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TOP SECRET/XGDS   September 1, 1976

National Security Decision Memorandum 338

TO: The Secretary of Defense
               The Director, Office of Telecommunications Policy

SUBJECT: Further Improvements in Telecommunications
               Security (TS)

The President has reviewed the status of measures to protect government
telephone communications in the Washington, D. C. , New York City, and
San Francisco areas taken in response to NSDM 266, NSDM 296, and
other directives. He directs that actions now underway to move critical
circuits from microwave to cable in the New York City and San Francisco
locations be given high priority and that development of Protected Radio
Modulation (PRM) techniques for earliest possible application in known
threat areas be expedited.

The President is concerned about possible damage to the national security
and the economy from continuing Soviet intercept of critical non-govern-
ment communications, including government defense contractors and
certain other key institutions in the private sector. The President further
recognizes that U. S. citizens and institutions should have a reasonable
expectation of privacy from foreign or domestic intercept when using the
public telephone system. The President has therefore decided that com-
munication security should be extended to government defense contractors
dealing in classified or sensitive information at the earliest possible time.
He has also directed that planning be undertaken to meet the longer-term
need to protect other key institutions in the private sector, and, ultimately,
to provide a reasonable expectation of privacy for all users of public
telecommunications. Implementation of these longer-term plans will be
dependent upon further Presidential review.

Toward these objectives, the President desires that action be taken by
the Secretary of Defense to accomplish the following:

  1.   Immediate steps should be taken to reduce vulnerability to Soviet
       intercept of private line communications of government contractors
       dealing in classified or sensitive information. Action should be

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taken as soon as possible to move circuits of critical government defense contractors from microwave to cable in confirmed threat areas.   This action should be accomplished without further disclosure of Soviet intercept operations.   Procedures for moving circuits should be modeled after procedures used to implement NSDM 266.   The Department of Defense shall cover the cost of moving and securing these circuits.   Only those circuits on carriers offering alternate cable routing shall be moved.   Selection and priority of circuits to be moved shall be established by DOD based on sensitivity of classified contracts and intelligence information on Soviet intercept operations.
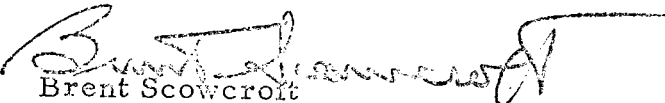
2.   In order to preserve an option to initiate jamming quickly, action should be taken to develop contingency plans, procure necessary equipment and acquire necessary real estate locations to allow jamming on short notice of Soviet intercept operations at the Soviet Embassy in Washington, D. C., the Soviet Mission to the United Nations in New York City, the Soviet Consulate in San Francisco, and the Soviet residential complex in Riverdale, New York.

The President further directs the Director of the Office of Telecommunications Policy, with the participation and assistance of DOD and NSA, to prepare a detailed Action Plan setting forth the actions and schedule milestones necessary to achieve a wide degree of protection for private sector microwave communications.   The Plan should identify needed policy and regulatory decisions, describe in detail the roles of industry and government, including management and funding considerations, and integrate the schedule for these actions with the technical development milestones.

This Plan should be divided into two distinct phases.   Phase I shall at the earliest possible date provide for protection of those microwave radio links in Washington, D. C., New York City, and San Francisco which are most vulnerable to exploitation by the Soviet Union, with extension to the complete Washington, New York, and San Francisco Protected Communications Zones (PCZs) as soon thereafter as feasible.   Phase II shall provide for longer-term protection of domestic microwave communications on a nationwide basis. Protection shall be accomplished without excessive government intrusion into the private sector.   The approach to securing microwave communications against interception in Phase II should be to encourage the commercial telecommunications carriers to provide protected service offerings with the costs of protection borne by the users.   The government role should be oriented towards establishing policy, regulations, and standards, as well as developing basic

technology as a stimulant to the commercial sector. The approach to securing the PCZ microwave links in Phase I shall be consistent with a smooth transition to broader application in Phase II. The Plan should consider all of the technical solutions for reducing foreign or domestic microwave intercept defined by the Washington, D.C., PCZ Implementation Plan being prepared by the Department of Defense.

The Action Plan should be based on the fundamental objective of protecting the privacy of all users of public telecommunications, as well as satisfying specific needs of the government. It should include a full statement of the legal, political, economic and social basis for this objective and should present in detail the related policy, regulatory and legislative actions which must be taken by various government agencies to achieve the desired protection. The Action Plan should also provide a strategy and detailed plan for public explanation of government actions for both Phases I and II. The Action Plan should be submitted for consideration by the President no later than 30 November 1976.

Brent Scowcroft

cc: Secretary of State
    Director of Central Intelligence.
    Director, National Security Agency