fiscal 1970 to replace electrical connectors on a large number of aircraft. This is a significant cost to us. We also have an increase in modifications on the F–4 but I think the essence of the major increase on the F–4 which is shown as some $29 million relates to the fact that we have a larger inventory that has accumulated age and is now due work that was not due in former years.

REPAIR AND INSPECTION OF THE F-100

In the case of the F–100, we have had some deferral of maintenance because of our wing problem. We have been into this wing problem for just over a year now, and again we are running into problems of capability of facilities. It is a peak type workload that will span less than 2 years. We do not want to build up additional facilities to cope with that and then fall back to a lower level. So, intentionally, we are deferring.

In the fiscal 1970 program we will continue to defer some of our maintenance work in order to do the wing repairs. That is the major task on the F–100, worldwide.

REPAIR AND INSPECTION OF THE F–105

On the F–105 we move this from a 2-year IRAN cycle to a 3-year IRAN cycle. Therefore, we are doing in fiscal 1969 no IRAN at all and we start then in fiscal 1970 those that hit their third year.

Mr. SIKES. Why did you go from a 2-year to a 3-year cycle——

Mr. McELHANON. We made an engineering evaluation of the condition of the airplane and we felt that it could stand a 3-year IRAN cycle. The F–105 has been——

Mr. SIKES. To lengthen the span is one thing, but is it desirable?

Mr. McELHANON. Yes, sir. This is in line with our policies in regard to IRAN. We don't want to do them any more frequently than the airplane demands, insuring flight safety.

Mr. SIKES. So that this was not arbitrarily done just to save money?

Mr. McELHANON. No, sir.

Mr. SIKES. It is something that you think is feasible?

Mr. McELHANON. Absolutely.

Mr. SIKES. That is what I am trying to establish.

Mr. McELHANON. Yes, sir.

General BOYLAN. We will probably come to this on the F–4 as well.

POSSIBLE DEFERMENT OF INSPECTION AND REPAIR

Mr. SIKES. Then, am I correct in assuming from these answers that there has not been the accumulation of deferred maintenance that I had feared?

Mr. McELHANON. Sir, we are talking here of first line weapon systems of the Air Force and they are largely used in Southeast Asia. We are not deferring maintenance that is necessary there at all. We are deferring some work that we would like to do in the interest of standardizing the fleet and upgrading them, but we are keeping the airplanes operationally ready and certainly we are not going to do anything that is going to degrade the safety or performance of the airplane.

Mr. SIKES. How much of the $37.3 million is deferral beyond that which previously would have been considered proper?

Mr. McELHANON. An estimate I have made on the F–4 is in the order of $10 million that would come in this category of deferral. On the F–100 we have had to forego IRAN programs this year which are in the order of $4 million in order to make way for doing the wing fix. So I think that would be my answer: some $14 million. I will claim no deferral on the F–105 at all.

What it boils down to on the F–105 is that we have sort of a moratorium on heavy maintenance work in fiscal 1969 by virtue of the extension of the IRAN interval.

General BOYLAN. Mr. Chairman, may I supplement that answer?

Mr. SIKES. Yes. But let me ask this first: Are you still saying that this is not a budget consideration, that we are not doing it because of budget problems?

Mr. McELHANON. In the case of the F–4, the F–100, your statement is correct; it is not a budget consideration.

Mr. SIKES. All right.

General?

General BOYLAN. As you well know, there are a number of categories of maintenance to be performed either at field level with kits or in the depots in conjunction with an IRAN, inspection and repair as necessary. The answer given you may leave the impression that the Air Force does not have any considerable backlog of maintenance. We do. The answer is intended to say that we have no critical maintenance outstanding that would affect the safety or the in-being combat capability of these aircraft. There are a number of items like standardization of the various F–4 models, an improved operational capability, which are highly desirable but not essential today; a modification which will give all of our aircraft an immediate altitude read-out to

the FAA and United States. These are the kinds of things that are in a backlog status.

Mr. SIKES. But these are improvements and the fact that they are being deferred has no effect, if I understand you, and I want you to state specifically whether this is true or not, has no effect on the safety and performance of the aircraft today?

General BOYLAN. These deferred items that I have refrred to do not involve safety of flight, they are not essential from the standpoint of the aircraft being able to perform its mission. They are highly desirable.

Mr. SIKES. They would represent improvements in performance which are not now available?

General BOYLAN. That is correct.

Mr. MINSHALL. The frosting on the cake.

General BOYLAN. No, sir.

Mr. SIKES. All right. The committee will be in recess until 2 o'clock.

AFTERNOON SESSION

Mr. SLACK. When the committee adjourned at lunchtime today, we were discussing the overhaul of various aircraft, namely, F/RF-4, F-100, and F-105. I believe Mr. McElhanon was testifying at that point.

Would you care to elaborate on your statement at this time?

Mr. MCELHANON. I think the point might be made because it was initially a question in regard to deferred maintenance. We talked of these three fighters as not being subject to deferred maintenance, particularly not because of budget reasons.

I think it should be stated, however, that we have deferred maintenance in our aircraft and equipment inventory but not to the detriment of flight safety or operational capability, particularly in the areas of support aircraft. This is where our deferments are taken in the interest of living with our budget, if you will.

Mr. SLACK. Thank you.

POTTING COMPOUND PROBLEMS IN F-4 AIRCRAFT

Mr. LIPSCOMB. During the supplemental hearing, we discussed this potting compound problem. Is there any new information or new reports on how you are getting along with your potting compound project?

General PITTS. I will answer in general, and I will ask Mr. McElhanon to back me up in detail, sir.

Essentially, we are ahead of the power curve on the potting compound problem. We are taking the planes that are in the worst shape first. For instance, the planes down in Southeast Asia. I think you will recall from the supplemental hearings that this potting compound problem results from a reversion of the compound under certain temperature and humidity conditions which are most prevalent down in Southeast Asia.

We will eventually replace the potting compounds throughout the entire fleet. We are taking the worst planes first. So, we are ahead of the program. In other words, there is not a flying safety problem with the F-4 fleet.

If you have some detailed questions on this program, we can ask Mr. McElhanon to respond.

Mr. LIPSCOMB. What is this problem doing to your capability and readiness in Southeast Asia? How do you draw these planes out of service to put them into this potting compound program?

General PITTS. They are put back in the normal IRAN program when they are normally scheduled. We schedule our planes throughout the fleet in the IRAN program at certain designated intervals, and as they come up for an IRAN, the potting compound is included in the IRAN program, inspection and repair as necessary. So, the plane is not down for an extra period of time due to this problem alone.

Mr. LIPSCOMB. That is not the way I understood it during the supplemental hearing. What brought about the necessity of an emergency appropriation for Southeast Asia for this potting problem if it is just in the regular IRAN program?

General BOYLAN. Because the problem was not foreseen and it suddenly appeared in aircraft in the field in Vietnam. Literally, the material was flowing out of connector boxes. Consequently, it was not an anticipated workload for repair.

There are two types of compounds involved. One is called a Proseal 77 compound. That is the one that has deteriorated in the current airplanes. That is being replaced with the best we have available, and should for an indefinite period cure the problem.

The long-term fix is to find a completely different way to make all of these electrical connections without the use of such substances.

To get right to your question about how do we do this——

EXPLANATION OF THE POTTING COMPOUND PROBLEM

Mr. LIPSCOMB. Before we get to that, some of the members of the committee may have missed the detailed explanation of what the potting compound problem is.

General BOYLAN. The potting compound, in layman's terms—and I am one—is a substance that is used in electrical connectors to prevent outside interference or leakage, cross circuits, if you will. It has been a standard practice in aircraft manufacture. The only difference is that the majority of our aircraft have never been exposed to the type of humidity and temperature conditions which they are experiencing in Vietnam.

This particular compound broke down and began to flow out of the connectors and created a very serious operational flight safety condition. Therefore, action had to be taken on an emergency basis. It was unplanned and unscheduled.

In the total F–4 inventory, there are over ——— aircraft that have this compound in them. This does not mean that all of these aircraft are in serious operational condition; only those in which we have discovered the deterioration. The aircraft in Europe and in the continental United States, where conditions of humidity and temperature are different, have not retrogressed at the same rate.

We are performing work in fiscal year 1969 on some ——— airplanes, and will correct some ——— in fiscal 1970. Some of this work is being done as a special project. Some of it will be done during inspection and repair as necessary, or IRAN.

EFFECT OF POTTING COMPOUND PROBLEM ON OPERATIONAL CAPABILITY

Back to your question as I understood it, how can we perform this work and still maintain our operational capability in Southeast Asia, quite frankly, this has been a difficult thing to do. The standard authorization for aircraft procurement falls into categories of unit equipment authorization. Currently, our F–4 squadrons are 18 U.E. in Southeast Asia. The allowance for command support is 10 percent of the unit equipment or, say, two airplanes.

Then, because of high attrition, we have been authorized to include in our procurement estimated attrition. The 10-percent factor, which is supposed to keep 18 airplanes available in units, has not been sufficient to take care of this problem, and we have had to reallocate aircraft, cut the corners, utilize aircraft on hand, that have not attrited, in order to keep the units at full strength in Southeast Asia. It has been a very tight thing.

CORRECTION OF POTTING COMPOUND PROBLEM

Mr. LIPSCOMB. I believe I understand now that you really had two potting compound projects. You had your emergency one which came under the emergency appropriation for Southeast Asia. You are taking care of those worst situations first.

General BOYLAN. That is right.

Mr. LIPSCOMB. The potting compound problem that you are talking about under the IRAN program is your regular inspection and repair during the year, and you are going to do some not only from Southeast Asia, but maybe you might do a plane or two from Western Europe.

General BOYLAN. That is correct, sir.

Mr. LIPSCOMB. But you do have an urgent potting compound repair problem going on, on Southeast Asia aircraft.

General BOYLAN. We certainly do have, sir.

Mr. LIPSCOMB. How is that program coming along? How many planes are involved in that?

Mr. MCELHANON. We have ——— airplanes related to Southeast Asia which require urgent action. We hope to finish them in July of this year. So, we are getting to the tail end of the program now. It has been a sort of vexatious problem. We have had a lot of false starts since we got started on it last July. We are meeting the schedule as we laid it out some 3 or 4 months ago.

Mr. LIPSCOMB. That is just the potting compound program?

Mr. MCELHANON. Yes, sir; replacing the potting compound.

Mr. LIPSCOMB. Why is there the coincidence of the two figures? You mentioned ——— aircraft, and the general mentioned ———. Are they the same ———?

General BOYLAN. Yes, sir; they are the same ———.

Mr. MCELHANON. We have had field teams operating out of Clark, Yokota, and Misawa. It is being done very largely through that means. This has been mainly handled on a project basis because of the seriousness and the urgency of it.

Mr. LIPSCOMB. Thank you.

Mr. SLACK. Mr. Rhodes?

Mr. RHODES. No questions.

PROCUREMENT OF CHANGES TO TECHNICAL DATA

Mr. SLACK. On page 21 of the justifications, you refer to an item for the procurement of changes to technical data. In fiscal 1970, you are requesting $8.4 million for this program, an increase of $900,000 over fiscal year 1969.

Would you tell us what this program is and why the increase?

Mr. MCELHANON. Sir, we are talking here of changes to all sorts of technical data—the flight manuals that the crews use, all the maintenance instructions, the illustrated parts breakdown for aircraft, missiles, and all other equipment. We are concerned with making changes in inspection procedures, requirements, and methods. Changes in configuration impact on the technical data, the operating instructions, the maintenance instructions, the parts breakdown as a result of making modifications to the hardware.

The idea here is to have the technical data describe to the operator or to the technician precisely what the equipment is that he is working on or operating.

Mr. SLACK. Is this the total amount for preparation of the changes in technical manuals?

Mr. MCELHANON. Yes, sir; this is the total cost for the Air Force in preparing the reproducible copy. This does not include printing, binding, and distribution costs, which is relatively minor.

Mr. SLACK. What is the printing and binding cost? Do you have that figure?

Mr. ALBERT N. RHODES. We would have to furnish that, Mr. Chairman.

(The information follows:)

Costs of printing and binding technical data for fiscal year 1970: $4.5 million.

Mr. SLACK. What is the overall, total cost for technical manuals for 1968, 1969, and estimated for 1970?

Mr. ALBERT N. RHODES. The total costs for preparing reproducible copy, printing and binding of technical manual changes were $11.6 million in fiscal year 1968, $12.2 million in fiscal year 1969 and are estimated to be approximately $12 million in fiscal year 1970.

REALINEMENT IN MANAGEMENT OPERATIONS

Mr. SLACK. The committee was advised on February 24, 1969, of a recent realinement in the management of operations between the Oklahoma City Air Materiel Area and the San Antonio Air Materiel Area. This realinement consisted of transferring the inventory management functions for the J-57, J-75, and the TF-33 engines and components from San Antonio to Oklahoma City, and a reciprocal transfer of various engines and responsibility from Oklahoma City to San Antonio.

It was generally stated that this would provide better management of the overhaul and repair of engines and components. This in effect alines the responsibility for the management of the engine or component with the overhaul activity.

Why was not this realinement of responsibility thought of a lot sooner?

Mr. McELHANON. This goes back many years when perhaps we were not as smart as we are now, but there was a different line of reasoning that went with it. In those days, we alined the management independent of the repair point based on who made the equipment. For instance, San Antonio in this process got the management of Pratt & Whitney engines, but as it turned out, the best repair facility we had was at Oklahoma City. That is where the repair was done and has been done all these years.

This was the prevailing philosophy we had in the Air Force. Management did not necessarily have to be done at the same place where repair was made.

We find, however, that in practice, this gets to be a pretty sticky problem, and we need to have the two together. This is the reason for the colocation effort we have made now.

Mr. SLACK. Does the Air Force have other disjointed alinements of responsibility between the management of an activity and the actual depot overhaul responsibility?

Mr. McELHANON. Yes, sir; we still have some of this left, although in the newer weapons systems that we have moved into in the past 5 or 6 or 7 years, we have colocated them, so it is a diminishing problem.

WORK FORCE REALINEMENT AT THE SACRAMENTO AIR MATERIEL AREA

Mr. SLACK. The committee was also advised on April 9, 1969, that the Directorate of Maintenance at the Sacramento Air Materiel Area had initiated action to realine some of its 8,500-man civil service work force in order to reduce the high labor cost currently charged to the Sacramento Air Materiel Area to repair Air Force weapons systems and equipment. The letter states:

"The basic reason for this action is to lower the depot maintenance cost for its items produced. The cause of this high rate in the maintenance operation is the imbalance of overhead people to direct workers and the SMAMA"—Sacramento Air Materiel Area—"local wage scale which is the highest of all AMA's. Therefore, it is necessary to reduce overhead, which will indirectly result in lower cost, increase production, and decrease sale price for items produced."

This action for reducing cost is to be commended, and we are wondering if you are taking a look at the other AMA's to determine whether or not there is an imbalance of overall indirect to direct cost.

ATTEMPTS TO DECREASE RATIO OF OVERHEAD TO DIRECT WORK

Mr. McELHANON. Sir, I think we might say that this is one advantage we get from industrial fund operations, which the depot maintenance activities were placed under effective in fiscal year 1969. It gives us an opportunity to reflect total costs, overhead and all, in our labor rate.

We have a good deal of competition going among the AMA's now in terms of what is the rate, what goes to make the rate what it is, what is the overhead ratio. So, the answer to your question is, "Yes, we have a great deal of action being taken to try to bring down the ratio of overhead to direct work."

Mr. ANDREWS. You moved the work out of that area because the cost was too high?

Mr. MCELHANON. No, sir. They converted overhead spaces into direct work, which gives us greater productivity with a given number of people. Therefore, the cost per unit of work goes down. The industrial fund gave us visibility of our total costs, overhead and all, and we are now very cost conscious, one depot versus another.

Mr. ANDREWS. In other words, you are spending your own money, and you are a little more careful with it.

CENTRALIZATION OF CARGO MANAGEMENT FUNCTIONS AT SACRAMENTO AMA

Mr. SLACK. The committee was also advised on March 17, that the Air Force was centralizing all cargo management functions at the Sacramento Air Materiel Area, and under this consolidation there would be a savings of $245,000.

Will there be further consolidations of these types of activities or operations where savings can be realized?

General PITTS. I do not recognize that advisory to the committee, sir. As a general statement, I would say that we are constantly studying this problem, and we take actions like this when we can effect savings. I am not knowledgeable about that advisory, sir.

SAVINGS FROM THE VARIOUS REALINEMENTS OF RESPONSIBILITY

Mr. SLACK. Where do the resultant savings during fiscal year 1970 from these various realinements of responsibility and consolidation appear in the 1970 justification book, and what is the total amount?

Mr. ALBERT N. RHODES. Could we furnish that for the record, sir? It would be distributed through the various accounts within the "operation and maintenance" appropriation.

Mr. SLACK. Were they all taken into consideration?

Mr. ALBERT. N. RHODES. I believe so, sir. I would like also to check that.

(The information follows:)

SAVINGS FROM REALINEMENTS OF RESPONSIBILITY AND CONSOLIDATIONS

The realinement of inventory management functions for aircraft engines between the San Antonio and Oklahoma City air materiel areas resulted in savings to the "Operation and maintenance" appropriation of $275 thousand. In addition, $2 million was saved through realinement of the work force at Sacramento Air Materiel Area to reduce overhead costs and $245 thousand was saved through centralization of cargo management functions at the Sacramento Air Materiel Area. The total amount saved as a result of the foregoing actions is $2,520 thousand.

The savings of $2,275 thousand realized through the two realinements indicated above was considered in computing the total requirement for Project 431, depot maintenance, on pages 18 through 21 of the fiscal year 1970 justification book. The saving of $245 thousand through centralization of cargo management functions impacts on Project 438, base operations and maintenance, and was considered in arriving at the total requirement for Project 438 shown on pages 35 through 38 of the justification book.

CURRENT STATUS OF LOGAIR AND QUICKTRANS CONTRACTS

Mr. SLACK. What is the current status of your Logair and Quicktrans contracts?

Mr. RHODES. Logair is the Air Force system which is also used by the Army, Defense Supply Agency, and National Aeronautics and Space Administration. Quicktrans is the system used by the Navy and Marine Corps. The Military Airlift Command is responsible for contracting for both Logair and Quicktrans services; however, actual operating responsibility is vested in the Air Force Logistics Command for Logair and the Navy Supply Systems Command for Quicktrans. Currently, there are 13 Logair routes—8 turbine and 5 piston—and 10 Quicktrans routes—8 turbine and 2 piston. The Logair contractors are Overseas National Airways, Universal Airlines, Saturn Airways, and World Airlines. The Quicktrans contractor is Universal Airlines.

Mr. SLACK. Are any Logair or Quicktrans operations being conducted outside of the United States?

Mr. ALBERT N. RHODES. No, sir.

SUPPORT CONTRACTS

PALMDALE CONTRACTOR OPERATED INSTALLATION

Mr. SLACK. On page 30 of your budget under "Procurement operations," you are showing an amount in fiscal years 1969 and 1970 of $1.375 million each year for the Palmdale contractor-operated installation. Would you please explain what this operation is, and why it is required?

General PITTS. The funds requested are to support a contract with International Telephone and Telegraph Technical Services, Inc., for operation and maintenance of the common facilities at the Air Force Production Flight Test Installation, Air Force Plant 42, Palmdale, Calif. The mission of this installation is to augment the production potential of established aircraft industry by providing Government facilities to assigned contractors for final assembly, flight test and modification, and other approved Government contract work. The present employment level is approximately 2,100. The service contractor's support for the installation mission consists of providing and maintaining:

Adequate and safe runways and taxiways for high performance jet aircraft.

A completely equipped fire and crash rescue organization, including rescue helicopter service.

An industrial fire protection service for a Government investment of approximately $75 million.

Adequate water and sanitation facilities.

A field operations organization consisting of specially trained external security force for protection against damage, theft sabotage, industrial security, radio car escort and standby for infield traffic and maintenance demands.

A general maintenance department to repair and maintain fire, water, communications and electrical systems, fencing, construction and administrative equipment, roads, grounds, runways, taxiways, buildings, facility rehabilitation and expansion.

All other duties necessary to maintain and operate this industrial plant and airfield according to good industrial practices and within the conservative economical standards desired by the Air Force.

Tenant organizations presently occupying facilities at this installation are: McDonnell-Douglas Aircraft Co., Lockheed California Co., Norair, a Division of Northrop Corp. and Lockheed Air Terminal, Inc., aircraft refueling service. All of these contractors have either Air Force and/or Navy production or service contracts. Further, two elements of the Federal Aviation Agency (FAA) are located here—the Palmdale Flight Service Station as a tenant, and the FAA tower personnel who operate the Air Force owned airport control tower.

CONTRACTUAL SERVICES

Mr. SLACK. In the information supplied the committee, we note that under contractual services you list four types of specific contracts. They are: (1) contract education; (2) quality products testing; (3) quality control studies; and (4) competition with confidence.

Will you tell us what these contracts are for?

General PITTS. For contract education $55,000 is requested. This will permit Air Force personnel in the procurement operations category to attend short courses offered by scientific, technical, and educational institutions. This provides not only a career development program, but it enhances the ability of Air Force personnel dealing with contractors to assure that the Air Force receives what it pays for in quality and reliability. For quality products testing $50,000 is requested. This is a continuing program to evaluate photosensitive recording materials used in Southeast Asia. The estimate of $40,000 for quality control studies is the fixed Air Force share of a joint Navy/Army/NASA/Air Force project on statistical quality control techniques. Finally, the competition with confidence program which is estimated to cost $200,000 is related to the DOD high dollar spare parts breakout program. It is directed toward contractor assistance in determining the optimum method of procurement, i.e., procure competitively, direct from the manufacturer or from the prime contractor. This program plays a major role in our efforts to improve our competitive posture. We have had very good success with the competition with confidence aspects of the program. Under this effort the contractor screens designated items and recommends the method of procurement. These recommendations are reviewed and approved by Air Force personnel before the recommendations are utilized.

The percentage of items the contractors recommend be procured on a competitive basis has been very high. The Assistant Secretary of Defense (I&L) has reviewed the results of this program at various Air Force activities and encouraged a broader use of the concept throughout DOD. Because of the volume of spare part items in the inventory and entering the inventory we consider the competition with confidence program a vital part of our overall effort to improve our competitive procurement posture and to benefit from the substantial savings which follow.

CONSTANT FUNDING LEVEL OF CONTRACTURAL SERVICES

Mr. SLACK. We note that they require the same funding during fiscal years 1968, 1969, and 1970. Is not this quite unusual? Will you tell us why the funding remains relatively constant?

General PITTS. Fiscal year 1968 costs represent actual obligations. For the fiscal year 1970 budget estimate, we assumed the education program would remain stable, since there is little change in the contract management program. The quality products testing contract represents our best judgment of continuing evaluation of photosensitive recording materials, anticipating no price increases. The quality control study is the fixed Air Force share of a joint Navy-Army-NASA-Air Force project on statistical quality control techniques. There has been an effort within the Air Force to increase the scope of the competition with confidence program in fiscal year 1970, since it is in an area that can result in significant savings to the Air Force in the procurement appropriations. However, at the time of preparation of the budget estimate, our best judgment was that a level of funding authorized for previous years should be sustained.

Mr. SLACK. Questions, Mr. Andrews?

Mr. ANDREWS. No questions.

Mr. SLACK. Mr. Lipscomb?

Mr. LIPSCOMB. No questions.

Mr. MINSHALL. No questions.

Mr. RHODES. No questions.

FUNDS FOR MODIFICATION OF THE F–5–21

Mr. ANDREWS. I am afraid we have passed this subject, but I would like to ask a question. There was mentioned in the supplemental hearing some modifications, and I remember the figure of $14 million. I believe that was mentioned in connection with the F–5's.

General PITTS. Yes, sir; $14 million; $16 million in total, yes, sir.

Mr. ANDREWS. At that time it had not been requested by the budget.

General PITTS. No, sir; that was not in our supplemental request.

Mr. ANDREWS. We discussed it at the supplemental hearing.

General PITTS. That is right, we did.

Mr. ANDREWS. But it was not requested at that time.

Has that money for the modification of the F–5 been requested in the budget at this time, and is it in this budget; and, if so, how much is it?

General PITTS. Let me start out, sir, by saying the F–5 you are talking about is the F–5–21, an advanced version of the plane with which the South Vietnamese are equipped at this time, and the answer to the budget question is, no, sir; it is not in this budget, and we are not requesting moneys in this budget for that modification to the basic F–5.

Mr. ANDREWS. That answers my question. Thank you.

OPERATION OF LOX PLANTS

AIR FORCE PLANS TO CLOSE DOWN GOVERNMENT-OWNED LOX PLANTS

Mr. SLACK. The next item is entitled "Operation of LOX plants." The Air Force owns nine air separation plants at three locations in southern California. These Government-owned plants compete directly with privately owned facilities for the production and supply of liquid oxygen and nitrogen to Federal installations in the area. Five

of the plants are at Santa Suzanna, two are at Edwards Air Force Base, and two are at Vandenburg Air Force Base. All have a rated production capacity of 75 tons per day of liquid nitrogen or oxygen.

What plans does the Air Force have to close down these facilities?

General PITTS. Sir, we have closed down all of the facilities except the two units at Edwards and the five units at Santa Susana, which is at Canoga Park, Calif. The contracts for the production of liquid oxygen and liquid nitrogen using the Government-owned facilities at those two locations terminate on July 31, 1969. The contract operator for those Government-owned plants is Air Products & Chemicals, Inc., of Allentown, Pa. They got this contract on a competitive bid.

As I said, the contract terminates on July 31, 1969. If we determine to keep these plants in operation, we will rebid the contract for a year at a time, and only until we can secure a contract by a commercial source under competitive bidding for the production of liquid oxygen and nitrogen that will meet our needs at these locations.

Mr. SLACK. Do I understand the competitive bid is to operate federally owned plants?

General PITTS. At present, sir, we have federally owned plants that are being operated for us by a private contractor, at Santa Suzanna and Edwards plus a partial operation at Vandenberg. We had other plants at Patrick Air Force Base at Cape Kennedy, Denver, Colo., and Nimbus, Sacramento, Calif., which we closed down.

It is the Air Force's purpose to let these contracts terminate if we can get a favorable commercial 1-year contract on a competitive basis so we are assured we will not be placed in a position of relying on a sole-source supplier.

AIR FORCE PLANS TO PROCURE LOX FROM COMMERCIAL SOURCES

Mr. LIPSCOMB. Do you have bids out now to take over this operation?

General PITTS. No, sir. It is under study at this time.

Mr. LIPSCOMB. If the contract expires in July——

General PITTS. 31 July, yes, sir. If we are not able to secure a 1-year contract from a commercial source, we will continue the operation of those Government-owned facilities on a contractor-operated basis for a year at a time until we can secure such a contract.

Mr. LIPSCOMB. Is it not getting a little late to start looking for another contractor?

General PITTS. We should be getting the decision on the commercial source by 28 April when we expect to know how to proceed.

Mr. LIPSCOMB. You mean you are negotiating with a contractor now?

General PITTS. No, sir. We plan to issue a request for a proposal in the near future.

Mr. SLACK. That is on a year-to-year basis, or 5 years?

General PITTS. The contract for a commercial source would be on a 5-year basis if we had firm NASA requirements, sir, to replace the production capacity from the Government-owned facilities. However, NASA cannot give us long-term requirements at this time so we are planning on another 1-year contract.

The reason we are going into this is that the predominant commercial capability or capacity in southern California is in the hands of

one contractor, and they would be a virtual sole-source supplier if we closed down the Government plants.

Mr. SLACK. What appropriation is this in?

General PITTS. It is in the Stock Fund, sir. This appropriation reimburses the Stock Fund.

Mr. SLACK. Which appropriation reimburses the Stock Fund?

General PITTS. The Operation and Maintenance appropriation, sir, is a minor customer and the major customer is other than Air Force.

OPERATING COST OF LOX PLANTS

Mr. SLACK. How much money is requested for fiscal year 1970 for the operation of these plants?

Mr. ALBERT N. RHODES. The operation of the plants would be in the Stock Fund presentation which is scheduled to follow O. & M. Mr. Chairman. The total cost of the operation is financed from the Stock Fund. NASA is one of the biggest users of this LOX, and they buy from the Air Force Stock Fund. The Air Force Stock Fund pays for the operation of these plants or pays for procurement of the product which they get from a commercial source.

We can furnish this for you.

(The information follows:)

No money is requested in the Operation and Maintenance Appropriation for fiscal year 1970 to operate these plants. Their operation is paid for by the Stock Fund, and the cost is included in the standard price at which the Stock Fund sells to its customers. In FY 1969, NASA bought 92.1 percent of the LOX sold by the Stock Fund, RDT&E and others bought 7.5 percent, and O&M only bought .4 percent or $26,000 worth. During the same year, O&M bought $217,000 worth of liquid nitrogen, or 2.4 percent. Therefore, the pro-rata share by O&M of the cost of operating these plants which is built into the standard price is very small. NASA, being the big user, pays the greatest bulk of this cost.

1970 BUDGET FOR PURCHASE OF LOX

Mr. SLACK. How much is in O. & M. to purchase LOX from the Stock Fund?

Mr. ALBERT N. RHODES. I have a total just for propellants. I do not have it broken down.

Mr. ANDREWS. Is that liquid oxygen that you are talking about?

General PITTS. Yes, sir, and liquid nitrogen.

(The information follows:)

O. & M. BUDGET FOR PURCHASE OF LOX FROM STOCK FUND

	Fiscal year 1969	Fiscal year 1970
LOX (liquid oxygen)	$26,000	$23,000
LN (liquid nitrogen)	217,000	212,000
Total	243,000	235,000

COST OF LOX

Mr. ANDREWS. It used to be expensive. What about the price now that you use so much LOX? Has it come down?

General PITTS. I do not have the answer to that question.

Mr. ANDREWS. Do you buy it sole-source?

General PITTS. No, sir. We have two Government-owned facilities producing this, and we are thinking about going to a commercial source if we can get a competitive price.

Mr. ANDREWS. Competitive with your price?

General PITTS. Yes, sir; with our ability to produce.

Mr. ANDREWS. Put something in the record about the price of LOX, and how it has varied the last 5 years.

General PITTS. Very well.

(The information follows:)

PRICE CHANGES FOR LOX—COSTS PER TON [1]

Date	Liquid oxygen, GOCO [2]	Liquid oxygen procured from commercial sources	Liquid nitrogen, GOCO [2]	Liquid nitrogen procured from commercial sources
Sept. 1, 1965	$27.37	$55.49	$17.34	$51.57
July 1, 1966	18.79	54.59	17.17	45.40
Oct. 1, 1967	17.39	30.39	19.54	34.69
July 1, 1968	16.31	21.09	18.46	26.13
July 1, 1969	15.65	21.09	17.51	26.06

[1] All costs are laid down at destination.
[2] Government-owned plants, contractor operated.

COST OF MAINTENANCE AND OPERATION OF LOX PLANTS

Mr. SLACK. How much is in O. & M. for maintenance and operation of LOX plants?

Mr. ALBERT N. RHODES. There would be nothing in the O. & M. appropriation for this, Mr. Chairman. The total operation is financed from the stock fund.

Mr. SLACK. Will you supply for the record how much is in the stock fund for this maintenance and operation?

Mr. ALBERT N. RHODES. Yes, sir.

(The information follows:)

FISCAL YEAR 1970 BUDGET FOR MAINTENANCE AND OPERATION OF LOX PLANTS

Our old long-term contract to operate our LOX/LN Government owned, contractor operated (GOCO) plants called for delivery of the product into Government-owned truck trailers at a fixed price per ton. The contractor was responsible for both the operation and maintenance of the plant. We, therefore, have no knowledge as to the maintenance and operation cost of the plants during this period. Our new 1-year contract to operate the plants at Edwards Air Force Base and Santa Suzanna during fiscal year 1970 will be drawn on the same basis.

Mr. SLACK. Other questions, Mr. Andrews?

Mr. ANDREWS. No questions.

Mr. LIPSCOMB. No question.

Mr. MINSHALL. No questions.

Mr. RHODES. No questions, Mr. Chairman.

SERVICE ENGINEERING COST

Mr. SLACK. The next item is entitled "Service Engineering Cost." In 1970, you are requesting an increase of $17.903 million for service engineering, from $28.047 million in 1969 to $45.950 million in 1970. It is my understanding that there was quite a discussion of this last

year, but would you please tell the committee why this large increase is required?

General PITTS. Yes, sir; I will ask our maintenance expert, Mr. McElhanon, to answer that question.

Mr. MCELHANON. To set the stage to answer your question, fiscal 1969 is the first year this has moved to the O. & M. appropriation. Prior to this, it was in the three procurement appropriations.

The $28 million that we have in fiscal 1969 is completely inadequate funding for the area of service engineering in view of the problems that we have. In fiscal 1968, in the conglomerate from all of the appropriations funding it, we had some $56 million for the service engineering program.

INCREASED COSTS FOR SR-71

Mr. SLACK. General Pitts, in 1970 you are requesting $60.3 million in connection with SR-71 support, an increase over 1969 of $5.2 million.

General PITTS. Yes, sir.

Mr. SLACK. Why is there a $5 million increase in support costs for the SR-71 program in 1970 when you are showing a $2.4 million decrease in fuel requirements for the SR-71 program?

General PITTS. That figure of $5.2 million increase from 1969 to 1970 is a net figure resulting from the movement of $20 million formerly budgeted under the aircraft procurement account into the O. & M. account, and a decrease of $15 million associated with other operating costs, primarily the inactivation of ——— SR-71 aircraft to a nonoperating active flyable storage category, for which we do not budget flying hours and other associated costs. The net out is $5.2 million.

INCREASED SERVICE ENGINEERING COSTS

Mr. SLACK. Going back to service engineering—we still fail to understand why the increase of $17 million is required.

General PITTS. Yes, sir, Mr. McElhanon can respond to that question, sir.

Mr. MCELHANON. Sir, just to rehash for a moment, up through fiscal 1968 it was a conglomerate of several appropriations putting money in. Our fiscal 1968 program was $56 million. This means our $28 million program in O. & M. in fiscal 1969 is a terribly low figure. Our program has lapsed terribly in this fiscal year.

The increase requested is trying to get back to a level of activity that is more commensurate with the task that we have, particularly with respect to fatigue analysis of our older aircraft, with which we are having trouble, and this committee is familiar with some of the issues.

Mr. SLACK. Then the $28 million for 1969 was a low estimate?

Mr. MCELHANON. Yes, sir.

Mr. SLACK. Are there questions with regard to SR-71 support costs or service engineering.

Mr. ANDREWS. No questions.

Mr. LIPSCOMB. No, Mr. Chairman.

Mr. MINSHALL. No questions.

Mr. RHODES. No questions.

HARD-ROCK SILO SURVEY

Mr. SLACK. The next item is entitled "Hard-rock survey."

In fiscal year 1969, you plan on spending $2 million in connection with the hard-rock silo surveys. What do you hope to accomplish with this initial expenditure of $2 million?

General PITTS. That is basically for site surveys, sir, to find areas where there is rock structure that could support hard-rock silos.

GEOLOGICAL LOCATION OF HARD ROCK

Mr. ANDREWS. Have you any special geographical location in mind, general?

General BOYLAN. Looking at the map of the United States, basically we are talking about granite to get the overpressure characteristics, about ——— pounds per square inch. We think there are areas that come down through the Rocky Mountain chain. There are some areas in the central Ozarks, roughly. We think there are areas——

Mr. ANDREWS. When you say geographical location, would they be where you find the rock satisfactory, regardless of where they are located, or would they have to be in certain areas of the country?

General BOYLAN. I think in the final analysis, you would have to look at what you come up with and determine if there are other factors that would keep you out of there, such as the price of the land, the proximity to cities, earthquake faults, and the rest of it.

Mr. ANDREWS. I was thinking about a county in my district.

General BOYLAN. That area of the Southeast is one of the areas to be analyzed.

(Off the record.)

COST OF SITE SURVEYS FOR HARD ROCK

Mr. SLACK. As I understand the hard-rock silo survey, this $2 million in 1969 is being spent to find a rock shelf, so to speak, that meets certain specifications for hard stone, is that right?

General BOYLAN. That is correct.

Mr. SLACK. How much has been spent up to the last available date in regard to this?

Mr. ALBERT N. RHODES. We would have to furnish that for the record, sir. We can get it.

(The information follows:)

As of this date, $1.2 million in fiscal year 1969 operation and maintenance funds has been obligated for the hard rock silo program.

Mr. SLACK. This, I assume, consists of core drilling, et cetera.

General PITTS. Yes, sir; a sampling. These site surveys are designed to find areas where there are known deposits of hard rock.

Mr. SLACK. Why do you require $8 million for this program in fiscal 1970, an increase of $6 million?

General PITTS. It is full-year funding for this activity, sir.

General BOYLAN. Mr. Slack, your questions are directed at the O. & M. dollars in this program. In the Air Force research and development program there have been funds—in fiscal 1968, $1.2 million; and, if my data is correct, some $25 million in fiscal 1969. This was

not only to conduct the surveys but to conduct actual tests to determine if we can build a silo in a rock structure that will withstand ——— pounds per square inch overpressure. Some of these tests have already been conducted. They have fabricated a facility. They have covered it with primacord and have literally built large mounds of earth. Through the combination of the high explosive and it being shielded and directed by the earth, we have largely proven the feasibility.

The research and development program anticipates, in coordination with the Atomic Energy Commission and others, possibly a test underground where we can get atomic over-pressures, and possibly this will be conducted in ———.

Other witnesses who are more familiar with the research and development aspects of the program certainly will be here to testify. The O. & M. funds are associated with site survey work related to possible operational locations for a later deployment program.

Mr. LIPSCOMB. General, the O. & M. funds are for site survey and criteria.

General BOYLAN. Yes, sir.

Mr. LIPSCOMB. So what you are discussing is the R.D.T. & E. effort.

General BOYLAN. Yes, sir.

Mr. LIPSCOMB. You have let two contracts on site survey and criteria. You had $2 million to do this.

General BOYLAN. In fiscal 1969; yes, sir.

COST OF HARD ROCK PROGRAM IN 1970

Mr. LIPSCOMB. For what purpose are you going to require the $8 million for fiscal year 1970? Unless there is a commingling of funds, it has nothing to do with the appropriation request for R.D.T. & E. How can we evaluate the need for $8 million in fiscal year 1970?

General BOYLAN. Mr. Rhodes, can you give a more detailed answer to this?

Mr. LIPSCOMB. If two contractors are making site surveys and developing criteria in 1969, how can they use $8 million in fiscal year 1970?

Mr. ALBERT N. RHODES. It is my understanding, Mr. Lipscomb, that the 1969 program, of course, was started late in the fiscal year 1969, and the program to be financed with the $8 million in 1970 will expand it to greater numbers of locations.

I am not completely familiar with this program, and we can furnish more information for the record.

Mr. LIPSCOMB. $10 million to look for sites and for drilling seems like a lot of money.

Mr. ALBERT N. RHODES. It is, sir.

Mr. LIPSCOMB. There are other funds in other appropriations, also. R.D.T. & E. last year was $38 million, and DOD cut it down to $25 million. That is where that figure came from. It seems that to select sites, $10 million is a little on the heavy side.

General BOYLAN. Mr. Lipscomb, I would appreciate the opportunity to amplify for the record in detail what these funds will be applied to.

Mr. LIPSCOMB. For the record, would you insert how much is included in the military construction appropriation for the hard rock silo program?

(The information follows:)

There are no funds in the military construction appropriation for the hard rock silo program.

Mr. LIPSCOMB. For the record, will you insert how much is included in the R.D.T. & E. appropriation for fiscal year 1970 in connection with this effort?

General PITTS. Yes, sir.

(The information follows:)

There is $50 million included in the R.D.T. & E. appropriation request for the hard-rock silo development program.

Mr. MINSHALL. Looking down the road, have you any idea how many additional silos you anticipate acquiring of the hard-rock variety?

General BOYLAN. I think the initial slice at this program was something like ——— silos.

Mr. MINSHALL. In addition to the present ones?

General BOYLAN. They would be in addition.

Mr. MINSHALL. Would you phase out some of the others?

General BOYLAN. Yes, sir; we would phase out some of the others. The missiles would be MINUTEMAN III's transferred from currently planned locations to the new silos, or emplaced in the new silos direct from production.

Mr. MINSHALL. When would you anticipate completing this program?

General BOYLAN. Based on the data I have available, it appears that the first 10 silos probably will not be available before ———.

Mr. MINSHALL. Thank you.

Mr. LIPSCOMB. Do I understand you will give us a breakdown on the $8 million?

General PITTS. Yes, sir; we will give a breakdown of what that is to be spent for.

(The information follows:)

DETAIL BREAKDOWN OF HARD-ROCK SILO FUNDS FISCAL YEAR 1970

A total of $10 million has been budgeted under the O. & M. appropriation for the hard-rock silo program. Phase I of the program consists of establishing concepts and accomplishing general area studies and designated field investigations within the Continental United States. It also includes evaluation and compilation of field information which is used together with strategic considerations in recommending a priority list of wing locations. Phase II consists of office and field exploration studies leading to actual selection of individual launch and launch control facilities within the first wing after evaluation of the total phase I effort.

Of the total amount, $2 million is required in fiscal year 1969 and $8 million in fiscal year 1970. The requirements for each phase are:

	Fiscal year 1969	Fiscal year 1970
Phase I	$2,000,000	$4,000,000
Phase II	0	4,000,000
Total	2,000,000	8,000,000

PHASE I, FISCAL YEAR 1969

(1) The contractor will establish, test, and revise siting methods based on field exploration and Air Force directions; perform office and field area exploration

including seismic tests, core drilling, and so forth, for eight potential areas designated by Air Force, $1,550,000.

(2) The U.S. Army Corps of Engineers Waterways Experiment Station will perform laboratory tests of the core samples and furnish test results to the contractor, $350,000.

(3) The U.S. Geological Survey will perform additional office studies of rock availability in selected areas, $100,000.

PHASE I, FISCAL YEAR 1970

(1) The contractor will continue work initiated during fiscal year 1969 and will investigate four additional potential areas. Also, he will prepare supporting data for selection of the potential Hard Rock Silo wing area, $90,000.

(2) Waterways experiment station will continue support of the phase I effort through completion, $300,000.

(3) U.S. Geological Survey will continue their office studies through second quarter, fiscal year 1970, $100,000.

(4) The facility associate contractor will develop and test exploration methods and procedures to be used in the phase II siting effort; establish a matrix for Hard Rock Silo system trade studies leading to selection of the lead wing; perform the system trade studies and compile final report of prioritized wing locations, $2,700,000.

PHASE II, FISCAL YEAR 1970

(1) The facility associate contractor will perform office studies leading to site selection of the first squadron facilities; establish field control program; prepare preliminary site layout including roads, utilities, and potential launch and launch control facilities; using methods established during phase I, perform individual site exploration to prove rock quality; establish field laboratories; adjust site layouts based on result of field investigation, $3,500,000.

(2) Waterways experiment station will support facility associate contractor in performing laboratory tests of the cores, $500,000.

EFFECT OF ABM SYSTEM ON HARD ROCK PROGRAM

Mr. SLACK. With the planned changes in the deployment of the ABM system around our hard missile sites, is this increase for the hard rock silo survey still required in fiscal year 1970?

General PITTS. Yes, sir.

Mr. SLACK. Will you tell us why?

General PITTS. If we were successful in implementing this program of hard rock silos, as General Boylan has pointed out, these silos would resist an overpressure of some ——— pounds per square inch. Silos such as this would not require the protection of our softer silos, the present ones, and, therefore, the deployment of the Safeguard system, if you will, would still not be affected by this program.

General BOYLAN. Mr. Chairman, I think it is incumbent on the Air Force to take every action it possibly can to insure the survivability of its weapons systems. Just as we have submitted to this committee our plans for satellite basing of bombers, further protection of our missiles through increased hardness is indeed appropriate.

Mr. SLACK. Are there further questions with regard to this item? Mr. Lipscomb?

Mr. LIPSCOMB. No.

Mr. SLACK. Mr. Andrews?

CHANGES IN DEPLOYMENT OF MINUTEMAN MISSILES

Mr. ANDREWS. I would like to ask a few questions about the hard rock survey.

Is the Air Force thinking now of changing the location of all the presently deployed MINUTEMAN missiles?

General PITTS. No, sir.

Mr. ANDREWS. How many of them are you thinking about moving?

General PITTS. General Boylan had a rough, ball park estimate, some ———.

Mr. ANDREWS. ——— of those presently deployed in silos?

General PITTS. No, sir. They will be the newer Minuteman III's.

Mr. ANDREWS. Why are you interested in moving them?

General BOYLAN. To improve the survivability if we can acquire a location for the silos under hard rock conditions that will give us the ability to withstand overpressures like ——— pounds per square inch. Actually we will place the Minuteman III missiles in the harder silos.

Mr. ANDREWS. Does that mean that the decision made several years ago to deploy those ——— missiles at the present sites were erroneous?

General BOYLAN. Absolutely not, Mr. Andrews. In those days, the United States had to respond with a missile force against the Soviet capability. The Soviet capability that could be applied against us was gross in terms of yield and accuracy as compared to the Soviet capability today and projected into the future.

Mr. ANDREWS. In other words, their capability is much greater today than it was at the time the selection of sites was made?

General BOYLAN. That is correct, sir. Specifically, in terms of accuracy and yield. It is that combination which can kill a missile unless it is protected against such an attack.

Mr. ANDREWS. It is correct to say if and when, under this hard rock program, you move the locations of —— deployed missiles, the money spent to deploy them where they are now located to a certain extent has been wasted.

General BOYLAN. I think the only answer I can give you to that question is this: While those missiles were developed, procured and deployed, the United States did not have to call on the use of those missiles in its defense.

Mr. ANDREWS. I hope we never have to do that.

General BOYLAN. I agree with you. In that context, the investment that went into that weapon system, from the national security point of view, I cannot judge was wasted.

(Off the record.)

COST OF SUPPORTING KOREAN AIR FORCE

Mr. LIPSCOMB. General, who has the responsibility for O. & M. of the Korean Air Force?

Mr. ALBERT N. RHODES. We finance the Korean Air Force, Mr. Lipscomb, out of part of our free world forces costs in this appropriation.

Mr. LIPSCOMB. In this O. & M. appropriation?

Mr. ALBERT N. RHODES. Yes, sir.

Mr. LIPSCOMB. In all the discussions that we have had to this point on the support of allied forces, we have just referred to Thailand, South Vietnam, and Laos.

(Off the record.)

Mr. LIPSCOMB. Under O. & M., how is the Korean Air Force supported in Korea? Under military assistance?

General PITTS. Under the military assistance program. There are no funds in this budget for the support of the Korean Air Force in Korea proper. There are, however, in O. & M. minimal costs for medical expenses and the operating costs of 3 C-54 aircraft used for medical evacuation of Koreans from Southeast Asia. These costs are included under free world forces.

Mr. LIPSCOMB. That is all I have.

Mr. SLACK. If there are no further questions, we thank you, gentlemen.

The committee will stand adjourned until 10 o'clock tomorrow morning.

THURSDAY, APRIL 24, 1969.

B-52 PROGRAM

Mr. SIKES. The committee will come to order. We will begin today's discussion with the B-52 program. Mr. Lipscomb.

PLANNED REDUCTION IN THE B-52 FLEET

Mr. LIPSCOMB. During these hearings the last couple of years we have discussed the phaseout of the B-52 fleet. In your overall statement of the O. & M. budget I did not notice anything in your statement on this subject. Are there any plans to reduce the B-52 fleet during 1970?

General PITTS. I will ask General Boylan to supply the answer for that.

General BOYLAN. Mr. Lipscomb, the B-52 force structure of 30 squadrons, each having 15-unit equipment aircraft, reduces from 30 squadrons at end fiscal 1969 to ——— squadrons end fiscal year 1970, a reduction in force structure of ——— B-52C through F units.

Mr. LIPSCOMB. How many SAC units and aircraft were authorized for the end of fiscal year 1968 and what is the planned strength at the end of this year and 1970?

General BOYLAN. Mr. Lipscomb, the SAC force structure at the end of fiscal year 1968 included 34 B-52 units, 6 B-58 units, for a total of 40 Strategic Air Command units.

At end fiscal year 1969 this total reduces to 30 B-52 units, 6 B-58's for a total of 36 Strategic Air Command units.

At the end of fiscal 1970 we will have ——— B-52 units, 6 B-58's, 3 FB-111's, for a total of ——— Strategic Air Command bomber units.

As a measure of program adjustments from the end of fiscal year 1970 to the end of fiscal year 1971 we project a reduction of ——— Strategic Air Command squadrons.

Mr. LIPSCOMB. How many B-52 planes, aircraft, would that be?

General BOYLAN. In terms of B-52's in units—of course, the unit, squadron is the basis for the crews, maintenance support and flying

hours—at the end of fiscal year 1967, 555 B–52's were formed in units. At the end of fiscal year 1971, ——— B–52's will be formed in units.

Mr. LIPSCOMB. Now, are our figures correct from what you have testified to that that is a reduction of ——— aircraft in the last 4 years?

General BOYLAN. In units?

Mr. LIPSCOMB. In units.

General BOYLAN. During fiscal year 1970 and depending upon the projections—whatever those projections might be for the Southeast Asia war, an additional ——— aircraft will be operated in Southeast Asia. May I correct myself? An additional ——— will be operated in Southeast Asia.

General PITTS. If I might interject at this piont. Mr. Lipscomb, General Boylan was talking of the programed phasedown of B–52's through fiscal year 1971 and you used the figure ——— B–52's for the last 4 years. I think you were speaking through 1970, weren't you, sir?

Mr. LIPSCOMB. Well, as he testified we took down the quantities and it came to ——— aircraft reduced.

General PITTS. That is through fiscal year 1970 program; yes, sir.

Mr. LIPSCOMB. Now, can you tell us how many aircraft are being reduced from fiscal year 1968, in 1969, to 1970?

General BOYLAN. Yes, sir. Between end fiscal year 1967 to end fiscal year 1968 the reduction of B–52's in units is 45, equivalent of three B–52 units. The reduction from end fiscal year 1968 to end fiscal year 1969, reduction is 60 B–52's in units. The reduction from end fiscal year 1969 to end fiscal year 1970, B–52's in units, is ———.

Again, Mr. Lipscomb, I add that ——— aircraft will be operating in Southeast Asia which are not authorized for the force structure.

B–52'S OPERATING IN SOUTHEAST ASIA

Mr. LIPSCOMB. Will the ——— aircraft withdrawn from the SAC units be placed in active storage inventory program?

General BOYLAN. The ——— aircraft which I have referred to—and I understand your question to be the same—are aircraft anticipated in fiscal year 1970 that will be on an operating active status supported by flying hours, crews, maintenance personnel, and will be based in Southeast Asia.

Mr. LIPSCOMB. In other words, the aircraft that you are reducing in your units, ——— of them are being used in Southeast Asia?

General BOYLAN. During fiscal year 1970; yes, sir. That is the equivalent of ——— squadrons.

Mr. LIPSCOMB. How many aircraft do you have active for fiscal year 1969 operating in Southeast Asia?

General BOYLAN. During fiscal year 1969, some ——— aircraft operating in Southeast Asia.

Mr. LIPSCOMB. How many of those are out of the active storage?

General BOYLAN. ———, sir.

Mr. LIPSCOMB. All right. Now, explain what happens to the aircraft that are presently in active storage, presently operating in Southeast Asia, and what is planned for fiscal year 1970?

General BOYLAN. There are several things that come to bear here. As I mentioned earlier, the force structure active units, authorized

active units is being reduced from end 1969 to end 1970 by ——— squadrons.

During fiscal year 1970, ——— additional operating aircraft are authorized for Southeast Asia.

Based on our current projections, some ——— aircraft, nonoperating active, will be maintained in the bomber force through fiscal year 1970. In addition to these three quantities, the units, operating active, in Southeast Asia and the nonoperating active, we estimate that some ——— aircraft must move into extended storage during this fiscal year.

B–52 AIRCRAFT IN DEAD STORAGE

Mr. LIPSCOMB. How many aircraft, B–52's, will end up at the end of fiscal year 1970 in dead storage?

General BOYLAN. At the present time under the definition of dead storage, we account for 21 aircraft in dead storage. By the end of fiscal year 1970, based on our programing data ——— will be categorized in dead storage, that is, not associated with units, not in the SAC inventory. The difference between the 2 years, then, it a net addition to dead storage of ——— aircraft.

Mr. LIPSCOMB. Where did they come from?

General BOYLAN. In part from the reduction in total units, from 30 to ———.

Mr. LIPSCOMB. Let us stop right there.

General BOYLAN. Yes, sir.

Mr. LIPSCOMB. You said that the ——— aircraft that were coming from your units were going into use in Southeast Asia; that is what you testified to.

General BOYLAN. Mr. Lipscomb, I said in addition to the force structure ——— would be operating in Southeast Asia.

Mr. LIPSCOMB. If they are going to be operating there, how can they go into dead storage?

General BOYLAN. Mr. Lipscomb, may I approach the problem this way: At the end of fiscal year 1969—and all of these numbers will reconcile—450 aircraft are operating in units; in command support and test, an additional ——— aircraft. In active storage, associated with units ———; in Southeast Asia ——— operating active; 21 in extended storage, or a total inventory position from a program accounting point of view of ——— aircraft. At the end of fiscal 1970, the operating units, UE, reduces to ——— command support reduces to ——— plus ——— in test, nonoperating active, that is aircraft associated with units for which we have no support and no flying hours, will be ——— will be operating in Southeast Asia ——— will be in extended storage, and my inventory position will be ———. It is a combination of all of these factors.

Mr. LIPSCOMB. We have gone through a lot of figures here——

General BOYLAN. Yes, sir.

Mr. LIPSCOMB (continuing). And you are talking on a program basis. It all adds up to the fact that you have reduced ——— units in your active force; is that it?

General BOYLAN. That is correct.

Mr. LIPSCOMB. But you have ——— aircraft or ——— units that are used in Southeast Asia.

General BOYLAN. During fiscal 1970; that is correct, sir.

Mr. LIPSCOMB. Therefore, you have ——— squadrons on your regular force structure and ——— squadrons outside.

General BOYLAN. That is correct, sir.

Mr. Lipscomb, recognize that currently in Southeast Asia we are operating ——— B–52's in addition to the 30 squadrons. So you have really ——— squadron equivalents right now operating in Southeast Asia.

So the increase in this category between end 1969 and end 1970 is only ——— airplanes. They come from command support and other categories between the 2 years.

B–52 AIRCRAFT IN THE NONOPERATING ACTIVE CATEGORY

Mr. LIPSCOMB. Why would these aircraft be considered a part of the active storage inventory when they are being used in Southeast Asia operations?

General BOYLAN. I think the problem, really, Mr. Lipscomb, is the nomenclature that has been used to describe what airplanes are doing. "Operating active" has been generally restricted to describe aircraft that are in units. All other categories of aircraft such as command support, advanced attrition if you have any, aircraft that are being maintained in flyable storage, are termed "nonoperating active." The Southeast Asia portion of this problem has been categorized "nonoperating active" and that is, in my mind at least, clearly a bad classification. We really should have three categories. We should have "operating active," that is for units; "nonoperating active," and those are command support and aircraft that are not being supported by flying hours and people; and then we should have a third category possibly called "Southeast Asia operations." Then we would, I think, have our arms around the nomenclature aspect of this problem.

Mr. LIPSCOMB. Are the aircraft in Southeast Asia fully funded?

General BOYLAN. They are fully funded; yes, sir.

Mr. LIPSCOMB. B–52's?

General BOYLAN. Yes, sir.

Mr. LIPSCOMB. General, who set up the nomenclature that we are presently using and who set up the policy for including these aircraft in the active inventory?

General BOYLAN. I am not evading the question, sir. To my knowledge, the terms "operating active" and "nonoperating active" are terms that have been established mutually, I would say, between the Air Force and the DOD. Of course, I hesitate to complicate it further; there is another term that DOD uses to describe its aircraft programs and that is "authorized active inventory." That only includes unit equipment and command support for the B–52's.

ADEQUACY OF B–52 FORCE

Mr. LIPSCOMB. One further question: In the opinion of the Air Force, is the present B–52 force structure, which is in effect now and planned for the future, adequate and capable to maintain the force posture that is necessary?

General BOYLAN. Mr. Lipscomb, throughout the program review and budget processes of the past year, the Air Force has consistently requested that the ——— B–52 squadrons scheduled for deactivation in fiscal 1970 be maintained in the force structure.

Mr. LIPSCOMB. We are talking both to units and to aircraft?

General BOYLAN. Both the units and the aircraft.

Mr. LIPSCOMB. And what is that figure that should be maintained, just restate it? The one that you recommended be retained.

General BOYLAN. The Air Force has recommended that 30 B–52's squadrons be maintained throughout fiscal year 1970; 450 unit equipment aircraft?

Mr. LIPSCOMB. Would you also state again what is the present plan that is in the budget today?

General BOYLAN. The Air Force has recommended that 30 B–52 squadrons be maintained throughout fiscal 1970 budget period. The current plan authorizes ——— B–52 squadrons in the force structure through fiscal year 1970.

Mr. LIPSCOMB. How many do you have in the present plan for fiscal year 1969?

General BOYLAN. During fiscal year 1969, 30 B–52 squadrons are in the force and fully supported.

Mr. LIPSCOMB. Thank you.

Mr. SIKES. Thank you. This is very useful information.

TRAINING SUPPORT

USE OF NAVIGATORS IN SECOND-SEAT POSITION

Mr. SIKES. We will turn at this time to pilot training. Has a decision been made to use navigators in lieu of pilots in the second-seat position of the F–4's and the F–111's?

General PITTS. I will ask General Boylan to answer that.

General BOYLAN. Mr. Chairman, the answer is yes, on a progressive basis, progressively phase in with navigators.

Mr. SIKES. Does this eliminate some of the problem of the pilot need?

General BOYLAN. It certainly will relax the criticality of that need in the immediate time period; yes, sir.

Mr. SIKES. Is it necessary in view of that situation to increase pilot production to the extent that it is being done? I understand that this schedule of increased pilot production was set up before the use of navigators was determined. So it would seem that you could scale down the pilot training program.

General BOYLAN. The overall pilot production estimate measured against the pilot requirement including adjustments we could make in the pilot-navigator ratio in the F–4 still clearly indicates a requirement for all 10 undergraduate pilot training bases and the projected output of those bases, Mr. Sikes.

Mr. SIKES. Would that indicate that the increase, as first projected, was too low? I don't understand how it is that you still need all of the pilots that we set out to train when you have determined that navigators can be used for the second position in a substantial number of aircraft.

General BOYLAN. Mr. Chairman, the projected requirement as measured against the best Air Force estimates of availability of pilots, lieutenant colonel and below, shows that at the end of fiscal 1969 we will still have—let me call it a—deficit pilot position of some 1,500; by the end of 1970 it is right at 1,000, and the situation then stabilizes after fiscal 1970.

Mr. SIKES. But all of this still is predicated on a requirement for all of the additional training bases? You have not determined that you can reduce the number of bases in view of this situation; is that true?

General BOYLAN. We have not, Mr. Chairman.

Mr. SIKES. Mr. Davis.

TRAINING PERIOD FOR NAVIGATORS AND PILOTS

Mr. DAVIS. Yes, Mr. Chairman.

What are the comparable periods of training for navigators, fixed-wing pilots, and helicopter pilots?

Colonel WHITE. I am sorry, sir. Would you mind repeating the question?

Mr. DAVIS. In connection with this shift of using navigators at these certain types of planes, my question is this: What are the comparable periods of training for navigators, fixed-wing pilots and helicopter pilots?

Colonel WHITE. Navigator training takes 38 weeks. Undergraduate pilot training to the point where the man pins on his wings takes 53 weeks. Now, with respect to helicopter pilots, we use the term "helicopter pilot" in the same sense we use the term "bomber pilots," "transport pilots," or "fighter pilot." In other words, they are all pilots. All Air Force pilots are trained as fixed-wing pilots first. Every graduate, undergraduate fixed-wing pilot takes at least one tour in fixed-wing aircraft, and then we have a helicopter conversion course which is really like a combat crew training school that converts this man in 35 flying hours to a helicopter pilot and then we give him another 35 hours in the helicopter specialty; that is, the model that he is to fly in an operational unit.

Mr. DAVIS. So you pick up whatever you refer to as undergraduate pilot training, you pick up 15 weeks then when you train a navigator for a position like that from what you would if you were to use a fixed-wing pilot in these positions; is that right?

Colonel WHITE. Yes, sir.

Mr. DAVIS. 38 versus 53 weeks?

Colonel WHITE. Yes, sir.

Mr. DAVIS. Thank you, Mr. Chairman.

PLANNED INCREASE IN PILOT PRODUCTION

Mr. SIKES. Last year the Air Force stated that it would increase pilot production by 425 per year. Is that still the number that you are going to train?

General BOYLAN. That will be the projected pilot production increase at the end of fiscal year 1971.

Colonel WHITE. Sir, in fiscal year 1970 production will go up for USAF pilots, by approximately 300. Increase in other areas; that is, pilots for the Marine Corps and other categories, overall pilot production will go up by 500. Then in fiscal year 1971 we project a further increase in USAF pilots of 425.

Mr. SIKES. Does this follow the same scale that you set forth last year for USAF pilots?

Colonel WHITE. Yes, sir; it does.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. How many helicopter pilots will the Air Force train during fiscal year 1970?

Colonel WHITE. In fiscal 1970 we will train 302 helicopter pilots versus 299 in fiscal year 1969.

Mr. GARRITY. And in fiscal 1971?

Colonel WHITE. It is projected to remain the same.

TRAINING OF HELICOPTER PILOTS IN FIXED WING AIRCRAFT

Mr. SIKES. Mr. Davis has just brought out the fact that you still plan to train helicopter pilots in fixed wing aircraft. We have had discussions of this in prior years. It was the opinion of this committee and the Congress in adopting the committee report on the fiscal year 1969 appropriation that this double training be discontinued in view of the cost, and there was some question with respect to the necessity. The requirement is such that there seems to be little doubt but that pilots trained for helicopter work will remain in helicopter work and if in the future it should be found they are no longer needed in helicopters they can be retrained for fixed wing aircraft.

Is the Air Force not familiar with the committee's report on this matter?

General PITTS. Yes, sir; we are.

Mr. SIKES. But you disregarded it?

General PITTS. We didn't disregard it, sir. This has been studied several times and, for what we believe are cogent reasons, we have continued our program to train pilots first in fixed wing aircraft and later as required train them to be helicopter pilots. For a more detailed answer I would like to call on Colonel White.

Mr. SIKES. All right.

Colonel WHITE. Sir, we can best understand the Air Force's problem here, if we look at the size and nature of our helicopter force. We have in the Air Force a total of only 520 helicopters. These are in 129 different units that are scattered to 96 different bases worldwide. Approximately one-third of these are located at isolated or remote sites. The average size of these units is about four helicopters.

If we take away the largest two units, the one at Natrang in Vietnam and the other at our training installation, Sheppard Air Force Base, then that average number of aircraft per unit drops down to about three.

I believe you can see from this—by the way, in total, our total helicopter pilot requirement is only 1,100.

Now, this is a very small percentage of our total pilot force. If these people are specialized to such an extent that they can only fly helicop-

ters we severely limit the career progression of these individual officers and we greatly complicate the personnel management problem. That is, we would find ourselves having to reshuffle this very small group of people to isolated, remote sites.

Mr. SIKES. What is the additional cost per year to the Air Force for this double training program? Supply that for the record.

General PITTS. All right, sir, we will supply that.

Colonel WHITE. Sir, the figure you are asking for is the cost of the helicopter conversion itself; is that correct?

Mr. SIKES. That is correct.

General PITTS. If I might state at this point, Mr. Chairman——

Mr. SIKES. Let's be sure you understand what I want. You train a pilot to be a helicopter pilot and you also train him to be a fixed wing pilot. I want to know what it would cost if you did not train him in both categories.

General PITTS. I understand that. May I make one point in that respect, sir?

Mr. SIKES. Yes.

General PITTS. I think Colonel White was leading toward the point that we look on these people as available for any type of flying we might call on them for in the Air Force.

Mr. SIKES. I understand.

General PITTS. The additional training to be a helicopter pilot would be no different than training a graduate of a fixed wing school to be an F–105 pilot or a C–5 pilot or a bomber pilot. It is just a different category of pilot and after he had performed a tour in helicopters he might be reassigned to fixed wing positions.

Mr. SIKES. Does he get his fixed wing training or his helicopter training first?

General PITTS. He gets fixed wing training first.

Mr. SIKES. How much additional time then is required for his helicopter training? In other words, how long is the helicopter training program?

General PITTS. I will ask Colonel White to supply that answer, sir.

Mr. SIKES. Supply also the duration, the length of the fixed wing pilot training program so that we will have a comparison in the record.

General PITTS. All right, sir. The fixed wing undergraduate pilot training program is 53 weeks. Colonel White previously stated that we require these graduates to fly at least one tour in a fixed wing unit prior to being entered into helicopter training for use as helicopter pilots.

(The information follows:)

COST OF AIR FORCE PILOT TRAINING

	Cost per graduate	Time (in weeks)
USAF fixed wing pilot	$79,760	53
USAF helicopter conversion:		
H-43	36,543	12
H-1	24,759	12
CH-3	35,362	12

All graduates of the standardized jet UPT program are initially assigned duties in fixed wing aircraft for at least one tour (normally 4 years or longer).

A considerable portion of the UPT cost is amortized by this assignment practice. Subsequent cross training into helicopters is managed as any combat crew training program and is much less expensive than cross training into many other aircraft (for example, F–105, $258,680; F–4, $133,520; F–100, $201,490; and RF–101, $120,280).

An Air Force objective is to distribute the burden of undesirable assignments and high risk combat duty across as large a segment of the force as is practical, consistent with individual qualifications. Our cross training policy has resulted in a minimum of 3 years between remote duty tours with a maximum of two such tours, and no involuntary second combat tours for helicopter pilots. Approximately one-third of all USAF helicopter pilot requirements are in remote or isolated areas (387 remote versus 1,121 total helicopter pilot positions in the USAF). If helicopter pilots (less than 4 percent of the total force) were trained and managed as a separate force the time between remote/isolated tours would be reduced to 2 years on a recurring basis. Under these circumstances we could expect to retain very few helicopter pilots beyond their initial tour of obligated service. The high cost of training large numbers of replacement helicopter pilots could well exceed any savings resulting from alteration of our present programs and policies.

Air Force helicopter units vary in size from two aircraft and four pilots, operating as local base rescue detachments, to combat units engaged in the special air warfare and aircrew recovery role with upward of 20 aircraft and 40 pilots. Helicopter units are stationed at some 96 Air Force bases worldwide. With the small size and remote operating location of many of these unts. career progression and assignment opportunities are severely limited for the pilot qualified only to fly helicopters. The U.S. Air Force program adds helicopter qualification to experienced fixed wing pilots through a 12-week program of 70 flying hours. The product is an officer capable of returning to fixed wing duties as Air Force requirements dictate, not restricted in career development and cockpit or command staff assignment.

Entrants into the USAF helicopter training are fully qualified for instrument flying by virtue of their fixed wing training experience, and are capable of flying rescue operations worldwide in any type of weather conditions. This differs from the graduates of the specialized Army undergraduate helicopter pilot course who are restricted from instrument flight on civil airways.

From the Air Force viewpoint, specialization to helicopter pilot exclusively is too costly in terms of pilot utilization and career development.

POSSIBILITY OF ARMY TRAINING AIR FORCE HELICOPTER PLOTS

Mr. SIKES. Would you explore the possibility of having the Army to train your helicopter pilots in order to minize the number of training spaces required and the facilities required?

General PITTS. Mr. Chairman, I am pretty sure the Army's training capacity for helicopter pilots is saturated. As a matter of fact, we are presently reimbursing the Army for building to increased capacity at Fort Rucker, Ala., to provide training for helicopter pilots for the Vietnamese Air Force under the Vietnamese improvement and modernization program. In view of this saturation, I seriously doubt if they could increase the capacity for training Air Force pilots at this time.

Mr. SIKES. Questions, Mr. Davis?

Mr. DAVIS. I have no questions for the record, Mr. Chairman.

INCREASED COST OF THE AIR FORCE ACADEMY

Mr. SIKES. On page 41 of the budget justification you request for fiscal 1970 an increase of $1.2 million for the Air Force Academy. This results primarily from $600,000 for increased civilian personnel and $600,000 for support costs related to the increase in the number of cadets. If you are increasing cadet strength from 3,874 at the end of

fiscal 1969 to 4,151 at the end of fiscal 1970, 300 cadets, why do you require an additional $1.2 million to support 300 additional cadets? This would equate to an increase of approximately $4,000 per cadet. It seems that this is more than it should be.

Colonel WHITE. Sir, this breaks down to $623,000 for civilian personnel. This is for 77 additional man-years. These are needed for two reasons. One is to support the increase in cadet strength, and the other is associated with the addition of six new facilities or major additions to existing facilities. I can give you a breakdown of the $1.2 million.

Mr. SIKES. Provide a breakdown.

(The information follows:)

Increases for Air Force Academy

Civilian personnel (77 man-years)	+$623,000
Supplies and equipment	+88,000
ADP equipment rental	+200,000
Real property maintenance	+256,000
Travel, laundry, and other miscellaneous	+60,000
Total	+1,227,000

AIR FORCE RESERVE

EARLY RELEASE OF RESERVE UNITS FROM ACTIVE DUTY

Mr. SIKES. On page 41 of the budget justification you request $9.7 million for headquarters, Air Force Reserve, in connection with the early release of units from active duty in fiscal 1968. Tell us why these additional funds are needed?

Mr. ALBERT RHODES. Mr. Chairman, we originally intended to have the Reserves called to active duty, after the *Pueblo*, on duty for 2 years. When those personnel are called to active duty they become part of the regular Air Force cost. Now we are releasing them in June of this year so they will be carried as Reserve costs during the fiscal year 1970.

Mr. SIKES. Is this a realistic action? We have just had *Pueblo-II*. You are beefing up the forces, at least the seagoing forces in the area. There is no indication that this particularly unpleasant situation is going to improve. Are you going to be able to release these men on schedule?

General BOYLAN. Mr. Chairman, that very question has been addressed. Based on collective judgments of Active Force capability now as compared to the time of the *Pueblo*, the consideration that the Reserves, and the Air National Guard units, will have been on active service for some 17 months of a statutory 2-year period, the consensus and the judgment was that it is in the best interests of the Reserves and the Air Force, in fact the Nation, that these people be returned as now scheduled.

The units that are specifically involved are in Korea; two fighter F–100 squadrons, Air National Guard; in addition to a reconnaissance unit that has been rotating into Japan. The Air Force has made plans, if required, to replace that capability with active Air Force units.

Mr. SIKES. In that situation would there be a requirement for the callup of other Reserve units?

General BOYLAN. Mr. Chairman, I hesitate to give you a yes or no. If minor disturbances continue to occur, I personally believe there would be no requirement for additional Reserve callup. Should the North Koreans act in a completely irrational sense, there is that possibility.

Mr. SIKES. Then this situation is no different from that which exists in any other fiscal year? The current budget did not plan for additional *Pueblo* incidents. If they should occur then you would have to take steps to meet them?

General BOYLAN. We certainly would. That is absolutely correct.

DISESTABLISHMENT OF SENIOR ROTC AT EIGHT COLLEGES

Mr. SIKES. The committee was recently advised that the Air Force is disestablishing the senior ROTC unit at eight colleges and universities. Is this being done as a result of hippie protests, not fringe protests, Communist activities in general, disgruntled teachers who ought to be kicked out with the disgruntled students, et cetera?

General PITTS. Colonel White.

Colonel WHITE. No, sir; it is not. This is being done because these schools have failed to produce the minimum that has been established as that which should be required.

Mr. SIKES. Is their failure to produce the result of these various protests?

Colonel WHITE. No, sir; we do not believe so, because in fact most of the schools where the units are being discontinued are not those where the protesters have been most active.

Mr. SIKES. Have these protests affected adversely your ROTC training programs?

Colonel WHITE. Not in the sense that it has in any way affected the production that we are getting from schools. It, of course, is a matter that is of very great concern to us and we are watching it very closely.

Mr. SIKES. What effect will the discontinuance of these units have on your officer procurement program?

Colonel WHITE. We will still be able to produce all the officers that we require from ROTC.

Mr. SIKES. Does that mean you will expand the program in other institutions or were you producing more than you need?

Colonel WHITE. No, sir; we may expand at the other AFROTC host institutions insofar as is necessary to produce the number of officers that we require from ROTC.

PLANS TO ESTABLISH NEW AIR FORCE ROTC UNITS

Mr. SIKES. Are you going to establish any additional ROTC programs at other institutions?

Colonel WHITE. We do not at this time see a need to do so, sir. However, we do have on file applications from some 100 colleges and universities that are being held in the event we do need more.

Mr. SIKES. Well, the best of that 100 requests would quite obviously be the University of West Florida. So if it isn't at the top of the list, I trust you will correct that situation and put it at the top of the list. If you establish any more, I would hope to see one at that university. Have you any response?

Colonel WHITE. It will certainly be considered, sir.

Mr. SIKES. You haven't told me anything. Don't tell me you are going to have a study on it.

COLLEGES AND UNIVERSITIES WITH AIR FORCE ROTC UNITS

Mr. DAVIS. Mr. Chairman, could we have submitted for the record here a list of the colleges and universities at which the Air Force ROTC is now operating and also a list of the eight that are being discontinued?

General PITTS. Yes, sir; we will provide that for the record.

(The information follows:)

COLLEGES AND UNIVERSITIES WITH AIR FORCE ROTC

Alabama:
- Auburn University, Auburn.
- University of Alabama, University.
- Tuskegee Institute, Tuskegee.

Arizona:
- University of Arizona, Tucson.
- Arizona State University, Tempe.

Arkansas: University of Arkansas, Fayetteville.

California:
- Fresno State College, Fresno.
- Loyola University of Los Angeles, Los Angeles.
- San Jose State College, San Jose.
- Stanford University, Stanford.
- University of California, Los Angeles, Los Angeles.
- University of Southern California, Los Angeles.
- California Institute of Technology, Pasadena.
- Occidental College, Los Angeles.
- San Diego State College, San Diego.
- San Francisco State College, San Francisco.
- University of California, Berkeley.

Colorado:
- Colorado State University, Fort Collins.
- Colorado State College, Greeley.
- University of Colorado, Boulder.

Connecticut:
- Trinity College, Hartford.
- University of Connecticut, Storrs.

District of Columbia:
- Georgetown University, Washington, D.C.
- Howard University, Washington, D.C.
- The Catholic University of America, Washington, D.C.

Florida:
- The Florida State University, Tallahassee.
- University of Florida, Gainesville.
- University of Miami, Coral Gables.

Georgia:
- The University of Georgia, Athens.
- Georgia Institute of Technology, Atlanta.
- Emory University, Atlanta.

Hawaii: University of Hawaii, Honolulu.

Idaho: University of Idaho, Moscow.

Illinois:
- Bradley University, Peoria.
- University of Illinois, Champaign.
- Illinois Institute of Technology, Chicago.
- Southern Illinois University, Carbondale and Edwardsville Campus of Southern Illinois University, East St. Louis.

Indiana:
Butler University, Indianapolis.
Indiana University, Bloomington.
Purdue University, Lafayette.
University of Notre Dame, Notre Dame.
Ball State University, Muncie.
Depauw University, Greencastle.
University of Evansville, Evansville.
Iowa:
Coe College, Cedar Rapids.
Iowa State University of Science and Technology, Ames.
State University of Iowa City.
Drake University, Des Moines.
Grinnel College, Grinnel.
Kansas:
Kansas State University, Manhattan.
Wichita State University, Wichita.
The University of Kansas, Lawrence.
Washburn University, Topeka.
Kentucky:
University of Kentucky, Lexington.
University of Lousiville, Louisville.
Louisiana:
Louisiana Polytechnic Institute, Ruston.
Louisiana State University and A. & M. College, Baton Rouge.
University of Southwestern Louisiana, Lafayette.
Tulane University, New Orleans and Nichols State College, Thibodaux.
Maine: Colby College, Waterville.
Maryland: University of Maryland, College Park and Maryland State College, Princess Anne.
Massachusetts:
College of the Holy Cross, Worcester.
Lowell Technological Institute, Lowell.
Tufts University, Medford.
Boston University, Boston.
Harvard University, Cambridge.
Massachusetts Institute of Technology, Cambridge.
University of Massachusetts, Amherst.
Michigan:
Michigan State University, East Lansing.
University of Detroit, Detroit.
The University of Michigan, Ann Arbor.
Michigan Technological University, Houghton.
Minnesota:
St. Olaf College, Northfield.
College of St. Thomas, St. Paul.
University of Minnesota, Minneapolis.
University of Minnesota, Duluth.
Mississippi:
Mississippi State University, State College.
University of Mississippi, University.
Missouri:
Saint Louis University, St. Louis and Parks College of St. Louis University, East St. Louis.
University of Missouri, Columbia.
Washington University, St. Louis.
Montana:
Montana State University, Bozeman.
University of Montana, Missoula.
Nebraska:
University of Nebraska, Lincoln.
The University of Nebraska at Omaha, Omaha.
New Hampshire:
University of New Hampshire, Durham.
Dartmouth College, Hanover.

New Jersey:
Rutgers, The State University, New Brunswick.
Newark College of Engineering, Newark.
Stevens Institute of Technology, Hoboken.
Princeton University, Princeton.
New Mexico:
New Mexico State University, Las Cruces.
University of New Mexico, Albuquerque.
New York:
Colgate University, Hamilton.
Cornell University, Ithaca.
Fordham University, Bronx.
New York University, New York.
Syracuse University, Syracuse.
Union University, Schenectady.
Rensselaer Polytechnic Institute, Troy.
Manhattan College, Bronx.
Hobart College, Geneva.
State University of New York at Buffalo, Buffalo.
University of Rochester, River Campus Station, Rochester.
North Carolina:
Duke University, Durham.
University of North Carolina, Chapel Hill.
North Carolina State University at Raleigh, Raleigh.
East Carolina University, Greenville.
North Carolina A & T State University, Greensboro.
North Dakota:
North Dakota State University of A & AS, Fargo.
University of North Dakota, Grand Forks.
Ohio:
Bowling Green State University, Bowling Green.
Case Western Reserve University, Cleveland.
Kent State University, Kent.
Miami University, Oxford.
The Ohio State University, Columbus.
Capital University, Columbus.
Ohio University, Athens.
Ohio Wesleyan University, Delaware.
Denison University, Granville.
Kenyon College, Gambier.
Otterbein College, Westerville.
The University of Akron, Akron.
University of Cincinnati, Cincinnati.
Oklahoma:
Oklahoma State University, Stillwater.
The University of Oklahoma, Norman.
The University of Tulsa, Tulsa.
Oregon:
Oregon State University, Corvallis.
University of Oregon, Eugene.
University of Portland, Portland.
Williamette University, Salem.
Pennsylvania:
Duquesne University, Pittsburgh.
Gettsyburg College, Gettysburg.
Lehigh University, Bethlehem.
The Pennsylvania State University, University Park.
University of Pittsburgh, Pittsburgh.
Allegheny College, Meadville.
Grove City College, Grove City.
St. Joseph's College, Philadelphia.
Puerto Rico: University of Puerto Rico, San Juan.
Rhode Island: Brown University, Providence.
South Carolina:
The Citadel, Charleston.
Clemson University, Clemson.
University of South Carolina, Columbia.

South Dakota : South Dakota State University, Brookings.
Tennessee :
Memphis State University, Memphis.
Tennessee A & I State University, Nashville.
The University of the South, Sewanee.
University of Tennessee, Knoxville.
Texas :
Texas A & M University, College Station.
Baylor University, Waco.
Southern Methodist University, Dallas.
Texas Technological College, Lubbock.
The University of Texas, Austin.
East Texas State University, Commerce.
North Texas State University, Denton.
Southwest Texas State College, San Marcos.
Texas Christian University, Fort Worth.
Utah :
University of Utah, Salt Lake City.
Brigham Young University, Provo.
Utah State University, Logan.
Vermont :
St. Michael's College, Winooski.
Virginia :
Virginia Polytechnic Institute, Blacksburg.
Virginia Military Institute, Lexington.
University of Virginia, Charlottesville.
Washington :
Central Washington State College, Ellensburgh.
University of Puget Sound, Tacoma.
Washington State University, Pullman.
University of Washington, Seattle.
West Virginia :
West Virginia University, Morgantown.
Davis & Elkins College, Elkins.
Wisconsin :
University of Wisconsin, Madison.
Wisconsin State University, Superior.
Lawrence University of Wisconsin, Appleton.
Wyoming : University of Wyoming, University Station, Laramie.

The following detachments, which are included in the above list, are scheduled to be discontinued :

Illinois Institute of Technology, Illinois.
Grinnell College, Iowa.
Tufts University, Massachusetts.
Capital University, Wisconsin.
Kenyon College, Ohio.
Lawrence University, Wisconsin.
Boston University, Massachusetts.
Butler University, Indiana.

Mr. SIKES. Further questions?

Mr. DAVIS. No questions.

OPERATIONAL SUPPORT

FUNDS FOR THREE FB-111 SQUADRONS

Mr. SIKES. Turning to Operational Support, under Equipment Replacement, on page 58 of the justifications there is a request for $3,895,000 for the activating, equipping, and operating of three FB-111 squadrons. Now, this program is being phased back very substantially. Should there not be a reduction in this operational situation?

Mr. ALBERT RHODES. No, sir. These are the squadrons still programed to be in the inventory during 1970.

General Pitts. These are the first operational squadrons of FB–111 aircraft.

Mr. Sikes. So there is no reduction in this program. There is here an orderly program as planned previously?

Mr. Albert Rhodes. Yes, sir.

General Pitts. As the new program has evolved these units will form part of that reduced program of four squadrons.

EQUIPMENT REPLACEMENT FOR STRATEGIC OPERATION

Mr. Sikes. On page 58 there is a request for an increase of $940,000 for equipment replacement. What is the total amount included in the strategic operations for equipment replacement in fiscal 1970 and the amounts for fiscal 1968 and 1969?

General Pitts. The total amount included in the strategic operations for equipment replacement in fiscal year 1970 is $2,710,000. This compares with $1,770,000 in fiscal year 1969 and $1,447,000 in fiscal year 1968.

Mr. Sikes. List for the record the types of items included in the equipment replacement account and their dollar value.

(The information follows:)

Items included in equipment replacement account

The types of items included in the equipment replacement account and their dollar value follow:

Tools	$226,000
Clothing	670,000
Office machines and equipment	594,000
Furniture	988,000
Refrigeration and air-conditioning equipment	67,000
Photographic equipment	69,000
Food preparation and serving equipment	60,000
Service and trade equipment	27,000
Total	2,710,000

BACKUP INTERCEPTOR CONTROL

Mr. Sikes. On page 59, I note an increase of $1,009,000 for backup interceptor control. You state that the increase is incident to the conversion of BUIC–II sites to BUIC–III. Tell us first why the increase is required in fiscal 1970 and then tell us the total amount of the program.

General Pitts. The BUIC–III program is becoming operational in fiscal year 1969. During fiscal year 1969 9 BUIC–II control centers will phase out, and by end fiscal year 1969 12 BUIC–III control centers will be operational. The additive costs in fiscal year 1970 provide for a full years costs of the control centers activated in fiscal year 1969 and the cost of operating the three additional centers in fiscal year 1970. These costs included utilities for the computers and related display equipment, heating and lighting of additional personnel facilities, and the electronic supplies and equipment necessary to support the operations.

The total cost of the BUIC program financed from the O. & M. appropriation is $5,140,000 in fiscal year 1969 and $6,149,000 is programed for fiscal year 1970.

SOFTWARE CONTRACTUAL SERVICES FOR TACTICAL FORCES

Mr. SIKES. Budget project No. 450, there is a request in fiscal 1970 of $2,161,000 for software contractual services in connection with systems analysis and programing for Tactical Forces. This is a very significant increase of $1,538,000 over the 1969 level of $623,000. Tell us what kind of additional contracts you are including, why they are required?

Will you please discuss the various operational contracts you have under Air Defense.

General PITTS. Yes, sir. Contracts for operational support of the Air Defense ground environment, for example, would be the ballistic missile early warning system, BMEWS; we contract with RCA for the operation at sites I and II and the Danish also have base support contracts at site I. The fiscal year 1970 estimates for these are $45,018,000.

For the SAGE and BUIC systems within Air Defense Command, we have a contract with Systems Development Corp. for computer programming and simulator training of personnel through use of tapes to display realistic air battle situations. The fiscal year 1970 cost is estimated to be $9,135,000.

For the main and eastern extension of the distant early warning line or DEW line we contract with Federal Electric Co. for their operation. The amount of that contract is estimated for fiscal year 1970 at $39,093,000.

Mr. SIKES. Complete that answer for the record.

(The additional information follows:)

CONTRACTS FOR SYSTEMS ANALYSIS AND PROGRAMING

This increase in contractual services is due to three support requirements; $750,000 is needed to develop additional software programs for the currently installed IBM 1410 Command and Control Computer at USSTRICOM and to prepare new programs for the conversion from the IBM 1410 to a larger capacity computer, as yet unselected; $500,000 is needed to provide for operations analysis support for USSTRICOM in the development of computer programs for the Joint Task Force Headquarters. This analysis is required in order to prepare equipment specifications for a computer to be used by Army and Air Force forces in the field and which is planned for installation in fiscal year 1972. Some operations analysis has already been accomplished on this project by the MITRE Corp. using R.D.T. & E. funds. Both contracts for software development and operations analysis for USSTRICOM are being performed by the Data Dynamics Corp. of California; $288,000 is needed for reprograming ADPE in support of command and control systems in SEA. This reprograming is required because of the conversion of several command and control systems in SEA to larger capacity computers. The contract is being performed by IBM.

MEDICAL SUPPORT

AIR FORCE CONTRIBUTION TO MEDICARE PROGRAM

Mr. SIKES. Turning to "Medical support," what will be the Air Force contribution to the armed services medicare program for fiscal year 1970?

General PITTS. $2.183 million, sir.

Mr. SIKES. How does that compare with the contributions for fiscal year 1968 and fiscal year 1969?

General PITTS. I am sorry, I quoted the increase from 1969 to 1970.

Mr. SIKES. What is the actual figure for fiscal year 1970?

Mr. ALBERT N. RHODES. $45.876 million. That is for medical care in non-Air Force facilities.

Mr. SIKES. How does that compare with fiscal years 1968 and 1969?

Mr. ALBERT N. RHODES. The 1968 program was $41.190 million, and the 1969 was $43.693 million.

Mr. SIKES. What accounts primarily for the increase?

Mr. ALBERT N. RHODES. The increase is primarily related to increase in cost of care in non-Air Force facilities based on rates established by the central agency that handles this.

TRAVEL OF PHYSICIANS TO MEDICAL MEETINGS AND CONFERENCES

Mr. SIKES. How much is being requested this year for the travel of physicians to various medical meetings and conferences?

Mr. ALBERT N. RHODES. May I submit that for the record, Mr. Chairman?

Mr. SIKES. All right, and the number of physicians who will be traveling to these meetings and conferences.

Mr. ALBERT N. RHODES. All right, sir.

(The information follows:)

TRAVEL OF PHYSICIANS

The fiscal year 1970 budget request contains $240,000 for temporary duty travel of physicians to medical meetings and conferences for training purposes. During fiscal year 1970 approximately 1,600 physicians will participate in this type of training. As there are approximately 3,300 physicians on duty, each physician may attend this type of training every other year.

INCREASED COST OF MEDICAL TREATMENT FACILITIES

Mr. SIKES. In fiscal year 1970, there is a request for $151.866 million for operation and maintenance of medical treatment facilities. There is a very substantial increase of $4.116 million over fiscal year 1969, and an equally great increase, $8.511 million, over the actual cost for fiscal year 1968.

That would seem to be much more than could have been contemplated. What is the reason for this increase?

Mr. ALBERT N. RHODES. In the increase from 1968 to 1969, of course, we have had the civilian pay raise, and the cost of medical supplies to support the daily patient load has been continually going up. Those are the two principal increases, plus we have an increase in the funds which we reimburse the Department of Labor for our share of civilians who are injured and later receive compensation.

ACCOMPLISHMENTS IN AIR FORCE MEDICINE

Mr. SIKES. I would like to have a discussion of the more significant accomplishments in Air Force medicine during the past year. In that connection, I would like to have a discussion of the principal problems which continue to confront Air Force medicine.

General HEIMSTRA. All right, sir.

(The information follows:)

General HEIMSTRA. We would classify the following events as significant accomplishments of the Air Force Medical Service in the past year:

Introduction of the McDonnell-Douglas DC–9 "Nightingale" into the continental aeromedical evacuation system. This is an off-the-shelf jet aircraft and the first configured specifically for intransit patient care. It can accommodate 40 ambulatory or 30 litter patients or a combination of both. With its speed, 520 miles per hour, and range, 2,300 miles, it can deliver a patient anywhere in the United States without overnight stops.

Improvement in aeromedical evacuation support to Southeast Asia (SEA). Route structures were changed to provide more flights to central and eastern CONUS with a significant reduction in time required to deliver patients to destination hospitals. Frequency of scheduled flights was increased to reduce the backlog of patients in SEA.

Completion of a management engineering program (MEP) survey of 30 representative Air Force medical facilities. The direct result of this survey will be the most effective use of our medical manpower resources and the best possible service with available resources.

Development of a new concept in modular medical facilities was initiated. When completed, these new facilities will provide more responsive medical support to any size Air Force unit deployed wordwide.

Development of a new Air Force hospital system. This system will be initiated on July 1, 1969, and will be regionalized on the basis of beneficiary and operating bed distribution. The top echelon of the system will be six hospital centers, each possessing a broad range of clinical specialties. They will also conduct formal postgraduate medical educational programs. The intermediate echelon will be the regional hospital which, by name, will provide certain specialized care to geographical regions in the United States. The first echelon will continue to be the community-type base hospital. This new system will enhance medical effectiveness, achieve greater economy, improve the clinical education program, improve physician retention, and achieve optimum use of the DC–9 aircraft capability.

Initiation of a central tumor registry. This has been established at the Wilford Hall Hospital, Lackland Air Force Base, Tex. It is a repository of over 10,000 case records and will prove an invaluable tool in research of cancer and cancer related diseases, their treatment, and ultimate disposition. Additional registries, such as one on tuberculosis, will be added in the future.

Installation of panorex radiographic dental examination. This system which combines panoramic radiographs and polaroid color photographs is now used for the initial dental examination of all recruits in the Air Force. It proved successful in a pilot study in 1968 and is now in continuous use at Lackland Air Force Base. It is relatively inexpensive, is not time consuming, and can be easily mastered by the dental technician, thereby freeing the dentists for definitive dental work. In addition, it is an excellent diagnostic tool, as it reveals many different types of dental pathology while establishing a permanent record for identification purposes.

While we have accomplished much we do have and will continue to have problems.

PHYSICIAN RETENTION

We anticipate that recent legislation, improving both pay and promotional opportunities, will improve retention. Until our regular and career reserve forces stabilize, we will continue to have problems giving the best medical care to all beneficiaries.

SHORTAGE OF PARAMEDICAL PERSONNEL

While the shortage of physicians is a problem, retention of paramedical personnel—optometrists, pharmacists, laboratory and radiological technicians, et cetera, is equally grave. Improved promotional opportunities, career monitoring, and pay structure can assist in retaining these personnel in the face of ever-growing civilian competition.

GROWING RETIRED POPULATION

Each year the retired population increases. While the civilian health and medical program of the uniformed services (CHAMPUS) has materially assisted retired personnel in obtaining medical care, they still prefer to be cared for in the

atmosphere to which they have become accustomed; namely, in a military facility. As a result, our medical facilities in areas with a large retired population have an overwhelming problem, particularly in the outpatient clinics.

Servicewide Support

COST OF AIR FORCE HEADQUARTERS OPERATION

Mr. Sikes. We turn to "Servicewide support, headquarters operation." How much of the $138,463,000 being requested for command administration is for the operation of the Air Force Headquarters Office in the Pentagon?

Mr. Albert N. Rhodes. $44,750,000, Mr. Chairman.

Mr. Sikes. I would like, for the record, a listing of the types of costs associated with headquarters operations and the comparative amounts for fiscal years 1968 and 1969.

Mr. Albert N. Rhodes. Yes, sir.

Mr. Sikes. These figures should include the amounts for the field extension offices of headquarters operations.

Mr. Albert N. Rhodes. Yes, sir.

(The information follows:)

COMPARATIVE HEADQUARTERS OPERATIONS COSTS

	Headquarters, U.S. Air Force			Hq., USAF field extension offices		
	Fiscal year 1968, actual	Fiscal year 1969, estimate	Fiscal year 1970, estimate	Fiscal year 1968, actual	Fiscal year 1969, estimate	Fiscal year 1970, estimate
Civilian personnel	$37,581	$38,645	$38,463	$34,115	$33,389	$31,931
Travel	1,823	1,791	1,755	4,015	4,105	4,000
Transportation	88	90	90	1,604	1,756	1,750
Utilities and rents	208	243	243	1,578	2,081	3,417
Communications	1,556	1,564	1,540	227	230	230
Equipment maintenance	154	155	155	235	240	240
Contractual services	[1] 1,204	[1] 1,155	[1] 1,155	3,426	4,620	4,620
Supplies	996	911	911	1,047	984	984
Equipment	447	507	438	509	420	420
Foreign native personnel indirect hire				620	658	658
Total	44,057	45,061	44,750	47,376	48,483	48,250

[1] Over 50 percent of these costs are payments to GSA for operating costs of the Pentagon.

Mr. Sikes. You may supply a comprehensive statement for the record, but will you tell me briefly now why there should have been such a high cost, comparatively speaking, for the operation of the Pentagon office?

Mr. Albert N. Rhodes. Actually, on a comparative basis, we are reducing our costs over the years. During 1969, for instance, the Secretary of the Air Force directed a 5-percent reduction in civilian and military personnel in the Headquarters of the Air Force. For 1970, we are programing a further reduction in the civilian force in the headquarters. This area is being looked at very closely and continuously.

(The information follows:)

OPERATIONS—COST FOR PENTAGON

During fiscal year 1969, in addition to applying a reduction in personnel related to increased productivity, the Air Staff directed reductions in the number of per-

sonnel authorized for Headquarters, USAF and the field extension offices. This action resulted in a reduction of approximately 1,100 military and civilian personnel positions.

The Management Division of the Secretary of the Air Staff is constantly studying, with the cooperation of the various Air Staff offices, ways of improving efficiency of operations. Numerous organizational realinements and streamlining procedures have been implemented which permit the Air Staff to better perform its mission and additive workloads while decreasing the number of personnel authorized.

Mr. SIKES. Are there any questions on headquarters operation? (No response.)

COMMERCIAL COMMUNICATIONS SYSTEMS AND NETWORKS

Mr. SIKES. Turning to "Communications, for Project 482, commercial communication systems and networks," you are requesting $198,535,000, or an increase of $10,553,000 above the amount presently available for fiscal year 1969. What is involved in this?

General PITTS. I will ask Mr. Collins, from our Directorate of Communications, to answer that question, Mr. Chairman.

Mr. COLLINS. The principal items in the increase are $7.2 million for expansion of the defense automatic voice network, AUTOVON; approximately $1.9 million for additional services from the defense automatic digital network, AUTODIN; about $3.7 million for continuation of the program to switch the air defense communications in Canada. There are other increases, including intelligence networks, which aggregate roughly $2 million. There are offsetting reductions of about $4.2 million.

Mr. SIKES. Do these increases require more or fewer people for their operation?

Mr. COLLINS. I would say, sir, there is probably a reduction in the numbers of people generated by the increases in these communications costs.

Mr. SIKES. Are you positive?

Mr. COLLINS. I cannot say for sure, sir. I would have to research it and provide the information for the record.

Mr. SIKES. Will you do that. We find generally that additional equipment is more likely to mean additional people, rather than fewer people. I would like to have the facts in this particular case.

Mr. COLLINS. In this particular case, of course, there will be additional equipment in the automatic digital network. We are providing new subscribers. We are using equipment which was procured for the Air Force by the Army in prior years. This equipment will, of course, replace other older equipment which is presently in service and which is being maintained. So, overall, there should be a leveling off. There should be no increase generated.

(The information follows:)

COMMUNICATIONS

The fiscal year 1970 commercial communications dollar increases under discussion are in the Air Force air communications (Aircom) program. A comparison of personnel requirements for fiscal year 1969 and fiscal year 1970 in the Aircom program is included in the following table.

	Fiscal year 1969	Fiscal year 1970	Net change
Officers	1,463	1,398	−65
Airmen	23,194	20,771	−2,423
U.S. civilians	3,384	3,437	+53
Direct-hire foreign nationals	362	318	−44
Indirect-hire foreign nationals	815	793	−22
Total	29,218	26,717	−2,501

The new Government-owned Autodin terminal equipments is to be installed in fiscal year 1970 as well as other new communications starts within the Aircom program will be supported within the reduced fiscal year 1970 manpower authorization. (Approximately ——— of the 2,501 reduction in communications manpower space requirements between fiscal year 1969 and fiscal year 1970 is based upon reduced manpower requirements in the European area (Redcoste). The remaining ——— reduction is based on the phasing out of the plan 55 electromechanical switching systems overseas and the reductions in the scope and number of manual digital data relay centers and tributary stations made possible through the advent of the Defense Communications System Automatic Digital Network (Autodin) in overseas areas. Other internal Air Force management improvement and cost reduction actions including reduction of communications personnel requirements in Korea have contributed to these manpower reductions.)

TOTAL COST OF COMMUNICATIONS SYSTEMS AND NETWORKS

Mr. SIKES. For the record, give us the total amount of money included in the Operation and Maintenance budget for fiscal year 1970 for communications systems and networks, including installation and repair.

Also, what would be the total cost if military personnel costs were included? I would like to have this information for fiscal years 1968 and 1969 as well as fiscal 1970.

(The information follows:)

COMPARATIVE O. & M. BUDGET AMOUNTS FOR COMMUNICATIONS

[In thousands]

	Fiscal year—		
	1968	1969	1970
O. & M. costs	$235,837	$251,565	$263,383
Military cost	184,492	195,963	181,871
Total costs	420,329	447,528	445,254

COST REDUCTIONS RESULTING FROM AUTOVON EXPANSIONS

Mr. SIKES. Since the reduction in communications costs for the Strategic Air Command for 1970 is primarily attributable to the expansion of the AUTOVON system during fiscal year 1969, there will be further reductions in the costs associated with this and other commands as a result of the continued expansion of the AUTOVON system during fiscal year 1970?

Mr. COLLINS. Yes, sir; it is anticipated that when the switched network programs reach their completed state, there will be reductions possible in the so-called dedicated networks, including those of the Strategic Air Command.

REDUCTION OF DEDICATED SYSTEMS THRU AUTOVON EXPANSION

Mr. SIKES. On page 19 of your statement, General, it is stated that you hope the expansion of AUTOVON will ultimately further reduce dedicated voice communications services in CONUS. How many dedicated communications systems does the Air Force operate at the present time?

Mr. COLLINS. At the present time, sir, we have a total of 45, of which 32 are financed in whole or in part by Project 482.

Mr. SIKES. Will any systems be eliminated in fiscal 1969?

Mr. COLLINS. Not to my knowledge.

Mr. SIKES. During fiscal 1970?

Mr. COLLINS. During fiscal 1970, as yet we have not made a determination as to any systems which will be eliminated as systems. We are participating in feasibility studies with the Defense Communications Agency with this objective.

Mr. SIKES. What is the basis of the statement that you hope the expansion of AUTOVON, will ultimately reduce dedicated voice communications services? When will they be reduced?

Mr. COLLINS. We hope in the late 1970 or early 1971 time period. There are a number of factors which we have to resolve before we can make any hard-and-fast commitment.

Mr. SIKES. Do you want to predict the number that will be reduced at that time?

Mr. COLLINS. No, sir.

Mr. SIKES. Would you say this is just wishful thinking?

Mr. COLLINS. No, sir. I have a number of possibilities here, sir.

Mr. SIKES. Provide that for the record.

(The information follows:)

EFFECT OF AUTOVON ON REDUCING COSTS

Within the Air Force, dedicated networks are derived from the DOD-owned and leased-transmission facilities which are part of the Defense Communications System (DCS). The Air Force dedicated networks are mission-oriented and configured and operated to be completely responsive to specific high-priority needs for rapid reliable communications. Use of these networks is under the direct control of, and therefore immediately responsive to, the National Command Authorities, the Joint Chiefs of Staff, the Commanders in Chief (CINC's) of the unified/specified commands, and major air commanders and their subordinates. The uses made of these dedicated systems and some of the better known network arrangements follow:

Force alerting: Strategic Air Command (SAC) primary alert system.

Force launch or recall: Strategic Air Command (SAC) positive control (green pine) systems.

Surveillance and warning: Ballistic missile early warning system; over-the-horizon (OTH) warning system; bomb alarm system.

Weapons control: Overseas air weapons control systems (412L and 418L); Titan and Minuteman intercontinental ballistic missile (ICBM) intersite systems.

Force command and control: Strategic Air Command automated command and control system (SACCS)—465L.

Space surveillance: Spacetrack network.

Beginning in fiscal year 1966, when the cutover of the semiautomatic ground environment/backup interceptor control (SAGE/BUIC) external communications system into the defense communications system automatic voice network (AUTOVON) commenced, the Air Force has progressively reduced the scope and cost of the other leased communications networks and services which it finances. The costs of these facilities in the O. & M. appropriation has been pro-

gressively reduced from $121.5 million in fiscal year 1966 to an $88.5 million projection for fiscal year 1970. Thus, over the 5-year period, the Air Force has reduced the costs of the dedicated networks and other leased communications services which it finances for its own use and for the use of the Joint Chiefs of Staff and the unified/specified commands by $33 million annually. The following table shows the distribution of Air Force costs for these leased services as opposed to the costs of the defense communications systems common user switched networks between fiscal year 1966 and 1970:

[In millions of dollars—Direct obligations]

	Fiscal years—				
	1966 actual	1967 actual	1968 actual	1969 estimate	1970 estimate
Switched networks:					
AUTOVON CONUS	9.9	40.9	43.9	51.6	53.2
AUTOVON overseas			.8	.2	6.0
AUTOVON Canada (CADIN)				6.6	12.4
AUTODIN	24.8	27.2	32.0	34.9	36.8
AUTOSEVOCOM		.4	1.0	1.6	1.6
Subtotal	34.7	68.5	77.7	94.9	110.0
Other leased comm services	121.5	102.0	95.3	93.1	88.5
Total	156.2	170.5	173.0	188.0	198.5

Review of dedicated networks. To comply with direction from the Secretary of Defense and the Joint Chiefs of Staff, a networks review panel (NRP) has been established. The NRP is chaired by the Defense Communications Agency (DCA) and each military service is represented. The primary purpose of the NRP is to arrange feasibility studies for each individual dedicated network to determine the feasibility of replacing these networks with equivalent or better service from the DCS switched subsystems, basically AUTOVON and AUTODIN. During the feasibility study cost comparisons will be made, special features required will be examined, that is, signaling, conferencing, continuity pulsing, traffic data, and so forth, in order to determine whether or not AUTOVON/AUTODIN can provide equal or better service. The feasibility studies are in line with JCS recommendations forwarded to the SECDEF in early 1966. When the completed feasibility studies indicate that AUTOVON/AUTODIN can provide the required service, implementation plans will be developed and executed. A summary of the current status of these studies follows:

	Air Force dedicated networks
Currently programed for or in process of elimination	9
Projected for feasibility studies	28
Cannot be eliminated for technical or operational reasons	8
Total	45

COMMITTEE'S RECOMMENDATION REGARDING COMMUNICATION COSTS

Mr. SIKES. Air Force communications costs have increased in 1969 over 1968. The committee indicated last year a strong feeling that communications costs should be reduced in fiscal year 1969. Why could that not be accomplished?

Mr. ALBERT N. RHODES. Mr. Chairman, from the President's budget as submitted to you last year, we did reduce the communications some $18 million as the result of congressional action.

Mr. SIKES. Where is that in your justifications?

Mr. ALBERT N. RHODES. That would be the difference between what we showed in the 1969 column requested last year, sir, and the 1969 column today.

Mr. GARRITY. You are still increasing your costs from fiscal 1968 into fiscal 1969 by approximately $16 million.

Mr. ALBERT N. RHODES. That is correct, Mr. Garrity. I was referring to the amount we presented to you last year and what we are showing today. As the result of congressional action and the House report, we did reduce the communications requirements some $18 million in 1969.

Mr. GARRITY. If I remember correctly, though, the report of last year said that communications costs would be cut substantially, but they have remained practically even with those of 1968. That was the intention of the report.

Mr. COLLINS. May I address that question. In early November we received a letter from the Deputy Secretary of Defense. The subject had to do with the implementation of the language of the House report. This gave specific guidance on what we should and should not do in terms of expanding communications systems during fiscal year 1969.

The guidance was to proceed with the AUTODIN, AUTOVON, AUTOSEVOCOM, and other DCS programs; to hold all other programs in abeyance, and not to start any new dedicated networks in the fiscal year 1969 time period. We have complied with that guidance, sir.

Mr. GARRITY. Are you sure that is what the Secretary of Defense memorandum actually said?

Mr. COLLINS. Yes, sir. It also directed that some studies in progress to be completed, that high frequency radio be reduced, and a number of items of that nature.

Mr. GARRITY. I thought it went further and said something to the effect that only essential systems would be——

Mr. COLLINS. Yes; and it identified each system, as I said, as defense communications switched networks.

Mr. GARRITY. It also said that the expansion of any system was subject to any restrictions recommended as a result of the pending study. There were several studies going on at the time. I believe there were several recommendations for consolidation of a lot of the systems and a review of the need for further expansion of AUTOVON and AUTODIN at the current time. Did you take that sort of restriction into consideration when you went forward this year?

Mr. COLLINS. I believe, sir, the interpretation there was that there would be no expansion of the switching program per se over and above that which had already been previously approved and financed. Here I am talking in terms of overseas AUTOVON switching centers, for example, which are presently in the process of being installed. Again, in the area of the AUTODIN system where switching center expansion overseas has been completed, the equipping of overseas subscribers who are presently experiencing deficiencies in record communications with the new Autodin Digital subscriber terminals should resolve their problems in fiscal year 1970.

Mr. SIKES. Have any new starts or expansions of dedicated networks in fiscal year 1969 been made?

Mr. COLLINS. We have not started any new dedicated networks in fiscal 1969, sir, and any expansion has been very minimal, to my knowledge.

Mr. SIKES. Can you state specifically whether there have been expansions?

Mr. COLLINS. No, sir; with one exception, I believe. This is in the area of the SAC satellite basing plan. Of course, this in itself generates expansions to the SAC dedicated network which will begin in fiscal 1970.

IMPROVEMENT IN COMMUNICATIONS OPERATIONS

Mr. SIKES. Does this have the specific approval of the Secretary of Defense?

Mr. COLLINS. Yes, sir.

Mr. SIKES. Has the Air Force taken steps to improve its communications operations during fiscal 1969?

Mr. COLLINS. Yes, sir; we have.

Mr. SIKES. List the improvements for the record, and tell us what similar plans are in the program for 1970?

(The information follows:)

Steps taken by the Air Force to improve communications operations per se during fiscal year 1969 have consisted principally of further intensification and follow-up on those actions initiated during fiscal year 1968 to improve communications discipline, and the handling of message traffic and to reduce the volume of traffic introduced into the communications systems. These actions are detailed in pages 1049 through 1051, "Part 4, Operations and Maintenance, of the DOD Subcommittees, House Appropriations Committee Report on Hearings on Department of Defense Appropriation for Fiscal Year 1969." The success of these actions was confirmed during the annual High Heels exercise conducted during October 17–24, 1968. During the 7-day exercise period when communications "minimize" was imposed throughout the DOD, the volume of message traffic normally originated by Air Force activities was reduced some 60 percent. This reduction represents a 50-percent improvement over the 1967 High Heels exercise when the imposition of communications "minimize" during the exercise period resulted in a 40-percent reduction in the normal volume.

Other steps taken by the Air Force to improve communications operations during fiscal year 1969 have been principally in the resource management area with the objective of optimizing use of available communications resources and funds. These actions have not only resulted in improved communications support in many cases but have also resulted in significant savings in communications equipment, manpower, and other operating costs in fiscal year 1969, some of which will carry over and be continued in fiscal year 1970. The major Air Force achievements are listed in the following table. All of the actions listed have been introduced into the Air Force cost reduction program reporting channels with complete documentation and have been or will be subjected to review by Air Force Auditor General personnel for validation and approval as bona fide management improvement-cost reduction actions.

Table.—Fiscal year 1969 Air Force communications management improvement

Item	*Fiscal year 1969 savings (in thousands)*
Reduction in AUTODIN terminal equipment requirements	$7,857
Improved communications spare equipment management	7,062
Substitution of improved communications equipment	1,300
Elimination of excess communications equipment	1,137
Reconfiguration of AUTOVON subscriber circuits	722
Substitution of common user switched network for dedicated network services	555
Consolidation or elimination of communications and message centers	584
Negotiated reductions in tariff rates	690
Renegotiation of technical service contracts	1,854
Manpower requirements review	5,500
Total	27,127

The fiscal year 1969 management actions in some cases have a carryover effect which will result in additional savings of $2,040,000 in fiscal year 1970. Other fiscal year 1970 savings in manpower and operating costs are anticipated from the substitution of Defense Communications System switched network support for communications services currently provided on a dedicated basis. Further improvements and savings will result from the consolidation/elimination or automation of communications centers and message centers at Air Force installations. Air Force Automated High Speed Weather Data Network will be reconfigured during fiscal year 1970 with a resulting savings of some 200 manpower spaces as well as significant savings in Government-owned and leased communications equipment. The savings for fiscal year 1970 have been incorporated in the fiscal year 1970 budget submission.

UNNECESSARY MESSAGE AND COMMUNICATIONS HANDLING CENTERS

Mr. SIKES. What is the Air Force doing to eliminate unnecessary message and communications handling centers?

Mr. COLLINS. Sir, we have just completed our initial study. We have identified the total numbers of communications centers and message centers which we operate. We have under consideration for consolidation at the present time 230 communications and message centers. During the past fiscal quarter we have eliminated 11 message centers.

The major problem here seems to be that the benefits of such consolidations may not be forthcoming in all cases without automating the consolidated facilities. We have our proposals for these automations up to the Secretary of Defense for decision.

Mr. GARRITY. You recently advised the Secretary of Defense about your program for the consolidation of communications centers and message-handling centers. Do you plan to eliminate all the unnecessary centers that are in existence at the present time?

Mr. COLLINS. Yes, sir. The whole subject of communications centers and message centers is under review with the intention of consolidation and elimination where practicable. We expect to have a better handle on the possibilities and the actions which will be required by June of this year.

LINKING OF COMMUNICATION CENTERS IN THE PENTAGON

Mr. GARRITY. Why would you link message centers and communications centers, when it is not feasible to eliminate them, with reliable or secure communications lines?

Mr. COLLINS. I am not sure I understand the question, Mr. Garrity.

Mr. GARRITY. I believe you told the Office of the Secretary of Defense that where it is not currently feasible to consolidate the communications centers and the message distribution centers, they would be linked with reliable and secure communications lines and facilities designed to provide the same services that are available in a consolidated environment.

Mr. COLLINS. I believe that referred to a proposed consolidation of communications centers and message centers within the Pentagon. Studies were made under the auspices of the Joint Staff which indicated that such consolidation was, in fact, impractical, and the same over-all effect could be achieved by linking the three facilities concerned in such manner that they would be interoperable.

At the present time, of course, they operate independently of one another. The net effect of such linkage would be very much the same as a consolidated center.

Mr. GARRITY. Does this require new equipment?

Mr. COLLINS. Probably, sir; but to what degree, I cannot say.

COMMUNICATIONS COSTS FOR AIR FORCE TECHNICAL APPLICATIONS CENTER

Mr. SIKES. In the area of intelligence and communications for the Air Force Technical Applications Center, you show that the actual cost for fiscal year 1968 was $136,000. You are planning $254,000 for fiscal year 1969, and $585,000 for fiscal 1970. This is virtually doubling each year, more than doubling in the current estimate. Why should this be the case.

General PITTS. I have Major General Philpott, the Assistant Chief of Staff for Intelligence. I would like him to answer that.

General PHILPOTT. The requirements that you are speaking about were transferred from one fund to another during the last year. These funds were carried under RDT&E, and a minor amount in Army O&M and this year they are switched over to O&M funds. It actually does not represent an increase in funding.

Mr. SIKES. Is there no increase? Is it altogether a shift of funds?

General PHILPOTT. A shift of funds.

AIR FORCE COMMUNICATIONS NETWORK

Mr. SIKES. For the Air Force Communications Network you are requesting $17,533,000 for fiscal year 1970, the same as for fiscal year 1969. Does that mean that this system has reached a level-off point and can be expected to continue at about the current level?

General PHILPOTT. I think it will continue at about the current level. Can you answer the question, Mr. Collins?

Mr. COLLINS. I think, in fact, with one exception. This particular line item includes what we know as Project 698AJ. This is a program which has been very successful and gives indication of expansion. We hope that essentially some of the offsets we will get through replacement of commercial transmission systems with Government-owned transmission systems in overseas areas will provide sufficient savings to compensate for any increase in the 698AJ program.

WORLDWIDE MILITARY COMMAND AND CONTROL SYSTEM

Mr. SIKES. For the Worldwide Military Command and Control System, you are requesting $3,049,000, a decrease of $442,000 from your 1969 level of $3,491,000.

Since the installation of this system has slipped, should there not be a larger reduction than the one indicated?

Mr. COLLINS. No, sir. This is a particular line item in the exhibit which consists of support of Headquarters, U.S. Air Force, by a number of communications systems—the Air Force Command Post Alerting Network, the Emergency Message Teletype Alerting System and the Washington switch.

The title Worldwide Military Command and Control System in the exhibit does not apply to the projected command and control system per se. These are just the communications facilities which are associated with the Headquarters U.S. Air Force command and control functions.

The reduction between 1969 and 1970 in effect represents the integration of some of the circuits from the Washington switch into the AUTOVON backbone system to provide interconnections between AUTOVON switches in the CONUS and those projected for installation overseas.

Mr. SIKES. Questions on communications?

AIR FORCE COMMUNICATIONS NETWORK

Mr. LIPSCOMB. What is the Air Force communications network?

Mr. COLLINS. This basically consists of the so-called transmission systems. It consists of the plan 55 switching systems in overseas areas which will be replaced by AUTODIN. It consists of interarea circuits, generally voice frequency circuits which are equipped so that large numbers of teletype channels are derived. These are defense communications system transmission systems.

The larger part of what we include in the AIRCOM line is essentially supporting the defense communications system in terms of transmission systems.

Mr. LIPSCOMB. How do you coordinate all of these? Do you have an interchange of people? How does everyone know what system they are on?

Mr. COLLINS. There are any number of printed documents and circuit diagrams. Of course, people in the Air Force communications service operating the system have no particular problem in this respect, sir.

COMMUNICATIONS INVOLVING EC-121 SHOOTDOWN

Mr. LIPSCOMB. Does the Air Force have anything to do with or responsibility in regard to the communications with the aircraft which was shot down by North Korea?

Mr. COLLINS. Not to my knowledge, sir.

General PITTS. Mr. Lipscomb, the warning that was given to the plane, which you probably read about, was provided by U.S. Air Force radar personnel.

Mr. LIPSCOMB. What system would be used for this warning?

General PITTS. Radar surveillance of North Korea. When they saw the fighters coming up and being vectored toward that plane, they provided the plane a warning—if you will, a Mig warning. To my knowledge, at this point, that is when the plane turned outbound away from its intended track, away from the Korean peninsula.

General PHILPOTT. Any more information than that would be classified.

(Off the record.)

Mr. LIPSCOMB. Thank you, Mr. Chairman.

Mr. SIKES. Further questions?

Mr. DAVIS. The President of the United States can go on national television and give them the information that we were able to act upon our knowledge of their radar systems. I am a little curious what is so classified here that we cannot talk about it.

Mr. SIKES. We were cautioned very specifically not to reveal the fact that we were reading their communications.

Mr. DAVIS. That is correct, but that was certainly announced to the whole country last Friday morning.

Mr. SIKES. And to the world. I presume this is something that the President himself assumed the authority to do, and you are right in alerting us to the fact that it is highly classified information.

If this additional information which you have is of sufficient significance that it would be useful to the committee in connection with questions that have been asked by Mr. Lipscomb and others, I think it would be well that we clear the room long enough for this information to be divulged. Is it of particular significance?

General PHILPOTT. I do not know that it is significant to this committee. It would be an informational type discussion. You get above secret when you discuss the details, even though some of it has been released.

Mr. SIKES. Do you want to take the time to get this information? It will take 3 or 4 minutes to clear the room of people who do not have the necessary clearance.

(Off the record.)

Mr. LIPSCOMB. That is all I have.

INTELLIGENCE ACTIVITIES

Mr. SIKES. We will now turn to "Intelligence activities." For fiscal year 1970, you are requesting $148,824,000 for intelligence activities, an increase of $7,377,000 over fiscal year 1968. Will you explain the reason for the increase?

General PHILPOTT. The increase of $7,377,000 in fiscal year 1970 over fiscal year 1969 is primarily due to—

(*a*) The net decrease of $59,000 in civilian personnel costs results from a increase in direct-hire civilian salaries to support an increase of 22 man-years at the Foreign Technology Division (FTD) with an annual average salary of $12,000 and an increased cost per man-year at the U.S. Air Force Security Service (USAFSS). The total increase of $338,000 is offset by a reduction of 53 man-years at the Aeronautical Chart and Information Center (ACIC) for $395,000 and additional minor reductions amounting to $2,000. The additional man-years for FTD were approved in order to provide resources for collecting and processing the increased requirement for knowledge of highly technical enemy weaponry.

(*b*) An increase of $2,572,000 is required for utilities and rent to support the following:

(1) A sum of $622,000 is required to support ADPE equipment rental at a classified activity. This represents a project which became operational from an R.D.T. & E. effort and therefore requires O. & M. funding.

(2) An increase of $1,298,000 in EDPE rentals is requested for ACIC; $424,000 is for continuation of the base level standardiza-

tion programs (phase II) and $873,000 for rental of a class 6 scientific and technical computer for use in a classified project.

(3) A sum of $429,000 is requested for FTD to defray the increased costs of an installed 360/50 computer and supporting peripheral equipment utilized in the intelligence data handling system (IDHS).

(4) An increase of $138,000 is requested for continuation of the base level standardization program (phase II) at USAFSS.

(5) The balance of $85,000 is requested to support various classified projects in the CREEK RIB program.

(*c*) An increase of $405,000 in communications is requested to support additive costs at the classified activity previously mentioned.

(*d*) An net increase in contractual services in the amount of $2,889,000 is requested; $3,767,000 is requested to support the classified activity previously mentioned, $375,000 is requested for USAFSS to acquire technical assistance in support of radio frequency interference suppression at a classified site and $259,000 to satisfy external assistance requirements at ACIC which were deferred in fiscal year 1969. This total of $4,401,000 is offset by savings of $1,512,000 at FTD and USAFE by performing work which was previously contracted with in-house personnel.

(*e*) The increase in supplies is primarily due for an additional requirement of $493,000 at USAFSS for magnetic tape and six part paper in support of new mission tasking assigned (Sentinel Mist, Rint, and Comfy Coat). An additional $65,000 are requested to support increased requirements at FTD, ACIC, and USAFE.

(*f*) An increase of $216,000 is requested for equipment; $136,000 of this amount is for a classified activity with the balance of $80,000 for replacement items at FTD and ACIC.

In summary, $3,925,000 of the $7,377,000 increase is primarily the result of transfer from R.D.T. & E. funding to support the requirements of the classified activity. This does not represent an increase to the total NOA but merely a transfer of funding from R.D.T. & E. to O. & M., the balance being required to support various operational elements.

Mr. SIKES. How many civilian employees does the Air Force intelligence operation now employ?

General PHILPOTT. We are requesting funds to support 7,100 civilian direct hire man-years in fiscal year 1970.

Mr. SIKES. In the backup material supplied to the committee, an increase of 331 employees is shown for intelligence activities in fiscal year 1970. In general, there has been an effort to reduce the number of civilian employees. Why should there be this increase in intelligence activities?

General PHILPOTT. May I provide that for the record?

Mr. SIKES. All right.

(The information follows:)

INCREASE IN INTELLIGENCE ACTIVITIES

The total end strength in fiscal year 1970 for intelligence activities under Project 480 reflects a decrease from fiscal year 1969 of 53 man-years. This is a net figure which includes an increase of 22 additional man-years for the foreign technology division to provide resources for collecting and processing the increased requirement for knowledge of highly technical enemy weaponry with offsetting decreases in the other intelligence programs.

IMPROVEMENTS IN AIR FORCE INTELLIGENCE

Mr. SIKES. I would like a detailed statement for the record on improvements in the Air Force intelligence operations and other improvements which are planned for fiscal year 1970.

Briefly, will you tell me what significant changes have been instituted for the better, and what additional ones are planned, but in less detail that you will provide for the record?

General PHILPOTT. In the field of personnel, we have established during the last year at the personnel center at Randolph a career management program to monitor the careers of all officers of lieutenant colonel grade and below. We have structured a better code for defining the job descriptions of intelligence personnel in the junior officer career fields. This is being used in the career guidance program.

We will have completed up to 60 percent of our management engineering standards. By the end of next year we hope to get that up to 73 percent. At that time we will reach the threshold of the difficulties of writing engineering descriptions for a job. They will be covered by engineering equations.

We have formed within my own shop over in the Pentagon this year a combat applications group to better define and to work on the doctrine and the roles and missions of intelligence for the future. We are also concentrating on air-effectiveness in SEA, and we will have a series of conferences which will start this summer, possibly in May, and go on for 6 or 9 months, we will study the entire doctrine of intelligence. We will validate all of our roles and missions and our personnel requirements as well as our request for computers. The validation will cover the national level down to the squadron level.

(The information follows:)

IMPROVEMENT IN INTELLIGENCE OPERATIONS

There have been a number of developments and management actions, initiated or completed, designed to improve present and future Air Force intelligence operations. These apply to a broad spectrum of intelligence activities to include: the personnel field; the Air Force Reserve, communications; mapping, charting and geodesy production; formulation of concepts and doctrine; electronic data processing support.

PERSONNEL

A career development branch dealing with intelligence personnel in the grade of lieutenant colonel and below has been established in the Air Force Military Personnel Center, Randolph Air Force Base, Tex. The branch chief's primary task is provision of intelligence career counseling.

The Office of the Assistant Chief of Staff, Intelligence has established a program to identify outstanding junior intelligence officers for purposes of monitoring and influencing future assignments, training, career progression and retention.

The Air Force is presently in the process of revising the Air Force specialty code 80XX to better reflect the requirements of intelligence positions. Tailored in response to improvements in intelligence production processes and the increased complexity of collection programs, the revision will permit more positive and effective utilization of intelligence officer subspecialties.

The Air Force has also established certain experience identifiers which will permit improved management of intelligence personnel by enabling resource managers to more effectively assign the right man to the right job.

The Aeronautical Chart and Information Center has instituted a program to recruit former military personnel in an effort to fill certain critical experience and skill requirements associated with mapping, charting, and geodesy production activities. As a result it has been possible to fill approximately 80 percent

of the peculiar staffing requirements with former military technical personnel having specialized skill applications, thus minimizing the need for on-the-job training.

AIR FORCE RESERVE PROGRAM

PACAF, USAFE, NORAD and DIA all have requirements for Ready Reserve personnel trained in the HUMINT field. Developing training programs and commanding reserve positions have long been a problem for the commands concerned. Since management and training responsibilities were centralized under ACS/I control there has been a threefold increase in trained Ready Reserve HUMINT personnel, from 65 in 1965 to 200 in 1968. During 1968 through March 1969 two new Reserve detachments were staffed bringing the total to eight in the United States. Centralizing the program brought efficiency, economy, effectiveness, and professionalism. A key factor was development of an unusual concept that allows reservists to train themselves with only limited supervision of an active duty cadre. This effected economy in dollars and manpower while increasing the number of available trained personnel.

COMMUNICATIONS

During the fall of 1968, Special Intelligence Communications Automatic Relay Centers were activated at Fuchu Air Station, Japan, and Pirmasens, Germany. They replaced manual relay centers at Fuchu and Lindsey Air Station, Germany. The automatic relay centers provide improved intelligence message handling capability in terms of speed and volume while saving 35 Air Force manpower spaces in Japan and 20 in Germany.

MAPPING, CHARTING, AND GEODESY PRODUCTION PROGRAM

The Aeronautical Chart and Information Center (ACIC) conducts a continuous self-evaluation to effect savings by organizational adjustments, equipment upgrading, improvements in techniques and procedures and product modifications. In 1968, ACIC received validation of $917,000 in the Air Force's cost reduction program which encompasses all these items. Goal for fiscal years 1969–70 is $2,628,000. Based on past performance this is not considered overly optimistic since ACIC has received format recognition for program management and cost reduction achievements yearly since 1966.

DOCTRINE AND CONCEPTS

During 1968 a new group was established within the substructure of the Office of the Assistant Chief of Staff, Intelligence. The group's mission is addressing intelligence doctrine and concepts, the roles and mission of intelligence in the future, the revitalization of Air Force target intelligence programs and the development of continuing dialog with Air Force field units as well as other services and agencies with a view toward improving the quality of across-the-board intelligence support. Early actions sponsored by the group have been hosting a Senior Intelligence Office Conference wherein major command intelligence chiefs identified long-term improvement goals for Air Force intelligence and establishment of a USAF air target liaison program designed to provide an interchange of ideas and methods for improving target intelligence, a most critical ingredient of force employment plans.

ELECTRONIC DATA PROCESSING SUPPORT

As part of a long-range effort to improve Air Force intelligence, the requirements study phase of a project to automate certain important functions of the ACS/I has just been completed. System development will follow Air Staff, DIA, and DOD approval of plans with system implementation visualized about fiscal year 1972. Functions to be automated, in whole or in part, include aspects of threat assessment, intelligence reporting, target planning, combat assessment, systems planning, program planning and management, HUMINT and sensor collection management, resource management, administration and security management and the implementation of disclosure policy. This system will provide the management capability inherent to the use of online computer consoles connected to a comprehensive all-source intelligence data base, including improved planning and forecasting, management followup on important action items, and

analytical approaches to estimating costs and benefits resulting from policy decisions.

AIR FORCE PERSONNEL ASSIGNED TO SOUTH AMERICA

Mr. SIKES. What is the total number of Air Force personnel assigned in South America? Do you have that readily available?

General PHILPOTT. Yes, sir. Presently assigned would be 190 assigned to the U.S. Military Group plus 33 air attaché personnel.

Mr. SIKES. I would like a breakdown by country, for the record.

General PHILPOTT. Yes, sir.

(The information follows:)

A breakdown of Air Force personnel assigned to South America follows:

Country	Officer	Enlisted	Total
Argentina	7	14	21
Bolivia	7	5	12
Brazil	13	16	29
Chile	8	4	12
Colombia	10	9	19
Dominican Republic	5	5	10
Ecuador	11	4	15
El Salvador		7	7
Guatemala	8	9	17
Honduras	3	2	5
Mexico	1		1
Nicaragua	3	6	9
Paraguay	4	5	9
Peru	9	13	22
Uruguay	7	6	13
Venezuela	10	12	22
Total	106	117	223

AIR FORCE INTELLIGENCE MISSIONS IN SOUTH AMERICA

Mr. SIKES. Can you tell me at this time how many intelligence missions the Air Force operates in Central and South America?

General PHILPOTT. Fifteen.

Mr. SIKES. Of the total number of military personnel in South America, how many are required for intelligence missions?

General PHILPOTT. Thirty-three are assigned to the Air Attaché Offices.

Mr. SIKES. What are the duties of the remainder of the personnel assigned there?

General PHILPOTT. They are in the MILG group.

Mr. SIKES. For the benefit of the uninitiated who may, hopefully, read this record, what does that mean?

General PHILPOTT. It is the U.S. military group. We will provide it for the record, sir.

(The information follows:)

Personnel assigned to U.S. military groups (MILG) perform the same functions as the military assistance advisory group (MAAG) in other countries.

CONTRACTUAL SERVICES FOR INTELLIGENCE

Mr. SIKES. On page 87 of the budget justification there is a request for $33,267,000 for fiscal year 1970 for "Other contractual services," an increase of $2,872,000 over the planned level for fiscal year 1969. What type of contractual services are we talking about?

General PHILPOTT. They are primarily for the Foreign Technology Division Aeronautical Chart and Information Center and a classified activity. Most of them get into classified projects. I could give you——

Mr. SIKES. Provide details for the record.

(The information was provided to the committee and is classified.)

Mr. SIKES. Why are increased costs involved for fiscal year 1970?

General PHILPOTT. $3.8 million of that is a transfer from R.D.T. & E. to O. & M., $375,000 of the increase is for the Air Force security service and $259,000 for the Aeronautical Chart and Information Center.

Mr. SIKES. Provide further details for the record.

(The information follows:)

A net increase of $2,889,000 is requested in contractual services to support the following:

(*a*) $3,767,000 represents a transfer of funding from R.D.T. & E. in 1969 to O. & M. funding for 1970 for a classified activity.

(*b*) $375,000 is requested to acquire technical assistance in support study of radio frequency suppression at San Vito AFS, Italy.

(*c*) An additional $259,000 is requested to accommodate contracts for compilation and negative engraving services to support production of aeronautical charts and cartographic programs which were deferred in fiscal year 1969 due to shortage of funds.

(*d*) The above total of $4,401,000 is offset by savings of $1,512,000 at Foreign Technology Division and USAFE (CREEK RIB) by performing work previously done by contract with in-house military personnel. To accommodate this workload, additional military manpower spaces were authorized these two activities in fiscal year 1970.

Mr. SIKES. Questions on intelligence activities?

STANDARDS FOR INTELLIGENCE POSITIONS

Mr. LIPSCOMB. General, did you intend to discuss the standards for intelligence positions that we covered last year in your comments?

General PHILPOTT. I can discuss them. I think General Boylan has provided a brief resume.

Mr. LIPSCOMB. You mentioned something that was 73 percent complete. Were you discussing intelligence standards?

General PHILPOTT. Yes, sir; I did not mean to say 73 percent right now. We will reach 73 percent.

Mr. LIPSCOMB. Where are you on it now? Last year you testified that the commands were given until June 30, 1968, to develop and report. Then you said when the commands had finished their standards we will assemble them and see whether it is possible to come up with some general standards which will apply across the Air Force.

Did they submit their reports by June 30, 1968?

General PHILPOTT. Currently we have approximately 14,800——

Mr. LIPSCOMB. Excuse me. On these reports, did they finish them on June 30, 1968?

General PHILPOTT. I do not know that they were finished on the exact date.

Mr. LIPSCOMB. But they have all been completed now?

General PHILPOTT. No, sir.

Mr. LIPSCOMB. You mean all the commands have not reported yet?

General PHILPOTT. The program is an ongoing program which will have, in the year 1970, 4,188 more spaces. So, at the end of December 1970, we should reach 73 percent.

Mr. LIPSCOMB. We were talking about improvements, and last year we were very much concerned about the intelligence community as a whole. Last year you said the Air Force was not sure of the ultimate impact of these standards for intelligence positions. "However, in January 1967, all of the commands were directed to develop management engineering standards for 12 separate intelligence classifications. The commands were given until June 30, 1968, to develop these. When the commands have finished their standards, we will assemble them and see whether it is possible to come up with some general standards which will apply across the Air Force."

Now bring us up to date just on that particular section. Did the commands finish their work? Apparently not on June 30. And where do you stand now in assembling the separate reports on standards and establishing some general standards?

General, having heard the testimony last year, it stands to reason that we would like to know what progress has been made. One of the problems in the intelligence field, as we pinpointed last year, is standards for intelligence positions.

General PHILPOTT. We are at 60 percent of completion of the program.

Mr. LIPSCOMB. Which program is this, now?

General PHILPOTT. For the management standards. Sixty percent complete in the Air Force. The program calls for 13 percent more to be completed by the end of 1970. At that time we will have reached the threshold where it becomes difficult to write standards for personnel.

For those personnel who will not fall under the management standards, we will write engineering equations.

The program should be very near completion by the end of 1970.

Mr. LIPSCOMB. So, from last year when we discussed this, to this time, you have completed 50 percent of the job of developing standards for intelligence positions. Is that what that means?

General PHILPOTT. Yes, sir.

Mr. LIPSCOMB. Could you tell us what positions are included in this 50 percent?

General PHILPOTT. May I provide that for the record?

Mr. LIPSCOMB. Yes, sir.

(The information follows:)

POSITIONS INCLUDED IN COMPLETED DEVELOPMENT STANDARDS

Positions included in completed development standards discussed last year were primarily in the functional areas of communications intelligence, electronics intelligence, transmission security, and electronics security.

Mr. LIPSCOMB. Is it possible, for the record, to indicate the positions that you will come up with at 60 percent, and what you anticipate for 73 percent?

General PHILPOTT. Yes.

(The information follows:)

The 60 percent figure will include the functional areas of (1) communications intelligence, (2) electronics intelligence, (3) transmission security, (4) electronics security, (5) combat intelligence, (6) photo/radar intelligence, (7) intelligence collection, (8) estimates, (9) indications, and (10) intelligence data handling systems (IDHS), while the 73 percent figure will include those functions addressed above plus intelligence elements of reconnaissance technical squadrons, bombardment wings, and the Foreign Technology Division (FTD).

The only exclusion being Headquarters U.S. Air Force and its field extensions. The development of manpower determinants for this area would not be economically feasible.

DELAY IN DEVELOPING INTELLIGENCE STANDARDS

Mr. LIPSCOMB. Why does it take so long? I would suspect that these last ones are your very technical positions. Am I right?

General PHILPOTT. That is correct. As to why it is taking so long, I cannot give you a good reason for that right now, except that the program was set up to be completed by 1970.

Mr. LIPSCOMB. As far as the Air Force is concerned, has there been any joint discussions or meetings between the three branches of the service since last year when we expressed such concern in our report on intelligence activities?

General PHILPOTT. I know of no discussion triservice.

Mr. LIPSCOMB. Was there at any time after the hearings last year any direction given by the then Secretary of Defense that came to the attention of the intelligence officers of the Air Force for changes or improvements?

General PHILPOTT. After the hearings last year, the program was reviewed and emphasis was placed on writing good job standards for intelligence. The program is progressing, and we expect to have it completed in 1970.

Mr. LIPSCOMB. But was there any other direction or action taken, through orders of the Secretary of Defense or through orders of the Air Force?

General PHILPOTT. I do not recall any, but may I provide that for the record?

(The information follows:)

Research with respect to direction or instructions concerning improvement in intelligence operations on the part of the Secretary of Defense indicates that the Air Force has received no specific guidance. OSD is currently circulating a revised edition of DOD Directive 5105.21 which is DIA's basic charter and which if revised as recommended by JCS and the services will better delineate roles and responsibilities thereby generally improve intelligence management.

IMPROVEMENTS IN AIR FORCE INTELLIGENCE OPERATION

Mr. LIPSCOMB. Can you tell us of any improvement or gains that the Air Force has made in the area of intelligence over the past year? You are fully aware that the committee had much concern last year.

General PHILPOTT. Yes, sir.

Mr. LIPSCOMB. Can you give the committee any testimony that will assure us this year that the intelligence community has done something—at least as far as the Air Force is concerned? Last year's committee report was very specific about intelligence activities. Of course, it was directed primarily at the Defense Intelligence Agency, but the Air Force was included.

General PHILPOTT. I do not think we did a bad job last year, and I think we have done a good job this year in all of the major projects that were undertaken by the Air Force. We have made important studies of some very difficult subjects by the Foreign Technology Division. For example, many of these have been made available for national level decisionmakers. We are responsible for significant portions of the

Soviet weapons systems. We have done some very good and promising work in stating the capabilities of these particular weapon systems, especially with respect to time of employment, and this information has been used by decisionmakers in developing long-range programs for the country.

We have made significant improvements in our collection capability in Southeast Asia. ——— in the form of secondary explosions, fires, trucks damaged and destroyed, document the fact that our intelligence is far superior this year to what it was last year.

I think we have even exceeded some of our expectations in estimating how good we really were concerning the impact of the enemy. I think air effectiveness has been far more successful than we anticipated, and I am sure this will be brought out as time goes on.

I think we have been moving along on all fronts in intelligence. We have been trying to energize all of our young officers. We have been encouraging them to make the Air Force a career. We single out promising young lieutenants and captains and move them into positions where their careers can be broadened tremendously during their early years. We even use young captains to brief General McConnell once a week.

In the highly technical part of intelligence, I think we in the Air Force have done a tremendous job. It may not be well advertised. To understand our contribution you really have to get into the classified levels. We can demonstrate very clearly our contribution at the national level. I am actually proud of the job we have been doing.

We can improve. I expect to improve intelligence. I expect to move it on within the next 2 years. Certainly, management standards will be one of the subjects that I will be pushing and when I come over next year you will be more satisfied with the report that I will give.

Mr. LIPSCOMB. That was an excellent statement. Thank you.

Mr. SIKES. General, we have had some outstanding testimony from comparatively junior officers before this committee from time to time, and I think they should be given an opportunity to show what they can do. It broadens their horizons. Many of them are highly expert beyond their rank and years.

LIST OF INTELLIGENCE SERVICE CONTRACTS

Will you provide for the record a list of service contracts? I would like the committee staff given a list immediately, or as soon as possible, of the intelligence contracts, and a list to be provided for the record in the orderly way.

(The information was provided to the committee and is classified.)

AIRCRAFT WITHDRAWN FROM STORAGE

Mr. LIPSCOMB. Mr. Chairman, this is not on intelligence but on another matter.

Last year the committee was informed that 644 aircraft of various types had been withdrawn from storage in the period from fiscal year 1965 to April 29, 1968. There is a table in last year's hearings, part IV, page 969.

In the past year, have additional aircraft been taken from storage and put back into the active inventory? If so, which types of aircraft? Could you update the table on page 969 of last year's hearings?

General PITTS. Yes, sir, we will.

Mr. LIPSCOMB. If you have any information now, it would be helpful.

General BOYLAN. The only information I have is in the aggregate over those years. If I may, I will submit a statement for the record on that.

(The information follows:)

AIRCRAFT WITHDRAWN FROM STORAGE

Since fiscal year 1965 through the period ending 20 April 1969, the U.S. Air Force withdrew 743 aircraft from storage to put back into the active inventory.

Type and numbers of aircraft are as follows:

Bomber/bomber reconnaissance:	
Model/design:	
B-52	6
B-47	16
B-50	1
B-66	35
B-57	9
Total	67
Tactical fighter: A-1	15
Fighter interceptor: F-104	5
Tactical fighter/reconnaissance: F-101	3
Transports:	
C-46	17
C-47	138
C-54	29
C-119	18
EC-121	32
C-130	1
Total	235
Trainers:	
T-28	143
T-33	172
Total	315
Miscellaneous:	
H-19	44
H-21	1
HU-16	5
U-3	22
U-6	31
Total	103
Grand total	743

JOINT CONTINENTAL DEFENSE SYSTEM INTEGRATION PLANNING STAFF

Mr. SIKES. Last year we had some questions on the subject of the joint continental defense system integration planning staff, which at that time was under JCS. The committee now has a report of reprograming action which would transfer this activity to the Air Force.

At the time the committee studied the matter last year, there was some question about the essentiality of the program, and I do not think we were particularly pleased or impressed with the responses.

Why has this group been transferred to the Air Force, and what do you expect to accomplish with this program at a cost of $400,000 of the taxpayers' money?

Mr. ALBERT N. RHODES. It was transferred to the Air Force for funding responsibility.

Mr. SIKES. Did you ask for it?

Mr. ALBERT N. RHODES. We agreed to act as executive agent for the program, sir.

Mr. SIKES. Were you looking for business?

Mr. ALBERT N. RHODES. No, sir. It was determined that the funding responsibility should be assigned to one service, and the Air Force was selected. It is still a joint effort, with all services participating.

Originally, the Joint Staff was going to manage this, with the services participating. I am not familiar with all the details that went behind the decision. We can supply this for the record. It was finally determined by the Secretary of Defense to transfer the funding responsibility to the Air Force.

Mr. SIKES. Do you know anything that this staff has accomplished to date?

Mr. ALBERT N. RHODES. No, sir; I am not that familiar with the program.

Mr. SIKES. Do you know what they are hoping to accomplish in the future under Air Force auspices?

Mr. ALBERT N. RHODES. No, sir.

Mr. SIKES. That could be taken as an indication that there is no more justification for it than the committee was able to find last year.

Mr. ALBERT N. RHODES. Mr. Chairman, there is quite a bit of justification behind this. I am sorry we do not have somebody with us who is qualified to respond.

Mr. SIKES. I know it is difficult for you to try to answer for a program when you do not have expert witnesses accompanying you.

Will you obtain for the record additional information to supplement your own answers to the questions?

Mr. ALBERT N. RHODES. Yes, sir; I will.

(The information follows:)

JOINT CONTINENTAL DEFENSE SYSTEM—INTEGRATION PLANNING STAFF

The joint continental defense systems integration planning staff (JSIPS) is a separate planning staff responsible to the Joint Chiefs of Staff, but established outside the Organization of the Joint Chiefs of Staff. The Director is appointed by the Joint Chiefs of Staff and is responsible to them under the supervision of the Director, Joint Staff. All tasking of or reporting by the JSIPS is through the Joint Chiefs of Staff.

The Department of the Air Force, as executive agent for the Joint Chiefs of Staff, provides administrative and logistic support of the JSIPS, but otherwise does not influence the substantive activity of JSIPS.

The joint table of distribution (JTD) for military and civilian personnel became effective May 29, 1968. A majority of the manpower spaces was filled in the second and third quarters, fiscal year 1969. Funding for the JSIPS was approved October 18, 1968.

The JSIPS has completed or is conducting a number of major studies in accomplishing its mission of assisting the Joint Chiefs of Staff in planning for the effective integration of defensive systems which contribute to continental aerospace defense. These studies include such tasks as determining whether a certain system for tactical warning of missile attack should be expanded; the feasibility and implications of concepts for different configurations of command and control components of a defensive system; whether an existing radar sensor could be replaced by the radar of another system to be deployed in the same general area; whether a certain Air Force weapon system could be phased out as a result of deployment of another defensive system; and an examination of continental aerospace defense weapon and sensor systems management.

Additionally, the JSIPS is monitoring and coordinating a number of tasks assigned by the Joint Chiefs of Staff to the services, unified and specified commands, and other DOD agencies. These task assignments concern interfaces between continental defensive and offensive systems. JSIPS is fostering coordination of these actions with the aim of optimizing mutual support between ballistic missile defenses and offensive weapons systems based in the United States. JSIPS is also monitoring other continental U.S. aerospace defense systems to identify potential system integration problems and recommend actions to minimize interference, eliminate undesirable duplication, and achieve effective, integrated employment.

Mr. SIKES. This afternoon at 2 o'clock we will take up the working capital fund and industrial fund.

General Pitts, it will not be necessary for you to bring witnesses other than for those programs.

General PITTS. All right, sir.

Mr. SIKES. Thank you, gentlemen.

THURSDAY, APRIL 24, 1969.

AFTERNOON SESSION

WORKING CAPITAL FUNDS

WITNESSES

BRIG. GEN. WILLIAM F. PITTS, DIRECTOR OF BUDGET, COMPTROLLER OF THE AIR FORCE
HERBERT SUFIT, CHIEF, WORKING CAPITAL FUNDS BRANCH, AIRCRAFT AND LOGISTICS DIVISION, DIRECTORATE OF BUDGET

Mr. SIKES. The committee will come to order. The committee is ready to consider the operations of the Air Force working capital funds.

These are the Air Force stock fund and industrial fund. Are you to make the statement on this program, General Pitts?

General PITTS. I will make the statement, sir, and I have expert witnesses for the various technical areas.

Mr. SIKES. Very well. Proceed.

GENERAL STATEMENT

General PITTS. Mr. Chairman and members of the committee. I shall review briefly the planned operations of the Air Force stock and industrial funds for fiscal year 1970. First, the Air Force stock fund.

AIR FORCE STOCK FUND

The Air Force uses this revolving fund concept of financing wherever this method is the most practical, efficient, and economical means of insuring highly responsible and effective logistic support in accordance with DOD-wide policy guidance. The Air Force stock fund finances the procurement of individual clothing; subsistence and groceries; aviation, missile, and related fuel; the Academy cadet's personal and school supplies; medical and dental material; all other base funded expense items; and all expense items centrally procured

through the Air Force Logistics Command depots. This represents a significant expansion of our stock fund coverage in fiscal year 1969 in connection with a Department of Defensewide decision to include all expense items. I will now highlight the basic principles underlying stock fund operations.

PROGRAM REQUIREMENTS

Meeting our customers requirements sets the level of the sales program. For example, the number of flying hours in the Air Force program is the key factor in setting the level of operations in the aviation fuels category of the stock fund. The hours flown by each aircraft, multiplied by the consumption rate for that aircraft, determine the amount of fuel required for that aircraft. Total fuel required multiplied by the "standard price" gives the dollar value of sales. Prices are set to recover only the replacement cost of the item, plus transportation and recoverable losses, with a "break-even" objective.

Using sales requirements, inventory positions are determined to assure satisfactory logistical support for normal peacetime operations with consideration given to wartime requirements. Here, we have to be careful that we do not reduce operating inventories to levels that make it impossible to meet emergency requirmeents. To avoid this, we establish a war readiness materiel (WRM) requirement, based on stocks needed to support approved war plans, which in the aviation fuels area, for example, is $138 million for end fiscal year 1970.

CASH REQUIREMENTS

The fluctuation in inventory levels, both operating and WRM, attributable to changing requirements and expanded scope of operations, is the major factor in the ability of the stock fund to provide cash for transfer to other appropriations to offset NOA requirements. Section 538 of Public Law 90-580 (fiscal year 1969 DOD Appropriation Act) minimizes the amount of cash requirements in that it is only necessary to have cash on hand to meet the disbursements. This has resulted in excess cash in the stock fund. A transfer of $30 million to the Marine Corps stock fund was accomplished in fiscal year 1968. Additional transfers of $525 million and $300 million to aircraft procurement, Air Force are proposed for fiscal year 1969 and fiscal year 1970. This cash will be generated by capitalization of material paid for by the previously procuring appropriations. Our remaining cash investment will be adequate to support programed activity.

AREAS OF ACTIVITY

Now, looking at the individual divisions. First, the clothing store division. Uniform clothing items are sold directly to military personnel on a cash basis. Initial sales at the time of enlistment are charged against a credit established on the enlistee's pay record. Subsequently, each airman receives a cash monthly maintenance allowance for replacement and maintenance and individually procures whatever replacement items he needs. Revenue in fiscal year 1970 is estimated at $57 million and total inventory at $14 million. Considering operating

stocks of $12 million, this is a turnover rate of almost 5, which, because of the required backup sizes, is quite satisfactory.

In the commissary division, we developed the first inventory and capital control system, which has enabled us to operate under a waiver from apportionment and substitute more flexible, yet positive controls on inventory and capital to make this a true revolving fund responsive to changing consumer requirements. Food sales are of two types—troop feeding on a charge basis against the military personnel appropriation, and purchases by authorized customers from commissary stores on a cash basis. Total revenue in fiscal year 1970 is estimated at $818 million and total inventory at $69 million. Based on operating stocks of $57 million, the turnover exceeds 14.

Next, the fuels division. This consists of aviation and missile fuels and related items. Aviation fuel is issued to aircraft on a charge basis against the appropriation funding their operating cost. Missile fuels covers propellants and related items for missile and other rocket launches. Total divisional income in fiscal year 1970 is estimated at $1.3 billion and total inventory at $263 million. With operating stocks of $79 million, this reflects a turnover rate of 16. As I mentioned earlier, over half of the stocks in this category are in war readiness materiel.

In the Air Force Academy cadet store division, clothing, school supplies, and personal items are sold to the cadets on both a charge basis against their pay account and for cash. Revenue in fiscal year 1970 is estimated at $3 million and end-year inventory at $2 million. The resultant turnover rate of 3, based on operating stocks of $1 million, is lower than in most other areas, and reflects the inventory backup required at the end of the year to meet size demands in all of the cadet distinctive and other clothing items.

The medical-dental division supports issue, inventory, and lead-time requirements for the Air Force medical program. Sales are made primarily to Air Force medical facilities on a charge basis, with reimbursement to the fund primarily from the operating appropriations. Income in fiscal year 1970 is estimated at $56 million and inventory at $44 million. The bulk of this inventory is WRM, however, and considering operating stocks of $9 million, the annual turnover rate is over 6.

The general support division finances all base procured items not included in another stock fund division, such as office supplies and equipment, housekeeping supplies, et cetera. Sales are made from base supply outlets to base customers, and charged against the customers' accounts. Sales are estimated at $697 million in fiscal year 1970, and inventory at $286 million. Operating stocks will constitute $106 million, so the resultant turnover rate is almost 7.

Finally, the systems support division, which finances inventory requirements for expense items procured and distributed through the Air Force depot system. These include aircraft, missile, vehicular, communications, and electronics repair parts. These items are stocked not only at depot level, but at individual base supply outlets and are charged against base customers funds at time of issue for consumption. Revenue in fiscal year 1970 is estimated at $949 million and inventory at $1.7 billion. Considering operating stocks of $990 million, the turn-

over is slightly under 1 and reflects the complexity and magnitude of the number and types of items included.

PLANNED OPERATIONS

Tables (I, II) to show actual and planned status and operations are presented below:

TABLE I.—AIR FORCE STOCK FUND SALES, INVENTORY, AND PROCUREMENT

[In millions of dollars]

	Fiscal year 1968 actual	Fiscal year 1969 estimate	Fiscal year 1970 estimate
Total sales	1,924.4	3,503.0	3,864.3
Total inventories	365.1	2,282.2	2,386.3
Total procurement	2,065.1	3,349.6	3,592.4

TABLE II.—DEPARTMENT OF THE AIR FORCE—AIR FORCE STOCK FUND, STATEMENT OF FINANCIAL CONDITION

[In millions of dollars]

	June 30, 1968, actual	June 30, 1969, estimate	June 30, 1970, estimate
Assets:			
Cash with Treasury	39.8	162.8	161.8
Accounts receivable	147.2	269.7	296.8
Inventories:			
Operating	159.4	1,190.2	1,253.8
War readiness	141.5	186.6	175.5
Authorized retention	3.3	518.9	517.8
Other retention	4.7	178.1	213.8
In transit and other	56.2	208.4	225.4
Total inventories	365.1	2,282.2	2,386.3
Other assets	7.1	9.4	9.6
Total assets	559.2	2,724.1	2,854.5
Liabilities:			
Accounts payable	180.5	292.9	365.2
Other liabilities	1.3	1.2	1.2
Total liabilities	181.8	294.1	366.4
Government investment:			
Cash authorization	−2.0	−527.0	−827.0
Capitalized inventories	574.7	2,769.5	3,068.6
Operating results	−195.3	187.5	246.5
Total Government investment	377.4	2,430.0	2,488.1
Total liabilities and Government investment	559.2	2,724.1	2,854.5

As indicated in table I, the increase in sales from $1.9 billion to $3.9 billion results primarily from the inclusion of additional items in the fund, particularly in the general support and systems support divisions. The inventory increase from $0.4 billion to $2.4 billion results from the same factor, with the significant increase in the depot inventories in systems support. Our procurement, or obligational, program increases from $2.1 billion to $3.6 billion; this net increase is less than the sales increase, since we are reflecting utilization of available inventories.

Our assets increase from $559 million to $2.9 billion, primarily because of inventory increases resulting from capitalization of additional stocks. Liabilities increase from $182 million to $366 million, reflecting

a higher level of procurement to satisfy the increased sales and inventory requirements. Government investment increases from $377 million to $2.5 billion, reflecting the additional capitalization, partially offset by cash transfers out. The operating deficit at June 30, 1968, reflected downward revisions of prices of stocks initially capitalized and losses sustained in disposal of excess stocks during the early years of stock fund operation. The operating gains estimated for June 30, 1969, and 1970, are based primarily on returns of stocks from customers, in conjunction with the extension of stock fund coverage.

Now that we have included all expense items in the stock fund, we are achieving much greater visibility of our inventory transactions and status and we are confident that this information will result in more efficient and economical management.

Air Force Industrial Fund

I will now address the Air Force industrial fund. This fund is used to finance operations of industrial-type or commercial-type Air Force activities. We are not requesting new obligational authority because the fund is reimbursed for services or products furnished from various appropriations of the Department of Defense and other Government agencies and in some authorized instances by individuals or other nongovernmental sources.

The Secretary of Defense is authorized by 10 U.S.C. 2208 to designate for financing under the appropriate departmental industrial fund any industrial-type or commercial-type activity providing goods or services within or among departments and agencies of the Department of Defense. Cash working capital is provided each activity in sufficient amounts to pay operating expenses as they come due until reimbursements begin to be received on a cyclical basis from customers for goods or services furnished. Each activity is reimbursed for costs incurred in providing services ordered by and rendered to authorized customers. Development of the budget estimate and operating program is based upon users' stated requirements. The objective is to operate on a break-even basis. Predetermined rates or standard prices are used to recover from customers or users all authorized expenses incurred in providing requested services. Expenses authorized by the Secretary of Defense generally include civilian pay and allowances, supplies and materials, maintenance of plant and equipment, and other operating costs associated with the production of end items or services. The costs of plant and equipment usually are not authorized industrial fund expenses.

Activities being financed

In fiscal year 1970 this fund will be used to finance nine printing and duplicating plants, 34 laundry and dry cleaning plants, the worldwide MAC airlift system, the Alaska Communication System, depot maintenance at the five air materiel areas, and Newark Air Station, and the Arnold Engineering Development Center. The Alaska Communication System was industrialized on October 1, 1967, and the latter two activities began operations under this fund on July 1, 1968. With the addition of these activities the level of business has increased more

than $1.5 billion from $1.1 billion. Because MAC was able to speed up significantly collections for airlift service rendered to the Army and Navy, we were able to industrialize these new activities without requesting additional cash appropriations. This was possible because, as in the stock fund, section 538 of Public Law 90–580 (the fiscal year 1969 DOD Appropriation Act) reduced markedly the amount of cash which the Air Force industrial fund needs to have on hand at all times.

AREAS OF ACTIVITY

Now, let me discuss each of the activities. Printing and duplicating plants provide area support for the Air Force and other military agencies. Sales in fiscal year 1970 are expected to total $12.9 million. A large percentage of the effort of these plants is in the production of 2.3 billion printing units. A printing unit is one 8 inch by 10½ inch sheet of paper printed on one side in one color.

The laundry and dry cleaning plants provide area support for hospitals, organizations, officers, and NCO clubs, and other Department of Defense agencies for military personnel. In fiscal year 1970 sales will amount to $7.7 million, of which 43 percent is for individuals. Total production will be 97 million pieces of laundry and dry cleaning.

Next, the MAC Airlift Service. As directed by the Secretary of Defense, the Airlift Service provides air transportation between the United States and overseas areas for all agencies of the Department of Defense and for other authorized agencies of the U.S. Government. One of the principle functions assigned to MAC is that of maintaining and operating a military airlift system designed to maintain an adequate emergency readiness position. This function is the key to the MAC mission of providing airlift services required by the Department of Defense under all conditions.

To insure the capability to accelerate immediately to flying rates necessary to perform emergency/wartime missions, the entire military airlift system must be operated and exercised at a rate which will provide adequate training and realistic operational experience in all phases of airlift. This includes terminal resources command and control communications, maintenance facilities and equipment and management systems as well as aircraft, aircrews, maintenance personnel, and aircraft spares. The maintenance of high level of training and readiness produces an airlift capability which, in the interest of economy, should be used to minimize DOD airlift and logistic costs.

The role of the commercial air carriers, in support of defense needs, is to replace strategic airlift capability in the routine, nonhazardous operations when the military force is performing its basic airlift mission in emergency/wartime conditions or participating in exercises and tactical training in nonemergency periods. We have been successful in obtaining air carrier participation in the Civil Reserve Air Fleet (CRAF) program with modern aircraft, and there has been no indication this will change in the future. By legislative direction and DOD policy, commercial airlift must be used for the movement of DOD passengers and mail, except to locations where use of U.S. air carriers is impractical.

Users stated airlift requirements are for 1.7 billion passenger ton-miles, 4 billion cargo ton-miles and 1.6 billion special assignment airlift ton-miles. To satisfy these requirements will require augmentation of the MAC military airlift fleet with $525 million of commercial airlift. The total level of business for this activity in fiscal year 1970 will be $1 billion—45.9 percent Army, 16.6 percent Navy, 36.5 percent Air Force, and 1 percent non-DOD.

The next activity is the Alaska Communication System which operates very much like a municipal public utility, providing long-line telephone and telegraph service within Alaska and between Alaska and the world. Services include both inter and intrastate telephone and telegraph, data communication facilities, marine and "bush" radio communications, and press service in support of radio and television broadcast stations. These services are provided over ACS owned facilities as well as shared defense related facilities such as the White Alice system and the DEW line. The latter facilities were constructed to carry primarily defense information, but were provided with overbuild capacity allowing commercial message traffic to pass over nondedicated circuits from remote parts of the State to the four major toll stations constituting the heart of the ACS, and thence to all parts of the world. It should be emphasized that ACS is primarily a long-lines carrier. Local telephone services are provided mostly by private and municipally owned companies which tie into the ACS. Billing to customers is usually done by the local company which remits long distance revenues to the ACS.

The general public of Alaska accounts for 96 percent of the service provided by the ACS. Government business represents 4 percent of the total of these services showing decreases from prior years in both revenue and messages. Most of this government business is handled through private line service. Total revenue in fiscal year 1970 will be $23.7 million.

In accordance with the provisions of Public Law 90–135, we have requested interested bidders to provide proposals for purchase of the ACS. Six proposals have been received and sale is expected to occur by July 1, 1970.

The depot maintenance activity commenced operations under the Air Force industrial fund July 1, 1968. The Commander, Air Force Logistics Command is responsible for management supervision of the depot maintenance program. This activity includes all organic and contract depot maintenance for aircraft repair and modification, missile repair and modification, engine overhaul, overhaul of exchangeable items, area support, local manufacture, base tenant support, and other major item repair and modification.

Organic depot maintenance is accomplished at the following installations: (1) Ogden Air Materiel; (2) Oklahoma City Air Materiel Area; (3) Sacramento Air Materiel Area; (4) San Antonio Air Materiel Area; (5) Warner Robins Air Materiel Area; and (6) Newark Air Force Station. These facilities are workloaded to their maximum capability by priority of work to be accomplished. All other requirements are placed on contract. Revenue in fiscal year 1970 will total $1.5 billion—45.5 percent in-house and 54.5 percent by contract. Maintenance is provided primarily for Air Force with financing from Airlift Service, Air National Guard, and operation and maintenance.

Last, the Arnold Engineering Development Center. This activity began operations under the Air Force industrial fund on July 1, 1968. Under management and control of the Air Force Systems Command, this activity, located at the Arnold AFS, Tullahoma, Tenn., provides engineering development testing at simulated environmental conditions for test articles in various stages of development where proof of theory, performance, and preflight qualifications are required to assure mission accomplishment. Testing services are provided for the Department of the Air Force, other agencies of the Department of Defense, other Government agencies, and others as authorized by law.

The test and supporting facilities are managed, operated and maintained under a cost plus incentive fee contract with ARO, Inc., employing 3,700 people. The commander, Arnold Engineering Development Center, has a small in-house staff to accomplish overall planning, programing, budgeting and administration of the ARO, Inc. contract. Objective test data is obtained from each test facility and is used as a basis for contracting, configuration, design and material decisions and failure analysis of new weapon systems. Total sales in fiscal year 1970 will be $50.9 million—86 percent Air Force weapons system managers, 10 percent NASA, and 4 percent other Government agencies.

Table III, which follows, compares Air Force industrial fund operations for the 3 fiscal years shown.

TABLE III.—DEPARTMENT OF THE AIR FORCE

AIR FORCE INDUSTRIAL FUND—STATEMENT OF REVENUE AND EXPENSE

[In thousands]

	Fiscal year 1968, actual	Fiscal year 1969, estimate	Fiscal year 1970, estimate
REVENUE			
Printing and duplicating	$11,821	$12,721	$12,914
Laundry and dry cleaning	71,175	7,467	7,669
Airlift	1,094,086	1,037,027	1,016,162
Alaska Communication System	21,179	21,734	23,688
Depot maintenance		1,357,607	1,474,189
Arnold Engineering Development Center		52,045	50,855
Total earned revenue	1,134,261	2,488,601	2,585,477
EXPENSE			
Materials, supplies, and parts used	217,208	705,442	740,599
Salaries and wages	57,438	480,114	478,655
Contractual services	804,539	1,330,644	1,329,193
Other costs	34,220	69,046	66,681
Less costs of items manufactured	−652	−1,011	
Costs incurred for customers	1,112,754	2,584,235	2,615,128
Increase in work in process	−21	−79,640	−21,695
Costs of goods and services produced	1,112,732	2,504,595	2,593,433
Net operating results	21,529	−15,994	−7,956
Prior year adjustments	4,469		
Adjusted operating results	25,998	−15,994	−7,956
Operating results beginning of year	31,517	57,515	41,521
Accumulated operating results	57,515	41,521	33,565

Note: Table IV which follows shows the financial status of the Air Force industrial fund on the last day of the past fiscal year and the status anticipated for both fiscal years 1969 and 1970. The additional activities discussed previously account for the increase in the fiscal years 1969 and 1970.

TABLE IV.—DEPARTMENT OF THE AIR FORCE

AIR FORCE INDUSTRIAL FUND—STATEMENT OF FINANCIAL CONDITION

[In thousands]

	June 30, 1968, actual	June 30, 1969, estimate	June 30, 1970, estimate
ASSETS			
Cash with Treasury	$59,524	$103,224	$97,424
Accounts receivable	201,883	160,880	143,683
Inventories:			
Work in process	359	79,999	101,694
Less progress payment collections		−20,773	−19,299
Materials and supplies	2,474	45,535	45,538
Advances	186	341	341
Capital property, net	19,066	18,386	19,280
Commercial airlift of military mail	11,065	9,300	9,000
Total assets	294,557	396,891	397,661
LIABILITIES			
Current liabilities	$127,027	$244,943	$254,697
Reserve for major maintenance and repair	12,251	1,688	971
TMO principal payable	8	8	8
Undistributed cash items	−2,614	−2,637	−2,649
Commercial airlift of military mail	11,065	9,300	9,000
Total liabilities	147,738	253,302	262,027
GOVERNMENT INVESTMENT			
Cash authorization	71,000	71,000	71,000
Assets capitalized	22,150	65,199	65,199
Liability for accrued leave	−3,846	−34,132	−34,132
Retained earnings	57,515	41,521	33,565
Total Government investment	146,820	143,588	135,632
Total liabilities and Government investment	294,557	396,891	397,661

Mr. Chairman, I believe that the use of these funds has given us an opportunity to improve the visibility of financial operations. By the application of proven business type accounting methods we achieve full disclosure of operating results.

Mr. Chairman, this concludes my presentation.

Mr. SIKES. Thank you very much, General.

TRANSFER OF STOCK FUND CASH TO AIRCRAFT PROCUREMENT APPROPRIATION

General, on page 1 you mention the transfer of $525 million in fiscal 1969 to the "Aircraft procurement" appropriation. When this was proposed last year we had a discussion concerning the ability of the Air Force to meet this requirement. You now say that this is still proposed for fiscal 1969. Is there any indication the transfer will actually take place during this fiscal year?

General PITTS. Yes, sir. As of today we have transferred $278 million to the "Aircraft procurement" appropriation. In the next week to 10 days we will transfer another $100 million and by June 30, 1969, although it will be a little bit tight, we anticipate that we will meet the $525 million transfer.

Mr. SIKES. Your estimated sales for fiscal 1969 decreased by approximately $101 million below the original estimate for fiscal 1969. That would indicate to the committee some difficulty in obtaining the $525 million. Am I wrong?

General PITTS. We do not anticipate any difficulty, sir. I will ask Mr. Sufit to expand on that answer, if I might.

Mr. SIKES. All right.

Mr. SUFIT. Sir, with the reduction of sales, while it would lessen the flow of cash into our program, we also lessen our requirement to go out and buy; therefore reducing our requirements. So there is a direct relationship between the sales and our program to obligate.

Mr. SIKES. You, too, foresee no insurmountable difficulty in obtaining the $525 million?

Mr. SUFIT. No, sir. As General Pitts pointed out, we have gone on an orderly procedure to transfer cash receipts as they develop in the fund. Each month we examine our position and, as General Pitts pointed out, we should be in a position to transfer another $100 million within a week to 10 days.

Mr. SIKES. In 1970 you propose transferring $300 million to "Aircraft procurement," Air Force, appropriaion. You are projecting increases in sales of $361.3 million in 1970. Do you believe this increase in sales from which cash will be transferred is realistic? Bear in mind the projected sales have not materialized over the last couple of years as originally projected. Do you still consider this projected transfer of $300 million a realistic one?

General PITTS. Yes, sir. That $300 million transfer is going to derive from the capitalization of inventory assets in PACAF. You will recall when we instituted this expanded system we did not put PACAF under the stock fund. We will do so in the next year and the capitalization of their stocks will provide us with the necessary assets to generate the cash, this $300 million, to transfer into the aircraft appropriation, from whence some of the assets were derived in the first place.

Mr. SIKES. If you purchase an additional $242.8 million of materials in 1970 which will require additional cash, how do you anticipate being able to transfer the $300 million?

Mr. SUFIT. The $242.8 million represents obligations and not necessarily payments. Some of that obligation will represent materials that have not been delivered, but they are valid obligations against this account, so it does not necessarily require the outlay of cash.

Mr. SIKES. You are projecting a $60 million increase in operating and other stock inventories in fiscal 1970 over fiscal 1969. Will this require additional cash?

Mr. SUFIT. No, sir. Part of that operating inventory, as pointed out by General Pitts, will come about through the capitalization of inventories in the Pacific area.

Mr. SIKES. Will these purchases be financed on a credit basis by allowing your accounts payable to increase?

Mr. SUFIT. No, sir; except to the extent that a larger volume of procurement normally increases accounts payable.

Mr. SIKES. Are you in fact cutting the stock fund cash position quite short with these transfers?

Mr. SUFIT. Based on the OSD levels of cash of the authorized amount of cash, we should have sufficient cash on hand. This provides the

necessary accounting flexibility, undelivered WRM and some initial provisions requirements. So we should have sufficient cash on hand to meet these particular requirements.

Mr. SIKES. Will your creditors have to wait any longer for payment than they normally would?

Mr. SUFIT. No, sir. Our accounts payable are in a very good status.

CASH RECONCILIATION OF STOCK FUND

Mr. SIKES. I would like to have provided for the record a cash reconciliation showing how the Air Force arrived at the cash availability on June 30, 1968, 1969, and 1970 taking into consideration all cash transfers.

General PITTS. Yes, sir.

(The information follows:)

AIR FORCE STOCK FUND—COMPUTATION OF CASH AVAILABILITY

[In millions of dollars]

	Fiscal year 1968 actual	Fiscal year 1969 estimate	Fiscal year 1970 estimate
Sales	1,924.4	3,503.0	3,864.3
Change in accounts receivable and other selected assests	−19.0	−124.9	−27.2
Collections	1,905.4	3,378.1	3,837.1
Obligations	2,065.1	3,349 6	3,592.4
Change in undelivered orders	−72.7	−507.2	18.0
Deliveriss	1,992.4	2,842.4	3,610.4
Change in accounts payable and other selected liabilities	−28.5	−112.3	−72.3
Payments	1,963.9	2,730.1	3,538.1
Collections less payments	−58.5	648.0	299.0
Beginning cash balance	128.3	39.8	162.8
Total available	69.8	687.8	461,8
Less transfers	−30.0	−525.0	−300.0
Ending cash balance	39.8	162.8	161.8

Mr. SIKES. Questions?

SURPLUS CASH ON-HAND

Mr. ANDREWS. I am impressed with the size of these transfers you are taking out of the working capital stock fund. Now, you must be making a lot of money on your sales because these transfers represents profits; don't they?

General PITTS. No, sir.

Mr. ANDREWS. They do not?

General PITTS. No, sir. If I might, I will attempt to generalize a statement. If we need to go into detail, Mr. Sufit and other witnesses can back me up.

Basically, we had on hand inventories of spare parts and supplies that were bought for out of the "Procurement and operating" accounts for which the committee appropriated the money in past years. This year we capitalized those assets in the stock fund for all areas of the Air Force except the Pacific, and a minor amount in the Air National Guard.

Now, we had those assets on hand and we drew down on those assets throughout the year.

Mr. ANDREWS. You mean by that, you sold them?

General PITTS. We sold them; yes, sir, and we generated cash in doing this. Now we have to buy to replace those assets, but the bills become due toward the end of the fiscal year. They are due and payable into the next fiscal year and this results in a balance on hand of enough cash to transfer these amounts of money over into the "Aircraft procurement account."

Mr. ANDREWS. You do not think you are overcharging your customers?

General PITTS. No, sir. It is based on a break-even proposition.

Mr. SUFIT. Yes, sir; based upon our latest prices that we pay for an item, plus a first destination transportation cost and an amount to cover losses and services expenses.

Mr. ANDREWS. You won't have this type of thing every year; will you?

Mr. SUFIT. No, sir; and 1970 should be the last year.

Mr. ANDERWS. That is all.

INDUSTRIAL FUNDS

Mr. SIKES. Under "Industrial funds" on page 8 of your statement you say the industrial fund provides services to individuals and other nongovernmental sources. I would like to have for the record examples of the type of services being provided to these individuals or nongovernmental sources.

General PITTS. Yes, sir.

(The information follows:)

EXAMPLES OF INDUSTRIAL FUND SERVICES PROVIDED INDIVIDUALS OR NON-GOVERNMENTAL SOURCES

More than 95 percent of the Alaska Communication System business is provided to private individuals and businesses. Approximately 24 percent of laundry and dry cleaning services are provided to military personnel. In the airlift service industrial fund the following nongovernmental sources are authorized transportation via MAC aircraft:

1. Contract technical services personnel who are civilian employees of commercial concerns under contract to the DOD when essential to accomplish an assigned mission required by the DOD.
2. Civilian employees of commercial concerns under contract to the DOD when engaged in official activities for the DOD requiring air travel.
3. Foreign military personnel and civilian employees of a foreign department of defense, under the provisions of a bona fide reciprocal transportation agreement.
4. The next of kin or a designated member of the immediate family of a seriously ill member of a military service or civilian employee of the DOD or the Coast Guard stationed overseas.

INDUSTRIAL FUND PROFITS

Mr. SIKES. You also state on page 8 that it is the objective of the Industrial Fund to operate on a break-even basis. I note from your financial statement that the Industrial Fund realized a profit of $17,617,000 in 1967 and approximately $21,500,000 in 1968. If these are intended

to operate on a break-even basis why would they have realized these profits?

Mr. SUFIT. Sir, those profits were primarily derived in the Airlift Service. We publish rates based upon the estimated workload and the expenses that we would have in order to meet those requirements.

In view of the way the work generated and predicated upon our rates, we were able to make profits. Each type of airlift provided is not a break-even operation. The overall fund is intended to break even. As a result, there were some items of the workload that we were able to generate profits which we had not anticipated. Accordingly, we seek adjustment in our rate structure from OSD in the Airlift Service to minimize the amount of profits or loss. This is our objective.

Mr. SIKES. If there has to be either a profit or a loss, I would hope it would continue to be a profit.

General PITTS. Yes, sir.

CAPITALIZATION OF CERTAIN AIR FORCE ACTIVITIES

Mr. SIKES. You state on page 9 that the Newark Air Station, the Arnold Engineering Development Center and the Alaska Communication System were recently industrialized. And also that because the Military Airlift Command was able to speed up significantly collections for airlift services rendered to the Army and the Navy, the Air Force was able to industrialize these activities without requesting additional cash. How much cash was transferred from the Military Airlift Command, Airlift Service Industrial Fund, to capitalize the operation of these activities and how much was transferred to each? Supply that for the record.

General PITTS. Yes, sir.

(The information follows:)

CAPITALIZATION OF MILITARY AIRLIFT COMMAND, AIRLIFT INDUSTRIAL FUND

On July 1, 1968, $50 million was transferred from the Airlift Service Industrial Fund to the Depot Maintenance Industrial Fund. Five million dollars was transferred from our Industrial Fund unallocated cash account on July 1, 1968, to capitalize the Arnold Engineering Development Center.

Mr. SIKES. Was this capitalization possible because of the Military Airlift Command's profits of $17,600,000 in fiscal 1967 and $19.2 million in fiscal 1968?

Mr. SUFIT. Only partially, sir. As pointed out in the statement, the major source of the funds came about through a recycling of our billing procedures in MAC, enabling us to reduce accounts receivable and therefore creating additional cash.

The profits that we generated in 1968 we hope to even out in 1969 so that we are not in a position of a high operating result.

CONGRESSIONAL CONTROL OVER ESTABLISHMENT OF NEW FUNDS

Mr. SIKES. What control does this committee or the Congress have, if any, over the establishment and capitalization of new funds such as the ones we have just discussed?

Mr. SUFIT. Sir, the basic authorization for the establishment of industrial funds comes about by 10 U.S.C. 2208. This authorizes the Secretary of Defense to evaluate the industrial type and commercial type service and determine whether it can be better operated under the industrial fund concept. At such times as we require additional funds we have to come to this committee if we need additional capitalization. This committee in its enactment of the legislation authorized transfers of working capital funds with the approval of the Bureau of the Budget. So it would depend upon the total cash resources of the Department of Defense.

Mr. SIKES. Under the law, what controls, if any, does this committee or the Congress have over the operations and financing of any of the Air Force industrially funded activities? Does the same answer apply?

General PITTS. This committee appropriates the moneys for the customers of the industrial fund, sir. Under that concept you have a control on the activities of the fund because you appropriate the moneys for the customers that are going to be buying services from these funds.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. Does this committee have a control over the administrative costs of the fund or the overhead costs, indirect costs of any sort?

Mr. SUFIT. Not as a direct amount, only with respect to the fact that, one, we have to report to the President and to the Congress annually on these funds.

Mr. GARRITY. But the committee only has an after-the-fact vision of what has transpired, the Congress does not have any before-the-fact or direct control by budgetary process?

Mr. SUFIT. This was recognized in the initial legislation and in the House and Senate reports that established this particular legislation, recognizing that there would be certain administrative expenses. But indirectly, as you control manpower, as you control flying hours, and so forth, you control the levels of work that can be accomplished by these individual funds.

Mr. GARRITY. But is it not true that although the Congress appropriates for specific operations, such as operation and maintenance, Air Force, the appropriations are not on a line-item basis. Although money is included in this appropriation for the flying hour program, for instance, those funds can be reprogramed within the Air Force and the changes that come about as a result of this reprograming the committee has little or no control over?

Mr. SUFIT. Well, to the extent that the committee controls an operation and maintenance fund or military personnel fund, it indirectly controls the level at which we can perform. These funds cannot operate by themselves. They have to depend on orders being placed upon them to produce either services or goods. To the extent that the Congress controls the operating appropriations, the military personnel appropriation, to that extent the control filters down into the industrial funds.

FINANCIAL STATEMENTS OF THE AIRLIFT SERVICE

Mr. SIKES. Provide for the record at this point the financial statements of the Air Force airlift service for fiscal 1968, 1969 and 1970.

(The information follows:)

FINANCIAL STATEMENTS, AIRLIFT SERVICE, FISCAL YEARS 1968–70

AIR FORCE INDUSTRIAL FUND—STATEMENT OF FINANCIAL CONDITION, FISCAL YEAR 1970 PRESIDENT'S BUDGET
(AIRLIFT SERVICE)

	1968	1969	1970
ASSETS			
Fund balance with U.S. Treasury	$46,319	$23,211	$24,600
Accounts receivable	194,980	139,000	125,000
Government agencies	192,668	137,380	123,440
Other	2,312	1,620	1,560
Other assets	11,245	9,500	9,200
Travel advances	180	200	200
Commercial military mail	11,065	9,300	9,000
Total assets	252,544	171,711	158,800
LIABILITIES			
Accounts payable	115,065	112,000	109,000
Government agencies	71,110	88,225	85,555
Other	43,955	23,775	23,445
Accrued expenses	5,128	4,900	4,800
Leave	3,530	3,300	3,200
Salaries and wages	1,497	1,500	1,500
Other	101	100	100
Other liabilities	8,520	6,700	6,400
Commercial military mail	11,065	9,300	9,000
Undistributed cash receipts	39		
Undistributed cash disbursements	(2,583)	(2,600)	(2,600)
Reserves: Major maintenance and repair	12,236	1,673	956
Total liabilities	140,950	125,273	121,156
CAPITAL			
Appropriations and reappropriations	60,202	10,202	10,202
Less liabilities assumed	(2,721)	(2,721)	(2,721)
Accumulated operating results	54,113	38,957	30,613
Total capital	111,594	46,438	37,644
Total liabilities and capital	252,544	171,711	158,800
Capital property	2,468,099	2,344,815	2,693,124
Machinery and equipment	87,286	90,000	90,000
Aircraft or ships	2,380,813	2,254,185	2,603,124
Undelivered orders and contracts	1,854	1,854	1,854
Obligated to government	1,631	1,631	1,631
Obligated to public	223	223	223

AIR FORCE INDUSTRIAL FUND—FISCAL YEAR 1970 BUDGET ESTIMATE—AIRLIFT SERVICE, STATEMENT OF REVENUE AND COSTS

[In thousands of dollars]

	Fiscal years—		
	1968	1969	1970
Revenue:			
Passenger	$323,122	$336,726	$320,939
Cargo	396,425	371,205	378,638
Ordinary mail	37,376	30,751	29,058
Air mail	61,352	50,775	46,996
Parcels	20,802	26,678	27,881
Special assignment	160,390	108,442	105,437
Exercises and JABT	2,446	9,153	8,966
AF mission responsibility	79,878	89,561	83,299
Other	12,295	13,736	9,948
Total revenue	1,094,086	1,037,027	1,016,162
Expense:			
Pay of civilians	39,443	40,783	38,950
Aircraft depot maintenance	(67,691)	(70,131)	(60,426)
Airframes	23,294	18,754	15,606
Engines	22,401	26,199	20,528
Gas turbine units	2,038	1,634	1,120
Exchangeables	19,925	23,344	22,972
Area support	33	200	200
Base maintenance	(6,121)	(5,756)	(4,937)
Cross service agreement	4,778	4,591	3,878
By contract	1,343	1,165	1,059
Aviation POL	171,579	193,949	195,434
Supplies and materials	37,929	43,635	41,094
Administration expense	16,717	16,322	15,392
Temporary duty travel	16,483	17,171	17,012
Wake Island	3,796	3,145	3,020
Communications	3,281	3,378	3,353
Foreign nationals	1,910	2,064	1,939
Contractor technicians	451	544	393
Borrowed aircraft (DOD)	5,166	443	
Other	12,814	13,391	13,930
Commercial augmentation	(691,423)	(641,471)	(629,076)
Passenger	332,609	320,906	320,485
R. & R.	40,393	47,177	47,177
Cube	465	506	506
Cargo	198,426	164,678	156,973
Mail	119,530	108,204	103,935
Total expense	1,074,804	1,052,183	1,024,956
Net operating results	19,282	−15,156	−8,794
Analysis of retained earnings:			
Retained earnings, beginning of year	30,163	54,113	38,957
Adjustment of prior year revenue	2,015		
Adjustment of prior year expense	2,653		
Retained earning end of year	54,113	38,957	30,163

PROJECTED LOSSES FOR THE AIRLIFT SERVICE

Mr. SIKES. You are projecting an operating loss of $15,156,000 for the airlift service for fiscal 1969 and an additional loss of $8,794,000 for fiscal 1970. In view of the fact that you have realized profits from this operation in fiscal 1967 and 1968, why do you project these losses?

Mr. SUFIT. Sir, there are two things involved. One, we wanted to allow the using services, Army, Navy and Air Force, to have a stability of program. So we established rates that we hoped could last some 18 months. Thus loss would offset some of the profits that we had made in prior years. So it has two purposes; one, a stability of the rate structure so people can plan without having fluctuating rates, and the other is to offset the profits that we had made in prior years.

We do not want to augment or underwrite or take away from the appropriations that you have made available.

USE OF MILITARY AIRCRAFT IN PLACE OF COMMERCIAL

Mr. SIKES. You state on page 11 of your statement that by legislative direction and DOD policy, commercial airlift must be used for the movement of DOD passengers and mail except to locations where use of U.S. air carriers is impractical. In August 1966 the committee was advised that this policy would be amended to allow the use of Military Airlift Command aircraft for the transportation or passenger service in two instances. First, in special situations where commercial airlift is not available, and second, to take advantage of otherwise empty seats between Charleston and Torrejon and Travis and Clark on embassy runs. The committee was to be advised as to the use of MAC aircraft for these purposes. We have no information from the Air Force and have not had any on this subject since October of 1967. Does that mean there has been no transportation or passenger service provided in these two instances?

Mr. SUFIT. No, sir. To the extent that these services have been used, reports were made to the committee. It has been in rare instances. This is primarily the use of the C–141 and in earlier times the use of the C–135. We get monthly reports, basically negative reports, in my office, on the rare instances we have applied these services in this manner we adressed letters to either a member of the staff, I believe Mr. Michaels, or to the chairman of the committee as to the use of these aircraft.

Mr. SIKES. All right.

OPERATION OF ARNOLD ENGINEERING DEVELOPMENT CENTER

You state that the test and supporting facilities at the Arnold Engineering Development Center which was placed under the industrial fund on July 1, 1968, are managed, operated, and maintained on a cost-plus-incentive-fee contract with ARO, Inc., who employ 3,700 people. Was the Arnold Engineering Development Center so managed, operated, and maintained under contract before it was placed under the industrial fund?

General PITTS. Yes, sir.

Mr. SIKES. Provide for the record a schedule showing various types of costs incurred under this contract, the overhead and profits for fiscal years 1967, 1968, and estimates for fiscal 1969 and fiscal 1970.

(The information follows:)

COSTS, OVERHEAD, AND PROFITS UNDER ARNOLD ENGINEERING DEVELOPMENT CENTER FOR FISCAL YEARS 1967 AND 1968 AND ESTIMATES FOR FISCAL YEARS 1969 AND 1970

[In thousands of dollars]

	Actual, fiscal year 1967	Actual, fiscal year 1968	Estimate, fiscal year 1969	Estimate, fiscal year 1970
Contractor cost [1]	54,346	52,006	43,233	43,036
Contractor fee	900	945	800	800
Total contract	55,246	52,951	44,033	43,836
In-house expense	3,077	3,729	3,641	3,304
Utilities	4,649	4,485	4,371	3,715
Total AEDC operation	62,972	61,165	52,045	50,855

[1] Includes cost for: Direct testing effort; independent research; research for others; facility technology development; improvement, modernization, and support equipment; calibration, shakedown, and test; major repairs; management and support.

Mr. SIKES. Are there any other industrially funded contractor-operated activities?

Mr. SUFIT. No, sir; not by the Air Force. We contract in the airlift service with commercial airlines to provide a service but not where we have an operation similar to the ARO operation.

Mr. SIKES. I assume you are saying there are no contracts similar to the Arnold contract?

Mr. SUFIT. Yes, sir.

Mr. SIKES. Where the contract was completed before the operation——

Mr. SUFIT. That is right.

ALASKA COMMUNICATION SYSTEM

Mr. SIKES. Let's turn to the "Alaska communication system," for a moment. What is the status on the bids for the sale of that system?

Mr. SUFIT. The bids were received on March 1. They are under evaluation at this time. We hope to have a selection in July.

Mr. SIKES. How many bidders were there?

Mr. SUFIT. There were six bidders.

Mr. SIKES. Has it been determined if they are realistic, if they are responsive?

Mr. SUFIT. All but one, sir. We are very optimistic that——

Mr. SIKES. That would indicate that at long last you might be able to sell the system?

Mr. SUFIT. Yes, sir.

Mr. SIKES. Is it now making money?

Mr. SUFIT. Yes, sir.

Mr. SIKES. That is the reason you are about to sell it?

Mr. SUFIT. We are not subsidizing it now.

Mr. SIKES. Maybe you ought to keep it if it is making money. Nobody wanted it when it wasn't. They just wanted to talk about buying it.

Mr. SUFIT. That is right, sir.

REVIEW OF AIRLIFT AIR RATES

Mr. GARRITY. Has the Civil Aeronautics Board recently reviewed the Airlift Service air rates?

Mr. SUFIT. They are in the process of reviewing them, but have made no announcement. It is under study. We have made recommendations, as we always do, to the CAB, recommending proposed rates, which are under study right now by the Civil Aeronautics Board. Whether they will announce something or not, I don't know.

Mr. GARRITY. Will you insert in the record any rate changes which may be anticipated during fiscal year 1970 which will have an effect on the budget as it is now cast?

Mr. SUFIT. Yes, sir. Usually we know about it at about the same time the press does. At this time we have not heard anything. It may come about later this year. We hope around the first of June.

(The information follows:)

The CAB is expected to release revised international air rates about August 1, 1969. We do not, at this time, know what these rates may be.

Mr. SIKES. Under what conditions do you operate your own printing and duplicating plants? Are there any conditions under which you contract with private industry for your printing and duplication services?

Mr. SUFIT. Very limited out of these. These plants, as you know, have to have the approval of the Joint Congressional Committee on Printing, not only for the establishment of the plant but also to maintain the plant under the industrial fund. Part of their workload is on a contract basis.

Mr. ANDREWS. These plants you are talking about, are they owned and operated by the Air Force?

Mr. SUFIT. That is right.

Mr. ANDREWS. Operated by civilians or military?

Mr. SUFIT. Civilians.

Mr. ANDREWS. How many did you say you have?

Mr. SUFIT. We have nine under the industrial fund.

Mr. ANDREWS. Do you have any in addition to that?

Mr. SUFIT. There are a total of 32 plants in the Air Force.

Mr. ANDREWS. Do you do any business with the Government Printing Office?

Mr. SUFIT. For the Government Printing Office?

Mr. ANDREWS. For them, or otherwise.

Mr. SUFIT. Well, yes, the allocation of workload is as governed by the Joint Congressional Committee on Printing, what we are allowed to do and what we have to do with the Government Printing Office.

Mr. ANDREWS. Do you do printing work for other Government agencies?

Mr. SUFIT. Army and Navy.

Mr. ANDREWS. Army and Navy?

Mr. SUFIT. That is right. We service an area.

Mr. ANDREWS. Do you think you can do that work cheaper than you can get the GPO to do it? Have you ever thought about that?

Mr. SUFIT. Yes, sir, because this is in the overall printing area and because the determination of what is to be done in our printing plants is in relationship to what the Joint Congressional Committee on Printing determines should be printed in the field and what should be done in the Government Printing Office. This is the segregation that the Joint Congressional Committee on Printing authorizes, with respect to the approval of these particular plants.

Mr. ANDREWS. What jurisdiction does the Joint Congressional Committee on Printing have over the Air Force and activities of the Air Force in this particular instance, your printing presses?

Mr. SUFIT. They authorize the plant, they authorize the type of presses that we are allowed to have, they authorize, in essence, the type of printing that we can do in the field.

Mr. ANDREWS. They have jurisdiction over your printing rather than the Armed Services Committee?

Mr. SUFIT. That is right, sir. As I understand it, all Government printing is within the purview of the Joint Congressional Committee on Printing.

Mr. ANDREWS. I understand that, but here you have got the Air Force.

Mr. SUFIT. Yes, sir.

Mr. ANDREWS. Why doesn't the Interstate Commerce Commission take over your MCA program?

Mr. SUFIT. Well, the Civil Aeronautics Board controls the rates that I could contract with civilian airlines, they establish them. FAA controls the airways. So this may be another aspect of where another agency influences what we can do.

Mr. ANDREWS. Do any other services have printing presses?

Mr. SUFIT. Yes, sir; Army and Navy.

Mr. ANDREWS. Why are you doing work for Army? Why don't they do it themselves?

Mr. SUFIT. We service an area. There is no point of duplication if we can service the entire area. This is reviewed so that we do not have this overlap and duplication.

Mr. ANDREWS. How many plants does the Army operate?

Mr. SUFIT. I don't know.

Mr. ANDREWS. Will you put it in the record?

Mr. SUFIT. I will try to find it.

Mr. ANDREWS. Also the Navy.

Mr. SUFIT. Yes, sir.

Mr. ANDREWS. How about the Marine Corps?

Mr. SUFIT. I don't know.

Mr. ANDREWS. Coast Guard?

Mr. SUFIT. I don't know.

Mr. ANDREWS. The Civil Air Patrol?

Mr. SUFIT. Civil Air Patrol? I doubt it.

Mr. ANDREWS. I have been closely associated with the Government Printing Office for a number of years. I thought they did all of the Government printing.

Mr. SUFIT. There are certain types of printing that are required to go through the GPO.

Mr. ANDREWS. That is, the Air Force has to?

Mr. SUFIT. Yes, sir; yes. In fact, I would say the bulk of the printing of the Air Force goes through Government Printing Office.

Mr. ANDREWS. Put in the record how much it costs for you to operate your 32 printing plants, how many employees are involved. Then, if you can, put in the same place in the record how many plants the Army has, what it costs to operate them, the number of employees, and the same thing for the Navy.

Mr. SUFIT. Yes, sir.

Mr. ANDREWS. If you find the Civil Air Patrol operates presses, put that in at that same point.

Mr. SUFIT. Yes, sir.

(The information follows:)

COST OF PRINTING PLANTS OPERATED BY AIR FORCE, ARMY, AND NAVY, NUMBER OF EMPLOYEES, PRINTING PLANTS APPROVED BY JOINT COMMITTEE ON PRINTING, AS OF JUNE 30, 1968

	Number of plants	Fiscal year 1968 actual operating cost (in thousands)	Number of personnel assigned
Army: Nonindustrial fund	101	$29,542	2,727
Navy:			
Nonindustrial fund	24	5,466	513
Industrial fund	36	17,785	1,191
Total	60	23,251	1,704
Air Force:			
Nonindustrial fund	30	13,834	1,073
Industrial fund	9	11,866	875
Total	39	25,700	1,948

CIVIL AIR PATROL

The Civil Air Patrol is a volunteer, civilian, nonprofit corporation. It is an official auxiliary of the Air Force and chartered by Congress. They have operated their own printing plant for approximately the past 15 years. The Joint Committee on Printing does not control this plant. The Air Force provides two civilian and six military personnel to operate this plant, at an annual cost of $50,000. All materials used in the printing operation are obtained by the Civil Air Patrol Corp, at no cost to the Government. All equipment is owned by the CAP.

LAUNDRY AND DRYCLEANING PLANTS

Mr. SIKES. Let's turn to "Laundry and Drycleaning Plants." Are you establishing any new laundry and drycleaning plants for the Air Force in fiscal 1970 program?

Mr. SUFIT. No, sir.

Mr. SIKES. Fiscal 1969?

Mr. SUFIT. We opened a plant in Taiwan on July 1, 1968. We transferred the plant in Orlando to the Navy.

General PITTS. I can speak directly to the opening of that Taiwan plant. I was the commander of the 327th Air Division at Taiwan at the time.

Laundry is basically for the hospital at Ching Chuan Kang Air Base in Taichung, Taiwan, China. The commercial source in downtown Taichung did not have the quality of sterilization that we require for hospital patients. Therefore, we had to open a Government laundry service there to afford the proper service for the hospital.

Mr. SIKES. None are contemplated during fiscal 1970?

General PITTS. Yes, sir. None are contemplated in fiscal year 1970.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. SIKES. Further questions?

Mr. MINSHALL. No questions, Mr. Chairman.

CAPITAL EQUIPMENT TO BE PURCHASED WITH INDUSTRIAL FUNDS

Mr. GARRITY. Will you provide for the record the amount of capital equipment which will be purchased with industrial funds during fiscal 1970 by each industrial fund activity and also provide the same information for fiscal years 1968 and 1969?

General PITTS. Yes, sir.

(The information follows:)

CAPITAL EQUIPMENT PURCHASED IN FISCAL YEARS 1968 AND 1969 AND TO BE PURCHASED DURING FISCAL YEAR 1970

The intent of Congress as exhibited in the hearings on the National Security Act Amendments of 1949, which authorized establishment of the industrial fund, and DOD Directive 7410.4, regulations governing industrial fund operations, specifically exclude costs of acquisitions or improvements of real property, machine tools, plant and equipment, and any other investment type property used in the operation of an industrial fund activity. Industrial funds do record depreciation on capital equipment as statistical costs.

The Air Force does include capital equipment and associated depreciation in the Alaska Communication System activity. This is a unique military operation in that over 95% of our revenue is derived by providing service to the general public. By law, we are obligated to collect the costs of depreciation as well as of military personnel for service provided to customers who reimburse from other than U.S. Government funds.

This permits operation of ACS in a manner similar to any other public utility in accordance with FCC regulations. The procedure is also providing prospective buyers with useful commercial type financial information.

The total dollar value of capitalization applied or to be applied to the Alaska Communication Industrial Fund (the only Air Force industrial fund activity to procure capital items with industrial funds) for the years requested is as follows:

Fiscal year 1968 actual	$48,000
Fiscal year 1969 estimate	2,112,000
Fiscal year 1970 estimate	4,,475,000

Mr. SIKES. We congratulate you, Mr. Sufit, on the way in which you have your facts and your answers on the tip of your tongue.

Mr. SUFIT. Thank you, sir.

Mr. SIKES. Gentlemen, thank you very much. We thank you gentlemen of the Air Force for your helpfulness and cooperation.

Mr. MINSHALL. General, we enjoyed your briefing.

WEDNESDAY, APRIL 23, 1969.

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

WITNESS

MAJ. GEN. WINSTON P. WILSON, CHIEF, NATIONAL GUARD BUREAU

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

For operation and maintenance of the Air National Guard, including medical and hospital treatment and related expenses; maintenance, operation, repair, and other necessary expenses of facilities for the training and administration of the Air National Guard, including repair of facilities, maintenance, operation, and modification of aircraft; transportation of things; hire of passenger motor vehicles; supplies, materials, and equipment, as authorized by law for the Air National Guard of the several States, Commonwealth of Puerto Rico, and the District of Columbia; and expenses incident to the maintenance and use of supplies, materials, and equipment, including such as may be furnished from stocks under the control of agencies of the Department of Defense; travel expenses (other than mileage) on the same basis as authorized by law for Air National Guard personnel on active Federal duty, of Air National Guard commanders while inspecting units in compliance with National Guard regulations when specifically authorized by the Chief, National Guard Bureau; [$267,000,000], of which not less than [$2,750,000] shall be available only for the maintenance of real property facilities: Provided, That the number of caretakers authorized to be employed under the provisions of law (32 U.S.C. 709) may be such as is deemed necessary by the Secretary of the Air Force and such caretakers may be employed without regard to their military rank as members of the Air National Guard[]. Provided further, That obligations may be incurred under this appropriation without regard to section 107 of title 32, United States Code.

services of personnel necessary to provide reimbursable services for the military departments;	$ 342,534,000
	$ 2,800,000

Explanation of Proposed Change: To insert language which will exclude the number of technicians employed on a reimbursable basis from the limitation in section 709(h), Public Law 90-486.

Justification for Requested Change: The language in Public Law 90-486 limits the number of technicians that shall be employed at any one time to 42,500 for the Army and Air National Guard. It is believed that this restriction is not intended to apply to technicians employed on a reimbursable basis in support of activities for the active military establishments.

DEPARTMENT OF THE AIR FORCE
OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

Program and Financing (in thousands of dollars)

	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
Program by activities:			
Direct program:			
1. Operation of aircraft	58,776	40,474	48,776
2. Logistical support	34,392	47,480	62,655
3. Training support	171,580	194,022	230,313
4. Medical support	627	556	640

		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
	5. Service-wide support	127	150	150
	Total direct program	265,502	282,682	342,534
	Reimbursable program:			
	1. Operation of aircraft	1,547	1,000	598
	2. Logistical support	872	1,000	540
	3. Training support	2,387	4,999	4,861
	4. Medical support	1	1	1
	Total reimbursable program	4,807	7,000	6,000
10	Total obligations	270,309	289,682	348,534
	Financing:			
	Receipts and reimbursements from:			
11	Federal funds	-4,777	-6,950	-5,950
14	Non-Federal sources 1/	-31	-50	-50
25	Unobligated balance lapsing	469	.....	.....
40	Budget authority	265,970	282,682	342,534
	Budget authority:			
40	Appropriation	272,570	267,000	342,534
41	Transferred to other accounts	-6,600	.....	.....
43	Appropriation (adjusted)	265,970	267,000	342,534
44.10	Proposed supplemental for wage-board increases	.....	4,000	.....
44.20	Proposed supplemental for civilian pay act increases	.....	2,682	.....
	Proposed supplemental for Federalization of National Guard Technicians and for release of units from active duty	.....	9,000	.....
	Relation of obligations to outlays:			
71	Obligations incurred, net	265,502	282,682	342,534
72	Obligated balance, start of year	26,966	24,531	35,213
74	Obligated balance, end of year	-24,531	-35,213	-66,447
77	Adjustments in expired accounts	-1,138	.....	.....
90	Outlays excluding pay increase supplemental	266,798	257,218	310,400
91.10	Outlays from wage-board supplemental	.....	3,900	100

1/ Reimbursements from non-Federal sources derived from utilities and services furnished to private contractors.

		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
91.20	Outlays from civilian pay act supplemental	.....	2,582	100
	Outlays from Federalization of National Guard Technicians and for release of units from active duty supplemental	.....	8,300	700
	Object Classification (in thousands of dollars)			
	Direct obligations:			
11.1	Personnel compensation: Permanent positions	127,722	131,933	152,165
12.1	Personnel benefits: Civilian	6,118	6,089	12,278
21.0	Travel and transportation of persons	2,042	2,943	3,662
22.0	Transportation of things	2,407	2,603	3,016
23.0	Rents, communications, and utilities	2,514	2,212	3,512
24.0	Printing and reproduction	30	30	30
25.0	Other services	67,992	63,923	81,903
26.0	Supplies and materials	53,244	69,425	83,334
31.0	Equipment	3,432	3,524	2,634
	Total direct obligations	265,502	282,682	342,534
	Reimbursable obligations:			
11.1	Personnel compensation: Permanent positions	1,753	2,420	3,393
12.1	Personnel benefits: Civilian	84	150	255
25.0	Other services	1,720	2,740	1,567
26.0	Supplies and services	1,250	1,690	785
	Total reimbursable obligations	4,807	7,000	6,000
99.0	Total obligations	270,309	289,682	348,534
	Personnel Summary			
	Number of permanent Federal positions	.....	17,576	18,009
	Number of permanent non-Federal positions	14,887	.....	.....
	Average number of Federal employees	.....	8,232	18,242
	Average number of non-Federal employees	16,463	7,605	.....
	Average GS grade	.....	7.1	7.2
	Average GS salary	.....	$9,048	$8,940
	Average salary of ungraded positions	.....	$8,366	$8,265
	Average salary of non-Federal positions	$7,875	$8,634	.....

Mr. SLACK. The committee will please come to order.

The next item is entitled "Operation and maintenance, Air National Guard." We will now consider the request of the Air National Guard for fiscal year 1970 operation and maintenance funds.

The request is for $342.5 million, an increase of $59.8 million above the amount presently proposed to be available for fiscal year 1969.

General Wilson, we are pleased to have you with us again today to present this request for funds.

JUSTIFICATION MATERIAL

We will insert various justification pages in the record at this point.
(The pages follow:)

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

PROGRAM NO	TITLE		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
410	Operation of Aircraft	Direct	$ 58,776	$ 40,474	$ 48,776
		Reimbursements	1,547	1,000	598
		Total	60,323	41,474	49,374
430	Logistical Support	Direct	34,392	47,480	62,655
		Reimbursements	872	1,000	540
		Total	35,264	48,480	63,195
440	Training Support	Direct	171,580	194,022	230,313
		Reimbursements	2,387	4,999	4,861
		Total	173,967	199,021	235,174
470	Medical Support	Direct	627	556	640
		Reimbursements	1	1	1
		Total	628	557	641
480	Service-Wide Support	Direct	127	150	150
	Total	Direct	$ 265,502	$ 282,682	$ 342,534
		Reimbursements	4,807	7,000	6,000
		Total	270,309	289,682	348,534

PROGRAM 410: Operation of Aircraft

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

PROJECT No	TITLE		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
411	Aircraft Maintenance Spares, Spare Parts and Supplies	Direct	$ 18,838	$ -0-	$ -0-
		Reimbursements	403	-0-	-0-
		Total	19,241	-0-	-0-
412	Aircraft Fuel and Oil	Direct	39,938	40,474	48,776
		Reimbursements	1,144	1,000	598
		Total	41,082	41,474	49,374
410	Total	Direct	58,776	40,474	48,776
		Reimbursements	1,547	1,000	598
		Total	60,323	41,474	49,374

PROGRAM 430: Logistical Support

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

PROJECT NO.	TITLE		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
431	Depot Maintenance	Direct	$ 33,803	$ 47,472	$ 62,646
		Reimbursements	872	1,000	540
		Total	34,675	48,472	63,186
436	Memorial Services	Direct	3	8	9
438	Base Operation and Maintenance	Direct	586	-0-	-0-
430	Total	Direct	34,392	47,480	62,655
		Reimbursements	872	1,000	540
		Total	35,264	48,480	63,195

PROGRAM 440: Training Support

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

PROJECT NO.	TITLE		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
448	Base Operation and Maintenance	Direct	$ 168,467	$ 191,272	$ [illegible]
		Reimbursements	2,387	4,999	[illegible]
		Total	170,854	196,271	[illegible]
449	Major Repairs	Direct	3,113	2,750	[illegible]
	Total	Direct	171,580	194,022	[illegible]
		Reimbursements	2,387	4,999	[illegible]
		Total	173,967	199,021	[illegible]

PROGRAM 470: Medical Support

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

PROJECT NO.	TITLE		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
472	Medical Equipment and Supplies	Direct	$ 593	$ 460	$ 521
		Reimbursements	1	1	1
		Total	594	461	522
475	Medical Care in Non-Air Force Facilities	Direct	34	96	119
	Total	Direct	$ 627	$ 556	$ 640
		Reimbursements	1	1	1
		Total	628	557	641

PROGRAM 480: Service-Wide Support

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

PROJECT NO.	TITLE		FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
481	Command Administration	Direct	$ 127	$ 150	$ 150
	Total	Direct	$ 127	$ 150	$ 150

General Statement

Mr. Slack. Will you please proceed with your statement.

General Wilson. Mr. Chairman and members of the committee, once again it is my privilege to appear before this committee to present the "Operation and maintenance, Air National Guard," requirements for fiscal year 1970.

The highlights of the past year's accomplishments and our program for the coming fiscal year is included in my presentation in support of the National Guard personnel, Air Force appropriation. Therefore, in this statement, I will concentrate primarily on our fiscal year 1970 program and budget request for "Operation and maintenance, Air National Guard."

AIR TECHNICIAN PERSONNEL

As I have stated many times in the past, the Air technicians are the backbone of our Air Guard units. They are the cadre of highly skilled and motivated people that accomplish the daily tasks of operating a Guard unit and are also invaluable in the training of other guardsmen. With the exception of a few female clerical positions, these technicians are also military members of the Air Guard as a condition of their employment. Consequently, the Air Force is assured of this exceptional capability in the event of mobilization. The salaries and entitlements for these employees represent the highest single cost in this appropriation. However, I firmly believe that their cost is an extremely economical investment when measured against their productivity, their influence on other guardsmen, and the immediately ready status our units have attained.

An indication of their value is the fact that industry has found this to be a source from which to recruit talent. In the past few years, this increased to the point that we became concerned. Fortunately, however, the last Congress included these people in the Federal civil service system, modified to permit State control. Now, for the first time, the technicians are provided security through retirement coverage, Federal employees group life insurance, and Federal employees health benefits.

This law became effective January 1 of this year, and in addition to its primary purpose of benefiting the individuals, we as managers fully expect that industrial employment will be less attractive and that attrition rates will drop sharply.

As is the case so many times, major advances also introduce new problems. In this instance, the legislation of last year placed a ceiling of 42,500 on the combined number of Army and Air Guard technicians that can be employed at any one time. That portion of Public Law 90–486, among other things, added subparagraph (h) to paragraph 709 of 32 United States Code, which says: "In no event shall the number of technicians employed under this section at any one time exceed 42,500."

I recognize this as an expression of concern by the Congress and their intention to exercise control over a piece of legislation of this magnitude. However, I consider it to be my responsibility to seek an increase in this ceiling if, and/or when, the time arrives when I cannot accomplish the training program.

AIRCRAFT MODIFICATION AND MODERNIZATION

Our aircraft modification and modernization programs are accomplished through the Air Force Logistics Command. Some of the work is done "in-house" by the depots; however, the greater portion is accomplished by contract, either at the contractor's facilities or by contract field teams at Air National Guard facilities. This program provided for scheduled, recurring, depot-level maintenance of airframes, engines, aircraft and engine accessories, communications and electronics equipment, airborne missiles, and other specialized equipment.

FORCE CHANGES AND AIRCRAFT EQUIPAGE

During fiscal year 1970 the ANG force structure was impacted by a number of major changes. OSD recently approved the retention of all 92 units by assigning the following new missions to seven units previously programed for inactivation:

One F–100 tactical fighter group.
One U–3/O–2 tactical air support group.
One F–100 combat crew training school (CCTS).
Two KC–97 air refueling groups.
Two C–141 associate military airlift groups.

The fighter interceptor force was reduced from 22 to 17 groups. Added to this force is one F–102 training target support group which ultimately converts to a C–141 associate military airlift unit for a total of 18 F–102 units. One F–102 unit converts to F–100 aircraft increasing the tactical fighter force from 23 to 24 groups. Aside from, but relating to this force, one F–102 unit converts to an F–100 CCTS. One F–89 fighter group converts to F–102 aircraft utilizing the resources of inactivating units. The remaining F–89 unit receives F–84 aircraft from a unit, which in turn converts to the tactical air support mission, increasing that force from three to four units. Two C–97 military airlift groups convert to KC–97 air refueling mission increasing the size of the tanker force from five to seven units. Two C–97 airlift groups convert to C–130 aircraft resulting in a change from the military airlift mission under MAC to the tactical airlift mission under TAC. One C–121 military airlift group converts to the C–141 associate military airlift mission. One C–97 aeromedical airlift group will gain the forementioned C–121 resources and convert to the more compatible C–121 aircraft, thus completing the transition of the aeromedical airlift force of four groups to like aircraft.

FLYING HOUR PROGRAM

Our flying hour program for fiscal year 1970 is established as 531,331 hours. This will satisfy minimum training objectives, as well as accommodate certain requests and requirements of the Active Establishment. The program will provide an average of 135 pilot-hours for tactical jet pilots, 165 pilot-hours for two-engine tactical support pilots, and 200 hours for four-engine tactical support pilots. In addition, we are anticipating that 6,000 hours will be flown in support of the Active Establishment to augment their aeromedical evacuation mission. This support, however, will be on a reimbursable basis. In addition to the

productive results achieved, the ANG will concurrently benefit from additional training.

SERVICE CONTRACTS

I am reasonably sure that most of the members of this committee are familiar with the service contracts in the Air National Guard. However, for the benefit of any new members on the committee, I will spend a moment or two on this subject. The operation and maintenance of our bases is supported primarily through the medium of air service contracts. These contracts are unique and peculiar to the ANG. Under this concept of operation and maintenance, the States enter into a voluntary agreement with the Federal Government, whereby the States share approximately 25 percent of the costs and the Federal Government 75 percent, except that the Federal Government pays 100 percent where the facility is operated solely for the benefit of the Federal Government, such as our five field training locations. This arrangement enhances costs consciousness on the part of each State which assists in holding Federal costs to a minimum.

Gentlemen, I would like to spend the remainder of time on the fiscal aspects of fiscal year 1970. I believe that I can best do this by a brief comparative analysis of the fiscal year 1970 and the current fiscal year 1969.

OPERATIONS AND MAINTENANCE

Funds requested in the "Operations and maintenance, Air National Guard," appropriation are $342.5 million. This compares with $282.7 million for fiscal year 1969; a difference of $59.8 million. Of this difference, $42.4 million is the net increase directly attributed to the return from active duty of our 14 flying units and $9.2 million constitutes the add-on costs of the seven new missions I mentioned earlier. I will next explain this total difference by major budget program.

OPERATION OF AIRCRAFT

This program provides for the purchase of aviation fuel. Aviation fuel in fiscal year 1970 will cost $48.8 million or $8.3 million more than in fiscal year 1969 because of increased flying hours primarily identified to the return of the mobilized units, at a cost of $4.9 million. The balance of $3.4 million is due to the seven new missions, a change in the flying-hour mix, and POL price increases.

LOGISTICAL SUPPORT

This program provides logistical support including depot maintenance, all consumable items in support of depot maintenance, and memorial services. Depot maintenance consists of aircraft IRAN—inspection, repair as necessary—engine overhaul, repair of major end items, and repair of exchangeable components. P430 requirements in fiscal year 1970 are $62.7 million, or $15.2 million more than fiscal year 1969. $13.1 million is attributed to the increased requirement for IRAN, engine repair, and so forth, generated by the returning aircraft from active duty. The balance of the difference, $2.1 million, is generated by the seven new missions and by higher costs of contracts.

TRAINING SUPPORT

This program provides for base operation and maintenance including air technician pay, service contracts, travel and transportation, equipment rental, services, supplies and equipment, and major repairs and minor construction. The P440 program reflects an increase of $36.3 million over fiscal year 1969. Here again, the demobilization of 14 flying units accounts for an increase of $24.4 million spread through the various program areas and the new missions account for $7.3 million.

The remaining increase of $4.6 million is associated with the following:

The full-year impact of civil service status and fiscal year 1969 wage board pay increases accounts for $3.7 million. Service contracts are higher in fiscal year 1970 by $0.9 million because of higher utility services and supply costs due to increased rates and a larger real property inventory.

Travel costs reflects an increase of $0.5 million in fiscal year 1970 because of increased per diem costs generated by the attendance of personnel at training schools in air technician status. Also reduced organic airlift capability increases the need for commercial travel.

Transportation of materiel is $0.1 million greater in fiscal year 1970 due to transportation costs generated by conversion of aircraft.

Rental of equipment and communications leases will increase $0.4 million in fiscal year 1970 to provide entry facilities to USAF established refile stations; to provide communications security capability; to cover circuit and terminal costs for increased teletype utilization; and to absorb increases in rental rates.

Equipment requirements will decrease $1 million in fiscal year 1970 since we were able to decrease our shortages somewhat in fiscal year 1968 and again in fiscal year 1969.

Gentlemen, if the above comments sound slightly repetitious, it is because of the difficulty encountered in attempting to compare 2 fiscal years in which programs are so obviously and drastically different. If it were possible to reduce both fiscal years to a common denominator, I believe that the increased funding being requested is nominal and, in the main, directly related to the impact of pay raises and normal recurring price increases.

SUMMARY AND CONCLUSION

Gentlemen, in summary, I have presented to you some of the outstanding ANG accomplishments. I have given you some insight as to the material resources that are required for a successful ANG mission and have presented a brief analysis of our fiscal year 1970 requirements. Your confidence and support of our program over the past years has been gratifying. I trust that our accomplishment will warrant the continued confidence and support of the committee.

This concludes my statement. I will now endeavor to answer any questions you may have.

NEW MISSIONS ASSIGNED TO THE AIR NATIONAL GUARD

Mr. SLACK. General, in your statement you referred to the fact that you will require $9.2 million in fiscal year 1970 for the add-on

costs of the seven new missions which have been assigned to the Air National Guard.

General WILSON. That is correct, sir.

Mr. SLACK. This is evidently the same $9.2 million increase that is contained in the April 4, 1969, revision to the fiscal year 1970 budget.

General WILSON. That is correct, sir.

Mr. SLACK. Please tell the committee how you determined that the addition of these seven new missions would amount to an increase in fiscal year 1970 of $9.2 million.

General WILSON. Sir, the original President's budget did not include missions for seven units. However, some funds were left in the budget in anticipation that missions would be assigned. This had the effect of funds being included in the President's budget for two of the seven units for all of fiscal 1970 and for three others for a portion of fiscal 1970. The $9.2 million represents the additional funds required to finance these seven units in their new missions during fiscal year 1970.

The total operation and maintenance cost for these seven units in fiscal 1970 is estimated to be $20.8 million of which $11.6 million was included in the original President's budget. The difference of $9.2 million is therefore the net add on.

COST OF UNITS RETURNING FROM ACTIVE DUTY

Mr. SLACK. In your statement you also referred to the fact that in fiscal year 1970, the Air National Guard will require an increase of $42.4 million over your 1969 level as the result of the return from active duty of your 14 flying units.

General WILSON. That is correct, sir.

Mr. SLACK. Will you please tell the committee why the return of the 14 flying units will require an increase of $42.4 million over your fiscal year 1969 level?

General WILSON. Mr. Chairman, except for about $7 million in the fiscal 1969 supplemental there are no funds in the 1969 appropriation for the mobilized units because the period of mobilization encompassed all of fiscal 1969. Based on the 24-month mobilization, these units would have reverted to Guard Status during the third and fourth quarter of fiscal 1970 at a cost of $20.6 million. This would have been the amount in excess of the fiscal 1969 cost in this appropriation. However, the decision to release all mobilized units during fiscal 1969 results in all 14 Guard units being included in the 1970 budget for a full year at a cost of $42.4 million in excess of the fiscal 1969 costs.

PROPOSED LANGUAGE CHANGE FOR ADDITIONAL TECHNICIANS

Mr. SLACK. In fiscal year 1970, you are requesting a proposed language change, the purpose of which would be to exclude the number of technicians employed on a reimbursable basis from the limitation in section 709(h), Public Law 90-486.

Would you please tell the committee why you are requesting this change in language?

General WILSON. Yes, Mr. Chairman.

In the Technician Act of last January, there is a ceiling of 42,500 on the combined total of Army and Air technicians that can be em-

ployed at one time. At the time we appeared before the House and the Senate, we were discussing those technicians that where chargeable to the National Guard for our training requirements. In addition to those, we have some 695 technicians that we hire to accomplish certain functions for the Active Forces and for which we are reimbursed.

Under the legal interpretation of the act, we have been told that these people would have to be charged against the ceiling of 42,500. If that is true we would be over the 42,500. We do not believe this was the intent of Congress, nor did we discuss this at the time the bill was being drawn because we were talking only about those technicians who were required to support the Guard training program.

Mr. SLACK. When we discussed this earlier with General Greenlief during the hearings on the operation and maintenance request for the Army National Guard I believe he told us that you were going back to the House and Senate Armed Services Committee to seek relief in the authorization bill.

(Clerk's note: For the earlier discussion of this subject see page 353.)

General WILSON. I hope to go back to the authorization committee to get a change. I have already discussed this with their counsel, and hope to be able to get some relief.

Mr. SLACK. Why is it necessary in this bill if you are going back before the authorization committee?

General WILSON. We would prefer to get it in the authorization bill, but we will have a problem if we do not get relief in the authorization bill.

Mr. SLACK. Then this would be considered a temporary solution to your problem?

General WILSON. That is correct, sir. It would be temporary until I can get the present bill changed.

Mr. SLACK. This would be subject to a point of order on the floor; would it not?

General WILSON. It could possibly be, since it is legislation in the Appropriation Act. I think I can get the support of the House Armed Services Committee on this. I have discussed it with them. They feel that it was not the intent that these reimbursable technicians be chargeable against the $42,500, sir.

Mr. SLACK. Was this in the original budget submission for the fiscal year 1970?

General WILSON. No, sir. The appropriation language was changed in the President's budget as a result of Public Law 90-486; however, specific exclusion of reimbursable technicians was not incorporated in the change.

Mr. SLACK. Will you advise the committee, after you have discussed this with the appropriate Armed Services Committees of the House and Senate, of their opinions on this subject?

General WILSON. Yes, sir; I will be glad to.

INCREASE IN "FLOOR" FOR MAINTENANCE OF REAL PROPERTY

Mr. SLACK. The committee also notes that you are requesting a $50,000 increase in fiscal year 1970 on your "floor" for maintenance of real property facilities. The committee commends you on this increase, since in the case of most of the other services, the current trend seems

to be a reduction in the floor on maintenance of real property facilities, rather than increased support in this direction.

However, the committee would still like to know how you intend to use this $50,000 increase in fiscal year 1970.

You may supply that for the record.

General WILSON. All right, sir.

(The information follows:)

The increase of $50,000 in funds to be used for the repair of facilities is not directly related to any specific repair project or projects. The increase reflects the effect of increasing costs for labor and materiel utilized in the maintenance of Air National Guard facilities.

AIRCRAFT LOSSES BY UNITS CALLED TO ACTIVE DUTY

Mr. SLACK. How many aircraft were lost during the past year by the National Guard units that were called to Federal service?

General WILSON. The only aircraft that were lost by the Air Guard were those that were taken on duty with the units that went on active duty, sir, such as the 200 F–100's that went on duty with the units. We have not lost any, other than what the units took on active duty, sir.

Mr. SLACK. How many were there?

General WILSON. There was a total of a little over 300 airplanes total, sir.

Mr. SLACK. The total loss?

General WILSON. Our record shows that ——— ANG F–100 aircraft have been lost in combat, plus ——— due to other causes, for a total of ———. Three ANG pilots have lost their lives, also, in Vietnam.

Mr. SLACK. Will these aircraft be replaced by the Air Force prior to releasing the Air National Guard units from active duty?

General WILSON. Those that were lost, no, sir. The units will return to Guard status short this number of aircraft. At the present time we do not have plans for replacing the aircraft that were actually lost.

GUARD TECHNICIANS EXEMPT FROM REVENUE AND EXPENDITURE CONTROL ACT

Mr. SLACK. Are the Air National Guard technicians previously referred to, subject to the Revenue and Expenditure Control Act of 1968?

General WILSON. Sir, the report on the bill says that since the program for the technicians was about at the 1966 level, we should not be included under the Revenue Act.

Mr. SLACK. The answer is that they are not subject to the Revenue and Expenditure Control Act?

General WILSON. That is correct, sir.

CIVILIAN EMPLOYMENT

Mr. SLACK. On page 6 of your budget justification, you are showing 17,037 as the number of permanent Federal positions. However, you are also showing 17,594 as the average number of Federal employees. How is it possible for your average employment to exceed your total employment by 557 during fiscal year 1970?

General WILSON. Sir, I am trying to find those figures.

Mr. SLACK. They appear on page 6 of your justifications.

General WILSON. That is the old figures that were in the original budget, sir. The figure that is in the revised President's budget is 18,242 instead of the 17,594. That was changed because of the retention of the seven units that were scheduled for inactivation in the original budget, sir.

Mr. SLACK. We recognize this change. However, we fail to understand how you can have 18,009 permanent Federal positions and an average number of Federal employees totaling 18,242.

General PITTS. I think I can answer that for General Wilson, sir.

The figure of 18,009 for permanent positions is an end strength figure which is set, and the Guard must come within that figure at the end of the fiscal year. The average strength figure corresponds to a figure that we in the Air Force call man-years, and it is for the average nuumber of people you have on board throughout the year.

The Guard units, as General Wilson has testified, are being phased out, in large part, during the last 2 months of the fiscal year, so the number of people who have been on board throughout the year would be larger than the end strength. You will get down to that end strength by June 30, but you will have carried an average number of people on board throughout the year greater than the end strength.

INCREASED COST OF SUPPLIES AND MATERIALS

Mr. SLACK. On page 21 of the justification book, for budget project No. 448, "Base operation and maintenance," you are showing a fiscal year 1968 actual cost of $168.5 million. Your current plan for fiscal year 1969 is $191.3 million, and your estimate for fiscal year 1970 is $227 million.

One of the major factors contributing to this sizable increase each year is your rapidly increasing cost for supplies and material. This account has risen from an actual cost in fiscal year 1968 of $12.127 million to an estimate for fiscal year 1970 of $34,037,000.

Would you please tell the committee why these very substantial increases in costs are occurring in this account?

General WILSON. A lot of this was because of the transfer of project 411 funds over to this project. In fiscal year 1968 we budgeted in project 411 to purchase spares and spare parts. This cost is now budgeted as an expense of depot maintenance and as an expense to base level procured spares.

General PITTS. The very large increase between 1968 and 1969 was due to the so-called purification process we went through last year where we capitalized expense-type items normally bought under the procurement accounts in the stock fund and budgeted for their consumption in the O. & M. account. This process last year we called, for want of a better word, "purification," if you remember.

Mr. SLACK. Mr. Andrews.

Mr. ANDREWS. No questions.

Mr. SLACK. Mr. Lipscomb.

Mr. LIPSCOMB. I have no other questions.

Mr. RHODES. No questions.

Mr. SLACK. If there are no further questions, we thank you very much, General Wilson.

General WILSON. Thank you, Mr. Chairman.

THURSDAY APRIL 24, 1969.

OPERATION AND MAINTENANCE, DEFENSE AGENCIES

Mr. SIKES. We will now begin our review of the budget request for defense agencies. We normally begin this part of our hearings with the Assistant Secretary of Defense, Comptroller, followed by the Assistant Secretary for Administration. However, this year we will hear from these two gentlemen during our discussion with the Secretariat of the Department.

We will, though, insert in the record at this point the appropriate justification pages for defense agencies and then proceed with the Defense Contract Audit Agency.

(The pages follow:)

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

APPROPRIATION LANGUAGE

Operation and Maintenance, Defense Agencies

For expenses, not otherwise provided for, necessary for the operation and maintenance of activities and agencies of the Department of Defense (other than the military departments and the Office of Civil Defense), including administrative hire of passenger motor vehicles; welfare and recreation; awards and decorations; travel expenses, including expenses of temporary duty travel of military personnel; transportation of things (including transportation of household effects of civilian employees); industrial mobilization; care of the dead; dissemination of scientific information; administration of patents, trademarks, and copyrights; tuition and fees incident to the training of military personnel at civilian institutions; repair of facilities; departmental salaries; procurement of services, special clothing, supplies, and equipment; field printing plants; information and educational services for the Armed Forces; communications services; and not to exceed [$3,390,500] $4,090,000 for emergency and extraordinary expenses, to be expended on the approval or authority of the Secretary of Defense for such purposes as he deems appropriate and his determination thereon shall be final and conclusive upon the accounting officers of the Government; [$1,036,808,000] $1,095,000,000 of which not less than [$13,721,000] $15,100,000 shall be available only for the maintenance of real property facilities. (Department of Defense Appropriation Act, 1969)

Program and Financing

(in thousands of dollars)

	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
Program by activities:			
Direct program:			
1. Supply operations	575,587	610,504	607,154
2. Field operations	351,064	412,253	439,828
3. Interdepartmental activities	71	61	-
4. Management	39,889	48,621	48,018
Total direct program	966,611	1,071,439	1,095,000
Reimbursable obligations:			
1. Supply operations	33,141	33,100	33,100
2. Field operations	12,813	10,781	10,520
4. Management	90	30	30
Total reimbursable program	46,044	43,911	43,650
Total obligations	1,012,655	1,115,350	1,138,650
Financing:			
Receipts and reimbursements from:			
Federal funds	-38,607	-36,493	-36,239
Non-Federal sources1/	-7,437	-7,418	-7,411
Unobligated balance lapsing	2,413	-	-
Budget authority	969,024	1,071,439	1,095,000
Budget authority:			
Appropriation	970,599	1,036,800	1,095,000
Transferred to other accounts	-2,681	-7,621	-
Transferred from other accounts	1,106	1,760	-
Appropriation (adjusted)	969,024	1,030,939	1,095,000
Proposed supplemental for wage board increases	-	3,500	-
Proposed supplemental for civilian pay act increases	-	37,000	-

Relation of obligations to outlays:			
Obligations incurred, net.....	966,611	1,071,439	1,095,000
Obligated balance, start of year...	82,204	81,541	91,980
Obligated balance, end of year.....	-81,541	-91,980	-109,980
Adjustments in expired accounts....	-3,674	-	-
Outlays, excluding pay increase supplementals.....	963,599	1,021,700	1,075,800
Outlays from wage-board supplemental.....	-	3,400	100
Outlays from civilian pay act supplemental.....	-	35,900	1,100

1/ Reimbursements from non-Federal sources are principally from sales of surplus U.S. Government property to finance expenses in connection therewith (annual appropriation act); sale of goods and services to individuals, including laundry services and surcharges on commissary sales (10 U.S.C. 2205, 2210, and annual appropriation act); charges for unofficial telephone service (10 U.S.C. 2481) and revenues from private carriers for use of Department of Defense-owned rail cars (10 U.S.C. 2667).

Object Classification

	Personnel Compensation:			
11.1	Permanent positions.....	568,015	606,114	596,189
11.3	Positions other than permanent.....	11,090	9,054	9,175
11.5	Other personnel compensation.....	12,939	14,554	14,400
11.8	Special personal service payments...	590	627	641
	Total personnel compensation.....	592,634	630,349	620,405
	Direct Obligations:			
	Personnel compensation.....	560,222	597,784	587,923
12.1	Personnel benefits, civilian	44,512	47,662	47,145
13.0	Benefits for former personnel.....	4	-	-
21.0	Travel and transportation of persons	17,598	19,396	20,011
22.0	Transportation of things.....	3,257	5,252	4,755
23.0	Rent, communications and utilities..	57,905	81,107	93,390
24.0	Printing and reproduction.....	7,329	7,739	8,060
25.0	Other services.....	222,013	256,595	273,726
26.0	Supplies and materials.....	47,959	49,327	52,714
31.0	Equipment.....	5,775	6,534	7,233
41.0	Grants, subsidies and contributions.	11	11	11
42.0	Insurance claims and indemnities....	26	32	32
	Total direct obligations.....	966,611	1,071,439	1,095,000

	Reimbursable obligations:			
	Personnel compensation	32,412	32,565	32,481
12.1	Personnel benefits, civilian	2,557	2,582	2,577
21.0	Travel and transportation of persons	740	751	727
22.0	Transportation of things	65	46	45
23.0	Rent, communications and utilities	4,268	3,076	3,128
24.0	Printing and reproduction	197	197	197
25.0	Other services	2,939	2,282	2,251
26.0	Supplies and materials	2,539	2,268	2,100
31.0	Equipment	323	144	144
41.0	Grants, subsidies and contributions	4	-	-
	Total reimbursable obligations	46,044	43,911	43,650
99.0	Total obligations	1,012,655	1,115,350	1,138,650

Personnel Summary

Total number of permanent positions	69,240	66,640	65,785
Full-time equivalent of other positions	2,439	2,047	2,059
Average number of all employees	69,084	68,936	67,643
Average GS grade	7.9	8.0	8.0
Average GS salary	8,663	9,033	9,067
Average salary of ungraded positions	6,066	6,414	6,422

DEFENSE CONTRACT AUDIT AGENCY

WITNESSES

WILLIAM B. PETTY, DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY
HARRY W. KETTLES, DEPUTY FOR RESOURCES MANAGEMENT, DCAA

Mr. SIKES. At this time the committee will consider the request of the Defense Contract Audit Agency for $46,387,000 for fiscal 1970.

This shows an increase of $872,000 over the funds presently available for fiscal 1969.

We will insert at this point in the record various pages from the justification book.

DEPARTMENT OF DEFENSE

Defense Contract Audit Agency

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

Purpose and Scope

The purpose of contract auditing is to assist in achieving the objectives of prudent contracting by providing those responsible for procurement and contract administration with financial information and advice on proposed or existing contracts and contractors. The audit service of the Defense Contract Audit Agency is utilized by procurement and contract administration activities in connection with the negotiation, administration, and settlement of contract payments or prices which are based on cost (incurred or estimated) or on cost analysis.

The Agency is also responsible for providing contract audit service to other Government agencies. The National Aeronautics and Space Administration uses many of the contractors who also provide service and equipment to the Department of Defense. There are resident audit offices in many of these contractors' plants, and DCAA has been authorized to provide contract audit service to the Space Agency at the same level as it provides such service to the Department of Defense. Similarly, DCAA audits contracts and grants for the Department of Health, Education and Welfare. The Agency also provides contract audit services to some 15 other Federal departments and agencies. The most significant are the Office of Economic Opportunity, the Atomic Energy Commission, the Department of Transportation, the Peace Corps, and the Department of State. The general policy is that audit work is provided to non-Defense agencies on a reimbursable basis, in those contractor situations where DCAA maintains audit cognizance because of a continuing DoD interest, or where it is economical and sensible from a Government-wide point of view.

Under the Defense Contract Audit Agency there is now uniform management of the contract audit service under uniform policies and procedures; there is uniformity in organizational structure, and DCAA has provided an effective arrangement under which contracting officers, defense contractors, and non-Defense agencies can deal with a single audit agency.

The greatest increase in work and resources required has been in the post-award review of contracts for adequacy of pricing data under PL 87-653 (The Truth in Negotiations Act). The Agency will devote about 145 auditors or some 5% of the direct audit force to these reviews during FY 1970. This level of effort has been approved by the Secretary of Defense and additional support for this function has been provided in the FY 1970 estimates.

The direct funding required for the FY 1970 estimate shows an increase of ~~$1,097,000~~ 872,000 over FY 1969. This provides funds for an additional ~~174~~ 147 civilian spaces and a net increase of ~~54~~ 36 man-years, the cost of within-grade step advances, and increases in the cost of terminal leave payments, other benefits, and Federal Telecommunications System (FTS) billings. The increase in direct funds has been offset by a decrease of $100,000 and 8 man-years in estimated reimbursement receipts and is reflected in the total funds to be available in FY 1970. The adjustment in personnel in FY 1970 restores Agency manpower levels to approximately the level available in FY 1968. The requested resources for FY 1970 are the minimum necessary to ensure that the quality of contract audit work will not deteriorate and that the interests of the Government will be protected.

SUMMARY OF PERSONNEL BY PROJECTS

Full-time Permanent Personnel:

Project	Description	FY 1968 Pos	FY 1968 M-Yrs	FY 1969 Pos	FY 1969 M-Yrs	FY 1970 Pos	FY 1970 M-Yrs
460	Headquarters, DCAA	155	141	155	144	155	144
461	DCAA Field Activities	3,798	3,708	3,633	3,656	3,780 ~~3,807~~	~~3,702~~ 3,654
	Total DCAA	3,953	3,849	3,788	3,800	3,935 ~~3,962~~	~~3,846~~ 3,528

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

BUDGET ACTIVITY: 4600 - Defense Contract Audit Agency

SUMMARY OF CIVILIAN PERSONNEL BY GRADES

General Schedule Grades	FY 1969 Est.	FY 1970 Est.
GS-18	1	1
GS-17	1	1
GS-16	8	8
GS-15	44	44
GS-14	201	203
GS-13	384	390
GS-12	748	765
GS-11	1,251	~~1,327~~ 1,300
GS-10	1	1
GS- 9	394	433
GS- 8	6	6
GS- 7	205	236
GS- 6	38	38
GS- 5	265	268
GS- 4	191	191
GS- 3	40	40
	3,778	~~3,952~~ 3,925
Foreign National (Direct)	10	10
GRAND TOTAL	3,788	~~3,962~~ 3,935

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

BUDGET ACTIVITY: 4600 - Defense Contract Audit Agency

Summary of Obligations by Projects
($ in thousands)

Direct Obligations:

Project	Description	FY 1968	FY 1969	FY 1970
460	Headquarters, DCAA	$ 2,771	$ 3,279	$ 3,331
461	DCAA Field Activities	39,583	42,236	~~43,281~~ 43,056
	Total Direct Obligations	$42,354	$45,515	~~$46,612~~ 46,387

Reimbursable Obligations:

Miscellaneous Reimbursements	5	-	-
Contract Audit Service Provided to other Government Agencies	6,828	7,100	7,000
Total Reimbursable Obligations	$ 6,833	$ 7,100	$ 7,000
Total Obligations	$49,187	$52,615	~~$53,612~~ 53,387

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

BUDGET ACTIVITY: 4600 - Defense Contract Audit Agency

SUMMARY OF OBLIGATIONS BY OBJECT CLASSIFICATION
($ in thousands)

Object Classification		FY 1968	FY 1969	FY 1970
11	Personnel Compensation	$41,916	$45,025	~~$45,744~~ 45,535
12	Personnel Benefits	3,464	3,740	~~3,899~~ 3,883
		~~$45,380~~	~~$48,765~~	~~$49,643~~ 49,413
13	Benefits Former Personnel	4	0	0
21	Travel	2,030	1,980	2,068
22	Transportation of Things	148	145	134
23	Rent, Comm. & Utilities	645	656	695
24	Printing & Reproduction	55	56	64
25	Other Services	585	760	748
26	Supplies and Materials	248	180	185
31	Equipment	92	73	75
	Total Operating Budget	$49,187	$52,615	~~$53,612~~ 53,387
	Less Est. Reimbursements	6,833	7,100	7,000
	Total Est. Direct Obligations	$42,354	$45,515	~~$46,612~~ 46,387

General Statement

Mr. Sikes. We have with us again this year to present the DCAA request, Mr. William B. Petty, Director of the Agency, and Mr. Harry W. Kettles, his Deputy.

Mr. Petty, I want to hear your statement. It is not a very long one, is it?

Mr. Petty. Not too long, Mr. Chairman.

Mr. Sikes. Will you please proceed.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am pleased to appear again before this committee, this time in support of the appropriation request of the Defense Contract Audit Agency for Fiscal Year 1970, a part of the appropriation "Operation and Maintenance, Defense Agencies." The 1970 request is for direct obligating authority of $46,387,000; the 1969 funding level was $45,515,000. The difference of $872,000 is made up of a net amount of $749,000 for personnel costs and benefits, and $123,000 for such objects as travel, communications, and other supporting services.

As of June 30, 1968, the Agency was authorized 3953 permanent positions, and we had 3896 on board. The requirements of PL 90-364, The Revenue and Expenditures Control Act of 1968, led to a reduction to 3788 space authorizations at June 30, 1969, but there was no decrease in work to be done. There was, rather, an increase because of the greater level of effort needed for post-award audits under PL 87-653, The Truth in Negotiations Act. The Office of the Secretary of Defense, in recognition of the volume of audit work, both in the post-award audits and otherwise, authorized us to use paid overtime in an amount which permits the Agency to apply the equivalent of 3900 man-years in FY 1969, which is approximately the same that was available from the larger force which we had in FY 1968. The budget request which is now before you provides for 3935 spaces at June 30, 1970, which would permit a return to approximately the June 30, 1968 level.

In previous statements, I described in some depth the organization and the responsibilities of the Defense Contract Audit Agency. Therefore, I will only say that the primary responsibility of the Agency is to do all contract audit work required by all elements of the Department of Defense (OSD, Army, Navy, Air Force and Defense Agencies). The authorizing directive is DoD Directive 5105.36, dated June 9, 1965.

In addition to Defense Department audits, the Agency is responsible for the performance of certain contract audit work for some 18 other Federal Agencies. The general policy, which has been approved by the Department of Defense, is to do contract audit work for agencies outside the Department of Defense on a reimbursable basis, in those contractor situations where the Agency maintains audit cognizance because of a continuing DoD interest, or where it is economical and sensible, from a Government-wide point of view. Under this policy DCAA does contract audit work in varying amounts for 18 Federal Agencies outside the Defense Department, By far the largest amount is done for the National Aeronautics and Space Administration, for which it is expected that about 372 man-years of work will be done in FY 1970. Approximately 163 man-years of effort will be expended for other agencies, principally the Department of Health, Education and Welfare, and the Office of Economic Opportunity. It should be noted that the National Aeronautics and Space Administration places a very large part of its contract business with contractors who are also major suppliers of the Department of Defense. DCAA often has full time resident staffs in these contractor facilities and this fact led to the arrangements between NASA and DoD under which DCAA does this work. A summary of Reimbursable Audit Work is submitted as Exhibit I.

FIELD ORGANIZATIONS

DCAA auditors have their duty stations in three kinds of field audit offices. Resident offices are maintained in the plants or offices of major contractors. There are now 97 such offices, in which the effort of the resident force is substantially concentrated on the claims, representations, and proposals of a single contractor. The staff in the major resident offices varies from about 10 to 30 or more. There are also a good number of contractors who require the full time attention of two to five auditors. Offices known as suboffices, 232 in number, are established in such contractor facilities. Each suboffice is a subordinate part of, and is managed and directed by, either a branch office or a resident office.

The contractors whose Government volume is too small to justify permanent staffs are assigned to 44 branch offices, located in major population centers throughout the United States and overseas. Their contract audit work is done on a mobile or itinerant basis.

DCAA is not a completely self-sufficient organization, in that data processing, disbursing services, payroll services, and other supporting functions are obtained from other agencies. DCAA reimburses all of these other agencies for the services which they provide and accordingly substantially all of the operating cost of the Agency is reflected in the budget request which is before you.

WORKLOAD

We again submit for your information, in Exhibits II, III and IV certain workload and performance data concerning the recent and projected workload of the Defense Contract Audit Agency. As of December 31, 1968, the Agency identified 4,352 contractors who had 52,177 auditeble contracts. The incurred costs audited in FY 1968 totaled $23.9 billion. The estimate for FY 1969 is nearly $25.0 billion, with a projection of about $26.0 billion for FY 1970.

21,590 contractor price proposals totaling $50.3 billion were given pre-award audit evaluation in FY 1968. The FY 1969 estimate is for about 22,000 proposals for about $52.0 billion, and the best information available at this time leads to the belief that the FY 1970 proposal workload will be about the same.

It is our opinion, based on all information and data available to us, that the work which we should do in FY 1970 will equal or exceed that of 1969, and we therefore believe that the request to return to the personnel level in effect before the PL 90-364 reduction is proper and reasonable.

Since we do not have enough personnel to handle our entire workload on a current basis, we have found it necessary to establish certain priorities.

First priority is given to the pre-award audit evaluation of contractor price proposals, which takes about 40% of our direct auditor time.

Second priority is given to post-award audits under PL 87-653, the Truth in Negotiations Act. We are now using a little less than 5% of direct auditor time for this work.

Miscellaneous work, which takes little time in relation to the total, but which must be done "timely" receives third priority attention. Examples are: development of factual material for response to GAO reports; validation of contractor financial status reports; validation of cost reduction program reports; validation of contractor applications for qualification under the Contractor Weighted Average Share in Cost Risk (CWAS) concept; evaluation of contractor internal management and accounting systems under the Cost/Schedule Planning and Control System program; audit of hardship claims and termination claims; and special request audits of various kinds. These activities now require about 5 to 7% of the direct auditor time.

In fourth place on the priority ladder is the audit of costs incurred by contractors under both cost reimbursement and incentive types of contracts. This work continues to be very large in terms of total time. Recent experience shows that it takes 48 to 50% of the total effort. It can be given fourth priority status only because it is possible to defer the final audit of costs for a particular contract until the time of the final settlement.

Within the incurred costs area we establish a sub-priority in favor of overheads (indirect costs such as manufacturing overhead, material burden, engineering overhead, and general and administrative expense). The overheads have application to all contracts held by a contractor, and should accordingly be audited as currently as possible.

CONTRACTOR ESTIMATING SYSTEMS

It is very important, in connection with evaluation of price proposals and the award of contracts, that contractors have satisfactory systems for the preparation of their price proposals. DCAA has the responsibility for managing the DoD program for the examination and evaluation of contractor estimating methods and procedures in the case of the major defense contractors. Much time and effort have been devoted to these estimating system studies since the responsibility for them was assigned to the DCAA in late 1965. Our last year's statement to this committee mentioned that we had identified 232 major contractors for this purpose. We have since added others, to a total of 271. As of December 31, 1968, we had completed 226 Estimating System Surveys and hope to have nearly all of the 271 finished by the end of calendar year 1969.

PUBLIC LAW 87-653

Last year we discussed with you our responsibility under this act, which is an amendment to Chapter 137 of Title 10, United States Code (Section 2304). Implementation of the act requires the post-award review of selected negotiated contracts for more than $100,000 to determine whether the cost or pricing data submitted by contractors were accurate, complete and current as of the time of the negotiation.

We have instructed the field audit offices to apply to these post-award reviews approximately 5% of the available direct auditor time. The Agency has developed, and has issued to the field audit force, instructions concerning the selection of contracts for examination, and also providing up-dated guidance in the light of DoD instructions published in the Armed Services Procurement Regulations and Defense Procurement Circulars. As of December 31, 1968 DCAA had examined 1,561 contracts for this purpose, with indications of possible data deficiencies in 227 instances, and with recommended price adjustments of $43.7 million. The DCAA function is to make the examinations and report findings to the cognizant contracting officers, who then pursue the matter with the contractors. So far, contracting officers have settled $16.3 million of our recommended price adjustments and have negotiated price reductions of $6.8 million.

SOUTHEAST ASIA

We have reported to you in each of our last several statements about the audit work being carried on in Southeast Asia. The greater effort there is in the audit of reimbursable costs under cost type contracts for construction, communications, base operation and maintenance, and utilities. We now have 28 people on duty in South Vietnam, with another 17 in Bangkok. This force appears adequate to handle the current volume of work in the area, always excepting unforeseen effects of enemy action.

Recruiting for South Vietnam requires never ending effort, since the duty tour there is for only one year.

Exhibits V, VI and VII show details concerning current staffing, the major contractors, and the status of audit in Southeast Asia as of December 31, 1968.

TRAINING

The Defense Contract Audit Institute, which has been mentioned in previous statements, continues to provide training to DCAA auditors in eight different courses. 1355 received training in FY 1968; we estimate that approximately 1500 will attend in FY 1969, with the FY 1970 level planned at about 1650.

The courses given in the Institute are designed to impart specific knowledge and skills needed by contract auditors. The courses are listed on Exhibit VIII.

FEDERAL CONTRACT RESEARCH CENTERS, NON-PROFIT AND NOT-FOR-PROFIT ORGANIZATIONS

Last year the committee expressed particular interest in one of the Federal Contract Research Centers. At that time we told you that we had issued, in December 1966, a statement of guidelines for audit of enterprises of this character.

Since our last appearance, in order to strengthen the audit of the FCRCs and the non-profit and not-for-profit organizations we have emphasized to the cognizant field auditors the Agency's intention that these audits must be as comprehensive and thorough as our resources will reasonably permit. We conducted a nation-wide seminar for our people who are engaged in these audits, and published thereafter a comprehensive audit instruction under the title "Audits of Non-for-Profit Organizations." It provides guidance and examples of our own experience with respect to those areas of contractor activity which we believe to demand particular audit attention. Examples are:

Budget and accounting systems
Financial controls
Salary and wage structure and levels
Attendance and time-keeping
Consultant's fees
Overhead content and distribution
Independent research costs
Special facilities
Depreciation
Cafeteria expense
Fees
Pricing of subcontracted work
Provisions for distribution of assets on dissolution

SAVINGS

Two years ago the committee expressed interest in a showing of net savings which result from contract audit effort. Last year I told you that a reporting system was installed as of July 1, 1967. Exhibit IX attached summarizes the savings reported from July 1, 1967 through December 31, 1968. It reflects net savings to the Government, resulting from contract auditor work, of $681.5 million against a total of $31 billion of incurred and proposed costs examined.

If this type of reporting is to be accurate, it must relate amounts in fact saved to the dollars of incurred or proposed costs examined from which these same savings were realized. The savings report, therefore, does not compare with the report of total audit activity (Exhibit III). It reflects, rather, specific savings against particular contracts or price proposals, reported, not when the audit work is done, but when we gain knowledge of the true savings.

This concludes my prepared statement. I will be pleased to try to answer any questions which you may have.

SUMMARY OF REIMBURSABLE AUDIT WORK FOR NON-DOD AGENCIES
(Dollars in thousands)

	FISCAL YEAR 68		FISCAL YEAR 69		FISCAL YEAR 70	
	Reimb. Received	Man-yrs	Est. Reimb. Received	Man-yrs	Est. Reimb. Received	Man-yrs
NASA	$4,849	396	$4,948	380	$4,848	372
AEC	136	11	200	15	200	15
Dept of Transportation	174	14	190	15	190	15
DHEW	932	76	1,033	78	1,033	78
Peace Corps	71	6	65	5	65	5
State (AID)	183	15	175	14	175	14
OEO	323	26	323	24	323	24
NSF	31	2	30	2	30	2
Interior	41	3	53	4	53	4
Commerce	27	2	35	2	35	2
Post Office	22	2	27	2	27	2
Other	44	4	21	2	21	2
TOTAL	$6,833	557	$7,100	543	$7,000	535

EXHIBIT I

COMPARATIVE WORKLOAD INDICATORS

	1st Half FY 1969	FY 1968
Number of Contractors - End of Period	4,352	4,813
New Auditable Contracts	6,731	14,042
Dollar Value (Billions)	$12.9	$24.7
Costs Audited (Billions)	$12.1	$23.9
Contracts in Inventory-End of Period	52,177	51,492
Price Proposals Completed	10,565	21,590
Dollar Value (Billions)	$25.8	$50.3
Estimating System Surveys		
Number of Contractor Locations	271	
Reports Issued	226	
Audit of Direct Costs		
Number of Major Contractors	317	
Audited through 1968 Fiscal Years	45	
Audited through 1967 Fiscal Years	235	
Audited through 1966 Fiscal Years	37	
Overhead Audit Reports		
Number of Major Contractors	262	
Audited through 1968 Fiscal Years	11	
Audited through 1967 Fiscal Years	142	
Audited through 1966 Fiscal Years	92	
Audited through 1965 Fiscal Years	17	

EXHIBIT II

COMPARATIVE AUDIT PERFORMANCE DATA
(Dollars in billions)

	FY 1968	1st Half FY 1969	Estimated Input FY 1969	Estimated Input FY 1970
DOLLARS EXAMINED				
Incurred Costs	$23.9	$12.1	$24.8	$25.8
Pricing Proposals	50.3	25.8	52.8	52.8
Total	$74.2	$37.9	$77.6	$78.6
COST QUESTIONED				
Incurred Costs	$ .4	$ .2	--	--
Pricing Proposals	4.7	2.8	--	--
Total	$ 5.1	$ 3.0	--	--
Number of Pricing Proposals	21,590	10,565	22,000	22,000

EXHIBIT III

NUMBER OF CONTRACTS AND PRICE PROPOSALS

	Contracts			Proposals		
	Defense	Non-Defense	Total	Defense	Non-Defense	Total
On Hand 7/1/68	38,900	12,592	51,492	1,667	139	1,806
Received During FY	4,673	2,058	6,731	9,660	1,054	10,714
Subtotal	43,573	14,650	58,223	11,327	1,193	12,520
Completed During FY	4,823	1,223	6,046	9,514	1,051	10,565
On Hand 12/31/68	38,750	13,427	52,177	1,813	142	1,955

EXHIBIT IV

STAFFING IN SOUTHEAST ASIA
FEBRUARY 22, 1969

	STAFF
Bangkok, Thailand, Branch Manager	1
Bangkok Branch Office	13
Contractors:	
Dillingham-Zachry-Kaiser Utah-Martin-Day AMPAC (Pacific Architects & Engineers)	
Saigon Suboffice	25
Contractors:	
RMK-BRJ Pacific Architects & Engineers Vinnell Corporation Page Communications Philco-Ford Alaska Barge and Transport	
Clerical	
Bangkok	3
Saigon	3
TOTAL STAFF	45

EXHIBIT V

MAJOR CONTRACTORS IN VIETNAM
STATISTICS AS OF DECEMBER 31, 1968

	RMK-BRJ (000)	PA&E (000)	Page Comm. (000)	Vinnell (000)	Alaska B&T (000)
Contract Obligations	$1,484,806	$334,191	$189,758	$113,332	$110,532
Costs Claimed	1,187,807	254,250	185,200	87,481	78,030
Costs Audited	1,108,204	230,686	145,334	63,181	58,631
Disallowances	266	285	74	-0-	125
Suspensions	113	515	-0-	-0-	6
Other Savings	700	2,901	182	-0-	-0-

EXHIBIT VI

MAJOR CONTRACTORS IN THAILAND
STATISTICS AS OF DECEMBER 31, 1968

	DZK (000)	UMD (000)	PA&E (AMPAC) (000)	Philco-Ford (000)
Contract Obligations	$116,901	$37,374	$28,721	$220,729
Costs Claimed	110,516	36,055	21,070	168,342
Costs Audited	96,933	36,050	14,180	117,614
Disallowances	13	3	70	-0-
Suspensions	174	-0-	1	-0-
Other Savings	89	-0-	-0-	535

EXHIBIT VII

CONTRACT AUDIT INSTITUTE COURSES - FY 1969

	Grade Level	No. of Classes	No. of Students	No. of Days	Student Days
Auditor Intern Course	5-7	6	175	10	1,750
Intermediate Auditor	9-11	7	187	5	935
Intermediate Auditor (Indoctrination)	9-12	5	148	10	1,480
Supervisory & Technical Management of Audits	12-14	5	149	5	745
Statistical Sampling	9-14	6	173	5	865
Audit in EDP Environment	9-14	7	208	10	2,080
Graphic & Computational Analysis Techniques	9-14	9	250	5	1,250
Improvement Curve Analysis Techniques	9-14	7	192	5	960
		52	1,482		10,065

EXHIBIT VIII

SUMMARY OF NET SAVINGS REPORTED
(July 1967 through December 31, 1968)

(Compiled from Copies of
Negotiation Memoranda Received by DCAA)

(Dollars in millions)

	Audit of Incurred Costs	Evaluation of Price Proposals	Total
Dollars Examined	$9,006.5	$22,377.4	$31,383.9
Costs Questioned	328.6	2,152.5	2,481.1
Costs Questioned Sustained	191.5	975.1	1,166.6
Net Savings	159.1	522.4	681.5

EXHIBIT IX

Mr. SIKES. Thank you very much, Mr. Petty.

ADDITIONAL CIVILIAN SPACES FOR 1970

In your statement you refer to the fact that on June 30, 1969, you will have 3,788 spaces authorized.

Mr. PETTY. Yes, sir.

Mr. SIKES. For fiscal year 1970, you are requesting an additional 147 civilian spaces, which will provide a new total on June 30, 1970, of 3,935 spaces.

Mr. PETTY. Yes, sir.

Mr. SIKES. What will be the cost of these additional 147 positions in fiscal year 1970?

Mr. PETTY. The additional cost for personnel I believe would net out—am I right, Mr. Kettles—to the $749,000 that we mentioned in the first paragraph of the statement.

Mr. SIKES. What will the full-year cost be for these 147 positions in fiscal year 1971?

Mr. KETTLES. Approximately $1.8 million, sir.

NEED FOR ADDITIONAL PERSONNEL

Mr. SIKES. I think we have urged you in the past to get additional help when you need it in order that you can do the job that is expected of you. What assurance can you give the committee that you are not overdoing it, that you are not getting more help than you need, as in the case of the average Government agency when it has the opportunity?

Mr. PETTY. I do not know whether I can convince you of this, Mr. Chairman, but we have tried very hard to keep our requests for personnel at a level that is right and reasonable. We have been able in our work in the last few years and based on our experience of the last few years to develop what we do consider are some reasonably scientific measurements of the manpower requirements.

We have applied those measurements very faithfully in making our requests to the Department of Defense for spaces.

PAYMENT OF OVERTIME

Mr. SIKES. How much overtime are you paying per year?

Mr. PETTY. In fiscal 1969, we are using about $900,000 for paid overtime.

Mr. KETTLES. There will be approximately $570,000 for fiscal 1970.

Mr. SIKES. There will be some reduction?

Mr. KETTLES. Yes, sir; some $330,000.

LAPSE RATE COMPUTATION

Mr. SIKES. Your budget justification shows that 3,935 employees that you will have in fiscal 1970 will produce 3,828 man-years. Using the normal lapse computation, the 3,935 positions should produce in fiscal year 1970 approximately 3,750 man-years, as we calculate it. This would be a difference of about 80 man-years. Would that be the result of paying overtime?

Mr. KETTLES. The lapse rate is the difference between the authorized spaces and the actual funded man-years. Going back to 1968, we were financed at 97.4 percent of the total authorized strength. The 1970 figure that you see represents a funded level of 97.3 percent. In fact, our lapse rate is a little higher in 1970 than it has been in prior years. So, I cannot follow the figures that you have.

Mr. SIKES. All right, when the record comes down to you, check what you have against my question and with the clerk of the committee, in order to clarify any misconception.

Mr. KETTLES. Certainly, sir. We will reconcile the differences.

(The information follows:)

DCAA LAPSE COMPUTATION

The DCAA lapse experience has been the following:

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970 estimate
End strength (authorized)	3,953	3,788	3,935
Man-years funded	3,849	3,800	3,828
Percent of authorized, funded	97.4	100.3	97.3
Unfunded (lapse)	−2.6	[1] +.3	−2.7

[1] No effective lapse realized in fiscal year 1969 because of the necessity under Public Law 90-364 to cut back from a starting on-board level of 3,896 on July 1, 1968, to 3,788, the ceiling figure for the end of the fiscal year. This action resulted in man-years realized exceeding the end-year authorized strength.

It is considered that the 2.7-percent lapse rate estimated for fiscal year 1970 is consistent with the normal operating experience level. It is necessary that this agency recruit an input of qualified college graduates at the time of graduation in May and June who will report for duty during July as trainees and junior auditors. This initial input at the start of the fiscal year will bring the staff level to a position where normal attrition during fiscal year 1970 will result in an average employment of 3,828 man-years as provided in the estimate.

MAN-YEARS DERIVED THROUGH OVERTIME

Mr. SIKES. In your statement you say that the Office of the Secretary of Defense, in recognition of the volume of audit work, both in post-award audits and otherwise, authorized your agency to use paid overtime in an amount which permits the agency to apply the equivalent of 3,900 man-years in fiscal year 1969.

For the record, tell us how many man-years you derived for fiscal years 1968, 1969, and 1970, through the use of paid overtime.

(The information follows:)

MAN-YEARS DERIVED FROM USE OF OVERTIME

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970 estimate
Full-time man-years	3,849	3,800	3,828
Overtime man-years	67	100	57
Total, man-years (estimated)	3,916	3,900	3,885

PAID OVERTIME COSTS

Mr. SIKES. What were your overtime costs for fiscal year 1968, what are you planning for fiscal 1969, and what is the dollar amount of overtime included in the 1970 budget? That may be provided for the record.

Mr. PETTY. Very well.

(The information follows:)

Overtime costs

Estimated cost of overtime:	
Fiscal year 1968	$620,000
Fiscal year 1969	900,000
Fiscal year 1970 estimated	570,000

REIMBURSABLE AUDIT WORK

Mr. SIKES. Also, in your statement on page 2 you refer to the contract audit work which you do for agencies outside the Department of Defense on a reimbursable basis. You have explained the effects of the Revenue and Expenditure Control Act of 1968 on your personnel strength.

As a result of these reductions in personnel, have you found it necessary to reduce the amount of audit work or audit services that you have been able to provide to agencies outside of the Department of Defense?

Mr. PETTY. We have not reduced that amount of work

ABILITY TO HANDLE CURRENT LEVEL OF WORKLOAD

Mr. SIKES. On page 4 of your statement you discuss the workload which DCAA is planning on handling in fiscal year 1970. You state that it is your opinion, based on all the information made available to you, that the work which you should do in fiscal year 1970 will equal or exceed that of fiscal year 1969.

If there is a reasonable chance that your fiscal year 1970 workload will equal that of fiscal year 1969 and you would be normally expected to have some increases in employee productivity each year, are you on a sound basis in asking for additional positions for fiscal year 1970?

Mr. PETTY. I believe that we are because, as we point out elsewhere in the statement, we are not quite able to cover on a current basis everything that we should do currently. Therefore, I do believe that we are being fair and honest in this request.

FUNDS FOR PERSONNEL COMPENSATION AND BENEFITS

Mr. SIKES. On page 1 of your opening remarks, you indicate that your increase of $872,000 for fiscal year 1970 is composed primarily of $749,000 for personnel costs and benefits.

On page 2 of your justification, however, you are showing only an increase of 28 man-years.

If that is correct, why would you need $749,000 additional for personnel compensation and benefits?

Mr. KETTLES. The figures there represent funding for direct costs, and include $433,000 in salary. We have an actual net increase of 28,

but an increase in the direct financing of 36 man-years. We have within-grade promotions which normally occur, and we have included some $408,000 for that item.

In addition, we have such things as terminal leave and other items that equate to $179,000.

Then we have included in this figure the offset of some $271,000 in our direct funds for overtime, which is less in 1970 as compared to the current fiscal year because of the increase in the number of people.

FUNDS FOR OTHER SUPPORT COSTS

Mr. SIKES. There is an increase of $123,000 for travel, communications, and other supporting services. For the record, provide a breakdown of those activities, and tell why you need the additional amount.

Mr. KETTLES. Very good, sir.

(The information follows:)

Increase for other support

Items of change:	*Fiscal year 1970 estimate (direct support)*
Federal telecommunications system	+$41,000
Travel	+ 90,000
Computer services	+ 20,000
Other support costs	— 28,000
Net increase	+123,000

Reason for changes:

Federal Telecommunications System (FTS).—This represents payments to the General Services Administration (GSA) primarily for FTS inter-city telephone charges. The billings are fixed by GSA through statistical sampling techniques and a projection of actual calls made. The increase reflects DCAA's assessment by OSD for the increased FTS billings that GSA anticipates for fiscal year 1970.

Travel.—This includes an increase of $50,000 for "Training travel" to restore professional audit training at the Contract Audit Institute to the level maintained in fiscal year 1968. This is consistent with the increase in staff requested for fiscal year 1970 and the planned recruitment of lower grade auditors who will require further training at the Institute; $40,000 of the increase is for additional audit travel and is consistent with field estimates of travel requirements and the higher staffing level to be maintained in fiscal year 1970.

Computer services.—The increase reflects the expected growth in usage of time-shared computer services. These services assist the field auditor in sampling and other problem solving techniques. Computer services eliminate the need for the auditor to make lengthy computations and thereby assist the agency in meeting the increased productivity requirements which are annually levied against the agency.

Other support costs.—These represent primarily those costs paid to the Defense Supply Agency for disbursing, accounting, payroll, motor pool, janitorial, and similar type srvices. As a result of DCAA assuming responsibility for its own appropriation accounting, a net savings of $28,000 has been achieved in "other support costs."

POST-AWARD REVIEWS

Mr. SIKES. On page 6 of your statement under your discussion of Public Law 87-653, you state that you have instructed the field audit offices to apply to the post-award reviews approximately 5 percent of the available direct auditor time.

Does it follow that these offices will apply this 5 percent regardless of their workload distribution?

Mr. PETTY. No, sir. It does not follow that all of them will need as much as 5 percent. There may be some contractor situations where you do not have many contracts or some even none at all that are subject to this type of audit. We have told them that on the average, we feel that by applying about 5 percent of the direct auditor time, we can make a good selection, we can cover the larger contracts which are subject to the act, we can take a sampling of the smaller contracts. Some may run over. Many will run under.

Mr. MINSHALL. I would like to ask you with reference to Public Law 87-653, if you think 5 percent of the total staff time to be applied to this type of audit is sufficient.

Mr. PETTY. Let me answer that question in this way, if I may, please.

We were faced with the necessity of instructing our people in the field about how much effort should be applied to Public Law 87-653. Recognizing the fact that our first priority work is the evaluation of pricing proposals, which does take a very large part of our time, and recognizing also that we have ongoing at all times the necessity for the audit of incurred costs which, again, takes a very large part of our time, it was necessary to decide what level of effort shall we apply as of this point in time to the Public Law 87-653 audits.

We gave it a considerable amount of thought and did establish a contract selection procedure which we have issued to our people in the field, under which they do select for examination for this purpose pertinent contracts which do bear large dollars.

So, we feel by selecting the large contracts, we are hitting most of the dollars that are involved.

Mr. MINSHALL. By "large contract," what do you mean?

Mr. PETTY. $5 million or over.

Mr. MINSHALL. Go ahead.

Mr. PETTY. Then in order to get a reasonable and, hopefully, a rather scientific coverage of the large volume of smaller contracts, we developed a selection method, going into the DOD data bank, which has records of all procurement actions issued during a period of time. We go in there and we make a random sample, on a scientific selection basis, of contracts out of this mass. Then we identify those particular contracts by number to our various audit offices which are cognizant of them. We say, "You audit these contracts for this purpose."

I cannot give you a flat answer about whether we are doing enough in this area. I think we need perhaps a little more time and a little greater body of statistical data about the results of the work that we are doing, before we do reach a firm conclusion in this respect.

Mr. MINSHALL. In other words, you are getting started, and you do not have enough experience yet to decide whether or not this will be sufficient?

Mr. PETTY. That is right.

Mr. MINSHALL. Thank you very much.

RECRUITMENT OF AUDITORS FOR VIETNAM DUTY

Mr. SIKES. On page 7, you state that you now have 28 people on duty in South Vietnam with another 17 in Bangkok.

This is an increase of five auditors in Vietnam over the number you had there last year.

Have you been able to recruit all of the auditors that you need for this area?

Mr. PETTY. We have been up to this point in time. It is a hard job. You have to keep working at it all the time.

Mr. SIKES. You have had difficulty all along?

Mr. PETTY. To date we have been able to keep those positions staffed.

Mr. SIKES. At the moment you feel you are reasonably well staffed?

Mr. PETTY. Yes, sir, I do, at this time.

AUDITS IN SOUTHEAST ASIA

Mr. SIKES. I would like to have in some detail for the record, and briefly at this time, a rundown on the audits conducted in Vietnam and Southeast Asia covering the significant items that have occurred since this was discussed in last year's hearings.

(Off the record.)

Mr. PETTY. Your question, as I get it, is, What have we been accomplishing, what we have been doing?

Mr. SIKES. How do the principal problems which you were encountering a year ago now look? What progress are you making, and how are you getting along?

Mr. PETTY. If you would care to take a look at some of these exhibits, particularly VI and VII, you will see the contract obligations, the claims——

Mr. ANDREWS. If you will pardon me a minute, Mr. Petty, I would like to see these exhibits put in the record at this point.

Mr. SIKES. Very well.

Mr. ANDREWS. It focuses the reader's attention on what Mr. Petty is talking about.

EXHIBIT VI

MAJOR CONTRACTORS IN VIETNAM—STATISTICS AS OF DEC. 31, 1968

[In thousands of dollars]

	RMK-BRJ	P.A. & E.	Page Comm.	Vinnell	Alaska B. & T
Contract obligations	1,484,806	334,191	189,758	113,332	110,532
Costs claimed	1,187,807	254,250	185,200	87,481	78,030
Costs audited	1,108,204	230,686	145,334	63,181	58,631
Disallowances	266	285	74	0	125
Suspensions	113	515	0	0	6
Other savings	700	2,901	182	0	0

EXHIBIT VII

MAJOR CONTRACTORS IN THAILAND—STATISTICS AS OF DEC. 31, 1968

[In thousands of dollars]

	DZK	UMD	P. A. & E. (AMPAC)	Philco-Ford
Contract obligations	116,901	37,374	28,721	220,729
Costs claimed	110,516	36,055	21,070	168,342
Costs audited	96,933	36,050	14,180	117,614
Disallowances	13	3	70	0
Suspensions	174	0	1	0
Other savings	89	0	0	535

Mr. PETTY. You can see there the relationship between the costs which the various contractors have claimed to the end of December 1968, and the amount which we have audited, and the amounts of disallowances, suspensions, and other savings.

I think these figures indicate that we have been able to catch up with respect to the audit of the contractors' costs.

You may remember, Mr. Chairman, when we appeared before your Military Construction Subcommittee a couple of years ago, we were not in any such position as this. Costs had been incurred at a very rapid rate. We had not had enough people there to do the job.

We have done some catching up with respect to all contractors. Because of the fact that we have had a larger force there, and because of the fact that the situation as concerns contracting has stabilized to a considerable extent, and because of the fact that there has been, I believe, a greater capability on the part of the Procurement and Contract Administration people there to deal with the various contracts and contractors, I think we have made some excellent progress in getting down to what you might call the finer points of these audits.

AUDIT OF VINNELL CORP.

Mr. SIKES. I would think so.

Now let us look, for instance, at Vinnell Corp., contract obligations of $113 million; costs audited, $63 million. Does that mean you are something over half through with the audit of Vinnell?

Mr. PETTY. As far as we are concerned, they have claimed about $87 million worth of costs. As of now, we have audited about $63 million.

Mr. SIKES. Does it follow there have been no disallowances and no suspensions in this audit?

Mr. PETTY. That is what the record shows.

Mr. SIKES. That would appear to be a remarkably clean operation as far as bookkeeping is concerned.

Mr. PETTY. It would seem to be so.

AUDIT OF RMK–BRJ CORP.

Mr. SIKES. I notice RMK–BRJ, which is the big one out there, had almost a billion and a half of contract obligations, $1,187.8 million in costs claimed, and you have audited substantially all of that, apparently.

Mr. PETTY. Yes, sir.

Mr. SIKES. For the volume of business and the tremendous pace at which they were required to operate, it would appear that they had done quite a good job.

Mr. PETTY. If you will recognize one thing with respect to business like the RMK–BRJ contract. Almost everything that goes against it is a direct charge. You do not have the problem of auditing overhead and allocating overhead to contracts there. It is nearly all direct

charge. This means that in view of the fact that you live with them day in and day out, you can do some preventive work and you prevent many times the incurrence of costs which then do not show up as savings or disallowances but, nonetheless, we have them policing the contract, I think, reasonably well.

Mr. SIKES. Am I correct that you have had cause to disallow $266,000 out of costs audited thus far?

Mr. PETTY. That is right.

Mr. SIKES. That seems to be a rather low figure.

Mr. PETTY. It does seem a very small figure.

Mr. SIKES. How did you achieve other savings at $700,000?

Mr. PETTY. The other savings include such matters as unallowable interest expense, a refund for gains on currency exchange, reductions in subcontractor claims and proposed prices, savings in operating cost of automatic data processing, refunds for items erroneously charged to the Government contract, and air fares not reimbursable under the contract.

Mr. SIKES. This would be considered a normal accumulation in an operation of this size?

Mr. PETTY. I hope it is normal. As of this point in time, we certainly have, I do believe, an adequate number of people over there. We are living with the contractor, doing everything that we can to get him to get on the line and stay there. We are getting pretty good support from the Procurement and Contract Administration people there with respect to these various contractors.

I do believe that jointly, maybe we have done a pretty fair job on this.

AUDIT OF PACIFIC ARCHITECTS AND ENGINEERS

Mr. SIKES. Let us turn to Pacific Architects and Engineers, who claim costs of $254 million. You have audited $230 million, and there are disallowances of $285,000 and suspensions of $515,000.

What is the picture there on suspensions? That is a half million dollars. What does that mean?

Mr. PETTY. We suspend a cost when they claim it or propose it and where the cost in character we believe is an allowable cost but where they have failed to produce evidence to support it. The suspension is merely a statement to the contractor, "You haven't convinced us that this money has really been spent and should be reimbursed. If you can come forward with evidence to support it, then we lift the suspension and it becomes reimbursable."

Mr. SIKES. In other savings, the amount jumps rather decisively to $2.9 million. What is the picture there?

Mr. PETTY. Could I supply that one for the record? I have a list of the things that make up this $2,901,000. I would be very glad to supply it.

Mr. SIKES. All right.

(The information follows:)

MAJOR ITEMS OF OTHER SAVINGS

The major items of other savings reported as applicable to Pacific Architects and Engineers, Inc. totaling $2,593,000 are shown below. The remainder of the $2.9 million includes numerous miscellaneous small dollar items.

Amounts recovered as a result of the change in the piastre exchange rate	$390,000
Costs specifically unallowable by the ASPR which were claimed on public vouchers	169,000
Auditors recommended cancellation of hull insurance on Caribou aircraft	29,000
Auditor recommended use for stationery and other printed matter which the contractor was going to scrap	75,000
Disallowances based on auditor's recommendation of management consultation services	100,000
Disallowance based on auditor's recommendation of proposed living allowances for employees	60,000
Auditors recommended termination of vehicle leases	35,000
Claims made on public voucher for expenditures that had not been incurred	340,000
Canceled payroll checks included on public vouchers	602,000
Savings resulting from the Army taking over the operation of PA & E's nonstandard repair part depot in accordance with a DCAA recommendation	400,000
Recoupment of costs for excessive OT hours during TET offensive	75,000
Unclaimed wages included on the contractor's billing	51,000
Savings resulting from audit of contractor's claimed loss position on mess hall operations	123,000
Claims for material costs which had not been incurred	144,000

Mr. SIKES. You feel, generally, that you are on top of the problem and the audit is proceeding satisfactorily?

Mr. PETTY. I feel very much better about the work in Southeast Asia than I did a year ago, Mr. Chairman.

Mr. SIKES. Are there any major or significant problems at this time that you have not discussed with the committee in connection with Southeast Asia?

Mr. PETTY. I do not believe that there are.

DEFENSE CONTRACT AUDIT INSTITUTE

Mr. SIKES. On page 8 of your statement, you discuss training plans for fiscal year 1970, and you say that you plan to have 1,650 students attend the Defense Contract Audit Institute.

This would imply that each DCAA auditor attends the Defense Contract Audit Institute at least once every 2 years. Is that correct?

Mr. PETTY. Not quite, no.

Mr. SIKES. What is the basis on which you operate?

Mr. PETTY. Might I there ask you to refer to the exhibit VIII, which lists the courses which we give in the Contract Audit Institute.

(Exhibit VIII follows:)

EXHIBIT VIII

CONTRACT AUDIT INSTITUTE COURSES, FISCAL YEAR 1969

	Grade level	Number of classes	Number of students	Number of days	Student days
Auditor intern course	5 to 7	6	175	10	1,750
Intermediate auditor	9 to 11	7	187	5	935
Intermediate auditor (indoctrination)	9 to 12	5	148	10	1,480
Supervisory and technical management of audits	12 to 14	5	149	5	745
Statistical sampling	9 to 14	6	173	5	865
Audit in EDP environment	9 to 14	7	208	10	2 080
Graphic and computational analysis techniques	9 to 14	9	250	5	1,250
Improvement curve analysis techniques	9 to 14	7	192	5	960
		52	1,482		10,065

Mr. PETTY. We assign people to the Institute and send them there for these coures on the basis of our belief about their need for instruction in the particular areas with which the courses deal.

Mr. SIKES. Do you attempt to have each of your auditors cover all 8 courses during the period that they are attending the Institute?

Mr. PETTY. No, sir. In the first place, we do not attempt to expose all auditors to all 8 courses, and they will not get more than one of these on one trip to the Institute.

Mr. SIKES. How frequently does the average auditor attend the Institute?

Mr. PETTY. It would be not more often than every 2 years. Again, let me repeat that not all will visit the Institute that often, by any means.

Mr. SIKES. These are short courses?

Mr. PETTY. Yes, sir. They are courses directed to specific subjects. They are short courses.

Mr. SIKES. Where is the Institute?

Mr. PETTY. Memphis. It is in facilities of the Defense Depot, Memphis, which is a Defense Supply Agency installation.

LMI STUDY OF CONTRACT AUDIT/CONTRACT ADMINISTRATION INTERFACE

Mr. SIKES. The committee has been advised that the Logistics Management Institute made a study of the Contract Audit/Contract Administration interface. This study was completed on March 10, 1969. Have you seen the result of this study?

Mr. PETTY. Yes, sir, I have seen the report.

Mr. SIKES. Why was the Logistics Management Institute directed to make such a study?

Mr. PETTY. Somebody else would have to answer that one for you, Mr. Chairman. I had nothing to do with the decision that they should do it, or the selection of LMI to do it.

Mr. SIKES. What are their qualifications for making such a study?

Mr. PETTY. I would hate to express an opinion on that, if you would excuse me from it.

Mr. SIKES. What are the results of the study?

Mr. PETTY. The results of the study are a recommendation by the Logistics Management Institute that the Defense Contract Audit Agency should be subordinated to and made a part of the Defense Contract Administration Services, which is presently an Executive directorate of the Defense Supply Agency.

Mr. SIKES. What are your feelings on the subject?

Mr. PETTY. May I continue?

The recommendation further is that this combination of Defense Contract Administration Services and Defense Contract Audit Agency should itself become a Defense Agency similar to DSA or DCAA at this point in time.

Those are their two recommendations.

Your next question was what is my opinion?

Mr. SIKES. What is your reaction to the recommendation?

Mr. PETTY. I hope I am an honest enough accountant and auditor and an honest enough employee of the Federal Government that I can take an objective view of this subject.

Bearing in mind that the effect of it would be to subordinate the contract audit activity to the Contract Administration Services activity, which is in the final analysis one of the parties to the procuring and contract administration process, it is my firm opinion that contract audit can do a much better job for the Department of Defense, for the Government, and for the public if it is permitted to remain as an independent agency.

Mr. GARRITY. Have you any idea as to why LMI was directed to make this study?

Mr. PETTY. As I mentioned earlier, I had nothing to do with the decision that they should do it, or the selection of LMI to do it. However, a reading of the task order assigned to LMI indicates that the study was directed as an outgrowth of the 1967 DoD-wide procurement pricing conference at Hershey, Pa. Two conference panels devoted special attention to the contract audit-contract administration area and arrived at diametrically opposed courses of action for resolving alleged problems. At a senior management review of these recommendations it was decided that a detached study of the area was needed to assist the top DoD officials in deciding on appropriate remedial measures. LMI was selected to perform this study.

AUDIT OF FEDERAL CONTRACT RESEARCH CENTERS

Mr. SIKES. Mr. Petty, you mentioned that the committee expressed particular interest in the review and audit of Federal contract research centers. We were particularly interested in the review of management operations expenses, including administrative costs.

Do your new guidelines include these areas?

Mr. PETTY. Yes, sir.

Mr. SIKES. Will you expand on that.

Mr. PETTY. The DCAA "Guidelines" cover procedures to be followed in auditing the types of expenses normally incurred by FCRCs. Salaries and wages represent the largest single element of costs incurred by FCRCs. Audit guidance in this area covers such aspects as salary and wage structures, utilization and management of labor resources, attendance and timekeeping, and fringe benefits. The guidance also covers purchased services and material, including outside services, expenses generated by affiliates, purchasing and subcontracting, and the material storage and issue function. Costs such as travel, relocation, depreciation, taxes, research, and bidding costs are also covered in the guidelines as part of the instructions on overhead audits.

Mr. SIKES. Have your recent audit reports on Federal contract research centers revealed any improprieties in the use of operations or administrative funds?

Mr. PETTY. Audits of FCRCs entail evalutions of charges to Government contracts as well as the overall utilization of Government funds. Contractors' budget and accounting functions and financial management procedures are reviewed to determine whether the procedures and controls are effective in accomplishing Government contracts at a reasonable cost. Our evaluations have not disclosed any improprieties respecting the misuse of funds, however, we have reported findings dealing with contract financial management and cost controls.

For example, during a recent review of financial resources and related cash flow at an FCRC, the auditors recommended a reduction of $2 million in Government advances under the major DoD contract. Such reduction was possible because the auditors found that there had been a significant increase in liquid reserves, and there was no longer a need for maintaining the level of advance payments previously required.

The auditors at another location noted significant increases in indirect labor costs related to independent technical effort. The auditors observed that there was a need for control over these costs and recommended that the contracting officer enter into an advance agreement with the contractor. As a result of the advance agreement, the contractor's 1966 and 1967 overhead cost claims were reduced by $1.8 million.

Our audits also result in the questioning of costs incurred and charged to Government contracts. Examples of the types of costs questioned in reports issued are independent research and development, bidding expense, travel and relocation costs, special facilities costs, and consultant's fees.

AUDIT OF RAND CORPORATION

Mr. SIKES. We discussed the audit of the Rand Corp. last year. What did your final audit report on this operation reveal?

Mr. PETTY. The DCAA audit at the Rand Corp. during 1968 covered 1967 overhead costs and a number of functional areas identified in the audit "Guidelines." With regard to the 1967 overhead audit, the auditors questioned $519,000. Significant amounts questioned related to bidding costs, consultants' fees, travel expenses, and publication costs.

Nine functional areas identified in the audit plan were reviewed during the year. These included budgetary procedures, accounting and cost distribution, labor utilization, and timekeeping. The auditors found that timekeeping procedures needed improvement and issued a report to the administrative contracting officer. The evaluations of the other functional areas did not disclose any significant deficiencies.

PROVIDING AUDIT REPORTS TO SECRETARY OF DEFENSE

Mr. SIKES. Are you reporting the deficiencies disclosed by your audit reports directly to the Secretary of Defense or his deputy?

Mr. PETTY. The DCAA Guidelines provide that, as a general rule, audit reports will be issued to the appropriate contracting officer for

action. Copies of the reports, however, are to be furnished appropriate Department of Defense components whenever particularly sensitive or significant operational or policy matters are involved. Consequently, while we do not ordinarily report audit findings directly to the Secretary of Defense or his deputy, we do advise other DOD offices of sensitive or significant matters. As an example, we recently encountered some major difficulties in reviewing an FCRC's salary and wage levels. The basic problem was the absence of a formal system, and we could not properly evaluate management controls over such areas as the level of starting salaries and the basis for salary increases. This matter was promptly reported to the contracting officer and in turn to the office of the Director, Defense Research and Engineering (DDR & E). The FCRC was instructed by DDR & E to develop a formal system, which was to be evaluated by DCAA. A copy of the report on our evaluation of the system developed by the contractor was officially transmitted to DDR & E.

Mr. SIKES. Further questions?

DCAA RELATIONS WITH GAO IN SOUTHEAST ASIA

Mr. ANDREWS. Mr. Petty, the General Accounting Office has a field office in Southeast Asia.

Mr. PETTY. I believe that is right.

Mr. ANDREWS. Do your people work with them?

Mr. PETTY. To the extent that they request that we do. Please understand that we are the ones who are charged with doing the direct contract audit work. We must go ahead and initiate these audits and carry them on, on our own initiative.

GAO, of course, is in a supervisory position as far as we are concerned. If they happen to decide to inquire into a particular area and they come to us and ask us what knowledge or information we have about this subject, have we already looked at it, we do provide them such information and assist them in that respect.

We do not actually go out and jointly perform an audit with GAO.

Mr. ANDREWS. I was going to ask you if there was any duplication of effort between your agency and GAO.

Mr. PETTY. The only duplication—I do not think you should really call it that—the only duplication would be where GAO decides to get into and inquire into an area which we may already have audited.

THEFT OF GOVERNMENT PROPERTY IN VIETNAM

Mr. ANDREWS. We have heard and read of stealing, black markets, and so forth, in Vietnam. Have you found anything about those alleged acts of stealing and black market operations?

Mr. PETTY. Please understand, again, that we in this activity would have little occasion to be finding out anything about black market activities in any commodity or in currency or whatever. There has been, and we know there has been, a certain amount of thievery of contractors' property, some Government property, but our contacts with the loss of property would be where we are trying to account for property which a contractor had acquired either by purchase or by receipt from the Federal Government. You come up against the question of what

should be in the inventory according to the record, and what is in the inventory, and it is not all there. You cannot always draw the conclusion that this was necessarily stolen property.

The thing I am saying is that some of the property losses over there are no doubt due to thievery. Others may be due to issue of property without proper records having been made.

CONVICTIONS OR INDICTMENTS RESULTING FROM AUDITS

Mr. ANDREWS. Has your agency been responsible for any person being arrested or indicted or prosecuted and convicted?

Mr. PETTY. No, sir; not with respect to this matter of the stealing or thievery of property.

Mr. ANDREWS. Have your efforts resulted in the prosecution and/or conviction of any contractor employee or Defense employee?

Mr. PETTY. No, sir.

Mr. MINSHALL. In other words, you have never uncovered any criminal acts.

Mr. PETTY. That is true.

Mr. ANDREWS. In all of these far flung operations, you have not found any evidence of criminal activity such as thefts?

Mr. PETTY. We are talking about Southeast Asia particularly?

Mr. ANDREWS. I am talking about overall.

Mr. PETTY. Wait up a minute. I thought you were addressing Southeast Asia.

Mr. ANDREWS. You have already said you did not have any arrests or convictions in Southeast Asia.

Mr. PETTY. We do have from time to time situations where we have reason to believe that there have been irregularities or improprieties. The thing we do, of course, upon detecting something of this sort, is to refer it to an investigating agency.

Mr. ANDREWS. You are only an auditing agency, a fact-finding agency. If you find evidence of criminal acts, you make a report to the proper authorities.

Mr. PETTY. Yes, sir, that is right.

Mr. ANDREWS. Then it is out of your hands.

Mr. PETTY. That is right.

Mr. MINSHALL. To whom do you report it?

Mr. PETTY. Ordinarily the FBI will be the investigating agency.

Mr. MINSHALL. Do you ever follow through to see what action was ultimately taken?

Mr. PETTY. Yes.

Mr. MINSHALL. What has happened?

Mr. PETTY. There have been people indicted and convicted as a result. They are not legion in number in relation to the total number of people who work for the contractors whom we audit, but there are a good number of these cases.

DCAA RELATIONSHIP WITH SERVICE AUDIT AGENCIES

Mr. ANDREWS. Does the Army have an audit service in addition to yours?

Mr. PETTY. The Army has an internal audit service, the Army Audit

Agency. Similarly, the Air Force and the Navy have internal audit services.

Mr. ANDREWS. If any one of the services has an audit agency, is there duplication of effort on the part of their auditing service and yours?

Mr. PETTY. No, sir, we do not duplicate. Bear in mind that we audit the contractor. We do not audit anybody else.

Mr. ANDREWS. Just the contractors?

Mr. PETTY. That is right. They do not audit the contractor. Any time that they have an internal audit which does not cause them to need any work done in the contractor area, they come to us and ask us to do this. We do it and supply it to them. We work very hard not to have duplication. I think we have been quite successful.

LMI PROPOSAL TO COMBINE CONTRACT AUDIT WITH CONTRACT ADMINISTRATION

Mr. ANDREWS. I was interested in your statement with reference to the meeting in Hershey, Pa. They want to put the contracting officers and the auditors in the same shop?

Mr. PETTY. Those who administer the contracts, yes, sir.

Mr. ANDREWS. That would be a funny set-up, wouldn't it?

Mr. PETTY. Extremely so.

Mr. ANDREWS. Did your agency take any part in asking LMI to make that study?

Mr. PETTY. No.

Mr. ANDREWS. I would not think so, in view of the fact that you disagree with their findings. What about the Defense Supply Agency? Did they participate in the request?

Mr. PETTY. Mr. Congressman, I think one would have to say that the authorization to do this work as it came to the Logistics Management Institute was instigated by the Office of the Assistant Secretary of Defense (Installations and Logistics). The task order which came out, so there may be no confusion, was signed by Secretary Morris, who was then Assistant Secretary of Defense (Installations and Logistics).

SAVINGS RESULTING FROM AUDITS

Mr. ANDREWS. I serve on the subcommittee which handles the appropriation for the General Accounting Office, and each year, with a great deal of pride, they tell us what their Agency saved the Government.

Can you tell us how much your Agency has saved the Government?

Mr. PETTY. We have provided statements here showing the amounts of costs audited, the amounts of costs questioned. We have provided a statement showing the amount of savings that have been reported to us as a result of our work, from a portion of the work which we have done.

Before we can determine what the actual savings is, we have to get a report back from the contracting officer who finally settles the case.

(Exhibit IX follows:)

EXHIBIT IX

SUMMARY OF NET SAVINGS REPORTED (JULY 1967 THROUGH DEC. 31, 1968)

[In millions of dollars]

	Audit of incurred costs	Evaluation of price proposals	Total
Dollars examined	9,006.5	22,377.4	31,383.9
Costs questioned	328.6	2,152.5	2,481.1
Costs questioned sustained	191.5	975.1	1,166.6
Net savings	159.1	522.4	681.5

Note: Compiled from copies of negotiation memorandums received by DCAA.

Mr. ANDREWS. I am looking at exhibit IX of your statement, where you show a summary of net savings reported, July 1967 through December 31, 1968.

Is it correct that your organization examined and audited a total of $31,383,000,000?

Mr. PETTY. That, bear in mind, is only a portion of what we have audited.

Mr. ANDREWS. This page shows net savings—I assume to the Government—as a result of your work, $681.5 million.

Mr. PETTY. $681 million out of that particular $31 billion of costs audited.

Bear in mind, each year we will examine about $20-plus billion worth of incurred costs. We will examine about $50 billion-plus of pricing proposals. We are examining, then, a total of costs or proposed costs of some $70-plus billion each year.

Mr. ANDREWS. During that period of time that I mentioned, you examined $31 billion-plus?

Mr. PETTY. I am trying to say that is only a part of what we examined during that period of time.

Mr. ANDREWS. I would think it would be helpful to you if you put the total amount there.

Mr. PETTY. We cannot match the net true savings against the dollars that we examine in the period of time in which we examine it.

Mr. ANDREWS. Out of the total of $31 billion-plus that you examined, is your office responsible for savings to the Federal Government of $681 million?

Mr. PETTY. Out of that particular $31 billion, we are responsible for a net savings of $681 million.

Mr. ANDREWS. That is all.

Mr. PETTY. Bear in mind, that is only a part of the savings which results from our work during that period of time.

Mr. ANDREWS. I am just talking about the $31 billion examined, and you saved $680 million.

Mr. MINSHALL. No questions, Mr. Chairman.

Mr. SIKES. Mr. Sinclair, could you obtain a copy of the LMI report for the committee?

Mr. SINCLAIR. Yes, sir; I will provide the committee with a copy of the report.

Mr. SIKES. Thank you very much, gentlemen. You have been helpful to the committee.

FRIDAY, APRIL 25, 1969.

DEFENSE SUPPLY AGENCY

WITNESSES

LT. GEN. EARL C. HEDLUND, U.S. AIR FORCE, DIRECTOR
MAJ. GEN. R. C. KYSER, U.S. ARMY, DEPUTY DIRECTOR
REAR ADM. I. F. HADDOCK, U.S. NAVY, ASSISTANT DIRECTOR, PLANS, PROGRAMS, AND SYSTEMS
MELVIN H. BAKER, COMPTROLLER
WILLIAM M. HOWARD, CHIEF, MANAGEMENT EVALUATION AND INFORMATION SYSTEMS DIVISION, OFFICE OF COMPTROLLER
HAROLD R. GARRETT, CHIEF, OPERATIONS BUDGETS DIVISION, OFFICE OF COMPTROLLER
JESSE P. LACKLEN, CHIEF, STOCK FUND DIVISION, OFFICE OF COMPTROLLER

Mr. SIKES. The committee is now prepared to discuss the requirements for the Defense Supply Agency for funds for fiscal year 1970. The request in total is for $636,480,000. Of this amount $607,154,000 is for operation and maintenance; $18,926,000 is for procurement; and $10,400,000 is for research, development, test, and evaluation. The total funds being requested for fiscal year 1970 are $8,868,000 above the presently estimated funding level for fiscal year 1969.

At this point we will insert various justification pages in the record.

(The pages follow:)

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

Budget Activity: Defense Supply Agency

Project: Summary

Purpose and Scope

The Defense Supply Agency was established as an agency of the Department of Defense on 1 October 1961 pursuant to authority vested in the Secretary of Defense and the provisions of the National Security Act of 1947, as amended.

The primary objectives of the Defense Supply Agency are:

First, to insure effective and timely support of the operating forces in war and peace;
Second, to furnish this support at the lowest practicable cost.

This budget estimate for the Defense Supply Agency in Fiscal Year 1970 supports the supply and service organizations which perform the functions assigned to the Agency, except for the Defense Documentation Center which is financed from Research, Development, Test and Evaluation funds. These organizations and functions, with representative workload indicators, include:

Organizations	Functions	Annual Workload Indicators
Supply Centers (6)	Procurement and inventory management of medical, fuel, subsistence, clothing, general, industrial, construction, and electronics materiel	18.9 Million Requisitions $5.4 Billion Sales $2.4 Billion Inventory 1.7 Million Items Managed 2.3 Million Procurement Line Items Awarded
Distribution Depots (8)	Receipt, storage and issue of DSA materiel	2.8 Million Short Tons Received and Shipped 1.1 Million Short Tons in Store
Service Centers (2)	Support of DoD-wide cataloging, inventory utilization, and surplus disposal programs at DLSC, and inventory management of industrial	.6 Million Catalog Numbers added or deleted

Organizations	Functions	Annual Workload Indicators
	plant equipment at DIPEC	$5.0 Billion Material Utilization and disposal $ .7 Billion IPE Inventory
Contract Admin. Services (CAS) Regional Ofcs (11)	Contract Administration, Quality Assurance, Production Surveillance and Industrial Security	249 Thousand Contracts Administered $20.6 Billion Value of Material Inspected for Shipment 1.8 Million Invoices Paid
General Admin.	Headquarters, Support Center, regional audit and field inspection	

The operations of the Defense Supply Agency are being carried on at the lowest practicable cost which will provide for the performance of its missions. Continuing efforts are being made to achieve increased efficiency in every area of operations so that cost reductions can be accomplished where any potential savings are identified.

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

Budget Activity: Defense Supply Agency

Project: Summary

Summary of Obligations by Projects
(In thousands of dollars)

	FY 1968	FY 1969	FY 1970
Direct Obligations:			
1. Procurement and Supply Management	149,739	155,699	~~156,945~~ 156,376
2. Supply Depot Operations	128,830	139,830	~~140,889~~ 140,315
3. Logistics Services	45,022	48,310	~~49,119~~ 48,941
4. Contract Administration Services	228,731	241,600	~~237,022~~ 236,162
5. General Administration	23,265	25,065	~~25,389~~ 24,297
Total Direct Obligations	575,587	610,504	~~609,364~~ 607,154
Reimbursable Obligations:			
1. Procurement and Supply Management	4,030	4,465	4,465
2. Supply Depot Operations	10,980	11,669	11,669
3. Logistics Services	6,617	5,933	5,933
4. Contract Administration Services	10,473	10,000	10,000
5. General Administration	1,041	1,033	1,033
Total Reimbursable Obligations	33,141	33,100	33,100
TOTAL OBLIGATIONS	608,728	643,604	~~642,464~~ 640,254

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

Budget Activity: Defense Supply Agency

Project: Summary

Summary of Obligations by Object Class
(in thousands of dollars)

	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
11 Personnel Compensation			
Permanent Positions	436,707	461,569	~~451,808~~ 449,510
Positions other than permanent	9,740	7,382	7,382
Other personnel compensation	10,011	11,188	~~11,066~~ 11,618
Total personnel compensation	456,458	480,139	~~470,256~~ 468,510
Direct Obligations			
11 Personnel compensation	431,608	455,289	~~445,406~~ 443,360
12 Personnel benefits	34,430	36,424	~~35,632~~ 35,468
21 Travel and transportation of persons	7,811	8,181	8,181
22 Transportation of things	788	796	796
23 Rents, communications and utilities	28,707	36,552	41,029
24 Printing and reproduction	3,421	3,628	3,578
25 Other services	37,142	37,240	40,782
26 Supplies and materials	28,908	28,351	29,917
31 Equipment	2,772	4,043	4,043
Total direct obligations	575,587	610,504	~~609,364~~ 607,154

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

Budget Activity: Defense Supply Agency

Project: Summary

Summary of Obligations by Object Class (Cont'd)
(in thousands of dollars)

	FY 1968 Actual	FY 1969 Estimate	FY 1970 Estimate
Reimbursable Obligations			
11 Personnel compensation	24,850	24,850	24,850
12 Personnel benefits	1,982	1,982	1,982
21 Travel and transportation of persons	450	450	450
22 Transportation of things	45	45	45
23 Rents, communications and utilities	1,653	1,653	1,653
24 Printing and reproduction	197	197	197
25 Other services	2,138	2,138	2,138
26 Supplies and materials	1,666	1,666	1,666
31 Equipment	160	119	119
Total reimbursable obligations	33,141	33,100	33,100
Total Obligations	608,728	643,604	640,251 ~~642,464~~

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

Budget Activity: Defense Supply Agency

Project: Summary

Summary of Permanent Civilian Positions by Grade

General Schedule Grades	FY 1968 Number	FY 1969 Number	FY 1970 Number
GS-18	1	1	1
GS-17	4	4	4
GS-16	17	17	17
GS-15	279	285	287
GS-14	595	651	674
GS-13	1,671	1,603	~~1,634~~ 1,623
GS-12	3,769	3,684	~~3,629~~ 3,604
GS-11	6,388	6,161	~~6,116~~ 6,073
GS-10	800	791	~~796~~ 790
GS-9	8,327	7,970	~~7,783~~ 7,728
GS-8	450	416	~~419~~ 416
GS-7	3,660	3,517	~~3,411~~ 3,397
GS-6	939	916	~~922~~ 916
GS-5	4,832	4,682	~~4,634~~ 4,601
GS-4	5,800	5,591	~~5,486~~ 5,448
GS-3	4,450	4,232	~~4,180~~ 4,151
GS-2	1,851	1,811	~~1,801~~ 1,788
GS-1	230	208	~~209~~ 203
Ungraded Positions	11,233	10,844	~~10,922~~ 10,550
Total Permanent Positions	55,296	53,384	~~52,925~~ 52,546
Total Temporary, Part-time and Intermittent Employees	2,156	2,150	2,150
Total Civilian Ceiling	57,452	55,534	~~55,075~~ 54,696

DEPARTMENT OF DEFENSE

APPROPRIATION: Operation and Maintenance, Defense Agencies, FY 1970

Budget Activity: Defense Supply Agency

Project: Summary

Summary of Assigned Military Personnel and Costs by Rank
(in thousands of dollars)

	FY 1968		FY 1969		FY 1970	
	Number	Amount	Number	Amount	Number	Amount
Lt. Gen/Vice Adm.	1	30	1	35	1	35
Maj. Gen./Rear Adm. (upper half)	3	81	12	362	12	362
Brig. Gen./Rear Adm. (lower half)	8	192	7	186	7	186
Colonel/Captain	171	3,591	188	4,432	188	4,432
Lt. Col./Commander	328	5,804	412	8,290	412	8,290
Major/Lt. Commander	325	4,775	300	5,022	300	5,022
Captain/Lieutenant	135	1,620	121	1,671	121	1,671
First Lt./Lieutenant (j.g.)	42	378	13	129	13	129
Second Lt./Ensign	12	72	-	-	-	-
Warrant Officer	12	168	8	118	8	118
Enlisted Personnel	119	948	127	1,179	127	1,179
Total	1,156	17,659	1,189	21,424	1,189	21,424

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies, FY 1970

Budget Activity: Defense Supply Agency

Project: Summary

Purpose and Scope

The estimates for the Defense Supply Agency support the supply and service organization which perform the functions assigned to the Agency. With the exception of those located where use of vehicles from General Services Administration or military service motor pool service is practicable or where vehicles and services can be leased commercially, these organizations require automotive vehicles for official transportation of personnel and materiel in their daily operations. The depots operated by DSA also require materials handling equipment and mechanized materials handling systems for movement of supplies being received and shipped and require construction and related equipment for operation and maintenance of real property. In addition to the procurement of these types of major equipment, this estimate provides for acquisition and installation of Automatic Data Processing Equipment (ADPE) for implementation of the Standard Automated Materiel Management Systems (SAMMS), Mechanization of Warehouse and Shipment Processing Systems (MOWASP), and mechanization of Contract Administration Services (MOCAS) at various DSA installations. This estimate also provides for the replacement of obsolescent and inadequate industrial facility production equipment to augment the productive capacity of the Defense Industrial Fund Clothing Factory facility.

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies FY 1970

ACTIVITY: Defense Supply Agency

Project: Summary

Program Element Title	(Thousands of Dollars) FY 1968	FY 1969	FY 1970
Supply Depots/Ops.	4,718	2,145	250
Base Operations	4,056	4,141	18,606
Dir. of Manufacturing (Clothing Factory)	300	122	70
Total	9,074	6,408	18,926

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies FY 1970

ACTIVITY: Defense Supply Agency PROGRAM: Supply Depot Operations

EXPLANATION OF ESTIMATES
(Thousands of Dollars)

Description	FY 1968	FY 1969	FY 1970
Mobile, Powered Materials Handling Equipment	-	600	-
Mechanized Materials Handling Equipment	4,718	1,400	142
Miscellaneous Warehouse Equipment	-	145	108
Total	$4,718	$2,145	$ 250

Mechanized Materials Handling Systems

This estimate provides for an additional $142,000 for procurement of a tram stock picker. A study of labor costs for stock picking electronics items has indicated that utilization of a tram stock picker will realize, potentially, a substantial savings over present methods of operations.

Miscellaneous Warehouse Equipment

Requirements within this budget project are for items of warehousing equipment and storage aids.

The replacement equipment is required to replace items that are not economically repairable and have served their useful life through normal wear.

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies FY 1970

ACTIVITY: Defense Supply Agency PROGRAM: Base Operations

EXPLANATION OF ESTIMATES
(Thousands of Dollars)

Description	FY 1968	FY 1969	FY 1970
Automotive Vehicles	472	417	210
Automatic Data Processing Equipment	3,433	2,889	17,925
Communications Equipment	-	75	-
Office Equipment	-	344	189
Other Major Equipment	151	416	282
Construction & Allied	(151)	(235)	(199)
Maintenance Shop & Laboratory	-	(181)	(83)
Total	$4,056	$4,141	$18,606

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies FY 1970

ACTIVITY: Defense Supply Agency PROGRAM: Base Operations

AUTOMOTIVE VEHICLES

The automotive vehicles provided for in this estimate are standard commercial vehicles required to replace units meeting the current DoD replacement policy.

FY 1970 Automotive Requirements

Description	Units	Unit Cost	Total Cost
Sedan, Light	23	1,500	34,500
Bus, BOC 37-47 Passenger	1	9,000	9,000
Station Wagon, 6-9 Passenger	4	2,000	8,000
Total Passenger Vehicles	28		$ 51,500
Truck, 1/2 Ton Carryall	2	2,200	4,400
Truck, 1/2 Ton Panel	5	1,600	8,000
Truck, 1/2 Ton Pickup	27	1,500	40,000
Truck, 2 Ton Stake	3	3,000	9,000
Truck, 2 Ton Dump	3	4,500	13,500
Truck, 2 Ton Van	4	3,500	14,000
Trailer, Semi 11-14 Ton Stake	9	3,500	31,500
Trailer, Semi 11-14 Ton Van	1	4,000	4,000
Trailer, Semi Lowbed 15-20 Ton	4	5,000	20,000
Scooter, 3 Wheel Package Delivery	4	1,600	6,400
Truck, Telephone & Utility 3/4 Ton	3	2,500	7,500
Total Other Vehicles	65		$158,300
Total FY 1970 Requirements	93		$209,800

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies FY 1970

ACTIVITY: Defense Supply Agency PROGRAM: Base Operations

FY 1970 Automatic Data Processing Equipment

The FY 1970 ADPE requirements include (a) completion of the Mechanization of Warehouse and Shipment Processing System (MOWASP); (b) implementation of the Standard Automated Material Management System (SAMMS); and (c) Mechanization of Contract Administration Services (MOCAS).

SUMMARY:		
(a)	MOWASP	$ 1,788,545
(b)	SAMMS	13,576,085
(c)	MOCAS	2,560,526
	Total	$17,925,156

A. MOWASP - A uniform data system which provides for mechanization of Material Release Orders, shipment and planning, optimum freight consolidation, shipment status and stock location files.

DSA Activity	Number of Components	Planned Purchase Date	Purchase Price	Monthly Amortization	Months to Amortize
DSAO	2	1st Qtr FY 70	$ 35,870	800	44.8
DCSC	6	"	125,720	$ 3,159	39.8
DDMP	6	"	86,482	1,915	45.2
DDMT	21	"	514,460	7,661	67.2
DDOU	12	"	120,241	2,461	48.9
DESC	35	"	826,782	18,397	44.9
DGSC	4	"	78,990	1,765	44.8
Total	86		$1,788,545	$36,158	49.5

B. SAMMS - Within the overall DSA Uniform Automatic Data Processing System, SAMMS is the automation of the subsystem for Distribution, Requirements and Supply Control, Financial Management, Procurement and Production Data and Cataloging at the supply centers.

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies FY 1970

FY 1970 Automatic Data Proc. Equip. (Cont'd) SAMMS

DSA Activity	Number of Components	Planned Purchase Date	Purchase Price	Monthly Amortization	Months to Amortize
DSAO	1	1 Sept 1969	$ 2,651,711	$ 67,620	39.2
DCSC	2	"	4,853,768	112,248	43.2
DISC	2	"	6,070,606	121,681	49.9
Total	5		$13,576,085	$ 301,549	45.0

C. MOCAS - An automated system to be utilized by all Defense Contract Administrative Services Regions (DCASR) for the Data Management function covering the three major functional areas, i.e., contract administration, financial accounting and managerial support activities.

DSA Activity	Number of Components	Planned Purchase Date	Purchase Price	Monthly Amortization	Months to Amortize
DCASR -					
Boston	2	1st Qtr FY 70	$ 774,673	$ 15,903	48.7
Detroit	2	"	523,950	10,594	49.5
Los Angeles	2	"	774,673	15,903	48.7
San Francisco	2	"	487,230	9,599	50.8
Total	8		$ 2,560,526	$ 51,999	49.2

DEPARTMENT OF DEFENSE

APPROPRIATION: Procurement, Defense Agencies FY 1970

ACTIVITY: Defense Supply Agency PROGRAM: Directorate of Manufacturing

Explanation of Estimates
(Thousands of Dollars)

	FY 1968	FY 1969	FY 1970
Industrial Facilities (Clothing Factory)	$ 300	$ 122	$ 70

In order to maintain a normal rate of production in light of decreasing manpower authorization and increased variety of items to be produced, more efficient equipment must be procured to replace existing equipment. The majority of the equipment to be replaced is over 20 years old.

FY 1970 Industrial Facilities Equipment Requirement

Description	Units	Unit Cost	Annual Amort.	Total Cost	Years to Amort.
Replacement Items:					
Auto. Box Sealer w/auto. Conveyer	1	$ 45,000	$ 9,500	$ 45,000	4.5
Buttonhole 304 Stitch, Flat Bed	5	1,100	295	5,500	3.7
Machine Sew Feed-off Arm D.N.	8	1,075	205	8,600	3.2
Auto. Die Cutting Mach.	1	3,100	-	3,100	-
Auto. Slitting Mach.	1	3,500	-	3,500	-
Auto. Trim Turn & Press Collar Unit	1	2,100	1,240	2,100	1.7
Photomarker Deluxe Travel Lamp	1	2,200	-	2,200	-
Total Replacement Equipment	18			$ 70,000	

DEPARTMENT OF DEFENSE

DEFENSE SUPPLY AGENCY

APPROPRIATION: RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, DEFENSE AGENCIES

BUDGET ACTIVITY: 8. Program-wide Management and Support

BUDGET SUBACTIVITY: Defense Documentation Center

(In thousands of dollars)

FY 1968	FY 1969	FY 1970
$10,600	$10,700	$10,400

PART I - PURPOSE AND SCOPE

The Defense Documentation Center (DDC) is located at Cameron Station, Alexandria, Virginia and is assigned for operational control and direction to the Defense Supply Agency. DDC serves approximately 6,000 authorized users composed of U. S. Government organizations, their contractors and grantees. With the exception of hard copy technical reports for which a service charge is made, DDC provides products and services free to these official users.

DDC provides two broad categories of scientific and technical information services required by the Defense R&D community. The category given first priority is Research and Engineering (R&E) Management Information Services. The second category is Documentation Services. In addition, DDC is assigned a development mission to continue the advancement of technology, techniques, and concepts required by the Department of Defense in the fields of Management Information and Documentation Services.

DDC also provides central registration and certification data concerning access to services and products of activities within the DoD S&TI program, and referral service to Defense-sponsored organizations, groups, or individuals engaged in scientific and technical activities which are sources of specialized information, or to the National Referral Center for Science and Technology.

DDC does not serve the public but provides DoD unclassified, unlimited technical reports to the Department of Commerce (DoC) Clearinghouse for Federal Scientific and Technical Information (CFSTI) which offers them for sale.

PART II - JUSTIFICATION OF FUNDS REQUESTED

R&D Management Information Services. DDC provides from the computerized supporting data system current technical and management information reports concerning DoD sponsored R&D plans, projects and work units to Defense R&D personnel at all levels of technical and management responsibility, and DoD support to interagency activities including Interagency Life Science Exchange, Interagency Materials Science Exchange, Interdepartmental Committee for Applied Meteorological Research, Interdepartmental Committee for Atmospheric Sciences, Science Information Exchange, and the Committee on Academic Science and Engineering of the Federal Council for Science and Technology.

Documentation Services. DDC acquires technical documents, stores them for retrieval, announces them for official use, and supplies them to authorized users. DDC furnishes on demand or automatically full text copies of reports (in full-size) or microimage formats) and bibliographies. The availability of new DoD reports is announced in the DDC Technical Abstract Bulletin (TAB) for classified and limited distribution documents; and in the Department of Commerce U.S. Government Research and Development Reports (USGRDR) for unclassified, unlimited documents. Announcement (TAB and USGRDR) documents are distributed twice each month with indexes to all registered users of DDC services. (Services also include Contractor Performance Evaluation and Cost Reduction reports support to R&D procuring activities.)

Development Program. DDC also conducts applied research, tests and evaluates new information handling products and systems for optimum dissemination of technical information as part of a Five Year Development Plan.

Contractual Assistance. DDC's "in-house" performance of missions is supplemented by work performed by other government agencies (DoC-CFSTI, U.S. Government Printing Office, U.S. Post Office and Bureau of Census), and commercial/industrial contractors.

	Summary of Program (Thousands of Dollars)		
	FY 1968	FY 1969	FY 1970
Direct Program:			
Program Operations (Mission)	$ 8,666	$ 8,437	$ 8,354
Command Supervision and Administrative Services Support	1,934	2,263	2,046
TOTAL RDT&E, DA Program	$10,600	$10,700	$10,400

General Statement

Mr. Sikes. We are pleased to again have with us Lt. Gen. Earl C. Hedlund, Director of the Defense Supply Agency.

Will you proceed with your statement, please, General Hedlund.

General Hedlund. Mr. Chairman, it is a pleasure to be with you again today.

I would like to introduce Maj. Gen. Bob Kyser, on my right, who is new with us in DSA, the Deputy Director; Fred Haddock, heading up our Plans, Programs and Systems, Rear Admiral in the Navy; on my left, Mel Baker, Comptroller in DSA; on his left, Hal Garrett, the Chief of our Budget Division; and Mr. Howard and Mr. Lacklen as backup support.

I appreciate the opportunity to appear before this Committee to discuss the budget estimates of the Defense Supply Agency for Fiscal Year 1970. My prepared statement highlights our operations and explains our workload and resource needs. I will also touch on the Agency's requirements under Defense Agencies Appropriations for Procurement, Research and Development, Military Construction, and Family Housing.

The basic Defense Supply Agency mission is logistical support of Defense Department operations world-wide. This involves three principal mission areas:

- First, we provide wholesale level supply support in a broad range of repair parts and materiel to all the Military Services and to certain civilian agencies of the Government.

- Secondly, we perform contract administration services for a high percentage of the procurements by the Department of Defense, the National Aeronautics and Space Administration, and certain other Government agencies.

- And thirdly, we administer certain Defense-wide logistics support systems. These include the systems for military standard logistics data communication; cataloging; item descriptive data; re-utilization of industrial plant equipment; excess materiel utilization; surplus materiel disposal; and the furnishing of research, scientific, and technical information.

SCOPE OF OPERATIONS

The scope of DSA operations is indicated by the following selected data:

- There are about four million items in the Defense portion of the Federal Catalog. DSA procures and manages 1.7 million of these items centrally and 200,000 on a local purchase basis.

- Our inventory is valued at $2.8 billion.

- The annual volume of supply requisitions is 20.3 million.

- Defense Stock Fund sales are about $3.7 billion. An additional $1.7 billion represents fuel which we purchase and transport to the Services overseas, using Service funds.

- Considering procurements under the stock fund, fuel and coordinated procurement programs, we are buying about $5.5 billion of materiel annually.

- We are receiving and shipping about 3 million short tons of materiel and 19 million line items. The change in mix between short tons and line items appears to be a continuing trend. Over the past year and a half, we have experienced a decreasing level of tonnage activity, but an increasing level of line item activity. Thus, the character of our activity is changing to more transactions of lesser quantity and bulk per transaction.

- In the Contract Administration area, we are administering currently some 247 thousand active contracts. This reflects a steady increase from the level of 219 thousand about two years ago.

- The value of materiel inspected and released for shipment is $21 billion. This also reflects a steady increase from the level of 19.4 billion about two years ago.

- Approximately 1.8 million contractor invoices are being paid. In the invoice payment area, our progress in realizing discounts is noteworthy. About one year ago, delays in payment processing were causing loss of about $900 thousand in discounts offered. Improvements of the paying procedures have reduced these losses to less than $200 thousand which is seven-tenths of 1%.

FISCAL YEAR 1969 ADJUSTMENTS

For Fiscal Year 1969, DSA was initially appropriated $589.7 million. Subsequently, there were net increases amounting to $20.8 million for an adjusted total of $610.5 million.

The principal adjustment was an increase of $25.2 million for the civilian employee pay increases enacted last year. Net decreases of $4.4 million resulted from various transfers between DSA and GSA and the Military Services incident to changes in item management and storage responsibilities.

FISCAL YEAR 1970 REQUIREMENTS

The President's Budget for Fiscal Year 1970, as amended, includes $607.1 million for operation of the Defense Supply Agency. This is $3.4 million less than the adjusted total for Fiscal Year 1969. Briefly, the increases and decreases are as follows:

- $5.0 million is requested for continued progress in the implementation of our uniform automated data processing systems and related communications. $3.3 million of this is for the system referred to as SAMMS, which identifies the Standard Automated Materiel Management System. As previously discussed with this Committee, this system consists of five subsystems covering distribution, requisition supply control, financial control, procurement and production and cataloging. The system will be installed at the five Defense Supply Agency Supply Centers in 3-month intervals. The pilot installation of SAMMS equipment was completed at the Defense Construction Supply Center (DCSC) on 1 October 1968. Volume testing has been completed and an environmental test is currently underway to assure total system readiness. The first installation is scheduled to be operational at the Construction Supply Center in early May 1969.

The program known as MOCAS, which means Mechanization of Contract Administration Services, is the other principal automation effort involving increases in Fiscal Year 1970.

MOCAS I B is an interim system currently in operation and is the forerunner to MOCAS II. MOCAS II is the phase which will standardize contract administration data elements and reporting in accordance with the military standard contract administration procedures. MOCAS II will provide increased automation in the recording and reporting of contract status, and will facilitate more timely payment of contractor invoices. During Fiscal Year 1970, DSA will conduct a pilot test of these procedures with the Military Services.

An increase of $100 thousand is included for MOCAS site preparation to accommodate ADP equipment.

An increase of $400 thousand is included for MOCAS II rentals and annualization of rental costs for the Source Data Automation Program. The Source Data Automation Program has been initiated at four Contract Administration Regions during Fiscal Year 1969. It provides for automating data input, utilizing optical scanning to convert from hard copy documents to magnetic tape. The program will be fully implemented early in 1970.

In conjunction with implementation of MOCAS, other increased amounts are requested for improved communications. During Fiscal Year 1970, high-speed AUTODIN terminals are planned for conversion from part-time to full-time operation at a cost of $300 thousand.

There is also a requirement for $900 thousand, primarily for upgrading AUTODIN terminals for MILSCAP, increased tariff charges and increased charges for circuit equipment and for AUTOVON service requirements.

An increase of $3.3 million is requested to carry out expanded responsibilities for safeguarding classified information and materiel released to carriers. The expanded program is pursuant to Executive Order 10501. It involves development of detailed procedures and the processing of security clearances for interstate carriers, including air carriers and the Railway Express Agency. This entails some 26 thousand field inspections annually across the United States.

Annualization of civilian pay costs requires an additional $1.5 million.

Increases of $1.6 million are included for the maintenance of real property and higher utility costs.

Essential improvements in the Federal Catalog files at our Defense Logistics Services Center entail increases totalling $1.2 million. Miscellaneous increases totalling another $1.2 million are included for increased cost in the depot operation and general administration area.

The increases in our Fiscal Year 1970 request total $13.8 million. This is more than offset by decreases totalling $17.2 million based on greater productivity and savings from automation and warehouse mechanization.

The decrease based on greater productivity is $12.9 million. Admittedly, this is ambitious. It demands substantial accomplishments in personnel productivity and the efficiency of procedures and systems throughout the DSA.

The savings of $4.3 million from automation and mechanization are based on the phased implementation of the Standard Automated Materiel Management System and the on-going operation of the mechanized warehousing systems at our depots.

There are indications that we are beginning to realize payoff from our mechanization and management improvement efforts. The most vivid examples are in supply operations and warehouse mechanization. Compared with Fiscal Year 1968, we are accomplishing a 6.4% greater depot operation workload in Fiscal Year 1969 with 1.8% fewer man-years. We attribute this almost entirely to a combination of automated materials handling in our warehouses and our use of engineered performance standards to determine manpower needs and manage the manpower used to accomplish the depot workload.

OTHER APPROPRIATIONS

Before I close, I would like to touch on budget requirements of other appropriations used to finance DSA operations.

First, Procurement, Defense Agencies. We are requesting $18.9 million in this appropriation in Fiscal Year 1970. Our request includes:

- $500 thousand for automotive vehicles and other major equipment.

- $500 thousand for materials handling systems and other equipment.

- $17.9 million for automatic data processing equipment including $13.6 for SAMMS; $2.5 million for equipment to mechanize certain contract administration

services procedures; and $1.8 million for mechanization of warehouse procedures at our depots.

In the Fiscal Year 1970, Research, Development, Test and Evaluation, Defense Agencies appropriation, DSA is requesting $10.4 million. These funds are needed to finance the operations of the Defense Documentation Center which is the DoD facility for the acquisition, receipt, storage and issue of research, scientific, and technical documentation. The Center also operates a data bank of information on current research and development projects.

The Defense Supply Agency portion of the Military Construction, Defense Agencies appropriation request for Fiscal Year 1970 is $6.7 million. Included in this amount are:

- $2.5 million for improving electric power and lighting levels at six DSA principal storage and distribution activities.
- $1.2 million for upgrading the physical facilities and transformer capacity at the Defense Depot Tracy, California.
- $988 thousand for concrete floors in three large storage sheds at two activities.
- $790 thousand to improve surface drainage.
- $496 thousand for replacement, repair and cleaning of all corroded pipelines and valves and installation of an adequate cathodic water protection system at the Defense Personnel Support Center, Philadelphia, Pennsylvania.
- $338 thousand for a central freight packing and terminal mechanization facility.
- $231 thousand for fire lanes and gas transmission lines.
- And $212 thousand for two water pollution abatement projects.

We are also requesting $156 thousand in the Fiscal Year 1970 Family Housing appropriation to cover the operating expenses related to 94 housing units at Agency installations.

CONCLUSION

Mr. Chairman, this completes my review of the Defense Supply Agency operations and Fiscal Year 1970 budget requirements. We have been stringent in the development of this request with great reliance on substantial improvements in productivity. These estimates also assume some reduction in logistics workload in anticipation of a lower level of activity for logistics operations in Southeast Asia. Given these conditions and barring unforeseen developments, I believe we can sustain our current high quality of performance.

Mr. Chairman, this concludes my prepared statement.

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Mr. SIKES. Thank you very much, General Hedlund. That is a very interesting statement, and very useful to the committee.

OVERALL FUNDING REQUIREMENTS

I have some questions on the overall funding requirements.

ESTIMATED SAVINGS FOR 1970

On page 7 of your statement you say that the total increases for fiscal year 1970 amount to $13.8 million, and these are offset by decreases of $17.2 million which occur as the result of greater productivity and savings from automation and warehouse mechanization.

I would like you to go into more detail on the manner in which these estimated savings were developed.

General HEDLUND. In the area of savings, the savings relate to two major areas.

One is increased productivity, which is merely getting more out of our people than we did before. We do this primarily by applying a better system of engineered work standards to our various work areas. In the last 2½ years since I have been in DSA, we have had a very positive program of developing work standards, that is, to determine what each work center is expected to do in each of our work areas. This has improved our ability to manage our work force.

We have found that we are able to improve productivity and management of our resources, through our use of engineered standards. We find we have been quite effective in this area.

Secondly, the increased productivity of personnel ties very closely to the automation or degree to which you can facilitate work output through mechanization and automation. We have been doing that through our use of the automatic data processing system, through the computer, as it were, and through warehouse mechanization.

In this particular savings figure of $17.2 million, we assign $2.5 million, or 248 man-years, savings against our SAMMS system, our automatic data processing system in the inventory management area.

Warehouse mechanization, that is, providing for a mechanized way to move material within a warehouse, $1.8 million, which relates to 184 man-years of effort.

That gives us in the ADPE and mechanization savings a total of $4.3 million.

The remaining $12.9 million is clearly related to an ambitious program on our part to improve the productivity of our people. Normally, at least it has been my experience in the budget preparation area, there is a productivity increase expected and effected each year as we get more knowledgeable and more capable. I believe last year it was in the neighborhood of 1½ percent. This year we are taking a 2.4-percent productivity increase.

You might say that could be a little ambitious, and maybe it is, but we think that with good management, with the use of our mechanized and automated systems, we can effect a 2.4-percent productivity increase. That represents the $12.9 million.

So, the $4.3 million and the $12.9 million gives us our $17.2 million decrease, 1970 compared to 1969.

Mr. LIPSCOMB. There is a very controversial closing of an office in Oakland, Calif. Are you familiar with this?

REDUCTIONS IN THE OAKLAND OFFICE

General HEDLUND. Not in Oakland, Calif., sir.

Mr. LIPSCOMB. Where is it?

General HEDLUND. To the best of my knowledge, the closing is not in Oakland. There is one in Los Angeles.

Mr. LIPSCOMB. No. There is a change in an office.

Admiral, you know about this.

General HEDLUND. Are you talking about the centralized purchasing of our nonperishable foods?

Mr. LIPSCOMB. Yes.

General HEDLUND. We are not closing the office in Oakland. This is one of our big subsistence regional headquarters which provides all of the subsistence for Southeast Asia and the Pacific.

Mr. LIPSCOMB. Then you are reducing it.

General HEDLUND. We are reducing it to the extent that we will transfer the purchasing responsibility for nonperishable foodstuffs from that particular office to the home office of the Defense Personnel Support Center in Philadelphia.

Mr. LIPSCOMB. This is part of an overall plan?

General HEDLUND. Yes, sir. We had an overall study of our subsistence purchasing and support responsibilities in 1966, and this was a portion of it. We have been carrying out other portions as we have gone down the road from 1966 on.

SAVINGS RESULTING FROM REORGANIZATIONS

Mr. LIPSCOMB. Does this bring about a savings in your operation?

General HEDLUND. Yes; there is a savings associated with this transfer.

Mr. LIPSCOMB. Where does this savings show up?

General HEDLUND. This savings is reflected—

Mel, check me if I am wrong.

Mr. LIPSCOMB. Admiral Haddock, you have been helping on this.

General HEDLUND. This savings is reflected as a reduction in total number of people for the Defense Personnel Support Center we are requesting in fiscal 1970.

Mr. LIPSCOMB. But where does this show up in your justification book? The savings on this reorganization in Chicago, Oakland, Calif., and elsewhere?

General HEDLUND. They do not show up as line items, sir.

Mr. LIPSCOMB. You have three categories pointed out here—productivity improvements, savings under standard automated materiel, and savings through warehouse mechanization.

Is the savings on this reorganization in any one of these three areas?

General HEDLUND. The savings is reflected in the reduced dollar request for Defense Personnel Support Center as compared to what would have been requested had we not done this. The numbers of

people to support the Defense Personnel Support Center are reduced.

Mr. LIPSCOMB. Let me ask this, then: How much savings will this reorganization bring about in dollars?

General HEDLUND. The transfer of nonperishable subsistence retail items from various centers to DPSC will be effected on January 1, 1970. There will be a savings of 51 civilian personnel strength, which is salaried out at $400,000 on an annual basis. There is a one-time cost of $356,000 associated with relocating the personnel involved. The net savings almost balances out the first year, but it will be a savings down the line.

Mr. LIPSCOMB. What is the estimated savings?

General HEDLUND. I was merely pointing out that the annual salaries expected to be saved are $400,000, but there is a one-time cost associated with this transfer of $356,000. I was saying that these two were fairly close together for the one year, but the $400,000 will be accruing each year from here on out.

Mr. LIPSCOMB. Under which one of these accounts does that savings show up in the reorganization?

General HEDLUND. Sir?

Mr. LIPSCOMB. Where does it show up? Does it come under the $12 million savings in productivity improvement, or where do these savings show up in the reorganization?

General HEDLUND. Perhaps we should have identified them, sir. As I pointed out, we build up our budget from the field activities, and the Defense Personnel Support Center for 1970 will reflect a need for 51 fewer people than they would otherwise have needed, as a result of this reorganization.

Mr. LIPSCOMB. Could your accountants tell us where, in the justification sheets, this amount of saved money is reflected? Is it anyplace in here? I want to reduce the budget another $50,000, you see.

Mr. BAKER. The operation you are speaking to is identified and included in the first program, procurement and supply management. It falls under the operation of the inventory control points. The budget requirement for the inventory control points as reflected in the justification book represents the measurement of the workload and related staffing requirements for the planned operating levels in fiscal year 1970.

Inasmuch as those operating levels already absorb the savings from the realinement of the perishable subsistence responsibility, then the total in the ICP requirement is a net with these particular savings already reflected.

IDENTIFICATION OF SAVINGS IN THE BUDGET

Mr. LIPSCOMB. I am sorry that I do not understand that. You have listed in your 1969 estimate and in your 1970 estimate a list of increases in your budget, and you have listed a list of decreases in your budget, and you come down to your net 1970 estimate.

What I am trying to find out is how you reflect the savings of this nature in the reorganization, which I do not quarrel with if you can do a better job for less money. I was just wondering where this savings shows up in your budget.

General HEDLUND. In our project summary for 1970 for the line

"Procurement and supply management," the present request is $156,376,000. If we had not made this move, that figure would be $400,000 higher. This is the way the savings is reflected, sir.

Mr. LIPSCOMB. All right. That is very good.

General HEDLUND. If you would like us to break this out——

Mr. LIPSCOMB. Over in your decreases, should there be another line in there that says "Reorganization savings"?

General HEDLUND. We could very easily put it there as a matter of record, yes, sir, but we would have to add it back in, then, in our other account, you see.

Mr. LIPSCOMB. I may be reading this wrong.

General HEDLUND. I would be very happy to identify the savings separately for you, sir, for the record.

Mr. LIPSCOMB. What I am trying to find out is that you are putting into effect a reorganization plan. You are claiming a net for fiscal year 1970 of over $40,000 savings. Without doubt, you must have more. I want to know where it shows up.

General HEDLUND. I am sorry if I have not been able to explain that it shows up in a reduced request in the management of subsistence to the extent that the savings will accrue. Had we not done so, our request in the management of subsistence would have been higher to the same degree.

Mr. LIPSCOMB. Which one of the increases would have been higher?

General HEDLUND. The one I related to, the project "Procurement and supply management." On page 8 of your basic budget book, it relates to the direct obligations in the "Procurement and supply management" of $156,376,000.

Mr. LIPSCOMB. I am sorry to take the time, Mr. Chairman, but do you know what I am trying to get at, General?

General HEDLUND. Yes, indeed. We have taken account of the savings but not in the increase-decrease area which you are looking at. We could certainly supplement it to bring this out. We just did not do it that way.

Mr. LIPSCOMB. Do you consider this as productivity improvement?

General HEDLUND. The productivity improvement figure there is a percentage figure.

Mr. LIPSCOMB. I regret to take so much time on such a relatively small amount of money, but I do not know how to read this any differently than I am. I am looking for a reduction that you should have credit for which does not show. I do not see it.

General HEDLUND. It is not a line item, sir.

Mr. LIPSCOMB. Then how do you balance it out? Are you telling us it is just a plug figure?

General HEDLUND. No, sir. I am going back to the project "Procurement and supply management," where this item would appear in subsistence management. That is on page 8 of your budget book. The amount is $156,376,000. This figure would be $400,000 higher had we not made this adjustment or change in our management philosophy with respect to nonperishable subsistence procurement.

Mr. LIPSCOMB. Now take page 9. You show your increases that are necessary for your fiscal year 1970 operation, and then you show your decreases to come out with your net figure for fiscal year 1970.

All I am asking is: Under what one of those accounts is this decrease? Do you see what I mean? Would you turn to page 9?

General HEDLUND. Yes, sir.

Mr. LIPSCOMB. You come out to a net figure of what you are asking, and you do assume that you will have, through reorganization, a net decrease in your budget. So, you start with your fiscal year 1969 operating figure estimated. Then you show the increases for fiscal year 1970, and then the decreases for fiscal year 1970, and you come out with your net 1970 request.

If you are to have a reorganization, you are saving some money.

General HEDLUND. This saving was included in the buildup of our budget, and not specifically identified among the increase or decrease items you are referring to. Right or wrong, that is the way we did it.

ADEQUACY OF 1969 FUNDS

Mr. LIPSCOMB. I do not know how you do that. How did you get by in fiscal year 1969 with the funds that you did have for fiscal year 1969? I have a letter that came into my possession that was put out in Los Angeles by the Commander of the Defense Supply Agency, where he says in February 1969:

I believe it is now time and important that I inform you our stringent financial restrictions imposed by higher headquarters for the remainder of fiscal year 1969. Our current analysis indicates we are several hundred thousand dollars short of funds required to support our financial plan through June 30.

Then he goes on to say there might be a necessity for furloughing employees, and so forth.

What has been your experience with your funds for fiscal year 1969 to date?

General HEDLUND. 1969, sir, has been a tough year for us with respect to funds. This particular letter would reflect the situation that we found ourselves in in February of this year. We had to take a look at every possible avenue to try to fill out the end of this fiscal year with the funds at hand.

We did explore how much we could possibly save if we had to go to furlough. I have never made a decision to go to furlough, but I had to take a look at it for the purpose of considering all resources available.

We have curtailed a lot of our activities. We have not done things that we should have done. As an example, we reduced in the neighborhood of 2,500 people in 1969. We have reduced our overtime. We have reduced our TDY expenditures. We have cut out a lot of things that we otherwise would have liked to have done. The year 1969 has been a tough year.

ADEQUACY OF 1970 FUNDS

Mr. LIPSCOMB. Then how do you expect to get along in fiscal year 1970 when your reductions are made upon the assumptions which you have stated before this committee? They are only assumptions, are they not?

General HEDLUND. As I indicated, we are dependent on the fact that the workloads do not increase above those contemplated in this budget. We are counting on the fact that we can accomplish the quite

sizable productivity increase of 2.4 percent. We will continue to have to slide out the bottom some of the lower priority activities that really should be accomplished in doing a good management job.

Mr. LIPSCOMB. What was your productivity experience in fiscal year 1969 to date?

General HEDLUND. About 1.5 percent.

Mr. LIPSCOMB. What does that amount to in dollars?

General HEDLUND. It would be somewhere in the neighborhood of $5 million.

Sir, the 1970 budget that we have presented here is a tight budget. There is no question about it.

Mr. LIPSCOMB. I commend you for the tight budget, but can you operate efficiently and effectively for fiscal year 1970 if you have had such great difficulty in fiscal year 1969 on more money than you are requesting for fiscal year 1970? Do you see any indication on the horizon right now that your requirements will be less?

General HEDLUND. No; I do not, sir.

Mr. LIPSCOMB. Do you see any requirements projected that your employee structure will be any better, that you can get along with fewer employees, fewer part-time employees, or less overtime?

General HEDLUND. Not generally, although we have good training programs going to try to increase our productivity and give our people a better chance.

Mr. LIPSCOMB. Do you at this point, with what you know at this date, believe that the budget you are submitting here today, with increases and decreases, is realistic for fiscal year 1970 with the forecast that you must be looking at all the time?

General HEDLUND. It is a very tight budget and very optimistic. As we see it now, I see a general workload increase of some proportions during 1970. I think we will have to track these as we go down the road. OSD is aware of the fact that this will be touch and go. We will keep in touch with them all the time as the situation develops. Perhaps there will be a need for at least an attempt to do some reprograming.

REALISTICNESS OF DSA BUDGET REQUEST

Mr. LIPSCOMB. I am concerned about your operations from a budgetary standpoint. I just think it is poor policy that on the 19th of February you have to put out notices to an office saying that the budget situation is so poor that you are thinking of furloughing employees and several other things, upsetting the operations of the office so you lose efficiency and productivity. I think it is incumbent at least to present a realistic budget, and not just one for the record. Maybe it is realistic, but it does not appear to be realistic.

I think it is poor business to budget yourself to the extent that orders of this nature have to go out from one of your large Defense Supply Agency regional headquarters.

General HEDLUND. I agree with you.

Mr. LIPSCOMB. Your decision had to be made in this case by April 15. At least, that is what this notice says. Are you going to go through the same thing next year?

General HEDLUND. No, sir. Unfortunately, last year we did not get

our final budget guidance until just before Christmas. We were advised at that time that we would have a major lessening of funds than we had planned. That is why we had to take it in the last 6 months, as opposed to all year.

But this year, I assure you, whatever the funds available are, they will be programed as of now, and certainly at the beginning of the fiscal year, so there will be no possibility of this type of thing. If we have to reduce further, we will reduce at the start of the fiscal year.

BASIS FOR CLOSING OR CONSOLIDATING OFFICES

Mr. LIPSCOMB. Is either the closing or consolidation of the offices throughout the country based upon the lack of funds, or is it a real improvement of your service and better management? Which it is?

General HEDLUND. It is some of both, but I think primarily it is a better management approach to still do the job. We had 10 subsistance regions. These are the main ones that we are cutting down on. They were all around the country. In our 1966 study which I alluded to before, it became fairly clear to us that in order to do a better management job and to get efficiency in the automatic data processing area, it would be too expensive if we maintained the 10 regions. So the study concluded, not only for this reason but for others, reduction of overhead across the board, that ultimately four subsistence regions would do the job, would improve the ability of the manager to stay on top of his work. We could centralize the procurement more than we could if we had 10 regions which did not have interlinking communications. This is what brought it on.

I think, to answer your question, we will have a better management ability. I am convinced of that. And we will have saved some money.

Mr. LIPSCOMB. The summary of your statement is that the office is not being closed or reorganized for budgetary reasons.

General HEDLUND. Not per se. That is a fallout of it.

Mr. LIPSCOMB. If we made a point in our budget to add some money back in, would you keep the offices open?

General HEDLUND. No.

Mr. LIPSCOMB. In other words, it is a management decision for better management, not budgetary reasons?

General HEDLUND. I hope I made the point this is the basic reason for closing them, but there is a savings fallout as well.

Mr. LIPSCOMB. That is all, Mr. Chairman, thank you.

Mr. SIKES. Did you recommend the consolidation or closing which affects your Agency?

General HEDLUND. I have recommended those consolidations and closings that we are talking about here; yes, sir.

Mr. SIKES. It was not ordered by the Secretary?

General HEDLUND. No, sir. This came as a result of a DSA inhouse study. We were looking for a better way to organize and to manage our business.

Mr. SIKES. But these are included in the Secretary's amounts?

General HEDLUND. Yes, sir.

Mr. SIKES. And they were with your recommendations?

SAVINGS RESULTING FROM DSA CLOSINGS AND CONSOLIDATIONS

Mr. SIKES. I would like to have for the record a listing of these facilities, and the savings to be realized in each instance in the 1970 and 1971 budgets.

(The information follows:)

Set forth below is a summary of those Defense Supply Agency subsistence procurement activity consolidations, collocations and functional transfers approved and announced to be effected during fiscal years 1970 and 1971 along with estimated annual savings, estimated one time costs, and estimated net savings to be realized in the fiscal 1970 and 1971 budgets:

Fiscal Year 1970

1. Consolidate SRH Kansas City with SRH Chicago.
(*a*) Effective date 1 January 1970.
(*b*) Civilian spaces transferred from SRH Kansas City, 112.
(*c*) Spaces transferred to SRH Chicago, 53 and SRH New Orleans, 28.
(*d*) Estimated annual recurring savings, $399,000 (31 civilian spaces and 8 military).
(*e*) Estimated one-time costs, $29,000.
(*f*) Net savings: Fiscal year 1970, $169,000; fiscal year 1971, $399,000.
2. Transfer procurement of nonperishable and brand name resale items from SRH to DPSC, Philadelphia, Pa.
(*a*) Effective date 1 January 1970.
(*b*) Civilian spaces transferred from various SRH's, 223.
(*c*) Spaces transferred to DPSC, 172.
(*d*) Estimated annual recurring savings, $400,000 (51 civilian spaces).
(*e*) Estimated one-time costs, $356,000 ($300,000 authorized and approved in fiscal year 1969 MILCON program).
(*f*) Net savings: Fiscal year 1970, $142,000; fiscal year 1971, $400,000.
3. Collocate SRH New York with DCASR New York in Manhattan, New York City.
(*a*) Effective date 1 October 1969.
(*b*) Civilian spaces transferred from SRH New York, 80.
(*c*) Spaces transferred to DCASR New York, 62.
(*d*) Estimated annual recurring savings, $190,000.
(*e*) Estimated one-time costs, $62,000.
(*f*) Net savings: Fiscal year 1970, $80,500; fiscal year 1971, $190,000.

Fiscal Year 1971

1. Consolidate SRH Los Angeles with SRH Oakland.
(*a*) Effective date January 1, 1971.
(*b*) Civilian spaces transferred from SRH Los Angeles—89.
(*c*) Spaces transferred to SRH Oakland—67.
(*d*) Estimated annual recurring savings—$361,000 (22 civilian spaces and nine military).
(*e*) Estimated one-time costs—$28,000.
(*f*) Net savings: Fiscal year 1971—$152,500.
2. Consolidate SRH Seattle with SRH Oakland.
(*a*) Effective date January 1, 1971.
(*b*) Civilian spaces transferred from SRH Seattle—79.
(*c*) Spaces transferred to SRH Oakland—64.
(*d*) Estimated annual recurring savings—$261,000 (15 civilian spaces and seven military).
(*e*) Estimated one-time costs—$17,000.
(*f*) Net savings: Fiscal year 1971—$113,500.

REFLECTION OF BASE CLOSURES IN 1970 BUDGET

Mr. SIKES. Since this budget was first put together last fall and the base closure is a very recent thing, does that mean that there can be a budget reduction in the Defense Supply Agency to reflect these newly anticipated savings?

General HEDLUND. No, sir. The savings in terms of numbers of people—that is essentially what it is—have been reflected in not asking for that number of people in the 1970 budget. So, we have already accounted for whatever savings are involved.

Mr. SIKES. How could you do that when the base closures have just been announced and were not projected at the time the budget was formulated last fall?

General HEDLUND. The ones we are talking about are 1970 closures. I guess there will be one or two at January 1, 1971.

Mr. SIKES. But you did not know when this budget was formulated in October that there would be these base closures, did you?

General HEDLUND. I had a pretty good idea.

Mr. SIKES. You did at that time take into account anticipated closures?

General HEDLUND. Yes.

DISCOUNTS IN CONTRACTOR INVOICE PAYMENTS

Mr. SIKES. All right.

In note with considerable interest what you have said about realizing discounts in contractor invoice payments. The committee is pleased that it has been possible to prevent the loss of some $900,000.

You expect to reduce these losses to less than $200,000 a year. Could these losses be reduced further? Can you not take full advantage of the discounts in order to avoid even the loss of $200,000 a year?

General HEDLUND. Mr. Chairman, we are certainly trying hard to.

Mr. SIKES. What is the principal reason that does not now appear possible?

General HEDLUND. The principal reason is just in the paperwork area. Sometimes we do not get what we call the DD-250, which the recipient has to sign that the produce or product has been delivered, in time to pay before the discount expires.

I personally think that when you are down to one-half of 1 percent, or in that ball park, that is probably as good as we can do, although we will try to do better.

SAFEGUARDING OF CLASSIFIED MATERIAL RELEASED TO CARRIERS

Mr. SIKES. You are requesting an increase of $3.3 million to carry out expanded responsibilities for safeguarding classified information material released to carriers. You say this involves the development of detailed procedures in the processing of security clearances for interstate carriers, including air carriers and the Railway Express Agency.

What is the total cost of this effort in 1970?

General HEDLUND. In 1970, the total cost is $3,851,000.

Mr. SIKES. I would like you to provide the committee with a copy of Executive Order 10501, and I would like you to show, for the record, why this effort is required, and what is involved in carrying out this responsibility.

General HEDLUND. Very good.

(The information follows:)

The defense industrial security program is designed to safeguard classified information which is released to industry in connection with contract performance for all classified contracts awarded by DOD. This program also covers security administration of classified contracts awarded by 11 other departments and agencies of the Government which are State, Commerce, Treasury, Transportation, Interior, Agriculture, Health, Education, and Welfare, NASA, General Services Administration, Small Business Administration, National Science Foundation. Also included is the safeguarding of foreign classified information released to U.S. contractors.

The basis for this mission is contained in Executive Order 10501 as amended by Executive Orders 10816, 10865, 10901, 10909, 10964, 10985, 11097, 11382, and memorandum of March 9, 1960, from the President (copies have been provided to the committee staff). The increased responsibility results from provisions in these Executive orders which in the main increases the number of commercial carriers authorized to handle classified material.

The writing and implementation of the administration of security procedures applicable to the expanded mission will be completed by the end of fiscal year 1969. The field impact of the expanded program amounting to approximately 26,400 annual inspections will be realized in fiscal year 1970. The fiscal year 1969 program for industrial security encompasses approximately 13,500 contractor facilities that require security inspection. The fiscal year 1970 program expanded the industrial security responsibilities to include inspection of intransit and terminal storage facilities of commercial carriers qualified to handle classified (secret) material. The expanded program involves an estimated minimum 200 interstate carriers, including air carriers and Railway Express Agency. During the last half of fiscal year 1969 the orderly phasing in of resources to process the additional security clearances was begun.

ADEQUACY OF THE 1970 BUDGET

Mr. SIKES. You were discussing earlier with Mr. Lipscomb some of the problems which developed in fiscal 1969 due to a lack of funds.

Are these same problems being projected in the fiscal 1970 budget?

General HEDLUND. We have not wilfully projected any problems into the 1970 budget.

Mr. SIKES. Is the 1970 budget structure such that you will not have those same problems?

General HEDLUND. If I may take just a second, we are a service organization in the Defense Supply Agency. We are not a master of the generation of work that we have to do. The services order from us, they code items to us, they give contracts to us to administer, they give us a MIPR to buy for them, and so forth. We work with them very closely. I am not being critical now—we work with them very closely in trying to determine our demands for the upcoming year, budget year. It is a very, very difficult job. Right now we are hoping that our workload will remain static or maybe even go down, but there are some indications that this is not going to occur. If it goes up, then we are going to be in a tighter situation than this budget now indicates.

INCREASED COST OF TRAVEL

Mr. SIKES. On page 22 of the budget justification there is a request for $8,181,000 for travel and transportation of persons, the same as the amount planned for fiscal 1969, and $370,000 increase over the amount for fiscal 1968.

Now, you will have fewer employees, actually 2,750 fewer employees in fiscal 1970 than in fiscal 1968. Why should there be an increase in this account?

General HEDLUND. Generally speaking, the major increase is associated with what we call inflation or higher costs of doing business. You are aware of this, you travel.

Mr. SIKES. Yes.

General HEDLUND. This would be the best explanation I can give.

Mr. SIKES. Actually, fewer people are traveling but the cost of travel is higher.

General HEDLUND. Yes, sir; higher costs.

INCREASED FUNDS FOR MAINTENANCE OF REAL PROPERTY

Mr. SIKES. In 1970 you are requesting an increase of $1.2 million for the maintenance of real property. Frankly, I think that is a step in the right direction. But how will you apply these funds in fiscal 1970 and what will be the effect on the maintenance picture, particularly deferred maintenance?

General HEDLUND. I will answer that this way, sir: We had in 1969 $8 million for this type of maintenance. We are getting behind the power curve because we are deferring too much of our maintenance. Most of our plant and equipment now, sir, is 20 or 25 or 30 years old. If we do not keep patching the roofs and maintaining utility systems we will get into trouble.

Mr. SIKES. I agree with you. I think this is important. I have been disappointed by the fact that some of the services are adding to their deferred maintenance rather than attempting to minimize it.

General HEDLUND. Really, the $1.2 million will just help us reduce our backlog to that degree.

Mr. SIKES. It will improve your picture.

General HEDLUND. It certainly will.

Mr. SIKES. Are there further questions on the overall funding requirements?

Mr. LIPSCOMB. No, Mr. Chairman.

CIVILIAN EMPLOYMENT

REDUCTION IN CIVILIAN MAN-YEARS

Mr. SIKES. Under Civilian Employment, in the information provided to the committee you have indicated that man-years in 1970 will be 54,195, a reduction of 1,116 from the 1969 total of 55,311. This reduction is composed of a decrease of 1,740 man-years offset by an increase of 624 man-years. How was the total reduction of 1,740 man-years achieved?

General HEDLUND. You are talking about man-years now and not end strength?

Mr. SIKES. That is right. Do you want to provide an answer for the record on that?

General HEDLUND. Yes, sir.

(The information follows:)

MAN-YEAR REDUCTIONS IN 1970

The man-year reductions contemplated in the budget will be achieved through the continued command emphasis on the development of engineered standards designed to assure maximum utilization of the available work force and increased

productivity in all program areas. In addition, we are applying improved management, organizational, and planning techniques wherever possible throughout the organization to include maximizing our use of automated systems and mechanization of our warehouse shipping and receiving systems. These efforts contemplate decreases in civilian man-years in the general categories identified below.

Productivity improvement:	
Procurement and supply management	140
Supply depot operations	185
Logistics Services	56
Contract Administration Services	918
General Administration	9
Total productivity improvement	1,308
Savings under Standard Automated Materiel Systems (SAMMS), Procurement and Supply Management	248
Savings due to warehouse mechanization, Supply Depot Operations	184
Total decreases in fiscal year 1970 estimate	1,740

General HEDLUND. In 1970 we followed on from the tremendous reduction we took in the end strength 1969. We had this reduction of 1,918 authorized in 1969. We do not have enough dollars to hire those so we will end up about 2,500 down in 1969. That is where the basic reduction has been taken; 1970 is just a follow-on from that reduction.

Mr. SIKES. Tell us for the record what particular areas this is being achieved in.

General HEDLUND. Very good, sir.

(The information follows:)

REDUCTIONS IN END-STRENGTH

Actual civilian end strength, June 30, 1968 (O. & M.)	57,452
Reductions during fiscal year 1969:	
Procurement and supply management	435
Supply depot operations	284
Logistics services	45
Contract administration services	1,268
General administration (increase) (audit, IG, workload)	(114)
Initial planned reductions in authorized strength	1,918
Additional reductions required:	
Procurement and supply management	206
Supply depot operations	62
Contract administration services	279
Total fiscal year 1969 reductions planned	2,465
Estimated civilian end strength, June 30, 1969	54,987
Planned reductions during fiscal year 1970:	
Procurement and supply management	284
Supply depot operations	265
Logistics services	87
Contract administration services (increase)	(345)
Net fiscal year 1970 reductions planned	291
Authorized civilian end strength, June 30, 1970	54,696

AVERAGE COST PER MAN-YEAR

Mr. SIKES. The net reduction of 1,116 man-years provides a dollar reduction of $12,855,000 in personal compensation and benefits for a reduction of about $11,500 per man-year. Now, this is higher than the average cost per man-year for all of DSA. Why would that be?

General HEDLUND. I did not follow your figures.

Mr. SIKES. The net reduction of 1,116 man-years provides a dollar reduction of $12,855,000 in personal compensation and benefits for a reduction of $11,500 per man-year. This figure is higher than the average man-year cost. How can that be?

General HEDLUND. May I supply that for the record, sir?

Mr. SIKES. All right. If your clerk will check with our clerk and clear up any misunderstanding it would be helpful, but I am told it is about $3,000 higher than the average. You can check it out with our committee clerk.

General HEDLUND. Very well.

(The information follows:)

The net reduction of 1,116 man-years was the initial estimate in December. Subsequently, it developed that the reduction might be greater. Revision in the justification data was not made because the final reduction depends on a capability to reprogram from nonpersonnel costs. Should it develop that $2.2 million can be reprogramed from nonpersonnel costs, the net reduction of 1,116 man-years will be correct. Currently, it is doubtful that this extent of reprograming can be achieved, particularly in view of rising price levels in the nonpersonnel area. On the assumption that none of this reprograming is feasible, the reduction of man-years would be 1,406 as below. To the extent that reprograming is attainable, the man-year reduction would be less than 1,406. A reduction of 1,406 man-years represents $9,164 per man-year.

	Fiscal year 1969, estimate	Fiscal year 1970, estimate	Change
Gross personnel compensations and benefits	$518,545,000	$505,660,000	−$12,885,000
Gross man-years in budget	55,311	54,195	−1,116
Average cost per man-year	9,375	9,330	−11,546
Revised gross man-years	55,311	53,905	−1,406
Revised average cost per man-year	9,375	9,381	−9,164

The additional reduction of 290 man-years in fiscal year 1970 relates to increased productivity of personnel in the supply depot operations area.

This is because the man-year reduction in fiscal year 1970 is expected to be in functional areas and personnel groups where the average salaries are above the Agency average. There are two factors which influence this. First, a greater number of retirements in the mid- to upper-grade levels during fiscal year 1970. Second, due to the substantial reductions experienced in fiscal year 1969 in the mid to lower grade levels, we expect, proportionately speaking, that reductions in fiscal year 1970 will involve more of the higher graded personnel. Should these assumptions not develop to the measure contemplated, it may develop that higher man-year reductions will be necessary, possibly approaching 1,400 as compared to the 1,116.

INCREASED MAN-YEARS FOR 1970

Mr. SIKES. We talked about a reduction of 1,740 man-years but there is also an increase of 624 man-years. For the record, tell us why that was necessary and where, generally, it will be reflected.

(The information follows:)

Increases in civilian man-years, fiscal year 1970

Commercial carriers, industrial security, contract administration services	317
Supply depot workloads	130
Defense logistics services center (DLSC) file conversion	74
Department of Defense communications program, contract administration services	30
General administration	27
Uniform automated data processing systems (UADPS), procurement and supply management	24
Project VALUE, procurement and supply management	7
Defense logistics services center (DLSC)—integrated data systems (DIDS) annualizations	0
Total increases in fiscal year 1970 estimate	624

NEED FOR ADDITIONAL OFFICE SPACE

Mr. SIKES. In the hearings of last year we discussed the fact that DSA was requesting additional office space at three of their offices, at a cost of $450,000 per year. Is this still the requirement even though there has been a significant reduction in employment?

General HEDLUND. The office space that we requested last year, to the best of my knowledge, has been put into effect other than at Chicago where we have still not moved out of our present contract administration region.

Mr. SIKES. The question is: Why is the additional space necessary for fewer people?

General HEDLUND. I know that in the San Francisco contract administration region we did adjust the number of square feet. I am just speaking from memory now. I would be happy to go back and run down all of those.

Mr. SIKES. Why don't you provide the details for the record.

(The information follows:)

OFFICE SPACE LEASED IN FISCAL YEAR 1969

Estimated and revised costs for additional leased office space during fiscal year 1969 are shown below. The fiscal year 1970 requirement does not include any additional amount of leased office space.

	Fiscal year 1969 estimate	Revised estimate	Remarks
DCASR Los Angeles	$200,000	$227,400	12 months in fiscal year 1969.
DCSAR San Francisco	50,000	28,000	7 months instead of 12 months fiscal year 1969.
DCASR Chicago	200,000	0	Estimate for 3 months in fiscal year 1969.
Total	450,000	255,400	Delay in acquisition will result in no rent for fiscal year 1969.

DCASR Los Angeles.—As of December 1967, DCASR occupied 96,500 SF of leased office space. This space was occupied by 1,113 employees with a utilization rate of 87 SF per employee. Effective February 12, 1968, the leased space assignment was increased to approximately 136,000 SF. As of June 30, 1968, the space was occupied by 1,168 employees at a utilization rate of 116 SF per employee. Since that time, employment has dropped to 1,136, thus the utilization rate is now 120 SF per employee. This utilization rate includes office storage and special type space.

DCASR San Francisco.—As of November 15, 1967, DCASR occupied 48,700 SF of net assignable leased space. This space was occupied by 465 employees at a utilization rate of 105 SF per employee. As a result of a reorganization of the DCASR field offices in the San Francisco area, DCASD Oakland was phased out and the personnel relocated to DCASR San Francisco and the SRH office in Alameda. This increased the regional office personnel to 587 by June 30, 1968, with a utilization rate of 83 SF per employee. The leased space assignment was increased to 58,000 SF effective November 25, 1968 giving a utilization rate of 99 SF per employee. GSA is currently acquiring an additional 8,000 SF to correct crowded conditions. The total leased space will then be 66,000 SF and the current staffing of this office is 578. Thus, the utilization rate will increase to 114 including office storage and special type space.

DCASR Chicago.—New leased space is required in order to move this activity from Air Force Reserve facilities at O'Hare Airport in order to provide International Airport expansion. It was planned to be in new leased spaced in April 1969. Since new leased facility has not yet been acquired by GSA, rent reimbursements will slip to fiscal year 1970.

General information.—GSA reported that the national utilization rate of office type space under its control for the period ending March 31, 1969 was 133 SF per employee. That agency does not include office storage and special type space in calculating utilization rates.

REQUIREMENT FOR ADDITIONAL OFFICE SPACE IN 1970

Mr. SIKES. You can tell us at this time, however, if additional office space is going to be required in fiscal 1970?

General HEDLUND. No, sir.

Mr. LIPSCOMB. May I ask a question?

Mr. SIKES. Yes; of course.

Mr. LIPSCOMB. I had understood it was going to take a one-time cost of around $300,000 for additional space at the Defense Personnel Support Center in Philadelphia, Pa.

General HEDLUND. Yes, sir.

Mr. LIPSCOMB. You do not consider that office space in 1970?

General HEDLUND. No. That has already been accomplished in 1969; that $300,000 at Philadelphia was to refurbish part of an old warehouse to accommodate people, administrative space.

Mr. LIPSCOMB. That is not part of your one-time cost?

General HEDLUND. Yes, that is the major part of the $356,000 one-time costs; $300,000 was for the renovation of the warehouse space at Philadelphia.

TIMING OF SAVINGS TO RESULT FROM BASE CLOSURES

Mr. LIPSCOMB. When do you anticipate the savings on this reorganization and base closures to come about? In fiscal year 1970?

General HEDLUND. Well, taking the one that we have been talking about, the nonperishable subsistence, there will be a saving of $44,000 in 1970 and then in each successive year there will be the salaries of 51 people.

Mr. LIPSCOMB. Maybe that is where we are having our confusion. Do you mean in this fact sheet that we have before the committee on the centralization of procurement of nonperishable and brand name subsistence items, that it does not apply to the fiscal year 1970 budget?

General HEDLUND. The fact sheet is an overall explanation of our entire program.

Mr. LIPSCOMB. So the savings that are spoken of in this fact sheet go over 2 years?

General HEDLUND. They will go on down to 10 and 20 years. There may not be a saving in 1970, depending upon the one-time cost estimate. If the move is made in 1970, that is. But then in 1971 and 1972 you should accrue savings.

Mr. LIPSCOMB. But if the $300,000 that was put into the Philadelphia office is a one-time saving——

General HEDLUND. A one-time expenditure.

Mr. LIPSCOMB. Expenditure. And you have already made it; why is it considered a savings on a fiscal year 1970 fact sheet? This says centralization by January 1, 1970. Then one of the items on here says "Savings, 51 civilian personnel spaces will be saved and annual recurring savings of over $400,000 are expected as a result of the centralization action with a one-time cost of approximately $356,000." Now, that goes specifically to the announcement of the reorganization.

General HEDLUND. Right.

Mr. LIPSCOMB. Now that will be in fiscal year 1970, but you have already spent the money so you are saving—your saving should be $400,000.

General HEDLUND. I have not related it to a particular fiscal year. We are talking program here. There is a one-time cost of $356,000, a per annual saving of $400,000. The first year, obviously you are not going to save as much but each succeeding year you will.

Mr. LIPSCOMB. Of course, we are working on the budget and that is what we are looking for.

General HEDLUND. Well, the savings——

Mr. LIPSCOMB. These fact sheet words evidently are just "glory" words and don't tie specifically into the budget for fiscal year 1970.

General HEDLUND. Mr. Baker?

FAILURE TO CLEARLY IDENTIFY SAVINGS

Mr. BAKER. Mr. Lipscomb, you made the point earlier that we had to account for the extent to which the savings to be realized in fiscal 1970 from the consolidation are in the increases and decreases from 1969 to 1970 in the budget estimate. You are correct. Since the consolidation is scheduled for January 1, 1970, and will generate an annual saving of of $400,000 in O. & M. whereas the $300,000-odd is in military construction, the savings that we anticipate in O. & M. for the last half of fiscal 1970 are in the estimates and they are netted on the decrease side in the productivity improvement item.

Mr. LIPSCOMB. That is what I was trying to get at. The alleged $400,000 savings in the operation and maintenance has been thrown into productivity improvement.

Mr. BAKER. Yes. But earlier I confused programs as we know them in the budget structure and the line items by which we account for increases and decreases.

Mr. LIPSCOMB. But the fact of the matter is that the savings in the nature of reorganization is not a productivity improvement.

Mr. BAKER. The productivity item would be more clear if we made subordinate breakouts. The reason it is included in there is because it does relate to people which is where we accomplish productivity

improvements. But you are right, it would be more clear if the reorganization element was broken out.

Mr. LIPSCOMB. So where your justification sheets say "productivity improvement," that includes getting more work from your people, better organization, and everything.

General HEDLUND. Technically, you are correct.

Mr. LIPSCOMB. When you show the figure like you do in your book you are taking credit for lots more than you really are going to get out of productivity.

General HEDLUND. Could be.

Mr. LIPSCOMB. So, as I said at the outset, the figure that you used in productivity improvement is, to use an unkind word, a plug figure.

General HEDLUND. If you are referring——

Mr. LIPSCOMB. I believe it is just as valuable for you to take credit where you do have a savings, reorganization, and show it in here.

General HEDLUND. We probably should have broken that out and made it very clear.

Mr. LIPSCOMB. It is awfully hard to find when you stick it into an overall figure and make it come out to a balance.

General HEDLUND. I understand.

Mr. LIPSCOMB. I wanted justification to cut your budget a little more.

General HEDLUND. It is going to be a tough year coming up.

Mr. LIPSCOMB. If you close an office, and I cannot find where you have taken credit for it, then to me chances are you did not cut it. Now that you say you have, I am satisfied.

General HEDLUND. Good.

CONTRACTOR COMPLIANCE

Mr. SIKES. In fiscal 1969 you planned a total of 221 employees assigned to the President's equal employment opportunity program for insuring contractor compliance. What is the number currently assigned to this program?

General HEDLUND. Currently, we have 149 in the field, and I think 22 in the administrative headquarters area.

Mr. SIKES. Is that the number you expect to have on board at the end of fiscal 1969?

General HEDLUND. At the end of fiscal 1969; yes, sir. But you may recall last year we asked for an additional 50 for this function but they were not put on board.

Mr. SIKES. How many do you plan for fiscal 1970; how many are being requested?

General HEDLUND. I don't think we have planned to increase for 1970 in the face of——

Mr. SIKES. Over the current 171?

General HEDLUND. Over the current 171.

PAYMENT OF OVERTIME

Mr. SIKES. All right. On page 22 of the budget justification there is shown $11,018,000 for other personnel compensation. How much of this is for the payment of overtime?

General HEDLUND. I think that is $6.8 million.

Mr. SIKES. For the record, give comparable overtime figures for fiscal year 1968 and fiscal 1969.

General HEDLUND. Very good.

(The information follows:)

Overtime by fiscal year

Fiscal year 1968, actual	$6,646,000
Fiscal year 1969, estimate	7,227,000
Fiscal year 1970, estimate	7,224,000

The fiscal year 1969 and fiscal year 1970 estimates include one-time nonrecurring costs of $1,200,000 each year for implementation of SAMMS (standard automated materiel management system). Because of civilian pay raises effective July 1, 1968, the fiscal year 1969 and fiscal year 1970 estimates reflect average pay rate increases of about 4.9 percent.

Mr. SIKES. Mr. Garrity?

EFFECT OF REVENUE AND EXPENDITURE CONTROL ACT ON 1970 BUDGET

Mr. GARRITY. I believe section 201 of the Revenue and Expenditure Control Act relating to civilian employees remains in effect during fiscal 1970. What effect will it have on your budget?

General HEDLUND. You are talking about what we call CIVRED?

Mr. GARRITY. Civilian employees.

General HEDLUND. Recognizing the rehire limitations, our onboard strength will still be below those authorized by CIVRED to the extent of 231 at the end of 1970. If we go back to the end fiscal 1966 position which the law requires us to get to eventually and we add on the transfers of mission and people into DSA, then apply the hiring limitation, we will still be some 231 below that figure. We should not have to reduce further because of the constraints of this law insofar as ceiling numbers are concerned.

Mr. GARRITY. Will you provide for the record a schedule showing your civilian employment strength at June 30, 1966, as compared with your estimates for June 30, 1969, and June 30, 1970, taking into consideration any transfers into the organizations or transfers out?

General HEDLUND. I certainly will. I have it right here, but if you prefer it for the record, fine.

Mr. SIKES. Provide it for the record.

(The information follows:)

YEAREND CIVILIAN EMPLOYMENT ADJUSTED FOR CHANGES IN ORGANIZATION

	O. & M.	DIF	R.D.T. & E.	Total
CIVRED effect, fiscal year 1969:				
Fiscal year 1968 actual end strength	55,296	1,835	564	57,695
Net functional transfers during fiscal year 1969	+1,684			+1,684
Adjusted base	56,980	1,835	564	59,379
CIVRED reduction by rehire limitations	−1,712	−27	+11	−1,728
CIVRED allowable	55,268	1,808	575	57,651
Estimated end fiscal year 1969 employment	53,104	1,808	575	55,487
Decrease below CIVRED allowable	2,164			2,164
Fiscal year 1970 CIVRED implications:				
CIVRED allowable, end fiscal year 1969	55,268	1,808	575	57,651
Net functional transfers programed during fiscal year 1970	+872			+872
Adjusted base, fiscal year 1970	56,140	1,808	575	58,523
CIVRED reduction by rehire limitations	−1,528			−1,528
CIVRED allowable, end fiscal year 1970	54,612	1,808	575	56,995
Proposed authorization, end fiscal year 1970	52,546	1,808	575	54,929
Decrease below CIVRED allowable	2,066			2,066
Ultimate CIVRED requirement:				
End fiscal year 1966 actual employment	49,670	2,294	478	52,442
Net functional transfers through fiscal year 1970	+2,706		+12	+2,718
Ultimate base	52,376	2,294,	490	55,160
Proposed authorization, end fiscal year 1970	52,546	1,808	575	54,929
Decrease below ultimate CIVRED by end fiscal year 1970	+170	486	+85	231

OVERTIME VERSUS INCREASED EMPLOYMENT

Mr. SIKES. You are continuing to decrease the total number of employees in the agency. Would it not be more profitable from a fiscal standpoint to eliminate overtime?

General HEDLUND. We have very tight constraints on overtime. Top level management has to authorize it. We try to use overtime only when we cannot avoid it, to take care of peak workloads, and so forth.

Mr. SIKES. Would you still have a requirement for overtime if you were to employ more people on a full-time basis?

General HEDLUND. Yes, sir; I think so. I think in our business, especially the depot operation where the workload varies so, it is less expensive to use overtime for the peaks and fewer full-time people than the other way around.

ANNUALIZATION OF WAGE BOARD INCREASES

Mr. SIKES. You are requesting $1,450,000 for the annualization of civilian wage board increases. This would be the full-year cost of the wage board increases in 1970 that were granted in fiscal year 1969. Is there a provision in the 1970 budget for wage board increases that may be anticipated during fiscal 1970 or 1971?

General HEDLUND. Not to my knowledge.

Mr. SIKES. Research that question and provide a further answer for the record.

(The information follows:)

PROVISION FOR WAGE BOARD INCREASES

The budget makes no provision for civilian wage board increases which will occur after June 30, 1969. The annual cost of wage board increases included in the budget applies to approximately 11,100 personnel in the following amounts:

	Fiscal year 1969	Fiscal year 1970
Annualization of fiscal year 1968 increases	$1,450,000	
Pay increases during fiscal year 1969	1,450,000	$1,450,000
Total budgeted increases	2,900,000	1,450,000

PROJECT VALUE

Mr. SIKES. In fiscal 1970 you are requesting an increase of $69,000 in connection with Project Value. What is the total cost in the DSA budget for fiscal 1970 with respect to Project Value?

General HEDLUND. That figure. We have not had this program before. That is the full cost, 7 man-years, an end strength of 12 people.

Mr. SIKES. For the record, show what Project Value is and what it is expected to accomplish.

(The information follows:)

PROJECT VALUE

Project Value is a program for educating and training youths who are precluded from entering the labor market because of their social environment. A Department of Defense/Department of Labor agreement, dated October 31, 1968, placed Project Value into effect in January 1969. The $69,000 estimate, included in the budget, is needed to employ 12 counselors and city coordinators to provide remedial education and on-the-job training to equip hard core disadvantaged ghetto youths with the skills necessary to qualify for permanent employment and career progression in Defense installations.

Mr. SIKES. Are there questions on civilian employment?

Mr. LIPSCOMB. No.

LOCATION OF DSA EMPLOYEES

Mr. DAVIS. Who are these people? You have in the neighborhood of 54,000 people overall. Where are they?

General HEDLUND. Sir, we have 25 major field installations in the United States. Let me quickly run over them. We have six supply centers. These are our item management activities. One of them is here at Cameron Station, two are at Philadelphia, one is in Dayton, Ohio, one in Columbus, Ohio, one in Richmond, Va. Off-hand, they will hire about 15,000.

Then we have a second major area, our depot operation. We have eight DSA-owned depots. One is in California, one in Ogden, Utah, one in Columbus, Ohio, one in Dayton, Ohio, one in Richmond, Va., one in Mechanicsburg, Pa., one in Memphis, and one in Philadelphia. These actually receive, store and issue goods into and out of warehouses.

Mr. DAVIS. What is the normal complement for one of these? Are they roughly comparable in their operations?

General HEDLUND. No, they vary. Some are larger than others. I think about 4.000 people in the largest one, down to about 1,500, that order of magnitude.

Mr. DAVIS. They would have 25,000 to 30,000 people in the eight?

General HEDLUND. In the depots and centers that I related so far, about 33,000 total of the 55,000. Then a third——

Mr. DAVIS. Are you saying that you have about 10,000 people in your eight depots?

General HEDLUND. Yes, 10,000 to 11,000; sir. Our next major area is in the contract administration services. Here we have 11 regions. I might miss one, but they are: Boston, New York, Atlanta, Philadelphia, St. Louis, Cleveland, Detroit, Chicago, Dallas, San Francisco, and Los Angeles. These 11, plus their district offices out in the field and in contractors' plants, have about 40 percent of 55,000, so that is about 22,000 people there.

Now, the remainder, about 1,000 in my headquarters here in Washington. We have various other activities: the Defense Documentation Center at Cameron Station which has about 550; we have the Industrial Plant Equipment Office in Memphis, Tenn., which has about the same number, I believe, 524, and the Defense Logistics Support Center at Battle Creek, Mich., which runs our cataloging program. They have 1,100 or 1,200, in that ball park. I think that accounts for most of the 55,000 people.

Mr. LIPSCOMB. Mr. Chairman.

Mr. SIKES. Mr. Lipscomb.

FUNDS FOR PROJECT VALUE

Mr. LIPSCOMB. General, in your answer with respect to project value which you are going to prepare and provide for the record, the other services were required to reprogram for Project Value in fiscal year 1969. Why is it that the Defense Supply Agency was not required to reprogram funds into Project Value for fiscal year 1969?

General HEDLUND. I don't know. Maybe some of my people do, but as far as I know we were not in the program in 1969.

Mr. GARRETT. That is correct.

General HEDLUND. This is a new area for us.

Mr. LIPSCOMB. Thank you.

Mr. SIKES. Very well.

(STAFF NOTE.—Subsequent to the hearings the committee was advised that there were start-up costs of about $25,000 incurred for the pay of counselors in the last half of fiscal year 1969. The funds were obtained by internal reprograming with the Defense Supply Agency.)

ADP PROGRAMS

STANDARD AUTOMATED MATERIEL MANAGEMENT SYSTEMS (SAMMS)

Mr. SIKES. Under ADP programs on page 7 of your statement you show total savings, you say that in the total savings of $17,200,000 is a savings of $4.3 million from automation and mechanization which is based on the implementation of the standard automated materiel management system and the ongoing operation of the mechanized ware-

housing system at your depots. For the record, show the total cost in fiscal 1970 of the standard automated materiel management system, including such items as personnel compensation, machine rental, and so forth.

(The information follows:)

Total cost in fiscal 1970 for SAMMS

Capital costs	$14,565,000
Operating costs:	
Personnel	9,294,000
Equipment rentals	5,972,000
Other (tapes, disk packs, supplies, etc.)	2,101,000
ADPE maintenance (contractual services)	374,000
Total costs	32,306,000

SLIPPAGE IN SAMMS IMPLEMENTATION

Mr. SIKES. In the hearings of last year you testified that the standard automated materiel management system was scheduled for a phased implementation beginning January 1, 1969. It is now said that it will begin in May 1969. What has caused the slippage in the installation of this equipment?

General HEDLUND. We started in January 1969, in the initial testing out of the equipment. We have had some problems in bringing this thing in. It is quite a sophisticated system. We have slipped a total of about 6 weeks. We are into our testing program now, the final phase of our testing program, and we hope to be live and going the last of this month.

Mr. SIKES. We had understood that testing would be substantially completed last year and installation made early this year. This would indicate to us slippage. Is that not correct?

General HEDLUND. Yes, sir; there has been slippage.

Mr. SIKES. What was the cause?

General HEDLUND. Well, the difficulty of all of the programing and design of this system. We are breaking new ground, to the best of our knowledge, there is no other system like it in the military service, and it just took longer than we expected. I can't make any other explanation.

Mr. SIKES. Mr. Garrity?

DELAY IN IMPLEMENTING SAMMS

Mr. GARRITY. We have been discussing this system now for several years. Of course, we recognize that you have had many delays in implementing the system. A few years ago you had all your benchmarks completed. Last year you told us this system was being completely tested out. What you are saying today would indicate that you have either put new innovations into the system or something that was planned did not materialize. Can you try to explain what is really happening?

General HEDLUND. Generally, we have had two difficulties. One has been our own in having difficulty in programing this sophisticated system design, making all of these five major areas and the many, many parts thereof mesh together. Secondly, we have had some machine problems with bringing in the 360–50 equipment which is new. IBM has been with us all the time and they have been frustrated on many

accounts. We have worked like the devil. We have put all the talents we have on it, we just have not been able to cut the mustard any better than we have. So there has been a total of 4 or 5 months slippage from the time you are talking about. I think we have got it now, I really do.

SAMMS CHANGES

Mr. GARRITY. Have you put any other innovations into the system, other than those that were previously discussed with this committee?

General HEDLUND. We have held the changes down to an absolute minimum. In fact, as you may recall, we went back and regrouped and restudied our requirement in 1966 and early 1967 and shucked down some of the requirement. Then we went ahead and there is a great pressure to make changes as you go along, and I finally just said there will be no more changes until we get this thing operating. So, to answer your question, no, we have not put in any additional inputs of any major proportions. There have been some small changes just to make it work, but not of substantive content or objective.

Mr. GARRITY. Thank you.

MECHANIZATION OF CONTRACT ADMINISTRATION SERVICES (MOCAS II)

Mr. LIPSCOMB. On page 5 of your statement you discuss the system known as MOCAS II, which means the mechanization of contract administration services. Would you please briefly tell the committee what new developments have occurred in this system during the past year?

General HEDLUND. No new developments in MOCAS II. It is a system designed to follow on behind MOCAS I-B. MOCAS I-B essentially is an in-house DSA communications system. MOCAS II is designed to allow for a standard approach across the board to contract administration within the services and within DSA and is necessary to support what we call our military standard contract administration program or MILSCAP.

MOCAS II will use the same basic hardware that we have got in MOCAS I-B. As far as computers are concerned, that is. There will be some add-ons, a little extra storage and that sort of thing, but no new major computer system is involved.

Mr. SIKES. Tell us briefly for the record just what you accomplish by the MOCAS system.

(The information follows:)

ACCOMPLISHMENTS OF THE MOCAS SYSTEM

MOCAS is the information system designed to provide the operational data needed by the Defense Contract Administration Services regions to manage the tasks associated with contract administration functions. These include: quality assurance, production surveillance, accounting services, invoice control and payment, packaging and preservation requirements, transportation, and industrial security. MOCAS IB provides an interim uniform system used within DCAS.

MOCAS II is a uniform data system to be installed at DCASR's to replace MOCAS IB which implements the Military Standard Contract Administration procedures (MILSCAP) manual which provides uniformity and proper interface between buying offices of the Military Services, HQ DSA and the DCASR's. MILSCAP provides the necessary guidance for standard format and standard data elements to be used as input and output and is scheduled for DOD-wide implementation July 1, 1970.

Mr. SIKES. There is in your statement reference to an increase of $100,000 for MOCAS site preparation to accommodate ADP equipment. Maybe you should tell us more about that.

General HEDLUND. That is an estimate of what it will take to refurbish and maybe a little add-on at 10 stations, at $10,000 per station. It is an estimate. As I mentioned just a minute ago, we are going to use the same basic Honeywell hardware but we will add on to give it a little greater capacity to accomplish this purpose.

Mr. SIKES. What is the total amount included in the fiscal 1970 program for the mechanization of contract administration services?

General HEDLUND. $11,138,000.

Mr. SIKES. For the record, show the amounts required in fiscal 1968 and fiscal 1969.

(The information follows:)

COST OF MOCAS IN 1968 AND 1969

Fiscal year 1968	$6,547,000
Fiscal year 1969	8,571,000

Mr. SIKES. Why are these funds actually needed?

General HEDLUND. These funds that are reqired to either lease or buy the hardware, operate the AUTODIN terminals, communications terminals at our 11 contract administration regions in order to make the system go.

Mr. SIKES. Are there questions on the ADP programs?

EXPANSION OF MOCAS

Mr. LIPSCOMB. Is this program you just discussed over and above what you had previously discussed with this committee in the past in regard to mechanization of contract administration services?

General HEDLUND. No. This is a program that has been on the books ever since I have been in DSA, so I would say, no, it is not a new program.

Mr. LIPSCOMB. Not new, no; but is it in addition to what you discussed? Does it implement the program you have discused with the committee before?

General HEDLUND. Oh, yes.

Mr. LIPSCOMB. It implements it and improves it?

General HEDLUND. Yes, sir.

Mr. DAVIS. When you use the term "a new phase" you are really talking about continuing and expanding on something that is already there?

General HEDLUND. Yes, I think that is a fair statement.

DEFENSE INDUSTRIAL PLANT EQUIPMENT CENTER

Mr. SIKES. In the committee's reports for the 1968 and 1969 Department of Defense Appropriation bills concern was expressed with respect to the problem of procurement of industrial plant equipment and to the effective management of existing equipment. In the 1969 report the committee stated:

There is even difficulty in achieving uniformity between the several services in classifying items as industrial plant equipment. For example, only metal-

working and woodworking items are considered as industrial plant equipment by the Air Force and reportable to the Defense Industrial Plant Equipment Center (DIPEC), whereas the Navy reports all items of industrial plant equipment to DIPEC which are within the scope of the center's authority.

A principal function of DIPEC is to assure the maximum utilization of industrial plant equipment. It is obvious that not all of the military department in-house activities or defense contractors are reporting industrial plant equipment in their possession to DIPEC. Unless proper controls can be formulated which require such reporting in a prompt fashion as well as uniform classification of types of equipment for which reports are required, this mission cannot be properly carried out. As a result new equipment will continue to be unnecessarily provided by the Government. During fiscal year 1967 DIPEC was able to satisfy 37.2 percent of the requisitions made to it for equipment. This rate could be substantially increased, with resultant cost savings, if realistic and adequate regulations and management procedures could be formulated and properly implemented.

Has any progress been made in either of these areas during the past year?

DIPEC IMPROVEMENTS

General HEDLUND. We now have the common language of the Federal Catalog incorporated in 44 Industrial Plant Equipment (IPE) Handbooks. These permit DOD activities to categorize and centrally record and control many thousands of pieces of equipment which previously could not be individually cataloged and managed effectively.

During the past year, five new IPE Handbooks have been developed and published and seven handbooks published in 1966 and 1967 have been revised. More than 100,000 different manufacturers' makes and models have been identified by the standard nomenclature of the Federal Catalog.

In the past year, the Assistant Secretary of Defense (Installations and Logistics) has issued instructions to clarify the definition of "idle" IPE. Under the provisions of the Defense Industrial Plant Equipment Center (DIPEC) Operations Manual, First Revision, April 1968, each item of "idle" IPE is required to be reported to DIPEC within 10 calendar days of its last use for the purpose authorized. Thus, if the item has not been utilized for the authorized purpose for a period of 10 calendar days, except maintenance down-time, plant vacation, or other general work stoppages, it must be deemed "idle."

In April 1969, on the basis of a recommendation by the Deputy Assistant Secretary of Defense (Materiel), the ASPR Committee amended appendices B and C to require reporting of general purpose components of special test equipment to DIPEC upon transfer of title to the Government. Previously, such items had been reportable only when no longer required at the point of acquisition or receipt as components of special test equipment.

DSA CONTROL OVER DIPEC

Mr. SIKES. Do you exercise administrative control only or do you establish overall policy with regard to the operation of the Defense Industrial Plant Equipment Center?

General HEDLUND. I think it is fair to say that we manage and run the outfit, we make local policy which is involved in managing and running it. The overall basic policy of what will be done, what types of equipment will be managed by Industrial Plant Equipment Center is made by the folks in OSD.

Mr. SIKES. The committee made recommendations in its report of last year, and these are referred to in my previous question. Are you familiar with the committee's recommendation on this matter?

General HEDLUND. On IPE?

Mr. SIKES. Yes.

General HEDLUND. Generally, but I don't recall the specific text.

Mr. SIKES. All right. I will read it. This is on page 40.

There is even difficulty in achieving uniformity between the several services in classifying items as industrial plant equipment. For example, only metalworking and woodworking items are considered as industrial plant equipment by the Air Force and reportable to the Defense Industrial Plant Equipment Center (DIPEC), whereas the Navy reports all items of industrial plant equipment to DIPEC which are within the scope of the Center's authority.

A principal function of DIPEC is to assure the maximum utilization of industrial plant equipment. It is obvious that not all of the military department in-house activities or defense contractors are reporting industrial plant equipment in their possession to DIPEC. Unless proper controls can be formulated which require such reporting in a prompt fashion as well as uniform classification of types of equipment for which reports are required, this mission cannot be properly carried out. As a result new equipment will continue to be unnecessarily provided by the Government. During fiscal year 1967 DIPEC was able to satisfy 37.2 percent of the requisitions made to it for equipment. This rate could be substantially increased, with resultant cost savings, if realistic and adequate regulations and management procedures could be formulated and properly implemented.

Now, do you feel that you can effectively comply with the committee's recommendations in this matter if you do not have policy control over DIPEC?

General HEDLUND. Well, I think when we speak of policy control we should consider it as OSD-wide policy control, including the military services, DSA in addition. Therefore, it must be coming from the OSD staff itself. I would just like to say, sir, that I think we have made great strides. When I say "we" I mean the military services, DSA, and DOD in general during this past year.

We have taken a number of actions designed to improve the management and utilization of industrial plant equipment. One, for instance, the management mission of DIPEC has been expanded and strengthened. Some 1,900 items in 40 classes formerly managed by the military services will be transferred to DSA on August 1 of this year. An additional quantity of items in 57 classes are to be transferred in 1970. A couple of other actions, just as for instances: Defense procurement circular 61 issued in June of last year prohibits the provision of Government-owned IPE to a contractor unless he states in writing that he is unwilling or unable for other reasons to provide it himself. We are trying to get out of providing plant equipment to contractors.

Mr. SIKES. Why don't you list these actions for the record. It would be very useful to us.

General HEDLUND. I shall.

(The information follows:)

DSA ACTIONS TO IMPROVE MANAGEMENT OF DOD-OWNED INDUSTRIAL PLANT EQUIPMENT (IPE)

1. DSA report on the management of capital plant equipment—May 1962 recommended consolidation of Army, Navy, Air Force IPE functions.

2. The Defense Industrial Plant Equipment Center (DIPEC) was established in December 1962 by order of the Secretary of Defense.

3. DIPEC interim operating instructions were issued in August 1963, the first DIPEC operations manual was issued in January 1965, and the first complete revision in April 1968.

4. IPE handbooks, using the common language of the Federal catalog, were begun in July 1963. Publication of these handbooks, and revisions to the handbooks, has been, and will continue to be an on-going process.

5. ASPR apendix B and appendix C were revised in March 1964 requiring Federal catalog data in official records of plant equipment costing $500 and up. In August 1967 appendexes B and C were again revised to require the data for all records of plant equipment $200 and up.

6. ASPR section 24 was issued in February 1968 requiring Federal catalog data to be included in termination inventory listings of plant equipment.

7. ASPR supplement No. 3 was issued in August 1967 providing uniform instructions for property administration.

8. ASPR section 13 was amended in October 1967 to include a listing of IPE handbooks.

9. Interagency agreements for the reutilization of IPE were established in 1964, 1965, and 1967. They cover the Atomic Energy Commission, the National Aeronautics and Space Administration, the Federal Aviation Agency, the Office of Economic Opportunity, the Department of the Treasury, and the Coast Guard.

10. Seminars and training programs for property administrators were begun in November 1964. This is a continuing program.

11. A program of HQ DSA staff surveillance of property administration was begun in July 1965. This is a continuing program.

12. An official IPE management data report was established in March 1966. It shows the IPE reserve inventory data, and such other information as idle declarations, requests, allocations, rejections, certificates of nonavailability, redistribution, and disposals, by month. A quarterly report shows the in-use DOD inventory recorded by DIPEC and other data on mobilization packages.

13. DIPEC began a program in April 1966 whereby contractors having a mecahnized capability could report IPE assets by punchcard or magnetic tape rather than by hard copy.

14. DSA regulation 4215.3 was issued in September 1968 establishing a program for technical assistance/liaison visits by representative of DIPEC to DOD activities to provide education and orientation on the DIPEC mission and assistance on IPE identification, recording and reporting policies, systems and procedures.

15. In February 1968, the ASD (I. & L.) requested DSA to undertake a pilot test as a means for determining the most practical method of developing and maintaining machine-by-machine utilization records. The test was completed and the results were forwarded to OSD in December 1968.

16. On April 1, 1968 Defense Procurement Circular (DPC) No. 60 was issued. It limits the furnishing of IPE by the Government for use by a contractor in performing Defense work only when the contractor is unable or unwilling to furnish IPE, and it is in the best interest of the Government to provide such equipment to meet required delivery schedules of essential military material.

17. On June 10, 1968 DPC No. 61 was issued to delineate contractor use of Government-owned equipment for commercial use. A new base for computing rental rates was also provided.

18. On June 4, 1968 ASD (I. & L.) directed DSA to implement the 1966 DSA report on Management of Industrial Plant Equipment. Implementation of this plan will establish DIPEC as the central agency for management of military supply system stocks of IPE only. It is designed to eliminate concurrent buying

and selling of the same items within the DOD. DIPEC already maintains a "data bank" operation for contractor inventory of IPE. The first phase of a two phased implementation plan will begin August 1, 1969. Forty Federal supply classes of primarily metalworking equipment consisting of approximately 1,000 Federal stock numbered items are in the first increment. The second phase, scheduled for implementation February 1, 1970, consists of 57 Federal supply classes. This group ranges from woodworking equipment to electrical and electronics testing equipment.

10. On September 30, 1968 DPC No. 63 covered the requirement for contractors to keep expanded records and procedures on utilization of IPE.

20. In April 1968, DSA agreed to conduct a critical review of the idle reserve to remove some of the older equipment of doubtful value and for which there is not a compelling mobilization or other military need. A formal system was developed to grade each idle item according to technical and economic factors such as age and maintenance costs. In January 1969 the results of the review were sent to OSD. The results of the project are sound in all respects. In addition to having developed a better management tool, savings in transportation, storage, and maintenance costs are possible. Efforts will continue to improve the technique to assure that in reducing DOD ownership of IPE, compelling mobilization and other military needs are fulfilled.

21. ASPR appendixes B and C were amended in April 1969 to require reporting of general purpose components of special test equipment to DIPEC at the time of transfer of title to the Government. These items had been exempt from reporting until no longer required at the point of acquisition or receipt as components of special test equipment.

REQUISITION FILLED BY DIPEC

Mr. SIKES. Do you have a figure showing a comparison for fiscal 1968 and anticipated for fiscal 1969 on the percentage of requisitions that DIPEC was able to satisfy? In fiscal 1967, as I said, it was 37.2 percent. Provide those figures for the record.

General HEDLUND. I will.

(The information follows:)

During fiscal year 1968 DIPEC was able to satisfy 26.2 percent of all requisitions.

During fiscal year 1969, it is anticipated that DIPEC will be able to satisfy 30.5 percent of all requisitions.

Mr. SIKES. Who establishes the policy on this matter?

General HEDLUND. I would say basically the top level policy is established by OSD with respect to industrial plant equipment, that is, ASD (I. & L.), Mr. Shillito.

Mr. SIKES. Question?

Mr. LIPSCOMB. No.

STOCK FUND

TRANSFER OF STOCK FUND CASH

Mr. SIKES. With respect to the stock fund, in the hearings last year we discussed the transfer of $300 million from the Defense Stock Fund to various other procurement appropriations. Will this transfer of the $300 million actually take place in this fiscal year?

General HEDLUND. It will take place. To the best of my knowledge, it has not at the present time. I think we are going to be able to generate that much, put it that way.

Mr. SIKES. Where will you obtain the funds?

General HEDLUND. These funds will come from sales in excess of expenditures from our stock fund for fiscal 1969.

Mr. SIKES. You feel the $300 million figure can be met?

General HEDLUND. Yes, sir. We will not have very much left over but we will make the $300 million.

Mr. SIKES. What effect will this have on your cash balance?

General HEDLUND. We will come out with one that will hold us at June 30.

Mr. SIKES. Will it be below the required amount?

General HEDLUND. There is no particular amount required. I think we will be in satisfactory condition with respect to the cash balance.

Mr. SIKES. In fiscal 1970 you propose transferring $100 million from the Defense stock fund to various other procurement appropriations. Do you anticipate that you will be able to do this?

General HEDLUND. If our planning works out; yes, sir.

Mr. SIKES. Mr. Garrity.

Mr. GARRITY. For the record, will you provide a cash reconciliation for June 30, 1968, June 30, 1969, and June 30, 1970, taking into consideration all cash transfers?

General HEDLUND. Yes, sir.

(The information follows:)

DEFENSE SUPPLY AGENCY DEFENSE STOCK FUND

Cash reconciliation based on program reflected in the President's fiscal year 1970 budget.

[In millions of dollars]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Balance (BP)	41.0	79.8	217.2
Collections	3,785.6	3,833.5	3,734.4
Disbursements	3,865.2	3,396.1	3,624.1
Allocation	118.4	.....	.....
Recision	.....	300.0	100.0
Balance (EP)	79.8	217.2	227.5
Planned transfer of recisions:			
PEMA	.....	150.0	50.0
PAMN	.....	65.0	25.0
PMC	.....	10.0	25.0
APAF	.....	75.0	.....

Mr. SIKES. Questions on the stock fund?

Mr. LIPSCOMB. No, Mr. Chairman.

LOGISTICS MANAGEMENT INSTITUTE STUDY

Mr. SIKES. The committee has had discussions on the Logistics Management Institute study of the contract audit/contract administration interface. This study was completed on March 10, 1969. Have you seen the recommendations of the study?

General HEDLUND. Yes, sir.

Mr. SIKES. What are they?

STUDY RECOMMENDATIONS

General HEDLUND. They have two alternatives. One is to work within the confines of the present organization but effect closer control, a higher degree of coordination, assure that someone is crew chief on the pricing teams in the field which involves the contract

audit, the ACO and the PCO; but generally tighten up the existing system.

The second recommendation is to combine contract audit and contract administration, which is presently in DSA, and establish those two as one organization outside the Defense Supply Agency.

PROPOSAL TO COMBINE CONTRACT AUDIT WITH CONTRACT ADMINISTRATION

Mr. SIKES. Do you agree with the study recommendations?

General HEDLUND. Not with the last one; no, sir.

Mr. SIKES. And why is that? Why do you disagree?

General HEDLUND. Well, for several reasons. One, I think there is great value in maintaining an independent audit function. No. 2, as I understand the LMI study, the major finding was the lack of coordination and effective group action in the field with respect to pricing and cost studies among the contract auditor, the contract administration people and the procurement contracting officer. I personally do not think you can enforce coordinated effort by reorganization. I think we are all working for the Secretary of Defense and if we are not working together then we ought to collectively and individually do something about it. Whether the organization should be in or out of DSA, I have no ax to grind. I think we have done a reasonably good job. I think we have a good organization going. We are using a common staff to support contract administration services as well as ourselves. It has not been clear to me that there will be any savings if this move were made. If you have got a fairly good horse, I like to stay with it.

Mr. SIKES. Do you know why the Logistics Management Institute was directed to make the study?

General HEDLUND. Not definitely. I think it was recommended by various procurement group meetings over the past 2 or 3 years.

Mr. SIKES. Did DSA recommend such a study?

General HEDLUND. No, we did not recommend it.

Mr. SIKES. Question?

PURCHASE OF OIL FILTER ELEMENTS

Mr. SLACK. The Defense Construction Supply Center in Columbus, Ohio, issued a contract "DSA 700-68-D-0097" to the Champion Laboratories of West Salem, Ill., to cover the procurement of two items of oil filter elements for the period December 1, 1967 through November 13, 1968. The contract was subsequently extended to February 28, 1969. At the time the contract was issued, DSA estimated the requirement would be 1 million units, however, during the life of the contract no units were procured. How did you estimate that you would require 1 million units at the time the contract was issued and then find out while the contract was in effect that you had no requirement whatsoever for these units?

General HEDLUND. Sir, the solicitation upon which Contract DSA 700-68-D-0097 was awarded was issued by our Defense Construction Supply Center (DCSC), Columbus, Ohio on August 2, 1967. As you indicated, it covered two items of oil filter elements under FSN 2940-

141-9025 and FSN 2940-141-9026. For the record, I will briefly discuss the demand considerations applicable to each of the FSN's involved and then provide a few summary observations.

(The information follows:)

FNS 2940-141-9025

(*a*) The requirements computation, which was completed March 16, 1967, was developed as follows:

(1) The estimated yearly demand on this item was 550,000 for Air Force, Navy Marine Corps and Army customers and 30,000 for MAP, for a total of 580,000. DCSC has had item management responsibility on this FSN for the Air Force, Navy and Marine customers since February of 1965. DCSC assumed responsibility for support of Army requirements in February of 1967; 399, 276 units of the estimated yearly demand of 580,000 was based upon data supplied DCSC by the prior Army item manager, U.S. Army Tank and Automotive Command (USATAC), Warren, Mich.

(2) In addition to the above estimated yearly demands of 580,000 was an increased amount applicable to standardization actions on 12 other items that were to be replaced by FSN 2940-141-9025. The demand rates in these items were thus considered in the computations increasing the total estimated yearly demand to 650,000 units for the service customers and 20,000 units for MAP customers, bringing the total to 670,000 units projected as a requirement.

(*b*) Based upon the high demand rate forecasted to DCSC by USATAC, as the prior Army item manager, it was concluded that USATAC had transferred inadequate assets to DCSC to meet the demand estimates. To rectify this situation, USATAC let a contract on 1 September 1967 for 180,000 units with Wix Corporation, Gastonia, N.C. to provide assets to DCSC to fill the pipeline.

(*c*) The demand forecasted by USATAC never materialized and in fact the overall demand rate dropped to 90,136 units during 1968. The drop in demands, aggravated by the pipeline buy of USATAC just mentioned, precluded the need for additional units under Contract DSA 700-68-D-0097.

FSN 2940-141-9026

(*d*) The requirements computation, which was completed March 16, 1967, was developed as follows:

(1) Actual experienced yearly demands for military service customers was 693,235 units and 24,105 units for MAP customers, for a total yearly demand of 717,340.

(2) Included in the above yearly demand pattern were the demands for 21 items which were replaced by FSN 2940-141-9026 as a result of standardization actions during the prior 12 months. Therefore, the demand experience did not require adjustment upward as was the case for FSN 2940-141-9025.

(3) The 715,000 units projected as a yearly requirement by DCSC was thus composed of 700,000 units for military service customers and 15,000 units for MAP customers.

(*e*) Here again, the demand rate dropped to 265,164 units in 1968 and the need for additional units under Contract DSA 700-68-D-0097 no longer existed.

Summary Observations

(*f*) The reason for these drops in demand has not been ascertained. These filters are throw-away type items. DCSC queries to the using military services have produced no reason why the usage rate should have dropped so drastically. DCSC believes that cyclical factors influencing demand patterns, plus the drawdown in levels which were built up in field units initially, may be involved on these items and that activity may begin to move upwards in the not too distant future.

(*g*) Contract DSA 700-68-D-0097 was a requirements type contract against which orders were to be placed for all requirements arising at DCSC for the period December 1, 1967 through November 30, 1968. Champion Laboratories, West Salem, Ill. was awarded entire units estimated for FSN 2940-141-9025 and 486,200 of the units estimated for FSN 2940-141-9026, with the remainder being awarded to Lee Filter, Edison, N.J. The contract specially indicated that quantities of supplies estimated therein were furnished for informational purposes only and were not intended to be definitive statements of the Government's

actual requirements for the items. Normally, it would be expected that some orders would be placed and the Commander, DCSC has kept himself personally up-to-date on developments in demand rates to see if any order could properly be placed against this contract. As you can see, there was absolutely no way we could justify placing an order for these items as a result of the drop in demands. The unexpected developments which precluded DCSC from placing orders against the contract have been explained on several occasions to representatives of Champion Laboratories.

Mr. SLACK. Who was your previous supplier and how many of these filters were purchased from that supplier?

General HEDLUND. The previous supplier for procurements by DCSC for the two items along with quantities involved are as follows:

Item	Contract No.	Date	Contractor	Quantity (units)
FSN 2940-141-9025	DSA 700-67-C-F999	May 17, 1967	Wix Corp.	160,000
FSN 2940-141-9026	DSA 700-290-26	May 4, 1966	....do	305,000
	DSA 700-67-C-1005	Aug. 3, 1967	Purolator Products, Inc.	370,000

As mentioned earlier, the USATAC let one contract on 1 September 1967 with Wix Corp. for 189,000 units for FSN 2940-141-9025.

Mr. SLACK. How many oil filter elements, FSN 2940-141-9025 and FSN 2940-141-9026, are presently in stock?

General HEDLUND. The current stock position on the oil filter elements is as follows:

Item	*Units on hand*
FSN 2940-141-9025	283,436
FSN 2940-141-9026	410,310

Mr. SLACK. Would you please provide for the record how many of these oil filter elements were purchased during fiscal year 1966, 1967, 1968, and how many you plan on purchasing during fiscal year 1969 and 1970?

General HEDLUND. Yes, sir.

(The information follows:)

Item	Units				
	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968-69	Fiscal year 1970	Fiscal year 1971
F					
FSN 2940-141-9025	50,000	349,000	0	0	(1) (1)
SN 2940-141-9026	305,000	370,000	0	(1) (2)	.....

[1] Reorder point based upon the current stocks on hand as well as the rate of usage now being experienced.
[2] Reorder date, April 1971.
[3] Reorder date, March 1970.

Mr. SLACK. Is there any reason why these oil filter elements could not be procured through GSA rather than through the Defense Supply Agency?

General HEDLUND. No, sir; the items could be procured through GSA provided they were given the necessary specification information. FSN 2940-141-9025 purchase description calls for type II, class 2, filter element which is a heavy duty junior size, which must conform to the requirements of military standard MS 35346. The purchase description for FSN 2940-141-9026 calls for a type II, class 3 filter ele-

ment which is a heavy duty senior size element that must conform to the requirements of military standard MS 35345. The GSA Federal supply schedude for FSC Group 29, effective 15 April 1969 through 14 April 1970 lists these filter elements as being available from Wix Corp. under the Federal stock numbers designated. However, the purchase descriptions for these items on the schedule to both FSN's are type II, class 1, light duty, regular size, in accordance with Federal specification F–F–351C, May 25, 1966 and amendment 1, December 27, 1966. Due to the fact that the military standards necessitate heavy duty filters rather than the light duty filter, the military type filters are not currently covered by the GSA Federal supply schedules.

Mr. SIKES. Further questions?

Mr. LIPSCOMB. No questions, Mr. Chairman.

Mr. SIKES. Very well, gentlemen. Thank you very much for your testimony.

MONDAY, APRIL 28, 1969.

DEFENSE COMMUNICATIONS AGENCY

WITNESSES

LT. GEN. RICHARD P. KLOCKO, U.S. AIR FORCE, DIRECTOR, DEFENSE COMMUNICATIONS AGENCY

LT. GEN. HAROLD W. GRANT, U.S. AIR FORCE (RETIRED), DIRECTOR FOR TELECOMMUNICATIONS POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (I. & L.)

CAPT. NORMAN GILL, U.S. NAVY, TELECOMMUNICATIONS STAFF OFFICER, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (I. & L.)

BRIG. GEN. RALPH D. STEAKLEY, JOINT STAFF, DEPUTY DIRECTOR FOR RECONNAISSANCE, J–3

G. C. GARDNER, JR., COMPTROLLER, DEFENSE COMMUNICATIONS AGENCY

LT. COL. LEO E. ELLS, U.S. ARMY, BUDGET OFFICER, DEFENSE COMMUNICATIONS AGENCY

OPENING STATEMENT

Mr. MAHON. We will now take up the request of the Defense Communications Agency for fiscal year 1970. The total amount being requested is $68,801,000. Of this amount, $44,997,000 is for operation and maintenance funds; $8,304,000 is for procurement; and $15,500,000 is for research, development, test and evaluation.

At this point in the record we shall insert certain pages from the justification book for this appropriation request.

(The pages follow:)

DEFENSE COMMUNICATIONS AGENCY, FISCAL YEAR 1970

PURPOSE AND SCOPE

The mission of the Defense Communications Agency, as stated in Department of Defense Directive 5105.19, is to insure that the defense communications system (DCS) will be so planned, engineered, established, improved, and operated

as to effectively, efficiently, and economically meet the long-haul, point-to-point telecommunicaltons requirements of the DOD and of other governmental agencies, as directed.

This mission was expanded by the Secretary of Defense to include systems engineering and technical supervision of technical support to the National Military Command System and of such related systems as may be further assigned. In addition to the technical support of the NMCS, DCA also provides technical support, principally in the form of computer model development and operational ADP support, to the Offices of the Secretary of Defense, other defense agencies, the several directorates of the Joint Chiefs of Staff, and particularly the Special Assistant for Strategic Mobility and the Joint War Games Agency. The Secretary of Defense also assigned to the agency the responsibility for the continuing integration of the space and ground elements of the defense communications satellite systems to meet Department of Defense requirements.

The Secretary of Defense designated the agency as responsible for implementation of worldwide defense communications system automatic switched networks: the automatic voice network (Autovon) and the automatic digital network (Autodin) and automatic secure voice communications (Autosevocom). This responsibility is defined to include: overall system engineering including determination of system configuration; preparation of technical specification for the procurement of equipment for switching centers, interconnecting transmission media as appropriate, and subscriber terminals; monitoring the procurement to insure a resultant, satisfactory, and compatible single system; development of test and acceptance criteria; and technical management of fabrication, installation, and checkout.

Following the designation of the Secretary of Defense as executive agent for the National Communications System, the Director of the Defense Communications Agency was designated to serve also as manager of the National Communications System. Concurrently, the manager was authorized to employ the Defense Communications Agency staff and field organizations in carrying out his National Communications System responsibilities.

The Secretary of Defense assigned the Defense Communications Agency the additional responsibility of exercising operational and management direction of the Defense Special Security Communications System.

The budget estimates furnished herewith provide for the operation and maintenance costs of the headquarters, Defense Communications Agency and its field activity complex. These estimates include civilian personnel salaries and benefits, travel and transportation, reimbursements to host activities, leased communications services and equipment, printing and reproduction, installation and maintenance of communications and crytographic equipment, rental and operating costs of automatic data processing equipment, other contractual services, and operating supplies and equipment.

These funds will also provide for the operation and maintenace costs of the Defense Communications Planning Group which has a classified mission. Justification for the planning group program will appear in a separate, classified document.

OPERATIONS AND MAINTENANCE BUDGET, BY BUDGET PROJECT

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Project 4310—Headquarters, Defense Communications Agency	$9,760	$10,474	$10,526
Project 4320—Defense Communications Agency field activities	18,748	27,867	30,605
Project 4330—Leased facilities for communications control	517	774	1,289
Project 4340—Data handling transmission and display; installation and maintenance of communications and cryptographic equipment, and engineering services	2,343	1,733	2,577
Total direct DCA obligations	31,368	40,848	44,997
Reimbursable obligations	19	0	0
Total DCA obligations	31,387	40,848	44,997
Project 4360—Defense Communications Planning Group	1,733	1,720	1,748
Total obligations	33,120	42,568	46,745

PROJECT: SUMMARY OF DIRECT OBLIGATIONS BY OBJECT CLASSIFICATION

[In thousands of dollars]

Object class No.	Title	Actual, fiscal year 1968	Estimate, fiscal year 1969	Estimate, fiscal year 1970
110	Personnel services	$14,040	$15,167	16,067
120	Personnel benefits	1,079	1,241	1,298
210	Travel	1,503	1,739	1,783
220	Transportation	126	182	272
230	Rents, communications, and utilities	7,027	9,525	11,239
240	Printing and reproduction	206	196	201
250	Other services	5,368	11,128	12,167
260	Supplies and materials	1,421	1,237	1,337
310	Equipment	598	433	633
	Total direct DCA obligations	31,368	40,848	44,997
	Defense communications planning group	1,733	1,720	1,748
	Total direct obligations	33,101	42,568	46,745

SUMMARY OF PERSONNEL REQUIREMENTS

	Fiscal year 1968		Fiscal year 1969		Fiscal year 1970	
	Positions	Man-years	Positions	Man-years	Positions	Man-years
Headquarters:						
Civilian	634	621	631	628	643	636
Military	181	181	194	194	229	211
Field activities:						
Civilian	668	627	635	634	770	683
Military	1,386	1,367	1,379	1,350	1,492	1,435
Total:						
Civilian	1,302	1,248	1,266	1,262	1,413	1,319
Military	1,567	1,548	1,573	1,544	1,721	1,646

SUMMARY OF CIVILIAN PERSONNEL BY GRADE

General schedule grades	Authorized, fiscal year 1968	Estimated, fiscal year 1969	Estimated, fiscal year 1970
GS-18			
GS-17	2	2	2
GS-16	11	14	14
GS-15	106	116	124
GS-14	141	162	175
GS-13	268	262	294
GS-12	75	72	105
GS-11	55	55	70
GS-10	4	5	5
GS-9	76	72	93
GS-8	17	17	18
GS-7	100	98	114
GS-6	103	97	98
GS-5	144	130	132
GS-4	103	73	75
GS-3	41	40	41
GS-2	27	21	21
Subtotal, general schedule grades	1,273	1,236	1,381
Public Law 313	9	9	11
Upgraded positions	20	21	21
Total	1,302	1,266	1,413

Note: The above summary excludes Defense Communications Planning Group personnel which appear in a separate classified document.

PROCUREMENT

SUMMARY OF OBLIGATIONAL AUTHORITY

[Thousands of dollars]

Fiscal year 1968	$7,687
Fiscal year 1969	6,912
Fiscal year 1970	8,304

EXPLANATION OF ESTIMATES

The Defense Communications Agency fiscal year 1970 procurement provides for equipment to be installed and operated within the headquarters, Defense Communications Agency and its field activities, for contractual engineering support in connection with AUTOVON/AUTODIN/AUTOSEVOCOM equipment procurement and for the procurement of ADP and communications equipment for the national military command centers and the national emergency mobile command posts. The electronic, communications, and related equipment is required for the Defense Communications Agency to exercise operational and management direction over the Defense Communications System, thereby providing a greater degree of communications responsiveness to authorized users and to provide for improved operational capability and technical support for the National Military Command System.

The procurement estimates include the cost of equipmet, initial spare parts, and first destination transportation costs.

Installation and maintenance costs in support of the equipment requested have been included in the "Operations, Defense Agencies" appropriation.

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

The budget estimates furnished herewith provide for required specialized scientific services for the Defense Communications Agency. These services consist of scientific and engineering investigations which will provide factual bases for recommendations by the Defense Communications Agency relative to research and development projects of the military departments and for new work required to assure the progressive improvement of the Defense Communications System, technical support of the national military command system, and the continuing integration of the Department of Defense Satellite Communications System.

The projects included in the Defense Communications Agency's research, development, test and evaluation program for fiscal year 1970 relate to four general areas of investigation; the Defense Communications System, the defense satellite communications program, technical support to the National Military Command System, and the Defense Communications Planning Group.

SUMMARY OF OBLIGATIONAL AUTHORITY

[In thousands of dollars]

	Fiscal year—		
	1968	1969	1970
Budget Activity 4. Military Astronautics Communications Satellite project	1,952	3,000	3,000
Budget Activity 7. Other equipment:			
Defense Communications System	3,225	3,535	7,500
National Military Command System	11,957	7,800	5,000
DCA total	17,134	14,335	15,500
Budget Activity 7. Other equipment: Defense Communications Planning Group	20,646	15,000	14,000
Grand total	37,780	29,335	29,500

The projects supporting the Defense Communications System insure progressive improvement in efficiency and economy of that system through research and development in such areas as management and control techniques, transmission and switching equipment and techniques, operations research, simulation, ad-

vanced communications developments, survivable communications support, secure voice conferencing and improvement of the National Communications System. In addition, on July 1, 1968, the DCA Systems Engineering Facility was activated. This facility will perform system engineering of the overall Defense Communication System (DCS) and will provide an operational test bed of DCS switches and ancillary equipment to support system engineering of the DCS and to permit adequate test and evaluation of subsystem and equipment modifications, new equipment and subsystem software prior to the implementation thereof.

Projects supporting the Defense satellite communications program provide for specialized system engineering and technical development of a satellite communications system for the DCS.

The research and development effort for the National Military Command System (NMCS)—including the National Military Command System Support Center—includes projects designed to develop methods for more efficient utilization of automatic data processors in support of the NMCS; develop specialized computer programs to meet customer requirements; develop attack/damage assessment sensor and display subsystems; and provide research and development support to the Joint Chiefs of Staff and the Secretary of Defense staff agencies.

These funds will also support research and development effort for the Defense Communications Planning Group which has a classified mission. Justifications for the planning group program will appear in a separate classified document.

Mr. MAHON. General Klocko, we welcome you back for your second appearance before the subcommittee in as many years. We also welcome all of you other gentlemen who have come here today to discuss with us this most important subject of communications in the Department of Defense.

PROBLEMS IN COMMUNICATIONS

There is some feeling that communications in the Department are not as good as they might be. I read in the newspaper—and I would not vouch for it—that the Secretary of Defense did not know about the shootdown of the reconnaissance plane for an hour after it happened. Was that right?

General KLOCKO. That is approximately correct; yes.

Mr. MAHON. I thought we had instant communications.

General KLOCKO. The communications portion of that was ——— minutes, sir.

Mr. ANDREWS. What was the other ——— minutes?

General KLOCKO. I can only surmise. There isn't any flash that goes out and says "We shot your plane down." I would presume there was some analysis of the available information, whatever that might be—I am not familiar with that. A decision had to be made, "Yes, we think there was a shootdown," or "Positively there was one," and then somebody has to say "We have been convinced to the point that we should send it back." But there isn't anything which definitely says as of this point something has happened and we must send it. So, there are certain decisions which must be made before a message can be sent. Once it gets into communications—into the hands of the communicators, then the message travels quite quickly.

Mr. MAHON. You have to decide what you are willing to say to superior authority before you say it; is that the point?

General KLOCKO. Yes, sir; and you also have to determine whether in fact something has happened.

Mr. MAHON. Yes.

Now, of course, it seems to me that anything that appears to be as important as this might be given in preliminary form to the top people. I wonder how long it was before the President knew about this.

General KLOCKO. At the same time, sir.

Mr. MAHON. He knew about it at the same time?

General KLOCKO. Yes.

Mr. MAHON. It seems to me a message would be sent saying, "Reconnaissance plane possibly shot down over Sea of Japan, hostile action feared, more information will follow." You would not send that kind of message?

General KLOCKO. No, sir. I do not know the specifics of how long—how the decision was made. It could be a malfunction in the radar if the plane disappeared. It would take time to determine this.

Mr. MAHON. Yes.

General KLOCKO. I don't know the exact specifics.

Mr. MAHON. I do not want to draw unreasonable deductions. I realize that you cannot just be shooting wires and communications every few moments to responsible officials like the Secretary of Defense and the President.

I read from the April 26, the New York Times a story by Warren Weaver, Jr.

General Wheeler testified that the White House situation room received word of the disappearance of the EC-121 about an hour after it had been shot down or about 12:50 a.m. April 15, but he said that he did not know at that time President Nixon had been informed. It could be this, too, is a matter that higher authority would wish to reveal, he observed.

Well, that is enough for the present.

General KLOCKO. Yes.

Mr. MAHON. This is in the minds of everyone. As you know, we had communications problems in connection with the *Liberty* in the Mediterranean. I must be frank on this: Some of these developments have shaken the confidence of some of the Members of Congress in the adequacy of our Defense intelligence and our Defense communications. But let us now proceed with your statement, General. It is easy to sit on the side lines—sit on this side of the table and be skeptical and critical, but we want to work with you. It is our country and your country. We want to do the best possible job in this highly important field.

GENERAL STATEMENT

General KLOCKO. Would you care for a summary statement or would you care for the full statement, sir? I am at your pleasure.

Mr. MAHON. Off the record.

(Discussion off the record.)

Mr. MAHON. All right, your complete statement, please, General Klocko.

Mr. Chairman and Members of the Committee:

Defense Communications Agency Responsibilities

It is a pleasure to appear before the committee to present the FY 1970 budget request for the Defense Communications Agency. I would like to review briefly the responsibilities of the Defense Communications Agency to facilitate understanding of the various elements of the budget request. These responsibilities pertain to the Defense Communications System, the National Military Command System, and the National Communications System.

DCA's initial and still its primary responsibility is to manage and direct the Defense Communications System including the management and integration of Department of Defense activities related to communications satellites. My remarks will concentrate on DCA's management role rather than the Agency's internal organization to discharge our responsibilities.

Let's examine first the method and means used in managing the DCS. A few moments are well spent in clarifying responsibilities of the Military Departments and DCA responsibilities in management of the Defense Communications System. The DCA role may be described as management control and operational direction. Management control is a system overview and results from analysis and evaluation of the DCS. It attempts to discover the best way to operate the DCS and to apply the therapy to the system and to all supporting elements. Operational direction usually addresses the real time operation of the DCS to insure optimum service to the users and in most cases is applied directly to the DCS operating facilities.

The responsibilities of the Military Departments for the Defense Communications System are to install, operate and maintain assigned DCS facilities; budget, fund and account for support to the DCS; and to perform detailed engineering and develop communications requirements. The Mission of DCA is to insure that the DCS is: Planned, engineered, established, improved, operated, and managed to effectively, economically, and efficiently meet long-haul, point-to-point telecommunications requirements of the DoD Communications Community. DCA is to obtain maximum economy and efficiency in the allocation and management of DCS resources.

The Defense Communications System embraces all long-haul, point-to-point communications assets of the three military departments. The DCS includes circuitry by radio, wire or by submarine cable from any fixed location to any other fixed location. Included as part of the DCS is the Defense Satellite Communications System. Excluded from the DCA responsibility are the post, base and local area communication systems and certain tactical systems operated and controlled by field commanders. (Examples are the Navy's fleet broadcasts and ship-to-shore circuits; ground-to-air and air-to-air communications of the Air Force and tactical communications of the Army between field units where mobile type equipment is used; and the tactical

satellite communications program). Although these local and tactical facilities are not DCS, they must meet DCS standards at any point where they interface with the DCS.

The DCS is essentially an East-West belt of communications with interconnecting routes to most areas of the world. It is a combination of government-owned and operated and commercially leased equipment and facilities. Included in the DCS are those communications, whether based on land, sea, or in the air, required to interconnect the primary and alternate fixed or mobile command posts of the President, the Secretary of Defense, the Joint Chiefs of Staff, and unified/specified commanders, with fixed DCS facilities.

The DCS overseas systems/networks are connected by high-quality, high capacity, undersea cables, each carrying about 100 circuits. There are several crossings in the Atlantic but only a few in the Pacific.

These media are predominately commercial resources, operated by domestic or foreign civilian companies. Where these resources are insufficient for our requirements we have installed government-owned radio systems. In some instances we've had to install our own submarine cables, for example cables between South Vietnam and the Philippines; plus cable to six enclaves along the coast of the Republic of South Vietnam.

Approximately 36,500 military and civilian personnel in over 80 countries are engaged in operating and maintaining the Defense Communications System. 66% of the circuitry is within the continental United States. The predominant portion of government-owned facilities is located overseas. Leased service is largely in the CONUS-Canada complex and the commercial submarine cables throughout the world. Our leased service costs in FY 68 totaled approximately 271 million dollars. Annual operating costs for the DCS approximate 500 to 600 million dollars. Cumulative plant investment is approximately three billion dollars.

One of my responsibilities as manager of the DCS is to insure that the system is efficient and effective. This includes a continuous review of effectiveness of the various transmission systems. One aspect of this is an evaluation of the high frequency (HF) systems. As you are probably already aware, DCA undertook a program of consolidating/eliminating DCS HF trunks in 1967. This program which contains a reduction of DCS HF trunking from 161 to 101 trunks will be essentially completed by the end of 1970. It should be pointed out that the DCS trunk reductions planned will not result, except in isolated cases, in the closing down of many military HF stations since these stations also have a mission of supporting tactical forces, i.e., air/ground and ship/shore. In this regard, DCA and the military departments are assisting the JCS in a study on collocating/eliminating/consolidating the military HF stations, which, in many cases, accommodate both DCS and non-DCS.

In spite of the reduced role our HF system is playing in the DCS, we are still placing great reliance upon the HF media but as additional high quality submarine cable and satellite systems become available our less effective DCS HF trunks will be continually reduced.

The planning function is based on communications requirements originated by the Unified and Specified Commands, the military departments and defense agencies. These requirements, which must be specified in qualitative as well as quantitive terms, are reviewed and validated, as appropriate, by the JCS and then forwarded to DCA. The DCA examines established capability to ascertain whether requirements can be satisfied from existing resources and if so, takes the initiative to make operational system adjustments as required. In order to satisfy requirements which cannot be fulfilled from

GROWTH IN DEPARTMENT OF DEFENSE VOICE GRADE TELEPHONE AND DATA SERVICE USAGE IS COMPARABLE WITH PRIVATE INDUSTRY

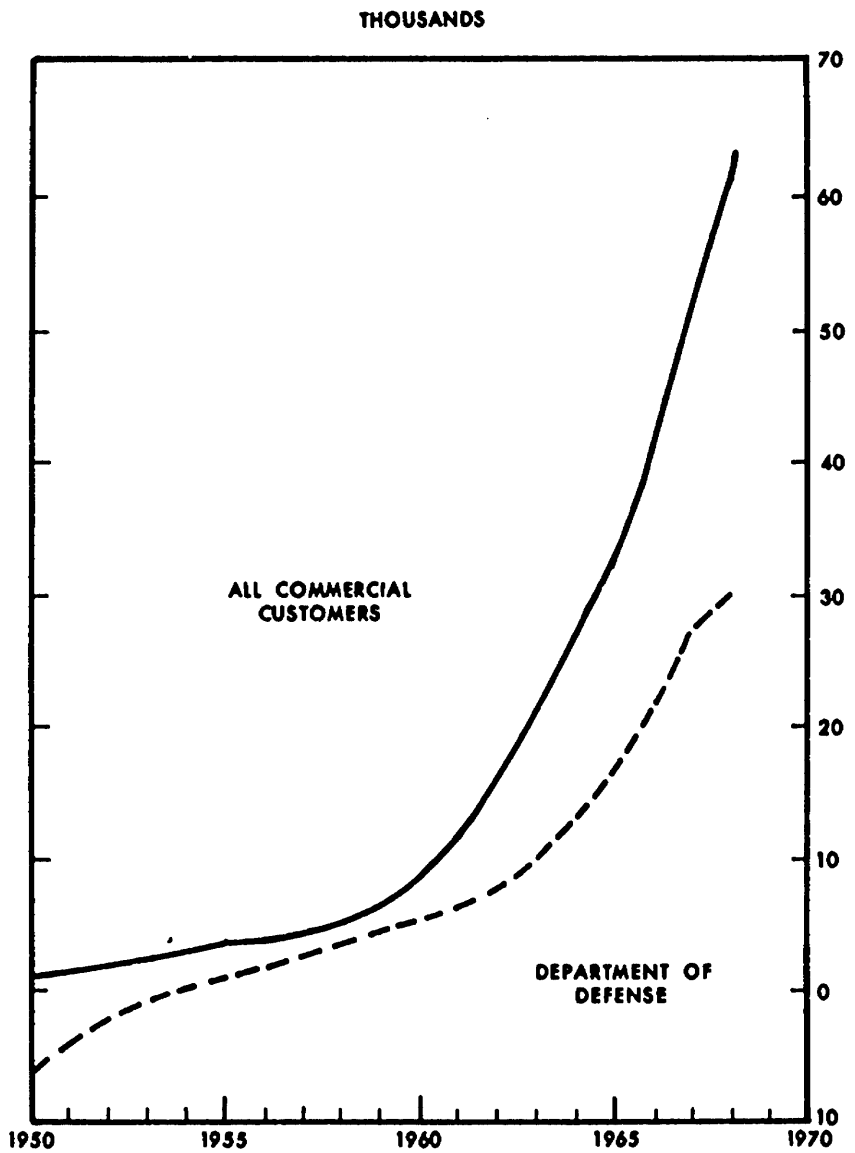


Chart 1

existing resources the agency conducts necessary analysis and develops specific plans for system improvement. These plans are forwarded through the JCS for approval by the Secretary of Defense. In addition to this near-term planning, we also develop long range plans directed toward satisfying long term forecasted requirements and applying new state of the art and research to the evolving communications plant.

To meet these qualitative needs we refer to DCS Standards which consist of overall System Design Standards and a number of derivative standards pertaining to equipment, facilities and interface performance requirements. These derivative standards form the basis for the procurement and installation of commercial equipment and facilities in the DCS. In cases where it is militarily suitable and economically sound, we lease these resources and they become, effectively, assets to the DCS. DCA planning also addresses the provisions of inter and intra area communications for small contingencies, possible future limited wars and restoral of critical communications between the National Command Authority (NCA) and the unified and specified commanders in the post attack phase of a general war.

If, as we work on a plan, we discover that requirements levied cannot be met with available equipment, that we are exceeding our technological grasp, the research and development people are brought in to bridge the gap. The DCA employs modern sophisticated techniques of operations research to develop optimal cost effective solutions to problems confronting the DCS. Simulation techniques have been developed to a point where system design and operational problems can be routinely evaluated by digital computer. Comprehensive war game type analyses are performed periodically to quantitatively assess the ability of the DCS to meet survivability requirements. Those are the principal inputs we use in the planning function except one - performance trends - which I will address in a minute when I describe the Operating Function.

After the plan has been completed and approved by the Joint Chiefs of Staff and Secretary of Defense, we move to the implementation phase during which we execute the plan. Each plan represents an enhancement of the Defense Communications System by either increased quality of service, more rapid service, increased capacity or various combinations of the foregoing.

In executing our numerous plans we have doubled the number of secure voice subscribers; 1,150 subscribers are now tied into our data transmission subsystem (AUTODIN); and in our Automatic Voice Network (AUTOVON) we now have 15,126 access lines. This increased capability is in addition to a continual increase in the quality of the transmissions and in an extension of our automated communications capability, all of which results in better service to our many users. Implementation action is underway for the Defense Special Security Communications System (DSSCS) which is in support of the DoD Intelligence Community. Even with increased communications requirements and better service for our users, as you can see from Chart 1, the increase in DoD Communications facilities closely parallels increases in the private sector. Largely through centralized leasing and effective management with the Telecommunications Package Offer of Circuitry (TELPAK), DoD is getting more for its communications dollars than ever before and is leasing far more communications per dollar than commercial customers get for their money.

DEPARTMENT OF DEFENSE HAS REDUCED THE COST OF VOICE GRADE SERVICES WITH THE INTRODUCTION OF TELPAK AND AUTOVON*

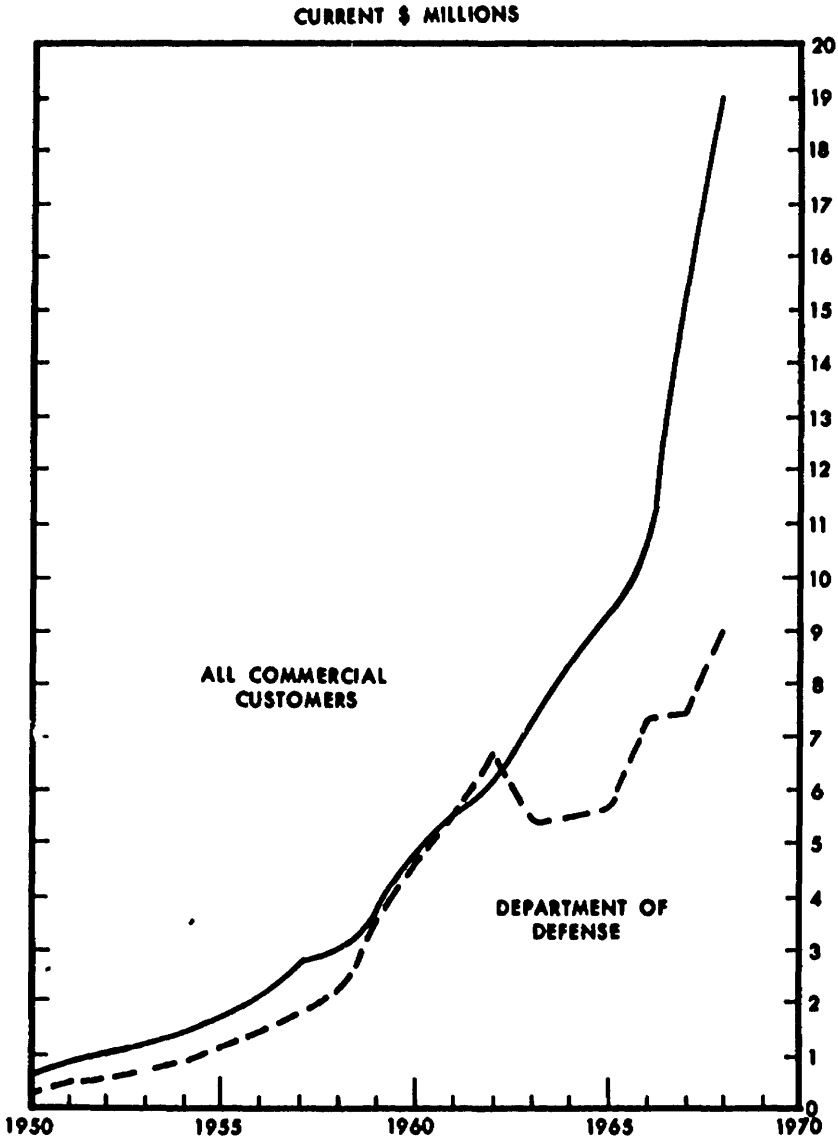


Chart 2

* MONTHLY BILLING IN DECEMBER FOR VOICE GRADE DATA AND TELEPHONE SERVICES

For example, Chart 2 shows that whereas total commercial customers expense for private line service has increased on a nearly straight line basis since 1952, DoD growth in expense has been drastically reduced since the introduction of AUTOVON and the extensive use of TELPAKs.

We have also made progress in our satellite subsystem. The Initial Defense Satellite Communications project which was implemented as an R&D project with a limited capability is now being operationally employed. We have recently started executing the Phase II Satellite Program Plan which will give us expanded operational capability.

As each new subsystem is completely assembled and tested, it is handed over to the operating people as an integral part of the DCS.

As the operation progresses, we identify performance trends which become an input to the planning function. This familiar management technique using past performance as a guide to future operations closes the loop of our DCS management cycle.

To provide operational direction of the World-Wide Defense Communications System, an operations center complex has been established. It includes a National Center, four area centers and six regional control centers.

The National Control Center is collocated with our Headquarters. The area centers are located with CINCPAC in Hawaii, with CINCAL in Alaska, with the North American Air Defense Command at Colorado Springs, Colorado, and with CINCEUR at Vaihingen, Germany.

The centers are in constant contact with each other by telephone and teletypewriter. The regional Control Centers are located in Japan, Vietnam, Thailand, Panama, Canada, Turkey and Korea. The regional centers report directly to the area centers with which they are associated, giving system status information.

Similarly, the area centers are tied to the National Center for the transmission of status information and other data. All the Centers - National, area and regional - operate on an around-the-clock basis.

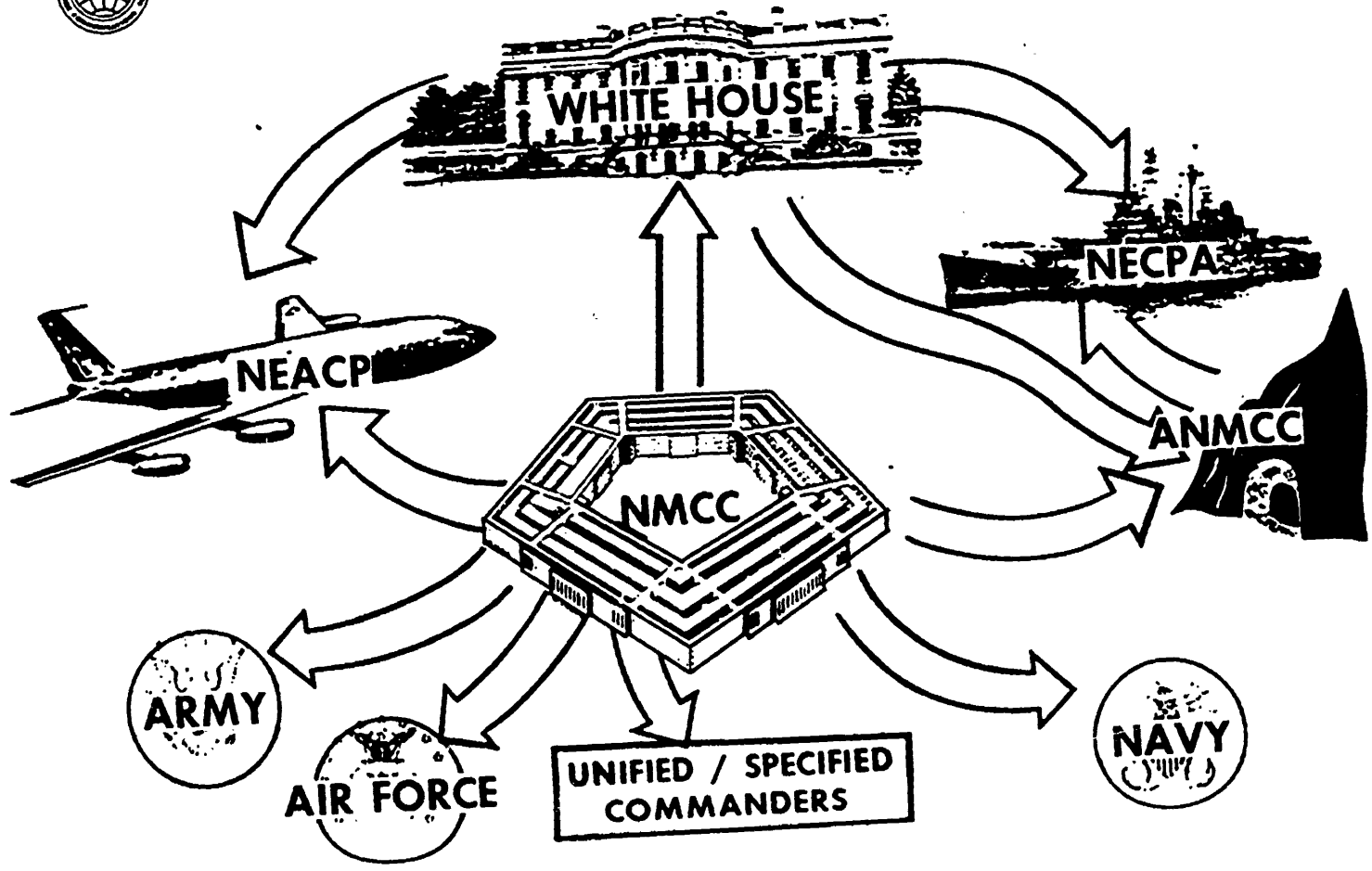
During periods of system degredation or scheduled or non-scheduled maintenance periods, the Control Center Complex takes action to assure continued availability of communications to system customers. Normally, corrective actions are initiated at the lowest organizational level - i.e., between two DCS stations providing the circuits. If necessary, the regional or area centers provide alternate routing instructions to resolve those problems which cannot be resolved by the station concerned. On occasions the national center may be come involved.

Responsibilities for and within the system are jointly shared by DCA and the Services. DCA is responsible for management and system engineering. The Military Departments are responsible for installing and operating the system in accordance with DCA management and guidance.

Chart 3

DEFENSE COMMUNICATIONS AGENCY

NATIONAL MILITARY COMMAND SYSTEM



1010

The Agency's second major responsibility is providing technical support for the National Military Command System. The National Military Command System is the principal component of the World-Wide Military Command and Control System. It consists of the facilities, personnel, equipment, doctrine, procedures and communications designed to enable the National Command Authorities to exercise strategic direction of the Armed Forces of the United States in time of crisis and limited or general war. The National Military Command Center, its ground, seaborne, and airborne alternates, and interconnecting communications are shown on Chart 3. The interconnecting communications are provided by the Defense Communications System.

As in the Defense Communications System, the responsibilities for the National Military Command System are shared jointly by the Organization of the Joint Chiefs of Staff, the military departments and DCA.

OJCS responsibilities are generally to ascertain the needs for command and control systems and facilities to serve the President, the Secretary of Defense and the Joint Chiefs of Staff. These requirements are stated to the DCA which in turn develops a technical description of systems and the appropriate system plans. These plans are then forwarded for JCS review and subsequent to the JCS review the plans are forwarded to the Secretary of Defense for approval. In addition to participating in definition of requirements and review of planning, the OJCS provides the members of the action teams and battle staffs of the NMCS centers. Technical operators such as communicators, data processing, and maintenance personnel are provided by the military departments or Defense Agencies.

The Military Departments' general responsibilities are for installation, operation and maintenance (including budgeting and funding) for specified facilities required by the command centers.

DCA's responsibilities are for (1) systems engineering and design for the command and control facilities and communications among the National Military Command Center and its alternates, and to the command centers of the Commanders of the Unified and Specified Command and their alternates; (2) technical supervision over the installation, operation and maintenance of these same facilities when they are provided by one of the military departments, and (3) in the third area, that of automatic data processing, DCA designs, develops and operates computer programs and computer systems to support operational and planning activities of the Joint Chiefs of Staff and certain elements of the Office of the Secretary of Defense.

Within my headquarters these functions are the responsibility of the National Military Command System Technical Support Directorate. This Directorate, in turn, is assisted by a field activity, the National Military Command System Support Center, which is basically a large computer complex with elements in the Pentagon and at the Alternate National Military Command Center.

Approximately 65% of our Support Center resources is applied to the operational area. We maintain about 150 files of information on automatic data processing equipment. This is a reduction from the previous year in that a number of files have been combined to better integrate the information. The content of all of these files would cover 800,000 single spaced typewritten pages. The more active files are updated and modified by approximately 3100 messages per month in order to keep their content current.

In FY 1970 DCA will complete with the cooperation of the U.S. Navy, the installation of large-capacity, random-access, storage devices and associated computer programs in the computer systems of the National

Emergency Command Post Afloat. This improvement will speed up and expand the providing of information to the National Command Authorities and their supporting Joint Battle Staffs in planning and executing certain critical military operations.

Also in FY 1970 DCA will initially establish a new secure, high-data-rate computer-to-computer interconnecting arrangement between the two fixed command centers of the NMCS. This facility will allow automatic distribution of NMCS data between these centers and permit the mutual sharing of the data processing capabilities in these centers.

Another of my major responsibilities concerns the National Communications System (NCS). President Kennedy established the NCS in August 1963. The President's Directive provided that the NCS be a unified governmental communications system evolved by linking together, improving and extending existing facilities on an evolutionary basis. It is primarily a long-lines or a long-distance system. It serves all governmental agencies but is primarily oriented to national security type requirements. For that reason, it is designed to provide for the survival of essential communications under all circumstances, ranging from national emergencies through national crises, including nuclear attack.

The Secretary of Defense is the Executive Agent for the NCS, the Assistant Secretary of Defense, Administration, is his principal assistant in this area, and I am designated as the Manager of the NCS.

My mission essentially is one of coordination with the NCS Operating Agencies striving to achieve unanimity in the formulation of policies and procedures, as well as in operational and planning matters. Unresolved issues, of which there have been few, are referred to higher authority as necessary.

The Manager's staff consists of two principal offices concerned with the functions of planning and operations. The personnel for the staff are furnished by the Major Operating Agencies of the NCS, principally the Department of Defense.

An illustration of the types of activities in which the staff is engaged is the development of criteria for the assignment of the relative priority for the restoration of communications circuits which have been disrupted. As a result of this effort the subsequent activities, there is now a single set of criteria for this purpose for all government and commercial communications organizations.

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Chart 4

SUMMARY OF DCA BUDGET

	FY 1968	FY 1969	FY 1970
OPERATION AND MAINTENANCE	$31,368	$40,848	$44,997
PROCUREMENT	7,687	6,912	8,304
RESEARCH, DEVELOPMENT, TEST AND EVALUATION	17,134	14,335	15,500
TOTAL:	$56,189	$62,095	$68,801

In support of the foregoing mission and responsibilities my internal DCA budget request totals $68,801,000 for FY 1970 which is summarized on Chart 4. This total includes a recent Bureau of the Budget imposed reduction of $6,400,000 from our procurement request, $105,000 from the operations and maintenance request and 12 civilian spaces from our personnel ceiling.

Details on the FY 1970 Budget Request

This DCA FY 1970 budget request includes amounts under three appropriations: Operations and Maintenance; Procurement; and Research, Development, Test and Evaluation.

I will discuss the details of FY 1970 requirements.

Chart 5

DEFENSE COMMUNICATIONS AGENCY
OPERATIONS AND MAINTENANCE BUDGET
BY BUDGET PROJECT

(Thousands of Dollars)

	FY 1968	FY 1969	FY 1970
Project 4310 - Headquarters, Defense Communications Agency	$ 9,760	$10,474	$10,526
Project 4320 - Defense Communications Agency Field Activities	18,748	27,867	30,605
Project 4330 - Leased Facilities for Communications Control	517	774	1,289
Project 4340 - Data Handling, Transmission and Display; Installation and Maintenance of Communications and Cryptographic Equipment, and Engineering Services	2,343	1,733	2,577
TOTAL DIRECT OBLIGATIONS	$31,368	$40,848	$44,997
REIMBURSABLE OBLIGATIONS	19	0	0
TOTAL DCA OBLIGATIONS	$31,387	$40,848	$44,997

Operations and Maintenance (Chart 5)

Project 4310, Headquarters - DCA

The increase of $52,000 from FY 1969 to FY 1970 is primarily for civilian payroll costs.

Project 4320, DCA Field Activities

For FY 1970, a total of $30,605,000 is required to provide for the operation and maintenance expenses of the DCA Field Activities; an increase of $2,738,000 over the FY 1969 requirement.

This increase is primarily for National Military Command System technical support to the Office of the Secretary of Defense and the Joint Chiefs of Staff. These requirements, while not all directly oriented to Southeast Asia, provide essential common data files and programming capability prerequisite to fulfilling Southeast Asia tasks and for support of general war planning.

Project 4330, Leased Facilities for Communications Control

This project provides $1,289,000 for leased circuits and equipment, required to link together the DCA Headquarters and Operations Center. The increase of $515 thousand in FY 1970 will pay for additional backbone charges for existing subscribers and the backbone charges for the addition of high speed data lines which will enable the exchange of operational information between the computers at DCA Headquarters, DCA-Europe, DCA-Pacific and DCA-Western Hemisphere.

Project 4340, Data Handling, Transmission and Display; Installation and Maintenance of Communications and Cryptographic Equipment; and Engineering Services

The $844 thousand increase includes $750 thousand for studies of an integrated trunking system for the National Communications System which is a continuation of the first major step leading toward a more unified National Communications System. The remaining $94 thousand is for increased maintenance costs for automatic data processing equipment and installation and maintenance of communications equipment.

Procurement

The FY 1970 Procurement budget is for $8,304,000 representing an increase of $1,392,000 over the FY 1969 budget. As in FY 1969, the FY 1970 program provides for contractual engineering services supporting the procurement and implementation of equipment for the switched networks, and for the procurement of electronic, communications and cryptographic equipment and associated spare parts for improving the operation of the DCA field activities. The FY 1970 request also includes funds for the purchase of ADP hardware to provide mass data storage on the National Emergency Command Post Afloat and for the purchase of equipment to provide digital links between the National Military Command Centers.

Research, Development, Test and Evaluation

For FY 1970, the DCA Research, Development, Test and Evaluation budget is $15,500,000 and provides for specialized scientific services. The FY 1970 amount is $1 million more than that programmed for FY 1969. The FY 1970 funds will be applied as follows:

$7.5 million for Research and Development efforts which will insure progressive improvement in efficiency and economy of the Defense Communications System. Included in this area are scientific and engineering investigations in such areas as transmission and switching, management and control techniques, operations research, DCS simulation, advanced communications developments, survivable communications, secure voice conferencing, and improvement of the National Communications System. In addition, these funds provide for the operation of the Defense Communications Agency System Engineering Facility which will provide system engineering for the DCS as well as testing and evaluation of new equipment and systems prior to their introduction into the Defense Communications System.

$3.0 million is required to provide for continuation of contractual engineering and technical support for the Defense Satellite Communications Program.

$5.0 million will provide for Research and Development efforts associated with technical support of the National Military Command System and support to the OSD and the Joint Staff. Included in this area are projects designed to improve NMCS Command and Control capability.

I would like to thank the committee for giving me the opportunity to summarize my management responsibilities and to present justification for the requested DCA FY 1970 funds. I would be pleased to answer any questions the Committee may have.

Mr. MAHON. General, we appreciate your overall statement.

USE OF HIGH OR LOW FREQUENCY TRANSMISSIONS

How do we evaluate high frequency and low frequency? What are most of the signals we hear on the air from the radio?

General KLOCKO. Of what type? You mean the broadcasts?

Mr. MAHON. Commercial radio.

General KLOCKO. Commercial radio has a good deal of high frequency; also the broadband systems which are the type which are used in our commercial carriers. For instance, microwave and tropo systems which are used in the States and overseas.

Mr. MAHON. If you were listening to your radio on the way to work it is high frequency?

General KLOCKO. That is medium to high frequency; yes, sir.

Mr. MAHON. Why high frequency rather than low frequency?

General KLOCKO. Low frequency and very low frequencies are used for tactical purposes, primarily for the Navy, as I understand it.

Mr. MAHON. Why? I am not an electrical engineer.

General KLOCKO. As you go from the low to the high range of the frequency spectrum, you go from long distances and less reliability to short distances and higher reliability and higher capacity. In a very low frequency system you can travel around the world and in the high frequencies, the very high, the super high, the ultra high, you can travel 50 to 75 miles in some cases, at most. However, in the very low frequencies the amount of data that you can have in the system, even though it goes around the world, is very small—possibly one teletype signal.

Mr. MAHON. Why is this?

General KLOCKO. Simply the energy is not there to carry more than this limited amount of information this long distance. In the ultra-high frequencies the state of the art is taking them up into the very, very high frequencies now. You can pack many hundreds, almost thousands of voice channels into one carrier.

Mr. MAHON. Into these little segments?

General KLOCKO. Yes, sir. But it goes only, say, 50 to 75 miles. So there is a requirement for repeater stations, relays in a microwave system.

INTERCEPTION OF FOREIGN COMMUNICATIONS

Mr. MAHON. If you are trying to understand the communications of another nation, such as from a reconnaissance plane over the Sea of Japan, do you have to have equipment adjusted to various bands? That is, adjusted to ultrahigh frequency, very high frequency, relatively high frequency, low frequency, and so forth?

General KLOCKO. I would say that the equipment that you would need would be the same equipment that the cooperative users would need. In other words, if it is a system which travels only 75 miles you would have to have comparable equipment and be within 75 miles to receive it.

Mr. MAHON. But if you want to listen to all sorts of things, you have to have quite an array of equipment——

General KLOCKO. That is correct sir.

Mr. MAHON (continuing). With great adaptability.

General KLOCKO. Yes, sir; and we have a wide variety of equipments.

Mr. MAHON. Suppose you do not want your opponents or competitors to know what you are doing in a frequency; do you seek a frequency in which you hope they will not have equipment to intercept the message?

General KLOCKO. No, sir. The basic assumption is that everything will or can be intercepted. The way in which we protect ourselves is to encrypt it. This is the ultimate goal of the Department of Defense, to have to the extent possible all communications encrypted. In our record traffic, which is the teletype, the narrative type traffic, we have almost arrived at that goal now.

Mr. MAHON. Yes. Now, I realize that, of course, we have some information about this encryption business but, generally speaking, what do you mean when you use these terms, "encryptic messages"?

General KLOCKO. Could we go off the record for a short time?

Mr. MAHON. Surely.

(Discussion off the record.)

Mr. MAHON. Back on the record.

Does it take a greater power to send a low frequency message than it does a high frequency message? You may call on any of your experts if you wish.

General KLOCKO. The answer would be "Yes."

Mr. MAHON. Why is that?

General KLOCKO. Well, it is sending it farther. You can use both low power and high power in any transmission. The thing is you will not be able to send it as far.

PROJECT SANGUINE

Mr. MAHON. Are you somewhat familiar with the project known as Sanguine?

General KLOCKO. Yes, sir; I remember hearing of it. I have forgotten what it is, right now.

General GRANT. Captain Gill can speak to that, Mr. Chairman.

Mr. MAHON. Captain Gill, what about that? Is the Sanguine program based upon low frequency?

Captain GILL. Extremely low frequency. I would like to say it takes a great deal more power to push a low frequency signal than it does to push a high frequency signal. It depends upon the propagation, mainly, by the groundwave. In other words, it skims along the surface rather than going up to the ionosphere as a high frequency signal does.

To get any distance at all on a low frequency system, for example, if you want to go to 300 or 400 miles you would have to have a transmitter—reliably, now—somewhere in the neighborhood of 100 kilowatts, whereas for a regular high frequency signal you might have 50 watts or 100 watts, 500 watts at the most, or a thousand watts for a big transmitter for very long distances. The Sanguine system will depend—I do not know the power—but it will depend upon a huge

type of transmitter that will, of course, go to push a signal around the world at an extremely reliable and very, very low data rate.

Mr. MAHON. Under the Sanguine system would you need an enormous amount of electric power to enable you to boom these low frequency impulses out?

Captain GILL. Yes, sir.

Mr. MAHON. Is that one of the problems involved in long-range low frequency transmission?

Captain GILL. Yes, sir.

Mr. MAHON. Is it also possible, however, to provide all the power you need? Are there factors other than the power that give you your problems with low frequency?

Captain GILL. Yes, sir; that is the main problem. For example, within the Navy our communications with our submarines are, of course, by very low frequency signal and we will find our transmitters in those cases range up to 500 kilowatts. One million watts—sometimes our biggest transmitter is 2 million watts whereas, as I say, within the Navy normally our highest power transmitter that we would use for high frequency would be except in isolated cases, 40 kilowatts you see. With the advent of multichannel high frequency broadcast operations, we have gone up to 200 kilowatts for selected shore stations.

TRANSMISSIONS BENEATH EARTH'S CRUST

Mr. MAHON. Can you send low frequency messages beneath the crust of the earth?

Captain GILL. Very low frequency messages; yes, sir.

Mr. MAHON. How far could you send them?

Captain GILL. For example, our submarines depend upon very low frequency signals at the present time and our submarines are worldwide. Of course, we have transmitter stations built at strategic points around the world.

Mr. MAHON. The message goes beneath the surface of the water, to some extent?

Captain GILL. Yes, sir. Not all the way; the submarine has to come up but not to the point where she has to surface.

Mr. ANDREWS. Can you communicate at all times with submarines wherever deployed throughout the world?

Captain GILL. Yes, sir. We have a system to do this.

Mr. ANDREWS. What type of communication would it be?

Captain GILL. Very low frequency.

Mr. ANDREWS. I understand, but would it be telephonic?

Captain GILL. Teletype and continuous wave (CW)—dit-dot-dit system.

Mr. ANDREWS. Dot and dash?

Captain GILL. Yes.

Mr. MAHON. But you cannot communicate in all areas of the world and under all conditions with the equipment which you now have, can you?

Captain GILL. No, sir, not with 100-percent reliability, but we do have, as I say, very low frequency stations stationed around the world in such places where we can attempt to get a signal through at all times. We do not always have 100-percent reliability.

Mr. MAHON. Suppose that you want to communicate from one coast to the other in this country—some 2,000 to 3,000 miles—and you want to do it on the low-frequency basis, the transmission would be above the crust of the earth, I assume. Could you make it below the crust of the earth?

Captain GILL. Below the crust of the earth?

Mr. MAHON. Yes.

Captain GILL. No, sir; I am speaking—when I was speaking of surface I was speaking of water.

Mr. MAHON. I understand. But I am talking now about land.

Captain GILL. This I don't know. I could not address myself to it.

Mr. MAHON. What about that, Colonel; do you know anything about it?

Colonel ELLS. No, I do not have an answer to that.

Mr. MAHON. You cannot communicate beneath the crust of the earth very far?

Captain GILL. I would say "No," sir.

Mr. MAHON. By these electronic methods, that is?

Mr. ANDREWS. There would not be any need to, would there?

Captain GILL. I wouldn't know.

Mr. ANDREWS. It is like having a fountain pen that will write under water.

Captain GILL. If you want to go from one coast to another coast, of course, we would use our wire systems.

Mr. MAHON. Yes. But if you had an atomic attack and everything is destroyed, you might need to communicate otherwise, if there is anybody to communicate with.

TOTAL COST OF DEFENSE COMMUNICATIONS

Mr. ANDREWS. Mr. Chairman, may I ask a question at this point?

Mr. MAHON. Mr. Andrews.

Mr. ANDREWS. General, could you put into the record at this point the total amount requested for all of your services?

General KLOCKO. DCA services?

Mr. ANDREWS. All of them.

General KLOCKO. That is $68,800,000.

Mr. ANDREWS. Does that include everything, all these different agencies that come under your jurisdiction?

General KLOCKO. The millitary departments, no, sir.

Mr. ANDREWS. That is what I want. You may not be able to do it now.

General KLOCKO. This is the total cost of the system for Army, Navy, Air Force, and for the Defense Communications Agency for operating and maintaining, developing and continuing the Defense Communications System, and the grand total for 1969 was $722 million. The request this year, for 1970, is $836 million.

Mr. MAHON. This is more or less a billion-dollar agency, or is moving toward that. It is not a billion-dollar agency but the whole package is about a billion dollars.

General KLOCKO. The entire program, yes, sir, that is correct, with about a $3 billion capital investment.

Mr. MAHON. Now, if you included all communications in the Department of Defense, this figure would be higher?

General KLOCKO. Considerably higher; yes, sir.

Mr. MAHON. What else would be included?

General KLOCKO. The tactical systems of the various departments, ship to shore, air to ground, those communications which are post, camp, and station—this is the telephone in the communications centers—on all of the various installations and also communications which are associated as an integral portion of a weapons system such as within, for instance, a Minuteman complex. The communications extending from the control center out to each of the silos which are remoted from the control center would not be included in this figure.

Mr. MAHON. This would run into additional hundreds of millions of dollars?

General KLOCKO. Yes, sir, it would.

Mr. MAHON. Can you give us a rough estimate and explanation of the additional figure? I do not mean right now, but for the record.

Mr. GARDNER. We are in no position to even guess at it logically for you. Maybe the Office of the Secretary of Defense could provide some rough estimate of the figure.

Mr. MAHON. All right. Get a rough estimate from the Office of the Secretary of Defense and put it in the record at this point.

Mr. GARDNER. Yes, sir.

General KLOCKO. We will do that.

(The information follows:)

While there is no identification of total communications cost in either planning or accounting systems of the Department of Defense, approximately $3 billion annually is programed in the following areas:

All leased communications services, including camp, post, and station as well as long-haul Defense Communication System (DCS) services;

All operation and maintenance expense of those activities the primary purpose of which is providing communications service;

Military personnel expense of personnel possessing communications specialty and functional codes;

Basic and applied research on communications system;

Ancillary and support equipment acquired with and as an incidental part of an installed communication system and;

Buildings designed and constructed as communications facilities.

Excluded are communications equipment acquired with and as a part of aircraft or ship procurement and, except for leased communications support, command and control and surveillance systems.

This estimate is considered to provide an indication of the approximate level of communications and communications support within the Department of Defense. A precise identification of total communications-related resources is not possible within existing or proposed accounting or planning systems.

BACKGROUND OF GENERAL KLOCKO

Mr. MAHON. General, what is your background from the standpoint of education in the field of communications?

General KLOCKO. I have been 2 years with the Defense Communications Agency. Two years previous to that I was the commander of the Air Force Communications Service at Scott Air Force Base. Eleven years prior to that I was in the Air Force Security Service, which is very closely associated with electronics work. Formal education in electrical engineering, I have had none, but through the period of

this 15 years I have assimilated some background and experience in the field. I am not a technician.

Mr. MAHON. Is an intimate knowledge of electronics generally essential to your function?

General KLOCKO. My personal position?

Mr. MAHON. Yes.

General KLOCKO. I would say not necessarily. I have the people on the staff who have the ability and the capability to advise me on the relatively few technical points that come up.

Mr. MAHON. Yes. So you are more an administrator or a manager?

General KLOCKO. A manager; yes, sir.

Mr. MAHON. It is a command function?

General KLOCKO. That is correct, sir; planning, programing, directing the system, managing it.

ANNUAL COST OF THE DEFENSE COMMUNICATIONS SYSTEM

Mr. MAHON. General, will you insert in the record a schedule showing the total annual cost for the support of the Defense Communications System by services and by appropriation titles for fiscal years 1968, 1969, and 1970?

General KLOCKO. Yes, sir.

(The information follows:)

ESTIMATED ANNUAL COST FOR OPERATION OF THE DEFENSE COMMUNICATIONS SYSTEM

[In millions of dollars]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Army:			
Research and development	2.0	6.0	10.0
Investment	96.0	87.1	69.8
Operating	193.8	181.3	192.3
Military personnel	(94.2)	(94.2)	(88.2)
Total, Army	291.8	274.4	272.1
Navy:			
Research and development	2.0	2.0	3.7
Investment	12.0	6.8	19.9
Operating	90.8	99.8	102.1
Military personnel	(31.9)	(31.9)	(32.9)
Total, Navy	104.8	108.6	125.7
Air Force:			
Research and development	6.0	10.0	24.3
Investment	48.0	30.8	93.4
Operating	226.7	246.1	261.7
Military personnel	(55.4)	(55.4)	(52.1)
Total, Air Force	280.7	286.9	379.4
Defense Communications Agency:			
Research and development	5.2	6.5	10.5
Investment	7.3	6.8	6.7
Operating	36.4	39.5	42.3
Military personnel	(13.2)	(14.1)	(15.2)
Total, DCA	48.9	52.8	59.5
Summary:			
Research and development	15.2	24.5	48.5
Investment	163.3	131.5	189.8
Operating	547.7	566.7	598.4
Military personnel	(194.7)	(195.6)	(188.4)
Grand total	726.2	722.7	836.7

POLICY DIRECTION OF DCA

Mr MAHON. I would like to know whether the outline of your responsibility as presented in your statement is based upon the new management responsibilities which were given DCA in September 1967; also whether your responsibility has been changed materially since it was discussed with you on April 8, 1968.

General KLOCKO. No, sir; the basic responsibilities have not changed. The present charter that I have is the September 1967 charter. I am operating under that today.

Mr. MAHON. Last year we were concerned with the policy direction of the Agency. We were generally advised that the policy direction was shared jointly between the Office of the Joint Chiefs of Staff and the Directorate for Telecommunications Policy in the Office of the Assistant Secretary of Defense (Installations and Logistics).

The statement was made that although there was no direct relationship between the two offices, the Directorate for Telecommunications Policy, I. & L., acts as the telecommunications adviser to the Secretary of Defense. The Directorate of Communications-Electronics, Joint Chiefs of Staff, is the staff responsible to the Chairman, Joint Chiefs of Staff, for telecommunications matters. However, considerable informal coordination and study are the normal, day-to-day modus operandi between these two offices.

We were further advised that "The mission of the Directorate of Communications-Electronics, J-6, of the Joint Chiefs of Staff with respect to the operation and establishment of policy for the Defense Communications System is, under the broad policy guidance of OSD, to develop and review plans, policies, and requirements for communications systems and equipment to support the Secretary of Defense, the Joint Chiefs of Staff, commands established by the President, and other commands and agencies which report to or through the Joint Chiefs of Staff; to recommend assignment of responsibility to the military departments and DCA for the programing, installing, and operating these requirements and systems; to monitor effectiveness of the communications support furnished by the DCA and the services; and to monitor program objectives to assure satisfaction of JCS requirements."

Has there been any change in the policymaking apparatus concerning the Defense Communications System in the last year, or does the same general arrangement still exist?

General KLOCKO. I will ask General Grant to answer that. He is, in fact, the Director for Telecommunications Policy which you mentioned.

General GRANT. There has not been any change, Mr. Chairman, in the last year to speak of. However, as you all know, Mr Laird is not completely satisfied with the organization, either in his staff or within the services, for communications. There are some studies underway now to look into the whole area of communications operation and management.

I think we all look forward to the outcome of these studies.

STUDY OF MANAGEMENT AND PROGRAMING OF TELECOMMUNICATIONS

Mr. MAHON. In our discussion last year, we were advised that certain policy procedural reviews of telecommunications requirements were directed by the Deputy Secretary of Defense on September 18, 1967. For instance, the Assistant Secretary of Defense (Comptroller), assisted by the Assistant Secretary of Defense (Installations and Logistics), was required to study the management and programing of telecommunications requirements. The study was to be completed by April of last year.

Has that review been completed, and what were its findings and recommendations?

General GRANT. It has not been completed yet, Mr. Chairman.

Mr. MAHON. So, there are at present no definite findings; is that correct?

General GRANT. No definite findings, that is correct.

Mr. MAHON. Has any policy decision been made as a result of the study and, if so, what are those policy decisions?

General GRANT. There have been no policy decisions.

Mr. MAHON. Why has the study been slowed down?

General GRANT. This whole matter of the review which was directed by the same memorandum of the DCA has been slowed down by virtue of the change in administration, the change in people in various offices of the Secretary.

Mr. MAHON. When can we expect a decision?

General GRANT. The present target date is July 1, 1969.

STUDY OF EFFECTIVENESS OF DCA UNDER NEW CHARTER

Mr. MAHON. In this memorandum of September 18, 1967, the Deputy Secretary of Defense withheld final decision on "double-hatting" the Director of Communications-Electronics, J-6, of the Joint Chiefs of Staff and the Director of the Defense Communications Agency. He did, however, direct that an evaluation of the operation effectiveness of DCA under its new charter be studied. He directed that the review be concluded in 18 months, but that evaluation reports be submitted every 6 months beginning January 1, 1968.

Have these reports been submitted, and what has been the general recommendation?

General GRANT. The report for the first 6-month period was submitted. It was not conclusive. The second one was omitted. A final report is to be made July 1.

TRANSFER OF TECHNICAL CONTROL FACILITIES TO DCA

Mr. MAHON. In the same memorandum, the Chairman of the Joint Chiefs of Staff was required to conduct a study of the transfer of technical control facilities and personnel from the military departments to the Defense Communications Agency. This study was to be completed by April of 1968.

What are the technical control difficulties? Has this review been completed, and what were the recommendations?

General GRANT. I do not believe that was completed.

General KLOCKO. It was completed by the Joint Chiefs of Staff. The decision by the Secretary of Defense was not to transfer the technical control facilities.

General GRANT. I was not following the question, Mr. Chairman. The study was completed and it was decided not to transfer the technical control facilities to DCA, but to leave them with the services who provide the O. & M. for the system.

Mr. Chairman, I think these studies will be overtaken by events, because I believe they will be reviewed again by Mr. Laird's so-called Blue Ribbon Team which will be undertaking a total communications review very shortly.

Mr. GARRITY. Have any of the studies been completed that were directed by the Secretary of Defense in September of 1967? At that time he directed several studies be undertaken, the one we just mentioned plus others.

STUDY OF CONSOLIDATION OF MESSAGE AND COMMUNICATIONS CENTERS

General GRANT. One of the studies was the consolidation of the message centers and communications centers. This study was completed and consolidations are underway. The Navy has always had a consolidated communications and message center. However, they are physically consolidating or reducing the number of centers. The Army and Air Force are just getting underway with their consolidation. At the present time, consolidation will mean single-manager consolidation.

When automated equipment becomes available, then there can be more physical consolidation.

TRANSFER OF CONTROL OF TECHNICAL FACILITIES

Mr. GARRITY. We will get into that subject again a little later, but coming back to the question of the chairman a few minutes ago regarding the control of technical facilities, since this is directly related to your AUTODIN systems, although they are under the control of the Department, why would the Joint Chiefs of Staff recommend that they not be transferred to the control of DCA?

General KLOCKO. We do in fact have the operational direction of these people.

Mr. GARRITY. But not the control, and this is what we are after. Why don't you have the control? Why would the Joint Chiefs of Staff deny you that control or think it better that control remain with the services?

General KLOCKO. The control really does not remain with the services. DCA has the control to the extent that we wish to exercise it, which is minute by minute and hour by hour.

I mentioned the operations complex which we operate here at the National Center in Washington and spreading to the various areas of the world. These operation centers work directly with the technical control facilities and do, in fact, give the people of the services direct orders in allocating, reallocating, restoring communications facilities. There has never been any difficulty that I can think of, offhand, in

the response by the military department personnel to our directions. This has never been a problem.

I do not know the genesis of this particular study. It was unanimously agreed that it was not required or was not even desirable.

Mr. GARRITY. You feel under the present arrangement you have adequate administrative control of the technical facilities?

General KLOCKO. Yes, sir.

DEDICATED SYSTEMS IN THE DEPARTMENT OF DEFENSE

Mr. MAHON. How many dedicated communications systems are there now in the whole Department of Defense, and how many have been eliminated in the last year?

Call on anybody who works more particularly in the field, General.

General KLOCKO. We are studying in DCA the dedicated systems as a result of the Office of the Secretary of Defense direction. The total networks that we are reviewing are 93. We are looking at these systems in two increments.

The first one is in the time period 1969 to 1970, and we are considering 56 of these. In the time period 1970 to 1972, we are looking at 37, which makes the total of 93 systems or networks.

Presently under study are 12 of these. Additionally, studies have been completed on nine others. We have not integrated any at this time, but expect to integrate the nine upon which studies have been completed during the calendar years 1969/1970 time frame, as rapidly as the development of technical features and the availability of terminal equipment permit. We are also in the process of integrating an additional 16.

They cover quite a variety of different types of networks. We are going to give them all a complete review and, jointly with the services, we will determine whether they should be continued as a dedicated system or whether they should go into the common-user system.

I have a chart here which shows our progress in this field, if you care to see it, sir.

ELIMINATION OF DEDICATED SYSTEMS

Mr. MAHON. How many have you eliminated? Have you eliminated any?

General KLOCKO. There are 6.

Mr. MAHON. That have been eliminated?

General KLOCKO. Yes, sir.

Pardon me. When we talk about eliminating, we mean moving them into the common-user system. They continue to exist, but not separate.

Mr. MAHON. I understand; not as separately dedicated systems.

General KLOCKO. That is correct.

Mr. MAHON. Supply for the record at this point what you mean by dedicated systems.

General KLOCKO. Yes, Mr. Chairman.

(The information follows:)

DEDICATED COMMUNICATIONS SYSTEM/NETWORK

A system/network set apart for a special purpose, and allocated to specified users, whose requirements for security, speed of service or other unique features prohibit the use of common user channels.

MANAGEMENT RESPONSIBILITY FOR DCS

Mr. MAHON. General Klocko, on pages 1 and 2 of your statement you generally outline your management responsibilities. You state that the responsibilities of the military departments for the Defense Communications System are to install, operate, and maintain assigned DCS facilities; budget, fund, and account for support of the DCS.

Do you review the management by the military departments of the responsibilities they have been assigned for their various aspects of the Agency?

General KLOCKO. Yes, sir. I consider that practically everything they do is within my purview, and I do look at their logistics, their personnel, the adequacy of manning, and the training that their people get, the logistics supply line. All aspects I figure are necessary for general overview to insure that the DCS is run effectively and efficiently.

Mr. MAHON. Do you review the budgetary requirements of the military departments?

General KLOCKO. Yes, in a review status. We are improving very much in that area. There is possibility for certain things under certain limitations to be approved and implemented by the military departments without our passing on them.

Mr. MAHON. In the record, I wish you would give us a statement with detail to support your conclusion.

General KLOCKO. Yes, sir.

(The information follows:)

The Defense Communications Agency has participated to a greater extent during the past year than previously in reviewing the military departments budgets during the preparation phase and also later during the Office of the Secretary of Defense/Bureau of the Budget review phase. During the course of budgetary execution, the Defense Communications Agency follows the financial progress of the investment programs through the review of periodic reports recently imposed upon the military departments. In addition, the Defense Communications Agency is now participating in the preparation phase of reprograming actions and coordinating the military departments actions prior to submission to the Office of the Secretary of Defense for approval. The Defense Communications Agency does not review minor reprograming by a military department within a subsystem or project but does coordinate on reprograming actions which result in the movement of funds from one major subsystem or project to another.

REVIEW OF REQUEST FOR COMMUNICATIONS FUNDING

Mr. MAHON. We have noticed during our review of the military services' operations and maintenance budget requests that there have been rather significant increases in funding of communications operation in 1969 over the required amount for fiscal year 1968, and that there is generally a much larger request for funding for fiscal year 1970.

Have you reviewed and approved these requirements, and are they completely solid?

General KLOCKO. Yes, Mr. Chairman. As we mentioned before, the increase in 1970 over 1969 is $114 million; $95 million of that $114 million is in the services' budgets for the defense communications satellite program. I think this program has been supported by the Congress and the Department of Defense and all of the other agencies of the Government, as far as we know. So, we are on a planned program with the defense communications satellite program.

Of the remainder of the increase in 1970, the Telpak has cost us about $1.4 million. As you may know, this is the system of tariffing by the commercial carriers for the leased services we have, primarily in the United States. They have recently gone up in their prices or way of computing the Telpak, and we have had to have extra money to continue leasing the facilities.

Mr. MAHON. You may elaborate for the record.

General KLOCKO. Very well, I shall, sir.

(The information follows:)

SUMMARY OF FISCAL YEAR 1970 INCREASES

[Dollars in millions]

Phase II DSCS	$94.9
Telpak	1.4
Power improvements	4.5
Military construction projects to provide Autodin Terminals and Autovon Alaska	6.0
DCA increases	6.7
Other operating costs	.5
Total	114.0

REDUCTIONS IN R.D.T. & E. FUNDING

Mr. MAHON. We note that the DCA budget estimates for fiscal years 1969 and 1970 are substantially reduced in the R.D.T. & E. funding. Does this indicate that your agency has transferred to the services some of the responsibilities and costs which you normally included in your budget in prior years?

General KLOCKO. No, sir. We actually went up $1.2 million. However, there is an increase of $4 million in support of the DCS which is attributable to $1.5 million of funds transferred to DCA from the Air Force for R.D.T. & E. projects which the Air Force had not accomplished. We are starting in on the establishment of our systems engineering facility, and that is costing about $0.9 million. Then we have had several other new R. & D. tasks in cost analysis, automated circuit engineering, and this sort of thing, which actually has made the cost go up.

There has been a counterbalancing effort which is in the support of the National Military Command System in which some of the research and development funding which we had previously used in that area has been transferred now to O. & M. So, there has been a direct transfer that we have simply used the same amount of funds but we have asked for it this year in O. & M. appropriation rather than R. & D. appropriation. The R. & D. portion of these programs has been completed. This is in the amount of $2.8 million.

Mr. MAHON. You may elaborate as to the precise costs and programs involved here.

General KLOCKO. Very well, sir.

(The information follows:)

There is a net increase of $1.2 million in the R. & D. program for fiscal year 1970. The increase results from the following:

1. Transfer to DCA of advanced communications development tasks previously funded by the Air Force +$1.5 million.
2. Phased buildup of the System Engineering Facility's operational capacity +$0.9 million.
3. New R. & D. tasks in the areas of cost analysis, automated circuit engineering, traffic engineering software, management and control of the Defense Special Security Communications System, error detection and correction for the DCS, and test and evaluation of Comsec equipment +$1.2 million.
4. Additional effort in support of development of mobile or transportable communications equipment and in application of the DCS simulator +$.4 million.
5. Offsetting part of the above increases is a decrease of funding support for R. & D. projects in support of the National Military Command System as a result of additional software systems becoming operational —$2.8 million.

CANCELLATION OF COMPUTER PROCUREMENTS

Mr. LIPSCOMB. In your statement, General, you say a recent Bureau of the Budget decision imposed a reduction of $6.4 million from your procurement request.

General KLOCKO. Yes, sir.

Mr. LIPSCOMB. Can you explain what is involved here?

General KLOCKO. Yes, sir. At the present time we are working on the worldwide Military Command and Control System. The NMCS which I described to you is primarily centered in Washington, the seat of government, and the alternates are around the Washington area. The worldwide system would tie in the National Military Command System with the Unified and Specified Commands throughout the United States and in the overseas areas.

The program to tie all of these together involves the procurement of a common computer system. This is being worked on, and we have budgeted to procure some of these computers. The system has slipped. There is still deliberation as to the size and some of the technical developments in the system. So, there wasn't any requirement for this money to be kept in the budget to buy computers on a program which has not yet solidified.

Mr. LIPSCOMB. Is this $6.4-million reduction the entire amount that you asked for this purpose?

General KLOCKO. Yes, sir.

Also, I might say, the same thing took place last year.

Mr. LIPSCOMB. How long has it slipped?

General KLOCKO. Two years.

Mr. LIPSCOMB. It has slipped in fiscal year 1968, and it slipped in fiscal year 1969.

General KLOCKO. Yes, sir. This is refining the system, what is needed, getting the proper approvals, and so forth.

Mr. LIPSCOMB. Do you intend to ask for it again?

General KLOCKO. Yes, sir. The monitor on this in the development of the system is actually in the hands of the Joint Chiefs of Staff, and we

are budgeting with this $6.4 million for our portion of what they are deciding.

Mr. LIPSCOMB. Do you know how much was in the service budgets for this program?

General KLOCKO. No, sir; I do not.

Mr. LIPSCOMB. Do you know whether the Bureau of the Budget revision also went to the service budgets for reduction?

Mr. GARDNER. I believe it did. We can try to furnish it for the record. I think the reduction was across the board.

Mr. LIPSCOMB. Would you check this out for the record?

General KLOCKO. We will find out.

(The information follows:)

The WWMCS computer procurement reduction had no impact on the individual service budget plans since the DCA computer buy was the lead or initial computer procurement.

REVIEW OF REQUIREMENTS FOR COMMUNICATIONS SYSTEMS

Mr. MAHON. Since you are the manager of the entire Defense Communications System, should we look to you for detailed verification of servicewide requirements which are presented in the budget estimates?

General KLOCKO. No, sir. Other than the communications which I need for the running of DCA, I am not in the requirements business at all. As you may recall from the opening statement, the requirements for communications come from the field commanders and from the military departments. They are the people who are operating the forces, and they submit their requirements to the Joint Chiefs of Staff, who validate them. Once the Joint Chiefs have validated the communications requirements, it is then sent to us and I prepare a plan which is implemented. But I am not in a position to question the requirements of the field commanders.

DEFENSE SATELLITE COMMUNICATIONS SYSTEM

Mr. MAHON. What is the current status of the Defense Satellite Communications System?

General KLOCKO. The approval by the Office of the Secretary of Defense was announced in June of 1968. This started the process rolling whereby we produced a plan for the communications satellite program which was approved last fall. We are now on our way to producing the system which results from that plan.

The Air Force has already gone out to contract for the space element, and the Army is working on the earth terminals. They are just about to the point of going to the commercial concerns for requests for proposals.

So, the program is moving well along, and at this point we are on our projected path.

Mr. MAHON. How much is the Defense Satellite Communications System costing annually, in all its ramifications?

General KLOCKO. The current system which we have, which started out as an R. & D. project and has since been declared operational, is costing us, in 1969, $41 million; and, in 1970, will cost $127 million.

Mr. MAHON. Will you please submit for the record a detailed answer?

General KLOCKO. I will provide the figure, sir.
(The information follows:)

DEFENSE SATELLITE COMMUNICATIONS SYSTEM

(In millions of dollars)

	Fiscal year 1969	Fiscal year 1970
Research and development	20.5	39.0
Investment	9.0	76.3
Operating	11.7	11.7
Total	41.2	127.0

ARMY AND NAVY SATELLITE COMMUNICATION PROGRAMS

Mr. MAHON. We note the Army and the Navy are either developing or actively implementing their own independent satellite communications programs. Should these independent satellite efforts be consolidated into the Defense Satellite Communications System?

General KLOCKO. I do not recognize specifically the Army and the Navy developing their own systems. I do know that there is a tactical communications satellite system which is being managed by a tri-service steering group.

Mr. MAHON. Is that the so-called MALLARD?

General KLOCKO. No, sir. That is the TACSAT—tactical satellite. This is still in the planning and R. & D. stage. I am giving you secondhand information here, but I understand that a tactical satellite has been launched, and that the services are testing the system on a preliminary basis, under the aegis of the Joint Chiefs of Staff.

Mr. MAHON. Since you are the top man in communications, why should you not be more closely integrated with these independent satellite efforts?

General KLOCKO. I am not personally familiar with it, but I understand there is a study now going on in the Joint Chiefs of Staff to undertake to discover whether the two systems should be integrated and, if so, to what degree—in other words, to determine the proper relationship between these two systems. This also will eventually be reviewed by the Office of the Secretary of Defense, presumably D.D.R. & E.

COMMUNICATIONS REGARDING EC-121 SHOOTDOWN

Mr. MAHON. General, in your statement on page 4 you observe: "One of my responsibilities as manager of the Defense Communications System is to insure that the system is efficient and effective."

Was the Defense Communications System or the Defense Special Security Communications System, which is also under your control, used in any way to transmit the message to the National Command Center informing it that the North Koreans had shot down the Navy EC-121 aircraft?

General KLOCKO. Yes. sir. The Defense Communications System was used to transmit the message back. We discussed this in some small detail at the start of the hearing, sir. The DCS relayed this information back from Korea, ——— minutes.

SEQUENCE OF EVENTS AFTER SHOOTDOWN

Mr. ANDREWS. Will you let the general pick up and tell us when they got the first message, and where it went, and bring it on down to the Pentagon?

General KLOCKO. The message came from ———

Mr. MAHON. Start at the very genesis.

Mr. MINSHALL. Can you back up to the point where the aircraft was shot down and take it from there?

Mr. MAHON. The plane was shot down. Then what happened?

General KLOCKO. How ——— discovered that the plane was shot down, I am not aware, but the original message originated from there saying——

Mr. MAHON. Anyway, at this point in South Korea, it was learned that the plane had been shot down. You do not know how they learned it.

General KLOCKO. No, sir. Presumably through their radar ———.

Mr. MINSHALL. He still does not have the time sequence, minutes from the time the plane was shot down. We want to know how long it took.

Mr. MAHON. Is there anyone in your group who is more familiar with this?

General KLOCKO. No, sir. I have it here, sir.

Mr. MAHON. When was the plane shot down?

General KLOCKO. Sometimes between 0420 and 0447 on the 15th. The message was sent ——— at ———.

Mr. MAHON. How long had ——— had the information?

General KLOCKO. This I do not know, sir. This is the process that I talked about before. There was probably an analysis. They had to check that it was a valid indicator, whatever the indicator might be. I am not familiar. Somebody had to make the decision—yes, there has been a shootdown or a possible shootdown—and then the message had to be prepared and processed, and taken to the communications center. From the time that it got to the communications center until it was delivered in the Washington area took ——— minutes. The rest of the total of ——— minutes is other time—decision time, shall we say.

To continue with your question, sir, once it comes into the Washington area, this message is automatically disseminated simultaneously to about 6 places—the White House being one; the National Military Command Center in the Pentagon being another; I believe the State Department and the National Security Agency.

COMMUNICATIONS PRIOR TO SHOOTDOWN

Mr. ANDREWS. We had an in-depth briefing up here by General Steakley, I believe his name was, an Air Force general, the same man who briefed the White House. He came directly from the White House to this committee. After showing us the flight plan of the Navy plane, he told us about communications that went on between some ground station and the aircraft, and of certain stages of warning that the ground gave the aircraft. He explained how, when the pilot got that warning ———, he changed the plane's course and headed back toward the base.

I am surprised that you do not have all those details. Did your office furnish those details to General Steakley?

General KLOCKO No, sir. Those are the tactical communications that I referred to before, which are not in the Defense Communications System.

Mr. ANDREWS. General Steakley did a good job and laid it on the line and told us how it was.

COMMUNICATIONS AFTER SHOOTDOWN

Mr. MAHON. But I do not think, Mr. Andrews, he dealt as specifically as we would like to deal with the actual communications relating to information after the shootdown getting to various points and eventually to Washington.

You say here in your statement that one of your responsibilities is to insure that the system is efficient and effective. Despite this responsibility, you do not know how this installation in South Korea got the information.

General KLOCKO. No, sir.

Mr. MAHON. You do not know how it got the information. You know when it got it, do you?

General KLOCKO. No, sir. I only know when the message was transmitted ———.

Mr. MAHON. You know when it was transmitted ——— to the Pentagon?

General KLOCKO. Yes, sir.

Mr. MAHON. And other places?

General KLOCKO. Yes, sir. How they got the information would be an operational or intelligence matter. I really do not know how they got it.

Mr. MAHON. Do you know how long they had had the information? You made same reference to ——— minutes.

General KLOCKO. From the time that they asked the DCS to send the message until the message was here in Washington was ——— minutes.

Mr. MAHON. You were not a part of the prior picture at all?

General KLOCKO. None at all.

Mr. MAHON. You do not regard that as being a part of the responsibility of your Agency?

General KLOCKO. That is a command and operational mechanism.

TRANSMISSION OF MESSAGE TO WASHINGTON

Mr. RHODES. General, do you have the exact time when this message was delivered to the Agency ——— for transmittal?

General KLOCKO. I imagine it was originated there, sir.

Mr. RHODES. What time was it given to the transmitting agency for transmittal?

General KLOCKO. At ———.

Mr. RHODES. It was received in Washington by whom and where, ——— minutes later?

General KLOCKO. That was NSA, the White House, the National Military Command Center in the Pentagon, the State Department. I believe there are two others which I do not remember.

Mr. RHODES. The transmission was simultaneous?
General KLOCKO. Simultaneous to all.
Mr. RHODES. Are you giving us Zulu time?
General KLOCKO. These are all Zulu.
Mr. RHODES. So, at ——— Zulu, the transmittal was effected from ——— and at ——— Zulu the message was received in Washington at the points which you have already put in the record?
General KLOCKO. Yes, sir. The notifications after that, I have been given to understand, to the various people, individuals alerted, varied considerably. This, again, is a command decision, more or less, by the command posts in the White House, the Pentagon, and the State Department. Once the message is delivered, what they do with it then becomes the responsibility of the receiving agency.
Mr. MINSHALL. How much time elapsed from the time the aircraft was shot down until the message was received here at the Pentagon?
General KLOCKO. It was ——— minutes plus or minus 27 minutes. We do not know the exact time that the plane was shot down. The best we can figure is 0420 to 0447, sometime in there. This, again, is part of the analysis, the decision process. Was it shot down or wasn't it?

TRANSMISSION OF MESSAGE FROM KOREA RATHER THAN JAPAN

Mr. LIPSCOMB. General, the aircraft was under the control of an air base in Japan. I believe we were told that the air base in Japan was doing the tracking. Is there any reason, as far as you know, why the message was sent from South Korea instead of from Japan which had the track on the plane?
General KLOCKO. I can guess or infer——
Mr. MAHON. Why haven't you found out, General? You have had quite a bit of time to find out about it.
General KLOCKO. I have nothing to do with that, sir.
Mr. ANDREWS. Aren't you telling us, General, that your Agency did not come into the picture until———?
General KLOCKO. Yes, sir; when somebody gave us a message to deliver.
Mr. ANDREWS. Anything in the field of communications prior to ———was a tactical matter or a field operation, so to speak?
General KLOCKO. Yes, sir.
Mr. ANDREWS. Once the message was put in your system at ———, you got it in to Washington in ——— minutes?
General KLOCKO. That is exactly correct, sir.
Mr. LIPSCOMB. Does the air base in Japan have facilities to transmit messages the same as the base in South Korea? Could they have transmitted the message?
General KLOCKO. You mean the base in Japan?
Mr. LIPSCOMB. Yes, sir.
General KLOCKO. If they had the information, yes. I could only presume they did not have the information.
Mr. LIPSCOMB. But they had control over the plane and were also tracking the plane. Does it not seem reasonable that they would have sent the message?
General KLOCKO. I would not know whether they were tracking the plane or not.

Mr. ANDREWS. Somebody was.

General KLOCKO. I presume that would be the air defense network around Korea.

Mr. LIPSCOMB. Haven't Defense Intelligence, Defense Communications, and all people concerned with this whole situation sat down and worked on what the problem was? Haven't you met?

General KLOCKO. I think General Steakley had the entire situation.

NEED FOR REVIEW AND ANALYSIS OF COMMUNICATIONS

Mr. LIPSCOMB. Why wouldn't intelligence and communications, command, and everybody sit down to determine what went on here? Then review the situation including the orders and everything else. Hasn't this been done?

General KLOCKO. We had our part of this look, yes. This has been done. The results of all the other things which have gone on, I have not had. It would be a matter of curiosity for me.

Mr. LIPSCOMB. Are you sure that your station in Japan was operating and capable and able to send such a message, that it wasn't sent from Japan to Korea and then to Washington?

General KLOCKO. I am sure they had the capability, sir.

(Off the record.)

Mr. LIPSCOMB. Were there communications between Korea and the Japan base?

General KLOCKO. The two bases could communicate; yes.

Mr. LIPSCOMB. Has this been worked into your projection of what happened, communications between Korea and Japan, to tell them what happened to their plane?

General KLOCKO. No, sir.

Mr. LIPSCOMB. General, it stands to reason that you must know more about the whole communications setup in regard to this plane because it is so controversial. You appear to know just the ——— minutes. Is that all you have to know?

General KLOCKO. There were many other messages which went on in this incident. I gave you the first notification which appears to be the critical one. There was a whole series of associated messages, going completely through the next day. These messages were not all handled in ——— minutes. They were not given the high priority that the initial message was.

Mr. LIPSCOMB. If we are correctly informed that this plane was under control of the airbase in Japan, and now you tell us the message in regard to the shootdown went from South Korea to the National Command Center, does it not seem reasonable that we should wonder how the Japan airbase commander was informed of the shootdown?

General KLOCKO. I imagine he received his notification from the Navy.

NEED TO BE BETTER INFORMED

Mr. LIPSCOMB. But you are the head of the Department of Defense Communications Agency. We are asking the top man about communications in regard to this matter. It seems that you should be able to tell us the whole story; that you should be entitled to the full briefing and now should know.

Mr. MAHON. It seems that you should not have to be saying that you imagine this or that happened. As interested as we are in getting all the information we could, it would seem that in your position you would be even more interested and would check all collateral matters and confer with all other elements and personnel having to do with this sort of thing, General.

You know about the *Liberty* and the *Pueblo* problem and all, and yet you do not seem to have been sufficiently curious and concerned to have gotten into all of the background which is related to it and collateral to it. This is the thing that is a little disturbing.

(Off the record.)

Mr. LIPSCOMB. Were the communications correctly operating in Japan? Did they have some reason to switch it to Korea? Was there a switching process? Did the base in Japan notify South Korea and say please send this message? Who gave the message? The authority in South Korea did not have the authority to scramble planes or he had the authority but did not make the decision to scramble. The radar tracking device was not sufficient on the ground to track the planes, at least vector them. All of these things fit into the picture. Yet they have the facilities to find out the plane was shot down and communicate the message.

We are not looking for a scapegoat. We are looking to the future.

The chairman previously has pointed out the problems of the *Liberty* and the *Pueblo*, and we want to be sure we are right this time.

General KLOCKO. It is a complex operation in one of these types of incidents or any other type of military operation, scrambling aircraft, carrying no recognitions. Each person has a certain portion of it to take care of. In my case, it is the Defense Communications System. The other command decisions, intelligence and the rest of it, I am not involved in.

DETERMINATION THAT A SHOOTDOWN HAD OCCURRED

Mr. RHODES. You are a command pilot, and I am sure you have commanded active air installations, operational commands. In a situation like this where an airplane disappears off the radar screen, with the responsible commander presumably having had prior information about two MIG's scrambling from North Korea, at what point would you determine the command decision that you probably had a shootdown?

General KLOCKO. If the attacking MIG's or the MIG's from North Korea coincided with our track of the friendly aircraft and the track of the friendly aircraft disappeared.

Mr. RHODES. At the point that the friendly aircraft disappeared from the radar screen, you would assume you had a shootdown?

General KLOCKO. I might point out the friendly aircraft can disappear for any number of reasons. It is not the aircraft that you see on the scope. It is a blip. The blip can disappear. If it is in range and the other aircraft are not in range—there is a multitude of reasons that it could disappear from the scope.

Mr. RHODES. That is the point I am trying to make. At what time would you assume that the blip disappeared because the plane was shot down, and not for one of the other reasons?

General KLOCKO. I am afraid I would have to be there.

Mr. RHODES. As far as this article is concerned, when they say it took an hour before the message arrived in Washington, my question is, an hour from what? When do you determine a plane was shot down?

Mr. LIPSCOMB. I am trying to find out about communications and how they went.

Mr. RHODES. I understand that, but you have to have a starting point. I am trying to determine what would be reasonable as a starting point, figuring the time that a reasonably efficient Air Force officer in command would assume that he had a shootdown and would therefore start taking the required action to let everybody know it.

I recognize this is not in your scope of command, but it certainly is within your scope as far as your training and experience are concerned.

Mr. MINSHALL. What gives you the basis for the 27 minutes that you talked about? Starting at minute one and right through minute 27. You said the shootdown occurred someplace in that period.

General KLOCKO. I had heard secondhand from some of the people, as I recall on the Joint Chiefs of Staff, stating that it happened sometime in this period.

Mr. MINSHALL. That is all you know about it?

General KLOCKO. That is all I know about it.

DCA ROLE IN TRANSMITTING MESSAGE

Mr. ANDREWS. Does your Agency have any facilities over in South Korea?

General KLOCKO. Yes, sir. The Defense Communications Service System goes to all bases.

Mr. ANDREWS. Was your Agency concerned in conversations between the ground and the plane?

General KLOCKO. No, sir; not at all.

Mr. ANDREWS. That is what I wanted you to clear up. Your Agency did not get into this tragedy until you were given a message to deliver to Washington at ——— stating that the plane had been shot down?

General KLOCKO. That is correct, sir.

Mr. ANDREWS. ——— minutes after your Agency got into the act, you had the message in Washington.

General KLOCKO. That is correct, sir.

Mr. ANDREWS. If there was any delay in reporting to your Agency for transmission to Washington, it occurred in other places?

General KLOCKO. Someplace. I do not know where.

Mr. ANDREWS. It was bound to have occurred someplace.

General KLOCKO. Yes, sir.

Mr. ANDREWS. You did your job when you got the message.

General KLOCKO. Yes, sir.

Mr. ANDREWS. You relayed it to Washington in ——— minutes.

General KLOCKO. Yes, sir.

Mr. ANDREWS. Your Agency was not charged with the responsibility for determining whether or not a plane was shot down, where it was shot down, or at what time it was shot down.

General KLOCKO. That is correct, sir.

Mr. ANDREWS. I think that is clear.

ABILITY OF BASE IN JAPAN TO TRANSMIT MESSAGE

Mr. LIPSCOMB. General, what we have been discussing is this: Was the Japan communications service fully staffed, working, and capable of sending the message if they had been asked to, to the National Command Center in Washington?

General KLOCKO. On each base—and the Japanese Naval Base being one of them—the local organization which is handling communications for that base is run by the people who normally occupy the base. In this case, the Navy. These people, although they are operated and commanded by naval personnel, are considered a DCS station and, as such, they are under the operational direction and management of DCA.

These people, if they had been given the message, presumably by their local naval commander, would have transmitted it immediately with the same results as from the message from ———.

Mr. LIPSCOMB. If we are correct that the Air Force was in control of this plane, would the Air Force have gone to this naval communications center to have the message sent?

General KLOCKO. No, sir.

Mr. LIPSCOMB. They would not?

General KLOCKO. No, sir. On this type of message it goes from the person who recognizes it.

Mr. RHODES. Did the Air Force have DCS capability, also?

General KLOCKO. At different places. They have stationed at Fuchu and some of the other bases in Japan. They have the same type of communications capability.

Mr. RHODES. Do you know what communications facility was in communication with this aircraft prior to the shoot down? In other words, where did the word come that ——— was in effect, and then ——— was in effect? Did this come from Japan or from Korea?

General KLOCKO. I do not know, sir.

COMMUNICATIONS BETWEEN KOREA AND JAPAN

Mr. MINSHALL. Jut one other brief question, Mr. Chairman.

Do you know how many messages were transmitted between Korea and Japan following the presumed shoot down?

General KLOCKO. Simultaneously, at ——— there was another message, exactly the same as the first one, to a list of, I believe it was—let us say an inaccurate number from the top of my head, 25 addresses, called a followup. I have not checked the addresses on it, but this message would have gone to the commander in Japan. That message took 31 minutes.

Mr. MINSHALL. That originated in Korea?

General KLOCKO. That originated in Korea, from ——— at the same time.

Mr. MINSALL. Were there any other communications between ——— and the Japanese base, trying to determine whether or not the aircraft had in fact been shot down?

General KLOCKO. I am not aware of any, sir. There may have been local inquiries. I wouldn't know.

Mr. MINSHALL. That is not in your shop?

General KLOCKO. No, sir.

Mr. MINSHALL. That is a tactical matter?

General KLOCKO. This is the normal communications that goes back and forth. It probably would be done by telephone or could be followed up by message. People are talking to each other all the time. I would presume that they checked to see the normal things: Did you have a plane in the area? and this sort of thing.

Mr. MINSHALL. There probably was instant telephone communication.

General KLOCKO. I am sure there was.

Mr. MINSHALL. Is this a radio link, or is it by cable?

General KLOCKO. This is all radio.

REQUEST FOR ADDITIONAL INFORMATION

Mr. MAHON. During the lunch period, General, will you find out for us more about this general situation from other portions of the Defense Establishment? Find out for us when Japan found out about the shoot down, was Japan tracking the plane, how did Japan get the information—these kinds of things—so you can be speaking more authoritatively, rather than just guesswork here?

General KLOCKO. I will see if I can find someone who will be able to give that information.

Mr. MAHON. The committee will reconvene at 2 o'clock.

AFTERNOON SESSION

Mr. MAHON. The committee will be in order.

BRIEFING ON COMMUNICATIONS AFTER EC–121 LOSS

General KLOCKO. Mr. Chairman, we have here Gen. Ralph D. Steakley, from the Joint Staff, who is prepared to talk about the subjects that you mentioned this morning.

Mr. MAHON. We are pleased to have you, General Steakley. We have had you here before. We do not want you to give us a new briefing in addition to the one you have already given us, but you might be of assistance to us in giving us some more information in regard to communications. We have a few questions.

How and when and why did knowledge of the shootdown of the reconnaissance plane get to the base in Korea, and what was the situation with respect to communications in Japan in regard to the incident?

General STEAKLEY. Sir, before I begin, I do not have a prepared briefing because I knew that you did have it. A great deal of the material, because it involves communications intelligence, is in that category, and from time to time, if I may, I will ask that it not be recorded.

Mr. MAHON. All right.

General STEAKLEY. And then we can break out what can be recorded.

I might start out first by saying that in this incident and the communications directly related, there were ——— basic stations involved.

(Off the record.)

Mr. MAHON. We are interested in what these other stations, in

addition to ——— knew about this. Did they have the same information that ——— had?

General STEAKLEY. Identical, sir.

Mr. MAHON. Did they know when the plane disappeared just as much as ——— did?

General STEAKLEY. Yes. I will say, Yes, that they did. I can say this basically because of the direct service line and exchange of correspondence in traffic, what we call, again, operational chatter. ———. This conversation was going on during this 50-minute gap. ———. What happened to him—that was a subsequent decision.

Mr. MAHON. I would like to call to your attention a discussion I had with Mr. Michaels. I got the impression from your first briefing, when you really briefed us on this, that somehow or other we ———.

General STEAKLEY. May I go off the record?

(Off the record.)

Mr. LIPSCOMB. I am thinking more of the organization. I understood this plane was under the control of the base in Japan.

General STEAKLEY. Yes, sir.

Mr. LIPSCOMB. At the same time, ——— picked it up, and you indicated they had a measure of the reporting responsibility.

General STEAKLEY. Yes, sir.

Mr. LIPSCOMB. They are in South Korea.

General STEAKLEY. May I explain actually what occurred.

(Off the record.)

Mr. MAHON. Thank you, General Steakley, for your appearance.

General STEAKLEY. Thank you, Mr. Chairman.

FOREIGN TAKEOVER OF U.S. DEFENSE CONTRACTOR

Mr. MAHON. General, I want to mention a matter which is rather unrelated to what we have been discussing. It does have to do with communications.

In these days, we have what is called in the corporate structure conglomerates. A lot has been said about conglomerates. Let us say that a contractor for the Defense Communications Agency is making equipment of one kind or another important to communications. If such a contractor is cojoined by merger or some sort of conglomerate arrangement with a foreign company, what happens with respect to sensitive information which is available to the U.S. corporation?

General KLOCKO. I do not recall a case happening. However, I do know that certain of our contractors are cleared for classified information. Only certain people within the company. In other words, the entire plant is not cleared, but only sections of the plant, and they are compartmented.

The foreign affiliate, of course, would not be privy to the classified information which was given to a U.S. contractor, unless it were by design on our part.

Mr. MAHON. In other words, if a company which makes highly sensitive equipment for our military communications should become a part of a conglomerate structure, that would not mean that our intelligence would be jeopardized?

General KLOCKO. No, sir.

INTERNAL IMPROVEMENTS IN DEFENSE COMMUNICATIONS SYSTEM

Mr. MAHON. Has the Defense Communications Agency made any internal improvements in the operations of the Defense Communications System since this general subject was discussed last year?

General KLOCKO. Yes. The AUTODIN system has been completed as of last November, and is now in full operation. It is operating very successfully. It gives very high-quality results. The traffic in the system is increasing almost daily. We do, of course, keep track of that rather closely.

As I mentioned previously, we also got approval for the Defense Communications Satellite program last June, and are going forward in implementing this program so we have a good operational system, high quality, high capacity.

The AUTOVON system, which is the voice network, is in process of implementation now, and we are hoping the first cutover of the worldwide automatic voice system will take place this June.

INTEGRATED JOINT COMMUNICATIONS SYSTEM, PACIFIC

Mr. MAHON. The Army communications people were before the subcommittee recently and advised of a communications system from the Philippines to Japan and Korea that was to be upgraded, enlarged, and improved. When was this system originally installed, and what is the nature of the upgrading, enlarging, and improving?

General KLOCKO. This system is called the IJCS, Pacific. It is a general upgrading of the communications in that area, much of which is left over from the early days after World War II. It entails a 12-channel upgrade from Okinawa north to Japan, and on the tropospheric scatter system, which is already in being. It calls for a microwave system on Okinawa itself. Most of the equipment there was put in by the Army in the early days after World War II. It is tactical equipment. The cable, plant, and equipment itself has deteriorated badly. Then there are also some linkages between Okinawa and Taiwan. We are putting in a cable link to insure that there are reliable communications to Taiwan, and improvement on Taiwan Island; and then, hopefully, a link—we would hope a cable link—from the southern part of Taiwan in to the Philippines.

Mr. MAHON. What degree of permanency are you assuming when you say you are putting new equipment in to Okinawa, bearing in mind that we have some negotiations underway with the Japanese?

General KLOCKO. That has come up rather recently. I am sure that the progress of these negotiations will have a bearing on what happens. You must remember that this program was started about 2 to 3 years ago, and we are just now coming to the point of implementing it.

Mr. MAHON. Is there a system or subsystem for this communications link between the Philippines and Japan and Korea?

General KLOCKO. It is called the IJCS, Integrated Joint Communications System, Pacific.

(Off the record.)

SATELLITE COMMUNICATIONS

Mr. MINSHALL. What are you doing in the way of satellite communications? How many satellites are there, and what are you using, where are they, and so forth and so on?

General KLOCKO. The present satellite system that we have was put up as an R. & D. effort starting in the summer of 1966. It consisted of five shots, one of which failed, putting up 26 satellites.

The net result of the putting up of the satellites has been that there are now 24 usable satellites in orbit around the world. These are nonsynchronous satellites. In other words, they do not stay stationary with respect to a single point on the ground. They are at less than critical altitudes. They move around the earth at varying rates because they are all at slightly different altitudes. They bunch and they spread.

There is a system of ground terminals associated with these satellites. The system is very low capacity. The maximum number of voice channels is 5. It has been upgraded so that in emergencies you can use a degraded 12-voice channel capacity.

Mr. MINSHALL. Per satellite?

General KLOCKO. Per ground station. Of course, the ground station works with a satellite. So, from the ground station to the satellite to another ground station, a maximum of 12 voice channels. Operationally, we use five.

There are some smaller terminals, of course, which get even less than that, one voice channel and one or two teletype.

In July of 1967, the satellite system had operated so well in the R. & D. mode that it was declared operational. We have, in fact, been using this system since July of 1967, almost 2 years.

The system, incidently, which brings the real time reconnaissance photography from Saigon right here into Washington. It is relayed in over this communications satellite system.

There is one difficulty that we are having with the system. Having been designed as a research and development operation, it was not built with the proper redundancy, logistics support, spare parts, and all of the ancillary gear in duplicate. It was not built as a 24-hour-a-day operation. We are having some trouble maintaining it because of the lack of spare parts and the lack of redundancy. When the system is maintainable, shall we say, it operates very well.

Comparing the five-voice channels with the next program which will get anyplace to 400 or 500 voice channels——

Mr. MINSHALL. When will that be?

General KLOCKO. It will be coming in in 1972.

Mr. RHODES. Will that be in synchronous orbit?

General KLOCKO. Yes. Hopefully, four satellites of much larger capacity with narrow beam antennas, with very small focus paths to the earth on which you can get 1,000 to 1,200 voice channels because you can concentrate the power so much.

USE OF SATELLITES IN AIR COMMUNICATIONS AND NAVIGATION

Mr. MINSHALL. Looking down the road, what have they done with the satellite program in the way of air communication and air navigation?

General KLOCKO. I am not familiar with that. I know there is a program.

Mr. MINSHALL. I know FAA is working on it.

General KLOCKO. General Grant used to be the Deputy Administrator of FAA. He might have heard of something.

General GRANT. I went to a briefing the other day over at FAA. They are proceeding on an experimental basis with Comsat in coming up with a commercial satellite for navigation and for air traffic control.

Mr. MINSHALL. The state of the art is here.

General GRANT. Yes; the project is well down the road.

Mr. MINSHALL. I talked to my good friend Abe Silverstein, and he was giving me a little briefing of what it was all about. I just wondered how far you were actually along.

General GRANT. In the Defense Department, we have not gotten into this directly. It has been a commercial-FAA proposition.

INTEGRATED JOINT COMMUNICATIONS SYSTEM, PACIFIC

Mr. MAHON. I would like to go back to the earlier question about expanding and enlarging and improving the communications system from the Philippines to Japan and Korea. In connection with base rights in Okinawa, what is budgeted by way of either construction or installation of equipment for Okinawa for 1969 and for 1970 that has not yet been committed and which could be deferred?

You may provide that for the record.

General KLOCKO. Could I supply it for the record. I do not have the figures with me now.

(The information follows:)

COMMUNICATIONS PROGRAMS BUDGETED FOR OKINAWA

[In thousands of dollars]

	Fiscal year 1969	Fiscal year 1970
Military construction:		
Army [1]	0	0
Navy	0	225
Air Force	133	118
Total	133	343
Procurement [1]	0	0
Installation of equipment:		
Army [1]	0	0
Navy	102	33
Air Force	144	319
Total	246	352
Total	379	695

Military construction projects for fiscal year 1969 include $133,000 for a communications relay center at the Kadena Air Force Base. Contracts have not yet been let. For fiscal year 1970 the Air Force has budgeted $77,000 for the construction of two buildings for the housing of AUTODIN equipment and $41,000 for the expansion of an air to ground communications facility. The Navy has budgeted $225,000 for a communications center at Camp Smedley D. Butler.

None of the Services have budgeted for the procurement of equipment for Okinawa in fiscal year 1969 or fiscal year 1970. The fiscal year 1969 funds budgeted for the installation of communications equipment have been committed.

There are no Army funds budgeted for construction, procurement or installation of equipment for Okinawa in fiscal year 1969 or fiscal year 1970. The only amounts budgeted in the 2 years in question are $1.667 for fiscal year 1969 and $3.255 for fiscal year 1970 required for the operation and maintenance of the Integrated Joint Communications System—Pacific (IJCS–PAC), recently redesignated as the Integrated Communications System—Far East (ICS–FE). The ICS–FE communications system is that portion of the Defense Communications System (DCS) that will provide the communication transmission means for U.S. Armed Forces in the Far East. Okinawa is only one of the four locations involved and costs relating to a particular location are not available. The increase of $1.588 million in fiscal year 1970 over fiscal year 1969 is for additional personnel services and supply costs for operation and maintenance of the Army microwave facilities on Taiwan and Okinawa and the supporting cable interconnect facilities.

Fiscal year 1968 funds were approved for procurement of the equipment for the ICS–FE. When completed the system will integrate tropospheric scatter radio, submarine cable and microwave transmission media to link Japan to the Philippines through Okinawa and Taiwan. All funds have either been obligated or committed.

CONSOLIDATION OF MESSAGE AND COMMUNICATION CENTERS

Mr. MAHON. What has been accomplished by way of consolidating message and communications centers into one operation during the past year?

General GRANT. The consolidations are well underway. They got off to a slow start after the basic policy had been enunicated by the Deputy Secretary of Defense in July of last year.

With some subsequent memoranda stressing the urgency of getting on with this, we have called for quarterly reports from the Services. The first one came in the first of April, and is being evaluated now. The Army and the Air Force, of course, have the greatest way to go. The Navy have already consolidated. However, they are busy colocating a great many of their centers, reducing the number of them. We are getting a report from the Navy as well.

At the next quarterly report, I think we can give you a better feel for just how it is coming. At the present time about all we have been able to get is a listing of the proposed consolidations. Very little actual physical consolidations have been accomplished.

PURCHASE OF HIGH-SPEED TERMINALS

Mr. MAHON. In light of that, why are the services going ahead with the purchase of high-speed terminals to interface their communications centers with Autodin when apparently we do not know how many of these centers are going to be consolidated?

General GRANT. I think we will know before the program is completed.

Mr. MAHON. Are not the funds for the purchase of the high-speed terminals available in the 1969 program, or are you saying that all of these funds are budgeted in the 1970 program?

General KLOCKO. Are you talking about the Autodin terminals?

Mr. MAHON. Yes.

General KLOCKO. That money has already been expended. It is completely committed.

Mr. MAHON. I guess I do not quite understand what it is we are talking about here, but if you have already committed the funds to purchase high-speed terminals to interface communications centers with

Autodin, what are you going to do with that equipment when you decide or when a decision is finally made that communications centers are going to be consolidated and reduced? I understood you to say, in effect, you have not gotten any significant consolidations and reductions in communications centers yet.

General GRANT. We haven't yet. It will not have anything to do with the numbers of centers where you just colocate the message center with the communications center. When we get to further consolidations down the line where we have a single area center serving many customers, it will.

Mr. MAHON. How far away is that?

General GRANT. Both the Air Force and the Army have felt that automation of the message handling was required before they could come up with physical consolidation. This is 2 years down the line, I would say.

I am sure this will have to be looked at again, but those plans will be developed after we get these reports from the services.

DEFENSE COMMUNICATIONS ENGINEERING FACILITY

Mr. MAHON. When was the Defense Communications Engineering Facility established, and what is its purpose?

General KLOCKO. The Systems Engineering Facility was established the 1st of July, 1968. It is still building. At the present time we have only about eight people in it. We are in the process of building up, hopefully, to someplace around 30 people by the end of June, and during fiscal year 1970 we hope to come to full strength of about 117.

Mr. MAHON. Who is the Director?

General KLOCKO. The Director is Capt. W. T. Peale, U.S. Navy.

Mr. MAHON. What can this engineering facility do for you that could not be accomplished in any of the laboratories of the military departments or through any of their research and development organizations?

General KLOCKO. There isn't anything which is an exact counterpart of the Systems Engineering Facility. This organization has been developed to fill a great void in some of the Defense Communications Agency's previous planning, in which we have been putting together bits and pieces of the Army and the Navy and the Air Force to attempt to make a system. We really have not considered all parts and components.

The systems engineering planning has not been properly done, simply because there has not been the capability or the organization available to do this type of work. What we have done in this field is mainly by contract with civilian organizations.

I think we can do a much better job by having a military organization to do our systems engineering planning for us. Our look at it will be a purely communications system look which does not have a counterpart in any of the laboratories of the military departments that we have been able to discover, and it has been rather thoroughly looked at.

Mr. MAHON. Does that mean there would be no similar or reasonably comparable reduction to be expected to be made in the R. & D. functions of the military services?

General KLOCKO. That is correct. This is something which has not been done before or it has been done rather haphazardly, unfortunately.

Mr. MAHON. In the creation of this engineering staff, were all of the approving authorities in the Office of the Secretary of Defense consulted, and did they all agree? By that I mean for this kind of thing, I believe you are supposed to have the approval of the Director of Defense Research and Engineering.

General KLOCKO. I personally briefed Dr. Tucker on this and had his approval. We have the approval from the Deputy Secretary of Defense to establish this facility. Presumably, preceding that there was a staffing of the project in the Office of the Secretary of Defense and it was approved.

Mr. MAHON. This includes the Assistant Secretary for I. & L. and the Assistant Secretary for Administration?

General KLOCKO. Yes, sir.

Mr. MAHON. Does this also include the approval of the Joint Chiefs?

General KLOCKO. Yes, sir, it does.

EXPANSION OF NATIONAL MILITARY COMMAND SYSTEM

Mr. MAHON. In fiscal year 1970, there is apparently planned a rather large expansion of the National Military Command System. What is this expansion?

General KLOCKO. This is in our support to the National Military Command System. In fact, we increase by 72 civilian personnel related primarily to continued transition from research and development to operational effort. We have reduced our R. D. T. & E. dollars, as previously mentioned, in support of the National Military Command System from $11.9 million in 1968 to $7.8 million in 1969, and down to $5 million in 1970.

As the programs are fully developed and become operational, there has been a decrease in requirements for contractual R. & D. personnel, and an increase of the requirement for in-house operational personnel. A relatively small portion of the increase has been caused by support of additional Secretary of Defense and JCS users, such as the Special Assistant for Counterinsurgency and Special Activities, and the Assistant to the Chairman, JCS, for Strategic Arms Negotiations.

Mr. MAHON. In the expansion of the system, as I understand it, you are putting in larger capacity, random access computers in the National Emergency Command Post afloat. What is the basis for that?

General KLOCKO. The capability they have now is very limited. It was not originally designed to have complete interface with the computers which are in the National Military Command Center in the Pentagon and in the alternate National Military Command Center. It has very limited capacity to accomplish only certain functions. The increase in computer capacity in the command post afloat will allow for a more complete interface and a larger data base so the command post afloat will more nearly equate as an alternate command center to the locations on shore.

CONTRACT WITH COMPUTER SCIENCES CORPORATION

Mr. MAHON. In connection with the Military Command Systems, you have a contract with Computer Sciences Corp., I believe.

General KLOCKO. Yes, sir.

Mr. MAHON. Will you tell us a little bit about the background of the company, who are they, where are they, what size company are they, and so forth?

General KLOCKO. Could I supply that for the record? I know the work they do for us. They have had a couple of name changes that I am not intimately familiar with. I do know that our contract with this corporation was arrived at after competition with many computer organizations, including many of the large ones in this country, about 3 years ago. They won the competition and are supplying the services.

Mr. ANDREWS. Just what do they do for you, General?

General KLOCKO. They draw up a plan for support of the various agencies and the Joint Staff and OSD. They also supply the computer work, the methodologies, and procedures for handling computer programs.

Mr. ANDREWS. That is a broad answer. Can you be a little more specific about what they are doing for you?

General KLOCKO. They are primarily data specialists. They have programers and analysts in the computer field. When we are given a job by one of the offices of JCS or OSD, they work with our programmers and analysts in defining the problem, drawing the flow charts, and programing the machines.

Mr. ANDREWS. You are emphasizing programs and analyses. Could you be a little more specific and give us a program? What type of program do they handle?

General KLOCKO. This is from my opening statement. Approximately 65 percent of our support center resources is applied to the operational area. We maintain about 150 files of information on automatic data processing equipment. This is a reduction from the previous year in that a number of files have been combined to better integrate the information. The content of all of these files would cover 800,000 single-spaced typewritten pages. The more active files are updated and modified by approximately 3,100 messages per month in order to keep their content current.

I can give you some examples of the type of work that they do. Is this what you are interested in, sir?

Mr. ANDREWS. You are more or less dealing in generalities so far.

General KLOCKO. There are many programs. It would take several pages just to list the programs.

Mr. ANDREWS. Take one of them and tell us what it is.

General KLOCKO. I will give you a program for strategic mobility. This is the problem of trying to find out what it takes to move a division or an air wing or a battalion or squadron overseas or in the States, depending upon what type of division or air wing it is, where they are going, whether it is best to send them by air or by ship. If they are going overseas, should it be a split operation? Should part go by air and part by sea? If they are going inland, this is one problem. Are there shipping facilities and port facilities at the port of debarkation adequate to handle the ships and the aircraft coming in?

What is needed in the way of ground vehicles to go beyond that point?

All of these various parameters are put into the basic study so at any time if the logistics planners in this case particularly want to find out can we send a division to this particular location, they put in the various factors which are involved, the location, what type of organization it is, how much of the travel will be by air, sea, and ground, what the costs are, the supporting units that they need, support embarkation units, cranes and derricks to load and unload.

Previously, a lot of this work was done by manual methods and by experience. Now we have computerized this type of thing and have gotten some very fine results in getting much more accurate information, cutting down pipelines, speeding up the operation of movements of military units overseas.

This is just one example of probably several hundreds of these.

Mr. ANDREWS. Are you satisfied with the use of this method?

General KLOCKO. Yes, sir.

Mr. ANDREWS. How much are you paying for this contract? You may supply that for the record.

(Staff note: The information to be provided appears on pages 1070 and 1072.)

Mr. LIPSCOMB. They have it over there someplace. They can answer it.

Colonel ELLS. In our backup material we have data on any contract that is over $3 million annually. This one is less than $3 million.

Mr. LIPSCOMB. For computer services?

Colonel ELLS. This is for the contract with Computer Sciences Corp.

OTHER CONTRACTUAL SERVICES

Mr. LIPSCOMB. What other types of contract or engineering services do you now procure besides the Computer Sciences Corp.?

General KLOCKO. IBM also has a contract of the same variety, but on different projects. At the time of the competitive procurement, IBM had been doing most of our work. They did not win the competitive competition, but the increase in the work and the interest in this type of support by the Joint Staff were so great that we simply could not let IBM go. They have continued, and we are phasing them down so we can eventually come into another competitive contract on a whole package basis.

Mr. LIPSCOMB. Does that complete your contractual engineering services?

General KLOCKO. In support of the National Military Command System. We also have MITRE, who assist us in an analytical way in looking at the needs of the JCS and the Secretary of Defense people. They are more in the long-range planning, determining what can be done to satisfy requirements and, for instance, at the start of the one program I mentioned, MITRE is the organization that set up the framework. Then our own programs would come in and actually work the problem. They are more the long-term analysts. They also draw up plans for various sections of JCS and OSD. They are called technical support plans, which list annually the requirements of the particular shop in the Pentagon and how their requirements are to be satisfied by the computer operation.

Those are the main three in the NMCS area.

Mr. LIPSCOMB. Does that include the Defense Communications System area?

General KLOCKO. No, sir. That is support for the National Military Command System. In DCS we have quite a few. I have listed some of them rather generally in the opening statement.

We have one for engineering support for AUTODIN with Western Union Telegraph. This is the automated digital information system. This is relatively small, $300,000.

We have engineering support for AUTOVON with Western Electric, $305,000.

And so forth, for other programs.

We do have some not associated with specific systems. For instance, transmission systems in general, looking for new and improved ways of handling our transmission media, improvements, upgradings of the system, getting more through communications with the equipment that we have now. We have not awarded this one yet, but we are hoping for a contract of about $600,000.

Mr. LIPSCOMB. Would you provide a list of these contracts for the record?

General KLOCKO. Yes, sir. They go for a couple more pages.

Mr. LIPSCOMB. For fiscal years 1968, 1969, and those anticipated for 1970, showing the contractor, the type of contractor, and the purpose and the amount of each contract.

General KLOCKO. I have that here. I will put it in the record.

Mr. LIPSCOMB. Do you have the total before you now?

General KLOCKO. The total contract engineering support is $3 million for 1970, Defense Communications System.

Mr. LIPSCOMB. Do you have the figure for 1968 and 1969?

General KLOCKO. 1968 was $5 million, 1969 was $4.148 million, 1970 is $3 million. It is about half what it was 2 years ago.

(The information follows:)

DCS CONTRACTUAL SERVICES

Operations and Maintenance

Contractor	Type of Contractor	Purpose	Amount (Thousands) 1968	1969	1970
Communications and Systems, Inc.	For Profit	DCS E-I Standards This task provides specifications for levels of quality or capability to which DCS equipments, systems and facilities will be maintained and insures compatibility of newly designed DCS equipment with commercial spare parts and end items.	252	197	255
Auerbach Corp.	For Profit	DSSCS Engineering Evaluation Systems analysis, specifications analysis and analysis of plans and rates of progress to provide DCA with orderly attainment of approved Defense Special Security Communications System.	169	-	-
Radio Corp. of America	For Profit	Circuit Layout Task This task provided basic engineering records of DCS circuits to support engineering effort associated with implementation of the overseas portions of the DCS Switched Networks Program.	472	195	-
Communications and Systems, Inc.	For Profit	NCS Restoration Priority Analysis provided statistical and analytical information on NCS circuit priority assignments.	40	-	-
Communications and Systems, Inc.	For Profit	DCS Facilities Data Manual (Red Books) This task provides an inventory of DCS facilities to provide better management of the DCS.	99	-	-
Communications and Systems, Inc.	For Profit	Circuit Directory Analysis Analysis of DCS circuits to determine the feasibility of integrating them into an ADP System and provide recommended changes to afford integration into existing DCA operational control computer programs.	136	100	-

Contractor	Type of Contractor	Purpose	Amount (Thousands) 1968	1969	1970
(FY68) American Telephone & Telegraph (FY69) Contract Out for Competitive Bid	For Profit	NCS Long Range Concept Tasks These tasks provide for an integrated trunking system which is a continuation of the first major step leading toward a more unified National Communications System.	4	240	750
Philco Ford	For Profit	DCA Information System Testing and validation of an information system concept developed in-house which provides system design, work breakdown structures, implementing instructions, operating manuals and identification of all manual and automated record files in support of internal and external reporting requirements.	306	-	-
Communications and Systens, Inc	For Profit	Traffic Engineering Tasks The overall objective is to provide a centralized source of traffic engineering standards and practices for use within the DCS and to establish a single integrated system for for the generation of traffic information that can form the basis for the most efficient utilization of the facility resources of the DCS.	195	248	400
		TOTAL	$1,673	$ 980	$1,405

NOTE: For FY 1970, contractors not determined until contracts are awarded.

DEFENSE COMMUNICATIONS AGENCY

DCS RDT&E CONTRACTS

Contractor	Type of Contractor	Purpose	Amount (Thousands) FY68	FY69	FY70
General Electric Tempo	For Profit	Improve capability to calculate effects of nuclear blackout; Analysis of effects of nuclear blackout & electromagnetic pulse on DCS; & Computatuion of VLF/LF signal/noise ratio in a disturbed environment	127	23	0
Communications & Systems, Inc.	For Profit	Transmission systems research & analysis studies	39	0	20
		R&D engineering services & analyses to complete development of CONUS AUTODIN Simulator	98	0	0
		Simulation analysis of DCA operational planning & survivability problems	495	585	750
		Comparative testing of voice digitizers/modems	89	250	0
		System engineering & technical assistance in Satellite Communications Program.	1650	3000	3000
		Development of a Logistics plan for the DCA - System Engineering Facility	0	75	150
		Development of QUICK-reaction simulation model	0	100	0
		Design, implement & create a resource data system for the DCS	0	231	0
Ion Physics	For Profit	Design & fabrication of Electronic triggera 2.2 MEV pulse generator & high voltage capacitator	65	0	0
Radiation Inc.	For Profit	Engineering support, test, coordination & repair maintenance on Voice Bandwidth Reduction Terminal Equipment	2	0	0

Contractor	Type of Contractor	Purpose	Amount (Thousands) FY68	FY69	FY70
Raytheon	For Profit	Comparative testing of 35KMC and 6KMC propagation characteristics	90	0	0
Radio Corp of America	For Profit	Determine feasibility of multiple input PCM analog conferencing	30	100	50
Western Union	For Profit	Provide instrumentation & computer programs, test computers & report on test of AUTODIN Switch	64	0	0
		Electromagnetic pulse test of an integrated circuit communications data processor-AUTODIN	164	61	0
Philco Ford	For Profit	Engineering support, test, coordination & repair maintenance, Voice Bandwidth Reduction Terminal Equipment	2	0	0
		Secure voice tests-engineering services & material	33	0	0
		Services & material for Phase III Missile Link	17	0	0
		Investigation of technique to permit Pitch Excited Vocodes to interoperate w/ voice excited vocodes in digital code	0	99	0
Honeywell Inc.	For Profit	Engineering support, test, coordination & repair maintenance on high speed modems & voice digitizers	5	0	0
Codex Corporation	For Profit	Engineering support, test, coordination & repair maintenance on voice bandwidths reduction terminal equipment	2	0	0
		Engineering, development & test of convolution coder/sequential decoder	80	0	0

Contractor	Type of Contractor	Purpose	Amount (Thousands) FY68	FY69	FY70
Booz-Allen	For Profit	Development of Heavy Transportable Communications Equipment	20	0	0
Control Data Corporation	For Profit	Technical assistance in programming & documentation of NMCC-CINCPAC Large volume data exchange	0	3	0
Stelma Corporation	For Profit	Development & fabrication of prototype low speed buffer	0	3	0
Varian Associates	For Profit	Transmission efficiency improvement	0	0	50
Unknown *		Feasibility analysis of an all digital DCS	322	0	0
		Development of requirements & Cost analysis capability	0	0	390
		Development of Automated Circuit Engineering & Records	0	0	250
		Development of traffic engineering software	0	0	100
		Development of a Defense Special Secure Communications System management & control system	0	0	160
		DCA survivability analysis	0	0	150
		Communications System Behavior	0	0	100
		NCS support-WASHFAX	0	0	150
		Improved delta modulation	0	0	100
		EMP vulnerability test of DCS facilities	0	0	200
MIPR's & Special Contracts		Military Interdepartmental Purchase Request issued or to be issued to MilDeps for in-house and/or contractual technical assistance; contracts for equipment and work performed by non-defense agencies	1763	545	2630
		TOTAL PROGRAM:	$5157	$5075	$8250

* Not known until contract is awarded.

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 70
Western Union Telegraph Co. (For Profit)	ENGINEERING SUPPORT FOR AUTODIN Contractual support will be required for engineering assistance, terminal and equipments status analysis, Program Evaluation Review Techniques (PERT) charting and monitorship in configuration control necessary to support the implementation of the Digital Subscriber Terminal Equipment (DSTE) with deliveries which will continue into FY 71.	$ 300
Western Electric Co. (For Profit)	ENGINEERING SUPPORT FOR AUTOVON Engineering effort from contractual sources during the FY 70 contract period is required to provide support for the implementation and cutover of AUTOVON switches planned for installation in Puerto Rico and Alaska. Specifically, the engineering support required will be to furnish assistance in the area of transmission engineering, switch encoding, network trouble analysis and post-cutover system observation.	$ 305
Unknown	SYSTEM ENGINEERING FOR AUTOSEVOCOM SUPPORT The AUTOSEVOCOM program will require contractual engineering support for switching and subscriber terminal equipments. These requirements are in accordance with the DCS System Plan for World-wide Automatic Secure Voice Network (II) dated June 1966. Phase I Expanded, scheduled for completion during FY 71, requires site surveys, engineering installation, test and acceptance for additional subscribers.	$ 200
Unknown	SYSTEM ANALYSIS SUPPORT The last of the three cutovers in the Overseas AUTOVON network are scheduled for October 1969. Only the Puerto Rico and Alaska overseas switches and three additional switches in the CONUS will still be in the implementation stage. The FY 69 budget will provide engineering support to AUTOVON through January 1970, and funding will be required in FY 70 for contractual engineering support to carry on the remaining implementation tasks for overseas AUTOVON, i.e., Network Configuration effort to include the Puerto Rico and Alaska	$ 309

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 70
Unknown	SYSTEM ANALYSIS SUPPORT (cont'd) switches as a part of the AUTOVON Network; Trunking/Connectivity studies to determine the affect on the AUTOVON network of the addition of these two switches; special engineering studies to determine network grades of service.	
Unknown	TRANSMISSION SYSTEMS Transmission engineering in support of the DCS switched networks will be a continuation and extension of contract support. Continued contractual support is required for engineering assistance in management and technical factors during implementation of World-wide Transmission Systems. DCA's management responsibilities during implementation encompass some sixty separate, approved projects. These include high value projects with broad engineering and management actions such as the Integrated Joint Communications System, European Wideband Communications System, World-wide Technical Control and those grouped under the USAF SCOPE Communications Program. Projects under the World-wide HF Improvement Program and Contingency Support are also included. DCA's management responsibilities apply to these projects individually and collectively. These responsibilities include preparation, coordination, and maintaining currency of Management/Engineering Plans; reviewing and analyzing continuing schedule and resource status to insure timeliness and economy; and review and approval of Implementation Plans and actions to insure technical adequacy and compatibility within and between projects. OSD has directed strong, aggressive action in such management actions. Contractual support associated with each major project and the interrelation of projects includes development, preparation and submission of system descriptions and technical factors; technical studies, analyses and reports concerning adequacy of implementation actions or problems and continuous evaluation and recommendations concerning timeliness and economy of implementing actions.	$ 600

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 70
Unknown	ENGINEERING SUPPORT FOR SOUTHEAST ASIA	$ 806
	The support is required to provide engineering assistance in the management and technical pursuit of interface and integration problems encountered during the planning for, and implementation of, the various communications subsystems in Southeast Asia. The major effort is required for implementation of the necessary expansions, overbuilds, and extensions to the main system resulting from the programmed requirements set forth in the FY 68 Integrated Wide-Band Communications System (IWCS) Phase III Plan, and the FY 69 IWCS Subsystem/Project Plan (Phase IV), to include integration aspects associated with the automatic tandem switch network; AUTOSEVOCOM; the submarine cable system; the Recoverable IWCS Terminals, and the Defense Satellite Communications System. Support to DCA-SAM is required to provide engineering continuity and computerized upgrading inputs to the DCA-SAM prepared System Engineering Plans, such as: a. Signalling Plan. b. Transmission Plan. c. Tactical Equipment Interface Plan. d. Through Group and Multiplex Equipment Plan. e. Equipment and Procedure Standardization Plan. f. Circuit and System Restoral Plan. This effort will be a continuation of the two previous years in support of DCA-SAM future plans.	
Unknown	DCS TECHNICAL VISITS PROGRAM SUPPORT	$ 480
	Contractual support is required for this program established to achieve the maximum attainable level of performance for each government-owned transmission link in the DCS, to support programming actions, the development of subsystem/project plans and the development of performance and maintenance standards, through collection and analysis of accurately measured engineering data. It is a program to measure and evaluate the performance of the various DCS operational transmission links in terms of the following:	

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor		FY 70
Unknown (Cont'd)	DCS TECHNICAL VISITS PROGRAM SUPPORT	

a. The separate performance characteristics of major units of equipment.
b. The combined performance characteristics of major units of equipment arranged in a back-to-back configuration.
c. The overall performance of the link including the radio path and the effects of diversity.
d. Tandem Link performance.

A pilot program has been established in Europe in order that accurate planning factors and test procedures can be developed and applied to the task of testing all DCA links on a worldwide basis. Pilot tests are required on links which are of critical importance to the AUTOVON build up in this area. Contractual support for the analysis and reduction of these test results is required.

TOTAL FY 1970: $3,000

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 69
Western Union Telegraph Co.	ENGINEERING SUPPORT FOR AUTODIN Follow-on Automatic Digital Message Switching Center (ADMSC) Engineering. The requirement for follow-on ADMSC engineering to correct deficiencies, detected through operating experience, to the AUTODIN overseas switching centers has been recognized from the program inception. Contractual support is required to provide engineering assistance on a task basis to include participation in engineering working groups to resolve procedural, operational, reliability and technical problems that arise through operating experience. Terminal Equipment Engineering. The present Digital Subscriber Terminal Equipment (DSTE) contract will not be completed and all installations made until FY 1971. Contractual support is required to provide engineering assistance to monitor the terminal equipment effort and to participate in engineering studies for enhancing the terminal through implementation of the computer interface, magnetic tape and higher speed capability inherent in the DSTE design.	$1,521
Western Electric Co.	ENGINEERING SUPPORT FOR AUTOVON Contractual engineering services for AUTOVON are required to provide support for implementation, including cutover, of the overseas program. This support involves circuit engineering, switch encoding, implementation (testing, cutover, post-cutover analysis, etc). During FY 69 the level of support required increased because seven additional switches (2 cutovers) will be placed in service in Europe and five additional switches (2 cutovers) will be placed in service in the Pacific during FY 1969 and FY 1970. The workload of DCA-Europe and DCA-Pacific is expected to peak during this period in the technical aspects of cutover, trouble location and recommended resolution, testing, acceptance, etc.	$ 990

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 69
Communications & Systems Inc.	SYSTEM ENGINEERING FOR AUTOSEVOCOM SUPPORT The AUTOSEVOCOM program will require contractual engineering support through FY 73 corresponding with requirements for switching and subscriber terminal equipments. These requirements are in accordance with the DCA System Plan for World-Wide Secure Voice Network dated 1 Nov 65, approved by OSD on 16 Feb 66. This plan requires that criteria for switch sites, terminal sites, engineering and installation, testing and acceptance, reliability, interface and construction design be established. Concurrently plans for cutover, logistics, training, network configuration, network switching and implementation must be accomplished.	$ 137
Communications & Systems Inc.	SYSTEM ANALYSIS SUPPORT Data Base and Network Configuration. This task is designed to provide engineering studies and assistance to DCEO for preparing data base and network configurations for varied network configurations. Systems Effectiveness. Contractual support is required to provide engineering studies to determine effectiveness and intefaces between DCS switching systems and commercial type terminal equipment and identify and recommend solutions for system engineering problems associated with the total design of communications systems. It will provide engineering studies and assistance in developing detailed implementation plans to include cutover, reconfiguration, test and re-homing of subscribers and recommendations pertaining to the network trunking configuration for optimum utilization and cost effectiveness throughout all phases of the implementation. Analysis of Proposed Communications Systems to Identify and Define Interface Problems. Contractual support is required to analyze planned and proposed communications systems to identify and define intersystem relationships associated with integration into the DCS and provide recommendations for technical changes to ensure effective integration and to avoid sévere and costly problems at the time of integration.	$ 400

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 69
Western Electric Co.	ENGINEERING SUPPORT FOR SOUTHEAST ASIA Contractual engineering support is required to provide system engineering for the Southeast Asia internal Direct Distance Dialing system, transmission, network configuration and the integration of AUTOVON, AUTODIN and AUTOSEVOCOM switches. Support required for subsystem interface and integration includes engineering analysis, design and guidance, development of technical and operational guidelines for consolidated communications within and to Southeast Asia, monitoring implementation of various subsystems, and providing engineering and management support for installing switches in the Southeast Asia area. This effort is reflected in the DoD approved plan for Southeast Asia.	$ 800
Communications & Systems Inc.	DCS TECHNICAL VISITS PROGRAM SUPPORT Contractual support is required for this program established to achieve the maximum attainable level of performance for each government-owned transmission link in the DCS, to support programming actions, the development of subsystem/project plans and the development of performance and maintenance standards, through collection and analysis of accurately measured engineering data. It is a program to measure and evaluate the performance of the various DCS operational transmission links in terms of the following: a. The separate performance characteristics of major units of equipment. b. The combined performance characteristics of major units of equipment arranged in a back-to-back configuration. c. The overall performance of the link including the radio path and the effects of diversity. d. Tandem Link performance. A pilot program has been established in Europe in order that accurate planning factors and test procedures can be developed and applied to the task	$ 300

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 69
Communications & Systems Inc. (cont'd)	of testing all DCA links on a world-wide basis. Pilot tests are required on links which are of critical importance to the AUTOVON buildup in this area. Contractual support for the analysis and reduction of these test results is required.	
	Total FY 1969	$4,148

Note: All of the above contractors are for profit.

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 68
Western Union Telegraph Co.	ENGINEERING SUPPORT FOR AUTODIN	$1,695
	Program Implementation. Contractual support was required to provide engineering assistance on a task basis to include participation in engineering working groups to resolve procedural, operational, reliability and technical problems that arise in every phase of the implementation of AUTODIN through the operational cutover and acceptance of the various subsystems that comprise AUTODIN. Engineering studies were requried to assist in monitoring of the modems, terminal equipment, switching center and software. Site Criteria and Engineering. Contractual support was required for assistance in solving engineering and installation problems in connection with site surveys, construction design criteria, progress reports and maintenance of construction records. Transmission Engineering. Contractual support was required to determine the specific transmission facilities and lines for the AUTODIN subscriber access to the AUTODIN switch and to assist in providing guidance for the transmission upgrading where necessary. The greater portion of this effort was expended in performing circuit layout engineering on the circuit facilities involved in AUTODIN cutovers. It included a survey of such non-switch nodal points as required and physical testing of circuits and systems to verify performance. It also included the preparation of circuit layout cards, circuit sketches, and circuit orders, which is a continuing requirement in support of the DCA Area Offices. Network Cutover and Activation. Contractual support was required to assist in the development of cutover plans for each of the switches and to provide on-site assistance prior to, during and subsequent to cutover.	
Western Electric Co.	ENGINEERING SUPPORT FOR AUTOVON	$ 875
	Contractual engineering services were required to support implementation, including cutover, of the overseas program. This support involved circuit engineering, switch encoding, implementation (testing, cutover, post-cutover analysis, etc).	

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 68
Communications & Systems Inc.	SYSTEM ENGINEERING FOR AUTOSEVOCOM SUPPORT Support required in accordance with the DCA System Plan for World-Wide Secure Voice Network dated 1 Nov 65, approved by OSD on 16 Feb 66. This plan was modified to refine its basic configuration. Phase I required that criteria for switch sites, terminal sites, engineering and installation, testing and acceptance, reliability, interface and construction design be established. Concurrently plans for cutover, logistics, training, network configuration, network switching and implementation were accomplished. FY 1968 effort was applied mostly to network configuration.	$ 50
Communications & Systems Inc.	SYSTEMS ANALYSIS SUPPORT Data Base and Network Configuration. This task is designed to provide engineering studies and assistance to DCEO for preparing data base and network configurations for varied network configurations. System Effectiveness. Contractual support was required to provide engineering studies to determine effectiveness and interfaces between DCS Switching Systems and commercial type terminal equipment and to identify and recommend solutions for system engineering problems associated with the total design of communications systems. Engineering studies and assistance in developing detailed implementation plans to include cutover, reconfiguration, test and rehoming of subscribers and recommendations pertaining to the network trunking configuration for optimum utilization and cost effectiveness throughout all phases of the implementation were provided. Analysis of Proposed Communications Systems to Identify and Define Interface Problems. Contractual support was required to analyze planned and proposed communications systems to identify and define intersystem relationships associated with integration into the DCS and provide recommendations for technical changes to ensure effective integration and to avoid severe and costly problems at the time of integration.	$ 650

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 68
Communications & Systems Inc.	TRANSMISSION SYSTEM ENGINEERING With the advent of the AUTOVON, AUTODIN and AUTOSEVOCOM Programs in the Pacific, and especially Southeast Asia, the Defense Communications System which services the DoD needs in that area was to be transformed from a network of point-to-point dedicated circuits to an automated switched system. The DCA was responsible for the management and operation of this automated communications switching system on a global basis. Each of the various subsystems (voice, data, secure voice, dedicated channels) was designed on the basis that transmission systems are or could be made available. A constant review of transmission plans and planning was continued in order to insure that the transmission facilities were constructed and were in the right places at the right time. The transmission planning required for molding the various switching systems into an integrated whole could only take place in the Defense Communications Agency since Military Departments and contractors approach only pieces and parts of the problem. DCA did not have the in-house capability to provide the requisite transmission system engineering on a timely basis without contractual assistance since decisions had to be made rapidly in response to changing conditions. In this regard, the Defense Communications Engineering Office, as the cognizant upon which the entire Pacific Transmission System, including Southeast Asia, will be based, is in need of timely and continuing contractual engineering support.	$ 282
Western Electric Co.	ENGINEERING SUPPORT FOR SOUTHEAST ASIA Contractual engineering support was required to provide system engineering for the Southeast Asia internal Direct Distance Dialing system, transmission, network configuration and the integration of AUTOVON, AUTODIN and AUTOSEVOCOM switches. Support required for subsystem interface and integration included engineering analysis, design and guidance, development of technical and operational guidelines for	$1,071

DCS CONTRACT SUPPORT

PROCUREMENT

($ in Thousands)

Contractor	Purpose	FY 68
Western Electric Co. (cont'd)	consolidated communications within and to Southeast Asia, monitoring implementation of various subsystems, and providing engineering and management support for installing switches in the Southeast Asia area. This effort was reflected in the DoD approved plan for Southeast Asia.	
	Total FY 1968	$4,623

Note: All of the above contractors are for profit.

NATIONAL MILITARY COMMAND SYSTEM CONTRACTS

Mr. LIPSCOMB. Would you do the same thing for the National Military Command System support?

General KLOCKO. Yes, sir.

(The information follows:)

DEFENSE COMMUNICATIONS AGENCY

NMCS RDT&E CONTRACTS

NMCS

Contractor	Type of Contractor	Purpose	Amount (Thousands) FY68	FY69	FY70
Lambda	For Profit	Technical assistance in growth, development & effective use of QUICK - Reacting General War Gaming System	304	191	200
George Washington University	Educational	NSN logistics research project	225	0	0
Massachuetts Institute of Technology	(Educational)	Modelling of transportation systems, civil engineering-modelling system & analysis of transportation systems	30	0	0
Planning Research Corporation	For Profit	Simulation of airlift resources model	100	99	0
Stanford Research Inc.	For Profit	On-line planning research	5	0	0
		Nuclear Vulnerability Analysis-STRATPRO	0	0	300
System Development Corporation	For Profit	Operational improvement JOVIAL J5.2 compiler, technical assistance at ANMCC	97	0	0
		Engineering services related to evaluation of ADEPT system	55	176	330
		Technical assistance in modification of COOP monitor, Operating systems & JOVIAL compiler	35	0	0
		Movement Requirements Generator Capability Design specifications	93	44	0
Technical Operations Incorporated	For Profit	Operational analytic support for MOVECAP & Mobility Support Force Studies	350	0	0
		Special Studies	0	24	0
		Operational analytic support for MOVECAP & Mobility System Support Resources Study	105	347	250
System Sciences Corporation	For Profit	Studies, analyses, research to revise nuclear vulnerability analysis/ damage assessment handbook	175	35	0

Contractor	Type of Contractor	Purpose	Amount (Thousands) FY68	FY69	FY70
Research Analysis Corporation	FCRC	Definition of models,techniques & methodolgies;Study of European Theater Transportation System	399	392	0
		Theater Battle Model-68 development	0	89	0
		Technical Assistance to Special Assistant for Strategic Mobility	0	0	400
International Business Machines	For Profit	Analysis of SEA data files & manipulation of data for cost analysis,effectiveness analysis & integrated force deployment system	1710	1690	0
		Conversion of 1410 formatted system to 360/50 IBM system	62	0	0
		System maintenance,file analysis & training in NMCS Information Processing System	357	0	0
		Technical effort on TRAMPS model, LIFT and TNTS models	0	76	0
		Development & evaluation of suppression & installation of suppression materials	0	14	0
		Computer programs for NMCC & ANMCC communications link	0	100	0
MITRE	FCRC	System analysis, technical review & evaluation in support of JCS & OSD projects	3122	3174	3100
Computer Sciences Corporation	For Profit	System Analysis, design, Computer program development & production data base management & development file specifications	3534	0	0
Informatics	For Profit	Modification of Query Display Console software system & interface w/360 formatted file system	58	0	0
		Analysis, program design & development of programs, manuals & documentation of an Exercise Production System	50	145	0
		Modification of an on-line display system	146	0	0
Control Data Corporation	For Profit	Research on improvement of MATRA & other linear program models	3	0	0
CEIR	For Profit	Modification of computer program	0	2	0
Anagram	For Profit	Technical assistance-Maintenance of SATAN model & development, design & implementation of improvements to it.	0	45	0

Contractor	Type of Contractor	Purpose	Amount (Thousands) FY68	FY69	FY70
Unknown*		Model development data base and technical support-JOLLIWACO	76	0	0
		ADEPT Augmentation	0	300	0
		Data Management System Tests	0	10	0
		National Value Matrix	0	96	0
		General War Systems Support	0	0	200
		Common Software development	0	0	120
MIPRS & Special Contracts		Military Interdepartmental Purchase Requests issued or to be issued to MilDeps for in-house and/or contractual technical assistance; & contracts for computer time	866	251	100
		TOTAL PROGRAM:	11957	7800	5000

* Not known until contract is awarded.

OPERATIONS AND MAINTENANCE

NMCS CONTRACT SERVICES

Contractor	Type of Contractor	Purpose	Amount (Thousands) FY68	FY69	FY70
Computer Sciences Corp.	For Profit	General Technical Support furnished to NMCS user; direct support of Southeast Asia Programs; Strategic Mobility; War Systems Data Base Maintenance and DCA Common Support to JCS/OSD	-	4,117	-
Undetermined		same as above	-	-	3,491
International Business Machines	For Profit	NIPS 360 and Operating System Maintenance-NMCS Information Processing System and On-line system maintenance for the IBM 300 Computers	-	-	290
International Business Machines	For Profit	Planning support for Southeast Asia System design; combat analysis models; Force Planning System and Information Processing Improvements & Training	757	1,433	-
Undetermined		same as above			1,928
System Development Corporation	For Profit	Compiler Improvements	-	-	270
Undetermined		JWGA Support - Model Operation			300
Undetermined		SASM Support - Model Operation			300
Undetermined		SEAPRO Support - Operations			400
Undetermined		STRATPRO Support - Studies			100
Undetermined		Systems Software Maintenance & Operations			271
System Development Corporation	For Profit	JOVIAL Maintenance - All users	-	50	-
		TOTAL:	$ 757	$5,600	$7,350

NOTE: For FY 1970, contractors not determined until contracts are awarded.

General KLOCKO. I might add, in relation to the contract engineering services, we hope that this will go down still further when we get the Systems Engineering Facility that we were talking about previously. This is the type of work that they should be doing.

CONTRACT WITH COMPUTER SCIENCES CORP.

Mr. MINSHALL. Was the present contract that you have with Computer Sciences Corp. on a bid basis?

General KLOCKO. Negotiated competition; yes, sir.

Mr. MINSHALL. How many were in on the competition; do you know?

General KLOCKO. It happened before my time. I know there were four. About 11 put in for it.

Mr. MINSHALL. Who is Computer Sciences Corp.? They are not a subsidiary of one of the larger groups; are they? Was the corporation specifically set up for this particular job? Do they do a lot of work for other people?

General KLOCKO. I am quite sure they do work for others.

Mr. GARDNER. They are not new to this job. They are a relatively new company in its field in terms of years compared to RCA or IBM. They were in existence prior to this contract and very prominent in this area.

Mr. MINSHALL. What area?

Mr. GARDNER. The Washington area. I am not sure this is their home office.

Mr. MINSHALL. I think it would be interesting to have for the record what other types of work they do, their home office, and what percentage this contract represents of their entire structure.

General KLOCKO. If we can get that sort of information.

Mr. GARDNER. We had this question previously, the background of the company.

(The information follows:)

The information on Computer Sciences Corp. is as follows:

The Computer Sciences Corp. was established in the Los Angeles, Calif., area in 1959 for the purpose of performing computer software related services, initially for the computer industry itself. It was not then, and is not now, affiliated with any of the larger firms.

The DCA requirements resulting in the award to Computer Sciences Corp. developed in early 1967. Thus, the firm was well established to undertake the work of the Defense Communications Agency.

Since its organization, the company has expanded its capability to now include systems programing, application programs, information systems development, facilities management, applications packages, education services, system leasing, and information network services.

In terms of company income, the Defense Communications Agency contract provides about 7.9 percent, while work for others provides 92.1 percent of such income.

POSSIBLE PERSONNEL REDUCTIONS RESULTING FROM CONTRACTS

Mr. MINSHALL. In response to a question by Mr. Andrews, General, I was interested in your saying that you use these systems engineering people to analyze the shipment of troops overseas, how many ships it would take, how it was best to ship them, by sea or air, and all the other things you crank into one of these problems.

The military has been doing this for a long time now, whether it be at Leavenworth or the Joint Chiefs. I am just wondering if you

have been able to cut back on any personnel as a result of the systems analysis.

General KLOCKO. They work on the computerization. Programing is an ambiguous word. They work on computerization of this type of problem for the Joint Chiefs. All of this work is for the Joint Chiefs, not for us. Specifically, in this case, for the Special Assistant for Strategic Mobility.

Mr. MINSHALL. You are saying, in effect, you could substitute a computer for the Joint Chiefs of Staff, are you not?

General KLOCKO. No, sir. This is one of the things they would like to know more of. The completed system provides more complete and accurate information than they have ever been able to get before. The problem has been the same. What do you need to transport an organization overseas?

Mr. MINSHALL. They have been going through these problems for years.

General KLOCKO. That is right, and some of them were done very haphazardly, too. The hope here is that it will be a much more precise operation. Here again, the requirements for this type of support all generate in the Joint Staff. We have been designated as the technical support for activity for them, to be the operating agency to sat sfy their requirements.

Mr. MINSHALL. What has happened to all the pencil pushers? Can you get rid of some of them now?

General KLOCKO. We did not have them. The services presumably have a lot of logisticians. Whether this would release anybody or not, I do not know.

Mr. MINSHALL. It would be the basic idea, would it not, to save some money as you go down the road?

General KLOCKO. Probably to get better and more accurate information to do a better job, not necessarily to save people.

Mr. MINSHALL. That is all. Thank you.

WASHINGTON NOTIFICATION OF EC–121 LOSS

Mr. ADDABBO. General, getting back to the Korean situation, looking at your chart No. 3, would you indicate the route taken by the message from Korea to Washington?

General KLOCKO. Chart No. 3 will not show it, sir. This will show the command system in the military services in the Washington area. Are you talking about a route for a message coming from Korea?

Mr. ADDABBO. Right.

General KLOCKO. It will go ——— through the Defense Communications System all the way back to Washington, cable, tropospheric scatter, and any other way that is available at that particular time. Exactly which route it would take of the several that are available, I have no way of knowing. The only person who knows about it is the person at the technical control facility at the time. If one of the tropo systems happened to be out, it might go by satellite. Or, if a cable is out, it might be transferred to the satellite or to the tropo system. The precise route it would travel, I do not know, or even what countries it would go through.

Mr. ADDABBO. Did this message to the White House take the quickest route?

General KLOCKO. The actual communications time involved in this was ——— minutes, sir, which is quite good. The goal that we have set for ourselves on this type of communication is ——— minutes. So, it was well under the goal. This is ——— minutes from South Korea into the White House and the NMCC. By anybody's standards, this is considered pretty good.

NOTIFICATION TIME IN EVENT OF SOVIET ATTACK

Mr. ADDABBO. If a missile was fired from the Soviet Union toward the United States, what would be the time lapse in getting the first knowledge to the White House?

General KLOCKO. These are the dedicated systems that we ordinarily do not keep traffic figures on. I think here you probably would have to ask the Commander of NORAD in Colorado Springs, the control center into which all this type of information feeds from a myriad of different types of centers around the world, in Alaska, overseas, some of them in the States.

We have some of this almost everyplace that we have military forces of different types. They all feed back directly into the Cheyenne Mountain complex at Colorado Springs. The control boards and everything are there. They aim for near real time, which means almost instantaneous.

On the BMEWS system, I know that they get very close to real time, almost instantaneous reporting.

All of these circuits, of course, are a portion of the DCS, but the utilization of the information in the tranmission media is controlled by NORAD.

SUFFICIENT WARNING TO LAUNCH ABM

Mr. ADDABBO. Do you feel we have a sufficient sophistication within the communications system to give us sufficient time from a launch in the Soviet Union so that, if we did have an ABM system, we would be able to retaliate with the ABM system?

General KLOCKO. You are asking me what is the time of retaliation of the ABM system, and I really do not know.

Mr. ADDABBO. If an ABM system were initiated, would additional moneys be needed for communications facilities?

General KLOCKO. At the present time, the communications associated with the ABM system are planned to be a portion of the DCS. Hopefully, they would not require any more of the basic types of transmission media. We may have some sensing devices or some readout devices of a type I do not know anything about at this point in time.

Mr. ADDABBO. Thank you. No further questions.

CIVILIAN EMPLOYMENT

REQUEST FOR ADDITIONAL CIVILIAN EMPLOYEES

Mr. MAHON. On page 9 of your budget justification, you have a summary table of your personnel requirements. This table indicates that you are requesting 12 additional civilian employees for your head-

quarters operation in 1970, and 135 additional employees for your field activities in 1970. Would you please tell the committee why these additional employees are required and what types of positions they will fill?

General KLOCKO. Seventy-two of the additional civilian employees are for the National Military Command System Support Center to support JCS and OSD automatic data processing requirements. These employees will be computer program analysts, system analysts, and computer operating personnel.

The increase for DCA Headquarters (12) and the DCS field activities (63) are for control and management required by the cutover of AUTOVON and AUTODIN networks in the overseas areas; transmission engineering and systems planning engineering primarily in the overseas areas.

It is planned that the requested personnel will be communications specialists, electronic engineers, and other technical and scientific personnel required for implementation of phase II of the Defense Communications Satellite System and the Defense Special Secure Communications System.

ADDITIONAL MILITARY PERSONNEL

Mr. MAHON. The same table indicates that you are planning on 35 additional military personnel for your headquarters operation, and 113 additional military personnel for your field activities. Would you please provide for the record why these additional military personnel are required and what types of positions they will fill?

(The information follows):

The additional military personnel for fiscal year 1970 are planned to be utilized as follows:

	Mil
Planned utilization of headquarters personnel:	
System planning and engineering; policy planning and guidance on COMSEC development of DCS/NCS standards	4
Switched networks implementation	10
Switched networks management; and increased support with transition of communications systems from an implementation to an operational environment	20
Communications engineer to assist in expansion of NMCS command center communications	1
Planned utilization of field activities personnel:	
DCEO: Transmission facility planning and improvement	4
NMCSSC: National Military Command System Support in updating ADP capability, including additional shift operations	47
DCA Regions: DCA-MEA and DCA-FE	2
DCAOC: Switched networks management and administrative support; and NMCS support	12
DCA-PAC: Switched networks management	12
DCA-EUR DCA-AL DCA-West HFM: Switched networks management	30
Transmission facility planning & improvement	1
and administrative support	6
Total	148

LOCATION OF NEW EMPLOYEES

Mr. MAHON. For the record, will you please tell us at which field locations these new civilian and military employees will be located?

(The information follows:)

FISCAL YEAR 1970 PERSONNEL INCREASES FOR FIELD ACTIVITIES

	Military	Civilian
DCA Operations Center	12	6
DCA, Europe	30	7
DCA, Pacific	12	10
DCA, Alaska	1	
DCA, Western Hemisphere	5	8
DCA, United Kingdom		1
DCA, Middle East Asia	1	1
DCA, Far East	1	1
DCA, Southeast Asia mainland		6
DCA, Korea		3
Defense Communications Engineering Office	4	20
National Military Command System Support Center	47	72
Total	113	513

MAN-YEARS AND COST OF ADDITIONAL POSITIONS

Mr. MAHON. In connection with your 185 additional civilian employees for your field activities, apparently you are only planning on 40 additional man-years. Is this not an extremely high lapse factor? In other words, it appears you won't be bringing these people on board until the second half of fiscal year 1970. Why is there a need for these additional employees late in the fiscal year?

General KLOCKO. The requested increase in civilian personnel authorization will not be available for recruiting action until the beginning of the fiscal year. It has been our experience that recruiting is extremely slow for scarce technical and professional personnel required to accomplish complex computer programing and program development functions, and engineering and technical functions in support of such activities as the Defense Satellite Communications program, the Defense Special Security Communications System and the worldwide automatic switched networks. Our projected man-year utilization reflects this difficulty in recruiting both to maintain our present technical and scientific personnel and to meet additional requirements.

Mr. MAHON. In addition to the 40 additional man-years for your field activities, you are also requesting an increase of 8 man-years for your headquarters, for a total increase in 1970 of 57 man-years. Would you please tell the committee what the cost of these 57 man-years will be in fiscal year 1970 and what their full-year cost will be in fiscal year 1971?

General KLOCKO. The estimated personnel costs for these 147 new positions (57 man-years) in fiscal year 1970 will be $741,000 with full year costs in fiscal year 1971 of $1,911,000.

INCREASES IN AVERAGE GRADE

Mr. MAHON. On page 10 of your budget justification, you have a summary of civilian personnel by grade. In fiscal year 1968, of 1,278 General Schedule employees, 603 were in the grade of GS–12 and

above, and 670 were in the grade of GS–11 and below. However, in fiscal year 1969, you increased your GS–12's and above by 25, but decreased your GS–11's and below by 62. This would seem to imply that in fiscal year 1969, as you lost lower grade employees because of the Revenue and Expenditure Control Act, rather than replace these lost employees with employees of a similar grade, you have instead used these vacancies to hire higher grade employees. Have you applied the Revenue and Expenditure Control Act only to your lower grade employees?

General KLOCKO. Secretary of Defense Memorandum, Limitations on the Number of Civilian Employees, July 15, 1968, implementing the Revenue and Expenditure Control Act, established the policy that the reduction in civilian employment should be achieved by voluntary actions by the greatest practical extent. In cognizance with this policy, the Defense Communiations Ageny has instituted no involuntary reduction in force actions. Both our predicted experience and our actual experience has been that the predominate number of voluntary resignations and other removals have been clerical personnel with minimum time in Government service. While the most of the voluntary resignations have occurred in the clerical areas, the Agency's most urgent vacancies have been in the professional and technical area, such as electronic engineers, communications specialists, systems analysts, program analysts, operations research analysts, and mathematicians.

The grades of DCA positions are based on civil service standards and guidelines. All positions are reviewed for essentiality, as well as completeness and accuracy of position descriptions, in accordance with the Whitten amendment (82d Cong.).

Mr. MAHON. Would you please tell the committee what changes have occurred in DCA during fiscal year 1969, either organizationally or in your assigned responsibilities, so that you would require this increase in your grade 12's and above?

General KLOCKO. As you will note, in our earlier testimony I pointed out the reduction in R.D.T. & E. contractual effort from $11.9 million in 1968 to $7.8 million in 1969 in support of NMSC, the Joint Chiefs, and OSD. While we had a drawdown in contractual assistance in development of computer programs and programing techniques, we have had to increase our in-house capability to operate and maintain these programs. The increases in fiscal year 1969 over fiscal year 1968 relate primarily to the requirement to hire systems anaylsts, program analysts, and senior ADP analysts in support of such OSD and JCS offices as Southeast Asia Programs Division, Strategic Programs Division, OASD(SA), and Special Assistant for Strategic Mobility. Additionally, there was a requirement in 1969 to increase our engineering and technical staff in support of Defense special security communications systems and communications transmission media upgrading.

Mr. MAHON. In 1970, this upgrading becomes even more significant. As previously mentioned, you are requesting an increase in your total civilian employment of 147 positions in 1970. However, of these 147 positions, 86 will be in grade 12 and above positions, and only 59 will be in the grade 11 and below, and two will be ungraded. It would appear that the committee could say that you are heading in the direction of building an organization at DCA of all chiefs and no Indians. Do

you really need an increase of these many high-grade employees?

General KLOCKO. As I mentioned in my earlier testimony, of the 147 additional personnel end strength, 72 of these spaces are for the National Military Command System Support Center which exists solely to provide ADP support to the National Military Command System, Joint Chiefs of Staff, and Office of the Secretary of Defense. These personnel are required for two reasons. There will be a further drawdown in R.D.T. & E. contractual assistance from $7.8 million in 1969 to $5 million in 1970. At the same time we have had additional ADP requirements in support of OSD and JCS users, such as Special Assistant for Counterinsurgency and Special Activities and to the Assistant to the Chairman, JCS, for Strategic Arms Negotiations. For DCS functions, the requirements in 1970 for new personnel are for engineers and other scientific personnel in support of phase II of the Defense Satellite Communications System, the Defense Special Security Communications System and traffic engineering and analysis in support of the overseas implementation of Autovon and Autodin.

INCREASED FUNDS FOR PERSONNEL COMPENSATION

Mr. MAHON. On page 8 of your budget justification in your summary of direct obligations by object classification, for personnel services you are requesting $16,067,000 for fiscal year 1970, an increase of $900,000 over your planned requirement for fiscal year 1969. However, to support this $900,000 increase, you are requesting 57 additional man-years. This would equate to a man-year cost of $16,100. Is not an increase of $900,000 in relation to an increase of only 57 man-years an exceptionally high figure?

General KLOCKO. The portion of the $900,000 which relates to the 57 additional man-years is $689,000. The remainder is for annualization of the fiscal year 1969 pay raise; annualization of fiscal year 1969 man-years and an increase in average compensation for employee in grade increases.

INCREASED FUNDS FOR RENT, COMMUNICATIONS, AND UTILITIES

Mr. MAHON. In the area of rents, communications, and utilities, at this time last year you were estimating that your 1968 obligations would be $4.8 million. We now note on page 8 of your justification that your actual 1968 obligations for this account were $7 million, $2.2 million higher than estimated. For fiscal year 1969, your estimate at this time last year was $5.1 million. We now note that your current estimate for fiscal year 1969 is $9.5 million, or $4.4 million higher than originally estimated. What changes have occurred in the area of rents, communications, and utilities that have caused your original estimate for fiscal years 1969 and 1968 to be understated by this large amount?

General KLOCKO. Our object class structure was revised at the beginning of fiscal year 1969. Computer maintenance and leases previously recorded under object class 250, other services, are now recorded under rents, communications, and utilities. You will notice a corresponding decrease for fiscal year 1968 and fiscal year 1969 in object class 250, other services.

Mr. MAHON. For fiscal year 1970, you are requesting $11.2 million, an additional increase of $1.7 million over your current estimate for fiscal year 1969. Why is this increase required, and will this account continue to rise at the rate of almost $2 million per year?

General KLOCKO. The increase of $1.7 million is for additional and/or improved computers and related ADP equipment for the NMCSSC. The increasing computer capacity is required to perform computational, data storage and data retrieval tasks levied upon this Agency by the Joint Chiefs of Staff and the various offices within OSD that this Agency has been directed to support.

Future increases in NMCSSC computer requirements are totally dependent upon the number, volume, complexity and magnitude of ADP tasks levied upon this Agency by JCS and OSD.

INCREASED FUNDS FOR OTHER SERVICES

Mr. MAHON. For fiscal year 1970, you are requesting an increase of $1 million in your other services account. Would you please tell the committee why this increase is required, and also what all is included in the $12.2 million?

General KLOCKO. The $1 million increase is for national military command system contract support for OSD and JCS. As explained previously, there is a corresponding decrease in the R. & D. project support. This NMCS O. & M. support amounts to $7.4 million. The remaining costs includes payment to the Navy for the Navy Service Center and payment to hosts for the DCS field activities $1.3 million. Payment to the Post Office for indicia mail $0.245 million, contract engineering services for the DCS $1.4 million, and engineering and installation of communications equipment $0.380 million. The remainder covers miscellaneous costs such as fire and security service, minor construction costs, employee training and recruiting costs, and guard and custodial services.

PURCHASE OF EQUIPMENT

Mr. MAHON. In fiscal year 1970, you are requesting $633,000 for the purchase of equipment, an increase of $200,000 over your planned requirement for fiscal year 1969. What do you plan to purchase with this $633,000?

General KLOCKO. $633,000 will provide small items of equipment, less than $1,000 each, for DCA areas and regions; security equipment such as combination safes and filing cabinets; initial equipment, desks, chairs, typewriters, et cetera, for 295 additional military and civilian personnel and replacement office equipment for the remaining military and civilian personnel assigned to DCA.

PAYMENT OF OVERTIME

Mr. MAHON. Would you please provide for the record the dollar amount for the payment of overtime included in the fiscal year 1970 budget? Also provide the comparable amounts for fiscal years 1968 and 1969.

(The information follows:)

[In thousands of dollars]

	Fiscal year		
	1968	1969	1970
Overtime	157	262	262

POSSIBLE REDUCTIONS IN CIVILIAN EMPLOYMENT IN 1970

Mr. MAHON. Also provide for the record, both in terms of dollars and positions, the impact on your 1970 budget if the Revenue and Expenditure Control Act of 1968 remains in effect.

(The information follows:)

If the Revenue and Expenditure Control Act remains in effect it would immediately eliminate the 147 civilian personnel increase and the additional loss by attrition is estimated at 42 civilian personnel. The budget estimate would be reduced by $975,000.

AUTOVON CONVERSION PLANS

CONVERSION TO ACCEPT DIGITAL TRAFFIC

Mr. MAHON. The committee understands that DCA is planning to convert AUTOVON to accept digital traffic. What is the total estimated cost of this effort?

General KLOCKO. Although basically an analog system, the present structure of AUTOVON permits the transmission and switching of digital traffic. Additional terminal equipment is required to permit this service.

The DCA is currently undertaking a study to determine the long-range digital requirements, both voice and record, of the DSC subscribers and to ascertain the most practical system responsive to these needs. This study of requirements has not developed to the point of providing even a gross estimate of the cost of future switched systems.

Mr. MAHON. In the AUTOVON system, you must establish an end-to-end circuit connection before a telephone conversation can be transmitted. If AUTOVON is converted to accept digital traffic, then it would never provide a message-switching capability. If this is so, what is the rationale behind this conversion effort?

(The information follows:)

It is not the current intent of the DCA to convert the AUTOVON to provide message switching.

PROVISION FOR REGENERATION CAPABILITY

Mr. MAHON. Will you not have to purchase additional equipment for the AUTOVON conversion to provide a regeneration capability over the long haul, such as to the overseas areas? If so, what will this cost?

General KLOCKO. AUTOVON, serving as the backbone carrier for such subsystems as AUTOSEVOCOM, DSSCS, AUTODIN, and its own alternate voice/digital subscribers now requires a regeneration capability at the overseas entry points.

The approved AUTOVON program provides for regenerators to be located at the following switching centers.

	Number of regenerators	Cost per annum
CONUS:		
Leased, Pottstown, Pa	6	$34,920
Leased, Lodi, Calif	10	58,200
Overseas:		
Government owned	45	[1] 777,000
Leased-Hawaiian Telephone Co	10	58,200

[1] One-time cost.

LOCAL DIGITAL MESSAGE EXCHANGE

Mr. MAHON. In about 1963 or 1964, there was an inhouse DOD study on the local digital message exchange (LDMX). Is the LDMX concept being implemented in DOD? How many LDMX do you contemplate having? Is it anticipated that new computer development will be necessary for the LDMX system?

General KLOCKO. The LDMX program is being implemented in the DOD. Under the rules laid down by the Secretary of Defense, all actions by the military departments to implement an LDMX must receive approval under DOD directive 4630.1 programing of telecommunications requirements. In that the LDMX is a subscriber terminal programed for by the military departments and approved by the Secretary of Defense, DCA does not know how many will be implemented. Each has to be justified on an individual basis. DCA is in the chain of review for these actions to insure compliance with interface criteria between the LDMX subscriber terminal and the DCS. Purpose of the review is to insure integrity of the DCS and capability to handle anticipated traffic loads to be generated by the LDMX. New computer development is not necessary for the LDMX.

Mr. MAHON. Has DCA taken a hard look at available computers developed under Government contracts, such as the UNIVAC 642B and the 1219, which could be used with LDMX to provide both a circuit switching and message switching capability for traffic between stations?

General KLOCKO. DCA has not looked at available computers such as the UNIVAC 642B or 1219 for LDMX application. DCA establishes interface criteria between the LDMX, the subscriber's equipment, and the DCS but does not control the makeup of the equipment (LDMX) on the other side of the DCS/non-DCS interface. The LDMX is by definition a single, automatic, digital, telecommunications processing system serving a DCS AUTODIN subscriber through transmitting, receiving, processing, and distributing information to and from remotely located input-output devices. Insofar as the DCS is concerned, the LDMX may have this telecommunications capability as a primary function or it may be a subscriber terminal which has as its primary function data processing supporting management, command, and control, or other functions and serve only, incidentally, as a communications facility with access to the general purpose DCS.

Mr. MAHON. Would it not be possible to include a voice analog matrix in the LDMX, thereby providing the flexibility of both a digital

and analog message and circuit switching capability at considerable savings to the Government, than pursuing the course now contemplated by DCA in converting Autovon to accept digital traffic?

General KLOCKO. This question must be considered in context with the preceeding items and those of Autovon. The LDMX would not be an LDMX if it performed circuit and message switching functions. Nor is Autovon being converted to accept digital traffic. Autovon is an automatic voice network which has an inherent digital capability if subscribers terminals are appropriately equipped to provide for digital generation and transmission of information. DCA is developing a modus operandi which will permit subscribers with the requirement for digital communications as well as analog voice communications from the same site to use Autovon, but is not converting the Autovon system per se. Those Autovon subscribers who use this method of analog and digital telecommunications are generally those whose digital communications requirements do not justify full period Autodin access and utilization.

USE OF A SIMPLIFIED ROUTING LOGIC

Mr. MAHON. What are you doing to develop a simplified routing logic, such as a universal numbering system, which would provide a routing logic inherent in the system itself without the necessity of using much of the memory bank of a switch to store the routing instructions for messages?

General KLOCKO. The routing logic used in today's worldwide record communication systems, including not only those of the U.S. Government but also those of other allied and friendly foreign nations, is a part of a fully coordinated and internationally agreed universal routing plan, having standardized application throughout all participating networks. This routing plan, using seven or less alpha characters to identify network communication stations and individual users, is essential to uninhibited traffic exchange within and between the various United States and other friendly foreign record communications systems.

In comparison to past proposals for changes in routing logic for record communications, the existing routing plan uses nominal memory storage within electronic messages and circuit switching systems and better meets the message routing and handling requirements within other interconnected worldwide networks which are, for the most part, still manually operated.

It is considered that change to a universal numbering system, having application in worldwide record communications, would not appreciably decrease total memory storage requirements in electronic switching operation and would necessitate renegotiation of worldwide routing plan agreements among participating nations.

As concerns the Defense Communications System Automatic Voice Network (Autovon) the routing logic (calling plan) is provided by a universal numbering system which closely parallels the system used by the A.T. & T. and other telephone companies within the United States.

COMPLETION RATE FOR AUTOVON CALLS

Mr. MAHON. The committee has been told that for the past few months only about 47 percent of all the calls placed on Autovon are actually completed. Please provide for the record a tabulation, by month, showing, of all calls placed on Autovon, how many actually are completed.

(The information follows:)

The method used for determining the Autovon completion rate is based on observing a representative number of calls each month on a sampling basis. This method is similar to that used by commercial telephone companies and provides adequate results in determining a system call completion rate and the reasons for calls not completed. The completion rate on Autovon for the past 5 months is shown as follows:

	Percent
November 1968	50
December 1968	53
January 1969	46.5
February 1969	48.1
March 1969	45.7

Mr. MAHON. How many long-distance calls are being placed commercially because of the fact all Autovon circuits are being used and Defense personnel must wait hours before a circuit is free?

General KLOCKO. Neither the number of long-distance calls placed outside Autovon nor the reason for these calls is systematically recorded throughout the Department of Defense, nor is there any known basis on which to make a reasonable estimate. While the number of busy signals within the Autovon system can be measured, this is normally done only on a sample basis. There is no attempt made either to measure the number of calls which cannot enter the system because customer access lines are busy or to differentiate the busy signals resulting from traffic within the system from those resulting from the fact that the specific extension being called is in use. Nor, in the sample, is any distinction made between the first and subsequent attempts at call completion.

Mr. MAHON. Thank you, gentlemen. The discussion here today gives us a better knowledge of communications operations within the Department of Defense.

General KLOCKO. Thank you, Mr. Chairman.

THURSDAY, APRIL 24, 1969.

CLAIMS, DEFENSE

WITNESSES

DON R. BRAZIER, DEPUTY ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)

JOHN R. QUETSCH, DIRECTOR FOR OPERATIONS, OFFICE OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER), PROGRAM/BUDGET

MAURICE H. LANMAN, JR., ASSISTANT GENERAL COUNSEL (FISCAL MATTERS)

CLAIMS, DEFENSE

For payment, not otherwise provided for, of claims authorized by law to be paid by the Department of Defense (except for civil functions), including claims

for damages arising under training contracts with carriers, and repayment of amounts determined by the Secretary concerned, or officers designated by him, to have been erroneously collected from military and civilian personnel of the Department of Defense, or from States, territories, or the District of Columbia, or members of National Guard units thereof; ($38 million) $41 million (Department of Defense Appropriation Act, 1969.)

DEPARTMENT OF DEFENSE, JUSTIFICATION OF ESTIMATES, FISCAL YEAR 1969

CLAIMS, DEFENSE—APPROPRIATION INTRODUCTION

[In thousands of dollars]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Appropriation or estimate	38,000	38,000	41,000
Unobligated balance of appropriation	−34		
Total obligations	37,966	38,000	41,000

This appropriation provides for the payment of all noncontractual claims against the Department of Defense as authorized by law and represents the consolidated requirements of the Secretary of Defense and the Departments of the Army, Navy, and Air Force.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities:			
1. Personnel claims	17,872	18,088	19,774
2. Tort claims	19,615	19,211	20,528
3. Admiralty claims	459	603	603
4. Other miscellaneous claims	21	98	95
Total obligations	37,966	38,000	41,000
Financing: Unobligated balance lapsing	34		
Budget authority	38,000	38,000	41,000
Budget authority:			
Appropriation	30,000	38,000	41,000
Transferred from other accounts	8,000		
Appropriation (adjusted)	38,000	38,000	41,000
Relation of obligations to outlays:			
Obligations incurred, net	37,966	38,000	41,000
Obligated balance, start of year	959	6,548	1,048
Obligated balance, end of year	−6,548	−1,048	−1,048
Adjustments in expired accounts	−208		
Outlays	32,169	43,500	41,000

SUMMARY OF OBLIGATIONS AND CASELOAD BY MAJOR CATEGORY

	Fiscal year 1968 actual		Fiscal year 1969 estimate		Fiscal year 1970 estimate	
	Number	Total	Number	Total	Number	Total
Personnel claims	110,038	17,872	111,100	18,088	121,000	19,774
Tort claims	62,908	19,615	61,600	19,211	65,700	20,528
Admiralty claims	147	459	190	603	190	603
Other miscellaneous claims	42	21	110	98	110	95
Total	173,135	37,966	173,000	38,000	187,000	41,000

Mr. SIKES. The committee is ready to consider the request for "Claims, Defense."

In fiscal year 1969 there was an appropriation of $38 million for this activity. For fiscal 1970 the Department is requesting $41 million, an increase of $3 million over the amount presently available. We have with us this afternoon Mr. Don R. Brazier, Deputy Assistant Secretary of Defense, Comptroller, and supporting witnesses.

Mr. Brazier, will you proceed with your statement.

GENERAL STATEMENT

Mr. BRAZIER. Mr. Chairman and members of the committee, I am appearing before your committee today to discuss the estimated requirements for the appropriation "Claims, Defense." This appropriation provides the necessary funds for the payment, as prescribed by law, of all noncontractual claims against the Department of Defense.

For fiscal year 1968 Congress appropriated $30 million and $8 million was transferred from the appropriation "Contingencies, Defense." The fiscal year 1967 carryover of $3.1 million was liquidated early in fiscal year 1968. In addition to the fiscal year 1967 carryover, the military departments' estimate of the total claims adjudicated and otherwise ready for payment in fiscal year 1968 was $36 million, of which $34.9 million was paid with funds available in fiscal year 1968, leaving a balance of $1.1 million which could not be paid due to lack of funds, and were carried over into fiscal year 1969.

An analysis of this account indicates that the number of claims is increasing, reflecting the growth in size and activity rates of Defense forces. But there is also a growth in the average size of all claims. In fiscal year 1968, 173,135 such claims were paid, averaging about $219, compared with 165,606 in fiscal year 1967, averaging $205. There was a $4 million increase in total obligations from 1967 to 1968 but obligations for major incidents declined by $1.6 million. Thus, obligations for recurring-type claims actually increased by $5.6 million.

For fiscal year 1969 Congress has provided a total of $38 million. The fiscal year 1968 carryover of $1.1 million which had to be liquidated early in fiscal year 1969, left a balance of $36.9 million for the payment of current year claims. Obligations through February 28, 1969, against this balance total $21.9 million, or 59.3 percent of that amount, as compared to 66.4 percent of the year expired. If this trend continues for the remainder of the year, there should be funds sufficient to pay all claims adjudicated and otherwise ready for payment. There should be no claims unpaid for lack of funds at the end of fiscal year 1969.

The fiscal year 1970 estimates are based on experience in fiscal year 1968 and early 1969 which reflects the trends in the number of claims. Barring an unforeseen increase in claims due to major incidents, no claims will be unpaid for lack of funds.

A summary of the claims adjudicated and related financing follows:

CLAIMS

(In millions of dollars)

	Actual			Estimated	
	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
Carryover from previous year	1.1	1.7	3.1	1.1	.....
Claims adjudicated during the year:					
Major incidents	.9	2.7	1.1	.6	.....
All other claims	23.7	32.7	34.9	36.3	41.0
Total claims	25.7	37.1	39.1	38.0	41.0
Financing	24.0	34.0	38.0	38.0	41.0
Appropriation (initial)	(24.0)	(25.0)	(30.0)	(38.0)	(41.0)
Transferred	.....	.....	(8.0)	.....	.....
Appropriation (supplemental)	.....	(9.0)	.....	.....	.....
Adjudicated claims carried over into the subsequent year	1.7	3.1	1.1	.....	.....

The various types of claims, for which provision has been made in this appropriation request are grouped into four major categories; namely, personnel claims, tort claims, admiralty claims, and other miscellaneous claims.

PERSONNEL CLAIMS

The personnel claims category which accounts for 48.2 percent of the appropriation request for fiscal year 1970 includes (1) claims of military and civilian personnel for private property lost or damaged in the mililtary services, (2) repayments of erroneous collections, and (3) claims arising from the correction of military or naval records. It is estimated that the general category of personnel claims will require approximately $19.8 million in fiscal year 1970.

TORT CLAIMS

The tort claims category which accounts for 50.1 percent of the appropriation request for fiscal year 1970 includes (1) cases arising under the Federal Tort Claims Act, (2) foreign claims against the services under the act of October 9, 1962. Approximately $20.5 million is expected to be required for claims of these types during fiscal year 1970.

ADMIRALTY CLAIMS

Admiralty claims which account for 1.5 percent or almost the balance of the appropriation request for fiscal year 1970 include payment under authority of the Admiralty Claims Act and Maritime Claims Act for claims arising from marine accidents and incidents involving vessels of the military departments. Admiralty claims are expected to require approximately $603,000 in fiscal year 1970.

OTHER MISCELLANEOUS CLAIMS

The other miscellaneous claims category accounts for only two-tenths of 1 percent of the appropriation request for fiscal year 1970 and includes (1) amounts for the indemnification of the Post Office Department for funds embezzled or for claims arising from error, loss, or defalcation of unbonded mail clerks and commissioned officers, and (2) claims for damage due to accidents arising under training contracts with contractors, caused by the negligence of military trainees. It is estimated that $95,000 will provide for such miscellaneous claims in fiscal year 1970.

In summary, the appropriation request of $41 million for fiscal year 1970 represents in our judgment a reasonable estimate of the requirements for all types of noncontractual claims against the Department of Defense.

All payments made from this appropriation are authorized by various statutes governing the settlement of claims. No provision is made for any of the administrative or personnel costs required to process the claims under this appropriation.

This completes my prepared statement on this subject. I will be pleased to attempt to answer any questions which the chairman or members of the committee may have.

INCREASE IN CLAIMS

Mr. SIKES. On page 9 of your budget justification you are estimating for fiscal 1970 that you will have 187,000 claims for a total cost of $41 million. This is an increase of 14,000 claims and $3 million over actual experience in fiscal 1968 and your planned experience in 1969. Why are you anticipating this substantial increase in the number of claims to be paid in fiscal year 1970?

Mr. BRAZIER. Mr. Chairman, this is a projection of the trend of the number of claims that have been paid over the last couple of years, which trend is consistently increasing. As you know, this is an account that is very difficult to project both in terms of the number of claims and dollars—we rely very heavily on our past experience for these projections.

Mr. SIKES. But isn't this a rather precipitous increase for 1 year in view of past experience?

Mr. BRAZIER. No, sir. In fiscal year 1968 we had something on the order of 173,000 claims as compared with about 165,000 in 1967. The 1969 claims in terms of numbers are continuing to rise. This is merely a projection of the trend, which is an increasing trend.

Mr. SIKES. Briefly, what is the principal source of this increase of claims?

Mr. QUETSCH. This comes mostly from the increased military strength and activity. The bulk of the claims is in the area of personnel claims. It just seems to reflect the trend in the number of military people deployed who come into contact with other people and with property.

Mr. SIKES. Would you provide any additional information which has not been covered in your earlier statement to show the reason and the breakdown of the additional claims?

(The information follows:)

BREAKDOWN OF THE NUMBER OF CLAIMS PAID BY CATEGORY

	Fiscal year—		
	1966	1967	1968
Personnel claims	71,306	92,930	110,038
Tort claims	63,467	72,513	62,908
Admiralty claims	267	140	147
Other miscellaneous claims	27	23	42
Total	135,067	165,606	173,135

This table shows the growth in the number of personnel claims from 71,306 in fiscal year 1966 to 92,930 in fiscal year 1967 to 110,038 in fiscal year 1968. This growth correlates with the increase in military personnel from 2,853,433 in fiscal year 1966 to 3,298,046 in fiscal year 1967 to 3,435,666 in fiscal year 1968. The personnel claims category, which accounts for 48.2 percent of the amount requested for fiscal year 1970, includes (1) claims of military and civilian personnel for private property lost or damaged in the military service, (2) repayment of erroneous collections, (3) claims arising from the correction of military or naval records, and (4) the payment of benefits to civilian marine personnel and their beneficiaries.

CURRENT STATUS OF PENDING CLAIMS

Mr. SIKES. What is the current status of claims now pending?

Mr. QUETSCH. As of the end of February, which is the last month for which we have a report of actual obligations, they came to $22,988,000, and at that time we had paid, in all categories, 10,754 claims; that is, against the 1969 column in the justification book.

TIME REQUIRED TO PROCESS CLAIMS

Mr. SIKES. In the hearings last year it was stated that approximately 98 percent of the funds requested are for personnel and tort-type claims and most of these cases can be processed within 2 to 3 weeks' time. You have experienced some reduction of personnel as a result of the Revenue and Expenditure Control Act of 1968. Are you still able to process your claims of this nature within the general time frame of 2 to 3 weeks?

Mr. BRAZIER. Yes, sir. This has not had an effect that has been noticeable to us with respect to extending the time for processing claims. As you would appreciate, this requires a relatively small percentage of people on the Defense payroll.

Mr. SIKES. Questions?

Mr. MINSHALL. I have no questions, Mr. Chairman.

Mr. SIKES. Thank you, gentlemen.

CONTINGENCIES, DEFENSE

WITNESSES

DON R. BRAZIER, DEPUTY ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)

MAURICE H. LANMAN, JR., ASSISTANT GENERAL COUNSEL (FISCAL MATTERS)

JOHN R. QUETSCH, DIRECTOR FOR OPERATIONS, OFFICE OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER), PROGRAM/BUDGET

CONTINGENCIES, DEFENSE

For emergencies and extraordinary expenses arising in the Department of Defense, to be expended on the approval or authority of the Secretary of De-

fense, and such expenses may be accounted for solely on his certificate that the expenditures were necessary for confidential military purposes, $10 million: *Provided*, That a report of disbursements under this item of appropriation shall be made quarterly to the Congress. (Department of Defense Appropriation Act, 1969.)

JUSTIFICATION OF ESTIMATES, FISCAL YEAR 1970

Appropriation title: Contingencies, Defense.

APPROPRIATION INTRODUCTION

[In thousands of dollars]

	Fiscal year—		
	1968	1969	1970
Appropriation estimate	2,000	10,000	10,000
Unobligated balance of appropriation	541		
Total direct obligations	1,459	10,000	10,000

This appropriation provides the Secretary of Defense with funds to meet emergencies and extraordinary expenses arising in connection with the national security and for such other purposes as he deems proper.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities: Emergency and extraordinary expenses (obligations) (object class 91.0; unvouchered)	1,459	10,000	10,000
Financing: Unobligated balance lapsing	541		
Budget authority	2,000	10,000	10,000
Budget authority:			
Appropriation	10,000	10,000	10,000
Transferred to other accounts	−8,000		
Appropriation (adjusted)	2,000	10,000	10,000
Relation of obligations to outlays:			
Obligations incurred, net	1,459	10,000	10,000
Obligated balance, start of year	249	280	7,280
Obligated balance, end of year	−280	−7,280	−12,280
Adjustments in expired accounts	4		
Outlays	1,433	3,000	5,000

EXPLANATION OF ESTIMATE

The funds in this appropriation are required by the Secretary of Defense to finance unforeseeable emergency and extraordinary expenses for confidential military purposes. Such funds are expended on the approval or authority of the Secretary of Defense and may be accounted for solely on his certificate that the expenditures are necessary for confidential military purposes. Because of the very nature of this appropriation, there is no program underlying the estimates which represents the same level as has been appropriated in fiscal years 1968 and 1969. It is believed that the $10 million level should be available to the Secretary of Defense to finance unforeseeable emergency and extraordinary expenses for confidential military purposes when the need materializes. If the

funds are not required as of June 30, the unobligated balance automatically reverts to the U.S. Treasury.

The Secretary of Defense or the Deputy Secretary of Defense personally reviews each project proposed for financing by this appropriation. Their approval of the use of these funds must be expressed by written memoranda which limit the maximum amount of obligations that may be incurred for the purposes stated. This practice limits the use of these funds to only those specific projects which, in the Secretary's judgment, should be financed in this manner.

Mr. SIKES. We will now consider the request for "Contingencies, Defense." The amount being requested for fiscal year 1970 is $10 million, the same as the amount appropriated for fiscal year 1969.

Our witnesses are Mr. Don R. Brazier, Mr. Lanman and Mr. Quetsch. Mr. Brazier, will you proceed.

GENERAL STATEMENT

Mr. BRAZIER. Mr. Chairman and member of the committee, the estimates of the Secretary of Defense for the appropriation "Contingencies, Defense" total $10 million for fiscal year 1970.

The funds in this appropriation are required by the Secretary of Defense for emergencies and extraordinary expenses arising in the Department of Defense, to be expended on the approval or authority of the Secretary of Defense. Such expenses may be accounted for solely on his certificate that the expenditures were necessary for confidential military purposes.

This appropriation provides the Secretary of Defense with funds to meet unforeseeable emergencies and extraordinary expenses for which provision cannot be anticipated in advance and which require expeditious handling. Under these circumstances, this appropriation serves as a ready reserve for use as determined by the Secretary of Defense for emergency-type situations as they occur. This appropriation is the only reserve within the overall structure of the Department of Defense budget which the Secretary may use on a timely basis to finance unplanned programs requiring discreet and immediate action by him. If these types of requirements could be determined in advance, provision for their support would be made in the regular appropriations of the Department of Defense.

Because of the very purpose of an appropriation of this nature, there is no program underlying the estimate. The estimate for fiscal year 1970 represents the same level as that appropriated in fiscal years 1968 and 1969, and is requested to finance unforeseeable emergency and extraordinary expenses for confidential military purposes should the need arise.

The Secretary of Defense (or the Deputy Secretary of Defense) personally reviews each project proposed for financing by this appropriation. His approval of the use of this appropriation to finance a specific project must be by a written memorandum specifying the maximum amount of obligations that may be incurred for the purposes stated. Thus, the use of these funds is limited to only those

specific projects which, in the Secretary's judgement, should be financed by this appropriation.

While it is always hoped that no part of the fund will be used, past experience shows that conditions do arise which cannot be either determined or predicted in advance. Funds which are not obligated revert to the Treasury at the end of the fiscal year.

This completes my prepared statement. I will attempt to answer any questions you may have concerning the fiscal year 1970 request.

Mr. SIKES. Thank you.

CONTINGENCY EXPENDITURES FOR PAST 5 YEARS

Mr. Secretary, please provide for the record a schedule showing the expenditures against this account for the last 5 years.

(The information follows:)

The following table shows the outlays made during each fiscal year for the past 5 years, against that year and prior years obligations:

Fiscal years:	*Outlays*
1964	$12,319,000
1965	6,976,000
1966	2,719,000
1967	153,000
1968	1,433,000

OBLIGATIONS 1969

Mr. SIKES. You have currently available $10 million for fiscal year 1969. Of this amount, how much has been obligated to date?

Mr. BRAZIER. To date, Mr. Chairman, we have allocated $300,000 of the $10 million, and of that amount none of it has been obligated as of this date. So none of the $10 million has been obligated.

Mr. SIKES. Do you anticipate any additional obligations between April 24, today, and June 30?

Mr. BRAZIER. Yes, sir. The $300,000 will be obligated between now and June 30.

Mr. MINSHALL. What do you mean by your statement where you said $300,000 has been allocated but not obligated? Would you explain that in a little more detail, please, Mr. Secretary?

Mr. BRAZIER. Yes, sir. Each time any money is used under this particular appropriation there is a requirement that the Secretary of Defense make a determination that the purposes for which the money is to be used, or the purpose, is for "confidential military purposes." There has been one case of such a determination in the amount of $300,000 made to date. Therefore, $300,000 for this appropriation has been reserved or allocated for that particular item.

Mr. SIKES. Do you anticipate any additional obligations or allocations?

Mr. BRAZIER. Beyond the $300,000, it is very difficult to tell, Mr. Chairman, because this is a contingency account. I do not know of any item pending at the moment, however.

REQUIREMENT FOR A $10 MILLION APPROPRIATION

Mr. SIKES. In fiscal 1966 you obligated $615,000. In fiscal 1967 the obligations were $221,000. In fiscal 1968 your actual obligations were

$1,459,000. That would indicate that the committee can reduce the amount available in this account to a lesser amount. According to prior history, an appropriation of $2 million to $3 million would be considerably more than anything that has been required in the last 4 years. What would be your comments on such a reduction in the amount of the appropriation?

Mr. BRAZIER. Mr. Chairman, that is true. The general ground rules under which this appropriation is used are such that it is not used unless there is a requirement which meets the criteria of a "confidential military purpose." The projects for which the dollars are allocated are very closely scrutinized by the Secretary and they are used only when, in his judgment, there is a vital need to utilize funds under the account. The experience over the last 7 or 8 years is such that we have in some years, for example in fiscal year 1963, which was quite a while back, used almost the total of the $15 million appropriated. In 1964 we used about $10.4 million out of the $15 million. In 1965 we used about $7 million. But since 1965 our needs have decreased. We feel that the Secretary should be provided the contingency in the minimum amount of $10 million, which moneys would not be used unless there is a valid and urgent requirement.

Mr. SIKES. If not used, they revert to the Treasury?

Mr. BRAZIER. Yes, sir; they revert to the Treasury.

Mr. SIKES. Questions?

Mr. MINSHALL. No questions.

Mr. SIKES. Thank you very much, gentlemen. You have been very cooperative.

MONDAY, APRIL 28, 1969.

U.S. COURT OF MILITARY APPEALS

WITNESSES

HON. ROBERT E. QUINN, CHIEF JUDGE, U.S. COURT OF MILITARY APPEALS
HON. WILLIAM H. DARDEN, ASSOCIATE JUDGE, U.S. COURT OF MILITARY APPEALS
ALFRED C. PROULX, CHIEF CLERK, U.S. COURT OF MILITARY APPEALS
MARK C. SNYDER, BUDGET AND FINANCE DIVISION, OASD (ADMINISTRATION)

APPROPRIATION LANGUAGE

For salaries and expenses necessary for the U.S. Court of Military Appeals, [$636,000] $666,000 (82 Stat. 1125; Department of Defense Appropriation Act, 1969).

30-088 O—69—pt. 2——70

U.S. COURT OF MILITARY APPEALS, DEFENSE—APPROPRIATION INTRODUCTION

[In thousands of dollars]

	Actual, fiscal year 1968	Estimate, fiscal year 1969	Estimate fiscal year 1970
Appropriation or estimate	617	654	666
Unobligated balance of appropriation	−23		
Total direct obligations	594	654	666

Note: This appropriation provides for the salaries of the 3 judges, other officers and employees, and the necessary expenses of the U.S. Court of Military Appeals, established pursuant to the Uniform Code of Military Justice (10 USC 801). The court serves as the appellate court of last resort for all of the more serious court-martial convictions of military personnel.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Program by activities: Military justice (obligations)	594	654	666
Financing: Unobligated balance lapsing	23		
Budget authority	617	654	666
Budget authority:			
Appropriation	617	636	666
Proposed supplemental for civilian pay act increases		18	
Relation of obligations to outlays:			
Obligations incurred, net	594	654	666
Obligated balance, start of year	50	56	97
Obligated balance, end of year	−56	−97	−113
Adjustments in expired accounts	8		
Outlays excluding pay increase supplemental	595	595	650
Outlays from civilian pay act supplemental		18	

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1968 actual	1969 estimate	1970 estimate
Personnel compensation: Permanent positions	520	566	577
Personnel benefits: Civilian employees	37	42	43
Travel and transportation of persons	2	10	10
Rent, communications, and utilities	10	10	10
Printing and reproduction	4	4	4
Other services	6	6	6
Supplies and materials	12	12	12
Equipment	3	4	4
Total obligations	594	654	666

PERSONNEL SUMMARY

Total number of permanent positions	43	39	40
Average number of all employees	39	40	40
Average GS grade	9.7	9.1	9.3
Average GS salary	$12,444	$12,709	$13,045
Average salary of statutory positions	$33,000	$33,000	$33,000

Appropriation: U.S. Court of Military Appeals, defense.

SUMMARY OF PERSONNEL BY GRADES

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970
General Schedule grades:			
GS-17	1	1	1
GS-16	1	1	1
GS-15	5	5	5
GS-14	5	4	4
GS-13	3	2	2
GS-12	1	1	1
GS-11	1	1	1
GS-9	2	2	3
GS-8	3	3	3
GS-7	3	3	3
GS-6	4	4	4
GS-5	5	4	4
GS-4	1	1	1
GS-3	2	2	2
GS-2	3	2	2
Total General Schedule grades	40	36	37
Statutory position (Public Law 506, 81st Cong.)	3	3	3
Total permanent positions	43	39	40
Deduct lapse	4	.....	.....
Total man-years	39	40	40

PURPOSE AND SCOPE

The U.S. Court of Military Appeals, established by the Uniform Code of Military Justice (10 U.S.C. 801), serves as the court of last resort for all the more serious court-martial convictions of military personnel. The court has jurisdiction as to questions of law in all cases:

(1) Affecting a general or flag officer, or extending to death;

(2) Certified to the court by the Judge Advocates General of the armed services, and by the general counsel of the Department of Transportation, acting for the Coast Guard; and

(3) Petitioned by accused who have received a sentence of a year or more confinement, and/or a disciplinary discharge.

The decisions of the court are final in all such cases and there are no further direct reviews.

In addition, the court is required by law to work jointly with the Judge Advocates General of the military departments, and to report annually to the Congress on the progress of the military justice system under the Code, and to recommend improvements therein wherever necessary.

EXPLANATION OF ESTIMATE

At the end of fiscal year 1968 a total of 21,211 cases had been docketed with the U.S. Court of Military Appeals, for an average of 1,248 cases per year since the court's establishment in 1951.

As of June 30, 1968, the court had rendered 2,545 written major opinions, the first having been released on November 8, 1951. This total averages an annual output of 150 written opinions, with each judge of the three-member court contributing an average of 50 major opinions annually.

This substantial opinion workload has been carried on in addition to the review functions which the court must perform under article 67(b)(3) of the Uniform Code of Military Justice, wherein the judges have considered and passed upon an average of 1,239 petitions for grant of review per year since its organization.

The fiscal year 1970 estimate includes $0,000 for the personnel compensation and benefits of a staff assistant to any retired judge of the court electing to become a senior judge under the provisions of Public Law 90-340, approved June 15, 1968. This amount to be restricted solely for this purpose.

Opening Remarks

Mr. Andrews. The committee will come to order.

We will now consider the budget request for the U.S. Court of Military Appeals.

We have before us Judge Robert E. Quinn, chief judge, and Judge William H. Darden, who has been appointed to succeed the late Judge Paul J. Kilday, a great friend of the U.S. Court of Military Appeals. If I remember correctly, he was very instrumental in the passage of the law which created the court.

Judge Quinn. That is right, sir.

Mr. Andrews. While he served on the court, he added dignity and prestige and knowledge to the court.

Judge Quinn. Very definitely. He was a great American.

Mr. Andrews. Judge Darden, I predict you will have a distinguished career on the court.

Judge Darden. Thank you very much.

Mr. Andrews. Have you a statement?

Judge Quinn. Yes; I have.

Mr. Andrews. We shall be glad to hear from you.

General Statement

Judge Quinn. Mr. Chairman and members of the committee, it is a pleasure for me to appear before you to submit for your consideration the appropriation request of the U.S. Court of Military Appeals for fiscal year 1970.

Since my last appearance before this subcommittee, the President appointed Judge William H. Darden of Georgia to fill the vacancy created by the sudden death of Judge Paul J. Kilday, which occurred on October 12, 1968. Judge Kilday, a highly esteemed Member of the House of Representatives for 23 years before his appointment to the bench in 1961, served with distinction on our court and his contribution to military justice has been substantial.

Judge Darden assumed the duties of his new office on November 13, 1968, and both Judge Ferguson and I welcome and look forward to a happy association with him.

During this past year Congress passed the Military Justice Act of 1968, expanding the legal safeguards for members of the armed services. These legislative proposals had long been advocated by the members of the court and the Judge Advocates General of the Armed Forces.

In addition, Public Law 90–340 amended article 67 of the Uniform Code of Military Justice, making it abundantly clear that the U.S. Court of Military Appeals is a full-fledged court in every significant respect under article I of the Constitution. The second major purpose of this law will make retired judges of the court available to sit if the chief judge should find their services needed in the event of temporary disability of an active judge.

I am glad to report that the court is keeping pace with its case workload and the funds in the amount of $666,000 requested for fiscal year 1970 are necessary to insure the continuance of a current no-backlog docket.

In closing, I wish to submit for the record an updated statistical report on the number, status, and disposition of all cases docketed with the court through December 31, 1968.

Status of Court Cases and Actions Taken

Mr. Andrews. Without objection, we will insert the tables, which give a clear picture of the workload of the court.

Judge Quinn. They do, sir.

(The tables follow:)

U.S. Court of Military Appeals—Status of cases as of Dec. 31, 1968, total by services

ARTICLE 67(B)(3) UCMJ

	Cases
Petitions	21,591
Army	11,596
Navy	5,261
Air Force	4,682
Coast Guard	52

ARTICLE 67(B)(2), UCMJ

Certificates	491
Army	169
Navy	223
Air Force	91
Coast Guard	8

ARTICLE 67(B)(1), UCMJ

Mandatory	[1] 37
Army	31
Navy	3
Air Force	3
Coast Guard	0
Total cases docketed	[2] 22,119

MISCELLANEOUS DOCKETS, (JANUARY 1967 TO PRESENT)

Denied (1 in memorandum opinion)	25
Dismissed	12
Withdrawn	1
Opinions rendered	7
Total	45

See footnotes at end of table.

U.S. Court of Military Appeals—Status of cases as of Dec. 31, 1968, total by services—Continued

COURT ACTION

	Cases
Petitions	[3] 21,501
Denied	18,723
Denied by opinion	5
Granted	2,334
Dismissed	19
Withdrawn	376
Disposed of on motion to dismiss:	
With opinion	8
Without opinion	42
Disposed of by order setting aside findings and sentence	6
Remanded to board of review (2 by opinion)	178
Court action due (30 days)	71
Awaiting replies (21,785)	23
Certificates	[4] 491
Opinions rendered	474
Withdrawn	7
Remanded	4
By order	1
Ready to be set for hearing	2
Awaiting briefs	3
Opinions pending	1
Mandatory	[5] 38
Opinions rendered	37
Remanded	1
Opinions rendered	[6] 2,609
Petitions	2,007
Motions to dismiss (1 certificate; 10 petitions)	11
Remanded to board of review	2
Per curiam grants	57
Certificates	417
Certificates and petitions	54
Certificates (motion to stay)	1
Mandatory	37
Petitions for a new trial	2
Petitions in nature of writ of error coram nobis	2
Petitions for reconsideration:	
Of opinion	1
Of denial order	0
Of petition for new trial	1
Motion to reopen	1
Miscellaneous dockets	7

See footnotes at end of table.

U.S. Court of Military Appeals—Status of cases as of Dec. 31, 1968, total by services—Continued

COURT ACTION—continued

	Cases
Completed cases	21,968
Petitions denied	18,723
Petitions withdrawn	376
Petitions dismissed	19
Certificates withdrawn	7
Certificate by order	1
By opinion (5 petitions denied)	2,601
Disposed of on motion to dismiss:	
With opinion	8
Without opinion	42
Disposed of by order setting aside findings and sentence	6
Remanded (2 certificates and 1 mandatory)	181
Writ of error coram nobis by order	3
Motion for bail denied	1
Pending completion	153
Opinions pending	19
Ready to be set for hearing	16
Petitions granted—awaiting briefs	21
Petitions—court action due 30 days	71
Petitions—awaiting replies	23
Certificates—awaiting briefs	3

[1] 33 cases involving 38 accused sentenced to death; 2 cases involved flag officers; 2 cases filed twice.
[2] 21,736 cases actually assigned docket numbers. Overage due to multiple actions on the same cases.
[3] Difference of 194 in total is due to more than 1 action taken on individual cases.
[4] 2 opinions released in docket 8,176.
[5] 2 opinions released in docket 6,388.
[6] 2,609 cases were disposed of by 2,575 published opinions.

EXPLANATION OF 1970 INCREASES

Mr. ANDREWS. Judge Quinn, the fiscal year 1970 request is for $666,000, which is an increase of $12,000 above the amount presently available for fiscal year 1969. Will you please state for the record generally the reason for the $12,000 increase requested for fiscal year 1970?

Judge QUINN. That would be mainly caused by the in-grade increases in salaries for the staff members of the court, Mr. Chairman.

Mr. ANDREWS. Do you plan to add any additional personnel to your staff in fiscal year 1970?

Judge QUINN. No, I would say not.

Mr. ANDREWS. What is the total number of employees with the court at this time?

Judge QUINN. Thirty-nine, Mr. Chairman.

EFFECT OF REVENUE AND EXPENDITURE CONTROL ACT

Mr. ANDREWS. What effect has the Revenue and Expenditure Control Act of 1968 had on your staff?

Judge QUINN. We were formerly authorized 43 positions but since we only had 39 actually employed, the law had the effect of freezing our employment and we actually lost 4 positions. With respect to funds, our appropriation was not reduced but we were able to absorb

part of the cost of the last general pay raise and all of the executive pay raise.

This budget request includes the addition of one position, however, to provide a staff assistant to any retired judge of the court electing to become a senior judge under the provisions of Public Law 90-340 approved June 15, 1968.

INCREASE IN CASELOAD

Mr. ANDREWS. Judge Quinn, the committee has been hearing quite a bit recently about the significant increases in A.W.O.L. cases, and also the increased number of narcotics violations that are being encountered in Vietnam. What effect has this had on your caseload?

Judge QUINN. Our caseload has increased substantially in the last 3 years, Mr. Chairman. From about 1959, there was a general decline in the number of cases coming to us from the field. In 1966 or 1967, we began to have an increase in the number. It has been on the upgrade ever since. I would say there has been an increase of about 20 percent, maybe 25 percent, in the number of cases that have been coming to the court in the last 2 or 3 years.

Mr. ANDREWS. Of all categories?

Judge QUINN. Of all kinds.

Mr. ANDREWS. What about A.W.O.L. cases? Do many of them reach your court?

Judge QUINN. Yes, we have some. Of course, the only cases that reach our court, Mr. Chairman, would be if the penalty is at least 1 year imprisonment or a lesser amount of imprisonment coupled with a bad conduct discharge or a dishonorable discharge. Unless the penalty is that severe, the case cannot get up to our level.

BASIS FOR APPEALS TO COURT

Mr. ANDREWS. What is necessary to initiate an appeal to your court?

Judge QUINN. Just a request.

Mr. ANDREWS. A handwritten letter?

Judge QUINN. Yes. That would be sufficient.

Mr. ANDREWS By the soldier?

Judge QUINN. Yes, or his counsel.

Mr. ANDREWS. Assuming he does not have a counsel?

Judge QUINN. A handwritten letter would be sufficient.

Mr. ANDREWS. He is in the stockade or in the brig. He has only a sea lawyer or a guardhouse lawyer. He wants to make an appeal. He writes you a letter. Do you automatically set in motion the necessary procedures to see that his appeal is properly presented before the court?

Judge QUINN. Yes, we do.

Mr. ANDREWS. Do you furnish him counsel?

Judge QUINN. We see that counsel is furnished to him by the service in which he serves, the Army, Navy, or Air Force.

Mr. ANDREWS. By the Judge Advocate?

Judge QUINN. Yes.

Mr. MINSHALL. Military counsel or civilian counsel?

Judge QUINN. If he wants civilian counsel, of course he is entitled to civilian counsel.

Mr. MINSHALL. How are they paid?

Judge QUINN. He would have to pay for his own civilian counsel.

Mr. MINSHALL. There is no provision to take care of civilian counsel?

Judge QUINN. No. But he is supplied with military counsel free of charge. If he wants civilian counsel, then either he or his family would have to pay for the civilian counsel.

EFFECT OF SUPREME COURT OPINIONS

Mr. ANDREWS. Do the opinions of the Supreme Court govern your decisions?

Judge QUINN. We have followed the opinions of the Supreme Court in constitutional matters.

Mr. ANDREWS. All of them?

Judge QUINN. No; not all of them. I think we would reserve the right to disagree with the Supreme Court if we felt it was necessary in the field of military justice. We have tried to adhere to the decisions of the U.S. Supreme Court in all constitutional matters.

Mr. ANDREWS. What about the case which says that a man has to be informed by the arresting officer—I think this is the substance of the opinion—that he is entitled to legal counsel and anything he says before he gets counsel cannot be used against him? As a matter of fact, he cannot be convicted if he makes a statement before he is put in the hands of counsel. What are your rules in that respect?

Judge QUINN. I think you are citing the *Miranda* case. We have a decision called the *Tempia* case which is substantially the same, but I think we have perhaps tried to temper the result of those decisions to some effect.

Mr. ANDREWS. In whose favor?

Judge QUINN. In favor of the Government.

Mr. MINSHALL. To what degree have you tempered it?

Judge QUINN. Not very substantially, I am afraid, Congressman. We feel—at least, I, as one judge, feel that perhaps the *Miranda* decision went a little too far.

Mr. ANDREWS. Judge, your opinion is shared in the opinion of many judges and lawyers throughout this country. I do not want to get into a discussion of the Supreme Court, because this is not the forum for it, but it seems that many of the opinions that are rendered over there are very beneficial to the criminal element of the country. Many a man is walking the street today, out on a technicality, after having raped a woman and maybe killed her in the process of raping her. You know that as a lawyer as well as I do.

Judge QUINN. I am afraid I have to agree with you, Mr. Chairman.

ENTITLEMENT TO LEGAL REPRESENTATION

Mr. ANDREWS. Assume a young man is arrested down there in the jungles of South Vietnam by the military police, and there are no lawyers anywhere in sight or sound, and they bring him in and put him in the guardhouse and later try him, what consideration do you give him, in the light of that decision, over there about the lawyer?

Judge QUINN. If the offense is a serious one he is entitled to legal representation. In other words, we always try to do justice and to see that he gets a fair trial; that he is accorded all the protection that the

code gives him and, in the final analysis, that justice is done. We always try to do that.

Mr. ANDREWS. Your court does not look for technicalities to turn a man loose?

Judge QUINN. No; we do not.

Mr. ANDREWS. I am glad to hear that.

PRAISE FOR KEEPING DOCKET CURRENT

Judge, we are certainly pleased to see you are keeping your docket current. We are certain that many of the problems this country is experiencing today with regard to law and order could be significantly improved if other courts were able to meet your fine record.

Judge QUINN. Thank you, sir.

Mr. ANDREWS. We would be interested in hearing how you continually manage to keep your docket current. Does hard work have anything to do with it?

Judge QUINN. Yes; it definitely has a good deal to do with it, Mr. Chairman. Of course, the law provides that every case that comes before us must be acted upon within 30 days as far as the granting of the petition or denying the petition is concerned. That we have strictly adhered to. The law requires us to do that.

Then we proceed as expeditiously as possible to set the cases down for hearing and to dispose of them as soon as they can be heard, and to try to write our opinions within 30 days of the time that the case has finally been acted upon by the court. We cannot always do that, but we have tried to adhere to that standard, and it has worked out pretty well.

Mr. ANDREWS. What length of vacations do your judges take?

Judge QUINN. We do not sit in the months of July, August or September to hear cases formally, but of course we work all the time. Petitions come in every week and every month or the year, and we have to act on them within 30 days, no matter what season of the year it is. So, we do.

Mr. ANDREWS. I will ask my question again. Do the members of your court take vacations?

Judge QUINN. No; we haven't taken any formal vacations, Mr. Chairman.

Mr. ANDREWS. You do not just shut up the 1st of July and open up in October?

Judge QUINN. No, we never close up shop, because we could not do that. We are in continuous session to pass upon all petitions as they are received.

Mr. ANDREWS. Do you think that fact contributes to the good record you have made in keeping your docket clear?

Judge QUINN. Yes, I think that has contributed to it.

Mr. ANDREWS. I would think so. If you shut that court up, down there, for 4 or 5 months, you would have a terrific backlog.

Judge QUINN. Yes, I think we would.

Mr. MINSHALL. How long do you actually sit as a court throughout the year?

Judge QUINN. You mean in formal sessions?

Mr. MINSHALL. Yes.

Judge QUINN. Depending upon the number of cases that are ready for hearing, we sit either 1 week or 2 weeks every month. Whatever the number of cases are that require our presence there, we dispose of the cases.

Actually, we do not sit in the months of July, August, or September.

Mr. MINSHALL. The rest of the work is done by examiners?

Judge QUINN. We have commissioners, of course, who help us, who examine the briefs and examine the records and file memorandums, authorities, and so forth. Of course, that helps us very much.

Mr. MINSHALL. Thank you, Mr. Chairman.

PROVIDING DEFENSE LAWYERS

Mr. ANDREWS. Judge, would you briefly summarize for the committee the content of Public Law 90–632 and tell us what effects it has had on your operation?

Judge QUINN. I do not think that would have very much effect upon our operations, Mr. Chairman, but it does affect the operations of the trial forums. It provides that now lawyers must be provided for a defendant in the special courts where formerly they could be represented by counsel who was not a lawyer. Now in every special court case there has to be a lawyer who is the judge, a lawyer who is the prosecuting attorney, and a lawyer for the defense.

Of course, to that extent it does play a significant part. It also provides that there can be one-man special courts presided over by a lawyer without any other members of the court, and that will save a good deal of time and money for the Military Establishment. In other words, it would be like a judge sitting without a jury in the U.S. district court or in the State courts. You can have a one-man court consisting of a fully qualified lawyer certified by the Judge Advocate General who can try cases without any jury, without any assistance.

It does, however, also provide that a defendant now in a special court must be represented by a lawyer. Up until the present time he could be represented by military counsel who was not a lawyer. Now it provides a lawyer in every special court trial.

Mr. ANDREWS. Are there any questions on the right?

GROWING CRIME RATE

Mr. MAHON. Do you have any comment to make in regard to the general trend toward dissent and contempt for authority and the growing crime rate? How do you analyze this? Why are we in this tremendous acceleration of crime in the Nation?

Judge QUINN. It is pretty hard to answer that question, Mr. Chairman. It is all over the Nation at both the State and the Federal level, and it is in the colleges. I think it stems to some extent from lack of respect for authority. Maybe that begins in the home.

Mr. ANDREWS. Judge, I saw recently where juvenile delinquency made its appearance in America at the same time the safety razor did. Do you know what I mean?

Judge QUINN. Yes.

Mr. ANDREWS. I agree with that statement.

Judge QUINN. That is probably so.

Mr. ANDREWS. You know what it took to sharpen one of those straight razors.

Judge QUINN. Yes. I think that plays a part. I think the fact that teachers in the schoolrooms no longer are able to put a hand on the pupil may contribute to some extent. In other words, when I was in school, the teacher could give us the strap or the ruler on the hand, and could exercise a lot more authority than they can exercise today. I think that plays a part in disrespect for law and in the increasing crime rate.

I think the juvenile courts play a significant part. I am afraid that too many delinquents are just slapped on the wrist and sent down to some correctional institution and let out within the next week. Then they go back and do the same thing all over again.

I firmly believe that lack of discipline and lack of authority plays its part in these recent crime statistics.

Mr. MAHON. Judge, the number of crimes has been dramatically increasing over the last few years in the local, State, and Federal jurisdictions. Has there been an equally precipitous climb in the types of offenses with which you deal?

Judge QUINN. I would say no. I do not think there has been any substantial increase in the sense that you find in the State and Federal spheres, in the civil spheres. I do not think we have had any substantial increase in the last 17 or 18 years in the military. I think it has remained about the same.

Of course, when you get a war like the Vietnam war and you get down into an area where you have narcotics and women and liquor, and so on, I think you must expect an increase in the crime rate, the same as we got in the Korean war.

Beyond that, I would say no, with the exception of some instances where they are publishing underground newspapers, or trying to, in the military service, which is a rather unheard of thing. Civil rights, I think, plays its part in the Military Establishment, as well as in the civil sphere. I think that has caused some increase in the crime rate.

Mr. MAHON. Thank you, Judge.

Mr. ANDREWS. Further questions?

TRAINING OF JAG OFFICERS

Mr. RHODES. Judge, do you know of any particular reason why the JAG officers have to be trained differently if they serve in the Navy than they would be trained if they served in the Army or the Air Force, as far as trying cases under the Code of Military Justice is concerned? Is not just about the same training required?

Judge QUINN. I would say approximately the same training. Except in some case which might have involved a vessel going ashore, on the rocks, something of that kind, I think they would be exactly the same, Congressman.

Mr. RHODES. It always has seemed to me that would be the situation. Yet, we have three schools—one in each of the services—for the purpose of training JAG officers. I have never seen any really good reason why they could not all be trained in one school.

Judge QUINN. The Army school is probably the only full-fledged school. The Navy school at Newport would be a limited area of training. I think the Air Force has done away with its school. Maybe they have resurrected it now. They did have a school down at Montgomery, but I think they discontinued that school.

I would say the requirements and the training would be the same in all services.

Mr. RHODES. Thank you very much.

BIOGRAPHY OF JUDGE DARDEN

Mr. ANDREWS. Judge Darden, I wish you would place in the record your biography.

Judge DARDEN. I would be very glad to.

William Horace Darden, judge; born in Union Point, Ga., May 16, 1923; son of William W. and Sara (Newsom) Darden; B.B.A., University of Georgia, 1946; LL.B., University of Georgia, 1948; admitted to bar of Georgia and to practice before the Georgia Supreme Court, 1948; active duty in U.S. Navy from July 1, 1943, to July 3, 1946, when released to inactive duty as lieutenant (jg.); married Mary Parrish Viccellio of Chatham, Va., December 31, 1949; children: Sara Newsom, Martha Hardy, William H., Jr., Daniel Hobson; secretary to U.S. Senator Richard B. Russell, December 1948, to April 1951; chief clerk of U.S. Senate Committee on Armed Services, April 1951, to February 1953; professional staff member and later chief of staff, U.S. Senate Committee on Armed Services, February 1953, to November 1968; received recess appointment as judge of the United States Court of Military Appeals from President Johnson on November 5, 1968, to succeed the late Judge Paul J. Kilday; took oath of office on November 13, 1968; nominated by President Johnson for the unexpired part of the term of the late Judge Paul J. Kilday ending May 1, 1970; confirmed by Senate on January 14, 1969.

Mr. ANDREWS. Where was your home in Georgia?

Judge DARDEN. I was born and reared in Union Point, a small town about 100 miles east of Atlanta.

Mr. ANDREWS. Judge Quinn, you made a fine statement here. I hope many of our judges will read your statement. I think it would be good for them.

Judge QUINN. Thank you.

Mr. ANDREWS. It was nice to see you.

Judge QUINN. I would like to say to the committee, I am sure that Judge Darden is going to make a fine associate. From what we have seen of him, I am sure he will make a fine judge, and we are very glad to have him on our court.

Mr. MAHON. We are likewise pleased with the selection of Judge Darden for this important position.

Judge DARDEN. Thank you very much.

Mr. ANDREWS. Thank you, gentlemen, the committee stands adjourned.

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