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JULY 14, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

Today I have signed into law legislation authorizing Fiscal Year 1977 appropriations of \$32.5 billion for Procurement and for Research and Development programs for the Department of Defense. While this authorization provides for many Defense activities essential for our national security, the bill still has a number of deficiencies.

It is noteworthy that this is the first Defense authorization bill in many years to be passed by the Congress in time to become law before the start of the fiscal year. I commend the Congress for their expeditious action which, by helping us to maintain the continuity of Defense management activities, assists us in our efforts to improve Defense management practices.

My FY 1977 total budget request for national defense is \$115 billion -- as it must be, given the adverse trends which have developed as a result of Congressional cuts in U.S. military expenditures. The Congress must cooperate if we are to be able to successfully arrest these trends in order to assure our own security and, in a real sense, peace and stability in the world.

In important respects, however, Congress has not faced up to the challenge. First, Congress has not approved a number of essential Defense programs. Second, Congress has added funds to the FY 1977 Budget for programs which are not needed in FY 1977. Finally, Congress has not yet acted upon certain of my legislative proposals which are necessary to permit the Defense Department to restrain manpower cost growth, reduce waste and inefficiency and to achieve economies. These three areas require remedial action by the Congress.

Programs Not Approved

Shipbuilding. Congress has failed to authorize \$1.7 billion requested for new ship programs that are needed to strengthen our maritime capabilities and assure freedom of the seas. In particular, they have denied funds for the lead ships for two essential production programs -- the nuclear strike cruiser and the conventionally-powered AEGIS destroyer -- and for four modern frigates. The FY 1977 program was proposed as the first step of a sustained effort to assure that the United States, along with its allies, can maintain maritime defense, deterrence, and freedom of the seas. I plan to resubmit budget requests for FY 1977 to cover these essential shipbuilding programs.

Other Programs. Congress has also failed to authorize nearly \$900 million requested for other Defense procurement and research and development programs. As with the shipbuilding program, I will resubmit the requests needed to meet our minimum national security requirements.

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Programs Not Needed in FY 1977

At the same time that the Congress disapproved several programs which are vital for our national security, they added over \$1 billion to the original budget request for items for which I did not request funds in FY 1977. For example, Congress added:

- A fourth attack submarine (\$357 million) for which funds cannot be used in FY 1977 owing to shipyard capacity limitations.
- Conversion of the cruiser LONG BEECH (\$371 million) which can be readily postponed.
- Six Navy A-6E attack aircraft (\$66 million), which are not a high priority, particularly at the uneconomical production rate of six per year proposed by the Congress.
- Repair and modernization of the cruiser BELKNAP (\$213 million) damaged in a collision, for which funds should have been authorized prior to FY 1977.

I propose that Congress delete the funds for these programs in FY 1977, and authorize funds for repair of the BELKNAP in the current Transition Quarter. If the Congress does not act favorably on this request, then funds have to be added on top of the FY 1977 Defense budget, in order to avoid forcing out essential Defense activities.

Defense Management Economies

Finally, Congress has not enacted certain legislative proposals necessary to permit the Department of Defense to restrain manpower cost growth and to achieve other essential economies.

As estimated last January, the potential savings in Defense made possible by my proposals total over \$3 billion in FY 1977 and \$23 billion over the five-year period FY 1977-1981. About half of these savings can be achieved through administrative action by the President, and are being implemented. The remaining initiatives, however, require action by the Congress.

When submitting the budget request last January, I explained that if the Congress did not pass the needed legislation, it would be necessary to increase the budget request later in the year. I am pleased that some of the manpower initiatives falling within the jurisdiction of the two Armed Services Committees -- which produced this authorization bill -- were well received. The Post Office and Civil Service Committees, however, have been reluctant to act on the critical legislation needed to save over \$400 million in FY 1977 and over \$6 billion over the five-year period FY 1977-1981. Specific proposals within their jurisdiction include: (1) reform of the Wage Board System which, through its current system for calculating pay raises, now overpays blue collar civilian employees; (2) elimination of the excessive 1% kicker in retired pay adjustments for civilians; and (3) elimination of dual compensation for reservists who are also Federal employees.

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Furthermore, the Armed Services Committees have yet to enact legislation permitting the sale in FY 1977 of nearly \$750 million worth of commodities no longer needed in the strategic stockpile; the receipts from these sales would be an offset in the National Defense Budget, and without them the budget ceiling for Defense expenditures must be increased accordingly.

There has been a lot of talk about cutting waste in Defense spending. Without action by the Congress these economies cannot be achieved. Here is the opportunity to act.

These remaining actions to provide for greater efficiencies in the Defense budget should be approved. Because Congress apparently is indifferent to them, however, I have decided reluctantly to forward budget requests to cover the needed amounts. Failure by Congress either to enact legislation permitting the economy measures, or to provide the additional funds necessary would mean a severely unbalanced Defense program, which would be unacceptable.

I am determined that the U.S. National Security be fully adequate. It is up to the Congress to act promptly to provide the necessary funds.

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