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~~ISI~~ NATIONAL RECONNAISSANCE OFFICE

WASHINGTON, D.C.

THE NRO STAFF

April 17, 1969

MEMORANDUM FOR DR. McLUCAS

*ML*

SUBJECT: ASD/A Memorandum, "Intelligence Resources Management"

Attached on the right is an ASD/A memorandum for the Secretary of Defense and the Dep Sec Def on the subject of "Intelligence Resources Management." This memorandum was forwarded to us by a member of the OASD/A staff per an informal agreement with that staff that we will be provided copies of all OASD/A papers concerning the NRP.

The essence of Mr. Froehlke's memorandum is the four alternative methods he suggests to improve intelligence resources management within the DOD:

1. Creation of an ASD (I);
2. Creation of a special assistant to the Sec Def for intelligence;
3. Centralizing the resource allocation function in OASD/SA or ODDR&E;
4. Centralizing the resource allocation function in an office of an ASD who is not a user of intelligence.

You will recall that options one, two and three are familiar friends. Option four appears to be a soft approach to recommending that OASD/A be assigned the resource allocation function within the DOD.

*DR McLUCAS: YOU WILL RECALL  
DR FLAY'S DEPARTING MEMO TO  
MR PACKARD ON THIS SAME SUBJECT  
THAT FILE INCIDENTALLY IS STILL IN  
YOUR DOUGH FOR REFERENCE IF YOU  
DESIRE*

*John R. Mece*  
JOHN R. MECEDA  
Captain, USAF

*Swickman*  
*R.G. Berg*

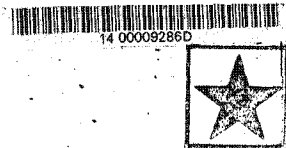
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ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

ADMINISTRATION

11 APR 1969

MEMORANDUM FOR Secretary of Defense  
Deputy Secretary of Defense

SUBJECT: Intelligence Resources Management

In the accompanying attachment I have set forth my views on alternative solutions to the problems of management of DoD intelligence resources.

I suggest that this proposal be referred to the Blue Ribbon panel as an item of special interest, or, if the problem has sufficient urgency, and the solution is sufficiently obvious, you may wish to implement it in the very near future.

SIGNED

Robert F. Froehlke

Attachment

BYE-78017/69

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It has come to my attention that the National Security Agency is budgeting \$375.5M through FY 1974 for new computers; these are apparently to be associated with new space sensors handled by the National Reconnaissance Office. The amount, though, does not bother me as much as does the whole process by which we arrive at the amount. Frankly, we don't know whether or not we get our money's worth in the intelligence budget. We don't know whether or not we could get the same value for less cost by photo-reconnaissance or human intelligence or by some other collection system other than space sensors. And I am concerned, as I mentioned to you earlier, that top management's lack of precise control may result in NSA's venturing beyond its chartered bounds.

We can't make the cost comparisons required because intelligence resources management within DoD is fragmented. The reason for the fragmentation is that we haven't kept up with technology and its implications. At the end of World War II, the nation's total intelligence budget was \$100M; in 1969 it is about [redacted] most of which goes to collection by complex and expensive systems such as satellites. Because we didn't stay abreast of the changes, our intelligence resource management system grew up in an ad hoc, off-hand way with no planned organizational management.

For FY 1969 the intelligence programs look like this:

<u>Program</u>	<u>Principal Function</u>	<u>\$M</u>	<u>Executive Agency</u>	<u>Primary Act. Officer</u>	<u>Decision Maker</u>	<u>Decision Time</u>	
NRP	Collection	[redacted]	NRO	ExComm	DepSecDef	Late Fall	
CCP	Collection		NSA	DDR&E	DepSecDef	Late Spring	
CIP	Collection		DIA	Dir, DIA	DepSecDef	Late Summer	
	Processing						
	Production						
	Dissemination						
MOL	Collection		USAF	DDR&E	DepSecDef	-	
SR-71	Collection		USAF	-	SecDef	-	
Services	All		USA, USN, USAF	ASD(SA)	SecDef	Summer	

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From this, you can see the variety of Primary Action Officers and the spread of time involved; it is evidence of fragmentation.

I have concluded that our intelligence organization requires overhaul. You are thoroughly familiar with the findings of the House Appropriations Committee Investigating Team (HACIT) in 1968; I will touch on some other things which make overhaul necessary, and soon.

(1) One reason that our effort is fragmented is because we don't have a coherent structure: for instance, USIB states requirements without regard to resources available; as a result, SecDef determines priorities by default in his budget decisions. Matching requirements against resources is spasmodic, and depends entirely on which intelligence program is being considered at the time, since they are considered at different times of the year by different review groups.

(2) As the House Appropriations Committee pointed out, in Report No. 1735, "... certain intelligence operations are overstaffed, duplicate activities are being carried out, and there is a general inadequacy of management." I mentioned one such case to you on 3 April: NSA's edging into the intelligence production function although its mission is to produce COMINT and ELINT information (which forms one input to finished intelligence). The DINS report of its inspection of NSA in November 1968, mentions one such case, on page 74:

**"SUBJECT:** National Security Agency Use of Collection Information in the Preparation of SIGINT Reports

**FACTS:**

I. National Security Council Intelligence Directive (NSCID) No. 6, 15 September 1958, "Communication Intelligence and Electronic Intelligence," states that the mission of NSA is to produce COMINT and ELINT information in accordance with objectives, requirements,

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and priorities established by the USIB, and that NSA is not to engage in the production and dissemination of finished intelligence, as distinguished from intelligence information.

2. National Security Agency Technical Instruction (TECHINS) No. 4058, 21 May 1965, "Use of Collateral in SIGINT Product," prescribes the conditions which must be met before collateral is used in SIGINT reports. It further states that collateral will never be used as the sole basis for SIGINT reporting and emphasizes that collateral is properly used to clarify, explain or supplement SIGINT evidence in order to produce a more meaningful product. Collateral (or collateral information) is defined as information derived from any source other than a SIGINT source.

DISCUSSION AND ANALYSIS:

3. Prior to the DINS inspection of the NSA, the Services indicated that there is in NSA current reporting an excessive dependence on collateral sources of information rather than an analysis of SIGINT. Sampling by the DINS Inspection Team verified that there are instances of excessive use of collateral sources, both identified and non-identified, in SIGINT reports, particularly those on the USSR, and the European and Asian Communist countries' naval operations. In other cases the use of collateral sources intelligence distinctly enhanced the value of the SIGINT reports.

4. An example of complete dependence on collateral sources can be found in NSA COMINT Report 2/0/FRGN/R74-68, 23 September 1968, "A Periodic French Missile Operations Summary." Examples of excessive use of collateral sources of information is found in the NSA Soviet-European Communist Situation Report series and in two reports, 2/0/RUN/R229-67 and 3/0/P/R31A-68, on the 1967 Atlantic-Submarine Support

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Group operations. A similar example can be found in the NSA monthly report 2/0/RUN-AW/R107-68, 15 May 1968, "Soviet Pacific Ocean Fleet Summary." More collateral information appears in these reports than is necessary to clarify or supplement SIGINT facts.

5. Groups A and B of Production are assigned responsibilities for processing and reporting SIGINT through analysis and exploitation of intercepted communications of the USSR, European Communist, and Asian Communist countries. The present procedures for reviewing and monitoring the use of collateral in SIGINT reporting do not prevent an overdependence or excessive use of collateral sources in a finished SIGINT report."

The NSA Production Group is quite properly, primarily engaged in processing SIGINT information to be used by other agencies for production of intelligence. However, about 10,000 of NSA's 20,000 personnel are assigned to its Production Group. This number, plus the use of collateral in SIGINT information reports leads me to wonder if some substantial number of personnel is engaged in production of intelligence, vice processing of information.

(3) Additionally, we seem to have an imbalance between collection and production of intelligence: about 75% of the DoD National Intelligence budget is spent on collection or support of collection. This is because of the expensive technical systems we use in collection. I am not sure just what the ratio of collection resources to production resources should be, but I am concerned that there has been no systematic investigation of that ratio in each of the major programs. In other words, we may be collecting for the sake of collecting.

(4) There is no real comparison of alternate collection systems because they are budgeted in different programs with no single focal point to compare them. Further, the programs are highly compartmented for security reasons so that only a few people in OSD can even begin to make any cost comparisons.

(5) We have no mid-range or long-range intelligence planning; we plan intelligence budget allocations on a near-term basis.

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(6) Intelligence programs are important, because threat projections form the basis of our weapons systems planning and force planning. Needless to say, everyone involved wants to be sure that the projections substantiate his requests for weapons systems and force levels. In these circumstances, not many people really desire a coherent intelligence planning effort; they prefer the advantages inherent in putting forth their own substantiating evidence. I believe that this attitude is the basis for the continued division of intelligence requirements and intelligence resources.

The points I have made - not a complete list by any means - are indicative of the unhealthy situation I perceive. I am not the only person who dislikes the situation: The Bureau of the Budget has floated a proposal to create an ASD (Intelligence) to serve as a focal point for intelligence resource management; ASD(SA) has a proposal to take over resource management, using, as a basic tool, an Intelligence Five-Year Plan, implemented by Force Planning Memoranda; and the Joint Chiefs of Staff have set up a study group to report on Defense intelligence organization. As you know, Dave Packard is also looking at intelligence reorganization.

I believe that we should act soon to bring coherence to intelligence resources allocated. We should create a focal point for it in OSD. This focal point should provide disinterested review of allocations, seeking to eliminate duplication and to bring a better balance between collection and the other intelligence functions.

The man in charge of the focal point should not attempt to be either an intelligence producer or intelligence user but to remain disinterested. This should eliminate the old problem of using intelligence to justify his own programs, and would provide minimum change to the existing organization.

Although the intelligence budget is not large by comparison with other budgets, the importance of intelligence comes from its use, not its cost. Therefore the location of the focal point within the OSD organization is relevant. There are three courses of action:

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~~TOP SECRET~~**(1) Creation of an ASD(I).**

This course would set up an authoritative resources management, highly visible. It would, however, expose SecDef to charges of managing intelligence for his own purposes, would bring him into some conflict with the DCI (because of DoD's preponderant share of the resources), and might make the intelligence function too visible.

**(2) Creation of a special assistant to the SecDef for intelligence.** This post actually existed (as Assistant to SecDef for Special Operations) before the creation of DIA, although it did not have authority over resource allocations, because the intelligence budget was not very large, because the office was too small to provide staff support, and because more concern was felt for planning to avoid mutual interference in intelligence operations than for managing a small budget.

**(3) Centralizing the resource allocation function in an existing office of OSD, such as ASD(SA).** This course has several attractions; its principal disadvantage is that it makes a principal user of intelligence (in his force level analysis function) into the principal manager of intelligence (as its resources allocator). The same disadvantage would pertain to DDR&E, except that it would apply in his weapons system planning function. A third approach is to assign to an ASD who is not a user of intelligence, and doesn't engage in planning for weapons systems or force levels. Whoever gets the assignment would become the Primary Action Officer for the CIP, CCP, and, eventually, the NRP. He should also:

**(a) Balance collection requirements received from the USIB against collection resources.**

**(b) Determine the most efficient mix of collection resources.**

**(c) Achieve a better balance in the collection, processing, production, and dissemination functions of intelligence.**

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(d) Bring DIA, NSA, and NRO under one management focal point within DoD.

(e) Sit on the recently-established National Intelligence Resources Board as the DoD member.

I am ready to discuss this proposal at your convenience.

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