



PLANNING AND PROGRAMING IN A MILITARY DEPARTMENT

Rear Admiral Lot Essey

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Reviewed by: Colonel A. H. M. Smith, 19 December 1962

**INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.**

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Planning and Programing in a Military Department

22 October 1962

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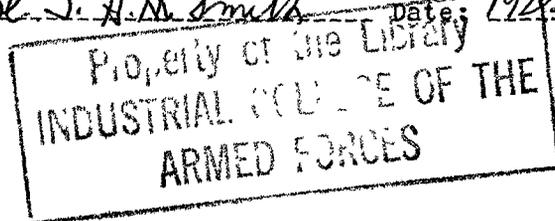
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INDUSTRIAL COLLEGE OF THE ARMED FORCES

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GENERAL STOUGHTON: We have now reached the point where national security policies and the guidance from the Department of Defense in the fields of Planning, Programing and Budgeting have got their real impact. That is, at the service level. It is unfortunate that due to the illness of Mr. McCullough we couldn't hear from him this morning to tell us about programing in the Department of Defense.

Fortunately, we had Mr. Glass last week, as you all recall, and several other speakers who did tell us a lot about programing. So, there is not really a complete void in our educational process here.

Our speaker today, Admiral Ensey, the Deputy Comptroller of the Navy Department, has taken time from what I know is a very busy schedule, particularly at this time of year, to come to us and tell us about planning and programing in the Navy Department.

It's a pleasure to introduce Admiral Ensey.

ADMIRAL ENSEY: I've got to find out what I'm supposed to talk about - "Techniques, Processes, Guidance and Problems in Planning, Programing and Budgeting." I'm sorry that Mr. McCullough is ill; he's a good friend of mine, believe it or not. I'm sorry also because he would have put a better context up for you on the whole idea and the whole philosophy behind their management system. However, I'll extend my discussion a little bit here with the slides to show you what the concepts of our system were, so that you can get an understanding of what we're trying to

do.

In addition, I'll make a little comparison between Air Force top management structure and procedure. Then I will give you some of the restricted data on Mr. McNamara. We've heard much of him before he got here, and we've heard a lot about him after he got here, and by his performance we've confirmed some of these "sea-stories," you might say. It's restricted data because I hear it down in the Pentagon athletic club steam-bath. You can't tell who it is saying it and you can't understand what he's saying part of the time. And that's the basis for much of what I will tell you about Mr. McNamara's work habits and his executive capabilities.

Specifically, I think this is the most valuable part of our experience here in the last couple of year. He is, after all, a renowned management expert. He proved it academically and practically. So, these rumors of his executive personality have, in fact, shaped the management system that he is imposing on the Defense Department.

It's interesting that I heard an individual who was here when Mr. Forrestal was the first Secretary of Defense. In his opinion Mr. Forrestal committed suicide because they could not, as staff members, get a handle for him on the program. This was an interesting comment. He went on to say that the current program management system that Mr. McNamara is setting up does, in fact, give a handle -- and a damn fine one. To hear a long-term professional budget management civil servant make that sort of comment makes the lesson even more valuable to me, from where I have watched this system be instituted.

Then I will explain, after discussing the system as it was presented to us in '63 - I'll explain how we went ahead doing it the way we had done it previously in Navy and conformed to the new system. In other words, for '63 and '64 we are following, paralleling the program structure, what we always did.

The last section will tie the '64 budget back to the concept presented on the '63.

(Let me have the first slide, please.)

This charter, you might say, in the law, as to the duties and organizational arrangements of the top management in financial management, the Comptroller of the Navy, is a point where we ~~and~~ the Army and Air Force are slightly different. You probably remember that in the Navy the Comptroller of the Navy is likewise the same person as the Assistant Secretary of Financial Management. They are one and the same. The Air Force and Army have a three-star general as the Comptroller. By the wordage here in the law, the Comptroller in those services is military and he has a Deputy who is a civilian - a career civilian. In the Navy, instead of those two layers I am the Deputy. Then, below me - carrying me around on their shoulders, you might say - is the Budget Officer, the Accounting and Disbursing man, the Field Management.

(Second slide, please)

As shown on this. Mr. Longstreet is the current occupant of this square here as the Assistant SecNav. About three or four months ago he was about to swear in and his right eye suddenly went indistinct; he couldn't see with it, and everything had a green tinge; a detached retina. He went to the hospital and had the newest technique worked on it. They took the eyeball out and then they ~~cooked~~ the back of

it where the retina is, with infra-red, and about a week later that was glued in with a slight mucous structure. His eye must be immobilized for a couple of weeks, at which time it will grow back. In a month he comes to the office three hours a day. The same eye did the same thing again, so he's back, now, in the hospital. The point of the story is that this square - this box - has been empty now for a year and ten months since this Administration. So, that I am in fact here, as the Deputy Comptroller, been the Acting Comptroller.

Now, it's further interesting that as a Presidential appointee that civilian is authorized to sign certain papers - instruments of finance such as the apportionment format - that I am not authorized to sign. This is the civilian control by law of the military. So, I am not the Acting Secretary; I am the Acting Comptroller. These subordinates, then, in the Army and Air Force arrangement, there is a Deputy civilian here and then a three-star Comptroller, and then that is tied in here to the Financial Management Secretary.

(Next slide, please.)

Don't try to read the fine print because this goes further into the arrangement that I've been discussing. Here is the Marine structure, Commandant and subordinate echelons, the Chief of Naval Operations and subordinate echelons, his staff and support of the fleet. Notice that our bureaus, Personnel, Medicine, Ships, Weapons, Supplies and Accounts, Yards and Docks, report to the Secretary via the Assistant Secretaries and the Under-Secretaries. This is in turn one additional change between our organization and the Army and Air Force. In our procedures these Assistant Secretaries - the Under-Secretary as Personnel, has a program

responsibility and a management responsibility for the Bureau of Naval Personnel. He is the Vice President in Charge of the management of people for the Secretary of the Navy.

This, I believe, gives us the opportunity to get more work out of our Assistant Secretaries and the Under-Secretaries, than the Army and the Air Force, in that they have a program responsibility. They must speak to the Secretary of the Navy, about changes in their programs. Conversely, the Chief of the Bureau of Weapons spends much time advising his Assistant Secretary for Installations and Logistics, Mr. Ballou, what goes on; what are the big problems. He gets a lot of help from that Secretary in his management.

So, because of these differences in structure, and because of the arrangements in the Department, the results of the changes that Mr. McNamara has wrought in the management, have been somewhat different. But oddly enough, it's the same problem in each service. I mean by that that that the man with the military weapons savvy must coordinate with the fiscal savvy. In other words, our budget shop and our program sponsors in the Navy who are in CNO's Office, with our Bureau Management, makes a three-headed action. It's the same thing in the other services. They have the field forces and the procurement people who must get together.

So, in each of our services, this is the problem of communication between the different sides of the house. In the Navy we call it the "consumer's side and the producer's side." The liaison there is very critical and very much in a hurry, to keep up with the management tempo currently being exerted.

When Mr. McCullough found out he was to be Mr. Hitch's programs man he went to the Ford Company to find out about their management. He found out many things. I don't know what he would have told you. Some of these things I'll tell you about Mr. McNamara have been in the papers, but he has shown in his approach to his job, all of these characteristics. They said that he drove himself to the office every morning and as he went he dictated replies to letters with a recorder. In this way he kept up with his outgoing correspondence. This way he showed a two-track mind.

Restricted data: Down in the steam-bath I heard early in his tenure here, that as with all office executives his squawk-box wouldn't work. He got cross-talk, back-squawks, the wrong people - all that when he first came in to desk. He told the secretary to get it fixed. And in the middle of the B-70 - this, honest, is what I heard in the steam-bath - in the middle of a B-70 conference the secretary came in and said, "The electrician's here; do you want him to come back later or fix it now?" "Fix it now." He worked in shirt-sleeves. So, the electrician came in under the desk. McNamara got right in there with him under the desk and the conference went on. And the story went on in the steam-bath, as he got under the desk he said, "Well, it's \$5 billion if you buy 50 of these things," or something. "No, you don't sodder that connection there, you put it over on this nut." A double-track mind. They got the sqawk-box fixed; I don't know about the B-70.

Mr. McCullough said they told him very explicitly that there was no paper more than 8 1/2 x 10, or maybe it's 8 x 10 1/2; you know, the standard size, and he didn't find out why this was until later. He concluded that Mr. McNamara who reads very

rapidly - it makes no difference whether it's prose, poetry, figures or whatever - he gets it very rapidly. In the steam-bath again, somebody who was there, Charlie, told me that he literally took a four-page paper up there on a subject that Mr. McNamara had never heard of before, and that the man actually turned it the way you hear these speed-readers say you should be able to do, and he knew what was in there and asked all the 15¢ questions - the magic questions; he got it right immediately. So, they concluded that his eye-span doesn't get the 10 to 11-inch stripe so he stays at 8 x 10.

When he sent his forms up for the changes and the programs spread in the book - I'll describe these a little more definitively later - they were, of course, on 8 x 10 1/2. He does a hell of a thing too; he thinks. He comes in in the morning early, and he gets his notebooks out. He has about 10 or 12 basic notebooks, they say, in a big safe. There is a walled-off - a safe room - that is built off his office, and he's got all of them in there - everything. And he keeps his own set of books. That's number-type books. But in addition he has these 10 black notebooks with 8 x 10 1/2 pages on selected subjects. He puts these out around the desk and he moves around there. As he studies these books he gets questions.

When he was first in office he had jinned up about 100-some-odd trombones, and people applied the name "trombones" to these studies. The studies came out of there starting about the day after he had hit the building. Actually, he went to the Bureau of the Budget for about a week's briefing and while he was over there he started getting questions, i. e., writing down these things to be studied.

The story on his study technique is an interesting executive machinery way of

learning your job. They said at Ford he would send for a vice president and say, "Joe, how about a study on whatever." Joe would march off and come back as directed, one-half the number of days he said it would take to do the study, later. In other words, a standard McNamara technique is to cut the fuse setting in half. If you say it takes a month he'll give you two weeks. If you say it takes two months he'll give you one month. So, he cuts the time down to make decisions more promptly. This has been an announced objective in his present job.

So, when Joe comes back with his study Mr. McNamara will take it and read it, and he'll decide then whether it's good or bad. He then will ask questions. If Joe does not know the answers, that's bad. So, he'll say, "Thank you, Joe," and send for Bill. And he'll say, "Bill, read the study." Bill will read the study. If Bill comes back and says it's bad, that's good. But if Bill comes back and says the study is good, that's bad. Joe isn't seen much around there anymore because that was a bad study and he didn't know his answers.

Bill, when he says it's a bad study it's just like in the Navy. If you say the chow is no good you're elected Mess Treasurer the next month from the first day of the month; you can't miss. So, Bill said, "The study is no good." And Mr. McNamara says, "Will you please go and do another one and make it a better one." And this is no steam-bath dope; I was there, Charlie.

He gave Mr. Connally a study that followed this same procedure. It had been done in a hurry. If you want it bad you get it bad, and it was bad. Mr. Connally said it was bad and that was good. Then Mr. McNamara says, "Study it." Mr. Connally says, "Two months." And Mr. McNamara says, "No; one month." That

is routine; that's par. So, a month later he came back with the answer; here was the study. And this was a good study. It was a philosophy study. The bearer of the torch came around and rode up and down the halls and he said that Mr. McNamara wanted the Secretary of the Service, the Chief of the Service, and the Financial Management Secretary to be down in his office that day by 5:30. Now, since my man wasn't there at the time - he wasn't even appointed then - they sent me. Mr. Connally explained the study. It had to do with limited war and what our capability was, and what could we do in a hurry to make it better?

Mr. Connally explained that this was done in pretty much of a "without being hampered by facts approach," which was done without shopping lists, in other words; it was done on a philosophy basis, and it now needed shopping lists to show what kind of tools you needed to do the tasks and chores and things, that the philosophy paper said we ought to do. Then Mr. McNamara said, "Don't do a normal study. I want one copy in pencil by noon tomorrow; that's perfectly all right. Just lock a couple of your most knowledgeable officers up overnight and do the best they can with writing a list up."

So, everybody marched off and we locked up a couple of apes and got a list out by morning and there it was by noon. And that was on a Friday noon. The first meeting was Thursday evening at 5:30. There came a couple of hundred questions from the shopping list, such as, can you do it in two shifts or three? Do you need another facility? This looks like it's too much money. This looks like it's not enough money, and all this sort of stuff. And, would you please get answers to all these questions by noon Saturday?

About 10:00 o'clock Saturday, Admiral Beardsley called me and he. He's our Chief of Naval Materiel. He said, "Studies, questions - yes. We're at the cost step now and we need some Navy Comptroller people to help get the costs sorted out." And I said, "We're standing by. We're General Quarters; when and where to do; let me know." So they got together and in about an hour I got another phone call. The phone call was in the Pentagon where the Bureau man, the sponsor from OpNav and our Navy Comptroller - the three of them - were stirring around like dervishes with this thing. And they found out that Mr. Roland had asked some questions and they were getting answers to them, and on the other hand, over in the Bureau, Mr. Riley had asked some questions on the same list, but they were different questions.

So, they told Mr. Roland, "Now, Mr. Riley has asked some questions on this list," and Mr. Roland is reputedly to have answered, "Well, who is Mr. Riley?" And they said, "Well, Mr. Riley is working for Mr. McNamara. He just came in from Iran, and you're both working on this shopping-list thing; can we change your questions a little?" Mr. Roland said, "Fine, go ahead." So, they changed the questions so there was just the one drill. They had another hour to get the two sets of questions all sorted out. So, they got those downstairs to the right place on Saturday by two o'clock as directed.

Sunday there was just like - you know - you throw a rubber ball against the wall and catch it - Sunday it came back with a lot more questions to get sorted out and to get the answers to. Monday morning Mr. McNamara came up with the study and all these questions and this pencilled list, to Mr. Connally, and said, "Well, we

have rewritten this study three times since Thursday, but it isn't quite right; we have got to rewrite it again; I want to take it to the President tomorrow morning. We'll write it in three parts, I think. You write the first part which will say how the rationale went, to conclude that these are the things we ought to do; it ought to go like this bla, bla, bla," and Mr. Connally was writing down notes. And you write this.

"I'll write the second part which will show what Mr. Vinson said we ought to do; what Mr. Mahon said we ought to do; what Senator Russell said we ought to do; what the Army, Navy and Air Force said we ought to do; and what we're going to do. And explain why we don't do any of these things that these other people want to do, but why we're going to do the things that we've decided to do. And I'll write this."

And the third part, Mr. Jones or somebody - and this is restricted data again - will write the third part explaining what we will do with all these implements of war; the method of using them. So, Monday afternoon one of our Navy fellows was down helping Mr. Jones explain how we were going to use these things. And Mr. Jones says, "Now, what is this CVA thing standing here?" And my informant says, "Well, that's a carrier. It's got airplanes and bla, bla, bla." And then he says, "What does that DD stand for?" "That's a destroyer and bla, bla, bla." And then he says, "Where are the battleships?" He says, "We haven't had any battleships for three years. We don't use those anymore, actively; they're in rented row." "Oh."

So, that night they had the three parts written up and Mr. McNamara took this

to the President the next day on schedule. Now, this is a management technique. And again, it's pretty damn good. I told Mr. Hitch the sea story I've just told you. There is enough truth to it, I think, although I was present at only parts of this. Again, in putting it in the context of time, they just hit the building within the previous two or three weeks. They had a new team. They're working; they had four heart attacks down there in the last month, in that office; so, they're working pretty hard. They're tops. They're brilliant people.

I told Mr. Hitch. Now, you can imagine these stories. I hear these at cocktail parties and down in the gym; and you can imagine that with a martini people will embroider these stories even a little more than the way you hear them in the steam-bath. So, within a couple of weeks this is just too good a sea story not to go reverberating a long time. The next morning, Mr. McNamara talking to the Policy Council Meeting - I guess you'd call it the "staff meeting" - he had the Secretaries of the services there and he said, "My vice presidents whipsaw you every now and then and I cannot tell; you've got to let me know when you get cross-thread information and directives from my people, including, if you have any ideas of how I can reorganize my office, tell me." Now, there's a pretty damn big executive in my opinion.

It's very much of an education to have watched this last two years. Let me see if there are any other work characteristics that I could cover, but have not. Oh! He says, "You get decisions in seven days," and that's pretty good. He has stuck with that. This does not mean that he goes at a decision without facts and background and information.

Another one of the executive work management techniques from Ford that they picked up, a man out there was put in charge of the Mercury '67 - five years in advance. He gets the right number of engineers, guidance or none, from the company, and it's his project. Each year as he gets closer to the production and sale year, his plans, the engineering design specs, the cost; all of these get more precise. This is the same principle that Mr. McNamara has been setting up here.

It's interesting that the President, in his economic review, put it on a five-year base. This really is not too much off-track from what we have been doing.

I'll show you some of the steps a little further on. We have in the Navy been looking at a ten-year base. I know the other services were as well, on the programs and what came by. We had been looking each year as you get closer to the budget year, we've pulling off the front. Mr. McNeil had, in fact, been comparing weapons systems on a longer base than the one-year funding base. But he had not done it across the board. From the basic national security policy we were told to get up four structure projections up through 1970. It was the Navy's proposals on how you would do the chores, spelled out in broad language by the basic national security policy.

We had already put our feet on the first step and fallen all the way down to the bottom of the stairs. We had already ginned up the program structure before we got the basic national security policy in hand with the principle main events. When we got the words up there you couldn't deduce anything in the way of weapons from them, so this is a philosophy start from which you come up with these wings on what forces you propose to do the job from '62 to '70. They were cost out on a

five-year base. In other words, these five years had estimated costs. The current budget base already appropriated was in '62. So, it all extrapolated out from current levels. It was a wing of comparing mission-oriented forces by elements for cost effectiveness. This is the concept of the program package decisions. Notice that word, "program-package." That was the name a year ago. I'm talking about the '63 process. At that time the first package was central war offensive, within which was Polaris. In order to compare Polaris to the other single-mission forces that made up this program package, you look at the cost implication of R&D to get it in being, investment funding to procure it and put it in service, operating and personnel costs to use it. They were not costs in the sense that an accountant would use them. They hoped to get within 20% of the after-the-fact costs that materialized later, under those categories; not exact.

If you slice this whole gold brick, let's say, by these slices, you were in the program. If you cut it across these dimensions you were in the appropriation structure - Military Personnel O&M Procurement. If you slashed it this way you had what you might call "shopping lists." It's just looking at it from a different dimension. The appropriations structure was set by our Navy management organization. And the same in the Air Force and Army. You don't necessarily have to do it that way, but it is more directly a management step if you structure it this way.

And you noticeⁱⁿ the budget justification and execution for Polaris, the same amount of funds would be discussed under the appropriations structure. Stated another way, the composition of the Polaris element shows the cost implication of

men, equipment, material and installations for missiles, submarines, and ships to support it, and the base to make up the fleet ballistic missile element which competes against Regulus - that is, the ship-borne missile; it competes against missile forces land-based bomber forces; but notice that the tanker forces as an element in this package supports the bomber forces. So that, in this single-purpose package you have supporting and competing forces.

Now, the other programs in the spread were less effective than this one; this one being composed of single-purpose forces doing the same sort of job to name this year's retaliatory forces; they are directly comparable. The object of the drill was not to particularly get the cheapest force; it was to look at what that system would do for you. And say it would do five times the job of another system but you paid three times as much for it, you're making money on Venus. It wasn't a straight cost only comparison.

Above the line from here over are in-Navy steps. Below the line are DOD-wide steps. These are the deadlines by which, and the only reason for, budget people ever getting any leave. The printer says if he doesn't get the damn thing by 20 December he cannot get it printed; he's working 24 hours a day anyway in the Government Printing Office, and it's the law, Bud, that the President has to send the budget over in January. So, he says, "Bud, get them over here by 20 December, or I won't make it." So, that's the only deadline around any of this business here that's standing.

Now, 15 December 1960, according to standard procedures, SecNav directed the Chief, Naval Operations, to prepare what we can call the "program objectives."

The program objectives stem from the Offices of the Chief of Naval Operations' long-range objectives which are on about a 10-year base. In the Army they call this the back. But it's the CNO's Advisory Board, the CAB, who are his three stars, who review the long-range objectives on a long base. And the CNO finally approved it on March of '61.

Mr. McNamara was in town in January and we decided that we had to follow normal procedure with these steps in order to have a Navy budget base on which to submit whatever pieces of paper Mr. McNamara decided were to be submitted. Finally, the early part of May the Secretary of the Navy, the CNO and the Commandant, issued these program objectives. Based on them our bureau submitted a budget here in conventional form - conventional meaning the appropriations structure form - so that we had studied our program homework in Navy, by those steps. Concurrent with that, analysis of requirements were the trombones.

Do you remember the song in the Music Man - "87 Trombones?" And, of course, when Mr. McNamara came into the building and brought his people - you saw it in the papers - they were immediately named "The McNamara Band." Well, we kept getting these studies to do and we ended up with about 120 or so and they were called "Trombones," because at one point they passed through 87 on the build-up. So, the trombones were his pros' studies supported by shopping lists by which he spent January, February, March, April and May, analyzing what the DOD was doing; what each service was doing; what are the reasons; he was studying his lesson very thoroughly. Because, every time he got a big question he would make a study on it.

During that same period Mr. McCullough, with Mr. Dixon and Mr. Enthoven; Mr. Dixon was Mr. "Cost it" - Mr. Enthoven was Mr. "Effectiveness." They worked out the management system. It was not just a budget development process; we were told the budget steps and the budget format - the program structure I've already described - in the middle of May. At that point we were told by early July to come in with the program packages submitted on 8 1/2 x 10 pages. It turned up 10,000 pages of these, describing what the Army, Navy and Air Force proposed to do in this structure.

Mr. McNamara and Mr. Gilpatric spent July, August and September, studying these 10,000 pages. Now, don't shudder and don't read all the fine print; I'm just trying to show the decision process, the decision-making process for package one; the structure of this bar-chart stems backward from the 24th of July which was the date Mr. McNamara stated in his schedule for decision-making, that he would decide tentatively about that package. From the 17th to the 24th - one week was slated for his study period - his one week with it on his desk before he made a decision.

From the 17th back on to the 3d was his staff analyzing, proposing alternatives, making suggestions, socratic questions, and proposed amputations. This part of the bar-chart over here is in-Navy and our schedule for going through the processes that you would do in any service. That is, the staff fights it all out. Then they get sorted together and propose it to the Chief. He fights it all out and then he proposes it to the Secretaries and they fight it all out. And then finally that's the way it goes downstairs in the program.

So, that process for this package, Mr. McNamara says, "Before I distribute

my decision on the 24th I will get the Secretaries of the services involved, and talk over my tentative squared decisions before I publish them." He did that. About here came the Berlin crisis and then he got two weeks on the Hill for muzzling the military. You remember the hearings. He studied the 10,000 pages with Mr. Gilpatric every step of the way and every page of every program. Mr. Gilpatric was with him at every decision. They followed these timings and on the 22d of September we got a paper in hand with all of the decisions - bam.

(Now, would you give me the previous slide back?)

That's what went on here. He had studied the lesson, then, in prose; he studied it here in programs; now comes the budget due. The 22d of September he said what to put in it, and he said, "Send it downstairs the 23d of October." He said, "I'm not going to look at this appropriations structure; I'm going to look at the programs - 8 1/2 x 10 pages - and nothing else. It's the Budget Officer's business - Joe Hoover - to translate the program decisions and the evaluation of progress into whatever need be in the appropriations structure."

On 23 October, then, we sent our Department Appropriations Structure Budget downstairs. The previous year when we sent our budget down to Mr. Gates and company they spent about two months analyzing it in the Budget Office. And then they wrote about three hundred pages of what we called "The Gray Goose." The Gray Goose had in the 300 pages, billions of dollars removed from our hard-core budget that had no fat in it. We got this piece of paper on Thursday about six or eight o'clock. On Tuesday was a two-hour period of reclamation by SecNav and

Admiral Burke. We were not ready, actually, for Admiral Burke to be spoken of. There was some kind of flap down at the JCS and he hadn't been studying his lessons in the usual way.

On our side in the staff we had done a good job of digesting these two or three hundred reductions, but so far as studying them all over and knowing the pros and cons it was a very, very rapid process. What happened here was most interesting. It was the "issue-tissue" as the Marines applied the name to it - irreverence if I ever heard it; in the Navy we called it the "Snowflake Drill," because these damned individual items kept fluttering down like snowflakes. We were up to our ears in snowflakes. They came ten a day, but hit the point. They started dribbling in right about here, and each one you got about three days to get a study back. It was about a three-page snowflake - individual issue or topic for discussion. This really shocked us because in some of these they even added money in. This was unfair.

But notice what he has done now with that three-stage process. He has exploded the decision-making period into the three stages by proes, by program and by issues - by budget structure. He has studied his whole DOD-wide lesson as Secretary of Defense, three times through - everything. In each of these steps Mr. Gilpatric has participated in every decision. People say, "How can anybody relieve Mr. McNamara?" Well, Mr. Gilpatric is ready, man, he's ready.

These issues right here expanded over about - we actually kept getting snowflakes up until 8 December, although the President had decided the budget about the same time. Some of the snowflakes melted before we got them all back and thrown into the budget. They got lost. But, he expanded here into about two months what

had taken SecDef in the appeal step four days the previous year. This business of exploding decision-making, giving deliberately-selected time to study each other; it's good, I think.

Here is '64. Now, you needn't read all this fine print, because these black bars are the three phases in which the '63 budget was constructed. This was the proes study, the program submission, and the appropriations submission. Notice what happened here. First, in the same process he has added a couple of weeks to it, so, he has given himself even more time to play snowflakes. On this program submission he has added three weeks to it. He has given himself more time to study that. But notice the 136 changes go from here to here. These bars are time in Mr. McNamara's Offices with the data we submitted from the department. Notice that here is the analysis of requirements. He has studies going on which he has to consider concurrently with the changes which are considered concurrently with the program, which was prepared concurrently with the budget. So, compared to last year this year is lousy, in that all of these decisions are on Mr. McNamara's desk in parallel instead of in series. They realize it, of course.

They got there by finding out the first year that they needed to re-design the management system; they changed the structure of elements. And now, along in here they likewise changed the procedures and some of the symbols from management and accounting for these element structures. So, this is an important concept which I have not discussed thus far. This is the very key idea.

When he has decided a program matter, he says the money goes with the decision. In other words, you later did not have to amputate the toes of the program

to get it within a dollar-sized shoe. He is still making program decisions on the merit of the program rather than within a set financial envelope. This is the President's guidance to him. Once having set the base of the overall Department of Defense programs - all of them - things change, systems abort; you get a breakthrough; something happens in Berlin or Cuba; you want to go in a different direction. In order to get a different direction or a re-decision, we submit a program change proposal. And that's what showed on there as 136. Once the program proposal to change is acted on, yes, no or half-way, then you include that within the overall "in-the-book," they call it. The book is the program element summary data. Everything that is approved as official and on track, that's the whole business; what are we doing DOD-wide.

So, their idea was to make these big decisions around the calendar year instead of within those four days as a result of the budget exercise. This is the overall philosophy. This is very good. It's the same idea of exploding the decision-making time into 12 months.

He has pretty well lived up to much of the advanced information. I think that they have succeeded remarkably in a handle on the whole Department of Defense, good or bad. I hope that we don't have to wait to lose a war to see if the decisions are bad. But as a management tool this system, I believe, is phenomenal. People say, "How can he be relieved by anybody who doesn't have the omnivorous approach to detail and the masses of details that he studies?" It's easy. You can conceive of it as Hugh McCullough describes it, as a "pyramid of reports." If he cuts off the top part of it and looks at the top foot or the top 15 feet of the pyramid, the manager, the

boss-man, the Secretary of Defense, can elect how far down he goes.

The structure of forms, the structure of reports, the flow of reports; the design of each of these forms is a McNamara effort. He knew the forms he wanted because he had been around the track before. He really is a fine pro in my opinion.

I've tried, then, to give you a sketch of the system, how we live with it - and I've gone nine minutes over.

QUESTION: Sir, what thought is being given to bringing the unified commands into the budgeting or the programing cycles and in setting up operational responsibilities for which, conceivably, the services could not provide support?

ADMIRAL ENSEY: Well, I guess the Army system is, you get your budget from the field; it trickles up from the field. The Joint Chiefs have been consulted at each step of the way in all of these big ones. Mr. McNamara has spent much time with them. The business of the commanders submitting a complete budget format, I think, is being handled more in the study format than getting into the program submission; processes, or forms, or steps. As you see, I don't know precisely, and I believe we'll find out there are influences there. In our case it comes up unilaterally through the services.

In other words, in the Navy, the Atlantic Fleet destroyer bill would come through the Fleet Commander to the CNO, and to the Management Bureau. The CNO sponsors it. It would come through that source rather than Mr. McNamara or to the Joint Chiefs. The Joint Chiefs are trying to stay more operational than this. That is about as definitive an answer as I can give you.

QUESTION: Admiral, you mentioned that the Navy, at least, maintains its own separate long-range planning system. Is the programing system of real value to the Navy and/or the other services? In its planning will it in time have supplements or replace this separate program planning?

ADMIRAL ENSEY: Well, a couple of things about that. Anybody who has ever been a planner will probably tell you that this is one of the most frustrating kind of things in the world because nobody ever executes their plans. Even though you make a plan up and then you say go, it doesn't unfold the way the plan is written. The enemy forgot to read the plan. So, the program is how we buy and what we buy, rather than how we use what we use. So, the program objectives, the long-range objectives of our procurement, you see, is a little bit different road than the operational planning or the capabilities plan - what can you do with what you have.

I don't think it would supplant. I think it must stay in the business. We must look at it both ways. You have to look at sea in the use of the forces, and they don't break at sea, in any event, the way the programs break, except number one, the single-purpose force fits beautifully in the concept; the rest of it does not. So, if you slice the budget the way this is sliced and you try to compare the Army to all but Polaris in the Navy, it's in competition, sure, but it does different things. And in that sense I don't believe it's going to supplant. We'll have to continue looking, at least in the Navy - rather than at programs we'll have to continue to look perhaps at task forces - mixes - what you do while at sea.

QUESTION: How do you control and manage Admiral Rickover's program?

ADMIRAL ENSEY: That's a dirty question. He has to stand the same budget

reviews, the same program analysis, as any other part of the program. We are much better off with this system than the previous system. I got a 45-minute presentation on this. I have my charts. Specifically, where you are under a - fundamentally a level amount of dollars as we were for five or six years during the evolution of the Polaris - during those years with level funding and the same size fleet we put \$7 billion out of our hide into Polaris without any increase in slope, any increase in the actual dollar number; and there was a 2 1/2% to 3% inflation each year. The source for that was the President's Economic Advisory Commission - or Board, I guess.

From '55 on there was a 3% down-slope from the level dollar value in purchase power; below that, \$7 billion came out of our hide. That's one reason we are obsolescent and had to replace the program. So, under the previous system we didn't manage as well as we do under this one, which looks at it as a program element as funded by itself rather than at the cost of the whole thing. Now, this is a lot better than the old one.

QUESTION: How does the apportionment side of this work, now, in relation to the program and the budget? In other words, if they want to trim something at the end of a cycle when you've gotten your budget approved, does it come down as a program cut to be adjusted there in the budget, or how does that work?

ADMIRAL ENSEY: Anybody can jin up a program change proposal. Mr. McNamara; the service; Connors, I guess - no, he's not in the Executive Department. But there would be a program decision that the budget office would have to translate into a budget-funding answer. Hugh McCullough calls this the "torque converter."

Now, on our side we've got the computer and we can put it in an appropriations structure. We pull a chain and it may come out program spread, or maybe not; if they get bugs in there it won't. And if you stuff it in the other side as program spread, you pull the chain and it will come out as appropriation structure. So, practically it translates a specific reduction of programs by hand into the appropriations spread. So, you have to live with a foot on each rail of the track.

QUESTION: Admiral, in this preliminary return from the Ford Motor Company I am fascinated by whether they paid off with an answer as to how the escrow decision was arrived at.

ADMIRAL ENSEY: It was not on his watch, as I understand it, the escrow decision. And there in Ford you find out too whether it was a good or a bad decision. On our side it's pretty damn hard to get many of our combat weapon decisions down to a complete scientific measurable set of facts. At some point it does come to his desk, or, shall we say experience and all that. They're very reasonable people, believe it or not. His effort is to set a program management system up to get the maximum amount of any decision into facts and figures.

One of the sea stories that came out, he asked for a presentation like this - and this is gossip again - it was an Army presentation, and the Secretary got a presenter and they went down there and started at it. Mr. McNamara got up in about ten minutes. It was a hard sell, without facts or figures. He said, "This isn't the presentation I asked for. Will you please redo it and come back tomorrow?" And he walked out. So, what they're endeavoring to do is get the maximum amount of these decisions onto a numbers, a firm, a concrete base. And whether they're bad ones

or not, you can't tell - you can't prove it - until we maybe lose the war. And that's what scares me.

QUESTION: Mr. Hitch also indicated when he spoke to us that perhaps to some degree they are backing away from concurrency. Could you comment on whether in fact this decision-making process is backing away from concurrency, and if so, what effect it may have on weapons?

ADMIRAL ENSEY: I don't understand your word "concurrency." What do you mean? Making them all at once?

QUESTION: The concurrent installment production approach to weapons.

ADMIRAL ENSEY: Admiral Burke thought about this. He said as he understood it, "Mr. McNamara, what you have in mind is birth control for weapons systems. You decide in advance where you're going to research just in case there might be a baby born. Then, at any stage along the line you can knock it off. You decide whether to stop the research or whether to go into production only for testing; or whether to procure for service use on a ten-year base when it goes out superseded by something else.

I think the concurrency idea is a matter of how navally nervous we are as a nation; how much of a hurry we're in. The more excited we get and the more hurried we get, the more hurry-up we try to exert on bringing new systems in, the more likely we are to procure them and produce them before we complete testing. This is a sound technique of research and development, of course. You put your money on four or five horses and one of them ought to win. Whether we can afford it money-wise; whether we have enough time to do it in a series rather than in parallel, I

don't know.

I think, really, and truthfully, that they will have to decide - the President and the SecDef, will have to decide on this strictly on the basis of how much of a hurry we're in; how much time do we have. Will we be a war apart. All of this starts with that. If they decide there is a war tomorrow, next month, or next year, that is an intrinsic assumption on every one of these damn systems. I think it would lead to a conclusion on that as they go along.

QUESTION: Well, I think that concurrency is an Air Force word for modifying existing things to keep them up to date. Am I not right? I think it's a complete misunderstanding. I thought you were talking about modifying techniques to keep the systems right up to snuff.

ADMIRAL ENSEY: I've answered your question all right? Okay, here's another one that's good too. Plan is what we do in the Navy to update an old ship and try to extend its life, where we didn't replace them on a rational assembly-line concept to keep in being a proportion of oldest, a proportion of older, and a proportion of new, so that you have a constantly replenished technical capability at sea up to the needs of the service and the country. Where it's feasible to revitalize, you'll do it. And where you can't and it makes more sense to build new ones, and where you have time, you'll do it. Hark back to '40. Remember we had a bunch of old four-stack destroyers we gave to the British? They did a fine job. But they were second-rate.

Somebody said that in any big war it ends up with whose got the best reserves left after the first line knocks themselves out. So that, this business of revitalizing

is a very important technique. We'll do it system by system, I think, as it makes sense.

QUESTION: With reference to your question as to whether the decision made will prove in combat to be recognized, is there any less opportunity under the new system for the military career people to crank in their judgment the figures that are being absorbed, than there was under the old system?

ADMIRAL ENSEY: I guess the answer clearly is yes, there is less opportunity to control it because you're running around naked in a glass fish-bowl now. You can't hide anything. In other words, where before we maybe were able to hide some things, and as military people we thought they were good ones to hide and things to be done, now it goes down, you've got to get considerably less than about a million dollars, and that isn't much so far as a weapons system goes, that you can hide it. And a lot of places, even on down to \$25,000 you can't hide.

If we don't get our voices in it's our own damn fault; we aren't making sense. We aren't explaining the program lucidly enough; we aren't proving it on evidence and figures well enough. It's our responsibility to get the story across, and if we can't get the story across we don't deserve the bucks. I think there's just as much opportunity - in fact, more - in the light of the frequency with which Mr. SecDef goes to the Joint Chiefs. He spends time with them.

In previous days I understand that wasn't so until Mr. Gates started it. I guess that's about as good an answer as I can make to that one.

QUESTION: Mr. Vinson emphasized the point of looking at both the effectiveness and cost of a program. However, the part of the Navy that I'm familiar with

and in most of the services, the budget group and the effectiveness group are completely separate from the bottom to the top. Is there any consideration given to emergency things such as land troops, so that each element will come up consecutively?

ADMIRAL ENSEY: I don't know that there is any consideration being given. By the Constitution the philosophy there is check and counter-check, balances and counter-balances, and all that. It could be that in Mr. Hitch's place he wants the cost effectiveness boys and the budget boys on different sides. I don't know. This whipsaws us down the flow of gold between the two offices. It's like the gold brick; you slice it one way and you slice it another way, and when you get through looking at it from both sides you probably know a lot more about it than looking at it from only one side. That's what I mean by living in a fish-bowl.

Under the various directions and axes of scrutiny it's a lot clearer picture as to who has the handle on it, and us too.

QUESTION: Sir, what does the steam-bath say about the headlines appearing in this morning's paper?

ADMIRAL ENSEY: What I do is, I go down. I don't leave the office until 12:25 or 1:00, and then I go down and play squash a half an hour. And then I go to the steam-bath because that's when the hottest gossip is down there. Well, today I'm privileged to have lunch here, so, no dope.

CAPTAIN BOGLEY: Well, Admiral, I think you have answered all their questions. We are going to go out here and beat the National War College in the fourth series here. Thank you very much for an excellent presentation.