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THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

15 JAN 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Department of Defense Recommendation of the Management and Funding Alternative for ERDA Military Application and Restricted Data Functions,

In accordance with Section 307(b) of the Energy Reorganization Act of 1974, the Department of Defense (DoD) has collaborated with the Energy Research and Development Administration (ERDA) in the conduct of a thorough review of the desirability and feasibility of transferring to the DoD or other federal agencies the functions of the Administrator, ERDA, respecting military application and restricted data. An ERDA report of this review is being forwarded to you by the Administrator.

040 ERDA

Three military applications of atomic energy were at issue, in addition to the question of Restricted Data generation and control:

- The Nuclear Weapons Program
- The Naval Reactors Program
- Space Nuclear Power Systems

In regard to the weapons program, the primary focus of the study, I concur with the conclusions and recommendations of the Administrator that management and funding be retained within ERDA for the present. Some administrative changes in the program are desirable which will increase the visibility of the weapons program within ERDA and minimize penalties to the weapons program caused by funding competition between weapons and energy programs.

15 Jan 76

Thus, I recommend that we adopt Management Alternative #2 as defined in the study. A separate budget identification and dollar ceiling set for the nuclear weapons program would properly elevate the 'competition for resources

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above the agency level and to a level where all federal institutions compete, In this connection, I support the proposed provision to include full ERDA costs on a nonadditive basis for each major nuclear weapon system in DoD budget and cost reporting submissions. This should allow better congressional visibility on the matter.

I also recommend no changes on the other aspects of ERDA's program for the following reasons:

-- Naval Reactor Program. The beneficial aspects of the program's close ties to ERDA's overall reactor research and development effort should be maintained; and the relatively small budget impact (\$250M) does not justify management or funding changes.

-- Space Nuclear Systems. While this program supports DoD earth-orbital space efforts, the program involves only \$31M and is 85 percent oriented to civilian applications.

-- Restricted Data (RD) Control. It is prudent to continue the RD system to restrict access to sensitive atomic energy information having military implications. However, it is sensible for the RD basic responsibility functions to remain with ERDA's National Security program management while maintaining the system of joint ERDA-DoD review and determination on specific classification matters.

Since its inception, the weapons program has been extraordinarily successful in achieving and maintaining technological excellence. Under the Atomic Energy Commission, the nuclear weapon complex established a record of quality and on-time delivery of nuclear weapons to the DoD. Dual agency judgment and responsibility for safety, security, and control of nuclear weapons has worked well and clearly served the best interests of the nation and both agencies. The confidence and high reliability demanded of our nuclear weapon inventory has been enhanced through the concept of competition and inter-laboratory peer review between two nuclear physics laboratories without unnecessary cost in overlap and redundancy.

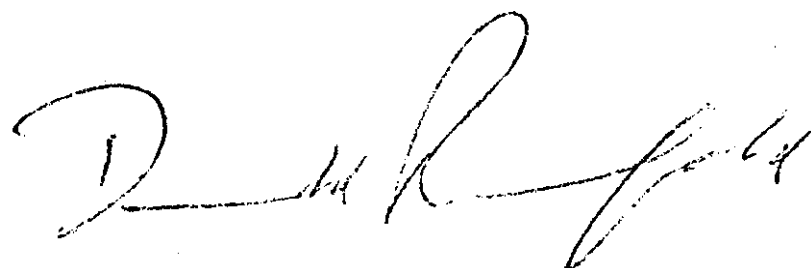
I have some concern, however, about the longer term viability of the weapons program under ERDA. The nuclear weapons budget is now roughly 20 percent of ERDA's overall budget. Top management attention to the expanding energy program may lead to erosion of weapons priority and funding in the future. We are seeing the reassignment of top talent from



the weapons program to energy matters within the weapons laboratories. While this might be a short-term effect, I believe we must watch it with extreme care. Hopefully, we will see some positive aspects, such as new talent coming into the energy program and moving into the weapons area, due to the unique technical challenge presented by weapons design and development.

Since only one year has elapsed between the merging of energy and weapons programs, I propose that the management question be examined again within two or three years by ERDA and DoD to determine if another formal review is warranted. This will allow us to more fully assess the impact of the competing demands of energy programs on weapons development and production.

Our review of the nuclear weapons program and its continued importance to the national security of the United States has been beneficial. I recommend that you forward the report to the Congress endorsing the provisions of Management Alternative #2 and the above views on Naval Reactors, Space Nuclear Systems and RD matters.





OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

2 JAN 1976

MEMORANDUM FOR THE SECRETARY OF DEFENSE

**SUBJECT: Submission of the Report on the ERDA-DoD Transfer Study --
ACTION MEMORANDUM**

Section 307(b) of the Energy Reorganization Act of 1974 required that the Administrator, ERDA, in collaboration with the Secretary of Defense, conduct a study of the desirability and feasibility of transferring to the Department of Defense or other federal agency the functions of the Administrator respecting military applications and restricted data. This report is to be submitted to the President by January 19, 1976. The Secretary of Defense assigned the responsibility of preparing and coordinating the Defense portion of this study and working with the Administrator in the preparation of the ERDA report to the ATSD(AE).

Three military applications of atomic energy were at issue, in addition to the question of Restricted Data generation and control:

- The Nuclear Weapons Program**
- The Naval Reactors Program**
- - Space Nuclear Power Systems**

In regard to the weapons program, the primary focus of the study, the Military Departments, the Joint Staff, and most OSD components indicate a strong preference for continuing management and funding (about \$1.2 billion) of the program under ERDA. Some administrative changes in the program were thought to be desirable which would increase the visibility of the weapons program within ERDA and minimize penalties to the weapons program caused by funding competition between weapons and energy programs. This management option is defined as Alternative No. 2 in the study, one of nine alternatives considered in depth.

OK @



I recommend that you endorse this alternative in your recommendations to the President. A brief listing of pros and cons for each management alternative for the weapons program, which you requested, is provided in Attachment B. More complete analyses may be found in the Executive Summary and Chapter III of the basic report provided as Attachment C.

As to the Naval Reactor program, the unanimity of opinion in DoD and ERDA was that the beneficial aspects of the program's close ties to ERDA's overall reactor research and development effort should be maintained and that the relatively small budget impact (\$250 million) does not justify management or funding changes.

Similarly, while the ERDA Space Nuclear Systems program supports DoD earth-orbital space efforts, the program, involving \$31 million, is 85 percent oriented to civilian applications.

In regard to Restricted Data (RD) control, it is prudent to continue the RD system to restrict access to sensitive atomic energy information having military implications. However, it is sensible for the RD basic responsibility functions to remain with the weapons program management while maintaining the system of joint ERDA-DoD review and determination of specific classification, matters.

I also recommend that you endorse the above views on the Naval Reactors, Space Nuclear Systems and RD matters in your letter to the President.

On an additional matter, that of non-nuclear energy research and development, the Navy felt that these programs should have been included in the study and that a separate liaison mechanism between ERDA and DoD in this area should be created to stay abreast of ERDA's efforts in these important fields. I agreed with ERDA and ASD(I&L) that this was not the intent of the Congress and the matter would not be addressed in this report. Adequate liaison with ERDA exists for this purpose through existing Military Liaison Committee channels.

As stated in the proposed memorandum to the President provided at Attachment A, the weapons program under the Atomic Energy Commission and ERDA management has been responsive to DoD needs. However, there is reason to be concerned over its long-term viability in competing with the



energy program for fiscal resources, management attention, and top technical talent within the weapons laboratories. Since only one year has elapsed between the merging of energy and weapons programs, I believe that the DoD should review the management question again within two or three years., If that DoD review indicates a need, we should then take steps to initiate a formal, joint study.

I recommend that you formalize the DoD position by signing the proposed memorandum to the President.

Copies of management alternative choice and rationale memoranda from DoD components are included at Attachment D for a file record.



**D. R. cotter
Assistant to the Secretary
of Defense (Atomic Energy)**

Attachments





THE JOINT CHIEFS OF STAFF
WASHINGTON, D.C. 20301

DJSM-40-76
8 January 1976

THE JOINT STAFF

MEMORANDUM FOR MAJOR GENERAL JOHN A WICKHAM, MILITARY
ASSISTANT TO THE SECRETARY OF DEFENSE

Subject: Department of Defense Recommendation of the
Management and Funding Alternative for ERDA
Military Application and Restricted Data Functions

1. The memorandum for the Secretary of Defense from the Assistant to the Secretary of Defense for Atomic Energy (ATSD(AE)) and its attachment, a proposed Presidential Memorandum, subject as above, have been reviewed.
2. The recommended management option appears to be the one best capable of supporting a nuclear weapons program of adequate size and scope. The supporting rationale is accurate.
3. The ATSD(AE) memorandum and attached proposed Presidential memorandum are concurred in.

A handwritten signature in cursive script that reads "Harry D. Train II".

HARRY D. TRAIN, II
Vice Admiral, USN
Director, Joint Staff



51/14

ERDA FUNDING/MANAGEMENT

Alternative 1

Alternative 2

Retain current ERDA responsibilities but increase cost visibility and separation of weapons and energy in ERDA

Retain the status quo

P R O	-- preserves interlaboratory peer review	Yes	
	-- preserves dual agency judgments affecting safety, security, control and performance features	Yes	
	-- management and funding not split	Yes	
	-- allows free sharing of technical achievements between weapons and energy	Yes	
			-- increases. cost visibility for weapons
			-- restricts funding competition between energy and weapons

C O N	-- does not increase nuclear weapons cost visibility*	--	
	-- does not restrict competition between energy and weapons for funding	--	
	-- does not restrict competition between energy and weapons for management attention and for top technical talent	Yes	
			-- because of inclusion of another agency's costs in DoD budget submissions, the DoD may be questioned on programs it does not fund or manage

*Increased DoD cost accountability for weapons could be considered pro or con for each of the alternatives, depending on perspective.



Alternative 3

Alternative 4

**DoD funds for weapons production
and new Special Nuclear
Material (SNM) production
for weapons**

**DoD funds for weapons production
and new SNM production for
weapons plus weaponization RDT&E
but not exploratory R&D**

I

Yes

Yes

Yes

Yes

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Yes

Yes

Yes

Yes

Partially

Partially

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Yes

Yes

Yes

Yes

-- introduces division of management
and funding responsibilities

Yes



**complex. Funds for new
SNM plus weaponization RDT&E,
but not exploratory R&D**

**DoD funds and manages weapon
program and complex and
funds for new SNM weapons**

Yes

Yes

Partially

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Yes

Partially

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Yes

Yes

Partially

Yes

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Partially

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Yes

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Yes

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**- begins to degrade effective dual
agency judgments on safety, security
and other areas**

eliminates

**- restricts free sharing of technical
achievements between weapons and
energy in the production complex**

Yes

**- - unknown long term impact on weap
program and DoD funding and mana
ment as a result of reorganization**



NEW AGENCIES

<p align="center"><u>Alternative 7</u> DoD funds and manages weapon program and complex with the exception of one nuclear laboratory which remains with ERDA. DoD funds for new SNM</p>	<p align="center"><u>Alternative 8</u> Establish a new federal agency to assume funding and management of entire weapon program and complex and fund for new SNM</p>	<p align="center"><u>Alternative 9</u> Establish a new federal agency to manage entire weapon complex and fund for all except production and new SNM, which DoD funds</p>
--	Yes	Yes
--	Yes	Yes
Yes	Yes	--
--	--	--
Yes	Yes	Yes
Yes	Yes	Yes
--	--	--
--	--	--
--	--	--
--	Yes	Yes
--	--	Yes
eliminates	--	--
Yes3	Yes	Yes
Yes	--	--
- - eliminates interlaboratory peer review	--	--
-- difficult to affect the change in both nuclear labs	--	--
	-- increases federal bureaucracy	Yes

