



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

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29 DEC 1975

MANPOWER AND
RESERVE AFFAIRS

22 DEC 1975

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Congressional Correspondence -- Action Memorandum

Purpose: To obtain your approval of the attached reply to Congressman William Steiger's memorandum regarding possible budget reductions and cautions against actions that would adversely affect the success of the Volunteer Force.

Background and Issues: In response to a news story in the Washington Post, Congressman William Steiger wrote you a memorandum cautioning against actions that could have an adverse effect on volunteer force recruiting. Mr. Steiger also suggested a number of areas in which expenditure reductions could be made.

Special Sensitivity: Congressman Steiger has been a strong supporter of the Volunteer Force. In the current session he was active in the effort to restore recruiting and advertising funds on the House floor.

Coordination: H&E, PA&E, Comptroller.

Recommendation: That you sign the attached letter to Congressman Steiger.

William K. Brehm

William K. Brehm

PREPARED BY Mr. F. W. Suffa, X79191

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*This is fully responsive now
1/8 see revision*



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THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

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Honorable William Steiger
House of Representatives
Washington, D. C. 20515

Dear Bill,

I appreciate the suggestions and comments in your 8 December 1975 memorandum regarding possible reductions in the DoD budget. They are especially helpful to me because of your long personal interest in the success of the Volunteer Force. I share your concern that the Services' ability to recruit and man the volunteer force not be adversely affected for the sake of minor budgetary savings. I intend to insure that any reductions are based on the principle of matching resources to needs. Similarly, I do not believe a program should be continued in the absence of need merely because it currently exists. Thus, with respect to the recruiting program, our philosophy is to adjust those resources which can be most easily increased or decreased and affect primarily the shorter term effort -- for example, advertising and enlistment bonuses -- before adjusting resources that would affect results over the longer term such as the basic recruiting structure.

With respect to your comment that pay of members in the lower enlisted ranks is not comparable to their Civil Service counterparts, we believe the special pay raise for junior personnel in November 1971, coupled with annual pay raises since then, has resulted in pay levels that are generally competitive with those in the private sector. In the on-going Quadrennial Review of Military Compensation, the comparability of military and Civil Service pay levels is being assessed. As a result, we will be in a much better position to make valid comparisons and to determine, should a disparity prevail, if remedial action is necessary.

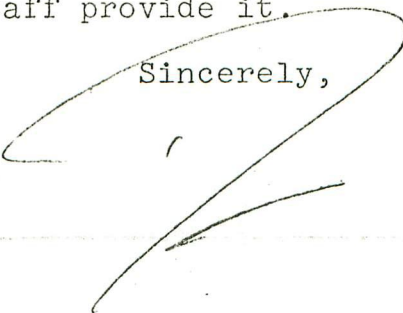
We also fully recognize that certain provisions of law and policy continue to result in denial of certain entitlements to junior enlisted personnel. For the most part, these provisions came into effect during the draft era when many entitlements were limited in application to the career force. Although a number of these disparities have been rectified, a few remain unchanged due to their relative priority in the face



of budgetary restraints. As in the past, the remaining disparities will continue to be fully considered in deliberating any change which would operate to the financial detriment of junior enlisted personnel.

Comments on the specific suggestions you made for reducing Defense expenditures are attached. If you wish further information on any of these items, I would be pleased to have a member of my staff provide it.

Sincerely,



Enclosure



DoD COMMENTS ON BUDGET REDUCTION SUGGESTIONS RECEIVED FROM
CONGRESSMAN WILLIAM STEIGER

1. Health Care for Active Duty Dependents, Retirees and Dependents of Retirees. The principle of co-payment of medical care for beneficiaries other than active duty members is an important element in our program review activities. A plan that would institute charges for dependents using the military health care system was examined in connection with the FY 1977 budget review but was not adopted. Objections to the imposition of a charge include the administrative cost and the relatively greater impact on lower pay grade personnel than those in the higher grades. Other alternatives are currently under review.

2. Medical Facilities. We are increasing emphasis on inter-Service coordination in our health care delivery system. The establishment of the Armed Forces Regional Health Services System in October 1973 has been helpful in increasing communications and cooperation between the military medical services. Considerable progress is being achieved in the area of common support services, increased productivity and better utilization of available resources. Currently, Regional Medical Boards, meeting on an "as required" basis, must review requests for procurement of major items of medical equipment to assure need and lack of duplication in the area. To effect further economies in operations and provide more integration of direct care and CHAMPUS resources, we plan to establish permanent, full time tri-Service regional management organizations in each CONUS health care region. We expect that our continuing efforts to increase inter-Service coordination and combination of functions at the regional and local area levels will result in future expenditure reductions.

3. Medical Personnel. The function of the Uniformed Services University of the Health Sciences to produce a small number of career oriented physicians complements the scholarship program which addresses the short-term physician requirement. Thus, the programs are not duplicative and continuation of both is anticipated.



Enclosure

4. Pay Grades -- Promotion Rates. The problems inherent in the current military pay lines are recognized, and all of the various factors which affect the pay line are currently under review in the Quadrennial Review of Military Compensation. The number of pay grades and the relationship of longevity increases to promotion point are key elements in determining the effectiveness of the pay line. Both of these factors, and others, will be carefully reviewed and evaluated in the Quadrennial Review.

Turning to promotions, we have already slowed them down and as a result, have reduced the proportion of the enlisted force authorized in the top six grades from 66.5% in FY 72 to 61.2% in FY 75.

Further slowing of promotions would normally produce only moderate short term savings, and could have an undesirable effect on retention. Except in the lowest enlisted grades, slowing the timing of promotions does not, in itself, reduce long term costs. In some instances, a later promotion point actually increases costs due to longevity, provided there is no change in the number of personnel authorized in each grade.

5. Reserve Training. Each of the Services is reviewing its Reserve structure to determine which Reserve units could be placed in an unmanned or reduced training posture without unacceptable degradation to readiness. Unit manning is also being examined to determine the feasibility of eliminating specific low skill positions that could be filled by Individual Ready Reservists upon mobilization. It is likely that some Selected Reservists will be transferred from 48 paid drills to 24 paid drills in the coming fiscal year.

While it is true that some individuals can maintain their individual specialty skills with fewer than 48 drills, it may not be feasible to reduce many units for such reasons as the need to support or train other unit members, the need to train for advancement rather than training for maintenance of existing skills, and the need for participation in unit training to insure the unit's capability to operate cohesively as a team.



While superfluous training does create morale problems, reduction of unit training periods also can create morale problems. When some Naval Reserve Units were placed in reduced training categories, significant losses in unit enlisted personnel resulted.

6. Overall Compensation Reform. The Quadrennial Review of Military Compensation currently underway represents a major, comprehensive effort to deal with the problems created by our complex pay and allowance system. The Review will specifically address the advantages and problems of a salary system, as well as possible modification and improvement of the existing pay and allowances system. While it is premature to anticipate the final recommendations and decisions, you may be assured that a salary alternative will be fully explored.

We are keenly aware of the need to improve the military member's valuation of his compensation and have substantial on-going internal information programs to meet this need. We are confident that our efforts in the Quadrennial Review will contribute significantly to this objective.

