

THE 1974 ECONOMIC REPORT OF THE PRESIDENT

HEARINGS BEFORE THE JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES NINETY-THIRD CONGRESS SECOND SESSION

PART 4
MARCH 7, 1974

Printed for the use of the Joint Economic Committee



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THE 1974 ECONOMIC REPORT OF THE PRESIDENT

THURSDAY, MARCH 7, 1974

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 1114, Dirksen Senate Office Building, Hon. William Proxmire (vice chairman of the committee) presiding.

Present: Senators Proxmire, Javits, and Percy; and Representative Blackburn.

Also present: John R. Stark, executive director; Loughlin F. McHugh, senior economist; Richard F. Kaufman, general counsel; Lucy A. Falcone, John R. Karlik, Courtenay M. Slater, and Larry Yuspeh, professional staff members; Leslie J. Bander, minority economist; George D. Krumbhaar, Jr., minority counsel; Walter B. Laessig, minority counsel; and Michael J. Runde, administrative assistant.

OPENING STATEMENT OF SENATOR PROXMIRE

Senator PROXMIRE. The committee will come to order. Mr. Schlesinger, for the last few months I have displayed on my door, my office door, a plaque which reads: "National Defense Is a Life Insurance Policy. We Must Be Number One."

THE UNITED STATES SHOULD MAINTAIN SUPERIOR MILITARY POWER

Now I believe that very deeply. We have far and away the most productive economy in the world. We can far better afford military power than any other nation on earth. Should we exercise that capacity to maintain superior power? My answer is: "Yes, and absolutely yes."

Unfortunately, we do not live in a Sunday school world where the great issues between nations are decided by a board of ethics or even by a vote of the United Nations.

We confront a tough, determined Soviet Union, a well-organized, well-armed dictatorship that has taught its people far more than two generations now that world revolution by force and violence, if necessary, is their mission and the way of the future. I think they mean it. I think they will do it—if we are weak enough or if we are deceived into a softness that permits it.

So, between you and me, I suspect there is little difference on the necessity of maintaining a military force strong enough both to prevent aggression and to give us bargaining position of impressive strength that will enable us to negotiate with the Soviet Union for arms reduction and for peaceful cooperation.

THE NEW DEFENSE BUDGET IS TOO HIGH

I am convinced that defense spending has been excessive in the past and that the new defense budget is too high. I say that not because we are too strong militarily but because we are too fat. So I think we ought to cut the fat by billions this year and I think it will be cut by

Congress by billions in a way which, in my view, can make us leaner and I think even stronger.

The specific actions to be taken in response to the Pentagon's budget proposals will be discussed by other committees and in floor debates.

DOD BUDGET AS ECONOMIC STIMULUS—UNWISE POLICY

It is interesting to note, however, that this year for the first time, the Department of Defense has acknowledged the fact that there is substantial money in the defense budget for the purpose of providing economic stimulus.

On this, Mr. Secretary, I must respectfully but vigorously disagree. You may be the expert on our military needs, and I know you are a competent economist. But, Mr. Schlesinger, you are all alone among the eminent economists who have testified before this committee in arguing that military spending is the way to do it. Whenever we press the witnesses that come before us on where they would reduce spending they consistently point to our military area and argue that while they are not sure how much we absolutely need, that we should not spend a nickel more and certainly this is a bad way to stimulate the economy. There are several reasons for this.

In the first place, the lag between the decision to spend money for military purposes and the actual expenditure is much too great to provide timely stimulus. Second, military spending is peculiarly inflationary because it provides no economic goods. It stimulates demand without increasing supply. And, of course, there is a mindless tendency toward cost plus, pay any price to get shortage goods or labor that is especially bad in this present inflated economy.

I can think of no worse tonic for a sick economy than an inflated defense budget. It was the runaway defense budget of the late 1960's that contributed to the inflation of that period and the early 1970's and that helped set the stage for our present economic problems.

Defense spending is an inefficient way to increase employment, unless we simply put the jobless into uniforms, and it is a poor way to increase supplies or consumer goods.

The Military Establishment should not be thought of as a public works project or a welfare program.

How much better it would be if economic stimulus were achieved by a tax cut that left the individual citizen and the free marketplace to decide priorities, and if additional conscious, planned governmental spending is required, which I very much doubt.

How much better than a military WPA is it to stimulate the economy—to invest public funds into housing, education, medical care, mass transit, pollution control, conservation, and other areas where people can perform useful work for constructive purposes and contribute to the economic development of the Nation.

I hope we can discuss this issue this morning.

It is refreshing to have a Secretary of Defense who is willing to go after the fat, and you indicated that. I think your posture statement is a very useful document and a reassuring document, although as you know, from what I have said this morning, I have differences of opinion with you on it. I hope, as I have indicated, that the war

against waste will be an all-out war, and not a fainthearted one. Time will tell.

This is the final session of the Joint Economic Committee's annual hearing on the economy. We are pleased and honored to have as our last witness the Secretary of Defense, James R. Schlesinger.

Secretary Schlesinger is one of the most expert and broadly experienced individuals in defense and national security to have been named Secretary of Defense. He is also articulate and candid. He is, I understand—correct me if I am wrong—an economist.

Secretary SCHLESINGER. Yes, sir.

Senator PROXMIRE. He has done graduate work in economics and I understand you are a skilled economist which makes your appearance today before this committee especially useful. But I think you know, Mr. Secretary, how highly this committee regards economists and how well we treat them, so you may proceed on your own way.

STATEMENT OF HON. JAMES R. SCHLESINGER, SECRETARY OF DEFENSE, ACCOMPANIED BY H. HOLLISTER CANTUS, DEPUTY ASSISTANT SECRETARY OF DEFENSE; TERENCE McCLARY, ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER); CLIFFORD J. MILLER, DEPUTY COMPTROLLER; GEN. JOHN WICKHAM, MILITARY ASSISTANT TO THE SECRETARY OF DEFENSE; AND JOHN BEACH, ECONOMIST, OSD

Secretary SCHLESINGER. Thank you, Mr. Vice Chairman. I am delighted with your opening comments. I agree with most of them. There may be a few disagreements that will come out later on.

TO REMAIN NO. 1 MILITARILY, THE UNITED STATES MUST SPEND SUBSTANTIALLY

I appreciate particularly your opening observation that we, in the United States, must remain No. 1, and that requires, in view of the worldwide responsibilities of the United States, substantial spending.

As you have indicated, that does not justify wasteful spending. The taxpayers of the United States deserve to know that they get full value received. In addition, given the constraints on the budget, we must insure that we have maximum combat capability and the best programs for developing future combat capabilities within our resources. So I agree, Mr. Vice Chairman, with your initial observations.

DOD BUDGET SHOULD NOT BE JUSTIFIED ON ECONOMIC STIMULUS GROUNDS

You mentioned that I am the first to discuss economic stimulus on the part of the defense budget before this committee. That was more or less by anticipation. I have not suggested that the defense budget should be justified on the grounds of economic stimulus, and I would not suggest that. I do not make the decisions with regard to overall fiscal policy.

We have a backlog of defense needs. We have made a request of the Congress and the Congress will act on that request. It should be acted on, as your opening statement indicates, solely in terms of the national security.

The request that was put forward to the Congress this year is somewhat below the 5-year defense plan. It may be a little bit higher than might otherwise have been anticipated during the period prior to the easing of the economy. But every item in the budget must be justified in terms of its contribution to the national security.

I appreciate this opportunity to testify before you because this committee has done much work in terms of public enlightenment in the past. There is some misconception and there has been in recent years some obfuscation about issues of defense spending in terms of the overall impact that defense presently has on the national economy. As you have indicated, whatever resources we have should be effectively employed, but I submit that there has been much discussion in the past that tends to give an erroneous impression about the weight and the size of the defense budget in relation to the national economy.

In view of the external situation to which you referred, the question in my mind is whether prospective U.S. defense expenditures will be adequate to the commitments into which the United States has entered.

Mr. Vice Chairman, I am going to go through some charts and these will, of course, be available for the record.

Senator PROXMIRE. Without objection, the charts will be printed in the record to the extent we can. We have some trouble with some graphs and pictures but certainly the data will be printed in full in the record.

Secretary SCHLESINGER. Thank you, Mr. Vice Chairman.

The first chart, please.

[The chart entitled "Selected Active Military Force Summary" follows:]

SELECTED ACTIVE MILITARY FORCE SUMMARY

[MANPOWER STRENGTH IN THOUSANDS]

	END FY 1945	END FY 1950	END FY 1953	END FY 1956	END FY 1964	END FY 1968	END FY 1975
KRM LAUNCHERS	-	-	-	-	821	1,054	1,054
STRATEGIC BOMBER SQD	367	45	84	117	78	41	27
POLARIS-POSEIDON LAUNCHERS	-	-	-	-	336	656	656
MANNED FIGHTER/INT. SQD	238	36	78	96	40	26	6
NIKE MERCURIES BTRYs	-	-	-	-	107	73	-
ACTIVE LAND DIVISIONS	95	12	23	22	19	22	16 1/3
TOTAL ACTIVE AIRCRAFT:							
FIXED WING	85,340	22,561	33,633	39,969	25,105	23,549	17,591
HELICOPTERS	-	144	1,671	2,596	5,004	9,995	9,480
CARRIERS	98	15	29	24	24	23	15
OTHER WARSHIPS	2,537	232	432	446	387	449	258
OTHER SHIPS	5,565	371	668	503	506	504	235
TOTAL ACTIVE FLEET	8,200	618	1,129	973	917	976	508
TOTAL MILITARY PERSONNEL	12,123	1,460	3,555	2,806	2,685	3,547	2,152
DEFENSE CIVIL SERVICE	2,628	729	1,340	1,185	1,035	1,287	1,028
TOTAL DIRECT MANPOWER	14,751	2,189	4,895	3,991	3,720	4,834	3,180

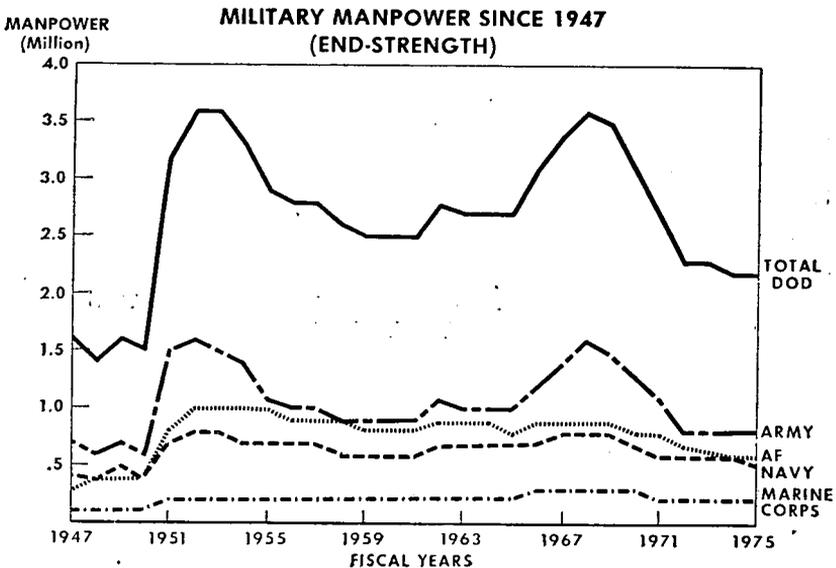
Secretary SCHLESINGER. Mr. Vice Chairman, this represents the evolution of U.S. Forces. In particular, I think that one should look at the last 3 years, which indicate a gradual decline in the U.S. force structure. It has been in a sharp decline since the peak years of Vietnam.

If you will recall the first time I appeared before your committee, Mr. Vice Chairman, was during the Vietnamese period. Since that time real expenditures of the Department of Defense have declined by better than a third and the force structure of the Department of Defense has been cut by a third. We are now approximately 12 to 15 percent below the 1964 prewar budget in real terms.

These are reflected in the numbers that you see before you. As you will note, manpower is down sharply, as are various components of the force structure.

Next chart, please.

[The chart entitled "Military Manpower Since 1947" follows.]



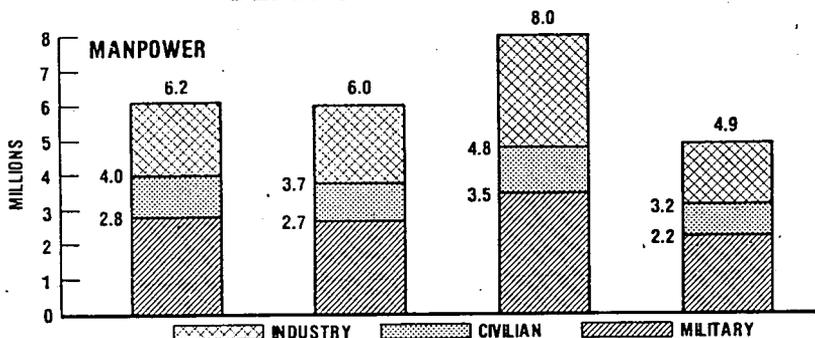
Secretary SCHLESINGER. As you are well aware, Mr. Vice Chairman, manpower is becoming a very large expenditure for the Department of Defense. This year it will take about 55 percent of the Department's budget. Manpower has been sharply reduced. When I appeared before you last time, we were just coming down from the peak that we had reached at the height of the Vietnamese war. We are now approximately 600,000 men lower than we were prior to the war—about a 22 percent reduction. Despite that, our manpower costs have risen markedly.

The individual services have undergone some rather dramatic changes. The Army, for example, is at its lowest point in terms of real dollar budget since the budgets of Louis Johnson's era just prior to the Korean war.

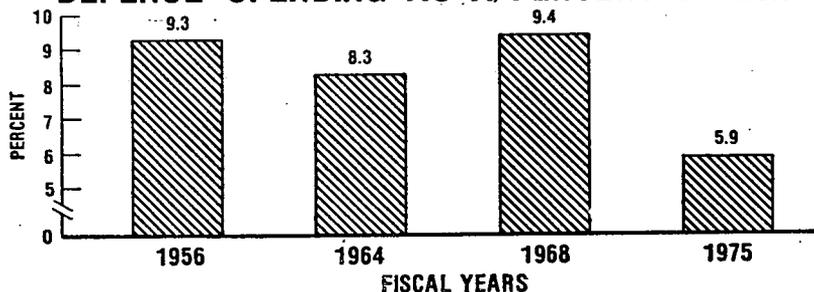
Next chart, please.

[The chart entitled "Defense Resources" follows:]

DEFENSE RESOURCES



DEFENSE SPENDING AS A PERCENT OF GNP



Secretary SCHLESINGER. As you know, Mr. Vice Chairman, throughout the 1950's and 1960's we tended to spend about 9 percent of the GNP on defense. We are now down to about 5.9 percent of the GNP and still shrinking. If we were spending the same proportion of the GNP today as we were at the height of the Vietnamese war or during the Kennedy years we would be spending about \$130 to \$135 billion a year to maintain that force structure.

This is reflected in the shrinkage of overall manpower which is now below 5 million for the Department of Defense, including civilian employment, civil service employment, and employment by industry. It has dropped by more than 3 million since the Vietnamese peak and it is about a million lower than it was prior to the Vietnamese war. It is lower than it was during the 1950's. Hopefully, this is reflected in increased productivity in the industrial sector.

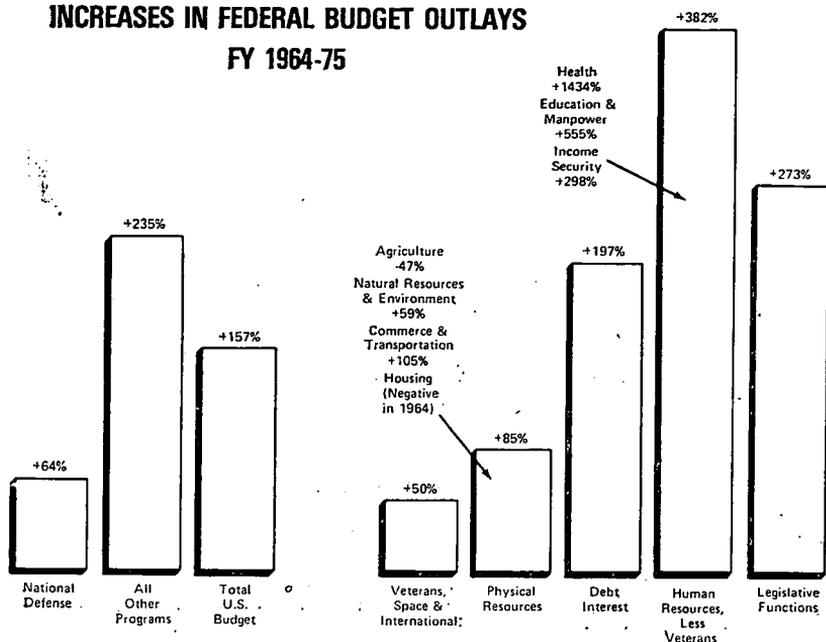
Mr. Vice Chairman, you are always looking for areas to increase efficiency. Let me say that the area of civil service employment insofar as flexibility is concerned is an area that merits your scrutiny.

Next chart, please.

[The chart entitled "Increases in Federal Budget Outlays, Fiscal Years 1964-75," follows:]

INCREASES IN FEDERAL BUDGET OUTLAYS

FY 1964-75



Secretary SCHLESINGER. Mr. Vice Chairman, this shows the changes in Federal spending from 1964 to 1975, that is from the last prewar year to the present. The total U.S. budget is up 157 percent. Defense is up 64 percent. All other programs of the Government are up 235 percent including dramatic increases, for example, in health, education, and welfare. You will note that the legislative functions of the Government are up 273 percent. I hope that this increase is reflected in a rise in real output of the legislative sector. I can assure you that the 64 percent increase for the Department of Defense does not reflect an increase in real strength.

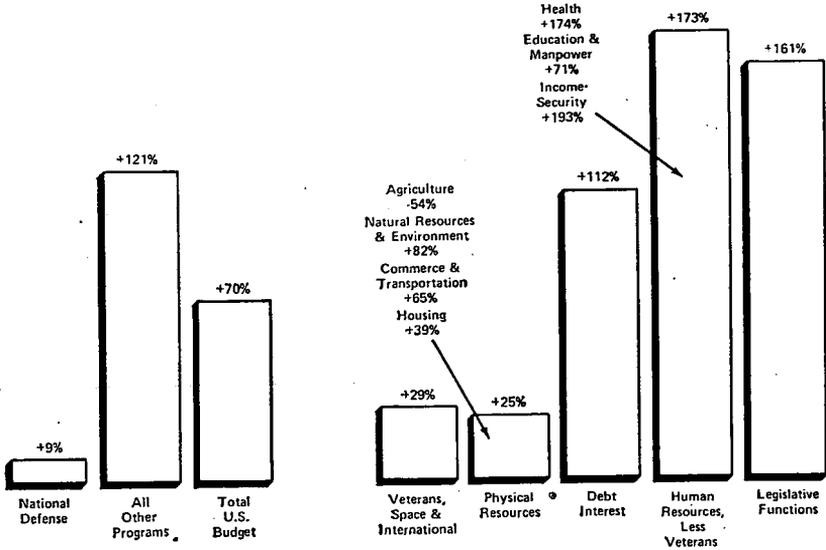
These increases reflect at least to some extent, as you know, Mr. Vice Chairman, the decreasing value of the dollar.

Next chart, please.

[The chart entitled "Increases in Federal Budget Outlays, Fiscal Years 1968-75," follows:]

INCREASES IN FEDERAL BUDGET OUTLAYS

FY 1968-75



Secretary SCHLESINGER. You may be interested in the changes that have occurred for the Department as between the peak year of Vietnam 1968, and the present year. The Department's budget in terms of outlays is up approximately 9 percent. All other programs of the Federal Government are up 121 percent. Legislative functions are up 161 percent.

I should point out that this period is associated with a decline in force structure manpower of about 34 percent. What we have here is a substantial decline of the Department of Defense programs in terms of constant dollars. In terms of current dollars, of course, we have an increase that is necessary for dealing with pay and price factors with which you are quite familiar.

Next chart, please.

[The chart entitled "DOD Military and Map" follows:]

DOD MILITARY AND MAP

FY 1964 PROGRAM AT FY 1975 PRICES

(OUTLAYS, \$MILLIONS)

	ACTUAL FY 1964 OUTLAYS	PAY RAISES AND PRICE INCREASES	COST AT FY 1975 PRICES
MILITARY BASIC PAY	\$ 8,511	178.3%	\$23,689
MILITARY ALLOWANCES	4,475	62.1%	7,254
CIVIL SERVICE PAY	7,305	84.3%	13,462
PURCHASES	<u>29,286</u>	<u>59.9%</u>	<u>46,830</u>
SUBTOTAL, EXCLUDING RETIRED PAY	49,577	84.0%	91,235
RETIRED PAY	<u>1,209</u>	<u>95.3%</u>	<u>2,362</u>
TOTAL	<u><u>50,786</u></u>	<u><u>84.3%</u></u>	<u><u>93,597</u></u>
REDUCTION IN PROGRAM EXCLUDING RETIRED PAY: \$11,446			
FY 1975 DEFENSE BUDGET, EXCLUDING RETIRED PAY			\$79,789
RETIRED PAY			6,011
TOTAL FY 1975 DEFENSE BUDGET			\$85,800

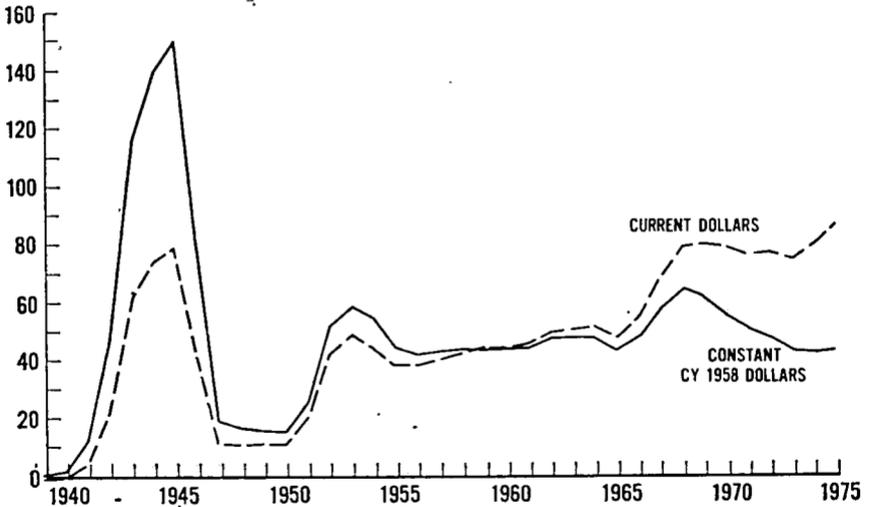
Secretary SCHLESINGER. In 1964, Mr. Vice Chairman, the Department of Defense spent \$50.8 billion of which \$1.2 billion was for retired pay, an item that I might point out is growing rapidly. If you take that 1964 program and factor in subsequent pay raises and price increases, one comes up with the cost of the 1964 program in 1975 dollars in the right-hand column. That 1964 program would cost \$91 billion at the present time, exclusive of retired pay. This reflects an increase of 178 percent in pay as well as an approximate increase due to inflation of 60 percent.

You will note, Mr. Vice Chairman, that there is a decline of about \$11½ billion in real programs of the Department in 1975 dollars, exclusive of retired pay, or a total decline of approximately 13 percent.

Next chart, please.

[The chart entitled "National Defense Outlays" follows:]

NATIONAL DEFENSE OUTLAYS



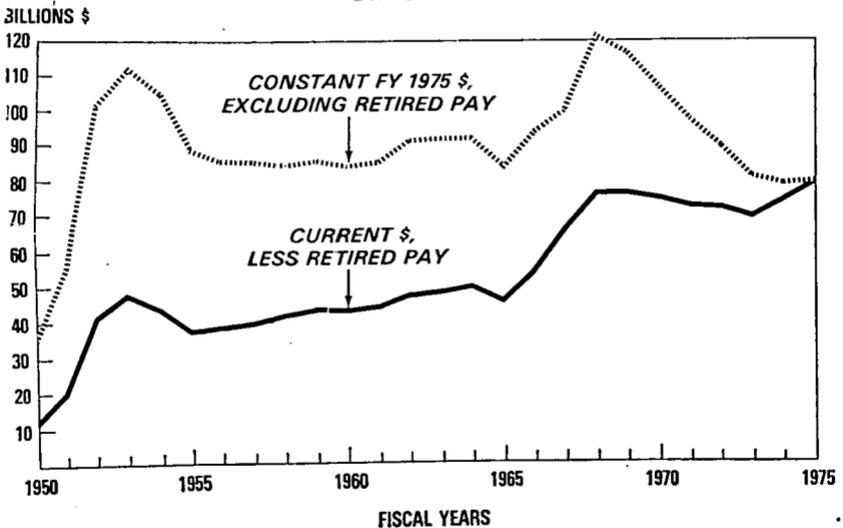
Secretary SCHLESINGER. National defense outlays over the years in terms of constant dollars have held remarkably steady since the Korean war, save for the bulge that occurred at the time of Vietnam and the decrease associated with our subsequent withdrawal.

This change in terms of constant dollars is not reflected in current dollars. Both sets of figures, of course, include retired pay.

The next chart is exclusive of retired pay.

[The chart entitled "Current and Real Defense Expenditures Since 1950" follows:]

CURRENT AND REAL DEFENSE EXPENDITURES SINCE 1950



Secretary SCHLESINGER. This chart shows that the decline in real defense expenditures has brought us to a point that is lower in real terms than it was during the 1950's. This, of course, reflects the much lower level of manpower.

Next, chart please.

[The chart entitled "The Peace Dividend" follows:]

THE PEACE DIVIDEND

(\$millions)

	1968 Outlays	Reductions Since 1968	1975 Program, 1968 Prices	Pay & Price Increases	1975 Program, 1975 Prices
Military Basic Pay	12,779	- 3,642	9,137	+ 9,893	19,030
Military Allowances	7,080	- 2,371	4,709	+ 1,946	6,655
Civil Service Pay	10,281	- 901	9,380	+ 5,549	14,929
Purchases	45,792	- 19,227	26,565	+ 12,610	39,175
Subtotal, Ex Retired Pay	75,932	- 26,141	49,791	+ 29,998	79,789
Retired Pay	2,095	+ 1,411	3,506	+ 2,505	6,011
Total	78,027	- 24,730	53,297	+ 32,504	85,800

Secretary SCHLESINGER. Mr. Vice Chairman, I know you have for quite some time expressed an interest in the peace dividend. I thought I would provide you with some numbers on this.

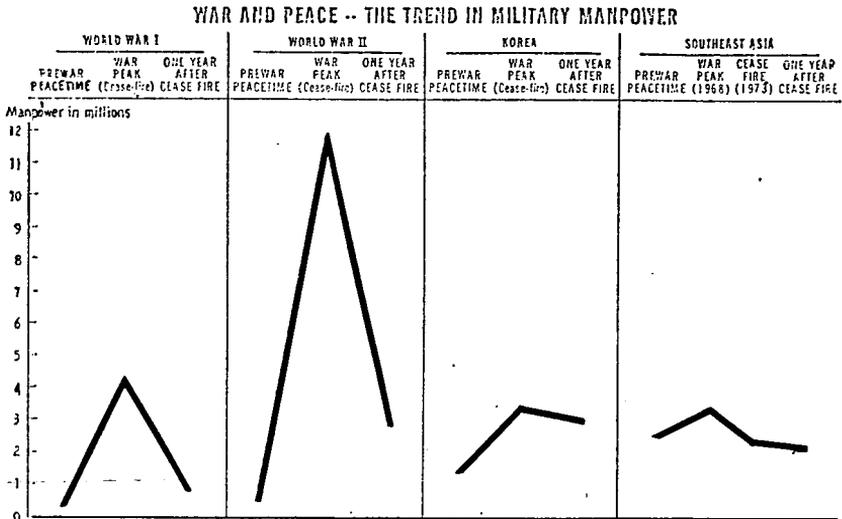
Taking the peak year for Vietnam, 1968 outlays amounted, to \$76 billion, exclusive of retirement. With retired pay, it becomes \$78 billion. The 1968 program has been reduced in terms of 1968 prices by the numbers that appear in the second column, giving in the third column a much reduced program in terms of 1968 prices—the one-third reduction that I referred to earlier.

It is a reduction in terms of 1968 prices of approximately \$26 billion or about one-third. The irony, of course, is that in terms of current dollars there has been no diminution in the costs of the Department of Defense. This is reflected in the pay and price increases that have occurred since 1968 which are shown in the fourth column. These pay and price increases amount to about \$33 billion, giving the figures for the 1975 outlays which appear in the final column.

You will note, Mr. Vice chairman, that retired pay has now reached \$6 billion. Along with the medical services that we supply to the retired community, that represents about 8 percent of the Department's budget.

Next chart, please.

[The chart entitled "War and Peace—The Trend in Military Manpower" follows:]



Secretary SCHLESINGER. What happened to the Vietnam dividend? I think this chart helps to explain that just in terms of looking at the way we have used our manpower in fighting various wars.

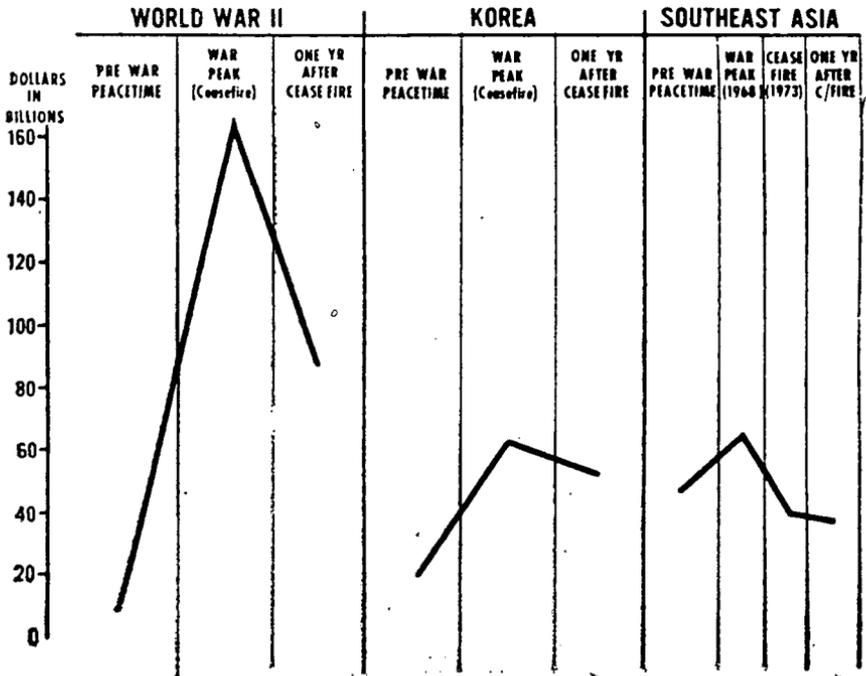
You will note, Mr. Vice Chairman, that the peculiarity of the war in Southeast Asia is unlike any of the other recent wars in our Nation's history, that we started making reductions in the Department of Defense prior to the achievement of the cease-fire. As a result, at the time that the cease-fire came, we had a smaller number of men in the Armed Forces than we had prior to the war. That diminution in manpower has continued since the time of the cease-fire.

In point of fact, Mr. Vice Chairman, Vietnam was an odd war in that in all previous wars, a year after the cease-fire we were much closer to the peak in terms of manpower than we were after Vietnam. It is this change in manpower, I think, that provides a clue as to why the benefits for the general economy in terms of constant dollars which were diverted to other programs came prior to the time of the cease-fire rather than subsequently, when one would normally expect them to occur.

Next chart, please.

[The chart entitled "War and Peace—The Trend in Military Spending" follows:]

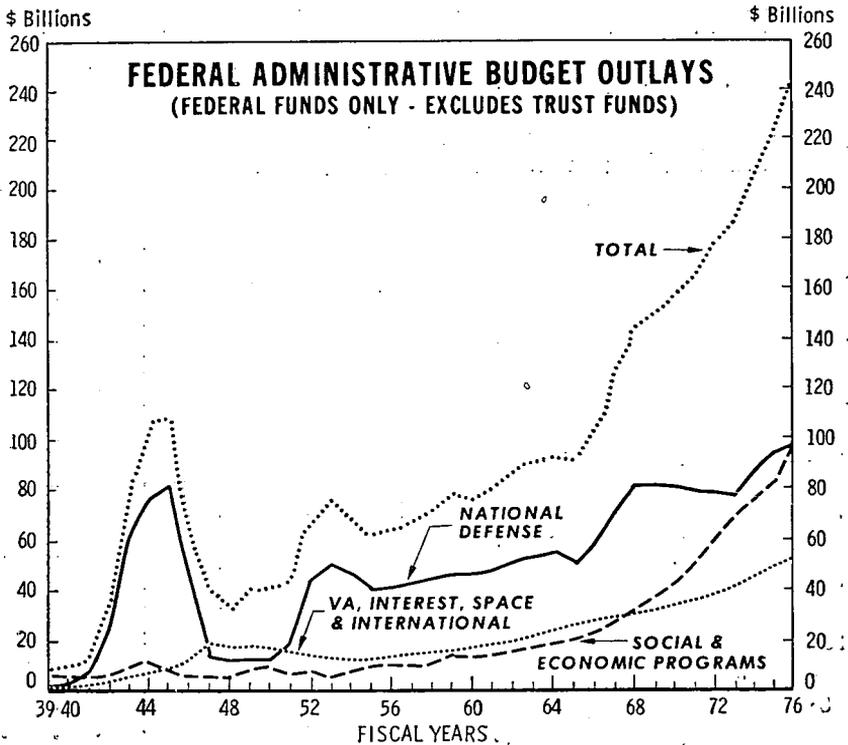
WAR AND PEACE- THE TREND IN MILITARY SPENDING (CONSTANT CY 1958 PRICES)



Secretary SCHLESINGER. Mr. Vice Chairman, this gives you the monetary outlays in constant 1958 prices associated with the previous chart. The same point holds, that as we reached the cease-fire in Southeast Asia, we were at a lower level of spending for the Department of Defense in terms of constant dollars than we were prior to the war. That was not the case for either World War II or Korea. I would have provided you with the information on World War I but I found making the conversion to constant dollars a rather difficult problem in view of available indexes.

Next chart, please.

[The chart entitled "Federal Administrative Budget Outlays" follows:]

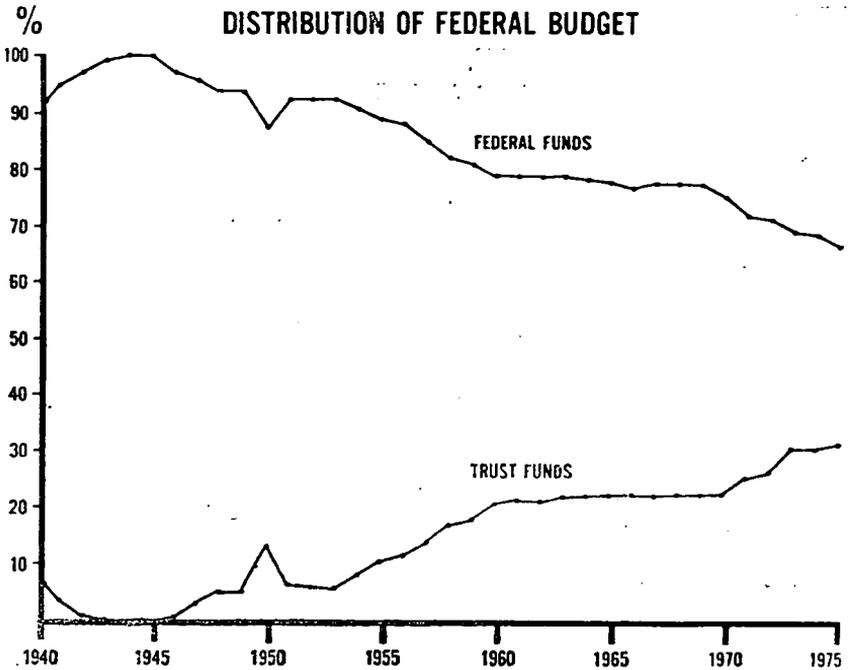


Secretary SCHLESINGER. There has been much interest, Mr. Vice Chairman, in the Federal administrative budget outlays, and there are those who have turned to the administrative budget as a vehicle for explaining how well Defense is alleged to have fared. So I will start by reviewing what is happening to Federal expenditures with the administrative budget itself.

As you will note, Mr. Vice Chairman, within the administrative budget the Department of Defense, which used to engross something on the order of 70 to 75 percent of what is now known as Federal funds, is presently down to about 40 percent. By contrast, the other items in the Federal budget now consume about 60 percent of the total. Notably, social and economic programs have risen rapidly since 1968, even exclusive of trust funds, so that they now compare with national defense at about 40 percent. The percentage for national defense, incidentally, includes AEC outlays. So we have a change in the Federal administration budget just as we have in the unified budget. I thought I would make that point at the outset.

Next chart, please.

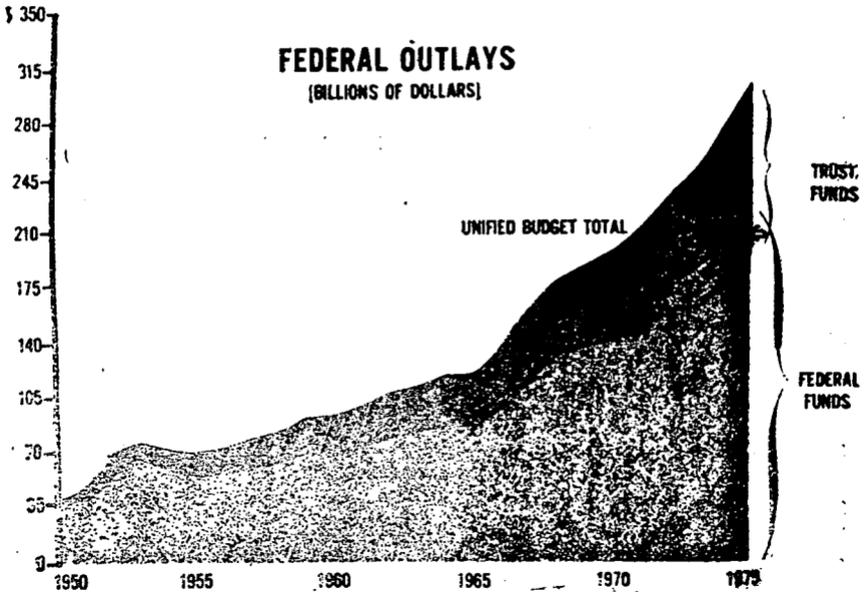
[The chart entitled "Distribution of Federal Budget" follows:]



Secretary SCHLESINGER. As you know, Mr. Vice Chairman, the Federal funds are a diminishing share of total Federal expenditures. The growth of trust funds has been impressive, if not depressing, depending on one's point of view. But for that reason, if one deals only with the administrative budget, one does not get the full measure of the decline of Department of Defense spending relative to the total activities of the Federal Government.

Next chart; please.

[The chart entitled "Federal Outlays" follows:]



Secretary SCHLESINGER. There is, of course, some confusion as to the precise division between the administrative budget and the trust funds. One of the sources of confusion is the area of intragovernmental transactions. If one is treating the problem of the defense share of intragovernmental transactions, one must be meticulous in defining what one is doing.

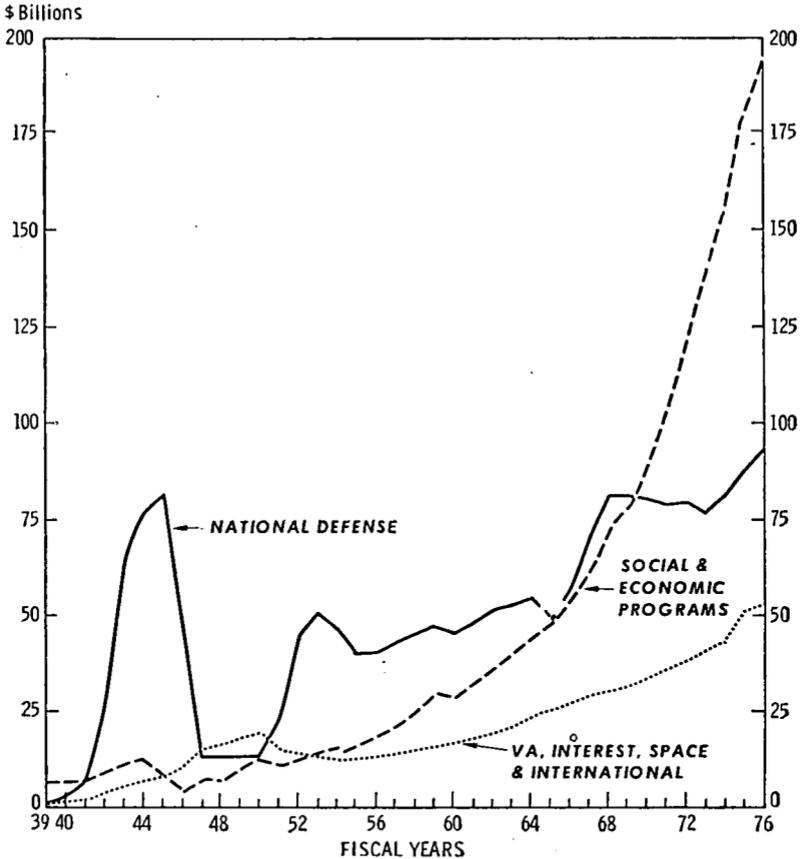
For example, the Department of Defense now provides on the order of \$4 billion a year out of the \$85.6 billion that we are talking about to the trust funds. If one is dealing with the administrative budget, one should exclude the funds that are going into the trusts.

Similarly, one has to deal with the transfers between the Federal Government and the States and localities. Revenue sharing has changed the picture in recent years. Under revenue sharing, of course, we transfer Federal funds to trust funds, so that there is some ambiguity as to treatment. For this reason, care must be taken in the handling of the two items.

Next chart, please.

[The chart entitled "Federal Unified Budget Outlays" follows:]

FEDERAL UNIFIED BUDGET OUTLAYS



Secretary SCHLESINGER. Mr. Vice Chairman, we now come to the Federal unified budget. I am sure that you will agree with me, as you have stated in the past, that this was a step forward in terms of the proper evaluation of fiscal policy. For the first time, under the unified budget one brings into the same budgetary concept the economic impact of all of the financial activities of the Federal Government, rather than subdividing them into administrative budget and trust funds. This is a major step forward in terms of fiscal policy.

In the national defense area, we note once again the same pattern that held true for the administrative budget. For national defense, including the AEC, we are now at approximately \$90 billion worth of expenditures. The unified budget has crept up to over \$300 billion in total requests. Other programs of the Federal Government now engross the lion's share of the budget, something on the order of 72 percent. And, notably, the social and economic programs of the Government have risen to approximately \$19 billion, with much of that increase, of course, taking place since fiscal year 1968.

Senator PERCY. Mr. Secretary, just for clarification, you have Veterans' Administration expenses with interest, space, and international, rather than with defense.

Secretary SCHLESINGER. No, sir.

Senator PERCY. Is that the customary way?

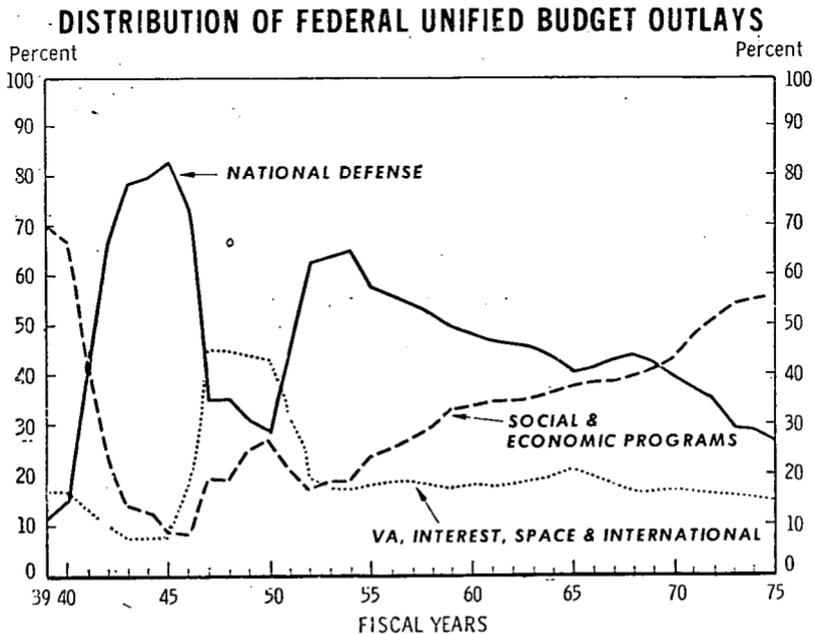
Secretary SCHLESINGER. No, sir. The defense bar is the solid line, Senator. The four items that you mention are represented by the dotted line. As you know, interest has been rising rapidly in recent years. Space has been constant as have international programs in the Federal Government. Those four programs which some people regard as related to defense one way or another have been singled out and separated from the social and economic programs. They amount to about \$50 billion.

Senator PERCY. My only point was should Veterans' Administration expenses go into national defense or should they be separated out?

Secretary SCHLESINGER. They should be separated out in my judgment, and they are separated out from national defense in this chart.

Next chart, please.

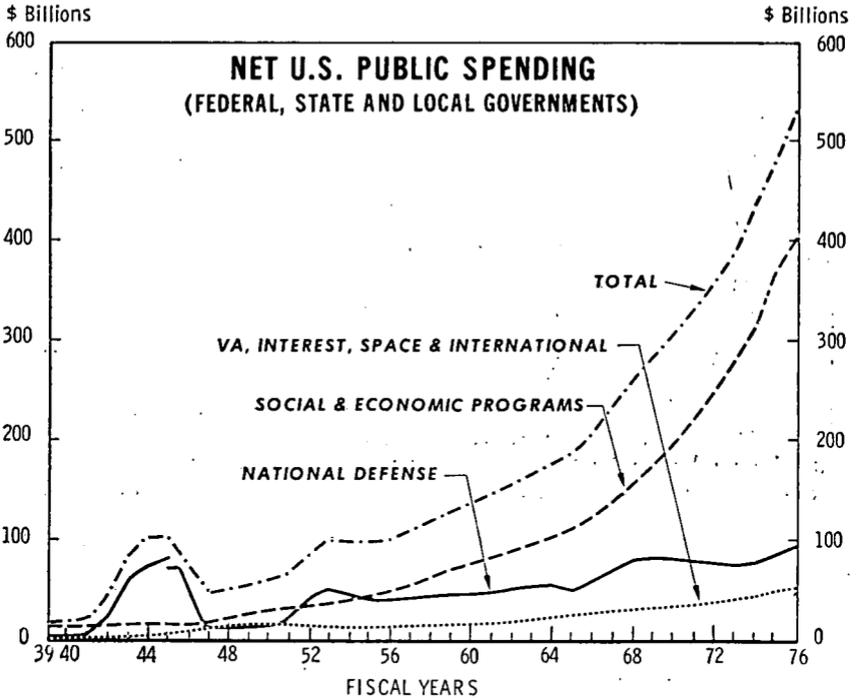
[The chart entitled "Distribution of Federal Unified Budget Outlays" follows:]



Secretary SCHLESINGER. The distribution of what you have just seen is reflected here. We are down to about 28 percent of total unified budget outlays. Social and economic programs are now up to about 55 percent of the total.

The next chart, please.

[The chart entitled "Net U.S. Public Spending" follows:]



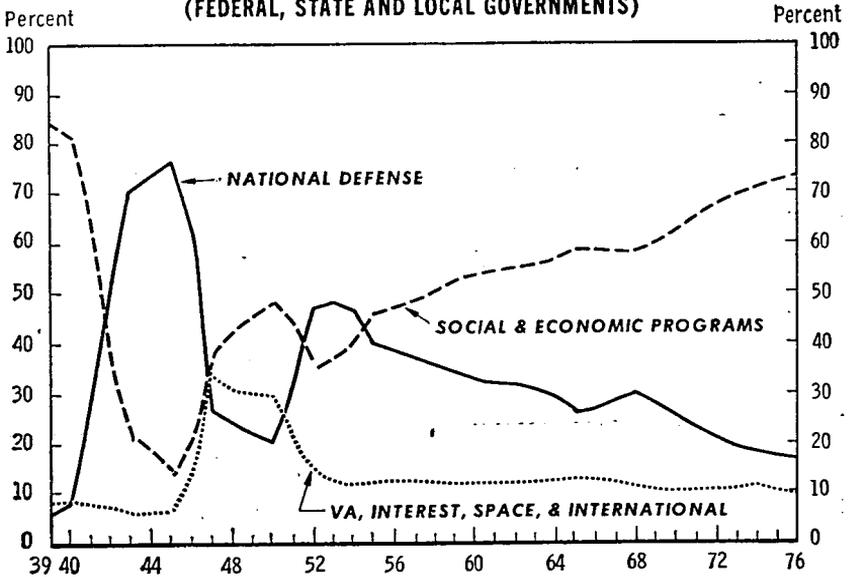
Secretary SCHLESINGER. Mr. Vice Chairman, we should remember that total public spending in this country includes the spending of State and local governments and that this spending has been rising rapidly in recent years.

In terms of total public spending, defense is shrinking even more rapidly than it is when compared to either the administrative budget or the unified budget. The growth in State and local government programs has been the most rapidly growing portion of public expenditure.

Next chart, please.

[The chart entitled "Distribution of Net U.S. Public Spending" follows:]

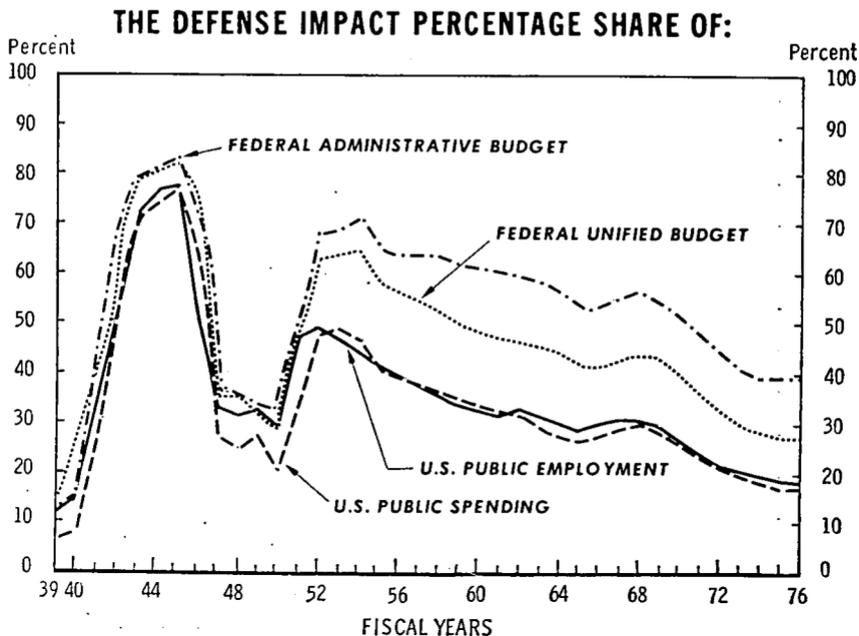
DISTRIBUTION OF NET U.S. PUBLIC SPENDING (FEDERAL, STATE AND LOCAL GOVERNMENTS)



Secretary SCHLESINGER. The distribution for total public spending shows that the Department of Defense is now down to 17 percent of total public spending. That is the lowest level since prior to Pearl Harbor. I am not sure what inferences one should draw from that. But when one looks at public spending as a whole, the burden represented by defense is a notably shrinking one.

Next chart, please.

[The chart entitled "The Defense Impact Percentage Share of: Federal Administrative Budget, Federal Unified Budget, U.S. Public Employment, and U.S. Public Spending" follows:]

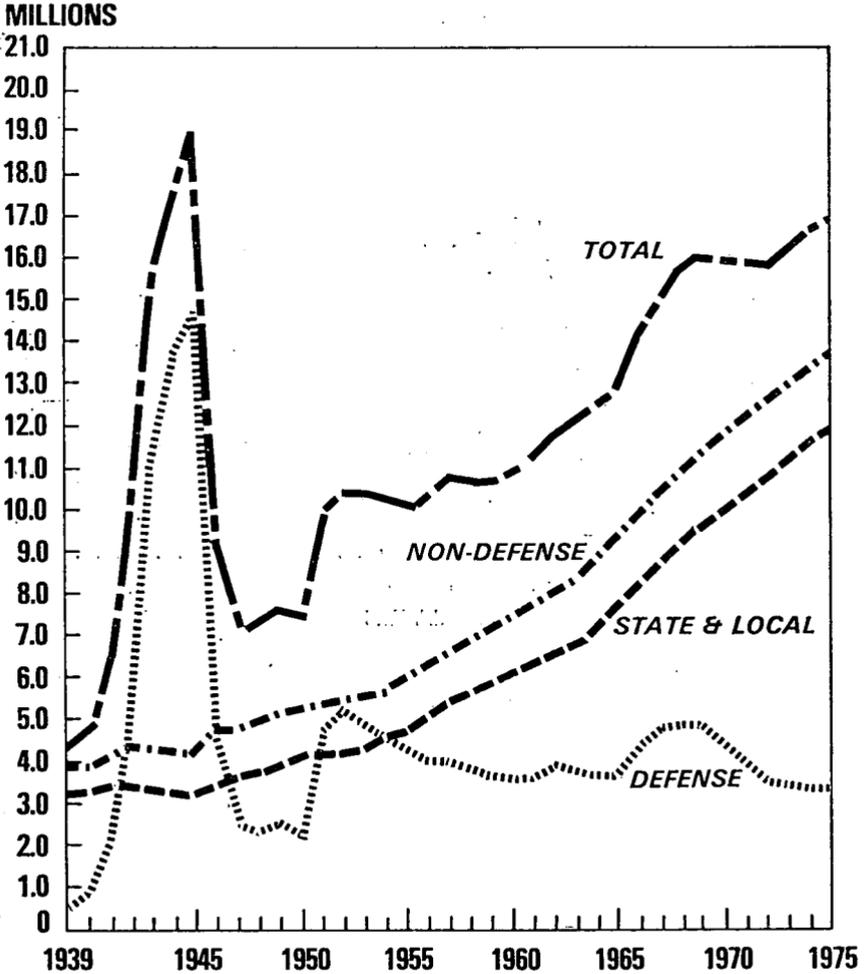


Secretary SCHLESINGER. All of these things can be put together and I would stress two points, Mr. Vice Chairman, because there has been some misconception in the past in certain quarters that if one dealt with the administrative budget that the results that one would come up with, with regard to the shrinking burden of defense, would be different and that the unified budget is a source of mystification or obfuscation. I think that you will see that if we look at all three budget concepts, or all three spending concepts, that the same pattern emerges. For the administrative budget we have dropped from 70 percent to less than 40 percent. For the unified budget we have dropped from about 65 to 28 percent. And for total public spending since the Korean war, we have dropped from about 45 to 17 percent. The same pattern emerges in all cases.

Next chart, please.

[The chart entitled "Public Employment Trends" follows:]

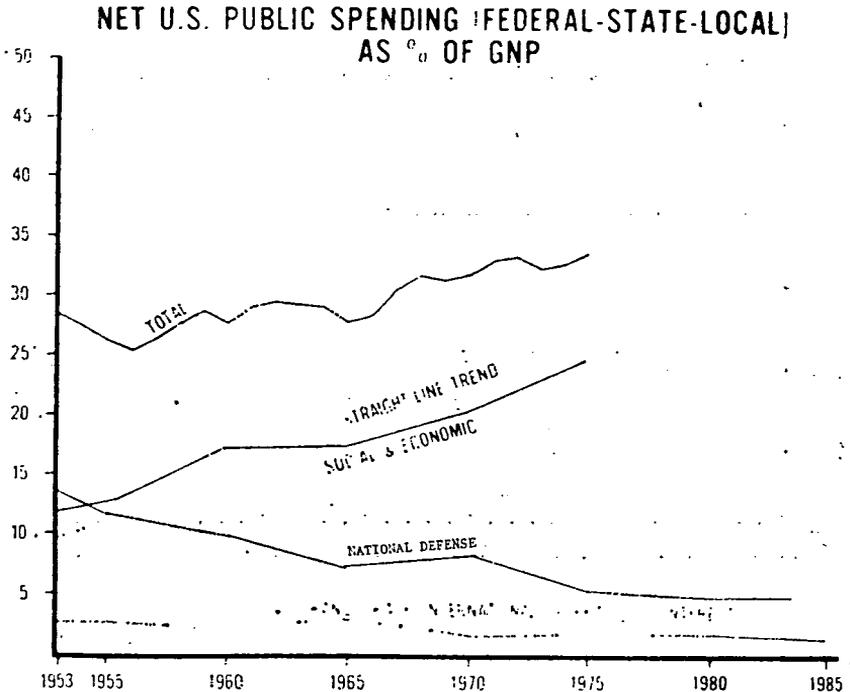
PUBLIC EMPLOYMENT TRENDS



Secretary SCHLESINGER. Mr. Vice Chairman, I pointed out that the manpower of the Department of Defense has been going down and that includes, of course, the civil service employment. The most rapidly growing sectors of public employment are not defense. They are those of State and local governments. Nondefense has been growing very rapidly as well. As a result, defense employment in this age of high manpower costs turns out to be a steadily shrinking percentage of the total manpower bill.

Next chart, please.

[The chart entitled "Net U.S. Public Spending—Federal, State, Local—As Percent of GNP" follows:]



Secretary SCHLESINGER. If one takes Federal, State, and local spending as a percentage of GNP, one can see a steadily rising trend in recent years. National defense, on the other hand, has been shrinking in relation to the total. If we observe a continuation of existing trends with regard to the expansion of the nondefense expenditures—running at the rate of 11 to 13 percent a year—would be the total for public expenditures by the year 1985 would amount to nearly 40 percent of the GNP with social and economic expenditures representing approximately 30 percent of the GNP. Under these assumptions, national defense would continue to be a shrinking proportion of total public spending and would amount to about 5 percent of the GNP.

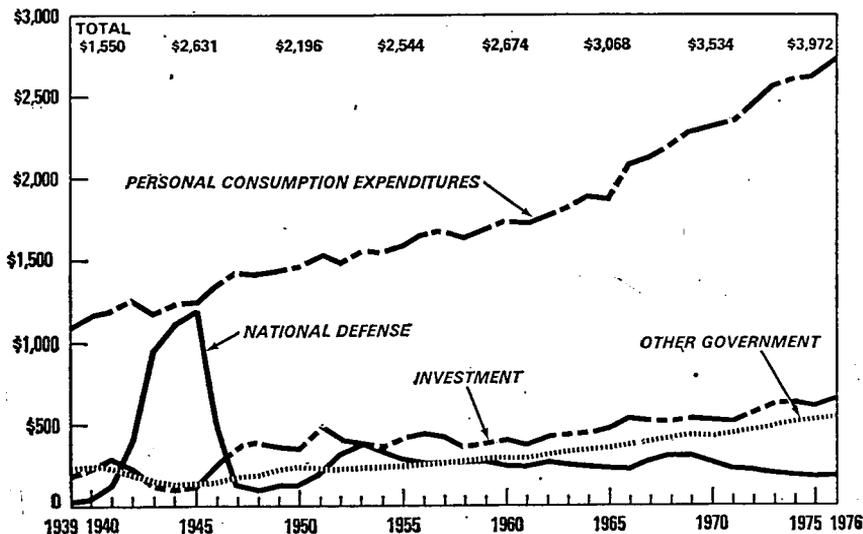
I think it is important for us to recognize where the sources of growth are in public expenditures and where they are not; and what the long run implications could be of a continuation of present trends.

Next chart, please.

[The chart entitled "Allocation of Real GNP Per Capita" follows:]

ALLOCATION OF REAL GNP PER CAPITA

(CONSTANT 1958 DOLLARS)



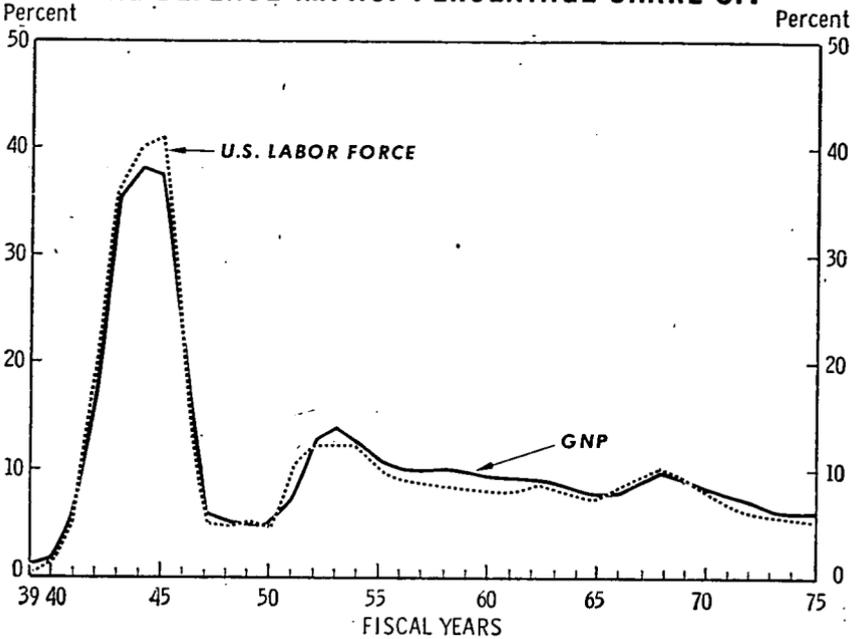
Secretary SCHLESINGER. You have expressed interest, Mr. Vice Chairman, in the allocation of real GNP per capita in the reallocation of resources. This merely indicates that in terms of constant 1958 dollars, as drawn from the Department of Commerce, that the defense expenditures in per capita terms have generally been declining since the Korean war. They now run about \$200 per head in terms of constant 1958 dollars. You will note that personal consumption expenditures have been rising dramatically throughout this entire period, so that personal consumption and expenditures per head now amount to something on the order of \$2,600.

In 1945, the peak year of the Second World War, of course, the expenditures per capita on national defense were virtually equivalent to personal consumption expenditures.

Next chart, please.

[The chart entitled "The Defense Impact Percentage Share of: U.S. Labor Force and GNP" follows:]

THE DEFENSE IMPACT PERCENTAGE SHARE OF:



Secretary SCHLESINGER. Mr. Vice Chairman, we now have an all-volunteer force and in a free market economy, the percentage of resources in terms of national products that the Department will absorb will be very closely related to the percentage of the labor force that we employ. The benefits we have enjoyed in the past from conscripted labor no longer exist for the Department. I have indicated before that we are employing about 5 percent of the labor force plus some outside purchases. As long as we maintain a military establishment of about 2.1 million people, down as I have indicated earlier by about 600,000 from pre-war, we will need to have between 5 percent and 6 percent of the GNP. That is a straightforward fundamental economic proposition.

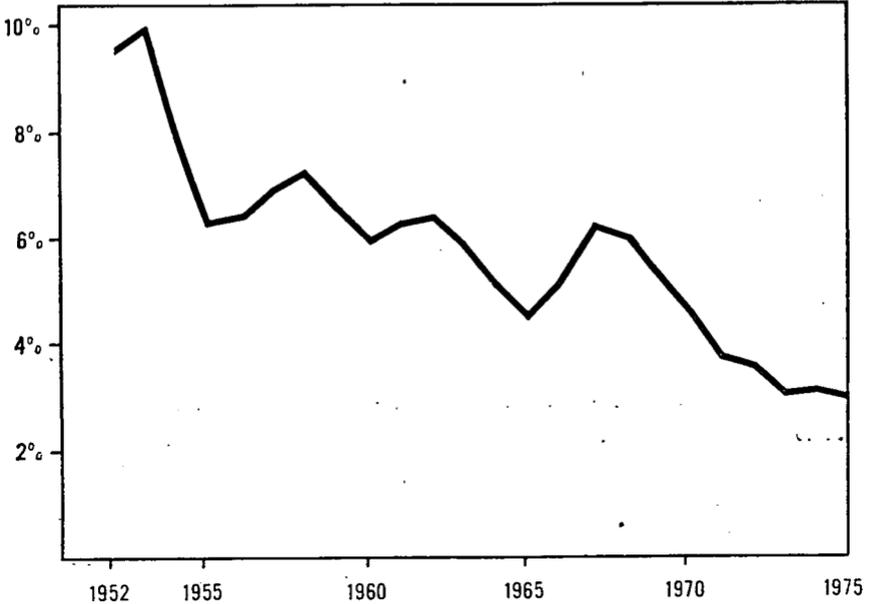
Senator PROXMIRE. Will you repeat that, Mr. Secretary?

Secretary SCHLESINGER. Yes, sir. The fundamental proposition is that as long as the Department of Defense is employing approximately 5 percent of the U.S. labor force—under free market conditions and without the draft—we will require about 5 percent of the GNP for that purpose alone, and, of course, there are supplementary purchases such as fuel which do not reflect direct employment by the Department of Defense. Consequently, Mr. Vice Chairman, as the economy grows in current dollars and the rate of inflation increases at a rate of 5 percent, 9 percent, or hopefully 2 percent, we will have to have about 5-plus percent of the GNP, if we are to maintain a 5-percent level of employment and have no alternative to the prices that we pay under current law.

Next chart, please.

[The chart entitled "Defense Purchases as Percent of the Output of Goods and Services of the Private Sector of the U.S. Economy" follows:]

**DEFENSE PURCHASES AS A PERCENT OF THE OUTPUT
OF GOODS AND SERVICES OF THE PRIVATE SECTOR
OF THE U. S. ECONOMY (CALENDAR YEARS)**



Secretary SCHLESINGER. Mr. Vice Chairman, you referred in your opening statement to the impact of defense on the economy and you refer to the midyears of the 1960's. I think that the impact of defense in those years reflected excess demands which may have stemmed from the war in Vietnam. In most cases, however, it did not reflect the direct impact of the Department of Defense on various industries within the private sector. At the present time defense expenditures have shrunk to approximately 3 percent purchases from the private sector.

Next chart, please.

[The chart entitled "Inflation and Defense Purchases by Industry Sector" follows:]

INFLATION AND DEFENSE PURCHASES BY INDUSTRY SECTOR (CALENDAR YEARS)

<u>INDUSTRY</u>	<u>PRICE INCREASE (%) 1964 TO 1972</u>	<u>1972 DEFENSE PURCHASES AS % OF TOTAL</u>
AGRICULTURE, FORESTRY, FISHERIES	53.0	2.4
MINING	16.4	3.3
CONSTRUCTION	84.1	1.2
MANUFACTURING	14.9	8.3
NONDURABLE	10.5	2.9
DURABLE	18.1	12.1
TRANSPORTATION	24.8	6.1
COMMUNICATION	4.8	2.9
ELECTRIC, GAS, SANITARY	11.8	2.5
WHOLESALE, RETAIL	31.0	.8
FINANCE, INSURANCE, & REAL ESTATE	40.7	.9
SERVICES	51.3	1.9
TOTAL PRIVATE SECTOR	<u><u>30.7</u></u>	<u><u>3.8</u></u>

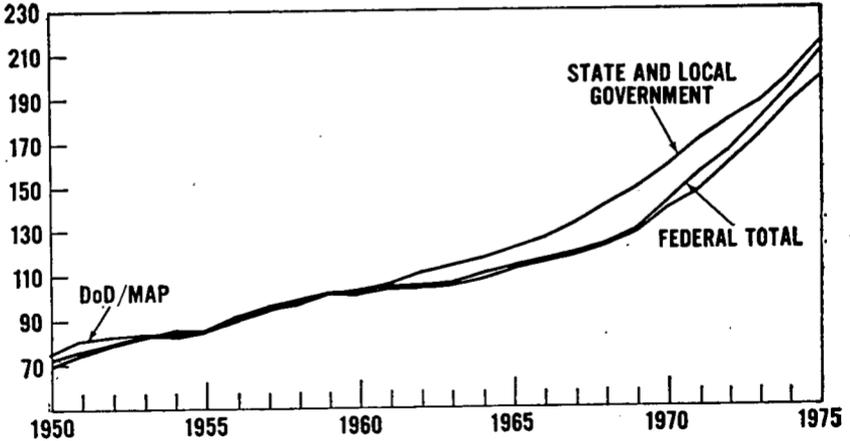
Secretary SCHLESINGER. There is no evident correlation between those areas of intense defense activity and price increases that have occurred. This does not suggest the converse, by the way. Agriculture forestry, and fisheries, for example, have had price increases of 53 percent, although the Department of Defense represents a very small percentage of expenditures in that particular industrial sector. Nor would I suggest the inverse, that the larger the share represented by defense, the lower the rate of price increase for a particular industrial sector.

However, if one looks at the chart, one does note that the highest share of Department of Defense purchases is in durable manufacturing, where we absorb about 12 percent of the total output of that sector. And that is an area in which price increases amount to 18 percent, considerably less than the average. It is also an area where we would expect to have good productivity increases.

Next chart, please.

[The chart entitled "Deflators" follows:]

DEFLATORS
COMPENSATION AND PURCHASED GOODS AND SERVICES
 (CY 1958 = 100)



Secretary SCHLESINGER. Finally, Mr. Vice Chairman, you may be interested in the deflators that I have employed. I would emphasize that the deflators for the Department of Defense are somewhat lower than the deflators for the totality of Federal expenditures and also lower than the deflators that apply to State and local governments.

Mr. Vice Chairman, as you observed initially, we have worldwide responsibilities. We must maintain a sufficient military capacity to fulfill those responsibilities. I think that I will underscore your initial comments, that whatever resources we have in the Department should be used effectively; and I hope that you will agree with the thrust of my observations, that the burden of the Department of Defense has been in a diminishing burden on the American economy, that it is no longer the driving force that it was in earlier times, that we have now gotten down to a level of manpower that is as low as it was prior to the Korean war and a level of public spending that is as low as it was prior to Pearl Harbor.

We have reduced manpower in the Department 600,000 men as compared to the immediate prewar situation, 400,000 below the Eisenhower years. We are down about one-third in terms of constant dollars below the 1968 level. We are about 12 to 15 percent in constant dollars below the prewar 1964 level, and we are lower than we were during the Eisenhower years of the fifties.

If one examines our responsibilities, I do not think that our force structure is excessive. I think it is probably on the thin side. That is our responsibility, Mr. Vice Chairman, to get greater combat capability within our existing manpower and resource limits, in terms of roughly constant dollars.

Thank you, Mr. Vice Chairman.

Senator PROXMIRE. Mr. Secretary, you have done an outstanding job, a brilliant and persuasive job in presenting your side of the case

and you have used your statistics and your charts with telling effect. You have a good story to tell and you tell it very well. So I hope you will understand then I differ from the interpretation that you put on your figures and the way you have selected them.

Secretary SCHLESINGER. I am downcast, Mr. Vice Chairman.

ZERO SUPPRESSION IN DEFENSE DEPARTMENT CHARTS

Senator PROXMIRE. Let me give you one example. This is not meant to apply to everything here. But the Director of the Office of Management and Budget, Roy Ash, criticized a chart prepared by this committee because it used a technique known as zero suppression. That is, the chart scale did not start with zero. He assured us that OMB would never use this chart drawing technique and I would agree it can produce misleading figures and this committee was wrong in doing this.

I note, however, that you have done exactly that this morning. You did not call it zero suppression. You use it in showing defense spending as a percentage of GNP. Thus, the drop from 9.4 percent in 1968, a war year, to 5.9 percent in 1975, is made to look as if defense spending as a percentage of GNP has been reduced by two-thirds when actually it has fallen about one-third.

Secretary SCHLESINGER. Mr. Vice Chairman—

Senator PROXMIRE. Let me go on to a couple of more things and then I will ask you to respond.

It seems to me it is hardly a defense of wasteful defense spending, and we have yet to establish that, but I think we can establish some of it perhaps in spending, that State and local spending has skyrocketed. It has, indeed, gone up far more sharply than Federal spending.

We made a conscious decision with great popular support to enable people to save more of their current income and pay themselves higher pensions and provide more for medicare and medicaid and that constitutes very, very large percentages of the so-called human element of the budget. In fact, the increase in the budget this year, about 65 percent of it is made up by that one single item which is hardly the same as the other kinds of decisions we make in Government.

Then, you threw in the legislative function, which was a deft little needle pointing out how that has sharply increased but I think we should keep it in perspective. After all, that is less than 1 percent of the defense budget now. Perhaps it has exploded too much but I think you would agree when we have two or three people on the Defense Appropriations Subcommittee working to match the tens of thousands that you have, that we can hardly be criticized for over-staffing ourselves. We have only 30 staff on the Senate Armed Services, 30 staff people, I should say, on the Senate Armed Services Committee, compared to what you have on the military side. I think perhaps we could increase that a little more and cut your spending a little more.

Then, I just have one or two other points. I do not understand why we have to have 5 percent of the population in defense, that is, military, civilian, or defense contractors, ad infinitum. After all, maybe the percentages should be 4, maybe 2, maybe 3, maybe 10, but it depends on the circumstances and I think to make any assumption that that is what we need in the future and, therefore, we are going to have to have a defense budget that will parallel any inflationary increases does not add up.

And finally, you just briefly referred to how the defense as a percentage of spending now was lower than it was before Pearl Harbor. Well, I can recall I was in the Army for about 9 months before Pearl Harbor and we had a very intensive buildup more than a year before Pearl Harbor. Many people reflect on pre-Pearl Harbor as being an era when we were practically disarmed. That is not the case.

So I just point out that you have made some selections, very telling points, but I think it perhaps did not give a completely objective analysis of the size of the budget, of the opportunity for cutting waste in it.

Will you respond to that?

Secretary SCHLESINGER. Yes, sir. Every force structure or fiscal or economic indicator, I think reflects the same thing, that defense is a diminishing burden on the American economy. Any selection that one makes, if one does the job accurately, will tell the same story. So I think that the consistency in the whole pattern of behavior is well understood. There is no need for selectivity.

Now, you raise the question, Why 5 percent? There is no reason that it has to be 5 percent. I think, Mr. Vice Chairman, that we have taken as much reduction as we should in terms of uniformed military personnel. We are down to 2.15 million men. As I indicated earlier, we are on the thin side in terms of general purpose forces.

REDUCE PERSONNEL AS TECHNOLOGY IS INTENSIFIED

Senator PROXMIRE. Well, a number of people in the Senate, including Senator Goldwater, for example, have argued that we can and should expect to be able to reduce our personnel more as we use our technology more intensively and more wisely and, of course, this all hinges, I presume, on the kind of negotiations we may have with the Soviet Union and whether or not we can achieve a reduction on their part.

Secretary SCHLESINGER. I think that both observations are correct, Senator. Soviet military manpower, of course, since 1960 has been rising, so that it has now reached about 3.8 million men. From 1965 to 1969 most of that increase went in on the Chinese border which may or may not be of concern to us. From 1969 on, that increase has gone into then European forces.

We have shredded out our general purposed force structure to a level that is quite low compared to the prewar level. My own judgment is, for example, that the U.S. Army has been reduced more than enough. We should attempt with the manpower we have to get more combat strength and we are in the process of increasing the number of divisions without increasing manpower.

SLUGGISH SUPPORT AND GRADE CREEP UNDERMINE DOD EFFICIENCY

Senator PROXMIRE. I commend you on that. I think we all agree on that. We have a sluggish logistic tail. We have had far more in supply and support than before, as I understand it. We have a tremendous increase in the proportion of admirals and generals and their staffs to the number of personnel. I understand we have more admirals and generals now than we had at the height of World War II and now we have one-sixth the military personnel.

Secretary SCHLESINGER. I think that there is justification in that comment if you apply it more broadly. The numbers of admirals and generals is, in fact, down somewhat. We have been seeking legislation from the Hill that will enable us to reduce the numbers of certain other officers, and thereby reduce the officer-to-enlisted man ratio.

Senator PROXMIRE. You see, the main issue here is, when this reduction is made, whether it should automatically be shifted into combat troops or whether there should be a reduction, just a cut.

Secretary SCHLESINGER. That is right.

Senator PROXMIRE. I think you can make an argument both ways but I have not seen a persuasive argument that we need to shift more into combat rather than provide the eased burden that so many call for.

Secretary SCHLESINGER. As I indicated earlier, during this period of time that there has been an expansion of capabilities external to the United States, we have been shrinking, even aside from the wartime bulge. The number of divisions in the Army is down from 16½ to 13. The shrinkage in the Navy which is a source of special concern to many has been even more impressive. It is down from 951 ships to about 530 ships today. In my judgment, Mr. Vice Chairman, we are on the thin side in terms of the general purpose force structure.

Senator PROXMIRE. Well, I will get into the firepower, et cetera. But let me ask you this.

Secretary SCHLESINGER. Well, Mr. Vice Chairman, you had six questions that I noted down.

Senator PROXMIRE. All right.

DOD RESPONDS TO ZERO SUPPRESSION CHARGE

Secretary SCHLESINGER. With regard to zero suppression, we have only followed in the footsteps of this committee. According to Roy Ash, emulation should be taken as a compliment.

Senator PROXMIRE. I pointed out that we want to do penance for our sins. That was a grievous mistake on our part. We agree with Mr. Ash.

Secretary SCHLESINGER. In any event, the decline is from approximately 9 percent to 5.9 percent of the GNP. Those numbers stand out quite readily.

I think I shall stop there, Mr. Vice Chairman.

Senator PROXMIRE. All right. Recently you were quoted as telling the House Appropriations Committee that there was a measure of fiscal stimulus in the proposed defense budget. You did say something about this in your opening remarks?

Secretary SCHLESINGER. No, sir.

Senator PROXMIRE. Well, you said something about how you had—you were not using the defense budget to stimulate the economy. But that you—

Secretary SCHLESINGER. Oh, yes, in my opening remarks here. Yes.

PART OF THE DEFENSE BUDGET IS USED FOR FISCAL STIMULUS

Senator PROXMIRE. Yes. Could you explain what you meant to say and tell us precisely how much is in the defense budget for fiscal stimulus of the economy. I do not understand how you can go both ways at once. It seems to me, if there is something here for fiscal

stimulus that it must be clear that if we—if it does that, if that is its purpose, that if we postpone that kind of expenditure we apparently will not do great damage to our military strength.

SCHLESINGER'S EXPLANATION OF THE FISCAL STIMULUS ISSUE

Secretary SCHLESINGER. I think your inference is quite clear. The problem is with the premises.

I did not indicate that economic stimulus was given any consideration in the drawing up of the defense budget. The budget has been constructed solely on national security grounds. Chairman Mahon raised the question quite forcefully, I might say, and in response to Chairman Mahon's question, I indicated that because of the alteration in the general economic picture that occurred or the perception of the general economic picture that occurred at the time that the budget was being closed out, that the budget makers recognized that for fiscal policy reasons they had additional leeway and that meritorious programs could, therefore, be funded further.

As I indicated in my opening remarks, we are below the level of the 5-year plan. The 5-year plan in the POM's called for \$94 billion of TOA for 1975. We are requesting \$92.6 billion. We have made reductions this year, as a matter of fact, to get down to that level. So I would suggest that the budget is based upon legitimate national security grounds. I think that if you examine those questions carefully, you will agree with us.

I think that there may be some problem when national security is dependent to the degree that it may have become upon assessments of budget stringency. Happily this year the degree of budget stringency was not such that we were forced down to a level that I would deplore as undesirable.

Senator PROXMIRE. I want to follow you on that. My time is up.

Senator JAVITS. May I interrupt to ask unanimous consent—I have to go to the floor to handle a bill—to put written questions to the Secretary, to incorporate them in the hearing record?

Senator PROXMIRE. Yes; indeed.

[The following information was subsequently supplied for the record:]

RESPONSE OF HON. JAMES R. SCHLESINGER TO WRITTEN QUESTIONS POSED BY SENATOR JAVITS

I. STRATEGIC DOCTRINE

Question. The "Posture Statement" submitted to the Armed Services Committee argues for a change in U.S. strategic doctrine from Mutual Assured Destruction to a counterforce strategy. In this connection, is such a shift in U.S. nuclear strategy in keeping with the SALT I agreement and the Non-Proliferation Treaty—both of which committed us to seek a reversal of the arms race and a reduction of nuclear arms?

Answer. The U.S. strategic doctrine has not shifted from Mutual Assured destruction to a counterforce strategy. The "Assured Destruction" concept was more a declaratory policy and a way of testing the adequacy of the forces than a strategy. In fact, our target plans have long had a mixture of urban-industrial and military targets, and a number of options, though these options involved a relatively massive number of strikes. We propose now to adjust our strategic targeting doctrine to emphasize selectivity and flexibility in options, in order to strengthen deterrence across the entire spectrum of possible risk. We would always retain a capability for destruction of cities. Thus, it is not correct to say that we have shifted to a counterforce strategy, but instead, we are stressing flexibility and selectivity in order to shore up deterrence.

The shift in targeting doctrine can be accomplished with the present capabilities of our strategic nuclear forces. It does not require new forces or changed capabilities, though improvements in command and control are helpful.

The change in targeting doctrine in no way violates the SALT I agreement or the Non-Proliferation Treaty. Neither of those treaties requires that we unilaterally disarm. Instead, we seek mutual reductions of nuclear armaments. Given the numerical advantages in intercontinental missiles that the Soviet Union secured in the Interim Agreement on Offensive Weapons in SALT I, they are now the pacesetter, for the qualitative advantages we secured at that time are inevitably a wasting asset. We are prepared to balance up, or balance down, depending on the actions of the Soviet Union. Our hope is for the latter, to which end we are seriously negotiating in SALT II.

Question. Dr. Kissinger explained to us last year that the ABM Treaty gave security to both sides by assuring the missiles of each side a free ride to their targets. Accordingly, isn't this new doctrine of "limited counterforce strategy" just a new phrase without a change in substance to justify a new phase of the nuclear arms race, at the cost of billions to the taxpayers?

Answer. The question of the sizing of our forces is separate from that of the targeting doctrine. The sizing of our forces will be determined by Soviet actions and by the accomplishment of a satisfactory SALT II agreement. We are determined to maintain essential equivalence with the Soviet Union. Given the breadth of the Soviet R&D program, and especially given the large increase in throw weight of their ICBMs represented by that program, it is the Soviets who are threatening to initiate a new arms race. It would be dangerously destabilizing if they were to have important, asymmetrical strategic advantages. It is for this reason that we have accelerated our own R&D program, as presented in the President's budget. None of these R&D programs are essential for the changed targeting doctrine, which can be accomplished within present capabilities. If, however, the Soviet Union changed the balance unilaterally, we could be forced into deployment at some later date.

The phrase, "limited counterforce strategy" is not an accurate description of the changes in our targeting doctrine. The phrase is not used by the Department of Defense or by the President. We have said that we are modifying our targeting doctrine by adding additional options to emphasize selectivity and flexibility in order to shore up deterrence across the entire spectrum of risks.

Question. Do you believe that limited nuclear war is possible or desirable between the superpowers? Isn't the whole purpose of nuclear weapons a deterrent purpose, with the value being psychological rather than military in a real sense.

Answer. Any kind of nuclear war, limited or unlimited, is undesirable. We hope to deter nuclear conflict of any kind, including limited nuclear war. We cannot completely rule out that an adversary, through accident or miscalculation, might initiate a limited nuclear attack in the expectation that we would not respond appropriately. While it is difficult to describe the circumstances under which such miscalculation could occur, we want to ensure that we for our part have done our best to avoid it. It is for this reason that we seek flexibility and selectivity in our targeting doctrine, so that we are seen to be able to respond to attacks of any kind in an appropriate way, and are not thought to be limited to only a massive response against Soviet cities, thus hopefully deterring nuclear war of any kind.

Miscalculations could occur because the implications of nuclear war had not been thought through. Just because nuclear war is undesirable and the probabilities of it occurring are very low is no reason not to think about it. We must make the underlying calculations about nuclear war clear. If we understand the underlying calculations rather than avoiding hard thought in this area we believe we can diminish the possibility of nuclear war. But if we do not think through our deterrent strategy somebody might be tempted to do something. We are attempting to remove whatever temptation, however low, may exist to initiate even small scale use of nuclear weapons.

II. MISSILES IN EGYPT

Question. You have stated that the U.S.S.R. has supplied SCUD missiles to Egypt. Are these SCUD missiles capable of carrying nuclear warheads?

Answer. The SCUD does have a nuclear capability, but in addition, may be employed with a conventional warhead. With a conventional warhead, the SCUD poses a significant threat to large area targets such as airfields, supply depots, or large masses of troops and armor.

Question. Have the Soviets supplied any nuclear warheads to Egypt for these missiles?

Answer. To the best of our knowledge, they have not.

Question. Do the Soviets maintain any nuclear warheads in Egypt or Syria under their own control?

Answer. To the best of our knowledge they do not.

Question. What is the U.S. plan if we learn that the Soviets have introduced nuclear warheads into the Middle East?

Answer. We do not anticipate that the Soviets will choose this course of action. They appear to sensitive, as is the United States, to the hazards and potentially disastrous consequences of the presence of nuclear weapons in the Middle East.

Question. Do you think the USSR is fully committed to the Non-Proliferation Treaty, especially as it relates to the Middle East?

Answer. To date, there are no indications that the USSR intends to abrogate this treaty. It is difficult to identify any benefits which would accrue to the Soviets through such action. We believe the Soviets are anxious to avoid the dangers and instabilities of nuclear proliferation.

III. DIEGO GARCIA

Question. I have noted the strong drive, especially by the Navy, to make Diego Garcia into a major naval/nuclear base. If Diego Garcia is established, do you intend to establish, now or later, an Indian Ocean navy? If so, should we stock the Indian Ocean with ships from the Pacific fleet, the Mediterranean fleet, or build a new fleet for the Indian Ocean?

Answer. Development of the naval communications station on Diego Garcia into a support facility does not mean we intend to establish an "Indian Ocean" navy. Rather, our purpose is to provide a logistic support facility that will let us more efficiently support military deployments which we may periodically desire to make into the Indian Ocean. This is not seen as requiring an increase in our naval or air forces. In some respects, because of a resulting improved capability to maintain forces on station in the region when desired, it may result in some potential economies with regard to the size of forces because of a reduction in the required logistic "tail".

Question. Do you not think it is proper that the Diego Garcia agreement should be submitted to the Senate in treaty form, for its advice and consent as is required by the Constitution?

Answer. It is intended that we conclude the agreement on Diego Garcia through an exchange of notes with the British government. The agreement will merely convey the approval of both governments for the proposed expansion, as provided in the 1966 exchange of notes on uses of the British Indian Ocean Territory for defense purposes. In addition, it will revise the terms of the 1972 Communications Facility agreement in a manner consistent with the expanded support role of the facility. Since there are no new USG commitments being proposed, the exchange of notes form used in 1966 and 1972 also seems appropriate in this instance.

Senator PROXMIRE. Congressman Blackburn.

Representative Blackburn. Thank you, Mr. Vice Chairman.

I would like to congratulate the Secretary on his presentation. I think he has done an extremely persuasive job in presenting the arguments against any drastic reduction in the Defense budget.

BLACKBURN ON DEFENSE AS GOVERNMENT'S FIRST DUTY

Now, we hear a lot of talk here about priorities and reordering priorities. I think it is time that we remind ourselves that the first duty of Government is defense. The first reason that people began to organize themselves under governments was to defend themselves against an outside attacker; whether he was a feudal baron or whether a tribal chief. Those who would say that defense is a secondary obligation of government are flying in the face of history.

Mr. Secretary, the arguments are made that we can reduce the budget. Well, are there not many times judgment decisions as to just what is necessary to carry out the defense obligations of this country?

Secretary SCHLESINGER. Yes, sir.

Representative BLACKBURN. And what it comes to, I suppose, is a question of upon whose judgments are we to rely; our trained military personnel with their civilian advisers or political ideologues?

Secretary SCHLESINGER. The way you phrase the question, Congressman Blackburn, I think that my choice is clear.

Representative BLACKBURN. You feel that perhaps you would rather put a little more reliance on our trained military personnel—

Secretary SCHLESINGER. Yes, sir.

Representative BLACKBURN. [continuing]. With their experience than on what may appear to be politically popular on occasion?

Secretary SCHLESINGER. Yes, sir.

DEFENSE BUDGET STILL DOES NOT INCLUDE ALL THAT SCHLESINGER WANTS

Representative BLACKBURN. Is the budget this year the largest your Department prepared? Do you get everything you want in this budget?

Secretary SCHLESINGER. No, sir.

Representative BLACKBURN. If you had your "druthers," how much higher would it be?

Secretary SCHLESINGER. As I indicated, we constrained the services during the summer with appropriate guidance and, of course, the services do have substantial appetites if not constrained by such guidance. The guidance indicated the type of circumstances for which the American forces should be drawn up in terms of commitments and fiscal guidance. There emerged a set of program objective memorandums from the four services and these amounted to \$94 billion as approved. They would have been slightly higher as a result of the greater rate of inflation that has occurred since the summer. This has been reduced by approximately \$1 billion to \$1½ billion.

Representative BLACKBURN. Is there anything in this budget, in your opinion, which is not absolutely essential for our national defense?

Secretary SCHLESINGER. There are places that we have recommended changes to the Congress. There are no areas, in my judgment, that we are in a position to reduce outlays save by various changes in law.

INFLATION'S EFFECT ON THE DOD BUDGET

Representative BLACKBURN. Just what has been the effect of inflation on your budget during the past year, just a 12-month period?

Secretary SCHLESINGER. The effect of pay and price increases has been that approximately \$5½ billion were necessary between 1974 and 1975 in order for the Department to stay even. There is some growth in this budget, particularly in the material readiness area, and in terms of certain options that we are developing as a hedge in part against a possible failure of SALT, as a supplement to our strategic forces. Aside from those two areas there is really no growth.

Representative BLACKBURN. Do you have in your budget all that you would like to have for research and development? We hear the argument that we have such advanced technology that we really do not need so many men as an adversary might need. Now, as far as I can

determine, some of our potential adversaries enjoy some very sophisticated technology.

Secretary SCHLESINGER. Increasingly so.

Representative BLACKBURN. If we are going to maintain any superiority, is it not necessary that we continue research and development?

Secretary SCHLESINGER. Absolutely. We will have to watch developments on the other side very carefully to make sure that we remain abreast of those developments and that our overall force structure in terms of combat capability is a reasonably good match. I think the money we have requested this year is a prudent sum.

Representative BLACKBURN. For research and development?

Secretary SCHLESINGER. I would not urge the Congress to add to it.

SCHLESINGER EXPLAINS THE ADVANTAGES OF THE C-5A

Representative BLACKBURN. Well, speaking of technology, one bit of technology which has proven to be quite capable in recent months was the C-5A aircraft which has received its scars on the Hill here, and particularly from some of the members of this committee, I believe. Now, did we find in the Israeli experience that there was a real military advantage in having such an aircraft?

Secretary SCHLESINGER. Unquestionably, Congressman Blackburn.

Representative BLACKBURN. Does the C-5A as a piece of advanced technology have any promise with regard to potential force reductions in Europe?

Secretary SCHLESINGER. Additional airlift could provide the option of returning more rapidly to Europe, thus holding out prospects for reductions of forces in Europe, and by quick return maintaining the deterrent structure in Europe. So that is a question of air mobility and we are very interested in air mobility. We have money in the supplemental for a start and money in the 1975 budget. This does not include the acquisition of additional aircraft at this time. We are studying that issue, however.

Representative BLACKBURN. Are you considering the potential of conversion of civilian aircraft or can they be converted and used as easily as the C-5A which is a very specialized aircraft?

Secretary SCHLESINGER. Yes. We are considering conversion. We have money in the budget to initiate conversion for something ultimately on the order of 100 to 125 aircraft. The purpose for which we are doing this is to reduce the period of time that it takes to move a U.S. division, with its initial support increment, from approximately 19 days at the present time to approximately 7 days through these—Mr. Vice Chairman, may I underscore this point—"cost-effective methods of increasing air mobility."

In the first place, we are increasing the manning for the C-5A's and the C-141's. We are planning to stretch the C-141's. For a 10-percent investment we get a 30-percent increase in the carrying capacity of the C-141. And we are hoping to modify some commercial 747's, which are now passenger aircraft to enable them to be used as cargo aircraft. In this way we can reduce the time that it takes to move a typical U.S. division to Europe to 7 days.

Representative BLACKBURN. I think many people tend to forget that we have troops in Europe for the defense of this country; that they are

not there to defend Europe. Our security is intricably intertwined with that of Europe. That is why we have them there. Just what would we save if we removed all our troops from Europe today and we still had to maintain the troops for our existence?

THE COST OF KEEPING U.S. TROOPS IN EUROPE

Secretary SCHLESINGER. We would save nothing. It would probably cost us more in the short run in budgetary outlays. The calculations are quite difficult. The approximate level of the additional costs over the long run of maintaining the forces in Europe are something on the order of \$300 million; and we expect that the Europeans, particularly the Germans, will make their contribution.

In the balance-of-payments area, it is our estimate that the gross cost of stationing our troops in Europe amounts to about \$2.1 billion. But those are gross costs. What the net costs are is difficult to say. It is evident, for example, that an F-4 squadron that is stationed in Texas will use at the margin imported fuel oil from overseas and that, the cost to the American taxpayer and the foreign exchange cost therefore does not change whether that F-4 squadron is in Germany or is back in the United States. And we must recognize that our people will continue to buy some Volkswagens, some Danish cheese, and the like, even though they are stationed back here. So undoubtedly the net cost of stationing our troops in Germany, in Europe, in terms of foreign exchange, is less than that.

Representative BLACKBURN. Is that each year?

Secretary SCHLESINGER. Yes, sir.

Representative BLACKBURN. Each year. Well, I thank you, Mr. Secretary, for your fine answers.

Senator PROXMIRE. Senator Percy.

Senator JAVITS. Mr. Vice Chairman, would Senator Percy yield to me for one question?

Senator PERCY. I will be very happy to yield for 10 minutes.

Senator PROXMIRE. Senator Javits is recognized.

MANPOWER COSTS AND THE ALL-VOLUNTEER ARMY

Senator JAVITS. Mr. Secretary, I have just one question. I am very troubled about the costs of manpower in the Volunteer Army. It so happens I was against that concept. I voted against it. I think we made a great mistake. But I am looking now solely at the economics of it. Therefore, do you consider the economic costs of a professional Army now to be unmanageable? When you couple that with the qualitative deterioration of the Armed Forces which is so widely advertised, the inability of the services to meet enlistment quotas, do you think that we ought to review that Volunteer Army concept, not necessarily to go back to the draft but to see if there is some other way; do you think that the present circumstances dictate that review?

Secretary SCHLESINGER. I agree with the thrust of the question, Senator Javits. I think that we have it under review, that we as a nation are running a test and that we must run this test. The inequities of the draft as they were perceived by many of our young people in the course of the Vietnamese war made it, I think, an historical inevitability, that we would go to a zero draft. I think that we should

recognize, however, that we are now locked in under present law to these expenditures and that most of these expenditures came before the all-volunteer force with the very large pay increases of 1971. Many of those increases were overdue.

What we discover, of course, for the lower ranks, E-1's, E-2's, O-1's, is that they had not had any pay increases from approximately the start of the Korean war until well into the 1960's. There was a lot of catchup. We may have done more catchup than is desirable, but some of that increase was certainly inevitable.

At the point where we now stand, civil servants get pay increases based upon increases for comparable work in the private sector. The military get pay increases comparable to the increases in the pay of civil servants. So the present law requires us to go on increasing pay.

As a matter of fact, Senator, I might point out that the administration has a bill up here that would alter the basis for comparability increases between civil servants and uniformed military personnel. If enacted, military personnel would receive the same percentage increases in basic pay and quarters and subsistence allowances as civilian General Schedule employees rather than having higher rates of increase in basic pay to compensate for the absence of increases in quarters and subsistence allowances. I think that this is a bill which over the years ahead is both equitable and would save taxpayer resources.

ALL-VOLUNTEER ARMY—A TEST OPERATION

Senator JAVITS. Just a followup. You did not tell me now—you said you are reviewing, you are considering this as kind of a test operation?

Secretary SCHLESINGER. Yes, sir.

Senator JAVITS. That implies that you may recommend changes to us. Would you also recommend that we review it through the Armed Services Committee of the Senate? In other words, that we run the same test and review that you are running.

Secretary SCHLESINGER. I think that this is a major national experiment and I would hope that the Congress would have under continuing review a major national experiment.

Senator JAVITS. Thank you. Thank you very much, Senator Percy.
Senator PROXMIRE. Senator Percy.

PERCY ARGUES FOR ALL-VOLUNTEER ARMY

Senator PERCY. I should like to say while Senator Javits is still here, that I find myself on his side on many issues but I am solidly with Senator Goldwater in favor of a volunteer force. I would hope this review would take into account that when manpower is cheap, it sometimes is wasted and because it has been terribly expensive the last 5 years, we have reduced our military manpower by more than a million men, and they are now out in the private sector earning, paying taxes, and contributing to the strength of the country in a way that they might not be if they were underused in the military.

I think the cost-effectiveness should be studied. I think we ought to take a look at it. The question is very pertinent, but the strongest support I find for our defense budget, when constituents scream for budget cuts, comes when I say: "Fine, we can cut a billion dollars if

you are willing to go back to conscription and draft domestic labor at the old wages. If the equal rights amendment becomes law, women might also have to take their chances with the draft. If you want to go back to that, we can cut billions but it means disrupting American lives in a way that, I hope we would not have to do in times of peace."

I do think the analysis would be excellent. We would all like to have it, and I hope the results will justify staying steady on the course we are on right now.

RETIRED PAY'S SHARE OF THE DOD BUDGET

Mr. Secretary, I would like to ask you if retired pay of military personnel is included in the Defense Department's spending totals?

Secretary SCHLESINGER. Yes, sir. Approximately \$6 billion this year plus something on the order of half a billion dollars, perhaps a shade less, for medical services to be performed for retired people.

Senator PERCY. In comparative charts, when you show human resources and how much they have gone up, are all social security and income security figures included?

Secretary SCHLESINGER. Yes, all other than military resources.

Senator PERCY. In the whole category of human resources?

Secretary SCHLESINGER. Yes, sir.

Senator PERCY. When you compare defense, do we include social security; that is, retirement income for civilians?

Secretary SCHLESINGER. Yes, sir.

Senator PERCY. Then, why is it that we exclude veterans payments from the Defense budget? I should not think they should be put in a separate category with space and international. I should think the cost of maintaining our veterans and veterans' benefits directly related to past wars should be included in the Defense totals and that is why I question that one particular chart.

Now, if traditionally we have always done it that way, then there is a basis for it. But I really raise the question and I—

Secretary SCHLESINGER. Senator, that way of breaking it out was meant to be helpful to designate those numbers. Also, people are inclined to think of interests related not to our other activity but to past wars. My own preference is, as I did, to exclude in most charts the military retired pay. Like all other income payments, and like payments to veterans, it adds nothing whatsoever to the defense of the United States. For various historical and legal reasons it is included in the Department of Defense budget.

Senator PERCY. Does retirement pay contribute to the defense of the country? These are personnel who are all now retired. I do not imagine they would be called back into the service once they have retired.

Secretary SCHLESINGER. Quite right.

Senator PERCY. There would be a reason then to put both veterans payments and retired pay in a separate category.

Secretary SCHLESINGER. I agree with you. I would prefer to treat retired pay separately and on most of the charts when I dealt with the trends in real expenditures for the Department I excluded retired pay.

SCHLESINGER DISCUSSES FISCAL STIMULUS IN THE DEFENSE BUDGET

Senator PERCY. Mr. Mahon has said that on good authority the overall Federal budget was increased about \$5 billion "late in the budget cycle" for the reason of stimulating the economy, and—as I understand your own testimony—you indicated that the military budget was increased at the last minute by more than a million dollars by the White House to help provide a stimulus to the lagging domestic economy.

Secretary SCHLESINGER. No, sir.

Senator PERCY. Obviously, when we get into weighing priorities now, the Congress is terribly interested. I would like to give you time to reply to that.

Secretary SCHLESINGER. That is not quite precise. I do not believe that anybody knew prior to late December, at the time the budget was wrapped up, just what the final estimate would be for spending and receipts, and that that had to be adjusted to the prospects for the economy as seen in prior times. Up until that time I presume the Office of Management and Budget had a bogey, but there was no final decision with regard to the overall spending or estimate of receipts.

Now, we expected in a more stringent set of circumstances to have outlays of \$84.8 billion. We hoped to have outlays above \$87 billion if we had the full payment program. So until such time as the Office of Management and Budget made its decision, acting with the President with regard to the total figure, we were uncertain as to just what we would get. We expected no less than \$84.8 billion. We received \$85.8 billion. But I do not think that one should compare the number that we got with our minimum expectations and describe the difference as economic stimulus. I think as I have indicated, that these programs must be justified in terms of their national security merits.

PERCY ATTACKS THE USE OF DEFENSE SPENDING TO STIMULATE
THE ECONOMY

Senator PERCY. Mr. Vice Chairman, I would suggest that our own staff work with the Defense Department on this part of it, because we would take a deep interest in whatever amount the Defense Department budget was increased in order to stimulate the economy. Maybe we would come to the same conclusion, but as Mr. Mahon has said, he would find it very difficult to defend on the floor of the House a defense budget that was in part attributable to stimulating the economy. That gets into the area of budget control and we are going to create a budget committee in the Senate and House. Where we spend money, what impact it has on the economy, whether we need a depressant, a stimulant to sop up unemployment, whether inflation is still our worst problem, is so germane to the work of this committee that I think we would like to be better informed and we would assign whatever staff people would be needed to counsel on this so we would be better informed.

Senator PROXMIER. Excellent idea. I will be glad to—

SCHLESINGER EXPLAINS THAT THE DEFENSE BUDGET IS CONSISTENT
WITH INTELLIGENT FISCAL POLICY

Secretary SCHLESINGER. I would like to state, Senator Percy, that it is sound public policy to use fiscal policy in a way to maintain employment output and that is the purpose for which the Joint Economic Committee was set up by the Murray Act. I think that the decisions of this year were consistent with the purposes of the act and the purposes of this committee. I would hope that the committee would applaud responsible fiscal policy as part of a responsible public policy. We have had, I think, too much in the past a tendency to be rather arbitrary in terms of traditional notions of an annual balancing of the budget. So I recommend that aspect of the circumstances to you.

The President makes his recommendations to the Congress. The Congress deliberates on those recommendations. On occasion the Congress has diverged. I hope in this case that it does not diverge. But I recognize that the Congress may diverge.

DO OUR NATO ALLIES UPHOLD THEIR END OF THE ALLIANCE?

Senator PERCY. The 25th anniversary of NATO is around April 1. April Fool's Day it may be in some people's minds, with our troops in such large numbers in Europe 25 years after the end of the war. However, as you know, I fully support the decision of the Secretary and the Commander in Chief on deployment of forces in Europe. I have been mainly concerned with the sharing of the costs of their deployment. I would like to be brought up to date on where we stand now on the pledge you made to us in the Foreign Relations Committee to have us pay only our fair share and the rest to be paid by our allies who are certainly rich, able, and prosperous and should pay their fair share and feel better for doing it, whether they know it or not.

Secretary SCHLESINGER. Certainly we would be delighted to do that, Senator. I should mention the fact that when we talked last time about this subject, I was hopeful that we could establish a multilateral payment mechanism. That has been overtaken by events, particularly by the Jackson-Nunn amendment which views a bilateral rather than a multilateral relationship, as it were, between the United States and Western Europe. So the mechanism under review is somewhat different from the one that we discussed last summer.

INEFFICIENT MAINTENANCE OF DOD EQUIPMENT

Senator PERCY. Another concern I have is the physical condition of military facilities, the condition of our ships, of our equipment, of our buildings, of our runways. I have a feeling that during the Vietnam war when every penny was being diverted out to that area, the maintenance of other facilities was sometimes neglected. I know how possible it is to cut down on maintenance costs for a period of time and how very expensive it is in the end to let your equipment grind down and rust up and not be well taken care of. So I would be very much interested in consulting with the military to determine what the condition, our readiness condition, you might call it, is today.

Although there are some areas where I differ with you, Mr. Secretary, it is very helpful to me to have the benefit of your knowledge and experience. I appreciate your recognition that sound ideas are available to you from the Congress. We appreciate what has been done in reducing the balance-of-payments deficit and in slowing the rotation of military personnel. The vice chairman has been in the forefront of pointing out efficiencies and cost reductions that can be made. I find a very open and progressive attitude in the Defense Department, and I appreciate it.

Thank you very much.

CONGRESS, NOT MILITARY EXPERTS, HAS THE RESPONSIBILITY TO DETERMINE WHAT THE UNITED STATES SHOULD SPEND ON DEFENSE

Senator PROXMIRE. Mr. Secretary, regardless of what has been said by various members of the committee and others from time to time, I think you recognize that Congress has a duty to determine what we spend on defense. You do not have that final responsibility. Even the President does not have it. It is up to us. The buck stops here.

In past years we have cut the defense budget. We cut it sharply. I think we are going to cut it again and we should. We cannot say we are going to take the advice of military experts. It is up to us to make this hard, tough decision.

FURTHER DISCUSSION OF THE FISCAL STIMULUS ISSUE—WHEN AND HOW THE DECISION WAS MADE?

Now I want to get back into what Senator Percy was pursuing on the so-called fiscal stimulus to the economy. Can you give us the date when the decision was reached to allow the Defense budget to be used for fiscal stimulation? I understand it was sometime in December.

Secretary SCHLESINGER. Mr. Vice Chairman, I am not sure that I agree with the way you phrased that question.

Senator PROXMIRE. Well, I know you do not agree with the way I phrased the question. I will phrase it differently, then.

Can you give us the date at which it was agreed that a billion or so, whatever the figure is, would be—could be used in a way which you think would be for the good and justifiable defense needs but would also be helpful in reducing unemployment and giving some help to the economy?

Secretary SCHLESINGER. There was no such date. What we did do was to examine over a period of days with the Office of Management and Budget particularly items that had been proposed by one element or another within the Department of Defense and each of these new items or additional items was reviewed within the joint review process.

Senator PROXMIRE. Did you discuss it with Herb Stein or George Shultz?

Secretary SCHLESINGER. No, sir.

Senator PROXMIRE. Well, do you not think a decision—after all, these are—Mr. Stein is the Chairman of the Council of Economic Advisers and Mr. Shultz has been called the economic czar. They are supposed to have a great deal to say about economic policy. If we have a coordinated Federal economic policy I would think the principal economic policymakers of our Government should have had some opportunity to say whether this was wise or not or justified.

Secretary SCHLESINGER. Of course, and they had their say. But I am not part of the quadriad, or whatever it is called at the present time.

Senator PROXMIRE. If you did not discuss it with them how did they have a say?

Secretary SCHLESINGER. Because the making of the budget and the making of fiscal policy comes from the President in association with his economic advisers. I am not one of his economic advisers. They advise the President with regard to fiscal policy and the President makes a determination.

Now, we are only a recipient, as it were, of those judgments which are taken in group by the President's economic advisers. When such judgments are reached by the quadriad, we deal with regard to detail, as we always have dealt, with the Office of Management and Budget. So there is full association with Mr. Shultz and Mr. Stein on decisions relating to economic policy, and the details will be worked out in that context as they always are between the Office of Management and Budget, our agency and all the other agencies of the Federal Government.

NIXON, SCHLESINGER, AND ASH MEET TO DETERMINE WHETHER THE DEFENSE BUDGET SHOULD BE USED TO STIMULATE THE ECONOMY

Senator PROXMIRE. Well, let me ask you this directly. I have been informed that the decision to use the Defense budget as a fiscal stimulus was discussed at a White House meeting attended by President Nixon, Roy Ash, Admiral Moorer, and yourself. Is that right or wrong?

Secretary SCHLESINGER. That is wrong.

Senator PROXMIRE. That such a meeting did not take place, is that right?

Secretary SCHLESINGER. Not for the parties you have listed.

Senator PROXMIRE. Well, for what parties? What parties?

Secretary SCHLESINGER. This subject was discussed by Mr. Ash and myself and the President but it was not discussed in the context that you have suggested.

Senator PROXMIRE. Admiral Moorer, was he present, too?

Secretary SCHLESINGER. Admiral Moorer was not present. It was not discussed in the context that you are referring to. It was discussed in terms of the national security.

Senator PROXMIRE. Now, was there any reference to unemployment figures, inflation, decline in production, or any other economic elements or economic data to support this decision?

Secretary SCHLESINGER. You mean by the Department of Defense?

Senator PROXMIRE. In this meeting in which it was concluded that you should do this.

Secretary SCHLESINGER. No; the basic thrust of the discussion was upon defense policy.

Senator PROXMIRE. Well, that may have been the basic thrust but apparently there was some element of its effects on the economy. Is that right or wrong? I say, Mr. Secretary, there was some element involved here, discussion of the effect on the economy, whether you would have this additional expenditure. Is that right or wrong?

Secretary SCHLESINGER. I think that there may have been a generalized reference to the prospective state of the economy but the charts that I used at the time in terms of the formulation of the new budget were the ones that emphasize the particular points that have been listed up here, things that reflected what had happened in October of 1973.

Senator PROXMIRE. Now, those are entirely military considerations.

Secretary SCHLESINGER. Yes, sir.

Senator PROXMIRE. There is no element here whatsoever of economic impact one way or another, is that not right?

Secretary SCHLESINGER. That is correct.

Senator PROXMIRE. Well, now—

Secretary SCHLESINGER. The fact of the matter, of course, is that there is a relationship between the outlays, the total outlays of the Federal Government and employment that comes from the outlays of the Federal Government. But my interest lies in the capabilities of the Department of Defense.

Senator PROXMIRE. Well, then, no consideration was given to this—no discussion, at least, involved the effect on the economy, effect on unemployment, or effect on prices.

Secretary SCHLESINGER. There may have been some allusion to that but I would regard it as trivial. Basically, we discussed the situation that had emerged in the period subsequent to October. We had already discussed over the previous months the need for a supplemental. As a matter of fact, various people on the Hill were informed that a supplemental would be forthcoming as a result of lessons that had been learned in the conflict in the Middle East.

Senator PROXMIRE. Now, as you know, in December we already had endured a couple of months of rising unemployment, and was any consideration or any discussion or any reference to that made?

Secretary SCHLESINGER. Well, as I indicated, there may have been a reference to these matters but my fundamental problem was the problem of defense.

ADDITIONAL DEFENSE SPENDING APPROVED BECAUSE OF DOWNTURN IN THE ECONOMY

Senator PROXMIRE. Supposing we had not had that rise in unemployment. Let us assume you had a different scenario. Supposing you still had 4.6, 4.5 percent unemployment, what we had in October, or rather, in September. Under those circumstances, is it your understanding that we would have gone ahead with this additional spending for Defense?

Secretary SCHLESINGER. I would hope that this would have been the case, but I am not confident that it would have. And that reflects on my earlier comment, Mr. Vice Chairman, that it is regrettable if the circumstances under which an adequate Defense budget can be obtained reflect conditions in which unemployment exists, or prospectively increases and consequently that the Department's programs do not have to be cut so much to fit the budgetary cloth.

AS MUCH AS \$4 BILLION WAS ADDED TO THE DOD BUDGET FOR FISCAL
STIMULUS PURPOSES

Senator PROXMIRE. Now, we seem to have settled on an amount but I want to make sure that we are as precise as we can get. I am informed that as much as \$4 billion was added to the Defense budget in December. You deny that that amount was put into the budget or allowed to remain in it to stimulate the economy?

Secretary SCHLESINGER. Would you take those two questions separately?

Senator PROXMIRE. Yes. First question, I am informed that as much as \$4 billion was added to the Defense budget. Do you deny that this amount was put into the budget?

SECRETARY SCHLESINGER. My earlier discussion was on the question of shaping the program in accordance with the outlay limits which quite naturally are the principal concern. We adjust our TOA requests in accordance with what we expect to be the available outlays. So my earlier reference was to outlay limits. Your question now is directed toward TOA.

Senator PROXMIRE. New obligation authority.

Secretary SCHLESINGER. TOA, and I would have to check on the numbers with regard to the 1975 budget.

Senator PROMIRE. Well, you do not deny, then, that \$4 billion was either put in or allowed to remain in that otherwise would not have been in if we had had—not had a slack in our economy.

Secretary SCHLESINGER. As I indicated, I do not know whether it would have been in or not.

Senator PROXMIRE. But you do not quarrel with the figure; \$4 billion.

Secretary SCHLESINGER. I cannot quarrel with that particular figure because I do not know where we would have been in the absence of the economic conditions that prevailed in December.

Senator PROXMIRE. Well, now, to the extent that there may be money here that would serve this purpose, is it in a readiness supplemental in the fiscal 1975 budget? Is it earmarked for weapons? Where is it?

READINESS SUPPLEMENTAL—SIZE DETERMINED IN OCTOBER; NOT
SUBMITTED UNTIL FEBRUARY

Secretary SCHLESINGER. If you are referring to the readiness supplemental, it was decided on in principle and in gross magnitude in October at the time of the problems that emerged with our inventories and the material readiness condition of the forces to which Senator Percy referred. So that well antedated the decisions with regard to the 1975 budget.

Senator PROXMIRE. But it was not submitted until February. Determination of how much in the budget was made in October.

Secretary SCHLESINGER. That is right. The readiness supplemental came up with the 1975 budget because the advice that was given to us from the Hill was that sending it up at the close of the last session

prior to acting on the 1974 bill was undesirable—so that it should wait until the new session. But that decision was taken back in October.

Senator PROXMIRE. All right. Well, now, it was not then in the readiness supplemental to any degree or you cannot tell us whether it was or not.

Secretary SCHLESINGER. I am not sure what you are referring to when you use the word "it."

Senator PROXMIRE. What I am referring to is the amount that may be involved in economic stimulus, the amount of leeway that was permitted by the President in the Defense budget.

Secretary SCHLESINGER. Well, I think that you could not define any particular item that was a reflection of the discussions and the judgments that were reached at the close because any particular item might well have been in the budget irrespective of the conditions at the time.

Senator PROXMIRE. Mr. Secretary, this makes it very difficult to make any kind of economic analysis as to whether it would be effective or ineffective, whether it is justified or not justified. It seems to me if this is in the readiness budget you have a strong argument that it might help stimulate the economy. Now that we know we have unemployment, we know we are likely to have an increase in the coming months, in the 1975 budget, it seems to me it might be available only when we have an entirely different kind of economic situation, might be spent partly in 1975, partly in 1976 or even later. So it seems to me if this is going to have any wise economic impact, we should know when it is going to be available, where it is going to be spent, and the effect it may have both on unemployment and on inflation. Otherwise, it seems to me it is just an action which I would view and I would think that you would view, too, as a competent economist, as not being responsible.

SCHLESINGER DEFENDS THE DOD BUDGET ON MILITARY TERMS

Secretary SCHLESINGER. I think you have not got the issue quite right there, Mr. Vice Chairman. Each item in our Defense budget we regard as appropriate in terms of military capability and should be judged by the Hill in those terms. We do not suggest for a moment that any particular item in our budget should be viewed in terms of "economic stimulus." That is not the purpose for which it comes up. It should contribute to the military capacity of the country. If in the judgment of the Congress certain items do not contribute to the military capacity of the country, and the Congress decides not to pass them, that is the judgment that would be taken in light of national security considerations.

Economic considerations to the extent that they bear on this issue deal with the aggregate spending and receipts of the Federal Government, an issue that falls under the purview of the committee, in terms of analysis. So I submit that insofar as you are interested in the question of stimulation, excess, inadequate or what have you, that you look at the aggregates and that in terms of the expenditures of the Department of Defense, that you look at that in terms of the overall priorities of the Congress in relation to the other requirements of the American public.

Senator PROXMIRE. Mr. Secretary, as you know, from the standpoint of any kind of sensible and effective economic analysis, the aggregates are pretty useless. What you have to do is find out what the aggregates consist of. I mean, you have to determine what effect this is going to have on unemployment and when it will have that effect. You have to determine what effect this may have on prices in particular areas. And to simply say that the aggregates are going up, and that that is a good idea, that would seem to me is a naive and unwise kind of economic policy because you know far better than anybody in this room how long it takes from the time the Congress decided to appropriate funds, or for that matter, from the time you ask for the funds until the Congress appropriates the funds and then you have an actual outlay. That may be 3 or 4 years from now.

Secretary SCHLESINGER. I agree with everything that you have said Mr. Vice Chairman. I should point out that while it is necessary to get below the aggregates and into the detail, the details of the defense budget must be justified on national security grounds. That is the way we are presenting them to the Hill. If the judgment of the Hill is to go into our budget and examine them in terms of economic stimulus, that, of course, is the Hill's decision. We are not presenting this to the Hill in terms of economic stimulation. We suggest that the budget be reviewed in the terms in which it was presented; to wit, its contribution to the national security.

Senator PROXMIRE. I want to come back to that. There is a rollcall on the floor of the Senate. Now, if Senator Percy would like to ask some questions before he goes, I am going to run right over and come right back and I would like to follow up on this.

Senator PERCY. Before the vice chairman leaves, I think he should hear my own feeling. I am very glad the Defense Department looks at its budget's effect on the economy, but I really feel if we were in an economy that was at a peak level with very low unemployment, terrific inflationary pressures, that there certainly would be some items in that Defense Department, needed as they were, that could be deferred. Sometimes maintenance, repair, upkeep, and so forth, are the kinds of things that can be delayed for a period of time and brought back into the budget when we might need the stimulant.

My questioning was quite different, I think, than the line of the vice chairman's. I commend the Department for looking at its budget's effect on the economy, because it has a tremendous effect.

\$20 BILLION OF THE DEFENSE BUDGET IS UNCONTROLLABLE

Mr. Secretary, what percentage of the military budget is uncontrollable, in your judgment? Do you keep an account that way that shows the controllables and uncontrollables?

Secretary SCHLESINGER. Well, legally, only retired pay. We have, I think, included about \$20 billion worth of items in the uncontrollable category in the sense that we have entered into contracts with various parties. And those contracts pay out. Of course, they could be canceled but they would have to be canceled at penalty. That is the legal view.

I think in point of fact that if you were to attempt to dismantle the Department of Defense, you could not get down to that level in anything like a fiscal year.

THE EFFECT OF CAPACITY AND ENERGY SHORTAGES ON NATIONAL SECURITY

Senator PERCY. Has the national security been impaired at all by the shortage of capacity, and also by energy shortages?

Secretary SCHLESINGER. The question of capacity is one that we look at in a number of areas. At the present moment we are quite concerned about the capacity in our shipyards. In the past the U.S. Navy has been able to sufficiently dominate those shipyards to get its ships built. With the substantial expansion of our commercial programs, however, in some cases we have discovered that there is inadequate capacity for both the commercial programs and the naval vessel program, and that is one area in which we are expressing concern.

There are a number of other areas of lesser significance that I will not go into at this time.

On the question of fuel, we have reduced our consumption by approximately 25 percent between the close of the fiscal year 1973 and the present. This would gradually cause increasing problems for us if we were to continue operating at the current level of fuel consumption. We have postponed training exercises and this reduces readiness. Over an extended period this would have an unfortunate effect and it could readily lead to a rise in the accident rate which is another concern. So that we are only temporarily operating at this lower level of fuel consumption. At any point that readiness begins to suffer, in our judgment, we are going to have to increase our training and start back up in terms of fuel consumption.

Senator PERCY. We are increasingly becoming a have-not Nation. We see it in fuel. Today more than 50 percent of our supply of six basic raw materials comes from outside the country. By 1985, three more basic materials will be added to the list. By the year 2000, three more. There will be a dozen at least where we are dependent on outside sources.

Is the Defense Department working with the administration in looking ahead as to the effect of this on our defense if we cannot get raw materials? The bauxite producing countries are looking over the shoulders of the oil producing countries now and they see they can cut their production in half and double their prices or triple their prices. They are all learning the technique now. Are you analyzing the effect of this on our security and national defense in the future?

Secretary SCHLESINGER. The question of the availability of material is a question which we have explored on an administration-wide basis several times in the last 5 years. I think that your question is quite germane in that perhaps it is time to review the situation in light of a different set of assumptions that the one that has historically prevailed—to wit, one has always assumed that the cut off of supplies and reduction of supplies occurs because of acts of war, and that one can then deal with a presumed termination period for such hostilities. Now the assumptions may have to be varied and I think your point is very well taken.

Generally speaking, we have substantial stocks available in most areas of critical materials. There are some exceptions.

Senator PERCY. I shall have to leave to vote. I would like to pose one question, then leave the answer to be filled in in the hearing record.

If A.T. & T. had not automated they would now have to employ every woman in America just in that one company to put through the number of telephone calls we have. It was the automatic system that made it possible for them to handle the traffic without the manual efforts they were using before.

Is the Defense Department, in order to hold down defense costs and increase our defense capabilities, doing enough to increase the productivity of its manpower? Inflation affects the Department just as it does the family budget. If it costs us \$7 billion to feed the Army, Navy, and Air Force and the cost of food goes up 15 percent, it affects your budget just as well as everybody else's. I would be most interested in working with some of your people to see what can be done to increase productivity, and to determine whether the National Productivity Commission can also direct some of its energies and efforts and thoughts toward the Defense Department where the payoff potential would be so high.

I am sure efforts are being made. I would like to be more familiar with what they are.

Thank you, Mr. Secretary.

Secretary SCHLESINGER. Senator Percy, we will supply the answer. [The following answer was subsequently supplied for the record:]

The Department of Defense has several active programs directed toward the measurement and improvement of manpower productivity. Since 1968, we have had a formal program for the development and use of valid output information. This Output Measurement Improvement Program requires managers at all levels to identify the products, functions, tasks, services or capabilities that his organization exists to produce, accomplish, attain or maintain. Once these are identified and validated, then the inputs (labor and other costs) are related to the outputs in a systematic fashion and utilized by DOD managers for tracking efficiency (productivity) and effectiveness trends over time. These trends then provide the basis for appropriate management action.

Since 1965 the Department of Defense had had a formal Defense Integrated Management Engineering System (DIMES) for integrating the development and use of labor performance standards with work planning and control as well as programming and budgeting in order to incorporate workforce productivity changes into the management decision process. DIMES uses the expertise of trained management engineers to determine how long it should take to perform tasks that need to be done, to establish standards by which an organization's manpower efficiency can be measured, and to seek out more efficient ways of accomplishing given tasks.

Additionally, the Department of Defense has formalized *Economic Analysis (EA) and Program Evaluation (PE) Programs* that require continuous management review of the costs and effectiveness of both proposed and on-going activities. Economic analyses and program evaluation are required by all managers at all levels to assist in making decisions. Economic analysis, as defined in DOD is a systematic approach to the problem of employing scarce resources in the most efficient and effective manner.

The purpose of program evaluation is to determine how best to improve the efficiency of an on-going program or project. EA and PE differ from DIMES in that DIMES concentrates only on labor productivity whereas EA and PE are concerned with total cost or inputs as well. These latter techniques are also concerned with the total cost over the total life cycle of the program or project.

These management tools assist the Department in improving labor productivity and efficiency and in making the best possible use of available resources.

Senator PROXMIRE. Mr. Secretary, would you introduce the other members at the table with you? I should have asked you to do that before. I apologize.

Secretary SCHLESINGER. This is our Comptroller, Mack McClary, Mr. Cliff Miller, General Wickham—John Wickham—John Beach.

SCHLESINGER DOES NOT BELIEVE THAT RAISING THE DEFENSE BUDGET IS A LEGITIMATE AND EFFICIENT MEANS TO STIMULATE THE ECONOMY

Senator PROXMIRE. All right, sir. Well, I suppose we could hassle about what this amount is. I would like to get for the record your precise quotation, what you said to the House Appropriations Committee, when you discussed the economic stimulation from the Defense budget so that we can have that and any other clarification you would like to give us because it is still, I must say, rather vague and uncertain and perhaps it was just a vague and uncertain notion but we would like to have it as specific as possible.

[The following information was subsequently supplied for the record:]

EXTRACT FROM HOUSE APPROPRIATIONS COMMITTEE HEARINGS

Mr. MAHON. Let's be frank about this. I have been told on considerable authority that late in the budget cycle, and after the budget was fairly firm but no final figure fixed, that something in the area of \$5 billion was added to the budget. You, in my opinion, have more or less confirmed that statement. It was done according to your testimony this morning and this afternoon for the reason that we wanted to stimulate the economy and for the reason also—this is the dominant reason—that the money could be used advantageously to beef up our defense establishment and improve our readiness. That is the way I understand it. Do you take issue with that?

Secretary SCHLESINGER. Mr. Chairman, we adjust the TOA to conform with whatever outlay limit the OMB or the President permits. If there had not been this perception of an easing economic environment, I believe our outlays might have been a billion or a billion and a half dollars less in 1975. That I think is the extent of it. The growth in the TOA request of course reflects what I have indicated, the fact that we were prepared to go in for a request on the order of \$85 billion in outlays.

Mr. SIKES. Do I understand you are saying that the sum total of the addition to the defense budget as a result of economic considerations is possibly as much as a billion and a half dollars?

Secretary SCHLESINGER. No. I want very carefully not to say that.

Mr. SIKES. I want to determine just what you are saying. The figure \$5 billion has been bandied around.

Secretary SCHLESINGER. I think Mr. Mahon may have been referring to the TOA side, the obligational authority request that is made to Congress. As I tried to say, we link TOA requests to our outlay limits, which are the binding force. I would say we would have been prepared to make a request for outlays at the level which has gone in, depending upon the appraisal of what would be economically and fiscally tolerable in a particular year.

The decline in the economic conditions led those who formulated the budget to believe that a higher level of expenditures was tolerable for macro-economic reasons. Our request could well have gone to this level, but we just might not have gotten it. The outlay constraints might have been lower.

Mr. SIKES. I would not want us to have to go to the Floor saying that the justification for the defense budget for fiscal year 1975 is based on the economy of the country.

Secretary SCHLESINGER. I have attempted throughout the morning to stress that I believe that we are thin on the general purpose forces side and that we need to hedge against certain possibilities on the strategic forces side. I think this budget is a prudent budget on national security grounds. I am sure that there is somewhat an expenditure in there that is less than optimal. If so, if it is pointed out to me, we will deal with that. But I think the outlays here represent what should be devoted to national security, that the Defense program represents our needs there.

Senator PROXMIRE. As an economist, do you believe that enlarging the Defense budget is an efficient and legitimate way to stimulate the economy or head off an economic downturn?

Secretary SCHLESINGER. Not particularly.

Senator PROXMIRE. You say not particularly.

Secretary SCHLESINGER. I think that there are certain areas that may be more effective than others for the reasons you mentioned in your commentary earlier. Certain things are very slow pending—our ship construction, for example. Procurement in general is slow spending money. So for the reasons that you yourself specified, Mr. Vice Chairman, I think in those areas it is not a very effective source of stimulus for the economy. But I would not recommend to you that you view any such expenditures in terms of the stimulus.

· DOD SPENDING CAN BE INFLATIONARY

Senator PROXMIRE. Well, you see, here is the problem. Defense spending, as I indicated in my opening statement, does have some inflationary consequences because it is often viewed as emergency. There is not the same kind of discipline that you have in the private sector with sharp competition on costs. There is more willingness to pay more for both labor and material. And you also cannot rifleshoot it in the way we feel you can with public service employment where you can provide jobs for those who are among the most discriminated against, the blacks, the women, the young people, where the unemployment is so high. Defense, by and large, is for our skilled people, certainly in the contracting part of it, the procurement side of it, and you have increasingly appropriate limitations on the kind of young men you want in the military whose skills are more and more in demand.

Furthermore, you have the entire tax side of the budget with which you can stimulate the economy, as I indicated.

Have you seen any studies that show the economic consequences of Defense spending and relating them to prices, supplies, and employment?

Secretary SCHLESINGER. I gave you some charts during my presentation, Mr. Vice Chairman.

Senator PROXMIRE. Are there studies that support those charts?

Secretary SCHLESINGER. Yes, indeed.

Senator PROXMIRE. Will you give us the references for the record? We would like to see those studies.

[The following information was subsequently supplied for the record:]

The data pertaining to the rates of inflation by major industry are provided by the U.S. Department of Commerce, Bureau of Economic Analysis and are normally published in the July issue of the *Survey of Current Business*, in Table 1.21. They are the industry components of the implicit GNP price deflator and are currently available on a calendar year basis from 1947 to 1972. The specific deflators by industry sector CY 1964 and CY 1972 are based on the *Survey of Current Business*, July 1968, p. 26 and July 1973, p. 25. Total gross product in current dollars is also available in the July issue of the *Survey* and serves as a basis for estimating the relative impact of Defense Purchases as a percent of total gross product by industry (see Table 1.22, p. 26 of the *Survey*, July 1973). Total Defense Purchases for CY 1973 were \$74.4 billion (see Table 1 July 73, *Survey*) and \$35.9 billion of that amount was compensation (see Table 3.11, p. 36 July 73, *Survey*). Thus the non-compensation portion of CY 72 Defense Purchases was \$38.5 billion (\$74.4-\$35.9) as compared to total U.S. private sector product in CY 1972 of \$1,019.7 billion (table 1.22). This represents the 3.8% figure at the bottom of the second column entitled "1972 Defense Purchases

As % of Total." The industry distribution is estimated from earlier data on Defense Purchases published in the Monthly Labor Review, December 1971, p. 10.

Senator PROXMIRE. We have asked the Council of Economic Advisers and other agencies to do this kind of economic analysis of defense spending but none of them have shown any interest in doing so. They resisted even though we pressed hard for that kind of opinion. Do you have an opinion whether it would be useful for some agency in the Government outside the Defense Department to perform such studies and make them available to Congress?

Secretary SCHLESINGER. I do not have an offhand opinion. But I have no objection.

Senator PROXMIRE. Why would that not be useful? If we are going to make those momentous billion dollar or \$4 billion, whatever they are, decisions, it seems to me we ought to do it based on the best expert wisdom we can get. There seems to be such a lack of understanding whether this could work and how and when.

Secretary SCHLESINGER. I think, Mr. Vice Chairman, I do not share your premise. Therefore, while I follow your logic, I do not embrace it.

Senator PROXMIRE. What you are saying, as I understand it, then, is that the decision to stimulate the economy through the defense has not been made in the past and should not be made in the future.

SCHLESINGER SAYS ALL PARTS OF THE DOD BUDGET WITHSTAND THE NATIONAL SECURITY TEST

Secretary SCHLESINGER. What I have said is that the expenditures of the Department of Defense should be justified on national security grounds. If they cannot withstand that test, then they ought not to go forward. We submit that these expenditures withstand that test.

Now, I recall the earlier remarks of Congressman Blackburn and the special significance of national security. I do not want to go into any invidious comparisons between defense expenditures and public service employment as you describe it. I simply state that in my judgment, the expenditures for the Department of Defense are valid and are of high priority.

Senator PROXMIRE. Yes, I know, but there is a matter of timing here and there is a matter of making a decision where you have very high priorities and you have to consider all of the elements that go into it and the information we have and we do not have a thoroughly documented study but we did get it from responsible people in the Bureau of Labor Statistics, that a billion dollars spent in defense they estimated provided some 57,000 jobs whereas a billion dollars spent in public service employment provides 104,000 jobs.

Now, if that is wrong we would like to have it contradicted and I think that that knowledge should enable us to make these priority judgments when it comes to determining how our budget should be made up in a year of inflation and recession and we would like to do it in part on the basis of the criticism or evaluation by the Defense Department.

Secretary SCHLESINGER. Well, I am sure that these kinds of comparisons between one sector and another have got to be taken into account from a macroeconomic standpoint but I am not responsible for that. I see no reason to doubt the kinds of numbers that you men-

tioned. Quite obviously the pay factors are higher because of the reasons that you mentioned in the defense area. Something like 60,000 jobs per billion dollars of outlay sounds quite reasonable to us. I am not in a position to judge about the impact of public service employment but if the pay factors are lower, then the amount of generated—

Senator PROXMIRE. Much more labor intensive.

Secretary SCHLESINGER [continuing]. Employment would be higher.

Senator PROXMIRE. Well, now, if a portion of the defense budget is for economic stimulus—put it this way—and would not be in the budget but for a downturn in the economy, would it not be reasonable to conclude that that portion is in excess of the minimum amount necessary to meet military requirements?

After all, you were willing to do without this amount before it was decided to prop up the economy. Why should we not conclude it is excessive or beyond your minimum requirements?

Secretary SCHLESINGER. Well, some might conclude that. In my judgment, if we had been forced by a constrained economy to operate at a lower level, I would have fought that decision at the close as I intended to do and did do in the deliberative processes. I contend that the United States has allowed, particularly in the readiness area, Mr. Vice Chairman, some degree of deterioration in recent years which is not advisable from the standpoint of the security of the United States. Consequently, I made those points very vigorously and intended to make them all along. I would not regard a lower figure as appropriate, but others might.

TO DETERMINE DOD BUDGET LEVEL, CONGRESS SHOULD KNOW HOW IT AFFECTS THE ECONOMY

Senator PROXMIRE. Well, then, now what you are saying, as I understand it, is, from a defense standpoint, you figure the higher figure is essential for our defense considerations. The President or Budget Director Ash, or others who might have a final say, may make the decision on the basis of economic considerations. So I take it the Congress must make this decision, and somewhere we should have information on which to either decide to go ahead or not to go ahead on this to the extent that we may feel it is justified or not justified because of the state of the economy.

Secretary SCHLESINGER. Right. I think that is a very precise and accurate statement. If you agree with the premises, the conclusions follow.

Senator PROXMIRE. Now, in his press conference last night, President Nixon was asked about comments by Senator McClellan that the defense budget should be cut by \$3½ billion. They said \$3½ billion. Actually, Senator McClellan said \$3¾ billion. The President replied he had faith in Senator McClellan and he knew he would not make any cuts that would damage the strength of our country or significantly reduce it, or something of that kind. This implies that the President may feel that cuts of this order, this magnitude could be made in the budget without cutting into the defense muscle. Would you agree that we can cut as much as \$3¾ billion in the defense budget this year without cutting the strength of our forces significantly?

Secretary SCHLESINGER. I think that you would have to cripple something or other in order to make a cut of that magnitude. You said "strength of our forces." If one does not deal with that, one deals with R. & D., the future of the forces, et cetera. You have to dig into force structure or modernization or R & D. or something else, obviously, to avoid cutting into the strength of the forces. But then something else would have to suffer—the future of the forces.

Senator PROXMIRE. You are saying that in an \$85 to \$90 billion budget, depending whether you are talking about obligational authority, there must be 3 or 4 or 5 percent of fat. Now I think there is that fat. I think so based on observations of people who have been in the military—as many of us have—or people who have observed the military. Let me specify areas where cuts may be made and let you respond.

Secretary SCHLESINGER. Let me make an observation. I have been concerned—

Senator PROXMIRE. Your statement shows you have been concerned with waste.

GREATER EFFICIENCY AT DOD IS ESSENTIAL

Secretary SCHLESINGER. We must have greater efficiency in the Department, and we have taken measures to improve efficiency in recent weeks and months. But my judgment is that the thinness of our general purpose forces requires us to do this as well as the responsibility that the Department, as with any department, has to the taxpayers that support it. The conclusion that I come to, however, is that these measures come only through internal management review and that arbitrary budget cuts frequently cause greater waste and inefficiency.

Now, the Department is attempting through internal management to discover these areas in which we can get greater efficiency and thus greater combat capability or reduced ratios of tail to teeth and the like. But these come very slowly.

For example, the Senate Armed Services Committee last year, under Senator Symington, specified that it was quite disconcerted about the number of people in Headquarters and then ordered a personnel cut which did not appear in the final bill. I agreed with Senator Symington and his colleagues with regard to the Headquarters problem. But the Headquarters problem has got to be reviewed carefully and it appears that it will take as much as a year to 18 months to bring about the necessary changes without crippling the military establishment. It is difficult to do that when one is dealing with a bill that will come forward in December—6 months into the fiscal year with only 6 months left to run in the year.

For that reason, Mr. Vice Chairman, I can indicate to you that we are working on that problem. We will continue to work on that problem. But we must identify the places that efficiencies can be increased rather than having arbitrary cuts imposed.

SAVINGS FROM BASE CLOSINGS

Senator PROXMIRE. All right. Now let me go down the list. Last year Secretary Richardson announced a number of base closings.

Previously Secretary Packard had pointed out that \$1 billion has been wasted annually in his view, on unnecessary bases. How much is being saved by the closings announced last year?

Secretary SCHLESINGER. We will have to give a precise figure for the record. I think Secretary Richardson referred to \$3½ billion over a 10-year period of time.

Senator PROXMIRE. And last year it was less than \$1 billion?

Secretary SCHLESINGER. Oh, quite right.

Senator PROXMIRE. I understand.

Secretary SCHLESINGER. The typical result of closing bases is to cost more money in the year you close them.

Senator PROXMIRE. And how much money is anticipated for saving in that area in the coming fiscal year?

Secretary SCHLESINGER. I would have to check on whether there is any assumption in the budget on that and supply it for the record.

Senator PROXMIRE. We would like to know for the record. Secretary Richardson said last year additional closings would be announced to fill out Mr. Packard's list. None have been announced so far.

[The following information was subsequently supplied for the record:]

It is estimated that the savings during FY 1974 resulting from those realignment actions accomplished during the current year will be approximately \$99.9 million and will be offset by one-time costs of approximately \$216.1 million. During FY 1975 the estimated savings are \$354.6 million and the estimated one-time costs are \$148.5 million.

Any additional significant installation and activity reduction, realignment and closure actions which may be identified during the coming year as a result of our continuous management review will be announced prior to implementation.

The status of the present realignment and closure program is reflected in the attached listing of those installations and activities affected.

(Annotated with progress to March 15, 1974, on 274 actions)

INDIVIDUAL DEPARTMENT OF DEFENSE INSTALLATION AND ACTIVITY REDUCTION,
REALIGNMENT AND CLOSURE ACTIONS BY STATE

Alabama

1. Anniston (Completed): At the Anniston Army Depot, the contingency supply package and petroleum stock missions with 13 civilian positions will be relocated from the Charleston Army Depot, Charleston, South Carolina, by July 1974.

2. Anniston (Reconfirmed February 1974 date changed to October 1975): At the Army's Fort McClellan, the U.S. Army Military Police School, the Military Police Advanced Individual Training Brigade and the Military Police Combat Developments Activity with 964 military positions and 297 civilian positions will be relocated from Fort Gordon, Georgia, by June 1974, as part of the Army's Schools Realignment Plan.

3. Ozark (Completed): All Army aviation training activities will be consolidated at Fort Rucker by July 1974, as part of the Army's Schools Realignment Plan. As a result of this action, the COBRA aircraft training activity at Hunter Army Airfield, Savannah, Georgia, and the primary helicopter training activity from Fort Wolters, Texas, will be relocated to Fort Rucker, and the 72nd Aviation Company will be relocated to Fort Bragg, North Carolina, with a total of 68 military positions reduced and 23 civilian positions increased at Fort Rucker.

Alaska

4. Fairbanks (Disposal Disapproved Oct. 18, 1973 by House Armed Service Committee, Army has proposal to outlease.): The north portion of the Army's Fort Wainwright will be closed by July 1973, and reported to the General Services Administration for disposal—159 civilian positions will be reduced.

Arkansas

5. Jacksonville (Completed): At Little Rock Air Force Base, the 314th Tactical Airlift Wing will be increased by two C-130 squadrons—one from Forbes Air Force Base, Kansas, and one from a location in Southeast Asia—and manpower management adjustments will be made by June 1974—1,134 military positions and 124 civilian positions will be added.

California

6. Adelanto (Completed): At George Air Force Base, the 561st Tactical Fighter Squadron with 24 F-105 aircraft will be relocated from McConnell Air Force Base, Kansas, and manpower management adjustments will be made by June 1974—915 military positions and 103 civilian positions will be added.

7. Alameda (Naval Complex In process): The scope of operations at the Naval Air Station will be reduced by 233 military positions and 429 civilian positions by June 1974.

8. (In process): The Navy's Commander, Fleet Air, Alameda, organization will be disestablished by June 1974—19 military positions and two civilian positions will be reduced.

9. (In process): The Navy's Flag Administrative Unit, Commander, Fleet Air, Alameda, will be disestablished by June 1974—60 military positions will be reduced.

10. Alameda (Naval Complex (Continued) In process): The Navy's Detachment A, Flag Administrative Unit, Commander, Naval Air Forces, Pacific Fleet, will be disestablished by June 1974—10 military positions will be reduced.

11. (In process): Naval Construction Battalion Unit 409 will be disestablished by June 1974—46 military positions will be reduced.

12. (Completed July 1973): The Naval Training Equipment Center Representative Office will be disestablished by June 1974—one military position will be reduced.

13. (VR-30, VAQ 130 in process; VR-21 completed October 1973): At the Naval Air Station, Aviation Squadron VR-30 and the Detachment of VR-21 with 323 military positions will be relocated to the Naval Air Station, Moffett Field, California, and VAQ-130 and required support personnel with 691 military positions will be relocated to the Naval Air Station, Lemoore, California, by June 1974. Naval Air Reserve activities are not affected.

14. (In process): Four Naval ships will be relocated from the Naval Base, Long Beach, California, with a new homeport at Alameda by June 1974—1,932 military positions will be added.

15. (In process): The scope of operations of the Naval Air Rework Facility at the Naval Air Station will be increased by June 1974—189 civilian positions will be added.

16. Atwater (Completed): At Castle Air Force Base, the 84th Fighter Interceptor Squadron with 18 F-106 aircraft and necessary support personnel will be relocated from Hamilton Air Force Base, California, the B-52 crew training authorizations will be adjusted and other manpower management adjustments will be made by June 1974—274 military positions and 173 civilian positions will be added.

17. Concord (Authorized change and new fact sheet deleted this relocation): The scope of operations of the Naval Weapons Station will be increased by the relocation of activities from the Naval Ammunition Depot, Oahu, Hawaii, by June 1974—111 civilian positions will be added.

18. Fairfield (Completed): At Travis Air Force Base, three C-5 aircraft will be relocated to the 60th Military Airlift Wing from Charleston Air Force Base, South Carolina; the 312th Military Airlift Squadron (associate), an Air Force Reserve unit, will be converted to C-5 aircraft from C-141 aircraft; the 710th Military Airlift Squadron (associate), an Air Force Reserve unit, will be activated under the 349th Military Airlift Wing (associate Air Force Reserve) as a C-141 aircraft unit and other manpower management adjustments will be made by June 1974—140 military positions will be reduced and 128 civilian personnel will be added.

19. Imperial Beach (In process): At the Naval Air Station, the Naval Helicopter Squadrons and associated support elements with 3,013 military positions and 48 civilian positions will be relocated to the Naval Air Station, North Island, San Diego, California, and the Station closed by January 1976. In addition, support elements with 32 military positions and 45 civilian positions will be relocated to the Naval Air Station, Miramar, California. A total of 214 military positions and 33 civilian positions will be reduced. The Naval Air Reserve Helicopter units will also be relocated to the Naval Air Station, North Island, San Diego, California. The Air Station will be retained for Naval aviation training purposes.

20. Lemoore (In process): The Naval Aviation Squadron VAQ-130 and required support elements with 691 military positions will be relocated to the Naval Air Station from the Naval Air Station, Alameda, California, by June 1974.

21. Long Beach Naval Complex (in process 118.52 acres approved excess 7/23/73 by ASC): The Naval Base, Long Beach, will be disestablished by June 1974—22 military positions and 10 civilian positions will be reduced.

22. (Completed February 1974): The Navy's Pacific Fleet Representative, Commander, Cruiser-Destroyer Force will be disestablished by June 1974—45 military positions will be reduced.

23. (In process): The Naval Ordnance Systems Command Support Office with one military position will be disestablished by June 1974.

24. (In process): The Naval Fleet Training Center will be disestablished by June 1974—41 military positions will be reduced.

25. (Completed): The Navy's Mine Divisions 32, 33, 34 and 35 will be disestablished by June 1974—16 military positions will be reduced.

26. (In process): The Navy's Food Management Team will be disestablished by June 1974—five military positions will be reduced.

27. Long Beach Naval Complex (Continued) (In process): The scope of operations of the Navy's Finance Center will be reduced by June 1974—three military positions and 12 civilian positions will be reduced.

28. (In process): The scope of operations of the Naval Communications Station will be reduced by June 1974—13 military positions and eight civilian positions will be reduced.

29. (Completed December 1973): The scope of operations of the Naval Security Group will be reduced by June 1974—six military positions will be reduced.

30. (Completed October 1973; Torrence Annex of NSC approved for disposal July 23, 1973 by ASC): The Navy Supply Center will be disestablished by June 1974—17 military positions and 535 civilian positions will be reduced.

31. (In process): The Naval Station will be disestablished by June 1974—109 military positions and 215 civilian positions will be reduced.

32. (In process): The Naval Hospital Annex (USS REPOSE) will be disestablished by June 1974—178 military positions will be reduced.

33. Long Beach Naval Complex (Continued) (CRUDESFL0T 3 completed November 1973 DESRONS 9, 13, 35 completed January 1974 DESRONS 3, 19, 29 disestablished PHIBRON 7 completed August 1973): The Navy's Cruiser-Destroyer Flotilla 3; Destroyer Squadrons 3, 9, 13, 19, 29 and 35; Mobile Technical Unit 11; and Amphibious Squadron 7 with 212 military positions will be relocated to the Naval Base, San Diego, California, by June 1974.

34. (In process): A total of 47 Naval ships with 16,616 military positions will be relocated by June 1974, to other homeports as follows: 31 ships to the Naval Base, San Diego, California; seven ships to the Naval Base, Pearl Harbor, Hawaii; four ships to the Naval Air Station, Alameda, California; one ship to the Naval Shipyard, Bremerton, Washington; three ships to the Naval Base, Charleston, South Carolina; and one ship to an as yet undetermined location.

35. (In process): At the Naval Shipyard, certain administrative elements with 220 civilian positions will be relocated from the Hunters Point Naval Shipyard, California, and the scope of operations will be increased by June 1974—1,040 civilian positions will be added.

36. (Monterey Modified—DLI HQ will move from Anacostia to Monterey. English Language Training will remain at Lackland AFB, Texas.): At the Army's Presidio of Monterey, the Defense Language Institute Systems Development Agency with five military positions and 75 civilian positions will be relocated to Fort Monmouth, New Jersey, by September 1974, as part of the Army's Schools Realignment Plan.

37. (Mountain View VR-30 in process; VR-21 completed October 1973): At the Naval Air Station, Moffett Field, Naval Aviation Squadrons VR-30 and a Detachment of VR-21 with 323 military positions will be relocated from the Naval Air Station, Alameda, California, by June 1974.

38. Novato (Completed Disposal action deferred by HASC Dec. 4, 1973): Hamilton Air Force Base will be closed by September 1973, except for Air Force Reserve activities. The 84th Fighter Interceptor Squadron with 18 F-106 aircraft and necessary support elements will be relocated to Castle Air Force Base, California, with 776 military positions and 102 civilian positions; the 41st Aerospace Rescue and Recovery Squadron and necessary support elements with 200 military positions and six civilian positions will be relocated to McClellan Air Force Base, California; and the 2nd Aircraft Delivery Group Detachment with 20 military positions will be relocated to Mather Air Force Base, California. Base support functions will be civilianized to the maximum extent; base responsibility will be transferred from the Air Defense Command to the 452nd Tactical Airlift Wing, an Air Force Reserve unit; and all military community support activities at the base terminated by the Air Force. Real property determined to be excess to

Department of Defense requirements will be reported to the General Services Administration for disposal. A total of 990 military positions and 453 civilian positions will be reduced in addition to the above relocations.

39. Pasadena (In process. Approved excess Oct. 18, 1973 by ASC): The Naval Undersea Center, Pasadena Laboratory, will be consolidated with the Center at San Diego, California, and the Laboratory will be closed by June 1974. A total of six military positions and 491 civilian positions will be relocated to the Naval Undersea Center at San Diego and 99 civilian positions will be reduced. Continued use of some of the facilities at the Pasadena Laboratory is under review by the Navy. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

40. (Point Mugu Cancelled Navy to continue operation in response to Congress Joint Conf. report on FY 1974 Appropriations): The Navy's Pacific Missile Range will be converted to a contractor operation by December 1974—225 military positions and 1,448 civilian positions will be reduced. The contractor receiving this contract will be encouraged to rehire as many of the civilian Defense employees as possible.

41. Point Mugu (Completed October 1973): At the Naval Air Station, Naval Aviation Squadron VXE-6 with 367 military positions will be relocated from the Naval Air Station, Quonset Point, Rhode Island, by June 1974.

42. Port Hueneme (Completed December 1973): The Naval Civil Engineering Laboratory will be disestablished and its vital functions consolidated with other Naval activities by December 1973. A total of one military position and 157 civilian positions will be transferred to the Construction Battalion Center, Port Hueneme; five military positions and 139 civilian positions will be relocated to the Naval Undersea Center, San Diego, California, and nine military positions and 15 civilian positions will be relocated to the Naval Coastal Systems Laboratory, Panama City, Florida—two military positions and 69 civilian positions will be reduced. The Environmental Data Base Program Office in Hawaii, a component of the Naval Civil Engineering Laboratory, will remain in place; however, command responsibility will be shifted to another Naval activity.

43. Rosamond (Completed): At Edwards Air Force Base, the 6514th Test Squadron will be relocated to Hill Air Force Base, Utah, and manpower management adjustments will be made by June 1974—196 military positions and 40 civilian positions will be reduced.

44. Sacramento (Completed): At Mather Air Force Base, a Detachment of the 2nd Aircraft Delivery Group will be relocated from Hamilton Air Force Base, California; adjustments will be made in navigation training aircraft and manning of the 323rd Flying Training Wing; and other manpower management adjustments will be made by June 1974—184 military positions and seven civilian positions will be reduced.

45. Sacramento (Completed): At McClellan Air Force Base, the 41st Aerospace Rescue and Recovery Squadron is relocated from Hamilton Air Force Base; (Completed): the Communications-Electronics Meteorological (CEM) Management functions will be relocated from Oklahoma City Air Material Area, Tinker Air Force Base, Oklahoma, and selected Electrical Control and Distribution Equipment Management functions will be relocated from San Antonio Air Material Area, Kelly Air Force Base, Texas; (TAC moves in process): four Technology Repair Centers in fluid-driven accessories, flight control instruments, electrical components and ground CEM equipment are to be established over the next two-year period; (Completed): one of the functions of the 1155th Technical Operations Squadron of the Air Force Technical Applications Center will be relocated to Patrick Air Force Base; and other manpower management adjustments will be made by June 1974—102 military positions and 249 civilian positions are added.

46. San Francisco (Completed December 1973): The scope of operations of the Twelfth Naval District will be reduced and certain functions with 13 military positions and 23 civilian positions will be relocated to the Eleventh Naval District, San Diego, California, by January 1974—10 military positions and 49 civilian positions will be reduced.

47. San Francisco (In process, decision to retain Drydock #4 cancelled entire shipyard will be leased on a trial basis): The Naval Shipyard, Hunters Point, will be closed and placed in caretaker status by June 1974, except for Drydock Number 4. Certain administrative functions and personnel will be relocated as follows: 200 civilian positions to the Naval Shipyard, Long Beach, California; 244 civilian positions to the Naval Shipyard, Mare Island, California; 62 civilian positions to

the Naval Support Activity Vallejo, California; nine civilian positions to the Naval Shipyard, Norfolk, Virginia; and 46 military positions to other locations—78 military positions and 4,649 civilian positions will be reduced.

48. San Diego Naval Complex (Completed December 1973): The scope of operations of the Eleventh Naval District will be increased by the transfer of certain functions with 13 military positions and 23 civilian positions from the Twelfth Naval District, San Francisco, by June 1974.

49. CRUDESFLOT 3 (Completed November 1973 DESRONS 9, 13, 35 completed January 1974. DESRONS 3, 19, 29 disestablished. PHIBRON 7 completed August 1973): The Navy's Cruiser-Destroyer Flotilla 3; Destroyer Squadrons 3, 9, 13, 19, 29 and 35; Mobile Technical Unit 11; and Amphibious Squadron 7 with 212 military positions will be relocated from the Naval Base, Long Beach, California, June 1974.

50. (In process): A total of 31 Naval ships with 11,077 military positions will be relocated to the Naval Base, San Diego, California, from the Naval Base, Long Beach, California, with a new homeport in San Diego by June 1974.

51. San Diego Naval Complex (Continued) (Completed September 1973): The Navy's Underwater Swimmer's School with 41 military positions and six civilian positions will be relocated from the Naval Station, Key West, Florida, by March 1974.

52. (Completed May 1973): At the Naval Personnel and Training Research Laboratory, the residual functions of the Naval Personnel Research and Development Laboratory at the Navy Yard, Washington, D.C., with nine military positions and 76 civilian positions will be relocated by February 1974.

53. (Completed December 1973): At the Naval Undersea Center, Point Loma, certain portions of the Naval Civil Engineering Laboratory, Port Hueneme, California, and the Naval Undersea Center Annex, Pasadena, California, with 11 military positions and 630 civilian positions will be relocated by June 1974.

54. (In process): At the Naval Air Station, North Island, the Naval Helicopter Squadrons and associated support elements with 3,013 military positions and 48 civilian positions will be relocated from the Naval Air Station, Imperial Beach, California, and the Naval Carrier Airborne Early Warning Squadrons 111, 112, 113, 114, 115, 116 and Squadron RVAW-110 with 1,003 military positions will be relocated to the Naval Air Station, Miramar, San Diego, California, by December 1974. In addition, the Navy's Management Systems Development Office Detachment with 19 civilian positions will be relocated from the Naval Air Station, Quonset Point, Rhode Island, by June 1974.

55. San Diego Naval Complex (Continued) (In process): The scope of operations of the Naval Air Rework Facility at the Naval Air Station, North Island, will be increased by June 1974—756 civilian positions will be added.

56. (In process): At the Naval Air Station, Miramar, certain support elements with 32 military positions and 45 civilian positions will be relocated from the Naval Air Station, Imperial Beach, California and the Naval Carrier Airborne Early Warning Squadrons 111, 112, 113, 114, 115, 116 and Squadron RVAW-110 with 1,003 military positions will be relocated from the Naval Air Station, North Island, San Diego, California, by December 1974.

57. (Completed December 1973 change approved to operate NESTEF as Det. of NAVELEX Command Atlantic Div. Portsmouth, VA): At the Naval Electronics Laboratory Center, the vital functions from the Naval Electronics Systems Test and Evaluation Field, Webster Field, St. Inigoes, Maryland, with 16 military positions and 141 civilian positions will be relocated by December 1973.

58. Seal Beach (In process): At the Naval Weapons Station, certain functions with 15 civilian positions will be relocated from the Naval Ammunition Depot, Oahu, Hawaii, by June 1974.

59. Vallejo (In process): At the Naval Shipyard, Mare Island, certain administrative elements with 244 civilian positions will be relocated from the Naval Shipyard, Hunters Point, San Francisco, and the scope of operations will be increased by June 1974—1,769 civilian positions will be added.

60. Vallejo (Completed November 1973): The Navy's Mare Island Laboratories, Naval Shipyard, Mare Island, will be reduced and the rubber, paint and metallurgy and materials functions will be relocated with 80 civilian positions and consolidated with similar functions at the Naval Ship Research and Development Center, Annapolis, Maryland, by December 1973—100 civilian positions will be reduced.

61. Vallejo (In process): At the Naval Support Activity, certain elements with 62 civilian positions will be relocated from the Naval Shipyard, Hunters Point, San Francisco, by June 1974.

Delaware

62. Dover (Change 4713th inactivates FY 4/74 assets to ANG, MAC action completed): At Dover Air Force Base, the 4713th Defense Systems Evaluation Squadron with 18 EB-57 aircraft and necessary support elements will be relocated from Westover Air Force Base, Massachusetts; the 20th Military Airlift Squadron with 18 C-141 aircraft will be relocated to Charleston Air Force Base, South Carolina; the 3rd Military Airlift Squadron with 13 C-5A aircraft will be relocated from Charleston Air Force Base, South Carolina; the 326th Military Airlift Squadron (Associate Air Force Reserve) will be converted from C-141 aircraft to C-5A aircraft; the 709th Military Airlift Squadron (Associate Air Force Reserve) will be activated and fly C-5A aircraft; and manpower management adjustments will be made by June 1974—643 military positions and 294 civilian positions will be added.

District of Columbia

63. District of Columbia (Modified see #36): At the Naval Station, Anacostia, the Headquarters and East Coast Branch of the Defense Language Institute, for which the Army is the Executive Agent for the Department of Defense, with 53 military positions and 126 civilian positions will be relocated to the Army's Fort Monmouth, New Jersey, along with other elements of the Defense League Institute from other locations in the United States by December 1974, as part of the Army's Schools Realignment Plan.

64. District of Columbia (Completed May 1973): The Navy Personnel Research and Development Laboratory at the Navy Yard will be disestablished and residual functions with nine military positions and 76 civilian positions will be relocated to the Naval Personnel and Training Research Laboratory, San Diego, California, by February 1974—26 civilian positions will be reduced.

65. District of Columbia (In process): The Navy Experimental Diving Unit at the Navy Yard with 72 military positions and seven civilian positions will be relocated to the Naval Coastal Systems Laboratory, Panama City, Florida, by August 1974. A Detachment of the unit with 14 military positions and 40 civilian positions will remain at the Navy Yard.

66. District of Columbia (In process, completion date March 31, 1974): The scope of operations of the Naval Training Publications Division at the Navy Yard will be reduced and 61 military positions and 106 civilian positions will be relocated to the new Naval Training Publications and Examining Center, Naval Air Station, Pensacola, Florida, by March 1974—eight military positions and seven civilian positions will be reduced.

Florida

67. Fort Lauderdale (Hold pending completion of GAO examination on relocation plans): The Navy's Atlantic Undersea Test and Evaluation Center, West Palm Beach Detachment, with two military positions and 45 civilian positions will be relocated to Fort Lauderdale from West Palm Beach, Florida, by December 1973.

68. Fort Walton Beach (Delayed due to SEA): At Eglin Air Force Base, a Tactical Air Command Weapons Systems Evaluation Program will be initiated; the aircraft equipment of the 33rd Tactical Fighter Wing will be increased by increasing the aircraft of the 58th and the 60th Tactical Fighter Squadrons from 18 to 24 F-4's each; the 55th Aerospace Rescue and Recovery Squadron will receive HH-53 and HH-3 helicopters. (55th ARRS rec'd HH53 Helos only (no HH-3s).) In addition, at Eglin Auxiliary Field Number 9, the manning of the United States Air Force Special Operations Force will be reduced; the 317th Special Operations Squadron will be phased out of C-123 aircraft and equipped with CH-3 aircraft (Completed); the 318th Special Operations Squadron with four C-130E aircraft will be relocated from Pope Air Force Base, North Carolina (In process); the 603rd Special Operations Squadron with five C-47 aircraft will be activated (Completed); the 360th Tactical Electronic Warfare Squadron with six EC-47 aircraft will be activated, as will the 6994th Air Force Security Service Squadron. A total of 755 military positions and 26 civilian positions will be added to the Eglin Air Force Base complex by June 1974. (360th TEWS and 6994th SSS not required and will not be activated).

69. Homestead (Delayed to FY 4/75): At Homestead Air Force Base, the aircraft of the 307th and the 309th Tactical Fighter Squadrons will be increased from 18 to 24 F-4's each; a Detachment of the 552nd Airborne Early Warning and Control Squadron with EC-121 aircraft will be relocated from McCoy Air Force Base, Florida; and manpower management adjustments will be made by June 1974—417 military positions and 61 civilian positions will be added.

70. Jacksonville (Completed February 1974): At the Naval Air Station, Cecil Field, Aviation Squadrons VS-22, 24, 30 and 31, along with necessary support elements, with 788 military positions and 49 civilian positions will be relocated from the Naval Air Station, Quonset Point, Rhode Island, and 29 military positions will be relocated from the Naval Air Station, Lakehurst, New Jersey, by June 1974—817 military positions and 49 civilian positions will be added.
71. Jacksonville (Completed December 1973): At the Naval Air Station, Jacksonville, Helicopter Squadrons HS 1, 3, 7 and 11, along with necessary support elements, with 824 military positions and 48 civilian positions will be relocated from the Naval Air Station, Quonset Point, Rhode Island, and certain functions to include Helicopter Squadrons HC-2 with 488 military positions and 14 civilian positions will be relocated from the Naval Air Station, Lakehurst, New Jersey, by June 1974—1,312 military positions and 62 civilian positions will be added.
72. Jacksonville (In process): The scope of operations of the Naval Air Rework Facility at the Naval Air Station, Jacksonville, will be increased by June 1974—33 civilian positions will be added.
73. Key West Naval Complex (In process to be completed March 13, 1974 13.68 acres approved excess October 18, 1973 by ASC): The Naval Station will be disestablished and 101 military positions of the Naval Message Center will be relocated by March 1974, as follows: 84 military positions to the Naval Air Station, Key West, and 17 military positions to the Naval Communications Station, Puerto Rico—210 military positions and 359 civilian positions will be reduced.
74. Key West Naval Complex (Continued) (In process to be completed March 31, 1974): The Naval Base will be disestablished by March 1974—11 military positions and six civilian positions will be reduced.
75. (In process to be completed March 31, 1974): The Navy's Commander, Key West Force will be disestablished by March 1974—29 military positions will be reduced.
76. (Completed June 1973): The Navy's Submarine Squadron 12 and Submarine Divisions 121 and 122 will be disestablished by March 1974—24 military positions will be reduced.
77. (Completed September 1973): The Navy's Fleet Training Group will be disestablished by March 1974—one military position will be reduced.
78. (In process to be completed March 31, 1974): The scope of operations of the Navy Commissary will be reduced by March 1974—six military positions will be reduced.
79. (In process to be completed March 31, 1974): The scope of operations of the Navy Finance Office will be reduced by March 1974—10 civilian positions will be reduced.
80. (Completed February 1974): The scope of operations of the Navy Publications and Printing Office will be reduced by March 1974—two civilian positions will be reduced.
81. Key West Naval Complex (Continued) (Authorized change deleted this reduction): The scope of operations of the Naval Hospital will be reduced by March 1974—64 military positions and 30 civilian positions will be reduced.
82. (In process to be completed March 31, 1974): The scope of operations of the Naval Communications Station will be reduced by March 1974—46 military positions and two civilian positions will be reduced.
83. (Disestablished June 1973): The Navy's Destroyer Squadron 18 with 15 military positions will be relocated to the Naval Station, Mayport, Florida, by March 1974.
84. (In process): The Navy's Fleet Sonar School with 305 military positions and nine civilian positions will be relocated to the Naval Base, Norfolk, Virginia, by March 1974.
85. (Completed September 1973): The Navy's Underwater Swimmer's School with 41 military positions and six civilian positions will be relocated to the Naval Base, San Diego, by March 1974.
86. (Completed August 1973): One of the Navy's Submarine Rescue Detachments, along with other miscellaneous activities, Auxiliary Submarine Rescue Ship 16 and one submarine with 187 military positions will be relocated to the Naval Base, Norfolk, Virginia, by March 1974.
87. Key West Naval Complex (Continued) (Disestablished June 1973): One of the Navy's Submarine Rescue Detachments, along with other miscellaneous activities, and one submarine with 103 military positions will be relocated to the Naval Base, Charleston, South Carolina, by March 1974.

88. (In process): At the Naval Air Station, aviation and support activities with 2,563 military positions and 71 civilian positions will be relocated from the Naval Air Station, Albany, Georgia; the Naval Air Test and Evaluation Squadron One with 348 military positions will be relocated to the Naval Air Station, Patuxent River, Maryland; and 84 military positions will be relocated from the Naval Station, Key West, by June 1974—2,305 military positions and 71 civilian positions will be added.

89. Mayport SERVON 2 (Completed October 1973 DESRON 10 to Norfolk September 1973 DESRON 12 reestablished at Athens, Greece June 1973 DESRON 18 disestablished June 1973): The Navy's Destroyer Squadrons 10 and 12 and Service Squadron 2 and 10 Naval ships with 2,963 military positions will be relocated to the Naval Base, Mayport, from the Naval Base, Newport, Rhode Island, and Destroyer Squadron 18 with 15 military positions will be relocated from the Naval Base, Key West, Florida, by June 1974—2,978 military positions will be added.

90. Orlando (In process): At the Naval Training Center, the Navy's Nuclear Power School with 118 military positions will be relocated from the Naval Training Center, Bainbridge, Maryland, by January 1975.

91. Orlando (In process. EC 121 and KC 135s action are completed. 2902 action approved for excess Oct. 18, 1973 by ASC): McCoy Air Force Base, Taft, will be closed by June 1974. The 306th Bombardment Wing and the 36th Bombardment Squadron with 15 B-52D aircraft will be inactivated; elements of the 306th Air Refueling Squadron with 10 KC-135 aircraft and 283 military positions and nine civilian positions will be relocated to McConnell Air Force Base, Kansas, and elements with 10 KC-135 aircraft and 289 military positions and 10 civilian positions will be relocated to Lockbourne Air Force Base, Ohio; a Detachment of the 552nd Airborne Early Warning Control Squadron with EC-121 aircraft and necessary support personnel with 187 military positions and six civilian positions will be relocated to Homestead Air Force Base, Florida; and the 42nd Air Division with 13 military positions and one civilian position will be relocated to Blytheville Air Force Base, Arkansas. The family housing and other necessary support facilities will be transferred to the Naval Training Center, Orlando. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal. A caretaker force of 161 military positions and 160 civilian positions will remain until final disposal of the property. In addition to the personnel being relocated, a total of 1,086 military positions and 395 civilian positions will be eliminated upon completion of the action.

92. Panama City (Completed December 1973): At the Naval Coastal Systems Laboratory, certain functions of the Naval Civil Engineering Laboratory, Port Hueneme, California, with nine military positions and 15 civilian positions and the Navy Experimental Diving Unit, Navy Yard, Washington, D.C., with 72 military positions and seven civilian positions will be relocated by September 1974—81 military positions and 22 civilian positions will be added.

93. Pensacola (NAVEXAMCEN Great Lakes completed January 1974. NAS Glynco GA action completed October 1973. Remaining relocations in process to be completed March 31, 1974): At the Naval Complex residual elements of the Naval Publications and Examining Center, Great Lakes, Illinois; Naval Correspondence Course Center, Scotia, New York; Naval Publications and Examining Center, Memphis, Tennessee; and the Naval Training Publications Division, Washington, D.C., with 271 military positions and 317 civilian positions will be relocated and consolidated into a new Naval Publications and Examining Center to be established by March 1974. In addition, 286 military positions and six civilian positions will be relocated from the Naval Air Station, Glynco, Georgia, by December 1974. A total of 557 military positions and 323 civilian positions will be added.

94. Pensacola (In process): The scope of operations of the Naval Air Rework Facility at the Naval Air Station will be increased by June 1974—79 civilian positions will be added.

95. Tampa (Completed but will be transferred to Shaw January 1975. Delayed due to SEA to FY 4/75): At MacDill Air Force Base, the 21st Tactical Air Support Squadron with 12 OV-12 aircraft will be activated; the aircraft of the 1st Tactical Fighter Wing will be increased from 60 to 72 F-4 aircraft, and manpower management adjustments will be made by June 1974—208 military positions and 139 civilian positions will be added.

96. West Palm Beach (Delayed pending GAO evaluation of relocation plans. See No. 67): The Navy's Undersea Test and Evaluation Center, West Palm Beach Detachment will be reduced and the residual functions with two military positions

and 45 civilian positions will be relocated to Fort Lauderdale, Florida, by December 1973—one military position and 10 civilian positions will be reduced.

Georgia

97. Albany (In process): At the Marine Corps Supply Center, the residual functions of the Marine Corps Supply Activity, Philadelphia, Pennsylvania, with 381 military positions and 948 civilian positions will be relocated by July 1976.

98. Albany (In process. 2677 acres approved excess October 18, 1973 by ASC): The Naval Air Station will be closed and placed in caretaker status by June 1974. The aviation activities and selected support elements with 2,569 military positions and 71 civilian positions will be relocated to the Naval Air Station, Key West, Florida. The family housing and required support facilities will be made available for use by the Marine Corps Supply Center, Albany, Georgia. A total of 648 military positions and 273 civilian positions will be eliminated.

99. Augusta (Reconfirmed 8 February 1974 date revised to March 1976): At the Army's Fort Gordon, the scope of operations of the Military Police activities will be reduced and the United States Army Military Police School, the Military Police Advanced Individual Training Brigade and the Military Police Combat Developments Activity with 964 military positions and 297 civilian positions will be relocated to Fort McClellan, Alabama, 18 military positions will be eliminated, and the essential elements of the United States Army Signal Center and School and the Communications and Electronics Combat Developments Activity with 922 military positions and 591 civilian positions will be relocated from Fort Monmouth, New Jersey, and consolidated with the Army's Southeastern Signal School at Fort Gordon by June 1974, as part of the Army's Schools Realignment Plan—60 military positions will be reduced and 294 civilian personnel will be added.

100. Brunswick (In process. Property approved excess by ASC on October 18, 1973 retaining right of emergency reuse): The Naval Air Station, Glynco, will be closed by December 1974. Residual functions with 286 military positions will be relocated to the Naval Air Station, Pensacola, Florida; 442 military positions will be relocated to Dam Neck, Virginia; and 439 military positions and 31 civilian positions will be relocated to the Naval Air Station, Memphis, Tennessee. A total of 661 military positions and 308 civilian positions will be eliminated. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

101. Columbus (Completed): At the Army's Fort Benning, the Headquarters and Headquarters Company, 214th Aviation Battalion, with 98 military positions will be relocated from Fort Stewart, Georgia, by July 1973.

102. Savannah (Completed. Longterm stationing requirements will require use of Hunter and Ft. Stewart for brigade-size combat unit): Hunter Army Airfield will be closed and placed in caretaker status by July 1973. The COBRA aircraft training with 87 military positions and 12 civilian positions will be relocated to Fort Rucker, Alabama, where all future Army aviation training will be consolidated; the 102nd Quartermaster Company (Petroleum) with 200 military positions will be relocated to Fort Campbell, Kentucky; the 238th Aviation Company with 140 military positions along with 301 military positions and 70 civilian positions will be relocated to Fort Stewart, Georgia, as part of the Army's Schools Realignment Plan. A total of 476 military positions and 388 civilian positions will be eliminated.

103. Savannah (Completed. Unit redesignated HHC, 145th AVN BN): At the Army's Fort Stewart, the 238th Aviation Company with 140 military positions, along with 301 military positions and 70 civilian positions will be relocated from Hunter Army Airfield; the 530th Composite Service Company (Light Maintenance) with 135 military positions will be relocated from Fort Knox, Kentucky; and the Headquarters and Headquarters Company, 214th Aviation Company with 98 military positions will be relocated to Fort Benning, Georgia, by July 1973—478 military positions and 70 civilian positions will be added.

104. Warner-Robins (In process): At Robins Air Force Base, the 19th Bombardment Wing will be equipped with SRAM missiles; five Technology Repair Centers in airborne electronics, life support equipment, propellers, portable buildings and gyro instruments will be established over the next two-year period; and manpower management adjustments will be made by June 1974—182 military positions will be added and 383 civilian positions will be reduced.

Hawaii

105. Lualualei (Modified: Navy will operate a tri-Service ammo magazine at Lualualei. Relocation to NWS Concord authorized deleted. See #17): The Naval Ammunition Depot, Oahu, will be closed and 230 military positions and 248

civilian positions will be relocated to other Pacific Fleet activities in Hawaii; 111 civilian positions will be relocated to the Naval Weapons Station, Concord, California; 90 civilian positions will be relocated to the Naval Torpedo Station, Keyport, Washington; 52 civilian positions will be relocated to the Naval Ammunition Depot, Crane, Indiana; and 15 civilian positions will be relocated to the Naval Weapons Station, Seal Beach, California, by June 1974—17 military positions and 240 civilian positions will be reduced. All real property will be retained to meet other Department of Defense requirements.

106. Pearl Harbor (See item 105): At the Navy's Pacific Fleet Activities, 230 military positions and 248 civilian positions will be relocated from the Naval Ammunition Depot, Oahu, Hawaii, by June 1974.

107. Pearl Harbor (In process): At the Naval Base, seven Naval ships with 2,559 military positions will be relocated from the Naval Base, Long Beach, California, with a new homeport at Pearl Harbor by June 1974.

Illinois

108. Great Lakes (Completed January 1974): The Naval Publications and Examining Center will be disestablished and 158 military positions and 85 civilian positions will be relocated to the new consolidated Naval Publications and Examining Center to be established at Pensacola, Florida, by March 1974—21 military positions and five civilian positions will be reduced.

109. Great Lakes (In process): The Navy's Electronics Supply Office will be disestablished and 27 military positions and 540 civilian positions will be relocated to the Naval Ship Parts Control Center, Mechanicsburg, Pennsylvania, by December 1974—seven military positions and 190 civilian positions will be eliminated.

Indiana

110. Crane (In process): At the Naval Ammunition Depot, 52 civilian positions will be relocated from the Naval Ammunition Depot, Oahu, Hawaii, by June 1974.

Kansas

111. Pauline (Completed. Disposal action for 2656 acres approved by ASC Oct. 18, 1973): Forbes Air Force Base will be closed, except for Air National Guard and Strategic Air Command satellite mission activities by September 1973. The 313th Tactical Airlift Wing will be inactivated with the two C-130 aircraft squadrons relocated—one C-130 squadron with 619 military positions and 19 civilian positions will be relocated to Dyess Air Force Base, Texas, and one C-130 squadron with 616 military positions and 19 civilian positions will be relocated to Little Rock Air Force Base, Arkansas. In addition, one 3-C130 squadron currently in Southeast Asia programmed to return to Forbes Air Force Base will return to Little Rock Air Force Base, Arkansas with 615 military positions and 18 civilian positions. Further, the Military Airlift Command's Aerial Cartographic and Geodetic Squadron will be relocated to Keesler Air Force Base, Mississippi, and the 3301st School Squadron United States Air Force Skill Center (Project Transition) will be relocated to Kirtland Air Force Base, New Mexico. The Strategic Air Command satellite mission with KC-135's remains in place. In addition, the Air National Guard Bombardment Squadron remains. A total of 298 civilian positions will be converted to Air National Guard technician positions in order to civilianize remaining missions to maximum extent possible and all military community support activities (PX, commissary, etc.) will then be terminated by the active Air Force. In addition to the above actions, 1,241 military positions and 83 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

112. Wichita (Completed): At McConnell Air Force Base, elements of the 306th Air Refueling Squadron with 10 KC-135 aircraft will be relocated from McCoy Air Force Base, Florida; the 819th Air Force Civil Engineer Heavy Repair Squadron (RED HORSE) will be relocated from Westover Air Force Base, Massachusetts; the 561st Tactical Fighter Squadron will be relocated to George Air Force Base, California; and manpower management adjustments will be made by June 1974—83 military positions will be reduced and 107 civilian positions will be added.

Kentucky

113. Hopkinsville (Completed): At the Army's Fort Campbell, the 102nd Quarter-master Company (Petroleum) with 200 military positions will be relocated from Hunter Army Airfield, Georgia, by July 1973.

114. Louisville (Completed): At the Army's Fort Knox, the 530th Composite Service Company (Light Maintenance) with 135 military positions will be relocated to Fort Stewart, Georgia, and the 13th Engineer Company (Construction) will be relocated from Fort George G. Meade, Maryland, and reorganized with 177 military positions by July 1973—42 military positions will be added.

Louisiana

115. Alexandria Completed (In Process): At England Air Force Base, the 4410th Special Operations Training Group and the 548th Special Operations Training Squadron will be inactivated and manpower management adjustments will be made by June 1974—365 military positions will be reduced and 65 civilian positions will be added.

116. Bossier City (Completed): At Barksdale Air Force Base, the 3097th Aviation Depot Squadron will be relocated from Westover Air Force Base, Massachusetts, and manpower management adjustments will be made by June 1974—18 military positions will be reduced and 74 civilian positions will be added.

117. New Orleans (Cancelled when legislation required to realign Naval Districts Commandants not approved by Congress): The scope of operations of the Eighth Naval District will be increased by the relocation of functions from the Fifth Naval District, Norfolk, Virginia, by January 1974—10 military positions and 10 civilian positions will be added.

Maine. See Portsmouth, New Hampshire.

Maryland

118. Annapolis (Completed November 1973): At the Naval Ship Research and Development Center, the rubber, paint, metallurgy and materials functions of the Navy's Mare Island Laboratories, Naval Shipyard, Mare Island, California, with 80 civilian positions will be relocated and consolidated with similar functions by December 1973.

119. Bainbridge (In process): The Naval Training Center will be diestablished by January 1975, except for the Naval Academy Preparatory School. A total of 113 military positions and seven civilian positions will be relocated to other Naval training activities in the United States; the Navy's Nuclear Power School with 118 military positions will be relocated to the Naval Training Center, Orlando, Florida; and 277 military positions and 551 civilian positions will be reduced.

120. Frederick (In process): At the Army's Fort Detrick, the United States Army Medical Material Agency with 27 military positions and 98 civilian positions, including an associated Air Force unit, will be relocated from the Army's Valley Forge Hospital, Phoenixville, Pennsylvania, by June 1974.

121. Indian Head (Completed December 1973): The Naval Research and Development Office at the Naval Ordnance Station will be reduced and its project work assigned to the Naval Ordnance Laboratory, White Oak, Maryland, by December 1973—five civilian positions will be reduced. Residual functions of the office will remain at the Naval Ordnance Station.

122. Odenton (Completed): The Army's 13th Engineer Company (Construction) at Fort George G. Meade with 127 military positions will be relocated to Fort Knox, Kentucky, by July 1973, where it will be reorganized.

123. Patuxent River (Revised fact sheet deleted relocation to NATC Patuxent River, Md.): At the Naval Air Test Center, the essential functions of the Naval Air Engineering Center, Philadelphia, Pennsylvania, with three military positions and 202 civilian positions will be relocated by December 1974.

124. Patuxent River (Completed September 1973): At the Naval Air Station, Naval Air Test and Evaluation Squadron One with 348 military positions will be relocated from the Naval Air Station, Key West, Florida, by June 1974.

125. St. Inigoes (Completed December 1973. See No. 57): The Naval Electronics Systems Test and Evaluation Facility, Webster Field, will be closed by December 1973. Essential functions with 16 military positions and 141 civilian positions will be relocated to the Naval Electronics Laboratory Center, San Diego, California, and 15 military positions and 14 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

Massachusetts

126. Bedford (Action complete except O&M of Airfield not yet turned over to Mass. Port Authority, 184 acres approved excess December 4, 1973 by ASC): The Air Force will terminate flying activities at Laurence G. Hanscom Field and turn over complete maintenance and operations of the airfield to the Massachusetts

Port Authority. The aircraft of the Air Force's Electronic Systems Division will be relocated to Kirtland Air Force Base, New Mexico; the 901st Tactical Airlift Group (Air Force Reserve) will be relocated to Westover Air Force Base, Massachusetts; the 3501st Recruiting Group will be relocated from Westover Air Force Base, Massachusetts; and other manpower management adjustments will be made by June 1974—237 military positions and 536 civilian positions will be reduced. These actions will not affect United States Army Reserve training activities at Laurence G. Hanscom Field.

127. Boston Naval Complex (In process. Approved excess January 28, 1974 by ASC): The Naval Shipyard will be closed and placed in caretaker status by January 1975. Certain administrative functions and personnel will be relocated as follows: 392 civilian positions to the Naval Shipyard, Philadelphia, Pennsylvania; 191 civilian positions to the Naval Supply Center, Norfolk, Virginia; 25 civilian positions to the Naval Supply Center, Charleston, South Carolina; three civilian positions to the Naval Shipyard, Norfolk, Virginia; and 126 military to various other locations—13 military positions and 4,708 civilian positions will be reduced.

126. (In process. Disposal Action of property unresolved pending location of tenant activities): The Naval Support Activity will be disestablished by December 1974—80 military positions and 72 civilian positions will be reduced.

129. (Completed December 1973): The Navy's Reserve Supplement Headquarters will be disestablished by January 1974. Certain functions with 22 military positions and 12 civilian positions will be relocated to the Third Naval District, New York, New York, and 10 military positions and 18 civilian positions will be reduced. The Naval Reserve training activities in the Boston area will not be significantly affected.

130. Boston Naval Complex (Continued) (In process approved excess July 23, 1973 by ASC): The Naval Hospital, Chelsea, will be disestablished by December 1974. Hospital activities with a total of 246 military positions and 129 civilian positions will be relocated to other Naval hospitals and 226 military positions and 195 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

131. (Completed February 1974): The Naval Area Audit Office will be disestablished by January 1975—four military positions and 49 civilian positions will be reduced.

132. (In process): The Naval Finance Office will be disestablished by January 1975—six military positions and 25 civilian positions will be reduced.

133. (In process): The Naval Electronics Office will be disestablished by January 1975—one military position and 61 civilian positions will be reduced.

134. (In process): The scope of operations of the First Naval District will be reduced and certain functions will be relocated to the Third Naval District, New York, New York, by January 1975—48 military positions and 53 civilian positions will be reduced.

135. (In process): The Navy's Supervisor of Shipbuilding Office will be disestablished by January 1975—two military positions and 46 civilian positions will be reduced.

136. Boston Naval Complex (Continued) (In process): The Naval Courier Service Detachment will be disestablished by January 1975—13 military positions will be reduced.

137. (In process): The Navy's Exchange will be disestablished by January 1975—two military positions will be reduced.

138. (In process): The Navy Band will be disestablished by January 1975—21 military positions will be reduced.

139. (In process): The Navy's Correctional Center will be disestablished by January 1975—32 military positions will be reduced.

140. (Completed January 1974): The Navy's Fleet Supply Operations Assistance team and other miscellaneous activities will be disestablished by January 1975—three military positions and 14 civilian positions will be reduced.

141. (In process): The scope of operations of the Naval Investigative Office and Armed Forces Police Detachment will be reduced by January 1975—nine military positions and 23 civilian positions will be reduced.

142. (In process): The Marine Barracks will be disestablished by January 1974—82 military positions will be reduced.

143. Chicopee Falls (Change—4713th DSES to be inactivated April 1974 assets to ANG. Remainder of actions in process): Westover Air Force Base will be closed by June 1974, except for Reserve activities and some limited active Air

Force requirements. The 99th Bombardment Wing, its two squadrons of B-52D aircraft and support elements will be inactivated. The following activities will be relocated: elements of the 99th Air Refueling Squadron with 10 KC-135 aircraft and associated support, with 289 military positions and 10 civilian positions to Plattsburgh Air Force Base, New York; elements of the 99th Air Refueling Squadron with five KC-135 aircraft and 207 military positions and eight civilian positions to Pease Air Force Base, New Hampshire; the 4713th Defense Systems Evaluation Squadron and its 18 EB-57 aircraft and associated support elements with 432 military positions and 41 civilian positions to Dover Air Force Base, Delaware; the 819th Civil Engineer Heavy Repair Squadron (RED HORSE) with 459 military positions and 15 civilian positions to McConnell Air Force Base, Kansas; the 3501st Recruiting Group with 35 military positions and seven civilian positions to Laurence G. Hanscom Field, Massachusetts; the 590th Air Force Band with 51 military positions to McGuire Air Force Base, New Jersey; and the 3097th Aviation Depot with 116 military positions and five civilian positions to Barksdale Air Force Base, Louisiana. In addition, the 901st Tactical Airlift Group (Air Force Reserve) with five military positions and 149 Air Force Reserve civilian technicians will be relocated from Laurence G. Hanscom Field, Massachusetts, to Westover Air Force Base. The 18th Communications Squadron and the Air Force Special Project Production Activity will remain. The support elements will be civilianized to the maximum extent possible and the responsibility for the base transferred to the Air Force Reserves by June 1974. Upon completion of the civilianization, all military community support at Westover Air Force Base will be terminated by the Air Force. A total of 1,300 military positions and 163 civilian positions will be reduced in addition to the personnel relocated. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

144. Falmouth Completed (In process. Completed. Family Housing to USCG April 1974. Disposal action on portion deferred at request of AF 12/4/73 pending Army requirements): At Otis Air National Guard Base, the Strategic Air Command activity will be inactivated; the support functions will be civilianized by the Air Force in order to make the Massachusetts Air National Guard unit self-sufficient; responsibility for the entire base will be transferred to the Massachusetts Air National Guard and all military community support will be terminated by the active Air Force by December 1973—377 military positions and 297 civilian positions will be reduced. United States Army Reserve Component training activities at adjacent Camp Edwards will not be affected by these actions.

145. South Weymouth (In process): At the Naval Air Station, Naval Reserve Helicopter Squadron HS-74 with 51 military positions; elements of the Naval Air Reserve Training Detachment with 18 military positions; and required support elements with four military positions and 14 civilian positions will be relocated from the Naval Air Station, Quonset Point, Rhode Island, by June 1974.

Mississippi

146. Biloxi (Completed): At Keesler Air Force Base, the First Aerial Cartographic and Geodetic Squadron with four RC-130A aircraft will be relocated from Forbes Air Force Base, Kansas; the 53rd Weather Reconnaissance Squadron with seven WC-130B aircraft will be relocated from Ramey Air Force Base, Puerto Rico; all foreign pilot training activities will be terminated; technical training activities will be reduced; and manpower management adjustments will be made by June 1974. These actions are not expected to change the current Department of Defense population at Keesler Air Force Base.

Nebraska

147. Omaha (Completed December 1973, approved excess 10/18/73 by ASC): The Naval Support Activity at Fort Omaha will be disestablished by January 1974—56 military positions and 49 civilian positions will be reduced. The Department of Defense Reserve Component training activities at Fort Omaha will not be significantly affected. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

New Hampshire

148. Newington (Completed): At Pease Air Force Base, elements of the 99th Air Refueling Squadron with five KC-135 aircraft will be relocated from Westover Air Force Base, Massachusetts, and other manpower management adjustments will be made by June 1974—127 military positions and 88 civilian positions will be added.

177. New York Naval Complex (Continued) (In process): The Office of Naval Research, Area Representative in New York will be disestablished by December 1974—21 military positions will be reduced.

178. (In process): The Naval Oceanographic Office, New York Representative, will be disestablished by December 1974—three military positions and one civilian position will be reduced.

179. (Delayed to June 1974): The Marine Barracks will be disestablished by January 1974—134 military positions will be reduced.

180. Plattsburgh (Completed): At Plattsburgh Air Force Base, elements of the 99th Air Refueling Squadron with 10 KC-135 aircraft and required support personnel will be relocated from Westover Air Force Base, Massachusetts; the F-111 aircraft at the Base will receive new missiles; and manpower management adjustments will be made by June 1974—264 military positions and 76 civilian positions will be added.

181. St. Albans (Presidential auth of January 1974 granted permit to VA effective 14 March 1974. VA will operate facility as nursing home care center): The Naval Hospital will be closed by March 1974. Hospital activities with 90 military positions and 59 civilian positions will be relocated to the Naval Hospital, Portsmouth, Virginia; 53 military positions and 35 civilian positions will be relocated to the Naval Hospital, Philadelphia, Pennsylvania; 25 military positions and 23 civilian positions will be relocated to the Naval Hospital, Charleston, South Carolina. In addition, 349 military positions and 269 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

182. Scotia (In process to be completed by March 31, 1974): The Naval Correspondence Course Center will be closed by March 1974. A total of 29 military positions and 99 civilian positions will be relocated to the Naval Training Publications and Examining Center, Pensacola, Florida, and six military positions and nine civilian positions will be reduced.

North Carolina

183. Cherry Point (In process): The scope of operations at the Naval Air Rework Facility, Marine Corps Air Station, will be increased by the relocation of certain elements with 84 civilian positions from the Naval Air Rework Facility, Naval Air Station, Quonset Point, Rhode Island, by June 1974.

184. Fayetteville (Completed): At the Army's Fort Bragg, the 72nd Aviation Company with 212 military positions will be relocated from Fort Rucker, Alabama, by July 1973.

185. Goldsboro (Completed): At Seymour-Johnson Air Force Base, the Bare Base Equipment sets will be relocated to Holloman Air Force Base, New Mexico, and manpower management adjustments will be made by June 1974—108 military positions will be reduced and 58 civilian positions will be added.

186. Springlake (In process): At Pope Air Force Base, the 318th Special Operations Squadron with 4 C-130E aircraft will be relocated to the Air Force's Eglin Auxiliary Field Number 9, Florida, and manpower management adjustments will be made by June 1974—336 military positions will be reduced and 81 civilian positions will be added.

Ohio

187. Lockbourne (Completed except ANG A-7 conversion delayed to FY 2/75): At Lockbourne Air Force Base, elements of the 306th Air Refueling Squadron with 10 KC-135 aircraft will be relocated from McCoy Air Force Base, Florida; the Air Force Reserve Special Operations Group will be converted to a Tactical Airlift Group equipped with 16 C-123 aircraft instead of C-119 aircraft; the Ohio Air National Guard Tactical Fighter Squadron will be converted from F-100 to A-7 aircraft and manpower management adjustments will be made by June 1974—203 military positions and 93 civilian positions will be added.

Oklahoma

188. Oklahoma City (Completed. TRC in progress): At Tinker Air Force Base, selected Communications-Electronics-Meteorological (CEM) management functions will be relocated to the Sacramento Air Material Area, McClellan Air Force Base, California; three Technology Repair Centers in constant speed drives/pneumatics, oxygen equipment and automatic pilot control and engine instruments will be established over the next two-year period; and manpower management adjustments will be made by June 1974—25 military positions will be added and 1,671 civilian positions will be reduced.

Pennsylvania

189. Mechanicsburg (In process): At the Naval Ships Parts Control Center, the essential functions of the Naval Electronics Supply Office, Great Lakes, Illinois, with 27 military positions and 540 civilian positions will be relocated by December 1974.

190. New Cumberland (Completed): At the New Cumberland Army Depot, the rail stock storage mission of the Charleston Army Depot, South Carolina, with two civilian positions will be relocated by July 1974.

191. Phoenixville (In process to be completed by 30 June 74 property approved excess October 18, 1973 by ASC): The Army's Valley Forge Hospital will be closed by July 1974. The United States Army Medical Material Agency with 27 military positions and 98 civilian positions, including an associated Air Force unit, will be relocated to Fort Detrick, Maryland, and 298 military positions and 347 civilian positions will be relocated to other Army hospitals and activities. A total of 20 civilian personnel will remain as a caretaker force until December 1974, and 221 military positions and 490 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

192. Philadelphia Naval Complex (In process change approved to complete by December 74): The scope of operations of the Fourth Naval District will be reduced by 40 military positions and 66 civilian positions by January 1974.

193. (In process): The Naval Air Engineering Center at the Naval Shipyard, will be closed by December 1974. Certain functions in aircraft launch, recovery and landing aids will be relocated to the Naval Air Test Facility, Lakehurst, New Jersey, and other elements with three military positions and 202 civilian positions will be relocated to the Naval Air Test Center, Patuxent River, Maryland. A total of 15 military positions and 911 civilian positions will be reduced. Another 240 civilian personnel at the Naval Air Engineering Center will remain at the Naval Shipyard facility.

194. (In process): At the Naval Shipyard, certain elements with 392 civilian positions will be relocated, from the Naval Shipyard, Boston, Massachusetts, and the scope of operations will be increased by December 1974—a total of 1,112 civilian positions will be added.

195. Philadelphia Naval Complex (Continued) (In process): At the Naval Hospital, activities from the Naval Hospital, St. Albans, Long Island, New York, with 53 military positions and 35 civilian positions will be relocated by March 1974.

196. Philadelphia (In process. Approved excess October 18, 1973 by HASC, November 15, by SASC): The Marine Corps Supply Activity will be closed by July 1976. Certain functions, with 381 military positions and 948 civilian positions will be relocated to the Marine Corps Supply Center, Albany, Georgia. The Fourth Marine Corps District will be relocated elsewhere in Philadelphia. A total of 50 military positions and 184 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

197. Warminster (In process): At the Naval Air Development Center, certain functions from the Naval Strategic Systems Navigation Facility, Brooklyn, New York, with 271 civilian positions will be relocated by June 1974.

Rhode Island

198. Newport Naval Complex (In process. Disposal action deferred December 4, 1973 by HASC pending Gov. Noell interim use plan.): The Naval Supply Center will be disestablished by June 1974. A total of eight military positions and 188 civilian positions will be relocated to the Naval Schools Command, Newport, Rhode Island, and nine military positions and 335 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

199. Newport Naval Complex (Continued) (In process to be completed 31 March 1974. Disposal action on 668 acres deferred pending negotiations on Gov. Noell's interim use plan.): The Naval Station will be disestablished by June 1974. A total of 386 military positions and 197 civilian positions will be relocated to the Naval Schools Command, Newport, Rhode Island, and 81 military positions and 144 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

200. (In process. Disposal action on 128 acres deferred by HASC Dec. 4, 1973 pending negotiations Gov. Noell's interim use plan.): The Naval Public Works Center will be disestablished by June 1974. A total of 11 military positions and 560 civilian positions will be relocated to the Naval Schools Command, Newport, Rhode Island, and two military positions and 85 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

201. (In process to be completed Mar. 31, 1974): The Naval Base will be disestablished by June 1974—26 military positions and 28 civilian positions will be reduced.

202. (Completed October 1973): The Navy's Mobile Technical Unit 8 will be disestablished and 17 military positions will be relocated to the Naval Base, Charleston, South Carolina, by June 1974—eight military positions will be reduced.

203. (Completed November 1973): The Navy's Fleet Training Group and Center will be disestablished and 30 military positions will be relocated to the Naval Base, Norfolk, Virginia, by June 1974—162 military positions and five civilian positions will be reduced.

204. Newport Naval Complex (Continued) (In process): The Naval Ordnance Systems Command Office, Atlantic, will be disestablished by June 1974—one military position and 20 civilian positions will be reduced.

205. (In process): Naval Construction Battalion Unit 408 will be disestablished by June 1974—36 military positions will be reduced.

206. (Completed December 1973): The Navy's Atlantic Fleet Combat Camera Group Detachment will be disestablished by June 1974—23 military positions will be reduced.

207. (In process): The Navy's Food Management Team will be disestablished by June 1974—four military positions will be reduced.

208. (Completed October 1973): The Navy's Laundry Team will be disestablished by June 1974—four military positions will be reduced.

209. (In process): The scope of operations of the Naval Hospital will be reduced by June 1974—175 military positions and 71 civilian positions will be reduced.

210. (In process, 50 acres of NAVCOMSTA Sachuest Point disapproved for exceeding July 23, 1973 resubmitted to HASC Dec. 4, 1973.): The scope of operations of the Naval Communications Station will be reduced and 124 military positions and 31 civilian positions will be relocated to the Naval Schools Command, Newport, Rhode Island, by June 1974—24 military positions and three civilian positions will be reduced.

211. Newport Naval Complex (Continued) (In process): The scope of operations of the Navy Correctional Center will be reduced by June 1974—13 military positions will be reduced.

212. (In process): The scope of operations of the Navy Finance Office will be reduced by June 1974—nine military positions will be reduced.

213. (In process): The scope of operations of the Naval Dental Clinic will be reduced by June 1974—36 military and six civilian positions will be reduced.

214. (In process): The scope of operations of the Navy Commissary Store will be reduced by June 1974—22 civilian positions will be reduced.

215. (In process): The scope of operations of the Navy Exchange will be reduced by June 1974—one military position will be reduced.

216. (In process): The scope of operations of the Naval Schools Command and the Naval Justice School will be reduced by June 1974—117 military positions and six civilian positions will be reduced. In addition, support responsibility for the remaining Naval activities in the area, along with required personnel, will be transferred to the Naval Schools Command from the Naval Station, Naval Supply Center, Public Works Center and Naval Communications Station, Newport, Rhode Island. A total of 529 military positions and 976 civilian positions will be transferred.

217. Newport Naval Complex (Continued) (In process): Seven Navy Fleet Unit Staffs and 39 Naval ships with 12,694 military positions will be relocated by June 1974, to other homeports as follows: Commander, Cruiser-Destroyer, Atlantic; Commander, Cruiser-Destroyer Flotilla 2; Commander, Destroyer Squadron 24; Command, Destroyer Development Group and 18 ships to the Naval Base, Norfolk, Virginia; Commander, Destroyer Squadrons 10 and 12; Commander, Service Squadron 2 and 10 ships to the Naval Base, Mayport, Florida; 10 ships to the Naval Base, Charleston, South Carolina; and one ship to the Naval Ammunition Depot, Earle, Bayonne, New Jersey.

218. Quonset Point Naval Complex (In process. Disposal report deferred pending determination of action at CBC Davisville and Gov. Noell's interim use plan.): The Naval Air Station will be closed by June 1974. Certain support elements and personnel will be relocated as follows: four military positions and 14 civilian positions to the Naval Air Station, South Weymouth, Massachusetts; 42 military positions and 48 civilian positions to the Naval Air Station, Jacksonville, Florida; 42 military positions and 49 civilian positions to the Naval Air Station, Cecil Field, Florida; and 127 civilian positions to the Naval Construction Battalion Center, Davisville, Rhode Island. A total of 800 military positions and 880 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

219. (In process. Quonset Point Naval Complex (Continued)): The Naval Air Rework Facility at the Naval Air Station will be disestablished by June 1974. Certain functions and personnel will be relocated as follows: 263 civilian positions to the Naval Air Rework Facility, Norfolk, Virginia; 84 civilian positions to the Naval Air Rework Facility, Cherry Point, North Carolina; 33 civilian positions to the Naval Air Rework Facility, Jacksonville, Florida; 79 civilian positions to the Naval Air Rework Facility, Pensacola, Florida; 189 civilian positions to the Naval Air Rework Facility, Alameda, California; 756 civilian positions to the Naval Air Rework Facility, San Diego, California; and five civilian positions to other locations. A total of nine military positions and 726 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

220. (In process): The Naval Weather Facility will be disestablished by June 1974—25 military positions and 14 civilian positions will be reduced.

221. (In process): The Naval Hospital will be disestablished by June 1974. Hospital activities with 80 military positions and 22 civilian positions will be relocated to other Naval hospitals. A total of 37 military positions and nine civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

222. (In process): The Navy's Advance Underwater Warfare Detachment will be disestablished by June 1974—30 military positions will be reduced.

223. (Completed June 1973): The Navy's Carrier Anti-Submarine Warfare Air Group, Quonset Point, will be disestablished by June 1974—13 military positions will be reduced.

224. (Completed June 1973): The Navy's Commander, Fleet Air, Quonset Point, organization will be disestablished by June 1974—31 military positions will be reduced.

225. Quonset Point Naval Complex (Continued) (Completed June 1973): The Navy's Flag Administrative Unit, Commander, Fleet Air, Quonset Point, will be disestablished by June 1974—57 military positions will be reduced.

226. (In process): The Naval Air Maintenance Training Detachment will be disestablished by June 1974—53 military positions will be reduced.

227. (Completed June 1973): The Navy's Commander, Anti-Submarine Warfare Group Four, Quonset Point, will be disestablished by June 1974—37 military positions will be reduced.

228. (In process): The Naval Air Reserve Training Detachment will be disestablished and 18 military positions will be relocated to the Naval Air Station, South Weymouth, Massachusetts, by June 1974—39 military positions will be reduced.

229. (Completed January 1974): The Navy's Composite Squadron 2 Detachment will be disestablished by June 1974—53 military positions will be reduced.

230. (Completed October 1973): The Navy Commissary Store will be disestablished by June 1974—24 military positions and 72 civilian positions will be reduced.

231. (In process): The Navy's Air Engineering Support Unit will be disestablished by June 1974—two military positions will be reduced.

232. Quonset Point Naval Complex (Continued) (In process): The Navy Exchange will be disestablished by June 1974—three military positions will be reduced.

233. (In process, Change approved to relocate the EOD to NUSC Newport, R.I.): The Navy's Explosive Ordnance Detachment will be disestablished by June 1974—three military positions will be reduced.

234. (In process): The Marine Barracks will be disestablished by June 1974—89 military positions will be reduced.

235. (Completed January 1974): The Navy's Management Systems Development Office Detachment with 19 civilian positions will be relocated to the Naval Air Station, North Island, San Diego, California, by June 1974.

236. (In process): At the Naval Construction Battalion Center, Davisville, support elements with 127 civilian positions will be transferred from the Naval Air Station, Quonset Point, Rhode Island, by June 1974.

237. (Completed November 1973): At the Naval Air Station, Aviation Squadrons VS-22, 24, 30 and 31 with 746 military positions will be relocated to the Naval Air Station, Cecil Field, Florida, by June 1974.

238. (Completed December 1973): At the Naval Air Station, Helicopter Squadrons HS-1, 3, 7 and 11, with 782 military positions will be relocated to the Naval Air Station, Jacksonville, Florida, by June 1974.

239. Quonset Point Naval Complex (Continued) (Completed October 1973): At the Naval Air Station, Helicopter Naval Reserve Squadron NS-74, with 51 military positions, will be relocated to the Naval Air Station, South Weymouth, Massachusetts, by June 1974.

240. (Completed October 1973): At the Naval Air Station, Aviation Squadron VXE-6 with 367 military positions will be relocated to the Naval Air Station, Point Mugu, California, by June 1974.

241. (In process): At the Naval Air Station, various Air Fleet Staffs and Detachments with 66 military positions will be relocated to Norfolk, Virginia, by June 1974.

South Carolina

242. Charleston (In process; to be Completed by 30 June 1974. Ten Family Housing units transferred to Navy. 33 acres approved for excess December 4, 1973 by ASC): The Charleston Army Depot will be reduced to inactive status by July 1974. The contingency supply package and petroleum stock missions with 13 civilian positions will be relocated to the Anniston Army Depot, Alabama, and the rail stock storage mission with two civilian positions will be relocated to the New Cumberland Army Depot, Pennsylvania. A total of 148 civilian positions will be reduced. A caretaker force of one military and 35 civilian personnel will remain until disposition is made of the real property. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal. A total of five civilian positions will be located at the new Army Reserve Center currently under construction at the Depot. The Reserve Center will not be affected by the Depot inactivation.

243. Charleston Naval Complex (Completed October 1973): At the Naval Base, the following activities will be relocated by June 1974: Mobile Technical Unit 8 with 17 military positions from Newport, Rhode Island; a Submarine Rescue Detachment and other miscellaneous activities and one submarine with 103 military positions from Key West, Florida; 10 Naval ships with 2,821 military positions from Newport, Rhode Island; and three Naval ships with 205 military positions from Long Beach, California.

244. (In process): At the Naval Supply Center, certain functions with 25 civilian positions will be relocated from the Naval Shipyard, Boston, Massachusetts, by December 1974.

245. (In process; to be completed Mar. 31, 1974): At the Naval Hospital, hospital activities with 25 military positions and 23 civilian positions will be relocated from the Naval Hospital, St. Albans, Long Island, New York, by March 1974.

246. (In process): At the Naval Shipyard, the scope of operations will be increased by December 1974—325 civilian positions will be added.

247. Charleston (Completed): At Charleston Air Force Base, the Third Military Airlift Squadron with 13 of its 16 C-5A airlift will be relocated to Dover Air Force Base, Delaware, and the three remaining C-5A aircraft will be relocated to Travis Air Force Base, California; the 20th Military Airlift Squadron with 18 C-141 aircraft will be relocated from Dover Air Force Base, Delaware; the Air Force Reserve Associate Squadron at Charleston Air Force Base, will fly C-141 aircraft instead of being converted to C-5A aircraft and manpower management adjustments will be made by June 1974—684 military positions and 83 civilian positions will be reduced.

248. Sumter (Completed): At Shaw Air Force Base, the Base Equipment sets, along with the required personnel, will be relocated to Holloman Air Force Base, New Mexico; the aircraft of the 704th Tactical Air Support Squadron will be decreased to 24 O-2 aircraft; the 703rd Tactical Air Support Squadron will be converted from eight CH-3 helicopters to four CH-3 and two CH-53 helicopters; and manpower management adjustments will be made by June 1974—259 military positions will be reduced and 13 civilian positions will be added.

Tennessee

249. Memphis (Completed January 1974): At the Naval Air Station, the Naval Publications and Examining Center will be disestablished and 23 military positions and 27 civilian positions will be relocated to Pensacola, Florida—one military position and two civilian positions will be reduced. In addition, certain functions with 439 military positions and 31 civilian positions will be relocated from the Naval Air Station, Glynco, Georgia, by December 1974.

Texas

250. Abilene (Completed): At Dyess Air Force Base, one C-130 Squadron will be relocated from Forbes Air Force Base, Kansas; the 337th Bombardment Squadron will be decreased by five B-52D aircraft; manpower management adjustments will be made by June 1974—372 military positions and 81 civilian positions will be added.

251. Austin (In process): At Bergstrom Air Force Base, the assigned aircraft of the 702nd Tactical Air Support Squadron will be increased to 34 O-2A aircraft; the 701st Tactical Air Support Squadron will be equipped with four CH-53 helicopters; and manpower management adjustments will be made by June 1974—164 military positions and 35 civilian positions will be added.

252. Laredo (Completed. 14th MWS to remain, disposal action approved by ASC October 18, 1973): At Laredo Air Force Base, all student pilot training activities will be terminated and the base closed by September 1973. The disposition of the 14th Missile Warning Squadron is under study by the Air Force. A caretaker force of 140 military and 180 civilian personnel will remain until disposition is made of the base. A total of 1,274 military positions and 343 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

253. Mineral Wells (In process; will be complete by 30 June 1974. Action pending to excess 4,788 acres and license 3,680 acres to National Guard.): The Army's Fort Wolters will be closed and placed in a caretaker status by July 1974. The primary helicopter training activity with 57 military positions and 11 civilian positions will be relocated to Fort Rucker, Alabama, where all Army aviation training will be consolidated as part of the Army's Schools Realignment Plan. A total of 635 military positions and 558 civilian positions will be reduced in addition to the relocations. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

254. San Angelo (Completed): At Goodfellow Air Force Base, the 6948th Air Force Security Service Squadron will be relocated to Kelly Air Force Base, Texas, and manpower management adjustments will be made by June 1974—283 military positions and 41 civilian positions will be reduced.

255. San Antonio (Completed. Except TRCs in process): At Kelly Air Force Base, selected Electronic-Control and Distribution Management functions will be relocated to the Sacramento Air Material area, McClellan Air Force Base, California; three Technology Repair Centers in electronics aerospace ground equipment, electro/mechanical aerospace ground equipment and nuclear components will be established over the next two-year period; the 6948th Air Force Security Squadron will be relocated from Goodfellow Air Force Base, Texas; and manpower management adjustments will be made by June 1974—253 military positions will be added and 1,175 civilian positions will be reduced.

256. San Antonio (Modified. See #36): At Lackland Air Force Base, English Language Branch of the Defense Language Institute, for which the Army is Executive Agent for the Department of Defense, will be relocated with 32 military positions and 223 civilian positions to Fort Monmouth, New Jersey, by September 1975, as part of the Army's Schools Realignment Plan.

Utah

257. Ogden (Completed. Except TRCs in process): At Hill Air Force Base, the 6514th Test Squadron will be relocated from Edwards Air Force Base, California; the aircraft assigned to the 1550th Wing will be decreased; eight Technology Repair Centers in weapons, air munitions, missile components, ram air turbines, landing gears, photographs, training devices, and navigational, electrical/mechanical and environmental instruments will be made by June 1974—35 military positions will be added and 542 civilian positions will be reduced.

Virginia

258. Alexandria (Completed February 1973): At the Army's Fort Belvoir, the 77th Engineer Company (Port Construction) with 186 military positions will be relocated to Fort Eustis, Virginia, by July 1973.

259. Newport News (Completed): At the Army's Fort Eustis, certain units with 929 military positions and 106 civilian positions will be relocated from Fort Story, Virginia, and the 77th Engineer Company (Port Construction) with 186 military positions will be relocated from Fort Belvoir, Virginia, by January 1974. A total of 1,115 military positions and 106 civilian positions will be added.

260. Norfolk Naval Complex (In process): At the Naval Base, the Navy's Fleet Sonar School; a Submarine Rescue Detachment and miscellaneous activities; Auxiliary Submarine Rescue Ship 16 and one submarine will be relocated from the Naval Base, Key West, Florida, by March 1974—492 military positions and nine civilian positions will be added.

261. (In process): At the Naval Base, Commander, Cruiser-Destroyer, Atlantic; Commander, Cruiser-Destroyer Flotilla 2; Commander, Destroyer Squadron 24; Commander, Destroyer Development Group; other Naval Fleet Unit Staffs and 18 ships, with 6,696 military positions, will be relocated from the Naval Base, Newport/Quonset Point Naval Complex, Rhode Island, by June 1974.

262. (Cancelled when legislation required to realign Naval District Commands not approved by Congress): The scope of operations of the Fifth Naval District will be reduced and certain functions with 10 military positions and 10 civilian positions will be relocated to the Eighth Naval District by January 1974—24 military positions and 45 civilian positions will be reduced.

263. Norfolk Naval Complex (In process): At the Naval Supply Center, functions with 191 civilian positions will be relocated from the Naval Shipyard, Boston, Massachusetts, by December 1974.

264. (HS-15 move changed to NAS JAX completed November 1973 HSL-30 move completed June 1973): At the Naval Air Station, Norfolk, Naval Helicopter Units HS-15 and HSL-30 and 32 with 735 military positions will be relocated from the Naval Air Station, Lakehurst, New Jersey by June 1974.

265. (In process): The scope of operations of the Naval Air Rework Facility at the Naval Air Station, Norfolk, will be increased by the relocation of functions with 251 civilian positions from the Naval Air Rework Facility, Quonset Point, Rhode Island, by June 1974.

266. (In process): At the Naval Shipyard, Norfolk, in Portsmouth, Virginia, certain functions with nine civilian positions, will be relocated from the Naval Shipyard, Hunters Point, California; certain functions with three civilian positions will be relocated from the Naval Shipyard, Boston, Massachusetts, and the scope of operations will be increased by December 1974—332 civilian positions will be added.

267. (In process): At the Naval Hospital, Norfolk, in Portsmouth, Virginia, hospital activities with 90 military positions and 59 civilian positions will be relocated from the Naval Hospital, St. Albans, Long Island, New York, by March 1974.

268. Virginia Beach (In process): At the Fleet Combat Direction Systems Training Center, Dam Neck, certain functions with 442 military positions will be relocated from the Naval Air Station, Glynco, Georgia, by December 1974.

269. Virginia Beach (Completed): The scope of operations of the Army's Fort Story will be reduced and units and activities with 929 military positions and 106 civilian positions will be relocated to Fort Eustis, Virginia; 147 military positions and four civilian positions will be relocated to other locations; and 78 military positions and 44 civilian positions will be reduced by January 1974.

Washington

270. Bremerton (In process): At the Naval Shipyard, Puget Sound, one ship with 586 military positions will be relocated from Long Beach, California, and the scope of operations will be increased by June 1974—845 civilian positions will be added.

271. Keyport (In process): At the Naval Torpedo Station, certain functions with 90 civilian positions will be relocated from the Naval Ammunition Depot, Oahu, Hawaii, by June 1974.

Various locations

272. (In process): The scope of operations for Naval trading activities will be reduced at various installations and complexes—2,520 military positions will be reduced.

Puerto Rico

273. (Aguadilla Completed, caretaker force to depart June 1974. 3491 acres approved excess January 28, 1974 by ASC.): Ramey Air Force Base will be closed by July 1973. The 53rd Weather Reconnaissance Squadron with WC-130

aircraft will be relocated to Keesler Air Force Base, Mississippi. A caretaker force of 171 military and 136 civilian personnel will remain until disposition is made of the base. In addition to the relocations, 1,355 military positions and 623 civilian positions will be reduced. Real property determined to be excess to Department of Defense requirements will be reported to the General Services Administration for disposal.

274. Ponce (In process to be completed March 31, 1974): At the Naval Communications Station, certain functions with 17 military positions will be relocated from the Navy's Message Center, Naval Station, Key West, Florida, by March 1974.

Secretary SCHLESINGER. Mr. Vice Chairman, I do hope that when you have your closings you can get the aid of all your colleagues up here.

Senator PROXMIRE. I cannot assure you. It is a very unpopular thing if you have to do it, for Members of the Congress. All of us like to be parochial in that but it certainly is one of the steps that have to be taken. At any rate, none have been announced, none of the additional closings have been announced so far. Have you suspended this effort and if so, was your decision made because of the slowdown in the economy?

Secretary SCHLESINGER. It is under review right now.

Senator PROXMIRE. Why is it under review?

Secretary SCHLESINGER. Because we have received from the services certain proposals that we are reviewing.

Senator PROXMIRE. Well, yes.

Secretary SCHLESINGER. We have not made any determination as yet. They have just recently come in.

Senator PROXMIRE. Are there proposals to—proposals by the services to close more bases or open more bases or keep them open?

Secretary SCHLESINGER. No. The proposals would be under the heading of consolidation or movement. It would not be for an expanded base structure.

Senator PROXMIRE. Well, do you intend to announce any base closings this year?

Secretary SCHLESINGER. I will defer on that question.

Senator PROXMIRE. When would your review be completed?

Secretary SCHLESINGER. I do not know when the review will be completed.

Senator PROXMIRE. Can you give us a rough idea?

Secretary SCHLESINGER. I would assume that during the course of the next couple of months we could finish the review.

PART OF THE READINESS SUPPLEMENTAL WAS ALLOCATED TO THE WRONG
BUDGET YEAR

Senator PROXMIRE. On February 22 I released a staff analysis from this committee comparing the fiscal 1974 and 1975 budgets. In that analysis and in a separate statement of my own it was concluded that the portion of 1974 readiness supplemental earmarked for new weapons and modernization should have been placed in the 1975 budget. Your office subsequently released a statement disputing our analysis and I am passing to you a copy of the DOD statement in case you do not have it with you.

You will note that OMB Circular No. A-11 is cited in support of the readiness supplemental. We have not been able to find the por-

tion of A-11 that was quoted in your statement but the OMB circular does set out the criteria for a supplemental. The critical language is:

No supplemental or amendment or increase in limitation will be considered unless the matter is of sufficient urgency to warrant immediate action. Every effort should be made to postpone, until the following fiscal year, action which would require supplemental appropriations. However, proposals which decrease or eliminate amounts will be submitted whenever such changes are warranted.

Most supplementals and amendments will be expected to meet one of the following criteria:

(a) Existing law makes it virtually mandatory to make payments within the year or a liability accrues under the law and it is in the Government's interest to liquidate the liability as soon as possible.

(b) An emergency situation arises that requires unforeseen expenditures for the preservation of life or property.

(c) Increased workload is uncontrollable except by statutory change.

(d) New legislation is enacted after the submission of the annual estimate that will require additional funds within the year.

Now, what is the emergency situation that supports the readiness supplemental? How would life or property be endangered if this amount, about \$2.1 billion, were placed in the 1975 budget instead of the 1974 supplemental and if there is an emergency because of what was learned from the Mideast war, why did you wait until February to submit the request to Congress?

Secretary SCHLESINGER. I think that is an intriguing line of questioning, Mr. Vice Chairman. I have not seen A-11 in several years and I had forgotten what the stringent standards were in there. I am pleased to report we have managed to measure up to these stringent standards. But you had better talk to the OMB with regard to that matter.

Circular No. A-11 states that the request for a supplemental may be warranted if, at the time, "circumstances not foreseeable at the time that the annual estimates are submitted prevail."

Senator PROXMIRE. Why is that?

Mr. MILLER. We do not have the actual section reference. If you have circular A-11 with you—

Senator PROXMIRE. Yes.

Mr. MILLER. We do not have it.

Senator PROXMIRE. We gave him a copy. We handed it down.

SCHLESINGER SUPPORTS THE RATIONALE BEHIND THE SUPPLEMENTAL

Secretary SCHLESINGER. Now, I presume to start at the easy end of the spectrum, Mr. Vice Chairman, by submitting that the increase in the price of fuels which has resulted from the events that were initiated on the 6th of October was something that was not foreseeable at the time the annual estimates were submitted. Nor, incidentally, was the pace of inflation that the Department, as well as other departments has suffered from in general, aside from the question of fuel.

Senator PROXMIRE. Let me just interrupt to say you are asking, as I understand it, for new weapons. We paid \$2.1 billion, \$2.2 billion, that is not in dispute. That was paid.

Secretary SCHLESINGER. I am just about to come to that, Mr. Vice Chairman. I just referred to the fuel component of the supplemental.

Senator PROXMIRE. We are not questioning that.

Secretary SCHLESINGER. I am delighted to have your support on that one.

Senator PROXMIRE. The analysis we issued does not question that. What I am talking about is the fact the DOD criticized our analysis.

Secretary SCHLESINGER. I am unfamiliar with the criticism. I would have to look at that material and submit something for the record for an extensive evaluation of whether our evaluation of your evaluation is appropriate. And if ours is not appropriate, we should adjust it.

[The following information was subsequently supplied for the record:]

EVALUATION OF "A COMPARISON OF THE FISCAL 1974 AND 1975 DEFENSE BUDGETS"

The current DOD FY 1974 request—supplementals and all, everything included—is far lower, in terms of real buying power, than the requests submitted a year ago. The readiness supplemental of \$2.1 billion could easily be justified on the grounds of inflation alone, which has added \$4.4 billion to our costs since submission of the estimates in January 1973. This in itself reduces sharply the weapons we can buy, and the inventories we can maintain, with a given number of dollars. Added to that is the fact that the war in the Middle East disclosed serious readiness problems which were unknown to us when the FY 1974 estimates were presented originally.

Tagging the readiness supplemental as a FY 1975 item ignores all unforeseen changes which have taken place over the past 12 months—changes which clearly add up to a need for additional FY 1974 funding, over and above what could reasonably have been foreseen a year ago. The error is compounded if the funds are arbitrarily shifted from FY 1974 to FY 1975.

The report cited alleges that there is a large real growth in the Defense budget from FY 1974 to FY 1975. This conclusion is reached primarily by shifting \$2.1 billion in supplemental funds, requested for FY 1974 and needed in FY 1974, to the FY 1975 column, alleging that this request does not meet the traditional tests for inclusion in a supplemental and should be treated as an additional item for the upcoming fiscal year (FY 1975).

The long-standing requirement for submission of a supplemental estimate is that it must result from "... circumstances not foreseeable at the time the annual estimates are submitted . . ." (OMB Circular No. A-11) The FY 1974 budget estimates were submitted originally in January 1973. A great many circumstances have indeed occurred that were not foreseeable then. The FY 1974 estimates, submitted in January 1973, called for TOA of \$85 billion. To begin, there were major changes in three areas:

We requested, and the Congress approved, \$2.2 billion in additional funds for support of Israel. This of course was not foreseen in January 1973.

Incremental Southeast War costs fell \$1.3 billion, nearly in half, from the amounts projected a year ago.

Pay and price increases added a net of \$4.4 billion to our costs. Pay raises and cost-of-living increases for retirees came earlier and cost more than we had planned. We budgeted food costs at \$1.65 per man per day, and are paying \$2.28. The FY 1974 petroleum quantities projected last year would cost \$1 billion more today than at prices anticipated then. Inflation on other items has trimmed by 8% to 10% the quantities which the budgeted dollars will actually procure. Conversely, some personnel legislation anticipated a year ago was not enacted.

These three items, then, net to an increase of \$5.3 billion. The \$85 billion requested a year ago, adjusted for just these three items, would be \$90.3 billion. Add to that the fact that our experience in the war in the Middle East disclosed problems and shortages previously unknown to us. Our current request for FY 1974—supplementals, aid to Israel, everything included—is \$87.1 billion. The report suggests we ought to be able to do the job with \$84.8 billion. In other words, we ought to be able to do the job—petroleum price increases, general inflation, \$2.2 billion in unanticipated aid to Israel, and all—with less money than was forecast a year ago. That would be a remarkable achievement, unique to Defense as compared to all other Federal agencies since FY 1974 budget authority for the rest of the Federal government was forecast at \$200.7 billion in January 1973, and is now pegged at \$222.7 billion—up \$22 billion or 11%.

The report ignores the developments that have occurred during the past 12 months, and the impact of these developments upon our inventories, and upon our overall readiness.

Pages 23 and 24 of the Annual Defense Department Report for FY 1975 (copy attached) describe the baseline force concept and make clear that the Military Assistance Program (MAP), which includes emergency assistance to Israel, is excluded from the baseline.

Clearly, a major reallocation of national output has already taken place since FY 1968, and the notion that Defense is consuming a disproportionate share of that output—at the expense of our social welfare and to the detriment of our economy—is simply not supported by the facts. Per capita GNP has increased substantially during the last decade and all of that increase has been devoted to the domestic welfare of the nation.

Although the FY 1975 Defense Budget in real terms, is somewhat lower than FY 1973, several important changes in the composition of the program are planned. As indicated in the following table, incremental Southeast Asia costs drop sharply from FY 1973 to FY 1975, while support for the baseline U.S. forces increases.

DEFENSE BUDGET SUMMARY, FISCAL YEARS 1973-75

[TOA in millions of dollars]

	1973	1974	1975	Changes, 1973-75
CURRENT PRICES				
Baseline U.S. forces.....	69,769	77,047	83,373	+13,604
MAP.....	1,120	3,295	1,279	+159
Incremental Southeast Asia costs.....	5,171	1,599	1,913	-3,258
Subtotal, excluding retired pay.....	76,060	81,941	86,565	+10,505
Military retired pay.....	4,392	5,164	6,014	+1,622
Total TOA, current prices.....	80,452	87,105	92,579	+12,127
CONSTANT FISCAL YEAR 1975 PRICES				
Baseline U.S. forces.....	80,756	82,121	83,373	+2,617
MAP.....	1,261	3,449	1,279	+18
Incremental Southeast Asia costs.....	6,141	1,720	1,913	-4,228
Subtotal, excluding retired pay.....	88,158	87,290	86,565	-1,593
Military retired pay.....	5,311	5,662	6,014	+703
Total TOA, constant fiscal year 1975 prices.....	93,469	92,952	92,579	-890

Included in the \$1.9 billion for Southeast Asia costs in FY 1975 is \$1,450 million for the support of South Vietnamese forces and \$463 million for U.S. forces—largely the air units based in Thailand. The rise in these costs from FY 1974 to FY 1975 results from a sharp increase in support for the South Vietnamese forces, which more than offsets a drop in U.S. force costs and the transfer of Laos support to the regular MAP program. The reason for this increase in support for South Vietnam is threefold: first, the ceasefire has not worked as well as we had hoped and, therefore, South Vietnamese military consumption is well above what was anticipated; second, unlike FY 1974, there are far fewer prior year funds available to meet FY 1975 requirements; and finally, in FY 1974 we fell behind in replacing South Vietnamese equipment losses and greater efforts are required in FY 1975.

The sharp rise in the Military Assistance Program (MAP) in FY 1974 reflects the emergency assistance to Israel. The FY 1975 Military Assistance Program, in constant prices, is about at the same level as in FY 1973.

These changes in Incremental Southeast Asia Costs and MAP make possible within a slowly declining overall Defense budget in real terms (i.e., in constant FY 1975 prices) a modest increase in the support of the Baseline U.S. Forces. This increase amounts to about \$1.4 billion in FY 1974 and \$1.2 billion in FY 1975, or an increase of \$2.6 billion from FY 1973 to FY 1975. The additional resources are applied primarily in three areas, which in my judgment require greater emphasis—new development initiatives for our strategic forces, augmented readiness and accelerated equipment modernization for our general purpose forces, and an increased wartime capability for our strategic airlift forces. Each of these areas is discussed in detail in the following sections of this Defense Report.

Senator PROXMIRE. Well, let us talk about the issue, then.

Secretary SCHLESINGER. Wait. On the question of the \$2.2 billion supplemental, Mr. Vice Chairman, it was plain that we did not anticipate the war, that when we were obliged to take items out of our stocks and sell them to the Israelis at the price prevailing at the time that they entered our stocks and replace them with new equipment, the effect of this is that we have a discrepancy which I think amounts to \$231 million which—

Senator PROXMIRE. May I just interrupt to say we are not questioning that part of the supplemental in our analysis. We realize replenishment costs are separate and necessary.

Secretary SCHLESINGER. Where are you criticizing the supplemental, Mr. Vice Chairman?

Senator PROXMIRE. The \$2.1 billion for weapons, weapon modernization.

Secretary SCHLESINGER. I think there is not that kind of money in there for weapons modernization. There is money in there for ship overhaul and aircraft rework. There is money in there for bringing our inventories of certain consummables closer to the war reserve level.

Now, you may point out—I think it was aptly pointed out—that the Department was not given sufficient funding in the past to attain the appropriate level of inventories for these items. It was only the effect of taking these items out of our inventory during the war in the Middle East and in some cases having to take them away from active units with the consequent impact on those units that caused us to realize how serious the inventory situation was.

Senator PROXMIRE. You keep getting back to the replenishment which we do not dispute.

Secretary SCHLESINGER. Well, that is the largest part of it, Mr. Vice Chairman. I do not know what you are referring to—the long lead money for the third Trident? Because the Congress requested us to—

Senator PROXMIRE. That is only part of it.

Secretary SCHLESINGER. Well, I am not sure precisely what it is that you are objecting to, then, Mr. Vice Chairman.

Senator PROXMIRE. We will submit our analysis to you again and you can look it over and give us your response.

CIRCULAR A-11: DOD DEFENDS THE SUPPLEMENTAL

Mr. MILLER. The part of circular A-11 that is quoted is section 13-2 on page 9. It reads:

No supplemental estimate of appropriation or upward amendment of the estimate shall be considered later unless it is due to, (a), circumstances not foreseeable at the time the annual estimates are submitted, or (b), subsequent action by Congress.

Senator PROXMIRE. That criteria is spelled out specifically in what I read earlier and—

Mr. MILLER. This is the one we quoted.

Senator PROXMIRE. Such as “an emergency situation arises that requires unforeseen expenditures for the preservation of life or property.”

Mr. MILLER. No. It says circumstances—I will read it in full, Mr. Vice Chairman.

"Circumstances not foreseeable at the time the annual estimates are submitted."

Senator PROXMIRE. Well, that is—the detail is given in the data that we submitted to you here, sections 39.1, 39.4.

Mr. MILLER. Yes. There are other parts of A-11 that you can quote but it says here that they are submitted to cover circumstances that were not foreseeable at the time the original estimates were submitted.

Senator PROXMIRE. Perhaps I am wrong but I interpret that as—these particular qualifications as defining what that means, not just any time you—circumstances develop that you did not anticipate, you can send a supplemental down and get money for it. It has to meet more rigid criteria as specified in the more precise language that I read earlier.

Secretary SCHLESINGER. I think, Mr. Vice Chairman, on that, whether this satisfies A-11 or not is a subject about which you might want to consult with OMB.

PART OF THE SUPPLEMENTAL BELONGS TO FISCAL YEAR 1975 DOD
BUDGET

Senator PROXMIRE. I am not just trying to nitpick. I am doing this for a very specific reason. I think we can develop the fact that there is a very substantial increase in the 1975 budget over the 1974 budget but that part of what should be in the 1975 budget, a large part, billions of dollars, was put into this supplemental and then you said this is the size of the 1974 budget, therefore, there is not much of an increase, in real terms the increase perhaps does not even exist. But I think if we can show that you put your new weapons into the 1974 budget, when they should be in the 1975, there is a very substantial increase in research and development, in procurement and in maintenance in all three of these major categories, more than 10 percent in each one.

Secretary SCHLESINGER. I do not agree with that, Mr. Vice Chairman. I point out that the judgment relating to the supplemental was taken back in October and it was based primarily on material readiness conditions. Now, people can arbitrarily move around budget requests from fiscal year to fiscal year. I think it gets to be a troublesome game. But if that is the game that is going to be played, I would suggest that the arrears in our material readiness imply that these moneys should have been appropriated in fiscal year 1970, fiscal year 1971, fiscal year 1972, and the like, that one can move them backward in time because they represent retrospective arrears in material readiness that should be attributed backward rather than forward and not put into fiscal year 1975.

Senator PROXMIRE. It is hard for me to understand how you can have an emergency situation that you can determine in October and do not send up until February. I do not see in those circumstances why you cannot put it in the regular budget. But I will proceed.

Mr. Secretary, during your confirmation hearings you told Senator Harry Byrd that it might be an acceptable procedure to release the total figure for the national intelligence programs. You also said that

for this gross figure the security concerns are minimal. William Colby has stated that the question is up to Congress.

Since you were once the Director of CIA, and are now Secretary of Defense where most of the intelligence budget is spent, will you please indicate to this committee the approximate figure for the total yearly expenditures for the intelligence community?

Secretary SCHLESINGER. Mr. Vice Chairman, I will take that question under advisement and give it careful thought. I will consult with Mr. Colby and submit a precise answer, if that should be appropriate, for the record.

Senator PROXMIRE. I appreciate that very much.

[The following information was subsequently supplied for the record:]

Since the intelligence community includes activities in Departments and Agencies outside the Defense Department and matters bearing on the totality of these community activities come under the purview of the Director of Central Intelligence, it would be inappropriate for the Department of Defense to supply the requested information.

INEFFICIENCY IN THE INTELLIGENCE COMMUNITY

Senator PROXMIRE. Are you personally convinced that there is no overlap in the present defense intelligence business between the Defense Intelligence Agency, National Security Agency, and the intelligence departments of the three services as confirmed by the Fitzhugh report?

Secretary SCHLESINGER. There have been major reductions in this area and they are continuing in fiscal years 1974 and 1975.

Senator PROXMIRE. In what areas and roughly, how much?

Secretary SCHLESINGER. In the defense intelligence areas. I will take your question about how much under advisement and see whether I should submit something.

Senator PROXMIRE. How much is involved in total and how much of a reduction? Consider both of those.

Secretary SCHLESINGER. I was referring primarily in that connection to consolidations and reductions of manpower.

[The following information was subsequently supplied for the record:]

Efforts to eliminate duplication have followed two major courses, consolidation and reductions in manpower. To afford better management of the totality of defense intelligence, the Office of the Assistant Secretary of Defense (Intelligence) was created to ensure that the dollars and manpower devoted to intelligence are allocated in the most efficient manner possible. The following figures on Consolidated Defense Intelligence Program manpower levels show significant reductions, proving the effectiveness of this approach.

Fiscal year:	CDIP manpower approved levels (\$)	Reductions over previous year ¹ (\$)
1972.....	96,380	
1973.....	86,250	-10,130
1974.....	78,308	-7,942
1975.....	70,343	-7,965

¹ Some reductions were effected by transferring nonintelligence functions into other programs.

Within the resource field, the following approved manpower figures applicable to the General Defense Intelligence Program display the effects of the consolidation effort:

Fiscal year:	GDIP manpower approved levels (\$)	Reductions over previous year ¹ (\$)
1972.....	21, 726	-----
1973.....	19, 571	-2, 155
1974.....	18, 557	-1, 014
1975.....	16, 821	-1, 736

¹ Some reductions were effected by transferring nonintelligence functions into other programs.

The payroll costs associated with the above manpower reductions, in 1972 dollars, represent a savings of approximately \$273 million of the taxpayers money. This figure would be even higher if pay raises during the past two years were taken into consideration.

Specific consolidations in three significant geographic areas account for a substantial portion of these manpower reductions: establishment of a joint Pacific Command intelligence center in Hawaii, elimination of one East Coast production center plus the consolidation of two others into a single center, and consolidation of intelligence production organizations within the European area.

Senator PROXMIRE. Now, my research into the Foreign Technology Division of the Air Force indicates that this organization is conducting classical collection operations not only within the United States in cooperation with the defense industry but also in foreign countries such as West Germany and Japan. It is my belief that this organization duplicates the existing civilian intelligence agencies and should be disbanded. On what grounds do you justify the continued existence of the FTD?

INTELLIGENCE COMMUNITY: DUPLICATION OR COMPETITION?

Secretary SCHLESINGER. I think that whether or not additional consolidations could be attained in this area is an interesting question. But FTD is not primarily a collection organization. It is an analytical effort. As we have emphasized repeatedly, the great bulk of expenditures in the intelligence community comes in the collection area rather than the analytical area. In the analytical area, in order to avoid a monopoly of view, we want to have competition and a continuation of competition amongst analytical groups. It is in this area, as opposed to collection, where we want to achieve economies, that there is need for competition. So in this area, duplication is a different way of putting competition. But I would submit that it is an area in which competition is important from the national standpoint.

Senator PROXMIRE. But in terms of collection they do operate overseas. Why do you need FTD and also the CIA?

Secretary SCHLESINGER. I would have to look into the precise details on that, Mr. Vice Chairman, and supply it for the record.

[The following information was subsequently supplied for the record:]

FOREIGN TECHNOLOGY DIVISION

The Department of Defense has intelligence collection organizations overseas which support military intelligence production, an area for which it has prime responsibility vis-a-vis the CIA. The Foreign Technology Division (FTD), a producer of scientific and technical intelligence has two overseas detachments.

The primary functions of these units are: to conduct operations in support of the production mission of the parent organization; to provide quick reaction, current scientific and technical intelligence support to the theater commands (USAFE and PACAF, respectively); and to provide technical expertise and support, as necessary, to military intelligence collection organization efforts which provide needed support for the FTD's production mission.

Senator PROXMIRE. When the Defense Intelligence Agency was founded—

Secretary SCHLESINGER. To the extent that we have redundant collection activities I believe they should be eliminated and I believe that you have evidence that we are doing that.

Senator PROXMIRE. Now, when the Defense Intelligence Agency was founded, Mr. Secretary, the idea was to consolidate the intelligence functions of the three services but each service, as would be expected, fought this and retained an independent capability. What are you doing to consolidate operations?

Secretary SCHLESINGER. We have consolidations underway, Mr. Vice Chairman.

Senator PROXMIRE. I certainly hope so. The trouble with this area, as in all areas which are not open to public scrutiny and reporting to the press, et cetera, there is far less pressure to really provide efficiency. All of us appreciate that we must engage in intelligence in a vigorous, aggressive way but because there necessarily has to be a considerable amount of secrecy involved, it seems to me that we should be as alert as we can to eliminate duplication and—

WASTE IN THE INTELLIGENCE COMMUNITY SHOULD BE ELIMINATED

Secretary SCHLESINGER. I agree.

Senator PROXMIRE [continuing]. Waste. Enormous amounts of money are now spent in this area. Very large.

Secretary SCHLESINGER. I agree with you, Mr. Vice Chairman. I think some substantial part of my activities over the last 5 years indicates that I agree with that generally.

Senator PROXMIRE. Nobody is better qualified to act on this than you are. You have been head of CIA and now are head of DOD. I think you are in an ideal position to do great work for the taxpayer as well as for the country.

Secretary SCHLESINGER. I would submit that we have done some substantial work for the taxpayer in this area.

SOVIET NAVY VERSUS THE U.S. NAVY: CONSISTENT OPINION ESSENTIAL

Senator PROXMIRE. Now, Mr. Secretary, both Admiral Moorer and Admiral Murphy are on record as stating that in any showdown between the United States and Soviet fleet in the Mediterranean the U.S. Navy would prevail. On the other hand, I understand Admiral Zumwalt has told Members of Congress he believes in any such confrontation the U.S. fleet would receive heavy damage and probably would be defeated. Deputy Secretary Clements has written me stating that actually Admiral Zumwalt was referring to a situation where the 6th Fleet was confronted by the Soviet Mediterranean squadron and the Warsaw Pact forces. As if this imbalance were not enough, he added that Admiral Zumwalt also meant no U.S. or allied forces in this

scenario would be available to support the U.S. fleet while the Soviets and Warsaw Pact forces could have all the support they wanted.

I ask you, Mr. Secretary, is it right for the Chairman of the Joint Chiefs to go on national television and tell the American people we would win and then the CNO tells Members of the Congress just the opposite, using this complicated formula of unlikely contingencies but not spelling it out?

Secretary SCHLESINGER. As long as the assumptions are laid bare, I think there is nothing wrong with that. As a matter of fact, I was asked that same question by Senator Stennis some weeks ago and I laid out essentially the same set of assumptions that underlie the conclusion offered by Admiral Zumwalt. As you know, these are all probabilistic estimates. They reflect a particular scenario with particular assumptions in it. The assumptions that were included implicitly, if not explicitly, by Admiral Zumwalt reflected his judgment on a likely possibility in the Mediterranean during the events that transpired after October 6.

Senator PROXMIRE. You know Admiral Zumwalt and you probably have been on the "Today" show. They allow you something like 8 minutes. It is rather an extensive interview for TV, everything goes so fast in this world. You know pretty well in that time the opportunity to really spell out the assumptions so that they are understandable by the public it is almost zero. On the other hand, if a man with a great authority and with the office that Admiral Zumwalt holds, comes forward with this kind of dire expression, it seems to me that the public will get a distorted impression. It is true that if the public has a couple of hours to study it and think about it and hear contrary views they come away a lot wiser but they do not have that. They have just a very few minutes and it seems to me that is a disservice. It does not provide sensible assumptions. Maybe some of the premises you have so diplomatically referred that I have made today in other areas—

Secretary SCHLESINGER. As I have indicated, I have misgivings about Admiral Zumwalt's assessment if his assumptions are not stated explicitly.

MILITARY USES SCARE TACTICS TO GET MORE MONEY

Senator PROXMIRE. Now, in testimony before Congress Admiral Zumwalt has stated "The picture is grim, indeed," with reference to the Soviet Navy buildup. Before the Senate Armed Services Committee you said: "I do not subscribe to alarmist statements alleging the current superiority of the Soviet fleet."

Will you please reconcile these two statements and please tell the committee why it is that the three services and lately particularly the Navy come up here with the most ominous projection of the threat at budget time? I know they always want more money and want to scare hell out of us but who will stand up for our fighting men and our capability?

Secretary SCHLESINGER. In part, this results from the fact that military people make conservative assumptions and they frequently view these things subjectively—as they must. I do not object to that.

I do not necessarily share their views about future trends. I am not sure that the statement from which you quoted from would represent Admiral Zumwalt's views about the future. I think that, based upon the program that has been presented to the Congress, he is increasingly optimistic about the future.

Senator PROXMIRE. He said "The picture is grim, indeed," in reference to the Soviet Navy buildup.

Secretary SCHLESINGER. It depends on what is meant by Soviet Navy buildup. They have improved their forces qualitatively. However, there is a substantial possibility that the size of the Soviet fleet will shrink and age over the course of the next 6 or 7 years while the U.S. fleet expands in both size and capability.

Senator PROXMIRE. It seems to me from all the evidence I have seen, if you compare the total Soviet Navy with our Navy, our superiority is clear, and if you provide the Warsaw Pact compared to the NATO forces the U.S. superiority is great and I have seen indications that even the Italian Navy or Italian and French Navy are superior in the Mediterranean to the Soviet Navy. So there seems to be a great deal of exaggeration involved.

Secretary SCHLESINGER. I think we need to be precise about these things.

IF THE UNITED STATES IS NOT MILITARILY SUPERIOR TO THE U.S.S.R., TO WHERE HAS THE TRILLION U.S. DOLLARS SPENT ON DEFENSE GONE?

Senator PROXMIRE. Mr. Secretary, if the Soviets are gaining on us on so many fronts, it forces me to ask the question, what have we done with the over \$1 trillion we have spent in the last 10 years? If the Soviets can make such huge gains on us, then we must be making some very big mistakes and wasting tremendous amounts of money.

Secretary SCHLESINGER. I think that there is some of that.

Senator PROXMIRE. Well, are there not also some exaggerations, that the Soviets, really are not gaining on us?

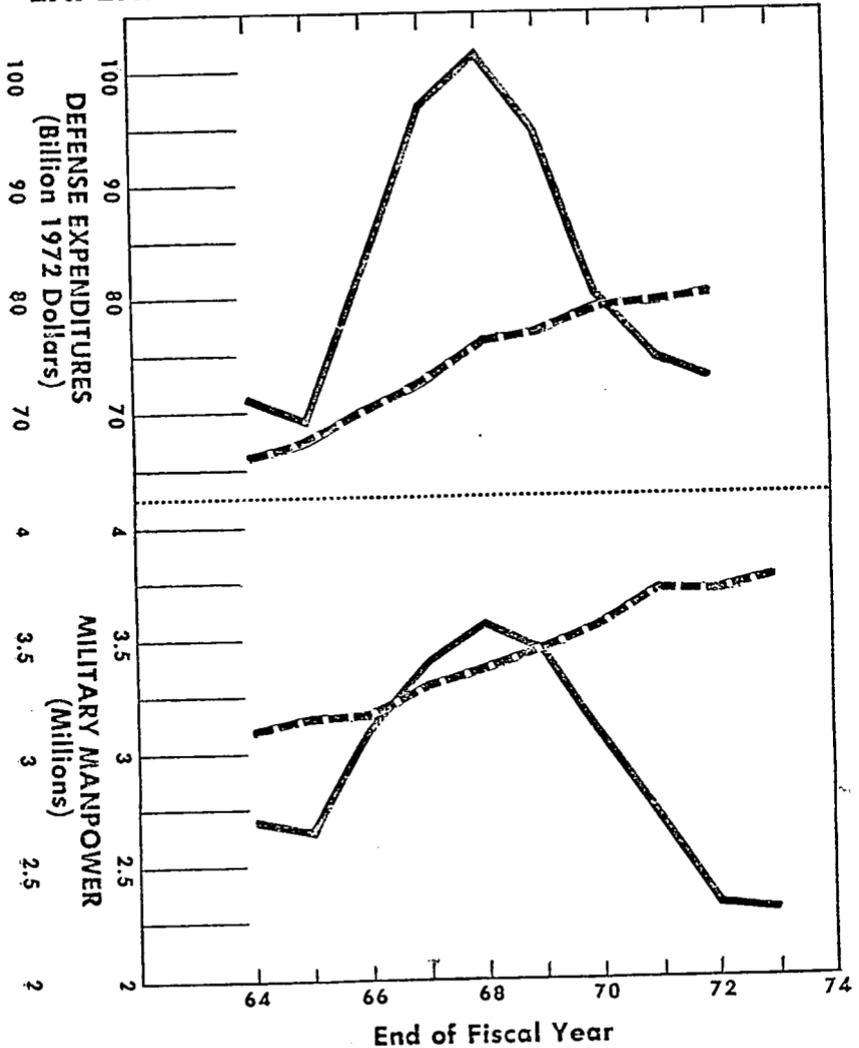
Secretary SCHLESINGER. Well, I think that you have to take that area by area, Mr. Vice Chairman.

Senator PROXMIRE. Well, let me just give you a context here. We had hearings before this committee—we have not had in the last couple of years but we had several hearings in the 1960's and I think in 1970 in which we had the outstanding experts we could find from all over the country, from Harvard and the Government and Rand and elsewhere, to try to give us their best estimates of the resources the Soviet Union is putting into their military and they range from about 50 percent of ours to about 80 percent. Nobody estimated they were putting more resources in than we are. I understand there is some difference of opinion now that they may now actually be putting more in. But we certainly have not had that documented and as Secretary of Defense, I would like to know if there is any proof that the Soviet Union is catching us or gaining on us?

Secretary SCHLESINGER. I have a chart that I will present.

[The chart entitled "Soviet-U.S. Defense Expenditures and Military Manpower" follows:]

SOVIET - U.S. DEFENSE EXPENDITURES AND MILITARY MANPOWER



Secretary SCHLESINGER. I think that the upper curve in the chart, Mr. Vice Chairman, shows the trends that reflect the—

Senator PROXMIRE. You have got that zero suppression again.

Secretary SCHLESINGER. Well, we could let the bottom of the thing roll right out here on the floor, Mr. Vice Chairman. I think you get the point. We are suppressing it equally for both sides.

Senator PROXMIRE. Well—

Secretary SCHLESINGER. The curves cross at approximately—

Senator PROXMIRE. Of course, on the military manpower part of the show we have to take into consideration the fact, as you mentioned earlier, that the Soviet Union has a very serious problem on their eastern front.

SOVIETS ALLOCATE MORE RESOURCES TO DEFENSE THAN THE UNITED STATES DOES

Secretary SCHLESINGER. I was only putting this on, in response to your question, for the upper part of the curve. The judgment of the intelligence community now is that the Soviets are expending somewhat more resources on defense matters than we.

Senator PROXMIRE. I understand there is a bitter dispute about this, that there are experts whom you would acknowledge to be competent and honest people who contradict this.

Secretary SCHLESINGER. I mean to be indicating the consensus judgment. This is a very difficult subject and sometime, Mr. Vice Chairman, I would like to go into this in a more private session and explore just what the difficulties are.

For example, you mentioned the military manpower problem. There are 3.8 million men in the military establishment in the upper curve. These men are priced out at comparable prices.

Senator PROXMIRE. Now, would you—

Secretary SCHLESINGER. Therefore, the manpower budget in dollar terms for the Soviet Union is larger than it is for the United States. In terms of equipment purchases, the Soviet Union and the United States are roughly in the same ball park.

Senator PROXMIRE. I think you would agree with me that both the Defense Department and American public would be best served by the most honest and accurate picture of this that we can get. Several years ago when estimates were made by the Defense Department with respect to the technology gap, the GAO study challenged that and were pretty persuasive. Would you agree to give the GAO access to information in this study so that they could analyze this and report to this committee and the Congress on whether they would agree that this is a fair picture?

Secretary SCHLESINGER. I would have to consult with Mr. Colby on that and we will get back to you.

[The following information was subsequently supplied for the record:]

Since Department of Defense estimates of Soviet defense spending are based on studies prepared by the Central Intelligence Agency, release of these studies to the General Accounting Office would have to be arranged directly with the CIA.

Senator PROXMIRE. Will you do that, because this is very important?

Secretary SCHLESINGER. I am quite sympathetic to the observation that you make, Mr. Vice Chairman. Much of this work, however, I should underscore, is done within the Central Intelligence Agency.

Senator PROXMIRE. Are any funds in your budget intended in part to bail out or help out the aircraft or airline industry?

Secretary SCHLESINGER. No, sir.

CONVERSION OF COMMERCIAL AIRCRAFT TO EXPAND DOD AIRLIFT
CAPACITY

Senator PROXMIRE. The budget contains \$500 million to modify the Lockheed C-141 and about \$1.1 billion to modify a number of commercial Boeing 747's and McDonnell Douglas DC-10's. As I understand it, the cost of modifying about 110 commercial airliners would be about—between \$9 and \$10 million per plane, which breaks down into about \$7 million for physical modification and ground equipment and another \$3 million per plane as a payment to the airlines to induce them to go along with the program. The \$3 million per plane or \$330 million strikes me as a subsidy pure and simple and the whole program strikes me as a special effort to aid this industry. I am concerned about it because, of course, the airlines are really in clover, in my view, because of the energy shortage. They have been able to cut out their unprofitable runs. Now, if they can take the planes they are not using and get \$3 million from the Defense Department plus the additional improvements in the plane it is a mighty nice benefit to the aircraft industry but not for the taxpayer.

Secretary SCHLESINGER. I have a chart I would like to present at this point.

[The chart entitled "Major Actions To Improve U.S. Strategic Airlift Capability" follows:]

MAJOR ACTIONS TO IMPROVE U.S. STRATEGIC AIRLIFT CAPABILITY

- ① INCREASE AIRCREW AND MAINTENANCE MANNING TOGETHER WITH WAR RESERVE SPARES TO INCREASE WARTIME SURGE CAPABILITY OF CURRENT C-141 AND C-5 AIRLIFT FORCE BY 25%.
- ② MODIFY C-141 TO PROVIDE 30% INCREASE IN ACHIEVABLE PAYLOAD DURING NATO DEPLOYMENT BY INCREASING LENGTH OF AIRCRAFT FUSELAGE.
- ③ MODIFY WIDE-BODIED U.S. PASSENGER AIRCRAFT (INITIALLY 747S) TO PERMIT THEM TO AIRLIFT ARMY UNIT EQUIPMENT WHICH NOW MUST BE AIRLIFTED IN MILITARY C-141 AND C-5 AIRCRAFT.

Secretary SCHLESINGER. Mr. Vice Chairman, you have learned to be suspicious over the years. I would not suggest for a moment that you have never had cause for suspicion. But this is, I think, an area that will fully merit your scrutiny.

I was talking to Congressman Blackburn before when he raised questions about the C-5 and I tried to get your attention to underscore the fact that this is a cost-effective program. We have carefully put together a way of enhancing our airlift in a manner that I am sure is going to excite the admiration of Senator William Proxmire.

Senator PROXMIRE. I never opposed the C-5A as such. What I opposed was that colossal overrun.

Senator SCHLESINGER. Quite right.

Senator PROXMIRE. Enormous waste in it. The fact that the Air Force had a report that indicated they needed 41, they eventually acquired 81, and they were going to get 120.

Secretary SCHLESINGER. What I am pointing out now is that it would cost us four times as much to increase the fleet of C-5's or 747's as we can get in additional airlift simply by increasing the manning ratios for existing aircraft. For a 10-percent investment on the C-141, we get a 30-percent expansion of the fleet. The modification of the wide body passenger aircraft is also highly cost effective in terms of expanded air mobility capability for the Department of Defense, as compared with the alternative way which is to go and purchase new aircraft.

I am delighted you raise the question, because I think that you will come to the conclusion that this is just the way you want the Department to proceed. If you agree with our judgment—that additional mobility forces are desirable—this is the cost-effective way to get the job done.

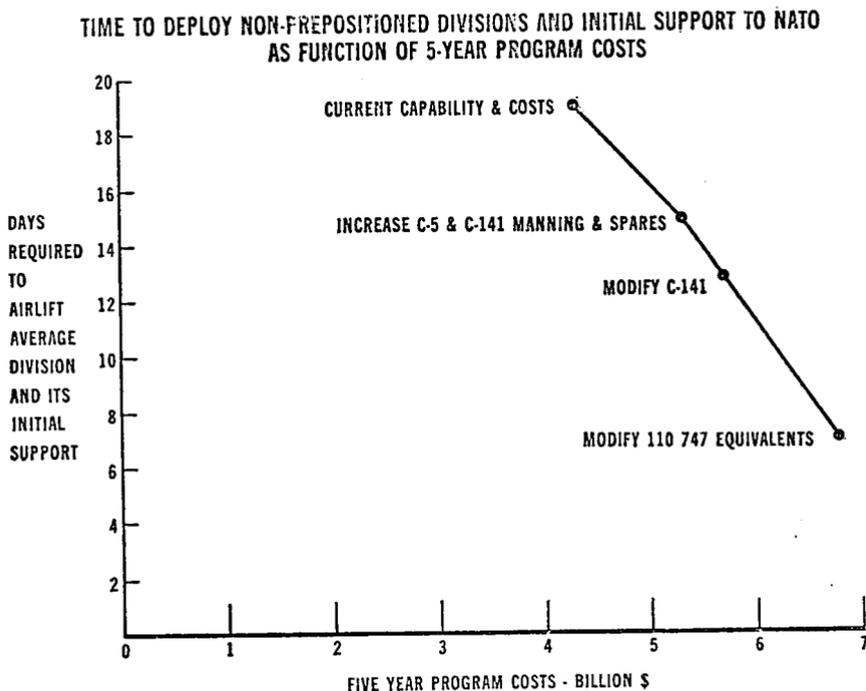
INCREASE AIRLIFT UTILIZATION RATES

Senator PROXMIRE. Well, now, I would certainly enthusiastically support it if it is the best way and most efficient and least expensive way. I wonder if it is, though? If additional airlift is needed, why not increase the utilization rates of existing Air Force carriers? The C-5A utilization rate is 2 hours per day.

Secretary SCHLESINGER. We are talking about capacity in a period of emergency. We are not talking about the peacetime utilization rate. When we talk about capacity, this is the kind of issue that we have in mind.

I have another chart I would like to present at this point.

[The chart entitled "Time To Deploy Nonrepositioned Divisions and Initial Support to NATO as Function of 5-Year Program Costs" follows:]



Secretary SCHLESINGER. With our present manning ratios and fleet capacity we can move a U.S. division in approximately 19 days. Through the three cost-effective modifications that I have mentioned to you, we would get the ability to move a division down to 7 days.

Now, that is something different from utilization rate and our purpose here is to have the needed capability at the absolute minimum cost. Senator, when you look into this, you will take your hat off to us.

Senator PROXMIRE. Well, we are talking about different things, then. First, let me finish what I was talking about. I think in a certain capacity you make a strong argument but what you propose to do is increase it from 2 hours a day to 2¾. This is extremely low, far below the 10- to 13-hour-per-day utilization rates of commercial cargo planes. Can you not accomplish the same goal of increased airlift by using your planes more hours per day?

Secretary SCHLESINGER. Yes, sir, and that was the reason we have the additional manning ratios in the first item. It is the crew and associated maintenance manning that we are increasing. This increase will enable us to support a 25-percent increase in our wartime surge utilization rate of 12.5 versus 10 hours per day per aircraft. That is the cheapest way to do it and that is the reason we chose it as No. 1.

Senator PROXMIRE. I think we may end up agreeing but I would

like to submit additional questions for the record because I do not want to keep you too long. It is late and I do have just a couple of more questions I would like to pursue with your tolerance.

NUMBER OF DOD CIVILIAN WORKERS UP BETWEEN FISCAL YEAR 1973 AND FISCAL YEAR 1974; DOWN BETWEEN FISCAL YEAR 1974 AND FISCAL YEAR 1975

First, Mr. Secretary, you are planning to add 30,000 civilians to the Defense Department payroll in fiscal 1975, bringing the total civilian population of the Defense Department to 1,028,000.

Secretary SCHLESINGER. I think that is wrong, Mr. Vice Chairman. I think that that is an increase between fiscal year 1973 and fiscal year 1974. In fiscal year 1975, we are going down.

Senator PROXMIRE. You are going down?

Secretary SCHLESINGER. Yes, sir, between 1974 and 1975. The increase between 1973 and 1974 is associated with the civilianization of many functions within the Army. And if you will recall my initial observations on this subject some hours ago, Mr. Vice Chairman, I think that there is room for more efficiency in the civil service system. I would once again urge you to consult with your colleagues on how to obtain greater flexibility for us in this area.

Senator PROXMIRE. Well, was the chairman of the Armed Services Committee wrong when he expressed concern that the civilian personnel in the Pentagon is going up?

Secretary SCHLESINGER. Between 1973 and 1974, Mr. Vice Chairman, I was correcting the years that you originally used—1974 and 1975. Between 1974 and 1975 we are going down.

Senator PROXMIRE. Where are the funds requested, in the 1974 supplemental or in the 1975 budget?

Secretary SCHLESINGER. I believe that reference is to the end use. The funds are already there. Mr. Vice Chairman, I think it would be better to provide precise clarification for the record, but essentially the funds are there. When you speak of an additional 30,000 civilians, you are referring to the growth between fiscal year 1973 and fiscal year 1974, not between fiscal year 1974 and fiscal year 1975. In fiscal year 1975 total civilian strength will drop somewhat.

[The following information was subsequently supplied for the record:]

CIVILIAN PERSONNEL FUNDS

Total DOD direct hire civilian end-strength for FY 1973, FY 1974 and FY 1975 is 998,033, 1,028,793 and 1,027,327, respectively. The FY 1974 Supplemental readiness request of \$2.1 billion includes funding for 18,711 civilian spaces which are included in the FY 1974 total civilian strength of 1,028,793. The readiness request funding includes \$1.4 billion for augmented force readiness, \$.2 for increased airlift capability, and \$.5 for accelerated modernization and strategic program changes.

The civilian authorizations for improved readiness are required to reduce backlogs in depot maintenance, to improve shipyards and ship overhauls and to improve logistics and base operating support.

Senator PROXMIRE. Actually, then, these people will be employed before July 1, 1974?

Secretary SCHLESINGER. Right.

Senator PROXMIRE. And there will be a decline in civilian population in the Pentagon after July 1, 1974?

Secretary SCHLESINGER. Yes, sir.

Senator PROXMIRE. Number of people working.

Secretary SCHLESINGER. Yes, sir.

PHASEOUT OF VULNERABLE WEAPONS SYSTEMS

Senator PROXMIRE. Your former colleague at Rand, Fred Ikle, now head of the Arms Control and Disarmament Agency, has recommended phasing out the Minuteman and other land-based missiles when they become vulnerable to attack. Do you agree with that recommendation?

Secretary SCHLESINGER. No, sir.

Senator PROXMIRE. Well, you have recently stressed increased Russian missile accuracy as a threat to our land-based missiles, so when a nuclear weapon becomes vulnerable to attack, does it not make sense to phase it out?

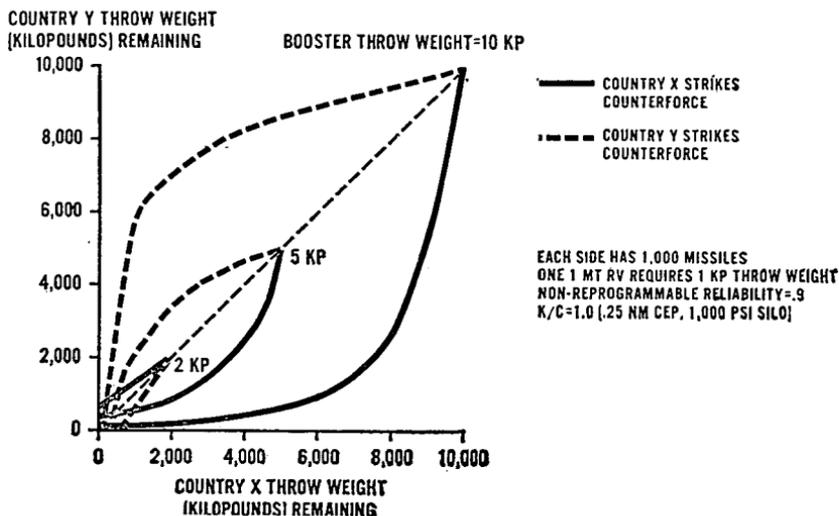
Secretary SCHLESINGER. No. I think what you have to do is look at the overall purposes for which you have weapons systems in the inventory and you also have to view the question of arms balance. Sometimes the question of arms stability tends to dominate the question of arms balance. Both issues have to be taken into account. We cannot remove any item from the inventory simply because it has become vulnerable. The vulnerability rate for our submarines runs around 40 percent; that is, 40 percent are in port at any given time and therefore theoretically vulnerable.

Senator PROXMIRE. How about the consideration that the weapons create instability as it might in this case?

Secretary SCHLESINGER. I think that that deals with a hypothetical missile exchange based upon only ICBM's, a so-called missile duel. Do we have the chart on throw weight? At this point I would like to present that chart.

[The chart entitled "Relationships Between Missile Size and Residual Payload Following Counterforce Attacks of Varying Size" follows:]

RELATIONSHIPS BETWEEN MISSILE SIZE AND RESIDUAL PAYLOAD FOLLOWING COUNTERFORCE ATTACKS OF VARYING SIZE



Secretary SCHLESINGER. The point is made in this chart that the increase in throw weight at a fixed number of launchers does increase instability. We would prefer not to get up toward the upper corner of the curve on the right. This is because if country X has a large amount of throw weight, as that curve demonstrates, and if it were to strike first with 20 percent of its force, it could eliminate approximately 70 percent of the throw weight of country Y. This contrasts with the situation in which you have 2 million pounds of throw weight toward the lower left, in which case if country X were to go first it would destroy, use up more of its throw weight in the attack than it would destroy. For this reason it is better to have lesser throw weight at individual launch sites. The stability question, as you point out, is one that does concern us.

What does one do, however, when the other party is building up? Does one phase out any vulnerable force? If that were to take place, one would gradually eliminate all of one's forces.

Senator PROXMIRE. Let me just interrupt to say that that would be, of course, perfectly logical, if everything were vulnerable, but we have a great deal of missile strength that is not vulnerable and is unlikely to become vulnerable for some time and meanwhile we are working to constantly develop invulnerability, are we not? I am referring to much of the submarine force, of course.

Secretary SCHLESINGER. But the throw weight available to submarines is very limited compared to the throw weight which is available on an ICBM. The Soviets are in a position in which they can acquire with their new ICBM systems 10 or 12 million pounds of throw weight.

Senator PROXMIRE. You are talking about 40 percent vulnerability factor in submarines.

Secretary SCHLESINGER. I was referring to the fact that when submarines are in port undergoing overhaul they are vulnerable.

FOUR-TO-FIVE PERCENT INCREASE IN REAL TERMS IN THE STRATEGIC FORCES

Senator PROXMIRE. A preliminary analysis indicates that you are planning an increase in real terms in the strategic part of the budget of from 4 to 5 percent per year from fiscal 1975 through 1980. Can you comment on that?

Secretary SCHLESINGER. Mr. Vice Chairman, I think that the strategic budget is one that we are going to have to watch in terms of the procedures, the practices, the decisions of the Soviet Union as influenced by the outcome in the SALT negotiations. We can well hope that as a result of those negotiations both sides will agree mutually to reduce their forces. And if so, the kinds of numbers that we are citing would be unnecessarily high.

On the other hand, as I pointed out a moment ago, given the new missiles that the Soviets have, they can install ICBM's with MIRV's, and 10 to 12 million pounds of throw weight, which would force us to go up. I hope it is not the latter course that is taken but rather the former and that both sides will agree to exercise restraint.

Senator PROXMIRE. My question is, Is a 4- to 5-percent increase in real terms in the missiles implicit in the budget for 1975?

Secretary SCHLESINGER. In the strategic offensive forces?

Senator PROXMIRE. Yes, sir.

Secretary SCHLESINGER. It sounds quite plausible, Mr. Vice Chairman. Let me check on that and give you an authoritative response.

[The following information was subsequently supplied for the record:]

Direct costs, in real terms, for strategic forces are increased approximately 4 percent in the fiscal year 1975 budget with strategic offensive up roughly 10 percent and strategic defensive down approximately 17 percent.

Senator PROXMIRE. Now, you spoke about —

Secretary SCHLESINGER. I must underscore the contingent aspects of anything dealing with the strategic forces in particular, because of SALT.

PROSPECTS FOR SALT NOT GOOD

Senator PROXMIRE. I have got a contingent question now. You spoke about our hopes for SALT. You heard our pessimistic estimates that they are not going well, that they seem to be stalemated. Can you give us any enlightenment on that?

Secretary SCHLESINGER. I would not say they are stalemated.

Senator PROXMIRE. They are not stalemated? Mr. Secretary, in 1969 you wrote that "arms interaction between the United States and U.S.S.R. is not a game of subtle moves and countermoves based on high sensitivity to the logical implications of opponents' actions, but rather reflects the erratic and occasional reaction and overreact on to dramatic and shocking achievements by the opponents." In this light what are you doing to see to it that the United States does not overreact to the perceived dramatic achievement of Soviet land-based missilery?

Secretary SCHLESINGER. Good question. I think I indicated in that paper, which I had forgotten, a number of cases and illustrations in which you do have those kinds of surges. One point I would make is that that kind of gross reaction occurred before the greater degree of recognition of mutual dependence which now exists, and is represented in the SALT negotiations. Both sides, insofar as we are talking about strategic forces, understand that there will be reactions on the other side to their actions. Some of them may be overreactions.

The only answer that I can give to you, Mr. Vice Chairman, is that I am determined that we not move in such a way, that is, simply respond to the possibility of a Soviet ICBM deployment of the magnitude that I have indicated. We hope through SALT to get them to scale down their program so that both sides have essential equivalence. Under those circumstances, this Soviet program—which I would describe as now in gestation—will never come to birth, and therefore, it would not be necessary for us to take some of the actions for which we have proposed R. & D. hedges in the fiscal year 1975 budget. But I cannot give you any guarantee on that. I think we just have to watch it very carefully on better than a year-by-year basis.

Senator PROXMIRE. Well, I am glad you are so conscious of this because it seems to me this can make very serious mistakes on our part.

You also wrote that we impute tremendous flexibility to the Soviet posture when in truth they are constrained by a stultifying bureaucracy and low resource availability.

Secretary SCHLESINGER. Unfortunately, that is changed somewhat.

Senator PROXMIRE. Well, they still have the stultifying bureaucracy. They may have a little more in the way of resource availability.

Secretary SCHLESINGER. I was not making a comparison.

BUREAUCRACY'S EFFECT ON THE ARMS RACE

Senator PROXMIRE. That is what I am getting to. We, too, have a stultifying bureaucracy. You further suggest that the arms race is really the result of internal forces on both sides. Now, given that viewpoint, Mr. Secretary, what are you doing to control the U.S. bureaucratic forces encouraging the arms race such as parochial service interests?

Secretary SCHLESINGER. The arms race, Mr. Vice Chairman?

Senator PROXMIRE. Yes, sir.

Secretary SCHLESINGER. If there is something that we are deploying at the present time that you would describe as the United States initiating an arms race, please call it to my attention. I do not believe I recognize that.

Senator PROXMIRE. Well, it takes two to tango. It takes two to race. We are in it with the Soviet Union. We are reacting to them. We constantly are getting word about the Soviet Navy or Soviet missiles or something of that kind, sometimes exaggerated. That is why I put these questions together. The overreaction. We do have a bureaucracy and we do have a very powerful economic interest. One person out of 10 in this society depends one way or other directly or indirectly on the DOD.

Secretary SCHLESINGER. That used to be the case.

Senator PROXMIRE. It used to be 1 in 8. I am not talking simply about the ones who work for contractors, civilians in the Pentagon or military personnel. I am talking about the people who are in communities which are predominantly oriented toward defense, the Georgia communities and others, so with that kind of power we know 10 percent who are against abortion or 10 percent in favor of almost any issue you name, that is all you need. They gave us prohibition, about 10 percent of the people, and it is this kind of force that it seems to me makes it extraordinarily difficult to make rational decisions in this area.

What I am referring to here particularly, and where you have particular authority and power, is with respect to the bureaucracy that has the immediate interest.

Secretary SCHLESINGER. I think that just has to be very carefully watched. There is no panacea to deal with the questions of bureaucratic pressure. We should recognize that. Bureaucracies are useful instruments, but bureaucracies have behavioral characteristics of their own.

Senator PROXMIRE. How much did you actually reduce the requests of the services in their budgets this year?

Secretary SCHLESINGER. The question is, as you put it before, how much would those requests have been if they had been unfettered?

Senator PROXMIRE. That is hard to measure. We can continue—

Secretary SCHLESINGER. I think we probably can measure that. I am not sure we should. I think that the service requests through fiscal guidance have come closer to the positions which the Secretary of Defense lays down as the appropriate level of spending. Now, I just recently issued the fiscal guidance for future years and Mr. Richardson issued his fiscal guidance last spring. The services abide by that fiscal guidance. I do not think it is a cure-all, however.

Senator PROXMIRE. What guidance are you talking about, Mr. Secretary? What kind of guidance have you given the services?

Secretary SCHLESINGER. The fiscal guidance?

Senator PROXMIRE. Yes, sir. When you say you, do you indicate that the Navy will have a certain parameter, certain framework in which to work?

Secretary SCHLESINGER. Yes, sir.

Senator PROXMIRE. You do that in advance before they come forward with their programs. Then, they have to fit their priorities within that limitation.

Secretary SCHLESINGER. Reasonably closely, yes, sir.

Senator PROXMIRE. Can you give us an idea of what this will be for next budget? General idea? Framework?

Secretary SCHLESINGER. I have got an idea about that. Let me be as helpful as I can on that, Mr. Vice Chairman. I believe that we should more or less keep the real program value of the Department reasonably constant.

Senator PROXMIRE. Well, the hour is 1 o'clock. I do have one statement and perhaps you would like a short or long comment on it. I can stay here but I think we are all getting pretty hungry.

Quite apart from the general level of defense spending, let me mention some specific areas where most people believe some constructive savings can be made.

1. I am informed that in the airlift to Israel during the Middle East war last fall, 37 C-5 aircraft were not used at all, 16 C-5's were used for only one flight to Israel, and no C-5's made more than four flights to Israel. Please confirm or correct this information. I would also like to know the number of tanks and other outside equipment, broken down by number and type, delivered to Israel with C-5's during the airlift, the total number of C-5 flights to Israel, and whether all C-5 flights to Israel originated in the United States.
2. I previously cited figures concerning the DOD budget request to modify the C-141, 747, and DC-10 aircraft and the sums that would be paid to the airlines over and above the cost of modification. Please confirm or correct the accuracy of these figures. I am also informed that the budget proposes additional funds for the C-5 in order to increase its daily utilization rate from 2 hours to 2.75 hours. Please supply the annual and total costs relating to the C-5, and annual and total costs for the overall effort to increase airlift capacity in the current proposal.
3. Provide a detailed rationale for the proposed increase in airlift capability, including one or more possible scenarios in which the 747 or DC-10 aircraft would be called into use.
4. Do the plans to increase airlift capability in any way modify contingency planning for a conflict in Europe involving NATO and U.S. forces? Is it now assumed that any war on the European continent involving Warsaw pact and NATO forces is likely to be a short one rather than a protracted conflict?
5. I am informed that DOD spokesmen have over the years frequently stressed the importance of our European and Mediterranean bases in overflight and on-staging requirements for any U.S. actions to provide military assistance to Israel. Please confirm or correct this information, supply appropriate reference to statements by DOD spokesmen and state whether in your view the United States has contemplated or presently contemplates using European and Mediterranean bases for a Middle East emergency.
6. I am informed that in fiscal 1973 the costs to the United States to man, maintain and operate bases in West Germany, Spain, Italy, Greece and Turkey was \$3,142 million, and that an additional \$295,687,000 in military assistance was provided to the same countries in fiscal 1973 by the United States. Please confirm or correct these figures. Can you explain why the United States should continue to maintain these bases and current force levels in Spain, Italy, Greece, and Turkey in view of the fact that we now know they cannot be used for the kind of Middle East emergency which occurred in October 1973?
7. You have been quoted as saying that a major reason for keeping 32,000 U.S. servicemen in South Korea is political rather than military and that they are there to provide a hedge against deficiencies in South Korea's defense posture. Please confirm or correct this information. Explain the political purpose, if any, served by the current U.S. military force in South Korea, and why the current U.S. force level is needed to assist a South Korean military force that is larger than the Armed Forces of North Korea. How much does it cost annually to maintain the U.S. forces in South Korea?
8. Please supply a table showing annual U.S. incremental outlays for the war in Southeast Asia from the inception of our involvement

through fiscal 1975. Explain why costs appear to be increasing 1 year after the cease-fire and withdrawal of U.S. troops from Vietnam.

9. How many U.S. troops are presently in Thailand and what is the annual cost of all U.S. forces in that country? Are there any plans to reduce U.S. forces in Thailand or to reduce U.S. forces in South Korea or Taiwan?

10. A story in the New York Times, March 2, 1974, by Les Gelb, reports a senior DOD official as saying that he hopes and expects Japan to increase her military spending and join with China in opposing the Soviet Union in Asia. Do you agree with the view expressed by this official and do you advocate greater rearmament for Japan? Do you believe that if Japan embarked upon a full rearmament program that it would probably acquire nuclear weapons? Do you believe that such a development would be in the national interests of the United States?

If you want to make any comment, I would appreciate it.

Secretary SCHLESINGER. You mention the question of bases. I am quite sensitive to the question of bases.

Some of the other items, I think, are points well taken that we should examine, and we will make some comments on them for the record.

[The following information was subsequently supplied for the record:]

RESPONSE OF HON. JAMES R. SCHLESINGER TO ORAL QUESTIONS POSED BY SENATOR PROXMIRE

Answer to question No. 1. The number of C-5s referenced in your question, pertain to the month of October 1973 only and are correct except that 15 C-5s were used for one flight to Israel. During the Mideast airlift, from 13 October to 14 November 1973, 51 C-5As participated. Two of these aircraft proceeded no further than Lajes AB, Azores. Forty-nine C-5s flew a total of 145 missions to Israel; all but one of which originated in the United States. [Deleted.] Of the 49 aircraft one made six flights, eight aircraft made five flights, nine aircraft made four flights, 12 aircraft made three flights, either aircraft made two flights and 11 aircraft made one flight.

During this period, C-5s were flying additional missions in support of other operational commitments. Of the 79 C-5A aircraft, MAC is only assigned 77, two are assigned to Air Force Systems Command. The following outsize equipment was delivered to Israel by C-5 aircraft: [deleted] M-60 tanks, [deleted] M-48 tanks, [deleted] 155mm Self-Propelled Artillery pieces, [deleted] 175mm Self-Propelled Artillery pieces, [deleted] CH-53 helicopters and [deleted] A-4 aircraft tail sections and fuselages.

Answer to question No. 2. The FY 75 budget contains \$50 million for modification of the C-141. This modification, which will increase the capability of the aircraft to support deployment of U.S. forces by 30 percent, will have an ultimate cost of about \$500 million.

The total cost to modify the 747 passenger aircraft to make it capable of deploying Army unit equipment in an emergency was originally estimated to be slightly less than \$10 million per aircraft. On this basis the total cost of modifying 110 aircraft would be about \$1.1 billion. The \$10 million included approximately \$6 million for the actual modification. We now believe the \$6 million cost could in some cases be reduced by as much as \$2 million due to variance in the types of modification. Our estimate also included about \$800,000 per aircraft to compensate the airline for revenue lost during the time the aircraft is out of commission while the modification is being completed. Since the modification would increase the operating weight of the aircraft we also estimated the airlines would incur an additional operating cost of about half a million dollars per aircraft over a 10-year period. Finally, we believe that the airlines should be entitled to some compensation for a commitment over a period of time of providing cargo carrying capability to the Department of Defense in an emergency. Thus, any incentive should be

viewed as a DOD procurement of airlift capability rather than as a subsidy to the airlines.

The budget proposes additional funds for the C-5 and C-141 program to increase the active crew ratio from 2 to 2.75 crews per aircraft and to provide the associate maintenance manning and spares so that the wartime capability of our airlift force will be increased 25 percent. We are striving to achieve a 12½ hour per day utilization rate on the C-5 and C-141 for the first 45 days of a contingency instead of the previously planned 10 hours per day. The annual increase in cost for the C-5 and C-141 will be about \$210 million per year.

Answer to question No. 3. The proposed increases in airlift capability are being undertaken primarily to enhance our capability to deploy forces rapidly in support of a NATO crisis. The ability to rapidly introduce large numbers of U.S. combat forces with their equipment into the Center Region of NATO could serve as a positive deterrent to a Warsaw Pact attack on NATO. As I said in my posture statement: "I can think of no more impressive a deterrent to a Warsaw Pact attack on NATO than a clearly demonstrable U.S. capability to put down in Europe a fully-equipped combat-ready division (including its supporting forces) every few days."

The specific increases in airlift capability called for in the budget are the most "cost effective" means of enhancing our airlift capability. Traditionally, when we have added additional capability to our military forces, we have been faced with an initial procurement cost to acquire the capability plus a continuing O&M cost to maintain it. The programs we have proposed here have the advantage of doing more with what we (the United States) already have. We are adding crews and maintenance personnel to the C-5 and C-141 force to provide an equivalent capability of approximately two additional squadrons of C-5s. However, all we have added is increased O&M costs with no procurement costs.

In the case of the C-141 stretch modification we are enhancing the NATO deployment capability of this force by over 30 percent for a one-time modification cost with essentially no increase in operating costs.

Finally, in the case of the 747/DC-10 modification we are providing a significant increase in U.S. deployment capability for a major NATO crisis without adding to the DOD budget large continuing O&M costs or even large procurement costs. We do not envision using the modified 747 and DC-10 for all possible contingencies, as an enhancement to our airlift capability in support of a major emergency, when they would be most urgently needed.

Answer to question No. 4. Current plans are based on existing deployment capability. As the capability is increased our deployment plans will be altered accordingly. The increased capability will both improve our deterrent position, in this time of nuclear parity, and will strengthen NATO's conventional defense posture.

With respect to the length of a conflict between NATO and Warsaw Pact forces, there has been no change in our basic assumptions. We must be prepared to make the best possible defense. We do feel that deterrence, as well as the outcome of any conflict, will be greatly affected by our ability to rapidly deliver reinforcements during a period of critical build-up and during the initial stages of hostilities.

Answer to question No. 5. On many occasions, DOD spokesmen arguing in support of the Security Assistance Program have pointed out to the Congress the importance of bases in the Eastern Mediterranean and Southern Europe. As an example, in June 1972 Admiral Moorer stated:

"Turkish control of its territory has become even more significant over the past few years with the increased Soviet presence in the Mediterranean area as well as the continuously tense situation in the Middle East. Turkey, a key participant in the NATO Alliance, provides the first line of defense in the Eastern Mediterranean."

[Deleted.] As Admiral Moorer said in his posture statement:

"If we are to be able in the future to respond to situations of the nature and magnitude of the Israeli operation, we must continue to develop and invest in secure bases where we can operate as free of foreign political constraints as possible, while still maintaining our alliance system. The best runway, storage facilities, geopolitical location, or deep water port is of little utility if political constraints preclude its use. Ultimately, the issue is whether the United States can afford to rely solely upon the good faith of others when it is believed that the vital interests of the United States or of one of its allies are in imminent peril."

Answer to question No. 6. The figure of \$3,142,000,000 to man, maintain and operate bases in those countries in Fiscal 1973 is correct. The figure given for military assistance for those countries for Fiscal 1973 is incorrect. The correct figure for military assistance provided to those countries in Fiscal 1973 is \$114,816,000. This sum includes \$68,644,000 funded for grant aid and \$46,172,000 (Value as specified in Section 8(c) of PL 91-672) furnished in Excess Defense Articles.

The primary purpose of the U.S. force structure in Europe is to support the U.S. forward defense strategy. These bases and the U.S. presence in Europe are vital to the continued viability of NATO. Weakening our current posture in that area could invite further accommodations to Soviet pressures and initiatives in the Mediterranean area. A withdrawal from the countries in question could weaken the southern flank of the NATO Alliance and completely isolate the U.S. from the most effective air and sea routes and bases necessary to support future NATO or Middle East contingencies. In addition, the withdrawal of U.S. forces from this area could impair the day-to-day activities of the U.S. SIXTH Fleet, the air refueling activities supporting our tactical and strategic air forces, the deterrent posture of the NATO nuclear Quick Reaction Alert forces, the security of nuclear weapons provided the NATO Allies under approved programs of cooperation, and the overseas support of our ballistic missile submarine force.

It is not an assured fact that these bases, which are primarily intended to support the U.S. commitment to NATO, would not be available in a future Middle East crisis. It is expected that national decisions would be made on a case-by-case basis at the time.

Answer to question No. 7. In my Annual Report, I described the function of U.S. forces in Korea as follows:

At the moment, the principal role of our forces in Korea is to provide a hedge against the uncertainties and deficiencies in South Korea's defense posture, and to provide an inducement to caution on the part of North Korea against the precipitation of new hostilities. The presence of United States forces in Korea and our other forces in the Pacific also constitute a cautionary signal to the PRC and to the USSR, should North Korea solicit their support for an attack on South Korea, as in 1950.

In addition, the presence of our forces serves as a manifestation of our support of the Republic of Korea in its efforts to resolve difficult political disputes through negotiations. Our support encourages the South to take constructive initiatives with greater self-confidence such as the opening of contacts with the North (which resulted in the July 4, 1972 Joint Communique), the June 23, 1973 proclamation of a policy of free and open competition with the North, and the proposal of a non-aggression agreement by President Park on January 18, 1974.

Department of Defense annual operating costs of maintaining U.S. forces in the Republic of Korea (ROK) currently are estimated at \$525 million in FY 1973 and \$560 million in FY 1974. Department of Defense accounting records are not maintained to reflect total U.S. costs on an area basis. Operating costs, therefore, were estimated for these years by using appropriate factors (comparable factors for prior years are not readily available). Included are the costs of all military and civilian personnel located in Korea and the cost of operating and maintaining facilities there. These estimates do not include indirect logistic and administrative costs for support from outside the country, nor do they include major procurement or military construction costs.

Answer to question No. 8. The attached table reflects the SEA incremental costs in budget authority and outlays for the period FY 1965-1975. The ceasefire was signed in January 1973 (approximately the mid-point of FY 1973). From FY 1973 to FY 1974 SEA incremental outlays drop by \$2,358 million, from \$5,266 million to \$2,908 million. In FY 1975 SEA incremental costs are estimated at \$1,795, a drop of \$1,113 million from the previous year and a decline of \$3,471 million from FY 1973.

The question may perhaps refer to Budget Authority rather than outlays. Here again there was a drop of \$3,572 million from FY 1973 to FY 1974. There was, however, an increase of \$315 million from FY 1974 to FY 1975. I discussed this point in my Annual Report as follows:

Included in the \$1.9 billion for Southeast Asia costs in FY 1975 is \$1,450 million for the support of South Vietnamese forces and \$463 million for U.S. forces—largely the air units based in Thailand. The rise in these costs from FY 1974 to FY 1975 results from a sharp increase in support for the South Vietnamese forces, which more than offsets a drop in U.S. force costs and the transfer of Laos support to the regular MAP program. The reason for this increase in support for

South Vietnam is threefold: first, the ceasefire has not worked as well as we had hoped and, therefore, South Vietnamese military consumption is well above what was anticipated; second, unlike FY 1974, there are far fewer prior year funds available to meet FY 1975 requirements; and finally, in FY 1974 we fell behind in replacing South Vietnamese equipment losses and greater efforts are required in FY 1975.

SOUTHEAST ASIA INCREMENTAL COSTS

[In millions of dollars]

Fiscal years	Military personnel	O. & M.	Procurement	R.D.T. & E.	Military construction	Stock funds	Total
1965							
Budget authority.....		118	474		108		700
Outlays.....		65	34		4		103
1966:							
Budget authority.....	1,753	2,755	8,787	152	1,499		14,946
Outlays.....	1,664	2,421	1,457	30	240		5,812
1967:							
Budget authority.....	3,948	4,863	7,535	180	635	535	17,969
Outlays.....	3,916	4,650	8,218	264	837	532	18,417
1968:							
Budget authority.....	5,003	5,660	7,983	200	319	118	19,284
Outlays.....	4,979	5,620	7,880	180	909	444	20,012
1969:							
Budget authority.....	5,682	6,491	7,259	138	192		19,762
Outlays.....	5,666	6,488	8,757	139	494		21,544
1970:							
Budget authority.....	5,261	5,292	3,778	70			14,401
Outlays.....	5,318	5,463	6,278	95	219		17,373
1971:							
Budget authority.....	3,881	3,464	2,181	17	27		9,570
Outlays.....	3,947	3,662	3,737	39	67		11,452
1972:							
Budget authority.....	2,268	2,362	2,345	6			6,982
Outlays.....	2,283	2,447	2,467	13	18		7,228
1973:							
Budget authority.....	900	2,160	2,111				5,171
Outlays.....	904	2,154	2,197	4	7		5,266
1974:							
Budget authority.....	376	877	346				1,599
Outlays.....	387	992	1,529				2,908
1975:							
Budget authority.....	234	829	852				1,914
Outlays.....	237	831	726				1,795

Answer to question No. 9. Department of Defense annual operating costs of maintaining U.S. forces in Thailand are estimated at \$511 million in FY 1974.

Department of Defense accounting records are not maintained to reflect total U.S. costs on an area basis. Operating costs, therefore, were estimated by using appropriate factors. Included are the costs of all military and civilian personnel located in Thailand and the cost of operating and maintaining facilities there. These estimates do *not* include indirect logistic and administrative costs for support from outside the country, nor do they include major procurement or military construction costs.

As of 21 March 1974, there are about 35,000 U.S. troops in Thailand. This figure represents a reduction of 10,000 personnel since March 1973. A further reduction of an additional 10,000 U.S. troops to be completed by the end of calendar 1974 has just recently been announced and as the situation in Southeast Asia permits.

[Deleted.]

Answer to question No. 10. President Nixon has emphasized that Japan's foreign policy is for Japan to decide. Certainly, a key question for Japanese policymakers is what courses of action will best reconcile their growing national power with their economic, political and strategic vulnerability. Both her security and economic interests clearly link Japan's destiny firmly to that of the free world. However, Japan has for many years been developing economic and cultural contacts with the People's Republic of China. Geography, culture, history and trade potential have always made China a powerful natural attraction for Japan. Japan has full diplomatic relations with the People's Republic. We believe that more cordial and cooperative Sino-Japanese relations are likely. However, we do not foresee the Japanese forming any sort of military relationships with China.

By providing for Japan's basic defense, Japan's Self-Defense Forces complement U.S. forces and help to provide stability to the Northeast Asia area. We believe that Japan will continue to make qualitative improvements rather than quantitative improvements in her self defense forces. These forces are entirely defensive in nature—not offensive. We do believe that Japan could usefully expand or, at least, improve her anti-submarine and air defense capabilities, but we do not foresee, nor do we advocate, a full rearmament program for Japan. For compelling strategic, political and economic reasons, the likelihood of Japan acquiring nuclear weapons is considered to be very small. Any such rearmament program would not be in the national interests of the United States and would be destabilizing to East Asia because of Asian fears of a remilitarized Japan. This would greatly complicate Japan's political and economic relations with other Asian nations. As far as we know, none of the countries in East Asia desires a regional Japanese security role; however, expanded economic, political and cultural arrangements would seem to be desirable and beneficial to all concerned.

Senator PROXMIRE. Mr. Secretary, I want to commend you. I think you have done a superlative job. It is so helpful to have a Secretary of Defense or Secretary of any department who obviously is on top of his job and who can respond directly and intelligently to every question put to him. I deeply appreciate what you have done coming before our committee this morning.

Secretary SCHLESINGER. Thank you, Mr. Vice Chairman.

Senator PROXMIRE. Thank you very much.

The committee will stand adjourned. The record will remain open for 2 weeks.

[Whereupon, at 1:10 p.m., the committee adjourned, subject to the call of the Chair.]

