DEPARTMENT OF DEFENSE REORGANIZATION STUDY PROJECT

DEPARTMENTAL HEADQUARTERS STUDY

A REPORT TO THE SECRETARY OF DEFENSE

June 1, 1978
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The Honorable Harold Brown  
Secretary of Defense  
Room 3E880, Pentagon Building  
Washington, D. C. 20301

Dear Mr. Secretary:

I am pleased to submit the report of the Departmental Headquarters Study you asked me to undertake as one of the three components of your Defense Reorganization Study Project.

The report takes note of the actions that President Carter and you have already taken to strengthen the organization of the Department of Defense so that it can be more effective and efficient in contributing to the national security objectives of the United States.

Included in the report are thirteen recommendations intended to bring about further improvements. While the inquiry I have made substantiates your view that the Department is well-managed, it also points out several opportunities where further strengthening is possible. One of these is the need to fix responsibility for performance more precisely, a problem present in any large governmental organization.

In accordance with your instructions, I have looked at a wide range of possible organizational forms for the Department. I have concluded that the changes that seem to be necessary can be accomplished essentially within the framework of the present organizational structure, and I recommend against any drastic reorganization.

What is needed, I believe, is a difference in emphasis rather than a fundamental change in organization. The Department would benefit from fuller use of the Service Secretaries in the management of Defense activities. It would be useful to involve top Military Department civilian and military officials in Defense policy making to a greater extent than is now the case, in order to enhance teamwork and to improve the implementation of the policy decisions you make. While the changes you have made have strengthened organizational relationships and improved procedures, there are further opportunities...
for reducing the layers of staff review and the compartmentalizing of individual staff activities without sacrificing your need to hear varying points of view. Additional effort should be devoted to delineating the respective responsibilities of the Office of the Secretary of Defense and the Military Departments to avoid preoccupation with details better left to Military Department management.

An important new potential results from your decision to designate a position of Under Secretary of Defense for Policy, and the report suggests several ways in which this potential might be realized while at the same time enhancing the military contribution.

The findings and recommendations of the report grow out of a research effort conducted over the period of the past six months. The effort has included an extensive program of interviews with present and former civilian and military officials, a review of past studies of the Department of Defense, research in a number of areas of specific interest, and the preparation of a selected group of case studies. The recommendations are designed to overcome identified problems, to consolidate and extend changes you have already made, to reduce staff layering, and to realize to a greater degree the contributions that appointed officials, the professional military, and the career civilians are together capable of making. The report recommends that you:

1. Use the Armed Forces Policy Council, as it was chartered, to offer the Secretary of Defense frequent advice in the formulation of Defense policy.

2. Establish a Planning Office under the Under Secretary for Policy, formally linked in liaison to the Chairman, Joint Chiefs of Staff, with assignments including politico-military long-range planning and contingency planning.

3. Assign the Under Secretary for Policy, working in close coordination with the Chairman, Joint Chiefs of Staff, to support the Secretary of Defense in the development of Defense Policy Guidance governing the Consolidated Guidance for force structure and resource allocation decisions.

4. Make further improvements in the Defense Systems Acquisition Review Council process to establish
more clearly the primary and secondary mission requirements of major weapons systems.

5. Eliminate redundant and repetitive program reviews during the budget development process.

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

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

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

9. Establish a formal role for the Service Under Secretaries oriented to common liaison functions with the Office of the Secretary of Defense.

10. Authorize the Service Secretaries, if they desire, to eliminate their Assistant Secretaries for Manpower, Reserve Affairs, and Logistics functions, with the Service Secretaries carrying out their responsibilities through the military heads of the respective functions and with the assistance of the civilian staff in the Office of the Secretary of Defense.

11. Integrate, in each Military Department, the Research and Engineering staffs now separately reporting to the Assistant Service Secretary and the Service Chief, and concurrently, increase the number of development and acquisition programs assigned for primary management authority to the Military Departments.

12. Provide common access for both the Service Secretary and the Service Chief to the Military Departments' Systems Analysis, Inspector General, and Audit Service capabilities.
13. Continue the effort to reduce headquarters military staffs by greater dependence on subordinate commands, particularly in the materiel area.

Details on the reasons for each recommendation are provided in the body of the report. Most but not all of the recommendations are generally supported by the many individuals within and outside the Department with whom they were discussed. One (Recommendation No. 10) is quite controversial, and that is why it is presented on a permissive basis; another, (Recommendation No. 6) deals with a change that has only recently taken place and on which there are differing views, but the importance of the matter suggests the desirability of taking a new look.

I will, of course, be pleased to meet with you to discuss the findings and recommendations of the report in greater detail. Our prior meetings have been extremely helpful to me. Of particular benefit has been the advice and counsel of the Steering Group for the Defense Reorganization Study Project under the leadership of the Deputy Secretary of Defense, Charles W. Duncan, Jr.

Many individuals, including the Service Secretaries, the Chairman of the Joint Chiefs of Staff, the Military Chiefs, and the senior members of your staff, have greatly assisted me in the conduct of this study effort, as have the representatives of the President's Reorganization Project. I also want to express my appreciation to Mr. D. O. Cooke of your staff, to your Special Assistant, Mr. John Kester, and to Lieutenant General James G. Kalergis, USA (Ret.), the Executive Secretary for the reorganization studies.

Finally, I want to acknowledge my great indebtedness to Admiral Worth H. Bagley, USN (Ret.), who served as Study Director and contributed importantly to the preparation of this report; and to the very capable and hard-working members of the study staff.

One additional comment needs mentioning. Throughout this report, where the word "he" is used, it should be understood that the words "or she" can be added; for times have changed, and so, to its credit, has the Department of Defense.

Sincerely,

Paul R. Ignatius
DEPARTMENT OF DEFENSE REORGANIZATION STUDY PROJECT

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CHAPTER I: INTRODUCTION

A. BACKGROUND AND DEFINITION OF STUDY

On September 20, 1977, President Jimmy Carter requested the Secretary of Defense to undertake a study of Defense Reorganization focusing upon three summaries of organization and management issues prepared by the President's Reorganization Project (PRP) and enclosed with the President's memorandum.

This report is concerned with one of the issue summaries: Defense Management Structure. The issue was described by the PRP in the following words:

"How can the top management structure of the Department of Defense become more effective and efficient in carrying out the national security mission?"

The issue paper stated further that the study should focus on:

- The relative roles and responsibilities of the Office of the Secretary of Defense and the Office of the Joint Chiefs of Staff, the Service Secretaries and the Military Department Staffs (including the Service Chiefs of Staff), and the interrelationships of these staffs.

- The organization of the Office of the Secretary of Defense to make sure he can exercise control over both operating forces and defense resources; to develop and implement long-range national security plans consistent with national policies and goals; to evaluate current and new defense systems to ensure readiness, adherence to performance standards, and compatibility with other programs.

1/ Subsequently referred to as the Departmental Headquarters Study.
• The organization, authority, and capability of the Service Secretaries to exercise their responsibilities as resource managers.

• The ability of the Joint Chiefs of Staff simultaneously to provide effective advice to the President and the Secretary of Defense, to participate in resource management activities and in the operational command chain, and to function without conflict as both individual Service Chiefs and as members of the Joint Chiefs of Staff.

• The ability of the Military Department staffs to simultaneously manage resources and support their respective Service Chiefs in their roles as members of the Joint Chiefs of Staff.

To overcome an apparent overlap in the assignment, the Deputy Secretary of Defense, Charles W. Duncan, Jr., in a letter to the Acting Director of the Office of Management and Budget dated October 27, 1977, stated:

"The study of Defense Departmental Headquarters will focus on the Secretariat organizations within the Department. Since JCS roles and relationships will be reviewed under the study of the National Military Command Structure, the decision was made to exclude them from the Departmental Headquarters Study. Understandably, there are important linkages between the two studies; these will be addressed in the overall final report."

Further guidance establishing the scope of the Departmental Headquarters Study was furnished by the Deputy Secretary of Defense in a letter of November 14, 1977 to Paul R. Ignatius, the prospec-
tive Project Director, which stated in part as follows:

"We envision that this project will encompass, at a minimum, a review of the roles, functions, and responsibilities of the Office of the Secretary of Defense and the Service Secretariats and Staffs. Of course, you would have the flexibility to shape the project design, select key participants, and to pursue whatever avenues you deem appropriate to accomplish overall project objectives."

Based upon the guidance furnished by the President and the Deputy Secretary of Defense, the Project Director submitted the following charter for the Departmental Headquarters Study to the Deputy Secretary of Defense on December 2, 1977:

1. Review the roles, functions, and responsibilities of the Office of the Secretary of Defense and the Service Secretaries and their staffs and their exercise in Defense decision-making.

2. Examine the functions and responsibilities of the Service Chiefs and their staffs as they interact organizationally with the Service Secretaries and the Secretary of Defense and their staffs with two exceptions: (a) the JCS role and relationship of the Service Chiefs thereto will be reviewed under the National Military Command Structure; (b) the question of a single service is also outside the scope of study considerations.

3. Make recommendations, based on the foregoing review, that will improve Defense management and its purpose to insure armed services of high morale and efficient combat readiness and capability.
As noted earlier, the President's September 20, 1977 memorandum transmitted three issue summaries comprising individual studies, two of which, the Departmental Headquarters Study and the National Military Command Structure Study, have already been mentioned. The third study, Defense Resource Management, was defined in the issue summary as follows:

"What changes in Department of Defense organization for resource management will provide increased control, accountability, efficiency, economy, and readiness?"

The PRP issue summaries have been helpful in defining the scope of the three individual studies. It was apparent, however, that the studies were closely related, although intended to be carried out independently by individual project directors and study staffs. Accordingly, the Secretary and the Deputy Secretary of Defense established a Steering Committee for the three studies under the chairmanship of the Deputy, Mr. Duncan, including among its members the three project directors, Messrs. Ignatius, Richard C. Steadman, and Donald P. Rice. In addition to the coordination furnished by the Steering Committee, the studies have been further coordinated through the efforts of Lieutenant General James G. Kalergis, USA (Ret.) and through frequent contact among the project directors and the members of the respective study staffs.

B. STUDY STAFF

Shortly after agreeing to undertake direction of the Departmental Headquarters Study, the Project Director asked Admiral Worth H. Bagley, USN (Ret.) to assume responsibility for directing
the study effort. An officer of outstanding ability whose active
service included duties as Vice Chief of Naval Operations, Com-
mander-in-Chief, U.S. Naval Forces Europe, and Director, Navy
Program Planning, Admiral Bagley assisted the Project Director
in the conduct of key interviews, development of concepts, and
preparation of the study report.

Through the cooperation of the Military Departments, a
staff of highly qualified military and civilian individuals was
assembled to conduct an extensive research program. This effort
was directed by the Assistant Study Director, Colonel Peter B.
Petersen, USA, whose many achievements include a Doctorate in
Business Administration. Serving as a Consultant to the project
was Charles W. Petty, Jr., a partner in the law firm of Mayer,
Brown and Platt, and formerly an attorney in the Office of the
General Counsel, Department of the Army.

A full list of the project staff is included as Exhibit I
to this report.

C. STUDY APPROACH

Five avenues were pursued in the conduct of the study effort.

1. Review of Past Studies. A number of important studies of De-
fense organization and management have been conducted over the years.
These studies were reviewed and summarized, and their conclusions
and recommendations examined for current relevancy.

2. Formal Statements of Authority. Summaries were prepared of
formal statements of authority and responsibility of the various
Department of Defense officials and offices, including those set
forth in statutes, regulations, formal delegations, and related documents.

3. **Interview Program.** One of the most important pursuits was an extensive program of interviews with key civilian and military officials currently serving, as well as with many who occupied high positions at an earlier period. More than 75 individuals were interviewed. In addition, the Project Director and Study Director were briefed on the results of interviews with a number of former Defense officials conducted during the Carter transition period.

The interviews provided invaluable information, insight and comment on alternatives under consideration. Particularly gratifying was the desire of the individuals to be of assistance, and to give willingly of their time.

In addition to these key interviews, the study staff interviewed hundreds of individuals throughout the Department of Defense in the course of developing issue papers, case studies, and other research material.

4. **Investigative Effort.** As noted above, the study staff conducted an extensive investigative effort to obtain necessary factual information and to develop issue and concept papers on a variety of subjects.

5. **Case Studies.** A group of case studies was prepared to illustrate how the decision-making process is carried out in actual situations. The cases were selected by the Project Director and the study staff in consultation with Service Secretaries and
other Department of Defense officials.

Typically, the cases addressed subjects of broad import, including:

- Development of consolidated planning, programming and fiscal guidance.
- Consolidation of functions with base closure implications.
- Multi-service procurement action.
- Defense Systems Acquisition Review process.
- Test and Evaluation of weapons and equipment.
- U.S./European production cooperation.
- Relationships with other executive departments.
- Impact on the Military Departments of societal changes.

The case studies examined administrative process rather than the substance of the issues. Ideally, more cases would have been written, but time simply precluded additional case writing effort. No claim is made that the cases are necessarily "representative" of Defense decision-making, or that the cases selected approximate a valid universe of issues on which to base generalizations. The case study effort was nevertheless useful to ground the staff work in concrete situations and to provide illustrations of specific actions to complement the other research findings.

The conclusions and recommendations of the study are the result of the several types of research effort that have been described. Before proceeding to them, however, it is necessary
to summarize briefly how the Department of Defense has evolved, for in tracing the patterns of evolution that have led to the present organization, one can discern many of the questions and issues that affect its future form.

D. EVOLUTION OF THE PRESENT ORGANIZATION

1. The National Security Act of 1947. The experiences of World War II were the impetus for major change in the structure of the Defense Department. The National Military Establishment was created as a federation including a new Department of the Air Force, but the new Secretary of Defense had only the powers of general direction, authority and control. The first Secretary, James Forrestal, soon discovered that he lacked authority commensurate with his responsibilities. He was directed to establish "general policies and programs," to "exercise general direction, authority, and control" over the component agencies, and to "supervise and coordinate the preparation of budget estimates." In contrast, the three Service Secretaries were authorized to administer their respective departments as individual executive departments; moreover, all powers and duties relating to such departments not specifically conferred upon the Secretary of Defense were reserved to the individual Service Secretaries. The Joint Chiefs of Staff were established by the 1947 Act to serve as military advisors to the President and the Secretary of Defense, to develop strategic plans, and to prepare joint logistics plans. They were also given the authority to establish unified commands, although the law did not state how the Joint Chiefs would fit into the chain to the unified commands.
2. 1949 Amendments to the National Security Act. Secretary Forrestal's problems were recognized by the Hoover Commission which concluded in 1948 that the problem of Defense organization was a deficiency in the authority of the Secretary of Defense over the Defense establishment. Forrestal also recommended more authority for the Secretary in his 1948 Annual Report. The President eagerly accepted the Hoover Commission and Forrestal recommendations, and in 1949 the Department of Defense was established. The power of the Secretary of Defense was increased, particularly over the budget, while the Service Secretaries lost their status as heads of Executive Departments and their membership on the National Security Council. The Department of Defense became an Executive Department, with the Secretary of Defense responsible for general direction. The Office of the Deputy Secretary of Defense was created and the three Special Assistants to the Secretary of Defense were upgraded to Assistant Secretaries. The Executive Departments of the Army, Navy, and Air Force were reduced to Military Departments — with the proviso, however, that they be separately administered. Congress insured its ability to hear divergent views by statutorily prohibiting the Secretary of Defense from merging the Services. The 1949 amendments reaffirmed the right of a Service Secretary and a member of the Joint Chiefs of Staff to present recommendations on their individual initiative directly to the Congress, although the right of the Secretaries to appeal to the President and the Director of the Budget was terminated. A Chairmanship was created for the Joint Chiefs, while the JCS continued as military advisors to the President.
3. **1953 Reorganization.** President Eisenhower, shortly after his election, appointed the Rockefeller Committee to examine the Defense organization. Based on the recommendations of the Committee, the Service Secretaries were inserted into the chain of command for the unified and specified commands for the purpose of improving civilian control. The role of the Chairman of the Joint Chiefs of Staff was strengthened with the objective of giving the JCS a broad national outlook rather than that of a staff agency representing Service views. The Chairman was also given the responsibility for managing the Joint Staff.

Six additional Assistant Secretary positions, supplementing the three in existence, and a General Counsel of equivalent rank, were established in 1953 to provide strengthened assistance to the Secretary of Defense. Initial ambiguity about their power was resolved by the practical functioning of the offices. The plan also abolished the Interdepartmental Munitions Board and the Research and Development Board. The effect of the 1953 reorganization was a centralizing of functions in the Secretary of Defense's office, and a corresponding reduction in the power of the Services.

4. **The 1958 Reorganization.** By 1957, the public furor over the first Sputnik, the open interservice rivalry occasioned particularly by new missile technology, the need for improved control of nuclear weapons and missiles, and the desire to eliminate duplication in the research and development area all influenced President Eisenhower to propose a Department of Defense reorganization.
President Eisenhower felt that greater centralization would solve the problems in Defense. He believed that all forces must be led as one, and wanted the powers of the Secretary strengthened. Congress gave the Secretary of Defense approval to reassign common supply and service functions at will, to assign the development and operational use of new weapons to any Department or Service, and to engage in basic and applied research projects. But he was not permitted to make substantial changes in statutory functions without Congressional review; Congress could disapprove of any such proposal if it transferred or abolished a combat function of one of the Services, and, in the opinion of the Congress, thereby impaired the national defense. The Service Secretaries were again taken out of the chain of command to the unified commands, but retained their right of direct access to Congress. The size of the Joint Staff was increased.

As an additional response to the perceived technological imbalance, resulting from the Sputnik reaction, the authority of the Secretary of Defense over research and development programs of the Department was strengthened, and the Secretary was provided with a Director of Defense Research and Engineering. The number of Assistant Secretaries was reduced from nine to seven, and the number of Assistant Service Secretaries was reduced from four to three. The 1958 amendments also shifted the joint operational responsibilities of the Services to the unified commands and their joint planning responsibilities to the JCS. The separate Services retained their statutory combat functions.

5. Post 1958 Changes. During his campaign for the Presidency, John F. Kennedy appointed the Symington Committee to assess DOD organization, and in December 1960, the Committee recommended the abolition of the military departments, the substitution of a
single Chief of Staff for the Joint Chiefs of Staff, and the establishment of functional unified commands, as discussed more fully in the next chapter. Subsequently, President Kennedy decided against such sweeping changes, preferring to rely instead upon existing statutory authority and the management innovations possible within that framework. Exercising this authority, his Secretary of Defense, Robert S. McNamara, established a new unified Strike Command and assigned most combat forces to the unified and specified commands. He also established the Defense Intelligence Agency and the Defense Supply Agency. Perhaps his most significant innovation, however, was the introduction of a comprehensive planning, programming, and budgeting system which ultimately became a model for the government as a whole. This system not only made a new management tool available to the Defense Establishment, but also increased the power of the civilian staff since the Assistant Secretaries of Defense performed the critical marginal utility analyses.

During this period a number of important changes took place in the Military Departments. For example, the Army abolished its Technical Services and substituted materiel commands that reflected the impact of new technology and weapons. The Navy shifted away from its traditional "bi-linear" organization, establishing a materiel command in the process, under the overall command of the Chief of Naval Operations. Organizational changes of this type have continued in the Military Departments to the present day; for example, the Air Force in April of this year
announced a headquarters staff realignment with a number of responsibilities transferred to subordinate activities.

No major statutory changes have occurred since 1958. One change to the National Security Act was initiated in 1969 by the House Committee on Armed Services, which secured enactment of a bill that increased the number of Assistant Secretaries of Defense by one to accommodate an Assistant Secretary for Health Affairs. Additional changes resulting from the report of the Blue Ribbon Defense Panel, established in 1968 by President Richard M. Nixon and Secretary of Defense Melvin R. Laird, will be discussed in the next chapter.

6. The Present Administration. With the change of Administration in 1977, Secretary Harold Brown initiated an internal review of the organization and functioning of the Department of Defense, which indicated the desirability of reducing the number of individuals and organizational entities reporting directly to the Secretary, and of rationalizing further the assignment of functional responsibilities within the Office of the Secretary. These changes are discussed in detail in Chapter IV.

Paralleling these organizational realignments, the Secretary directed a twenty to twenty-five percent reduction in Departmental Headquarters staffs. He also shifted operational control of the Defense Agencies from the Secretary of Defense to his principal assistants, while essentially maintaining prior supervisory and liaison links of some agencies to the Chairman, Joint Chiefs of Staff. In procedural areas, he tightened the analytical rigor of the Defense Systems Acquisitions Review Council (DSARC) process.
Some of the changes required legislation, which was submitted by DoD, approved by the Congress and signed by the President in October 1977. The legislation disestablished the second Deputy, which had come into being following the report of the Blue Ribbon Panel, eliminated the Director of Defense Research and Engineering, and substituted instead two new Under Secretaries of Defense, one for Policy and the other for Research and Engineering.

There were also changes in each of the Service Secretaries' staffs as a result of the OSD realignment, with a net reduction of one Assistant Secretary in each of the Services. The Services' changes, however, did not mirror those in OSD; they were given latitude to group functions under the several Assistant Secretaries in a manner reflecting individual Service preferences and priorities. This has resulted in something of a hodge-podge of functional assignments that has inhibited a common focus on functional areas.

Conclusion. The National Security Act of 1947, as amended, provides the basic framework for the Department of Defense. Since passage of the Act, additional initiatives have been undertaken to improve Defense organization and management, including the legislative changes of 1949, 1953, and 1958, Executive reorganizations, and internal DoD realignment actions. The major objectives of these efforts have been to:

- Reinforce civilian control while preserving a clear line for military advice;
- Strengthen the position and authority of the Secretary of Defense;
- Improve organizational structure and relationships; and
Streamline and improve management procedures, but to allow through multiple staff elements an opportunity for varied points of view to be expressed.

Since 1958, the organizational changes have been evolutionary. The most significant changes since then have been the management innovations introduced by Secretary McNamara, essentially within the existing organizational framework. Another change that has potential significance is Secretary Brown's establishment of the new position of Under Secretary for Policy, a subject to be discussed in detail in Chapter IV.
CHAPTER II:  IDENTIFIED PROBLEMS IN DEFENSE ORGANIZATION

A.  INTRODUCTION

This chapter will first discuss problems that have been identified in prior studies of Defense organization and management. The main themes that have preoccupied the Congress, as well as those individuals and groups who have studied the Department of Defense, have already been evident from the brief history of the evolution of the Department in the previous chapter. Throughout the period, the central thrust has been the clarification and strengthening of the authority of the Secretary of Defense over the Military Establishment, while assuring that he was not isolated from hearing conflicting points of view.

The chapter will also describe the problems and opportunities for further improvement disclosed by the Study Project's research effort. In some cases, these findings echo themes from past studies and reviews.

Finally, the chapter will present an appraisal of the Defense needs of the future as nearly as they can be discerned from the interviews and other research efforts carried out by the study group. Since organization structure should reflect need, this appraisal is an important basis for later consideration in the report of appropriate organizational form and response.

B.  PRIOR STUDIES AND REPORTS

From among the many studies and reports that have been submitted over the years, four have been selected for discussion in order to provide an indication of the range of concerns expressed by qualified observers of the Department. They are the

1. The Symington Committee Report. On December 5, 1960, President-Elect Kennedy released a report on reorganization of the Defense Establishment prepared by a committee chaired by Senator Stuart Symington. The committee consisted of well-known men with much experience in Defense matters: Clark M. Clifford, an attorney who had helped to draft the National Security Act of 1947; Thomas K. Finletter, like Senator Symington, a former Secretary of the Air Force; Roswell L. Gilpatric, a former Under Secretary of the Air Force; Fowler Hamilton, an attorney with wide government experience including a period as General Counsel to the Senate Subcommittee on Airpower; and Marx Leva, who had served as Special Assistant and General Counsel to Secretary of Defense Forrestal from 1947-1949.

As noted earlier, the Symington Committee recommended retention of the Military Services; that is to say, the Army, Navy, Air Force, and Marine Corps would continue to exist, but the departmental structure of the Army, Navy, and Air Force would be abolished. This in turn would do away with the Service Secretaries, Under Secretaries, and Assistant Secretaries. The Services would remain as separate organic units subject to the direction, authority, and control of the Secretary of Defense.

There were other sweeping proposals in the report of the Symington Committee, but the recommendation to eliminate the Military Departments is the one of chief relevance to the Departmental Headquarters study. What were the reasons for the
Committee's proposals?

Essentially, the Symington Committee believed that technological developments -- particularly nuclear weapons and missile technology -- had rendered the Defense Department organization ineffective since, in the Committee's words, "The existing structure of the Department of Defense is still patterned primarily on a design conceived in the light of lessons learned in World War II, which are now largely obsolete." The Committee was also concerned with two time-urgent factors -- first, the "strategic value of time in the ability to react instantly against aggression in this nuclear-space age", and secondly, "the crucial time element in the United States versus Soviet arms race."

The Committee believed further that the "predominance of service influence in the performance of defense planning and the performance of military missions must be corrected." It advocated a "flexible organization conforming to the present day nature of military missions instead of traditional service concepts. Such a change in organization would tend to minimize the duplication and delay growing out of the present multiple layers of control and the overlapping among military programs and operations caused by steadily increasing interservice rivalry in [the] effort to fulfill common missions."

The Symington Committee's recommendations undoubtedly reflected many of the concerns of the period: the intense rivalry among the Services at that time; the extreme urgency of the United States to develop stable strategic retaliatory weapons systems; and the concern about a possible "missile gap". As
noted earlier, Secretary McNamara was able to achieve many of the objectives of the Symington report through management innovations accomplished essentially within the existing organizational structure. It is interesting to note in passing that Roswell L. Gilpatric, one of the members of the Symington Committee, was appointed Deputy Secretary of Defense, and as a result of this experience changed his mind about the desirability of abolishing the Military Departments along with their Secretaries, Under Secretaries, and Assistant Secretaries. In an article published in *The New York Times Magazine* on March 29, 1963, after his service in the Defense Department, and in an interview during the course of this study, Gilpatric stated that the Service Secretaries and the Military Departments were essential parts of the Defense organization. "On balance," he said in his article, "it no longer seems wise to me to press unification to the point of eliminating the separate service departments."

2. The Blue Ribbon Defense Panel. In 1969 President Richard M. Nixon and Secretary of Defense Melvin R. Laird chartered a Blue Ribbon Defense Panel to study the organization and operation of the Department of Defense. Like the Symington Committee, the panel was composed of distinguished citizens. Some, like Wilfred J. McNeil and Dr. Ruben R. Mettler, had extensive Defense experience, but others, like the Chairman, Gilbert W. Fitzhugh, Chairman of the Board of the Metropolitan Life Insurance Company, had broad experience in other fields.

The Blue Ribbon panel devoted a year to its work and produced a 237-page report with 113 recommendations. The major
recommendation affecting organization was a grouping of the functions of the Department of Defense into three categories: (1) military operations, including operational command, intelligence, and communications; (2) management of personnel and material resources; and (3) evaluation-type functions, including financial controls, testing of weapons, analysis of costs, and effectiveness of force structures. The Panel recommended that each of these major groups should report to the Secretary of Defense through a separate Deputy Secretary. This major recommendation was not fully carried out.

The Blue Ribbon Defense Panel also recommended that the number of Assistant Secretaries in each of the Military Departments should be set at three, and that the Secretariat and Military Staffs should be integrated to the extent necessary to eliminate duplication. These significant recommendations were also not put into effect. Nor was a revolutionary proposal to remove the Joint Chiefs of Staff from the operational command chain with respect to the unified and specified commands, and to subordinate these commands to a single senior military commander responsible to a civilian Deputy Secretary of Defense for Operations. In keeping with two of the Panel's recommendations, Secretary Laird won Congressional approval for a ninth Assistant Secretary of Defense and, after a two-year wait, for a second Deputy Secretary of Defense. In all, some 92 of the 113 recommendations were implemented in whole or in part, but the major ones were not accepted.
Of interest to this study are findings of the Blue Ribbon Defense Panel that stand in marked contrast to the conclusions earlier reached by the Symington Committee. For example, the Panel found that:

- "Effective civilian control is impaired by a generally excessive centralization of decision-making authority at the level of the Secretary of Defense."

- "The President and the Secretary of Defense do not presently have the opportunity to consider all viable options as background for making major decisions, because differences of opinion are submerged or compromised at lower levels of the Department of Defense."

Like the Symington Committee, the Blue Ribbon Panel concluded that "there are too many layers of both military and civilian staffs," but its view of the Service Secretary's role differed sharply from the Symington Committee's recommendation that the Service Secretary and the Military Departments be abolished. With respect to the Service Secretary, the Panel stated:

"No private corporate executive in the world has the managerial responsibility in terms of manpower, budget, variety, or complexity of operations equal or approaching that resting on the shoulders of a Secretary of a Military Department."

In summary, the Symington Committee report recommended centralization of management, while the Blue Ribbon Defense Panel advocated greater decentralization. Both were troubled by multiple layers of organization, but in different ways. While the Symington report would eliminate some sources of advice and layers of organization, the Blue Ribbon Panel explicitly would retain some layers to protect the variety of advice available to the Secretary of De-
fense. The General Accounting Office sensed this distinction in its report described below.

3. The General Accounting Office Report. The Comptroller General of the United States prepared a report dated April 20, 1976, entitled "Suggested Improvements in Staffing and Organization of Top Management Headquarters in the Department of Defense." Many of its findings are of interest to this study. The GAO stated, for example, that:

"Major DOD organizational elements have been repeatedly reorganized for various reasons, ranging from major efforts to improve efficiency, to reactions to external realities, and to internal bureaucratic maneuvering; yet, many of the basic organizational faults and problems touched by previous studies remain. Notwithstanding the organizational problems within OSD, the basic problem with DOD appears to be a fundamental systematic flaw rather than a structured weakness (i.e., failure in the decision-making process rather than a failure to hit on the right set of organizational relationships). It follows that this problem is not solvable simply by continuing to switch responsibilities in OSD."

In addition to stressing the importance of process as opposed to organizational change as a means to improve effectiveness, the GAO also expressed concern about undue involvement of the Office of the Secretary of Defense in day-to-day operations.

- "The increasing involvement in service program execution at the OSD level reduces the autonomy of the Service Secretaries and thereby reduces their ability to make decisions on issues which are more relevant to them or on which they often have more expertise."

- "Since the Military Departments are separately organized and the Service Secretaries are resource managers, it is logical that they may be given the authority to manage. They are, in effect, presidents of operating companies."
They serve many useful functions, particularly resource management, personnel administration, budget justification, and establishment of unique Service policies."

"Perhaps their most important role is that of interpreters between the Military Staffs and OSD -- they act as a check and balance when those parties have jurisdictional disputes."

The GAO report contributes useful insights because of its attention to improving the processes of administration as opposed to merely changing organization, and in delineating responsibilities as between OSD and the Military Departments. Both of these themes figure importantly in the findings of the research effort conducted during the Departmental Headquarters Study.

4. The Defense Manpower Commission. In April of 1976, a comprehensive report on Defense manpower was completed that deals with some of the issues already discussed. The Commission was concerned about "layering" in the DoD, that is, the many levels or echelons that participate in the decision-making process.

The Commission identified three layers concerned with manpower policy and concluded that two would suffice -- the OSD layer and one, not two, Service layers, "provided that other functions such as logistics are treated similarly."

Interestingly, the report also contained a 20-page statement of supplementary views of three of the Commissioners: Karl R. Bendetsen, a former Under Secretary of the Army, and a prominent business executive; another civilian; and a retired Navy flag officer. The statement dealt with the organization of the Department of Defense as a whole, not simply its elements associated with manpower matters. Of particular interest to
this study was the suggestion that the intermediate layer of Assistant Secretaries of the Army, Navy, and Air Force be abolished. The Service Secretary and an Under Secretary in an alter ego role would remain. The staff of each Military Department Secretary would be that of the military staffs over which each Chief of Service presided. The Assistant Secretaries are "cumbersome and unnecessary," the supplementary report concluded.

Thus, in addressing the problem of layering of staffs, the supplementary report went beyond what the Blue Ribbon Panel advocated. The Panel recommended that the Secretariat and Service Military Staffs should be integrated to the extent necessary to eliminate duplication. The supplementary report, on the other hand, would eliminate the Assistant Secretaries entirely and depend upon the Military Staff to serve both the Chief of Service and the Service Secretary.

These views will be addressed in further detail when the findings of the Departmental Headquarters Study are set forth.

C. PROBLEM AREAS IDENTIFIED IN THIS STUDY

When he announced the Defense Department Reorganization studies on November 17, 1977, Secretary of Defense Harold Brown asked that the reviews be conducted with no preconceptions and stated: "Although I am satisfied that the management of this department in general is good, I am sure that there is room for improvement."

The inquiry we have made, including a broad range of interviews with civilian and military authorities, generally supports Secretary Brown's assessment. While management of the Department of Defense is generally good, it frequently is too detailed. Accountability for performance needs to be improved, teamwork can
be strengthened, headquarters staffs can be further realigned, and increased emphasis should be placed on cost reduction in the support area.

Management gains include the following:

1. Secretary Brown, as noted earlier, has instituted a number of organizational changes and headquarters staff reductions to reduce the excessive number of individuals and functions reporting to him, and to streamline his own and subordinate staffs.

2. The involvement of the President at an earlier point in the decision process and his increased availability to the Military Chiefs is an important development that should be encouraged and continued.

3. The designation of a new position of Under Secretary for Policy offers the promise of sharper organizational focus on overall national security planning, and provides an opportunity for clearer, more detailed policy guidance in the structure, allocation, and use of defense resources.

4. The strengthening by Secretary Brown of the Program Analysis and Evaluation function at the OSD level is a necessary development if Defense officials and the President are to be provided with assessments on which to make optimum decisions on the complex questions they must decide on such matters as manpower requirements, force composition, and weapons acquisition.

These changes have strengthened the ability of OSD to provide direction of the Defense effort. Through its inquiries and findings, the Study Project believes there are other opportunities for improved management. Many of them should further
consolidate the changes made by Secretary Brown by enhancing the contribution of the Military Departments to the overall management effort. The list below includes several of this type as well as others we have noted:

- Greater recognition of the Service Secretary's authority and position, concurrent with more explicit accountability.

- A more precise delineation of where OSD's responsibilities end and those of the Military Departments begin.

- More opportunity for Service Secretaries and Service Chiefs to participate in the policy-making process.


- More direct involvement of the Secretary of Defense and the Service Secretaries in combat and materiel readiness reporting to assure that timely and accurate information is available on which to make resource allocation decisions, and to relate more accurately combat force capabilities, national objectives, and contingency planning.

- More flexible use, where appropriate, of existing staffs, to remove unnecessary layers of review and approval, to increase organizational
cohesion, and to enhance mutual understanding.

- An effort to determine the extent of unnecessary duplication in the programming and budgeting processes for the purpose of determining if some or a substantial part of it can be safely eliminated.

- A reduction, if possible, in the extent of detailed management intervention by outside agencies.

- Greater flexibility in the assignment of key career civilian personnel along the lines anticipated by the proposed Civil Service reforms.

- Continuing emphasis on the importance of selecting high calibre, well-qualified people for Presidential appointments, and encouraging their service for periods long enough to be effective.

Most of the opportunities for improvement are not new; they have been identified, as we have seen, in past studies of the Defense Department and in the internal reviews conducted by the Department itself. While some action has been taken, much remains to be done. What is needed is a greater sense of teamwork, encouraged by organizational and management changes that encourage participation, reduce management turbulence, and meet reasonable tests of acceptability. The kinds of problems likely
to be encountered in the future underscore the need for a responsive organization of this type.

D. ORGANIZING TO MEET FUTURE NEEDS

Through selected interviews with thoughtful, well-placed individuals, the Study Project has sought to obtain a sense of some of the influences which will engage the Defense headquarters management in the next decade. An understanding of these influences is important in gauging the extent of organizational change, particularly with respect to some of the more extreme forms of change that might be considered. From this inquiry, the Study Project has developed the following list that includes many of the important considerations:

- Maintaining a balance between non-defense and defense resources so that opportunities for advantage can be seized in the competition with the USSR.

- Creating and maintaining the deterrence of essential equivalence between U.S. and Soviet strategic nuclear forces by a compatible combination of arms limitation agreements and force structure and deployment actions.

- Deterring conventional conflict by developing and maintaining requisite conventional forces through close coordination and harmonization with our allies.
• Creating attractive incentives for conventional force standardization with our allies, aimed at encouraging fair sharing of defense expenditures among ourselves and the allies without undue compromise of the U.S. goal to reduce transfer of arms to other countries.

• Enhancing through our defense policies the relationship with our allies in non-defense affairs.

• Creating in our defense planning and conventional force collaboration within NATO the theme of commutuality of resulting capabilities in protecting security interests outside the Alliance area.

• Coping with the Soviet concept of wars by proxy.

• Developing a strategic defense concept to serve U.S. interests in the Third World.

• Providing security for our reliance on overseas sources of oil as the U.S. develops and implements an overall energy policy.

In these complex considerations there is the prospect of continuing adaptation of defense forces and strategy, including roles and missions, to changing political and economic influences. The analysis and planning implications are large, both in the Defense headquarters and in its responsibilities towards the National Security Council. By its major involvement in the issues foreseen, Defense should objectively be called upon for important contributions to overall national security policymaking. The President has directed a review this year of the
adequacy of the U.S. national security planning and coordination process with the possible outcome of procedural changes in national security policy-making relationships.

Beyond the impact of the conjunction of these broad policy issues on the availability and allocation of resources for combat forces, other trends are visible.

- Adequate manpower for the armed services promises to be affected by both systematic and economic matters. The recruitable age groups of candidates, particularly young men, is becoming smaller. Service is generally unattractive to many qualified youths, a cyclic attitude in time of peace but also influenced by dissatisfaction with the Vietnam war. The cost of volunteer forces, increased as the draft was terminated, is becoming a greater burden, and service emoluments are losing to recruiters in the civilian economy in the competition for manpower. Service privileges are perceived as being increasingly limited, and proposals for restrictive retirement benefits, though desirable or necessary for other reasons, could have a further adverse effect.

Inflation in defense industries exceeds the national average, placing increasing constraints on available funds. In the next
few years, a large number of systems will complete multi-year development. Sufficient funds will not be available to put them all into production; therefore, the choices will be critical in order to minimize the risk of error or an inadequacy in the capabilities subsequently deployed.

- The Secretary of Defense is increasingly concerned with difficult questions of overall national security policy. His staff is also becoming more involved in matters of this kind. Not only is this occurring in the staff elements dedicated to international affairs, but also in offices established primarily for resource policy and management. Already, for example, a large part of the time available to the Under Secretary of Defense (Research and Engineering) is committed to his responsibilities as Director of Armaments for NATO. Similarly, the Assistant Secretary of Defense (MRA&L) devotes significant time to international logistics matters. A case study prepared in connection with this report indicates the extent of the problem in co-production programs with European allies.
Dealing with the problems likely to be encountered will require a clear expression of common purpose, an enhanced sense of teamwork, and a more careful delineation between policy direction and operating responsibility. The organizational changes that can foster these objectives are discussed in Chapters IV and V. But first, it is necessary to review the broad options for organizational structure of the Defense Department, the subject of the next chapter of this report.
CHAPTER III: OPTIONS FOR ORGANIZATIONAL STRUCTURE

A. INTRODUCTION

This chapter will describe six alternative approaches to the organization of the Department of Defense. Its purpose is to set forth the range of options — from extreme change to evolutionary improvement — as one of the bases on which the Study Project developed its recommendations. Some of the organizational options will be recognized from the discussion in Chapter II of prior study group proposals.

B. OPTION ONE: DECENTRALIZATION

This option would require a substantial reduction in the size, scope, and intensity of effort of OSD, leaving the Military Departments generally free to manage their affairs under broad OSD policy guidance in the manner that characterized the Department of Defense in its earlier years.

No one who was consulted during the course of this study recommended an elimination of OSD entirely. The need for a mechanism to give direction to the Military Departments and to coordinate their activities is universally recognized. But many people feel, as the Blue Ribbon Defense Panel and the GAO report have pointed out, that the Department is top heavy, with an OSD staff substantially larger than the combined staffs of the Secretariats of the Military Departments, and with a tendency to become absorbed unduly in day-to-day operating details. Their solution would be a large reduction of the OSD staff — on the order perhaps of 50% — as a means of forcing OSD to concentrate on policy and leave operations to the Military Departments.
The study disclosed some evidence of undue involvement by the OSD staff in details better left to Military Department management. Several of the Assistant Secretaries of Defense whom we interviewed acknowledged this. However, they offered examples of increasing latitude given to the Services, and recognized that more effort was needed to prevent individual staff members from overmanaging.

The Study Project realizes that "overmanagement" is a perception as well as a reality, but the perception must be addressed if the Service staffs are to be properly motivated. The effort to discipline the OSD staff must begin with the Secretary of Defense himself by emphasizing shared management practices that all levels can comprehend.

But disciplining a corporate staff (OSD) to keep its hands off operating departments (the Services) is one thing; shrinking OSD to where it was in the Department of Defense's formative years is quite another. We believe it would be undesirable and unrealistic to return to the era of semi-autonomous Military Departments, each pursuing a generally independent direction without motivation for effective coordination. A means is clearly needed to relate national security objectives to the allocation of resources among Military Services whose capabilities and operations increasingly interact and overlap. The need for greater unification, coordination of effort, and review of competing resource requirements has become more and more evident in order to assure a balanced, affordable, and militarily effective combat
force. The on-rush of technology, the enormous cost of sophisticated weaponry, and the penalty for error — strategically or economically — of wrong decisions necessitate a strong, effective, and properly-sized OSD staff.

The Study Project did not attempt to determine any particular number of individuals that would constitute a proper size for the OSD staff. But two factors are important in considering whether any further reductions are desirable:

1. First, Secretary Brown has only recently reduced the size of the OSD staff by about one-fourth, from 2,065 individuals to 1,519.

2. Secondly, the OSD workload is increasing in some areas, as for example in the effort to expand production programs with NATO countries, and to insure the "interoperability" of weapons and equipment employed by NATO.

If the workload continues to increase, we believe it would be better to absorb it through management practices emphasizing a greater degree of Service involvement, as recommended in this report, rather than by enlarging the OSD staff.

C. OPTION TWO: CENTRALIZATION

This alternative would eliminate the Military Departments, placing dependence upon a single level of civilian authority and direction from the Secretary of Defense. It was what the Symington Committee had in mind, as noted earlier in this report. The present departmental structure and the Service Secretaries, Under Secretaries, and Assistant Secretaries, together with their staffs, would be abolished. The Military Services would remain as separate organic units within a single department, subject to
the direction, authority, and control of the Secretary of Defense.

The Symington Committee also proposed that two new Under Secretaries of Defense be created, one for weapon systems and one for administration. Together with the Secretary and the Deputy Secretary, they would comprise the planned statutory appointees in the Department. In addition, the Secretary of Defense could designate such civilian assistants as he deemed necessary.

The arguments in favor of the centralized option were perhaps best stated by the Symington Committee itself in the following words:

"Vesting directly in the Secretary of Defense the administration of the Services would be consistent with the functional scheme of military operations already now reflected in the unified commands, would concentrate civilian control in the Department of Defense at one level instead of two, would reduce the delays incident to obtaining separate service department coordination, and would facilitate effective civilian direction of defense policy as distinct from military operations."

The Departmental Headquarters Study Project gave serious attention to the question of whether it would be desirable to eliminate the Service Secretaries and to depend instead on a centralized organization with civilian authority limited to the Secretary of Defense's level. It is important to note that among the many knowledgeable people interviewed, both civilian and military leaders serving in the Department today as well as those who occupied key positions in the past, the overwhelming view was that the Secretaries should be retained.

Several independent studies have examined the role of the Service Secretary. For example, a draft study "The Secretary
of the Military Services: Defense Managerial Assets or Anachronisms?" prepared under the auspices of the Brookings Institution in June 1977 by Colonel Richard J. Daleski, USAF, came to the attention of the Study Project. After a comprehensive examination of the question, the study concluded:

"It seems clear that there is indeed a unique and useful role for Service Secretaries. By enhancing civilian control, making management more efficient through decentralization, serving as a catalyst for departmental innovation, and, acting as his Department's spokesman as well as embodying the public interest in his Department, the Service Secretary can make unique contributions to DOD management."

The Departmental Headquarters Study believes that the Service Secretaries and the Military Department structure should be retained. The substitution of a remote civilian authority vested in the Secretary of Defense whose main preoccupation is high policy and strategy, would degrade an essential line of concern for the combat forces that starts in the White House with the Commander-in-Chief. There would be no question, however, of the integrity of civilian control. That factor is concerned with the Secretary of Defense's direction over the Joint Chiefs of Staff and the Unified Commanders, not with the Military Departments whose authority does not include the employment of combat forces.

Civilian direction at the Service level is nonetheless of great utility if its potential is realized. Because the business of defense management is so diverse, the Secretary of Defense requires trusted and skilled subordinates to relieve him of the
myriad details of day-to-day supervision. The Service Secretary is in the best position to provide such supervision. In addition, he will have his own ideas to contribute on resource needs and other Service matters.

The Military Chief requires a close civilian associate so that his own perspectives are augmented by those arising from different experiences and disciplines, particularly in dealing with the Congress, other executive departments, industry and the public. The Service Secretary is a focal point for the Military Chief to press forward the valid aims and needs of the Service. For the Secretary of Defense, he can help to gain understanding and support of decisions that run counter to what the Service may have expected or advocated during the decision-making process. But the Service Secretary is not merely an interlocutor between one party and another. His professional ability and judgment can provide the Secretary of Defense with an alternate source of advice, illuminated by involvement in policy and grounded in familiarity with the needs of the men and women in uniform.

A final point is worth mentioning. One of the individuals who was interviewed for this project was John H. Ohly, one of the three Special Assistants to Secretary Forrestal. Initially, perhaps as a result of the frustrations and difficulties of the early period when Forrestal attempted to resolve massive problems with inadequate authority and staff resources, Ohly concluded that the solution to Defense management difficulties lay in a centralization of authority in the Office of the Secretary of Defense, with Defense officials dealing directly with the uniformed
Chiefs of the Military Services.

With the passage of time, and particularly after he left Defense and exercised managerial responsibilities in another government agency, Ohly changed his mind. He concluded that it simply was not feasible to administer a department the size of Defense from the Office of the Secretary of Defense. Individuals at this level would be too far removed from the scene of operations and unable to make their influence felt. The Service Secretary, he now believes, is a vital necessity for effective management of the Department.

D. OPTION THREE: LINE MANAGEMENT PROPOSAL

Similar in some respects to Option Two, the centralization alternative, have been various proposals to eliminate the Service Secretariats and to substitute for them Under Secretaries of Defense for Army, Navy, and Air Force. Proponents of this concept have more in mind than merely a change in titles; what is intended is a single level of civilian authority with designated civilians in OSD responsible for overseeing the operations of the Military Services.

A variant of this option was proposed during the Carter transition period by Thomas D. Morris, a former official of the Department of Defense and a highly respected management consultant now serving as the Inspector General of the Department of Health, Education, and Welfare. The concept proposed by Morris, which he calls a "Line Management" proposal, vests authority in seven line managers, as shown in Figure 1. Resource-type functions would be grouped under a Deputy Secretary of Defense
FIGURE 1
DEPARTMENT OF DEFENSE
PROPOSED LINE MANAGEMENT

Secretary of Defense

Deputy Secretary
Resource Management
- Comptroller
- Research & Engineering
- Installations & Logistics
- Health & Environment
- Manpower & Reserve Affairs
- Telecommunications
- Agencies

Deputy Secretary
Security Policy
- International Security Affairs
- Intelligence
- Legislative Affairs
- Public Affairs
- General Counsel
- Atomic Energy
- Agencies

Chairman
Joint Chiefs of Staff
- Joint Staff
- Unified Commands
- Specified Commands
- Agencies

Secretary of Army
(Analysis Staff)
Chief of Staff

Secretary of Navy
(Analysis Staff)
Chief of Naval Operations

Secretary of Air Force
(Analysis Staff)
Commandant Marine Corps
Chief of Staff
for Resource Management; national security-type functions would be grouped under a Deputy for Security Policy, who would be the senior of the two Deputies. Also at the Deputy level would be the Chairman of the Joint Chiefs of Staff. The Secretary, his two Deputies, and the Chairman would constitute a top management partnership who would meet daily and act in concert in planning the on-going policies, objectives, and programs for the Department as a whole.

The Secretaries of the Army, Navy and Air Force would be part of the same planning complex and would be expected to view their jobs as the direct representative of the Secretary of Defense, accountable for effective operation of their Departments and for assuring an effective link between their organizations and the staff organizations at the level of the Secretary of Defense. They would no longer have their own Under Secretaries and Assistant Secretaries, but would each be limited to a small analytical staff of perhaps 10 or 12 professionals who would help in assessing matters reaching the Secretary for decision.

While the Morris proposal would simplify the Department of Defense organization, it would deny one element in the present structure that the Study Project believes to be a source of strength. That is the role of the Service Secretary as the advocate for the Service, as opposed to an individual at the Secretary of Defense's level who oversees the operation of the Service.
The value of advocacy in national defense matters should not be overlooked, the Study Project believes, but we also recognize that a balance is required. The time has passed when the Service Secretary's role can be confined to advocacy alone. The Department of Defense, after all, is a single department with its component elements constituting a Defense team. As such, the Service Secretary must be both an advocate for his Service as well as a representative at the Service level of the Secretary of Defense. If the job is to be carried out properly, it must be regarded by both the Service Secretary and the Secretary of Defense as consisting of two parts — the proponent head of a major operating element, and an official of the DoD as a whole, subject to the authority and direction of the Secretary of Defense.

As noted earlier, the problems of Defense are sufficiently complex and important to require that the Secretary of Defense have alternate sources of advice. The Service Secretary, as he is now constituted, is in a unique position to provide such advice. Under the Morris proposal, despite its virtues, the Service Secretaries would increasingly function in name only, and as they continued to "view their jobs as the direct representative of the Secretary of Defense," would become progressively more remote from the Services who have traditionally looked to them for leadership, and for whom they have traditionally served as the immediate personification of civilian authority and control.

There is an additional problem with the alternative, perhaps best illustrated in the research, engineering and weapons
acquisition area. Today, the Services through their Assistant Secretaries for Research and Engineering play a major role in the process. The Service Assistant Secretaries would be eliminated under this option, leaving civilian direction of weapons acquisition to the OSD staff. We believe it would be inadvisable to direct the entire acquisition program, including its defense before the Congress and the explanation of its associated procurement decisions, from the OSD level. Indeed, a recent study by an outside group of experts chaired by Dr. Alexander Flax, concluded that OSD was already too much involved with responsibility for major acquisition programs, and that more of them should be assigned to the Military Departments.

E. OPTION FOUR: SELECTIVE INTEGRATION

The Study Project also examined an alternative that might be termed "selective integration." Under this alternative the layering of staffs would be selectively reduced in two ways, as shown in Figure 2.

1. First, Service Assistant Secretaries responsible for the Manpower, Reserve Affairs, and Logistics functions would be eliminated, requiring the Service Secretary to rely upon the respective uniformed heads of these functions with the full assistance, when needed, of the OSD staffs in the two functional areas.

2. Secondly, the selective integration alternative would merge the Research and Engineering staffs at the Service level now separately reporting to the Assistant Secretary and the Chief of the Service. (The same type of staff merging might also
be considered in the financial management area as is the case now in the Navy.)

The reduction of layering and its associated redundancy and duplication was recognized by the President's Reorganization Project in its issue summary as one of the potential benefits that could lead to a more effective and efficient national security establishment. It is apparent that a reduction of staff levels normally can be expected to increase efficiency, since some of the successive staff work is bound to be redundant. But there must be a limit to how far the process should be allowed to go. Carried to its extreme, the reduction of layering would result in a single staff, but this would expose Defense decision-making to undue risk, since it would preclude the opportunity to consider other perspectives and points of view.

Thus, we believe that layers should be reduced when their number produces duplication rather than a needed diversity of views. In short, reduction of layering should be approached selectively. That is what is involved in Option Four.

First, in the manpower, reserve affairs, and logistics areas, the Service Secretary and the Chief would depend upon the military staff, but would also have available the assistance of the OSD staffs in the respective functional areas. There are advantages to this approach beyond the elimination of a layer that the Defense Manpower Commission believed to be unnecessary. They include:

- The senior military officers to whom the Secretary would turn are professionally qualified in areas where it has sometimes been difficult
to recruit fully-qualified Presidential appointees.

- Requiring the Assistant Secretaries of Defense to serve in effect as staff assistants to the Service Secretaries for particular projects when the latter requested their assistance should increase Defense teamwork and enhance the position and prestige of the Service Secretary as a principal DoD line official. It would also make available knowledgeable staffs to augment departmental resources.

There are also some disadvantages.

- Two of the Military Departments -- Army and Air Force -- oppose the concept, with the Navy giving limited support.

- An Assistant Secretary at the OSD level in the functional areas involved would have two "bosses" -- the Secretary of Defense and the Service Secretary -- violating generally accepted management principles, and necessitating in practical terms a priority of effort for the Secretary of Defense, not the Service Secretary.

Thus, the proposal is controversial. Less controversial is the elimination of a layer by merging the civilian and mili-
tary Research and Engineering staffs under the Service Assistant Secretary. This appears to be generally acceptable to the Military Departments and OSD, and is believed by a number of people in the research and engineering community to be a way of improving the management of this important area of Defense activity.

F. OPTION FIVE: FULL MERGER OF SECRETARIAL AND MILITARY STAFFS

As another alternative for streamlining the organization by reducing staff layers and eliminating duplication, the Study Project considered an across-the-board merger of the separate staffs now supporting the Service Secretariat and the Chief of the Service. In Option Four, a limited application of this alternative was described; in Option Five, the approach would be extended to all the functional areas of responsibility.

There is precedent for this approach in prior reports and studies. The Blue Ribbon Defense Panel, for example, recommended an integration of the Secretariat and military staffs to avoid duplication and to reduce the size of the total Headquarters' staffs. The supplementary views contained in the report of the Defense Manpower Commission dealt with the problem of duplicate staffs by abolishing the Assistant Secretaries and their respective staffs, and depending upon the military staff to serve both the Secretary and the Chief of Service.

A merger of the military and civilian staffs could be accomplished in the following manner. The civilian and military staffs could be integrated by assigning the Deputy Chiefs of Staff within each Military Department in the areas of research
and engineering, systems acquisition, financial/comptroller, and installations and logistics, to serve also as Deputy Assistant Secretaries of the Departments within these areas. The double-hatting of the Deputy Chiefs as Deputy Assistant Secretaries, would provide continuity of effort during changes of Administration or when the position of Assistant Secretary was vacant for some other reason. Another advantage would be to institutionalize the close working relationship between the civilian and military officials in each functional area. And finally, the layering inherent in maintaining dual levels of review within the same Military Department would be eliminated, with a reduction in paperwork processing and a potential for manpower savings.

There are also some disadvantages to the alternative. First, there may be a legal prohibition against a military officer fulfilling the statutory responsibilities of an Assistant Secretary during the latter's absence. Secondly, there could be an impression given of a weakening in civilian authority and direction if a military officer served as Deputy Assistant Secretary in each of the functional areas. Finally, although the military officers we interviewed generally supported the approach, there are some who have reservations. The central concern of those who question the approach is that the lines of authority and responsibility of the Secretary and the Military Chief could become clouded as a result of the staff integration.

On balance, we believe it would be preferable to apply this approach selectively rather than across-the-board. The
area where it appears to have the most ready application and the
greatest degree of support is Research and Engineering.

G. **OPTION SIX: EVOLUTIONARY IMPROVEMENT**

The final alternative would be to continue the process of
evolutionary improvement in organization that has characterized
the Pentagon in recent years. Adoption of this alternative would
not preclude application of some of the concepts embodied in the
prior options.

It is important to note in appraising Option Six that
Secretary Brown has already carried out a number of organiza-
tional changes, some with potentially far-reaching significance,
such as the designation of a new Under Secretary for Policy.
The extent of these changes will be described in the next chapter.
Since any organization can absorb only so much change without
losing effectiveness, there is good reason to allow the new
organizational arrangements to take hold and accomplish their
purpose, and to limit any additional changes to those that offer
a realistic promise of genuine improvement.

In this connection, a quotation displayed on the wall
of one of the OSD offices, attributed to Petronius Arbiter in
210 B.C., is amusing and perhaps also instructive:

"We trained hard... But it seemed that every time we were beginning
to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet
any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress
while producing confusion, inefficiency, and demoraliz-
ation."
We believe that the concept of evolutionary improvement, as embodied in Option Six, is the most useful approach for the Department of Defense to follow. We base this conclusion on the discussion of management considerations under each option, the opportunities for management improvement identified in the Study, and the conditions existing today and likely to be encountered in the future.

Accordingly, the recommendations presented in the next two chapters avoid extreme organizational change, are for the most part evolutionary in nature, but reflect in one or two instances the concepts involved in the other options we have discussed.
CHAPTER IV: RECOMMENDATIONS — OFFICE OF THE SECRETARY OF DEFENSE

A. INTRODUCTION

This chapter presents recommendations pertaining to the Office of the Secretary of Defense. They are based upon the analysis, considerations, and conclusions set forth in previous chapters of this report. In developing them, the Study Project has kept in mind the focus contained in the issue summary for this study, prepared by the President's Reorganization Project, calling for an examination of:

"The organization of the Office of the Secretary of Defense to make sure he can exercise control over both operating forces and defense resources; to develop and implement long-range national security plans consistent with national policies and goals, to evaluate current and new systems to insure readiness, adherence to performance standards, and compatibility with other programs."

While the recommendations deal with specific offices and procedures, they are broadly intended to meet what the Study Project believes to be a need for a more cohesive management effort in which appointed officials, professional military officers, and career civilians can work together with a greater sense of common purpose. We believe that the Service Secretary is a key element in this process who, along with the Chief of the Service, should participate more fully in the deliberations leading to policy objectives of the Department.

In developing recommendations, the Study Project was mind-
ful of the substantial degree of organizational change already initiated by Secretary Brown and intended to achieve many of the objectives of organizational streamlining and strengthening that this study and prior studies and reports have emphasized. A brief summary of Secretary Brown's changes appears in the next section, with additional details included in the discussion of the various OSD offices.

B. SECRETARY BROWN'S ORGANIZATIONAL CHANGES

Secretary Brown's major changes include the following:

- Elimination of two Assistant Secretaries of Defense, and one Assistant Secretary in each of the three Military Departments.
- Elimination of one of the Deputy Secretary of Defense positions.
- Creation of two new Under Secretary of Defense positions, one for Policy and the other for Research and Engineering.
- Transfer to the Under Secretary for Research and Engineering of the major weapon systems acquisition responsibilities previously carried out by the Assistant Secretary (Installations & Logistics).
- Consolidation of the position of Assistant Secretary of Defense (Intelligence) and Director, Telecommunications, Command and Control Systems under a new Assistant Secretary of Defense (Communications, Command, Control, and Intelligence).
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- Consolidation of manpower, reserve affairs, installations and logistics responsibilities in a new Assistant Secretary (MRA&L) in lieu of the prior breakout under two ASD's, one for manpower and reserve affairs and the other for installations and logistics.

- Establishment of a NATO affairs advisor reporting to the Secretary.

- Reduction of major staff offices reporting to the Secretary from 14 to 9.

- Assigning supervisory responsibility of Defense Agencies to Defense officials rather than the Secretary as a further means of reducing the number of individuals and offices reporting directly to the Secretary.

- Strengthening of the program analysis and evaluation function by upgrading the head of the office from a director to an Assistant Secretary, along with other measures to increase the office's prominence.

- Reduction in the size of the OSD staff from 2,065 to 1,519, as noted earlier.

- Introduction of new management procedures of which the most important is Consolidated Guidance, a major undertaking which was the subject of one of the case studies prepared in connection with this report.
Not the least among the objectives of these changes was to free the Secretary from the burden of an excessive number of individuals and offices reporting directly to him, permitting him to concentrate on national security policy and overall direction of the Department. The Study Project believes that further efforts of this type are needed, particularly through the placing of additional responsibility upon the Service Secretaries and the Military Departments.

C. THE DEPUTY SECRETARY OF DEFENSE

Among Secretary Brown's changes was a decision to rely upon a single Deputy rather than two, as was the case in the previous chart of organization. The Study Project believes that a single full-scope Deputy is preferable to two, that "two deputies can mean no deputy."

The relationship between the Secretary and the Deputy, and the determination as to how the overall burden is shared is very much a matter of the experience, interests, and "chemistry" of the individuals involved. In the present case, the incumbents have impressive complementary abilities, one a scientist with long experience in defense matters, and the other a highly successful business man seasoned from the experience of managing a large enterprise.

D. THE ARMED FORCES POLICY COUNCIL (AFPC)

Recommendation No. 1. Use the Armed Forces Policy Council (AFPC), as it was chartered, to offer the Secretary of Defense regular and frequent advice in the formulation of Defense policy, restricting membership to civilian and military statutory authorities.
By this action, the Secretary of Defense would place reliance formally on the counsel of his principal nine subordinates though not excluding any form or source of other advice he might seek or use. The Service Secretaries and the Service Chiefs would thereby assume a more prominent role in assisting the Secretary of Defense in the formulation of Defense policy, and the Secretary in turn could expect more effective implementation of policies as a result of the active involvement of the Headquarters' principals. To facilitate the process, the AFPC executive secretariat would be activated, or, alternatively, the Special Assistant's office assigned, to plan the agenda and form of sessions and to carry forward the results of the deliberations.

For their part, the Service Secretaries would undertake to examine issues of individual and general service interest from as broad a perspective as possible, giving priority to bringing out all pertinent considerations as well as differing points of view. Institutionally, this charge is an unaccustomed one for the Service Secretary. There is no uniformity in the Defense headquarters in this regard and each Service Secretary will have to act uniquely to the challenge implicit in the Study Project's recommendation. In the Service Under Secretary, the Secretary has a ready source of executive assistance in preparing for his part in a strengthened AFPC.

Because the AFPC meetings now include up to 40 people and give preference to the passing of information within the headquarters, an alternative for communications is required. Whatever course the Secretary of Defense may choose for that administrative practice, it should be consistent with the primary
role of the AFPC for accountable advice in the formulation of policy.

E. THE UNDER SECRETARY FOR POLICY

Recommendation No. 2. Establish a Planning Office under the Under Secretary of Defense for Policy, formally linked in liaison to the Chairman, Joint Chiefs of Staff, with assignments including politico-military long-range planning and contingency planning oriented to the formulation of Defense policy guidance and in mutual support with overall national security policies.

This proposal takes advantage of the coincidence of an unfulfilled potential in the new Under Secretary's office; the consensus of a need for better integration of military planning with political considerations and overall national security policy-making; and, a foreseeable growth in the strategic, force structure, and national security policy issues facing the Secretary of Defense and the Joint Chiefs of Staff. It should enhance the military voice by an organizational connection not now existing and bring military planning into concert with political perspectives. The anticipated staff liaison between the Secretary of Defense and the Chairman, Joint Chiefs of Staff offers promise of a well-rounded and precise Defense Policy Guidance (See Recommendation No. 3) that may chart a course for much of the other activity in the Defense headquarters. Difficult choices in Defense systems acquisition may be more suitably narrowed by long-range planning that is convertible into an acqui-
sition strategy. Contingency planning concentrating on politico-military matters should strengthen readiness and sharpen insights on the best use of available armed power. A conjunction of politico-military long-range planning, enlightened by innovative analyses protected from day-to-day operational management tasks, offers judgments on strategic and force advantages, disadvantages, and opportunities not now provided by organizational or management practices. Exhibit II describes how the concept might be carried out, with specific detail on the manner in which the Planning Office might be linked to the Chairman, JCS.

Recommendation No. 3. Require the Under Secretary of Defense for Policy to support the Secretary of Defense in the development of Defense Policy Guidance governing the other parts of the Consolidated Guidance, working in close coordination with the Chairman, Joint Chiefs of Staff.

It is intended that the principal staff element for this purpose would be the Planning Office proposed in Recommendation No. 2. The recommendation reflects many of the Military Department comments on the Consolidated Guidance as indicated by a case study on this subject prepared by the study staff.

F. THE UNDER SECRETARY FOR RESEARCH AND ENGINEERING

Procurement policy and weapon systems acquisition responsibility have been consolidated by Secretary Brown in the office of the Under Secretary for Research and Engineering. The reason, with which the Study Project agrees, was to provide greater continuity of effort in the development and production of high-cost
major weapon systems, usually produced in a lesser quantity than what has traditionally been regarded as "production runs."

The position is a vital one, for upon its effective discharge depends the orderly and successful weapons acquisition programs on which national security so importantly depends. The Study Project believes that the incumbent Under Secretary has a good appreciation for the respective duties of the OSD office, on the one hand, and the Military Departments, on the other, where the actual processes of research, development and production are carried out.

The Under Secretary plays a leading role in the crucial and difficult decisions involved in protecting U.S. technological advantages by prompt conversion of new technical concepts to operationally-ready hardware, avoiding if possible false starts, excessive changes, and cost increases often associated with accelerated development and production programs. The time of the Under Secretary to make these decisions is, of course, limited, particularly with the growing workload associated with his collateral duties as the NATO Armaments Director. Effective operation of the Defense Systems Acquisition Review process (DSARC) is critical in this regard. It is in many ways a cumbersome process, as has been pointed out by a recent study of a Task Force of the Defense Science Board and by a case study prepared by the Departmental Headquarters Study staff. But the process is a necessary one, and the following recommendation is intended to make additional improvements in it.
Recommendation No. 4. Incorporate into the earliest DSARC milestone an analysis of the requirement for the candidate system to meet its primary mission, to contribute to secondary missions, and to assess its value in connection with other planned or operating systems designed to meet the same primary or secondary missions.

Consistent with its views as to the purpose and potential of the Planning Office under the Under Secretary of Defense for Policy, and taking into account the fiscal inability to convert all fully developed systems into production programs, the Study Project strongly supports preliminary steps being taken to broaden the analysis and understanding of stated requirements. We believe this effort would be strengthened if it is carried out against the background of more precise Defense guidance, policy and strategy. (Recommendation No. 3).

G. THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER) AND THE ASSISTANT SECRETARY OF DEFENSE (PROGRAM ANALYSIS AND EVALUATION) [PA&E]

The Study Project examined whether these two offices should be joined in an appropriate manner, as was the case for a period in the 1960's, for the purpose of providing a more effective overview of the programming and budgeting process for which they are respectively responsible. We concluded that it was preferable to leave them as separate offices, in part because of the belief that the PA&E function should be conducted in an independent manner to preserve the overriding importance of the integrity of its vital
program analysis function.

Much dissatisfaction was expressed, however, about the wasted motion involved in repetitive program reopenings during the budget review process after the programming decisions had presumably been made. In part, these dissatisfactions focused, rightly or wrongly, upon the Office of Management and Budget and upon Congressional staffs, believed by many of the individuals we interviewed to be engaged in program details to an inordinate degree. Whatever the reasons, there is a desire, shared by OMB, to improve the process, and the following recommendation is consistent with that objective.

Recommendation No. 5. Capitalizing on the orderly, phased program development schedule of the Consolidated Guidance, significantly reduce the budget review process -- eliminating redundant or repetitive program review within the Defense Headquarters and in OMB -- limiting budget review to pricing refinements and the program implications that result from pricing changes and "fact-of-life" changes.

A key aspect of the programming and budgeting schedule included in the Consolidated Guidance is an early exchange of views, comments, and judgments among those concerned. The White House and OMB are able to review program goals and constraints at an early point, and to provide timely, realistic fiscal guidance. There is also provision for subsequent exchanges of view on program planning so that a close liaison continues between the
President and the Secretary of Defense on the intent of national strategic objectives and on the explicit force structure decisions that satisfy those objectives. As a consequence of this orderly, phased procedure, it may be possible to avoid the past disadvantages of following the program development cycle with an extended budget review procedure that re-examines many of the program decisions previously made.

Those disadvantages have significant impact today. For example, the time of many people is engaged in repetitive, detailed work. As programs are altered, the balance of a mission or support capability is tilted, requiring other program adjustments. Finally, the concept for a particular program structure is often compromised, leaving the accountable officials with little rationale for revisions imposed by other authorities.

The consequences of these factors are often not recognized. Staff personnel must engage in repetitive work at the expense of highly remunerative tasks associated with weapons acquisition, planning, and program management and mission reviews. Additionally, reopening program decisions affects supporting logistical plans, often producing a chain of costly revisions to maintenance schedules, manning plans, and associated procurement actions not visualized or intended by the initiators of the programming changes.

Accordingly, the Study Project recommendation proposes a number of particulars:

- The early comments by the President on program options and the provision of reliable fiscal
guidance should be utilized as intended in the Defense headquarters for more efficient planning and staff operation.

- After Service Program Objectives Memoranda are reviewed and decisions made by the Secretary of Defense, programs will remain as approved except for exceptions defined below in the Budget Review process,

- On completion of the Program Decision cycle, the Budget Review will commence. Program changes made in that process will be limited to:
  - Those required by pricing changes,
  - Those initiated because of changed circumstances (delayed or accelerated test schedules; intelligence information; operational exigencies; manpower availabilities, emergencies or catastrophes).
  - Those initiated because of changes in industrial production capabilities.
  - Those initiated to conform with Congressional action in the prior year Budget request.

As a longer-term possibility, after the first year's experience with the Consolidated Guidance concept, the Study Project proposes that the Programming and Budgeting cycle be reduced in time, permitting the Services and OSD to give greater and analytically deeper attention to the acquisition cycle centered
in the DSARC process as a direct influence on more effective programming and budgeting.

H. THE ASSISTANT SECRETARY OF DEFENSE (MANPOWER, RESERVE AFFAIRS, AND LOGISTICS) (MRA&L)

Recommendation No. 6. Re-examine the decision to link manpower, reserve forces, and installations and logistics responsibilities under a single Assistant Secretary of Defense.

The consolidated office was formed in the belief that the functions involved would be administered more effectively under a common head, and to reduce by one the number of individuals reporting to the Secretary of Defense. There is substantial agreement among the people interviewed by the Study Project that the resulting scope is far too broad for effective control, and that the many difficult policy problems in the manpower and logistics areas require the full-time attention of two Assistant Secretaries. Accordingly they believe that the functions should be assigned to two Assistant Secretaries, one for Manpower and Reserve Affairs, and the other for Installations and Logistics (less the acquisition functions already reassigned to the Under Secretary for Research and Engineering).

The counter-view is that the objective of the consolidation, that is, improving readiness by providing for a single overview below the level of the Secretary of Defense of people and things for the force structure and the base structure, is fundamentally sound and deserves more time for a fair evaluation of its success. The incumbent Assistant Secretary believes that the concept is valid and that the record of performance to date
confirms this.

If the current functions were separated, an existing Assistant Secretary of Defense position would have to be requested of the Congress to provide for an additional Assistant Secretary.

Earlier we mentioned the need for a heightened effort to determine whether reductions could be made in the cost of support activities, including their large manpower costs. Opportunities for savings of this type are expected to be identified in the Defense Resource Management Study currently underway. Responsibility for carrying out the programs for realizing any potential savings will fall in large measure upon the Assistant Secretary of Defense (MRA&L), since manpower, logistical activities, and the DoD base structure are all within his scope.

It is useful to summarize quickly just how broad that scope is:

- Manpower costs for DoD in FY-1979 total $63.7 billion, or 55% of the Defense budget. This includes the cost of paying and supporting over five million military and civilian personnel for their present and past services.

- Defense Department real estate in the United States and overseas is valued on an investment cost basis at $46 billion, representing the cost of the land and buildings -- but not the cost of the installed equipment -- of the DoD base structure. Since the accounting system does not reflect the appreciated
value of the land and structures, the current value is considerably greater.

One of the main sources of increased efficiency and resulting cost savings has been the consolidation of common support activities and of the base structure devoted to these activities. The DoD will continue to look for similar types of savings as a partial offset to the cost of new weapons systems and equipment. A case study on this subject was prepared in connection with this report.

The case study makes the point that attempting to realize cost savings through consolidating activities and closing bases is often a formidable task. The organization for accomplishing these objectives is therefore important. The public and its representatives in Congress are usually reluctant to see bases closed because they provide income to the community. The Services sometimes resist because they tend to want to keep what they have, and can often cite valid military considerations in opposition to the proposed action. Thus, OSD must take the lead, working to insure a cooperative effort by the Services and be prepared to explain and defend the action to the Congress. It is a job requiring time, careful analysis, and a considerable degree of fortitude. Directing this one element of the entire field of logistics, along with the manpower and reserve affairs assignment -- which contains similar problems and opportunities of tremendous scope -- strikes the Study Group as more than one OSD office should be expected to handle. Accordingly, we have recommended that the decision to link manpower, reserve affairs, and logistics in a single office should be re-examined.
I. CAREER CIVILIAN PERSONNEL

In OSD as well as in the Military Departments there is a body of competent, dedicated senior career civilians who along with the appointed officials and the professional military bear the burden of directing and managing the Defense Department effort. While military officers often are rotated too frequently to make much of a dent in the areas for which they are responsible, the career civilians sometimes stay in the same job too long. The ability to shift senior civilian personnel with greater ease would provide opportunity for further growth and experience for the personnel involved, and greater flexibility for the top management officials to make changes where it appeared to be beneficial for all concerned. Accordingly, we believe OSD should take the lead, working with the Military Departments, to carry out the following recommendation:

Recommendation No. 7. Establish flexibility in the procedures governing rotation of Civil Service executive-level personnel within and outside the Department of Defense.

The President's Civil Service reform package establishes an Executive Service for managerial positions in the GS-16, 17, and 18 Civil Service grade levels, with application to all Executive Branch systems and agencies. The proposals also include shifting the current rank-in-position to a rank-in-person system, and delegating authority to agency heads to determine whether an individual meets the specific qualification requirements for a particular Executive Service position.
These proposals are subject to legislative action by the Congress. Their approval would introduce a needed flexibility to rotate senior Civil Service managers in the Defense Department, and provide the opportunity to obtain new perspectives, balanced with the need for management continuity, much as now occurs with political appointees and military officers.

J. DEFENSE AGENCIES

The Study Project made only a limited review of this aspect of the Defense organizational structure. One agency examined in somewhat greater detail was the Defense Nuclear Agency (DNA), but even here the extent of the review was insufficient to permit a recommendation to be made. The Study Project nevertheless believes that it would be worthwhile to examine a change in the management of this agency, along the following lines:

Designation of the Director, (DNA) as a Deputy Under Secretary in the Office of the Under Secretary of Defense for Research and Engineering, incorporating the responsibilities of the old Assistant to the Secretary of Defense (Atomic Energy), including statutory appointment as the Chairman of the Military Liaison Committee (MLC).

The Defense Nuclear Agency since December 28, 1977 has been under the direction, authority, and control of the Under Secretary of Defense (Research & Engineering), and under the delegated supervision of the Chairman, Joint Chiefs of Staff, for the JCS, for specific nuclear matters. The Agency's mission (DoD Directive 5105.31) and tasking is broad, including nuclear technical advice,
inspections, management, and operational warfare. It has brought together a strong, expert staff that is difficult to match in other staffs because of the limited availability of such people. Nevertheless, the Agency is used primarily for studies and advice, outside the line within which decisions are made. One consequence is a multiplication of staffing on the DNA product, often by less knowledgeable elements. By placing the Director on the staff of the Under Secretary of Defense (Research and Engineering), double-hatting him as a Deputy Assistant Secretary, and appointing him as Chairman, Military Liaison Committee, the lines of authority for nuclear matters would be simplified, avoiding redundant staffing and making more efficient use of experts in a specialized field. As a separate and consistent action, outside the immediate purview of this study, the Director and his Agency could also serve as the JCS element for nuclear matters, much as is done now with the Defense Intelligence Agency for intelligence matters. In any event, the organizational changes we have suggested for consideration are consistent with current and forthcoming issues concerning nuclear weapons, including safeguards against terrorism, stockpile modernization, arms control agreements, and operational employment.

K. READINESS REPORTING SYSTEMS

The ability of the Office of the Secretary of Defense to evaluate current and new defense systems to ensure readiness was one of the issues of interest to the President's Reorganization Project. The Study Project has looked into this matter and reports its findings in this section of the report.
There are two major reporting systems which flow to the OSD level. Both move through the JCS chain and are oriented toward the operational aspects of force readiness as opposed to the resource management aspects.

The first of these two reporting systems is a computer-based Force Status Reporting System (FORSTAT). This system affixes an "R" category ranging from R-4 — not ready — to R-1 — fully ready, in each of four categories: material readiness, logistical readiness, personnel readiness, and training readiness, together with an overall rating. This system enables the Joint Chiefs to determine which units are operationally capable of performing their mission at a given time.

The system does not permit OSD officials to determine the level of resources necessary to improve a given readiness condition, a deficiency that needs to be corrected. Another problem is an absence of uniformity in the application of the "R" factors among the four Services, that is, the definition of what may constitute an "R-2" rating for an Air Force wing may differ considerably from that for a mechanized infantry battalion.

The second readiness reporting system procedure is a subjective assessment by the unified and specified commanders, who report in narrative form to the Chairman of the Joint Chiefs the readiness of the units under their command. The Chairman in turn then prepares a narrative summary, semi-annually, for use by the Secretary of Defense describing the readiness of all forces.
No one at the OSD level is specifically charged with action responsibility for readiness evaluation procedures. The ASD(PA&E) and to some extent the ASD(MRA&L) both have an interest in a system that would permit a quantitative measurement of the increased levels of readiness that could be obtained with given levels of increases in resources made available. In short, as stated earlier, the present systems are intended to meet the operational needs of the JCS and the Secretary of Defense as opposed to the resource application needs of interest to OSD, the Service Secretaries, and the Congress, which often directs inquiries in this area.

To improve the situation, the Secretary of Defense has established a DoD Readiness Management Steering Group with the ASD(MRA&L) as Chairman and the ASD(PA&E) as Vice Chairman. Having completed certain short-range assignments, the group is now turning its attention toward development of a comprehensive, long-range plan that would among other things, provide consistent and meaningful readiness measures, develop analytical tools for relating resource inputs to readiness levels, and identify management or organizational changes that would improve DOD's capability to assess and manage combat readiness.

In view of the action the Secretary of Defense has already initiated, the Study Project does not believe that any further recommendation need be made at this time. However, three observations are in order. First, there is no more important subject than this one, for ready forces are the main product for
which the Defense Department is responsible. Secondly, as the Department's principal resource managers, the Service Secretaries have an important role to play, and should be directly engaged, along with their Military Chiefs, in the overall effort. Thirdly, the newly established position of Under Secretary of Defense for Policy might be a logical place for the Secretary of Defense to focus politico-military considerations associated with operational readiness assessments.
CHAPTER V: RECOMMENDATIONS -- THE MILITARY DEPARTMENTS

A. INTRODUCTION

A key question in the National Military Command Structure study of the Defense Reorganization Project is whether to separate the Joint Chiefs of Staff from their Service Chief responsibilities; a key question in this study is whether to eliminate the Service Secretary and rely instead upon civilian direction and control from the Secretary of Defense's level.

For the reasons given in the preceding chapters of this report, the Study Project has concluded that the Service Secretary is a vital element in the Defense management structure, that the position should be enhanced and made more accountable, and that it should be broadened to include a greater involvement in the policy-making process within the limits of the authority for the position as prescribed by law.

Some of the preceding recommendations for the Office of the Secretary of Defense are intended to achieve this objective. Additional recommendations are presented in this chapter, with respect to both the Secretariat and the military staffs of the Departments. If these recommendations are carried out, we believe the Service Secretaries would be adequately organized and have sufficient authority and capability to exercise their responsibilities as resource managers. Ascertaining this was one of the tasks suggested by the President's Reorganization Project in the issue summary prepared for this study.

The table below shows the manpower strength of the offices serving the Secretaries and their assistants. Additional man-
power is available to assist the Secretariats, but it is difficult to establish with accuracy the number of individuals involved. Thus, the numbers in the table should be regarded as minimums.

**MANPOWER STRENGTH SERVING SERVICE SECRETARIES AND THEIR ASSISTANTS**

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<thead>
<tr>
<th></th>
<th>Army</th>
<th>Navy</th>
<th>Air Force</th>
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</thead>
<tbody>
<tr>
<td>Military</td>
<td>126</td>
<td>170</td>
<td>135</td>
</tr>
<tr>
<td>Civilian</td>
<td>226</td>
<td>248</td>
<td>185</td>
</tr>
<tr>
<td>Total</td>
<td>352</td>
<td>418</td>
<td>320</td>
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</table>

B. **RECOMMENDATIONS**

**Recommendation No. 8.** Make multi-service assignments to Service Secretaries from time to time, instead of to Under Secretaries or Assistant Secretaries of Defense.

To enhance the position and prestige of the Service Secretary, and to encourage a perception of him as a DoD manager as well as the head of a component department, it would be useful if DoD-wide tasks, where appropriate, were occasionally assigned to Service Secretaries for study, coordination, or resolution.

Similarly, there may be occasions at the initiative of the Service Secretaries themselves where DoD-wide matters can be promptly and effectively resolved by the Service Secretaries.

The Study Project believes that efforts of this type will increase the effectiveness of the Defense management team, and will enable the Secretary of Defense to make fuller use of the management resources and talents available to him.
Recommendation No. 9. Establish a formal role for the Service Under Secretaries oriented to common liaison functions with OSD, in addition to the normal responsibilities of the office.

The Service Under Secretaries assume different roles in each Department according to the management practices and perspectives of the Service Secretary. The recommendations of the Study Project on strengthening Defense Policy formulation and improving Headquarters' management cohesion suggest a number of specific roles for the Under Secretaries:

- Liaison with the Under Secretary of Defense for Policy.
- Executive for the Service Secretary for multi-service assignments and initiatives.
- Executive for the Service Secretary for AFPC meetings, agendas, and support.
- Executive for the Service Secretary for monitoring functional areas in which an Assistant Secretary is not assigned.

One of the purposes in formalizing these responsibilities is to give added assurance that the intent of the central proposals made in this report will be attained.

Recommendation No. 10. As a start toward reducing staff layers and individual staff components, authorize the Service Secretaries to eliminate their Assistant Secretaries for the Manpower, Reserve Affairs, and Logistics functions, placing reliance for conduct of these functions on the
respective Service Chiefs and on the OSD
staffs in the two functional areas.

As discussed previously, the Defense Manpower Commission, in its April 1976 report, identified three layers concerned with manpower policy and concluded that two would suffice -- the OSD layer and one, not two, Service layers, "provided that other functions such as logistics are treated similarly."

The advantages as well as the disadvantages of this approach were described in Chapter III. The Study Project believes that it would be useful to test this concept because it offers the promise of reducing staff layers, bringing the DOD together in a more cooperative effort, and distributing responsibility in a way to make the best use of the DoD civilian and military staffs.

Recommendation No. 11. Integrate, in each Service, the Research and Engineering Staffs now separately reporting to the Assistant Service Secretary and Service Chief, allowing for joint responsibilities to the Service Secretary and Service Chief; concurrently, the Secretary of Defense should increase the number of the development and acquisition programs falling under the primary management authority of the Services.

By combining the direction of the research/development and systems acquisition functions under a single Under Secretary of Defense (Research and Engineering) -- called the Acquisition Executive -- the current Administration recognized the fundamental relationship between the two functions. Under combined
supervision, moreover, the flow of technology into systems production is facilitated, enhancing the opportunity for its effective application.

Program monitoring for that purpose permits earlier recognition of choices among competing systems. Under current procedures, the Under Secretary of Defense (Research and Engineering) supervises the higher cost development and procurement projects, totalling about 90 major system acquisition programs. The integration of Service staffs proposed in this recommendation will strengthen the Services' capability to manage other major programs and, at the option of the Secretary of Defense, to assume management responsibility for some programs now supervised by the Under Secretary of Defense (Research and Engineering). The enhanced flexibility provided by this recommendation should improve the capability of the Department of Defense for changing conditions, whether in total numbers of acquisition programs, the number of development programs proximate to a procurement decision-point, or the increasing time devoted to armaments coordination with our NATO allies.

Against this background, the Study Project organizational proposal should have the following effects:

- Reduction of the management layers which exist between the Under Secretary of Defense and the Project managers.
- Promotion of common understandings and objectives in Service staff operation; resolution of diverse points of view and incor-
poration of management skills economically at a single level; elimination of multi-level supervision of Service programs; and reduction of the civilian-military tension in Research, Development/Acquisition which exists in a situation where Project Managers in the main are military officers.

- Encouragement of an evolutionary refinement of Service civilian and military staffs to match the responsibilities of the Under Secretary of Defense (R&E) where that organizational consistency does not now exist.

While the Deputy Chief of Staff (or Deputy Chief of Naval Operations) for Research and Engineering will act as Deputy to the Assistant Service Secretary, the DCS/DCNO will continue to have a direct line of responsibility to the Service Chief as now is the case. The provisions of 10 U.S.C. 973(b) may limit the ability of the DCS/DCNO to assume statutory responsibilities of the Assistant Secretary in the case of the latter's absence. Compliance with this legal restraint, however, does not appear to present a serious obstacle, since other civilian authorities are available when necessary to make the applicable statutory findings. The Study Project recognizes that, in addition to the legal question, the element of dual loyalty is raised by the proposal. We believe that the advantages of the proposal outweigh that institutional factor, particularly in light of the
common purposes of the Service Secretary/Service Chief, and the motivations of good will inherent in that relationship.

Recommendation No. 12. Through procedures acceptable to the respective Service Secretaries, provide common access for both the Service Secretary and the Service Chief to the Military Departments' Systems Analysis, Inspector General, and Audit Service capabilities.

The current provisions for the use of these instruments for effective management vary by Service. Tasking, control and review authorities are available in one form or another to both the Service Secretary and Service Chief, but in practice access is not fully shared. Utilization of the Inspector General and Audit Services should reflect changing concerns, be flexible enough for redirection when required, and be responsive to the compatible, but not always identical, perspectives of the Service Secretary and Service Chief. Systems Analysis capabilities that permit independent judgment are required for both principals if the Secretary's dual role to the Secretary of Defense and to the Service is to be honored and if the Service Secretary's judgments are to be credible. The perception, as well as the fact, of effective Service capabilities to monitor management and readiness is essential for the interdependence, common purpose, and mutual confidence that the Study Project believes to be required in the Defense Headquarters.

Recommendation No. 13. Encourage a continuation of the effort already underway to reduce headquarters military staffs by greater dependence on subordinate
commands, particularly in the materiel area.

The data on staff strengths, attached as Exhibit III, reflect the trends of headquarters staff reductions over the past five years. Some manpower was transferred to other commands and some decreases represent permanent cuts. Nevertheless, there was a general consensus of those consulted that a better sharing of staff assets was feasible.

The location of the Air Force Systems Command and the Materiel Commands of the Army and Navy in the Washington area offer immediate possibilities for balancing staff support. The staffs of the Service Chiefs may be reduced and some portion of their current staff operation carried out for the Chief by the capabilities available in the Materiel Commands. Both the location and organizational structure of the Air Force Logistics Command, located in Dayton, Ohio, may inhibit comparable staff support refinements.

There are practical limits, however, to the extent of any further reductions. One reason for this is the growing demand on these staffs arising from Congressional appearances and inquiries. The General Accounting Office, in its April, 1976 report, called attention to this problem. In 1964, for example, DoD provided 630 witnesses to appear before 24 Congressional Committees where 650 hours of testimony were delivered. In 1977, there were 3,437 DoD witnesses providing 2,321 hours of testimony before 75 Congressional Committees.
C. MILITARY STAFF SUPPORT OF SERVICE CHIEF IN JCS ROLE

In accordance with the guidance furnished by the President's Reorganization Project, the Study Project looked into the question of the ability of the Military Staffs to support the Service Chief in his JCS role, as well as to carry out his resource management responsibilities.

There appears to be no question as to the ability of the Military Staffs to carry out both responsibilities. Only 111 positions were identified by the four Military Services as being fully-dedicated to JCS support, although many individuals participate occasionally on a part-time basis. The table below summarizes by Service the number of positions in each of the military staffs together with those assigned full-time to JCS support.

<table>
<thead>
<tr>
<th>JCS SUPPORT WITHIN MILITARY STAFF TOTALS</th>
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<tbody>
<tr>
<td>Total Staff</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>Army</td>
</tr>
<tr>
<td>Navy</td>
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<tr>
<td>Marine Corps</td>
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<tr>
<td>Air Force</td>
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<tr>
<td>TOTAL</td>
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</table>

During the course of the study effort, one of the individuals interviewed suggested that the JCS product might be improved if the requirement for Service coordination on JCS papers prior to decision-making by the Chiefs were eliminated. This person believed that the Chiefs themselves would be inclined to take a broader, less parochial view than the lower ranking officers in the Military Departments who "coordinate" on JCS
papers under current procedures.

This subject, of course, lies primarily within the purview of the National Military Command Structure study, but it bears at least a tangential relationship to this study as well. Accordingly, the Study Project proposes that the suggestion be examined for the purpose of determining whether it has merit.
EXHIBIT I

The Study Group was composed of representatives from the private sector and the Military Departments.

Project Director - Paul R. Ignatius, President, Air Transportation Association, and formerly Secretary of the Navy; Assistant Secretary of Defense (Installations and Logistics); Under Secretary of the Army; and Assistant Secretary of the Army (Installations and Logistics).

Study Director - Admiral Worth H. Bagley, USN (Ret.), whose active service included duties as Vice Chief of Naval Operations; Commander-in-Chief, U.S. Naval Forces Europe; Director, Navy Program Planning; Executive Assistant to the Secretary of the Navy; Member Staff Group, Chairman, Joint Chiefs of Staff; and staff of the Military Representative of the President, the White House.

Assistant Study Director - Colonel Peter B. Petersen, USA. Service includes: Military Assistant, Office, Secretary of the Army. Commanded an Infantry Battalion in Vietnam; Doctorate in Business Administration. Previous assignment was Chief of the Strategic Plans and Policy Division -- Army Staff.


Project Staff - Lieutenant Robert E. Cattanach, USN, JAGC. Service includes: Special Assistant to the General Counsel/Assistant Special Counsel to the Secretary of the Navy.

- Colonel Frederic J. Flemings, Jr., USAF. Service includes duty with the Air Staff, the Air Force Secretariat, a joint headquarters, and the Department of State. Masters degrees in Political Science and Business Administration. Previous assignment was Executive to the Assistant Secretary of the Air Force for International Affairs.

- Joel B. Hudson, Management Analyst, Office of Secretary of the Army; Supervisor Management Analyst, HQ, TRADOC: Management Analyst, HQ, CONARC: Management Analyst, Ft. Eustis, Virginia; Masters Degree in Personnel Administration; Graduate Armed Forces Staff College.
Colonel Joseph N. Smith, USMC, Plans and Policies Directorate, Headquarters, U.S. Marine Corps. Service includes: Vietnamese Marine Battalion Advisor; Deputy Chief/Marine Corps Advisor, U.S. Navy Mission, Chile; Deputy Chief of Staff, Intelligence/Operations, Camp Butler, Okinawa; Policy/Analysis Division, Headquarters, Marine Corps; Masters Degree in International Relations. Previous assignment was Director, 9th Marine Corps District.

EXHIBIT II

A CONCEPT FOR THE PLANNING OFFICE

(Recommendation No. 2)

Purpose: Establish a Planning Office in the Office of the Under Secretary of Defense for Policy to integrate the political and military aspects of Defense policies to overall security interests in the near-term and long-range time periods, receiving from the Joint Staff the military portions of such planning being carried out in behalf of the Chairman, Joint Chiefs of Staff (JCS) and coordinating with the Chairman, JCS, on that planning and other portions of politico-military planning.

Requirement: The findings of the Defense Headquarters Study Project posed several issues not otherwise resolved:

1. In his role as an advisor to the President on national security, the Secretary of Defense requires improved support in long-range politico-military planning, integrating the product of several distinctive planning activities in the headquarters and providing for innovative analyses that (a) offer insights into the political ramifications of possible uses of military forces in support of national security policies and into the strategic advantages and disadvantages of such uses, and (b) identify selected long-term strategic opportunities open to the United States to improve its overall security posture.

2. In the exercise of his National Command Authority functions, the Secretary of Defense requires an active and continuing staff process identifying potential politico-military crises involving the deployment and/or employment of armed
power, developing plans incorporating political, military and other considerations and relating expected strategic situations to opportunities for deterring and dealing with contingent crises.

3. The Consolidated Guidance cycle should be based on comprehensive Defense Policy Guidance that provides a basis for detailed development and analysis of force programs and regional relationships within the limits of funds allocated for defense. Only in this way can feasible policy options be produced for the five-year period under consideration. In the absence of prior policy formulation, the Consolidated Guidance could prevent judgments on ways to satisfy a range of policy options derivable from overall national security interests, could constrain the definition of risks to fiscal rather than broad strategic objectives and could avoid the check-and-balance of analysis oriented to the alternate perspectives of national security and defense policy. This problem originates from a lack of long-range and contingency politico-military planning within the Defense Headquarters focused on overall national security interests, and from an inadequate integrated politico-military analytical capability outside the program/system analysis orientation of Program, Analysis and Evaluation (PA&E) and the Services. Additionally, there is a need to bring better military viewpoints into the planning process, and to bring them in early in the policy-making process. For requisite policy formulation support to the Secretary of Defense, these deficiencies should be corrected and Defense Policy Guidance developed to govern the preparation of the Consolidated Guidance, guide other Defense decision-making,
including contingency planning, and serve as the basis from which the Joint Staff develops the Joint Strategic Objectives Plan (JSOP) and the Joint Long-Range Strategic Study (JLRSS) (or its equivalent) for the next Planning, Programming, Budgeting System (PPBS) cycle.

**Considerations in Formulation:** There are a number of considerations that influence the form and function of a Planning Office that meet the requirements defined by these issues:

1. Military planning is carried out by the JCS, involving long-range strategic objectives as well as near-term and contingency considerations. The substance of this work, while primarily military-oriented, is related to the broader aspects of overall national security interests and a continuing link to a Planning Office in the Office of the Secretary of Defense (OSD) is essential. Since the responsibilities of the Secretary of Defense and the JCS for national security advice to the President are in close coincidence, in its optimum form the OSD Planning Office should give common support to both individuals.

2. The Policy Plans and Regional directorates in the office of the Assistant Secretary (International Affairs) (ISA) of OSD are responsible for many aspects of politico-military matters and conduct regular liaison with the Joint Staff. Both ISA Directorates are oriented to departmental operating tasks, however, not fully committed to more specialized planning functions, and the Policy Plans Directorate has an external operating liaison responsibility to the National Security Council staff.

3. The Net Assessment directorate in OSD carries out analytical projects of relevance to the requirements that in
part define a new Planning Office.

4. Since ISA and the Net Assessment directorate are located under the Under Secretary of Defense for Policy -- the same organizational position visualized for the new Planning Office -- the desirable coordination of related functions should be facilitated.

5. Analytical planning exists under the Under Secretary of Defense for Research and Engineering for development of weapons systems acquisition strategies and for general mission and strategy evaluations of individual system candidates.

6. The Assistant Secretary (Program Analysis and Evaluation) (PA&E) in OSD carries out analysis of programs and budgets, and operates as an office independent of other elements in the Defense Headquarters, an arrangement that is organizationally sound for its analytical function but which would benefit from policy guidance and that integrates the Headquarters planning process.

7. Service systems analysis groups are involved in program and budget analysis, interfacing with PA&E, but also carry out some broader, strategy-oriented analyses and some net assessment analyses.

Planning Office Form. Based on the substance of the requirements and the appropriate considerations influencing formulation, the Planning Office should be organized as follows:

1. A principal staff office under the Under Secretary of Defense for Policy headed by a military officer (active or retired), who additionally will be responsible for liaison with the office of the Chairman, Joint Chiefs of Staff -- and, as appropriate, his
representatives — on all matters within the Planning Office's responsibilities. The office shall have a civilian deputy.

2. The office will have two major divisions; one for Mid and Long-Range Planning and the other for Politico-Military Contingency Planning. The Mid and Long-Range Planning division normally will be headed by a civilian, manned with a small civilian-military analytical group, and its work will be substantially isolated from day-to-day operating tasks. The Politico-Military Contingency Planning division will be headed by a civilian or military officer on a rotating basis, manned with a small group of civilian and military officers, by its nature involved in suitable operating activities, and will provide, as appropriate, a politico-military augmentation team to the National Military Command Center (NMCC) in times of regional crises.

3. The Planning Office will coordinate and integrate its planning functions related to overall national security interests with other OSD offices involved in related planning utilizing Service analytical and planning resources where appropriate, and working in the closest concert in these purposes with the Joint Staff.

4. The Planning Office will have the following specific responsibilities:

   a. Conduct mid and long-range planning (3 - 20 years) involving politico-military strategies, emphasizing analyses that provide insights on the advantages, disadvantages, and opportunities for the U.S., coordinating closely with the office of the Chairman, Joint Chiefs of Staff (CJCS) and
the representatives of the CJCS producing the JSOP and the JLRSS (or its equivalent).

b. Identify potential politico-military contingencies facing the U.S. that may involve the use of armed power, developing plans that incorporate political, military, and other considerations and analytically relating the expected strategic situations to opportunities for deterring and controlling the contingent crises. In pursuing this responsibility, coordinate closely with the office of the CJCS and his representatives producing the Joint Strategic Capabilities Plan (JSCP), the political Regional Nuclear Options (RNOs) and the Limited Nuclear Options (LNOs), and the military contingency plans.

c. Integrating the output from pursuit of the foregoing politico-military responsibilities with relevant technological and other analysis prepared internally or obtainable from other headquarters sources, assume a major role under the direction of the Under Secretary of Defense for Policy in the staff development of the annual Defense Policy Guidance (aiming at a precise articulation of our national security policy, objectives, force parameters, and strategy) to govern preparation of the Consolidated Guidance, its subsequent program and budget decisions, and other Defense decision-making.
d. With CJCS representatives, regularly conduct a joint briefing of the Secretary of Defense and the Chairman, Joint Chiefs of Staff on the substance of current projects and the purpose and character of planned future projects undertaken by the Planning Office.
**EXHIBIT III**

**FIVE-YEAR STRENGTH PROFILE**

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\(^1\) Does not include Joint Chiefs of Staff or Defense Agencies.