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**DEFENSE MANAGEMENT CONFERENCE**

**Tuesday, July 15, 1975**

**11:00 A. M.**

**THE PRESIDENT HAS SEEN....**

THE PRESIDENT HAS SEEN... 0701

DEFENSE MANAGEMENT CONFERENCE

Tuesday, July 15, 1975

11:00 (95 minutes)

Pentagon

From: James I. Lynn

I. Purpose

To discuss Defense management issues and problems with Secretary Schlesinger, Deputy Secretary Clements and other top Defense officials and to demonstrate Presidential personal involvement in improving management in the Federal Government.

II. Background, Participants and Press Plan

A. Background

This will be the first visit by the President to major departments to discuss improved management of the Federal Government. Defense has had one of the best track records in undertaking the Government-wide effort to develop objectives and implement them effectively.

There will be an initial private meeting with the Secretary and Deputy Secretary to discuss the agenda for the meeting and a second broader forum for the President to communicate his management concerns to the Armed Forces Policy Council and receive briefing on management in DOD.

B. Participants [Detailed list of participants at Tab A]

1. Drive over -- The President, Don Rumsfeld, Jim Lynn,  
Ron Nessen

2. Prebrief

President and his Party -- The President, Don Rumsfeld,  
Jim Lynn, Ron Nessen

Defense -- Jim Schlesinger, Bill Clements,  
Gen. George Brown, Marty Hoffman

OMB -- Paul O'Neill, Don Ogilvie

3. Armed Forces Policy Council

President and his Party (above)

Defense -- Jim Schlesinger, Bill Clements, the Joint Chiefs of Staff, the Service Secretaries, the Assistant Secretaries of OSD and the Services, the Military and Civilian Assistants for Schlesinger and Clements

OMB -- Paul O'Neill, Don Ogilvie, Ev Keech, Dave Sitrin, Ken Ryder

C. Press Plan

Press coverage of Presidential departure and arrival at Pentagon. No press during meeting. Press briefing on results of management conference. [Detailed Press Plan and Press Briefing at Tab B].

III. Agenda/Schedule

- |                  |                                                                             |
|------------------|-----------------------------------------------------------------------------|
| 11:00 a.m.       | President arrives at Pentagon River entrance                                |
| 11:05-11:15 a.m. | Prebrief in Secretary Schlesinger's office (10 minutes)                     |
| 11:15-12:30 p.m. | Move into Secretary's meeting room to meet with Armed Forces Policy Council |
|                  | -- Secretary Schlesinger's introduction (5 minutes)                         |
|                  | -- President's opening remarks (5 minutes) [Talking Points at Tab C-1]      |
|                  | -- Presentation on DOD management [Background Information at Tab E]         |
|                  | ° Secretary Schlesinger - overview (10 minutes)                             |
|                  | ° Deputy Secretary Clements - FY 1975 Department objectives (10 minutes)    |

- President's question and answer opportunity (40 minutes)  
[Talking Points at Tab D]
- President's Summation (5 minutes)  
[Talking Points at Tab C-2]
- 12:30 p.m. -- President departs Secretary's meeting room
- 12:35 p.m. -- President departs Pentagon by River entrance

LIST OF TABS

TAB A -- Detailed List of Participants

TAB B -- Press Plan, Q & A's

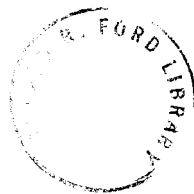
TAB C-1 -- Talking Points: President's Introductory Remarks

TAB C-2 -- Talking Points: President's Summation

TAB D -- Talking Points: DOD Management

TAB E -- Background Information: DOD Management

TAB A



DEFENSE MANAGEMENT CONFERENCE

LIST OF PARTICIPANTS

July 15, 1975

White House

The President

Donald Rumsfeld                      Assistant to the President

Ronald Nessen                         Assistant to the President

OMB

James T. Lynn                         Director, Office of Management and Budget

Paul H. O'Neill                        Deputy Director, Office of Management and  
Budget

Donald G. Ogilvie                     Associate Director, National Security and  
International Affairs, Office of Management  
and Budget

Everett T. Keech                      Deputy Associate Director, Management Division,  
National Security and International Affairs,  
Office of Management and Budget

David Sitrin                            Deputy Associate Director, National Security  
Division, Office of Management and Budget

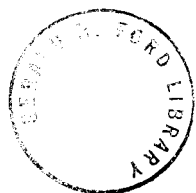
Kenneth F. Ryder                      Management Associate, Management Division,  
National Security and International Affairs,  
Office of Management and Budget

Defense

To be supplied by Department of Defense



TAB B



PRESS PLAN  
PRESIDENTIAL MANAGEMENT CONFERENCE  
AT DEFENSE DEPARTMENT

July 15, 1975

A - General Press Plan

B - Press Briefing: Questions and Answers



A - GENERAL PRESS PLAN

As the objective of the meeting is strictly business, coverage to be limited. No picture coverage of President with DOD employees in courtyard or his travels through building or his meeting in Schlesinger's office prior to Armed Forces Policy Council meeting.

- ° Film and photo coverage of arrival and departure at Pentagon.
- ° Still cameras and silent movie coverage of President entering Armed Forces Policy Council meeting.
- ° White House cameraman to take stills of President during Armed Forces Policy Council meeting.
- ° No pool during give and take with Armed Forces Policy Council.
- ° Nessen and Laitin press briefing to follow this session at Pentagon Briefing Room or White House.



B - PRESS BRIEFING: QUESTIONS  
AND ANSWERS

- Q: Why did the President go to the Pentagon?
- A: To emphasize his intention that the government increase its attention to management and management by objectives.
- Q: Why didn't he have the Defense officials travel to the White House?
- A: He wanted to meet them on their home ground, to give added emphasis to his interest in management problems at Defense.
- Q: Does he plan similar visits to other agencies?
- A: This has been suggested. He hopes to have other management meetings in the future; whether they involve visits depends on his schedule.
- Q: Why weren't newsmen allowed to attend the meeting?
- A: The President wanted a free, frank, open and candid discussion and it was a strictly business session, not a meeting for the press.
- Q: Why couldn't a pool sit in?
- A: It was a business meeting, not a session for the press.
- Q: Who attended besides the Military?
- A: The President was accompanied by Mr. Rumsfeld and James T. Lynn, Director of the Office of Management and Budget, among others.
- Q: Was anyone else there?
- A: Well, Paul O'Neill -- Mr. Lynn's Deputy -- and Donald Ogilvie who is Associate Director of OMB for National Security and International Affairs were there. Several OMB staff men were also on hand.



Q: What happened during the meeting?

A: Jim Schlesinger made some remarks about management of the Defense Department. Bill Clements -- Deputy Secretary -- gave a status report on the management by objectives program. There was discussion of improving the efficiency of the military compensation system. The all-volunteer force and energy conservation were also discussed.

Q: Were other presentations made?

A: No.

Q: Was there any discussion of the CIA?

A: No.

Q: Was there talk of the Mid-East?

A: The session concentrated on management questions -- not policy.

Q: Did the President meet any employees in the building?

A: Enroute from the meeting, he stopped briefly to shake hands with some employees informally.

Q: Did he visit any secret areas of the Pentagon?

A: No.

Q: Did the President make any remarks? Can we have the text?

A: Yes, the President made some brief remarks  
(Outline Remarks)



TAB C-1



TALKING POINTS: PRESIDENTIAL INTRODUCTORY REMARKS

DEFENSE DEPARTMENT MANAGEMENT CONFERENCE

ARMED FORCES POLICY COUNCIL

JULY 15, 1975

° VERY HAPPY TO BE HERE AT THE PENTAGON TODAY FOR THIS MANAGEMENT CONFERENCE TO MEET WITH THE ARMED FORCES POLICY COUNCIL.

° MY VISIT TO THE PENTAGON IS NOT THE FIRST BY A PRESIDENT, AND PROMISE IT WON'T BE THE LAST.

° I'M GOING TO BE PERSONALLY INVOLVED IN MANAGEMENT OF THE GOVERNMENT.

-- WANT EVERY DEPARTMENT, AGENCY AND EMPLOYEE TO OPERATE MORE EFFICIENTLY AND EFFECTIVELY.

-- WANT YOU TO KNOW I AM CONCERNED.

° ONE OF HIGHEST PRIORITIES IN THIS ADMINISTRATION IS TO GET GOVERNMENT IN BETTER SHAPE TO DO WHAT ITS SUPPOSED TO DO.

-- MET WITH THE HEADS OF REGULATORY AGENCIES TO STRESS SAME POINT.

-- INTEND TO HAVE SIMILAR MEETINGS WITH OTHER DEPARTMENTS IN THE FUTURE.



° JOB YOU IN DEFENSE DEPARTMENT DO IS A CRITICAL ONE  
-- NATIONAL SECURITY HAS TO BE NUMBER ONE PRIORITY.

° I INTEND TO SEE YOU GET WHAT IS NEEDED TO DO THE JOB,  
BUT WE MUST NOT SPEND ONE DOLLAR MORE THAN IS NECESSARY.

° PENTAGON SPENDS A LITTLE OVER ONE-QUARTER OF FEDERAL  
BUDGET.

-- A LOT OF PEOPLE THINK THAT'S TOO MUCH, PARTICULARLY  
IN PEACETIME.

° A LOT OF PEOPLE ALSO THINK THAT PENTAGON ISN'T  
EFFICIENT WHEN IT COMES TO SPENDING MONEY.

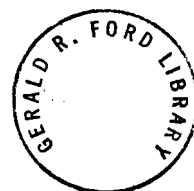
-- QUESTIONS OF OVERRUNS, WASTE, INEFFICIENCY,  
EXTRAVAGANCE ARE OFTEN RAISED.

° CHALLENGE FOR THE FUTURE IS TO DO MORE WITH LESS.

-- YOU IN THE DEFENSE DEPARTMENT ARE WELL AWARE OF THIS.

° I AM HERE TODAY TO HEAR FROM YOU, JIM, ABOUT YOUR  
PROGRESS IN MANAGING THE DEFENSE DEPARTMENT.

-- WILL TURN THIS MEETING OVER TO YOU NOW.





TAB C-2



TALKING POINTS: PRESIDENTIAL SUMMATION REMARKS

DEFENSE DEPARTMENT MANAGEMENT CONFERENCE

ARMED FORCES POLICY COUNCIL

JULY 15, 1975

◦ JIM AND BILL, THIS PRESENTATION VERY HELPFUL IN UNDERSTANDING WHAT YOU ARE DOING TO GET GOOD MANAGEMENT IN DEFENSE DEPARTMENT.

◦ UNDERSTAND YOU'RE TALKING WITH JIM LYNN AND HIS PEOPLE AT OMB ON WAYS TO IMPROVE MANAGEMENT.

-- HOPE THOSE DISCUSSIONS CONTINUE.

◦ AS FIRST STEP, HAVE TO DECIDE WHAT WE WANT TO ACCOMPLISH AT THE DEFENSE DEPARTMENT, THEN DEVISE BEST MEANS TO REACH THOSE GOALS.

◦ MUST FOCUS ON WHAT OUR HIGH PRIORITY NEEDS ARE.

-- KEY OBJECTIVES MUST BE CLEARLY DEFINED AND UNDERSTOOD BY PEOPLE WHO WILL CARRY THEM OUT.

-- YOUR PLANNING PROGRAMMING AND BUDGETING SYSTEM (PPBS) WORKING PRETTY WELL FOR THIS.



° IN ADDITION TO SETTING PRIORITIES AND ALLOCATING RESOURCES, MUST ALSO FOCUS ON ACHIEVING RESULTS.

-- TOO OFTEN, TEND TO FOCUS ON HOW HARD WE WORK RATHER THAN ON WHAT IS ACHIEVED.

-- I AM PLEASED AT PROGRESS YOU ARE MAKING IN LOOKING FOR RESULTS, GETTING THINGS DONE THROUGH PEOPLE.

° ALSO MUST FOCUS ON EVALUATING ALL OUR EFFORTS.

-- EVALUATION PROCEDURE SHOULD BE CONCERNED WITH IMPACT OF PROGRAMS -- AND ALSO WITH THE WAY PROGRAMS ARE IMPLEMENTED.

-- WANT FOLLOW-UP TO SEE HOW WELL PEOPLE WORK, WHAT THE RESULTS OF THEIR WORK ARE -- NOT JUST HOW HARD THEY WORK.

° FINALLY, PEOPLE ARE QUICK TO CRITICIZE WORK YOU AND OTHER FEDERAL EMPLOYEES ARE DOING.

-- PEOPLE OFTEN LOSE SIGHT OF FACT THAT WE HAVE THE BEST CIVIL SERVICE AND BEST ARMED FORCES IN THE WORLD.

-- OFFICERS, MEN AND WOMEN, EQUIPMENT.

° THAT TAKES OUTSTANDING LEADERSHIP AND MANAGEMENT WHICH YOU, BILL AND SERVICE HEADS ARE PROVIDING.



° THIS SESSION HAS MADE ME AWARE OF SOME DETAILED PROBLEMS YOU FACE AND YOUR EFFORTS TO OVERCOME THEM.

° BY WORKING TOGETHER TO FURTHER IMPROVE MANAGEMENT, I THINK WE CAN PROVIDE OUR CITIZENS WITH NATIONAL SECURITY THEY NEED AT A COST THEY CAN AFFORD.





TAB D

PRESIDENTIAL TALKING POINTS: DOD MANAGEMENT

A - Pitfalls to Avoid

B - Presidential Talking Points: Jim Schlesinger's Presentation

C - Presidential Talking Points: Bill Clements' FY 1976  
Initiatives



A - PITFALLS TO AVOID

- ° Mentioning specific military strength or capability reductions.

- This could compromise Jim Schlesinger's relationships with the military service leaders.

- ° Indicating support for any particular military program.

- This might compromise OMB's position in the joint review of the upcoming budget.

- ° Mentioning specifics in support of a Strong Military Posture.

- Keep in general terms.

- No specific programs should be supported.



B - PRESIDENTIAL TALKING POINTS

JIM SCHLESINGER'S PRESENTATION

Upgrading Tactical Air Capability

° How are we going to maintain combat force levels at a reasonable cost?

Continuing R&D

° What incentives can we provide to contractors to facilitate the separation between technological development and specific system procurement?

Improving Readiness

° What technological and managerial initiatives are being developed to improve our readiness while conserving on energy use?

Improving Shipbuilding

° How is the Navy's shipbuilding program being coordinated with shipbuilding efforts of MARAD and others? What is being done to establish a National Shipbuilding Program with both military and domestic objectives explicitly reviewed relative to our shipbuilding capacity?

New Developments in DOD Management

° How far can we extend this idea of transforming support savings into combat power? Can we, for example, use this same concept to achieve an increase in the number of Navy combat ships?

° Once we agree to reallocate support savings into combat strength, how do we ensure that this decision is implemented efficiently?

-- Do we still expect to be able to meet our 16 division objective with the funds provided in the 1976 budget? If not, what alternative plans of action are you considering?

-- Since it is not always possible to transform tail into tooth at no additional cost because combat manpower skills and equipment needs differ from support, what are we doing to reduce these initial transformation costs.

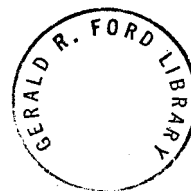




° What can be done to reduce maintenance, operation and supply problems caused by the increase in the number of different kinds of tactical aircraft to be supported in the future?

Congressional Involvement

° Jim, I think you're doing a fine job in building Congressional relations and helping to improve Defense's image. If I can be of any additional help in this area, please let me know.



C - PRESIDENTIAL TALKING POINTS  
BILL CLEMENTS' FY 1976 MANAGEMENT INITIATIVES

Talking Points on Defense's Proposed FY 1976 Initiatives

- (1) Civilian Personnel Management.
- (2) Military Personnel Management.
- (3) Support Efficiency.
- (4) Energy Conservation.
- (5) Establish the All-Volunteer Force.

(1) CIVILIAN MANAGEMENT INITIATIVES

° What specifically do you intend to do to manage the civilian personnel force more efficiently and will this significantly increase Defense workforce productivity?

° Can your civilian strength reduction target be met without firing large numbers of people or impairing Defense capability?

° How do you plan to implement this program and what will be its economic impact particularly in local areas?

(2) MILITARY MANAGEMENT INITIATIVES

° Is a single military salary system the only alternative being thoroughly analyzed? Is it feasible and desirable to have several military salaries depending upon the kind of work required? Will the review also consider the efficiency of non-monetary compensation for the military?

(3) SUPPORT EFFICIENCY INITIATIVES

° What has been the magnitude of the savings in Defense support costs achieved by your efficiency objectives in FY 1975 and what are your estimated aggregate savings for FY 1976?

° How have these savings been used to improve Defense capabilities?



(4) ENERGY INITIATIVES

° What has been the impact on readiness of the 25-26 percent reduction in energy use for FY 1974 and FY 1975.

° What could be done to reduce Defense energy use in FY 1976 10 percent below the average FY 1974 and FY 1975 rates of consumption? What impact would this have on readiness?

° What will be the impact on DOD energy use from implementing the Energy Development and Energy Conservation Investment Programs?

(5) ALL-VOLUNTEER FORCE INITIATIVES

° What has been done to evaluate the effectiveness of current AVF advertising, recruiting and enlistment option programs and to terminate those with marginal pay-off?

° What are the long-run prospects for the AVF as the economy improves and unemployment decreases?

° Given the currently favorable environment, what can be done to eliminate skill shortage and surplus problems without further increasing manpower costs?



TAB E



BACKGROUND INFORMATION: DOD MANAGEMENT

A -- Outline of Jim Schlesinger's Presentation

B -- Outline of MBO Management Initiatives Presentation

C -- Briefing Papers



A - OUTLINE OF  
JIM SCHLESINGER'S PRESENTATION

Summary of Presentation

- ° Where DOD stands today
  - AVF is a success.
  - Progress on developing NATO is good.
  - Nuclear policy being fixed up.
  
- ° Where DOD is putting future emphasis
  - Upgrading tactical air capability.
  - Continuing R&D, but not linked to procurement .
  - Improving readiness.
  - Improving shipbuilding capability.
  
- ° New developments in management of DOD
  - Upgrading to 16 division army.
  - Adding low aircraft mix (A-10; F-16).
  - New incentives to get more combat capability for the dollar.  
(More "tail to tooth"; less gold-plating)
  - Emphasis on people.
  
- ° Management problems
  - Congressional involvement.
  - Wrong incentives
  - Pay



B - OUTLINE OF MBO  
MANAGEMENT INITIATIVES PRESENTATION

(1) CIVILIAN/MILITARY PERSONNEL MANAGEMENT

Summary

Pay and other personnel related costs now account for more than half of Defense outlays. In FY 1975, Defense concentrated their personnel management initiatives on military personnel.

Accomplishments on Key FY 1975 Objectives. Progress on implementing these key FY 1975 objectives was mixed.

- ° The efficiency of the military compensation system was substantially improved by:

- rescinding of the Rivers Amendment thus permitting future military pay raises to be distributed among basic pay and allowances for quarters and subsistence.

- implementing the selective reenlistment bonus system and

- the initiation of the third Quadrennial Review of Military compensation, although there were some significant delays in starting.

- ° Specific reduction in military personnel reassignment rates were not achieved during FY 1975 largely due to delays in completing and implementing the recommendations of the ad hoc Turbulence Working Group.

- ° The effort to develop long-range objectives for the enlisted career force has been deferred, and is one of DOD FY 1976 initiatives.

FY 1976 Initiatives. This year Defense has a major initiative to improve the management of DOD civilians through greater centralization and control.

- ° By becoming more efficient, Defense also plans to substantially reduce their civilian workforce by 100,000 by the end of 1976.

- This would represent about a 10 percent reduction in workforce.

- ° We must explore with Defense whether this is feasible, their plan for achieving it and their estimates of its impact on both internal Defense operations and the local civilian economies.

Other FY 1976 initiatives for improving military personnel management include:

- ° Completing the Quadrennial Review.
- ° Reducing military personnel turbulence by
  - achieving an average 36-month tour and
  - reducing rigid career development patterns (i.e., "ticket punching").

Both these initiatives follow-up on actions undertaken in FY 1975. The goal of a 36-month average tour for military personnel appears unrealistic given current three- and four-year terms of enlistment for first-term personnel, overseas deployments in "hardship areas" and the current average tour length achieved -- less than two years estimated by OMB.





## (2) SUPPORT EFFICIENCY

### Summary

Defense support activities consume about one-third of total DOD resources, but because of their diversity and number, they have proved difficult to manage effectively in the past. DOD has used their management initiatives program in FY 1975 to focus on some 20 specific action items for improving efficiency. The key items included:

### Key 1975 Objectives

- Implementing the headquarters personnel reduction.
- Reducing the number of reporting requirements within DOD.
- Increasing labor productivity by 1.7 percent in support functions covered by productivity measurement.
- Identify opportunities for interservice maintenance support.
- Achieve interservice ammunition standardization in three areas.

### Accomplishments on Key FY 1975 Objectives

Progress in implementing these key FY 1975 objectives was mixed.

- The original headquarters reduction target was increased from 14,400 to 22,300 headquarters spaces and is on track.
- Reductions in reporting requirements have been achieved and are estimated to save \$26 million.
- Although originally behind schedule, DOD has succeeded in expanding its labor productivity coverage to 50 percent of its support functions and appears on track in achieving its productivity improvement goal of 1.7 percent.
- The interservice maintenance objective has slipped and decisions on a candidate system are not now expected until August. Ammunition standardization efforts have been extended for FY 1976.

### FY 1976 Initiatives

DOD intends to continue a number of their FY 1975 initiatives into FY 1976. Specifically:



- Increase productivity by at least 1.7 percent in measured areas.
- Continue efforts to reduce DOD reporting requirements, and
- Improve standardization of weapons systems and weapons systems development programs in several areas including:
  - air to surface conventional weapons.
  - air to air missiles.
  - surface to air missiles.

Defense believes there are substantial potential savings in standardizing weapons systems among the Services. Service resistance may be a problem as it was for interservice maintenance unless firm commitment is made by the Secretary and/or Deputy Secretary.



### (3) ENERGY CONSERVATION

#### Summary

In response to your request that Government reduce its conservation of energy, the Defense Department undertook an initiative in FY 1974 and FY 1975 to decrease total energy use within DOD by 15 percent from FY 1973 levels of consumption as adjusted for changes in mission and force structure.

#### FY 1974 and FY 1975 Accomplishments

In FY 1974, DOD achieved an overall reduction of 26 percent below FY 1973 levels. Preliminary results for FY 1975 indicate the level of reduction to be about 25 percent, only slightly lower than the FY 1974 accomplishment but still far in excess of their specific objective. Defense use of POL is now the lowest it has been in the last 20 years. More importantly, the Defense share of total U.S. POL consumption is now about 3.2 percent compared with previous levels of around 4 percent.

#### FY 1976 Initiatives

Based on their FY 1975 performance, Defense has revised its conservation target to:

- ° Maintain the average rate of consumption of non-renewable energy use within DOD experienced in FY 1974 and FY 1975.

Despite this increase in target, there will be no real further reductions in DOD energy use and we might explore whether additional efforts are possible.

Defense will also implementing Phase III of its Development Program and its Energy Conservation Investment Program, but their relationship with other Government programs and their impact on Defense's energy use for FY 1976 and beyond is unclear.



(4) ALL-VOLUNTEER FORCE

Summary

For FY 1974 and FY 1975 DOD has monitored monthly progress in meeting specific enlistment and reenlistment goals necessary to achieve an all volunteer force.

FY 1975 Accomplishments

Through May of FY 1975 DOD had exceeded its monthly accession goals, were meeting or exceeding overall quality goals since 70 percent of all DOD accessions were high school graduates and 94 percent of accessions were in average or above average mental categories. Re-enlistments and the recruitment of women are also on track.

The current dismal employment picture has clearly helped Defense's All-Volunteer Force efforts. In partial recognition of this, DOD has begun to reevaluate some of its Volunteer Force programs for encouraging enlistments. However, the evaluation efforts and the reductions in marginal and currently unnecessary programs have not been as complete as possible. Once the economic situation turns around, Defense may have to concentrate its resources on those effective programs if they need to maintain their currently high levels of quality accessions.

FY 1976 Initiatives

For FY 1976, Defense will continue to monitor its progress in meeting its monthly enlistment and reenlistment goals. Defense will also try to maintain desired quality goals for new accessions of 55 percent high school graduates and 85 percent in average or above average mental categories.



DEFENSE MANAGEMENT CONFERENCE  
BRIEFING PAPER -- DEFENSE MANAGEMENT SYSTEMS:  
PPBS AND MANAGEMENT INITIATIVES (MBO)

July 15, 1975

PPBS

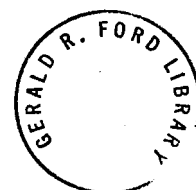
The Planning Programming and Budgeting System (PPBS) in Defense is the principal vehicle for long-range planning, and allocating resources to meet priority goals and developing the Five-Year Defense Plan and the proposed Defense budget. The sequence is as follows:

- Secretary Schlesinger annually issues detailed programming and fiscal guidance to the Military Services in February.
- The Services developed five-year force plans and programs in response to this guidance and submit their programs to the Secretary for his review and approval.
- Once the five-year Defense program is approved in August, a more detailed budget program for the first year of the five-year program is submitted for joint OSD/OMB review in October.
- Final budget decisions are made in December and become the President's Defense budget submitted to Congress. Because of the timing involved, once a budget is submitted planning commences on the next five-year program and Defense budget.

MBO

The management initiatives or management by objectives (MBO) program in Defense has been developed to supplement the PPBS procedures.

- This program selects a few key objectives arising in part from specific budget decisions, develops detailed action plans for implementing the objective, establishes an accountable individual, and periodically monitors progress in implementing the objective during the current budget year.
- Bill Clements has used this program as his personal management tool and has focused his efforts principally in the support and manpower areas.



DEFENSE MANAGEMENT CONFERENCE

BRIEFING PAPER -- MANAGEMENT PROBLEMS AND DOD ACTIONS

July 15, 1975

<u>Problem</u>	<u>What is Being Done</u>
<p>1. <u>Military Compensation System</u></p> <ul style="list-style-type: none"><li>o Causes military personnel to undervalue amount of compensation.</li><li>o Pays according to individual's need rather than individual's contribution to Defense.</li><li>o Provides greater incentive to kinds of personnel (married with families) who are most costly kind to support.</li></ul>	<ul style="list-style-type: none"><li>o Quadrennial Review is looking at a salary system and other pay reforms. Expects to report out in June 1976.</li></ul>
<p>2. <u>F-18 Procurement Decision</u></p> <ul style="list-style-type: none"><li>o Made outside normal procurement channel.</li><li>o No fly-off competition as with F-16/17.</li><li>o Congress getting several conflicting stories about relative costs and effectiveness in hearings.</li></ul>	<ul style="list-style-type: none"><li>o Pending Schlesinger's decision.</li></ul>
<p>3. <u>A-10 Cost Overruns</u></p> <ul style="list-style-type: none"><li>o Due to combination of design changes and inflation problems.</li><li>o Not reported by Air Force until recently despite knowledge.</li></ul>	<ul style="list-style-type: none"><li>o Pending Schlesinger's decision.</li></ul>



Problem

What is Being Done

4. F-16 Procurement Problem

- o Due to Air Force desire to improve avionics configuration.

- o Compromise decision to buy first three wings with austere avionics. Follow-on buy to have more complex avionics.

5. System Cost Data

- o An MBO in FY 1974 and FY 1975.
- o OSD directive on weapons system cost visibility written six months ago but still not sent to Military Services.

- o No real progress. Need corrective action from top.

6. Defense Industrial Capacity

- o Problem of overcapacity in the Aerospace industry which is now working at only 70% of capacity. By comparison, the auto industry in December was working at 66% capacity.

- o DOD has a major study underway as part of their management initiatives program to revise their strategy toward maintaining Defense industrial capacity.

7. Navy Shipbuilding Cost Overruns

- o Shipbuilding cost overruns have been substantial on previous shipbuilding contracts. For example, cost growth and escalation for the DD 963 for FY 1976 amount to about \$850 million. These overruns are due to several elements including:

a. Labor problems, the principal difficulty,

b. Inadequate estimation of inflation, and

c. Changes in engineering specifications.

- o Defense has several management initiatives in their FY 1976 program to improve control of weapons modification programs.



Problem

What is Being Done

8. Pay Inversion

- o Separate briefing paper provided.

9. Manning of MSC Ships

- o Separate briefing paper provided.





DEFENSE MANAGEMENT CONFERENCE  
BRIEFING PAPER -- RETIRED PAY INVERSION

July 15, 1975

Problem

Because recent inflationary trends have increased retired benefits (tied to the Consumer Price Index) more rapidly than active duty pay rates (based on comparability), an anomaly is created whereby many civilian and virtually all military personnel who become eligible for retirement can receive higher retirement benefits by retiring early rather than continuing to work. The impact is greatest on those whose pay is frozen at \$36,000.

Corrective Action

- ° Defense proposed separate legislation dealing with both the military and civilian problems.
- ° CSC and OMB opposed this piecemeal remedy.
- ° Correction for military was approved by OMB, but only as part of a comprehensive reform of the entire military retirement system.

Current Status

- ° At the urging of Defense officials, Senator Tower added and the Senate approved a separate amendment to the Defense Procurement Authorization Bill which eliminates the military inversion.
- ° It appears likely that conferees for the House will accept this amendment.
- ° Treating military pay inversion as a separate matter makes the overall military retirement reform more difficult to achieve and makes it difficult to object to a similar piecemeal solution to the civilian pay inversion.



DEFENSE MANAGEMENT CONFERENCE  
BRIEFING PAPER -- MANNING OF MSC SHIPS

July 15, 1975

Problem

Should the Navy use union labor or continue to use civil servants to man the nucleus fleet of the Military Sealift Command. It has been considered that civil service manned ships are more economical.

Corrective Action

We are looking into comparative costs of both methods of ships manning.

- ° Navy contends that civil service manning, even including retired pay, is less costly.

- ° Maritime unions have contended that union manning is less costly when all relevant costs are considered.

Current Status

- ° Analysis is proceeding on a ship-by-ship basis, with Navy and Maritime Administration exchanging information. This information to date indicates:

- On individual ship basis, civil service manning is somewhat less costly.

- On the West Coast, civil service manning is much less costly.

- On the East Coast, the union costs may be lower.

- ° Analysis scheduled for completion within two weeks -- with proposed options paper.



# FY 1976 MANAGEMENT INITIATIVES

## Objective 1

Increase the capabilities of U.S. forces

1. Improve command, control and communications capability during FY 1976 through development of an architecture to guide the acquisition of command, control, communications and associated Automatic Data Processing assets.
2. Increase the number of strategic offensive and defensive system options in order to provide for new strategic force employment doctrines.
3. Improve the capabilities of U.S. Warning Systems to support the strategy of flexible response.
4. Classified
5. Improve the management and effectiveness of the physical security program for safeguarding nuclear and conventional weapons throughout the DoD.

## Objective 2

Achieve the total force policy in relation to both the U.S. Reserve and National Guard forces and U.S. Allies.

1. Improve the combat effectiveness of NATO forces; complete 18,000 man support reduction, deploy additional combat units, consolidate NATO training bases.
2. Increase Reserve forces readiness through improved mobilization planning and management.
3. Increase joint interdependency R&D programs with NATO allies.

## Objective 3

Increase the efficiency of the Defense Department

1. Continue headquarters review with emphasis on the Washington headquarters to eliminate unnecessary layering and redundancy of functions.
2. Increase Productivity in DoD by at least 1.7% in measured areas in FY 1976 by concentration on support type functions and activity areas with greatest potential for productivity increases; initiation of improvement measures such as changes in organizations, systems, work processes, and employee skills; and development of other productivity enhancing opportunities.
3. Reduce the military support structure, overseas and in the US, to maximum extent possible; reduce reporting requirements by 10%.
4. Continue implementation of an aggressive, DoD-wide project to reduce paperwork, reporting, and issuances. Reduce the number of internally prescribed reporting requirements by 10%.
5. Reduce the costs of supporting the DoD Base Structure by developing a classification system for the base structure which will provide quantitative data on

the capability/readiness of an installation to meet DoD needs, and minimizing the number of installations being retained in active status through the realignment of activities to more efficient installations and the closure of less efficient installations.

6. Reduce personnel turbulence.
7. Improve the effectiveness of DoD laboratories by decreasing the in-house laboratories' share of research and development in the technology base to 36% in FY1976 and selectively reducing laboratory personnel by approximately 10%.
8. Perform and complete internal audits of DoD missions, programs, and systems with a goal of identifying opportunities for resource savings of \$300 million by June 1976 through recommendations for management improvement.
9. Reduce training costs through further consolidation of Service training programs. Expand inter-Service Specialized Skill Training to achieve a training load of not less than 7,000 manyears in FY 1976.
10. Improve the management, operation, and cost-effectiveness of personnel security programs throughout the DoD by eliminating duplicative and redundant personnel security operations throughout DoD.
11. Improve standardization of weapons systems and weapons systems development programs among the Services.
12. Complete a program to fulfill requirement for GAO approval of one hundred twenty-five DoD accounting systems.
13. Continue efforts to standardize DoD management systems, formulate plans to standardize forty-two systems during FY1976.
14. Eliminate Duplicate Wholesale inventory Management and reduce the number of items in the inventory to 3.6 million by end FY76.
15. Refine the role of OSD in Weapons System Acquisition.
16. Improve the management of the commissary store system to achieve maximum customer savings.

#### Objective 4

Sustain the required levels of manpower strengths, skills and quality and improve the management of DoD civilian personnel.

1. Attain Required Military Strength and Quality.
2. Reduce the costs of officer accession programs.
3. Improve civilian personnel management to achieve better recruiting and utilization of people, and to upgrade the overall quality of the work force. Create career planning procedures which match high quality individuals with advancement opportunities and track their progress through the existing system.

4. Improve the operating efficiency of the Armed Forces Examining and Entrance Stations (AFEES).
5. Develop a computer based Manpower Information System which will be the single source of accurate, consistent data on manpower.
6. Oversee the implementation of recommendations by the Committee on Excellence in Education.
7. Complete the Third Quadrennial Review of Military Compensation to determine appropriate compensation levels of military personnel and to develop a suitable compensation system.
8. Improve DoD intelligence career programs for military and civilian personnel and upgrade the quality of Defense Intelligence manpower through the establishment of formal training and educational programs, rotational assignment, and inter-trainee programs.

#### Objective 5

Conserve Energy Within DoD while maintaining readiness.

1. Develop and implement Phase III, Defense Energy Development Program, in conjunction with the Executive Branch development of a multi-year (10 years) program.
2. Implement the Defense Energy Conservation Investment Program.
3. Maintain total non-renewable energy use within DoD at the average rate of consumption experienced in FY1974-1975.

#### Objective 6

Increase Research and Development Effectiveness including the DoD Studies and Analyses Program

1. Implement guidance for a revitalized and expanded Technology Base Program which will reverse the decline of the last decade.
2. Execute research and development action plans in the following areas: real time surveillance, target acquisition, weapons delivery, VSTOL development, satellite vulnerability.
3. Improve the coordination and management of DoD Studies and Analyses programs during FY 1976.
4. Complete a review of Federal Contract Research Centers (FCRCs) by November 1975. Develop long term policies for FCRCs by December 1975.
5. Define and implement an expanded program of Joint Service Operational Test and Evaluation including two-sided tests.
6. Expand R&D cognizance of the increasing number of foreign trade proposals which would result in export of defense-critical technology and provide recommendations to the Secretary of Defense.

## Objective 7

Further DoD's social, human and environmental goals

1. Increase minority input to the officer corps and minority and women hiring at senior levels of the Civil Service (GS-15 and above).
2. Ensure that all Departmental practices and actions are in accord with Equal Opportunity policies.
3. Alleviate financial hardships in the military community.
4. Exercise environmental control in the accomplishment of military missions.

## Objective 8

Strengthen the Defense Industrial Base

1. Financial policies and procedures - develop and implement new ASPRs in these areas.
2. Industry, Military Department and Defense Agency Feedback - Timely action on suggestions for changes in specifications/standards.
3. Improve the management of contract administration groups. Examine the adequacy of resources.
4. Seek ways to reduce the administrative impact of Cost Accounting Standards and relieve contractors of unnecessary restraints on their accounting practices.
5. Explore the potential for adjusting DoD procurement policy to provide for the equivalent of commercial financing for Foreign Military Sales.
6. Define an incentives program to increase contractor productivity.
7. Increase the effectiveness of the Industrial Preparedness Program (IPP).
8. Develop an improved method to compute DoD needs for stockpiling critical materials.

## Objective 9

Logistics initiatives to increase operational readiness.

1. Monitor completion of the Navy active and reserve aircraft rework and ship overhaul program, and the Air Force active and reserve aircraft rework program consistent with the funds provided in the FY 1976 budget.
2. Develop and implement a cost-effective system (standardized accounting and reporting system) to identify maintenance and operations costs by weapon system.
3. Improve effectiveness of management of second destination transportation.
4. Examine economic effects of increasing use of air transportation to reduce delivery time and thereby reduce stock level requirements.

5. Increase availability by reducing the reparable components backlog - aircraft and ships.
6. Improve equipment availability by reducing downtime for scheduled and unscheduled maintenance through improved control of the maintenance process.
7. Improve management and control of weapon modification programs by increasing emphasis on analysis of programs in terms of contribution to operational readiness and reduced "unit mission cost."
8. Implement Interservice Maintenance Study Recommendations which have significant impact on operational readiness and reduce "unit mission costs."
9. Improve coordination between transportation operating agencies by physically co-locating land and sea elements (MSC/MTMC), making use of common equipment (computers).
10. Initiate a comprehensive review of Foreign Military Sales (FMS) and other Security Assistance (SA) responsibilities in the logistics area.
11. Develop an improved method to compute DoD needs for War Reserve Stocks and pre-positioned stocks.
12. Improve response time of US/NATO sealift assets.