

~~SECRET~~ / NODIS / XGDS

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Ford
Hon. James R. Schlesinger, Secretary of Defense
Lt. General Brent Scowcroft, Deputy Assistant to
the President for National Security Affairs.

DATE AND TIME: October 15, 1975
5:00 - 5:30 p.m.

PLACE: The Oval Office

President: Are you planning to reclama on ALCM and MX?

Schlesinger: Yes. We will on both of them. Our problem on the Senate side is McClellan is running a little scared of Muskie and the budget committee.

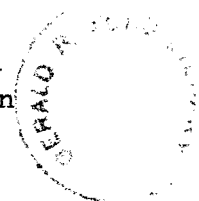
President: I guess you want to talk about budget guidlines for '77.

Schlesinger: Yes. First Jim Lynn's paper. It is off by 5.9 billion. They have eliminated 2.5 billion of inflation. They used 4% inflator-- we think it is really 7.5%. The pay cap assumption is OK except for wage board and retired. They assume away a part of the MAP program. These add up to 5.9 billion.

They say 110. The Service request is 122. Both are TOA. Splitting the difference would give you what they say is their program -- 116. We had regionally had 116 TOA and 104 outlay. We can cut that to 102 in outlay in cuts already taken. Lynn wants 98. We can get 100 or 101 without tearing up the five-year plan

Our concern is TOA; I understand yours is outlay. If you will give me the flexibility to stay around 116 TOA, we will try to control outlays -- by prespending, etc. -- to numbers you can live with.

President: It is going to be tough to get the 28 billion. As I recall Lynn's figures, they go from 128 to 108. I want you to undertake an exercise at 107 and 97.



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By KBH NARA, Date 6/23/94

~~SECRET~~ - XGDS (3)
CLASSIFIED BY: HENRY A. KISSINGER

Schlesinger: We'll have to tear up the five-year program.

President: Congress has already done a good job at that. 116 and 104 is completely unrealistic. Go through the exercise at 107 and 97 so I can see what the figures are. You can do one alternative at 110 and one at 99. We are deadly serious about this program, and I want to see what DOD can do.

Schlesinger: Are you concerned about TOA or outlay? I can do the outlay without tearing up the program.

President: Outlay is the chief one, but I am realistic enough to know that TOA turns into outlays in future years. So I want to see what you can give me.

Schlesinger: It is late in the year because service submissions are all in.

President: True. But it the same in all departments.

Schlesinger: But they are not playing with 3 million men. The others' problems are simpler.

President: The other departments all say the same thing. When I had you and Henry here the other day I gave you an indication of the problem. We've got a helluva job, but I am serious about making it. You show me what you would give up and what add-ons you would have if you went to 110 and 99.

Schlesinger: The program will shrink about 7% in real terms from last year.

President: But you have saved the Vietnam portion, so that isn't accurate.

Schlesinger: Military assistance hasn't gone down by the extent of Vietnam savings.

President: It's got to be cut too. Everything will be hit.

Schlesinger: Shipbuilding will be especially hard hit. We will have to take down the force structure.

President: What is this I read about the Air Force taking over operations so we could cut down carrier forces?

Schlesinger: That is a John Finney invention based on the fact that the aircraft can fly longer.

President: Is there something to it, or just Finney?

Schlesinger: It is a Finney exaggeration. We have been looking at moving aircraft rapidly to different bases for employment, but it has not impacted the carrier force.

President: I also read something about smaller subs in place of Trident.

Schlesinger: We proposed a smaller sub with 16 tubes as an arms control matter if the Soviets would restrain throw weight. We would not do it now because we have had no response from the Soviet Union. We are going ahead with a 10 boat Trident program. After that, we don't save much by going to the Narwhal sub. We would have replaced Poseidon with it, not Trident. The 10 Trident are to replace Polaris.

President: If you went to the small boat, how soon could you produce?

Schlesinger: By the early 80's assuming we could overcome the Rickover problem.



✓ P/Schlusinger
15 Oct 75

2

P Are you planning to return A/C/M + M/X?

S Yes, we will on both of them. Our prob on a Senate side is Mr. Gellman is running a little scared of Muckie + budget cuts.

P I guess you want to talk about budget guidelines for 77?

S Yes. First hypothesis paper. It is off by 5.9 bil. They have eliminated 2.5 bil of inflation. They used 4% inflation - we think it is 2.5%. The pay cap assumption is off ~~except~~ except for wage board + retiree. They assume among a part of a MHP prog. These add up to 5.9 bil. They say 110. Service request is 122. Both are TOA. Splitting a dig would give you what they say is their prog - 116. We had originally had 116 TOA + 104 outlay. We can cut that to 102 in outlay in cuts already taken. Hyman wants 98. We can get to 100 or 101 with turning up a ^{5 yr plan} ~~5 yr plan~~ prog. Our concern for TOA, I understand yours is outlay. ~~What~~ If you will give me a flex to stay around 116 TOA we will try to control outlays - by persuading, etc. to A's you can live w.

P It is going to be tough to get a 25 bil - As I recall Hyman figures they go from 122 to 108. I want you to undertake an exercise at 107 and 97

S Well have that up a 5 yr prog.

P Craig has already done a good job at that. 116 or 104

is completely unrepresentative. Go then & exercise at 107 & 97 so I can see what a figure is. You can do one also at 110 and 99. We are really serious about this prog & I want to see what DO demands.

S Are you concerned about TOA or anything - I can do a country w/o training, w/c prog.

P Country is a chief one, but I realistic enough to know that TOA turns into anything in future years. So I want to see what you can give me - It is ~~not~~ in your face because we've permits overall in

P True. But it is same in all depts.

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S It is a Finney exaggeration. We have been looking
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