



22 November 1974

MEMORANDUM FOR: Comptroller

SUBJECT : Agency Activities Displaced by Project
SAFE

1. This memorandum is in response to the OMB request for cost data on Agency activities that will be displaced by Project SAFE when full-scale implementation is completed in FY 1980. It is not possible at this time to make any cost benefit analysis of the SAFE system. The whole thrust of SAFE is toward improvement of the Agency's intelligence product by using computer technology to provide new analytical techniques and data bases and quicker access to and manipulation of these data bases. Chapter VII of the Project SAFE report does suggest areas where savings might result but correctly states that savings cannot be projected until the system design is completed and phased implementation has begun.

2. It is equally difficult at this early stage of SAFE development to be precise about the many Agency activities that eventually will be subsumed. We have identified two areas where we can see major displacements and have attempted to project these for OMB. There is overlap between these areas so the displacements are not unique and separate.

3. We know that the SAFE system will displace a significant amount of OJCS resources now currently allocated or planned for CRS and five production offices (OSR, OER, OSI, OCI, and OPR). The SAFE system will also subsume some OJCS costs for supporting OWI, OBGI, IAS and FBIS. We project the annual cost to OJCS for all of these Offices in FY 1980 at \$10.7 million of which \$7.1 million (65%) will be displaced by the SAFE system. This displacement figure is subject to several caveats, the strongest being that only a fraction of it represents potential savings, probably \$1.6 million. These figures are tenuous for the following reasons:

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a. Fixed Costs--A significant portion of OJCS current and projected computer system costs are fixed; that is, they do not vary directly with the cost of individual activities. (It was this fact that permitted the absorption of the CRS computer workload by OJCS a year ago.) Large computer central processors and related operational and maintenance costs are the principal elements of these fixed costs. No direct savings from the SAFE system can be found in such costs, but the resources freed by the SAFE system can be used in part to cover SAFE costs and in part to absorb some of the expected growth of non-SAFE requirements.

b. Suspect Cost Projections--The projected cost of FY 1980 activities that would be supplanted by the SAFE system was based on FY 1974 experience; that is, the ratio of SAFE-like costs to total costs for each office was assumed to be unchanged in 1980. A SAFE system obviously will unpredictably perturb these ratios. The OJCS support to the offices affected by the SAFE system for both system development and operation in FY 1975 will be approximately \$6 million. Projected costs to support these offices in FY 1980 is \$10.7 million of which we estimated \$7.1 million would be displaced by the SAFE system. The largest displacement will be in CRS whose computer requirements using both CRS and OJCS resources are estimated at \$7.9 million in FY 1980. The SAFE system would displace about 75% or about \$5.9 million of the CRS requirement.

c. Unavailability of Programmed Fund Totals--Costs can be displaced and money saved only if funds are allocated. The estimated displacement of \$7.1 million assumes that budgets will be approved at the level needed to meet the required growth in computer activities without SAFE. Using FY 1972-75 figures and assuming a constant rate of change, the OJCS and CRS computer budget would be by FY 1980.

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4. Another technique for tentatively estimating SAFE displacements is to examine the Agency costs associated with the handling of paper receipts that will be displaced by the SAFE system. CRS and the Cable Secretariat annually disseminate about 20 million paper copies of messages that arrive in the Agency in electrical form. We estimate the annual printing costs for these 20 million paper copies at \$200,000. There are very few governmental studies on the "total paper cost." A 1955 Hoover Commission Task Force found that for every dollar the federal government spent on printing, it spent an additional \$20 to process the printed material. Agency Forms Management officials now estimate the Hoover Commission ratio as closer to \$40. Using this \$1 to \$40 ratio, Agency paper processing costs are \$8 million annually to handle the 20 million electrical messages that are printed at an annual cost of \$200,000. These Agency costs include supplies, equipment, space and manpower expenditures necessary to read, disseminate, file, retrieve, store and destroy the 20 million electrical message copies. Not all of this \$8 million annual cost will be displaced by the SAFE system; but the curtailment and, in some instances, cessation of this large paper flow could result in savings of \$4 million, half of the estimated figure of \$8 million.

5. The displacement figures discussed in paragraphs 3 and 4 are not precise and overlap in an unknown degree. They do indicate, however, there will be several major Agency activities that will be partially or totally displaced by the SAFE system. In the area of OJCS computer support to production offices, we estimate an annual displacement of \$7.1 million of which \$1.6 could be actual savings. Using a different approach which most likely includes many of the OJCS computer costs, we estimate an annual displacement of \$4 million in the Agency activities associated with disseminating, reading, storing, retrieving and destroying of the electrical messages now handled in paper form. These displacements, no matter which you chose, however, are not the major

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justification for implementing the SAFE system. SAFE's major benefits are an improved and more timely intelligence product, a reduction in the handling and movement of paper, and a more integrated use of those Agency computer resources devoted to intelligence production.

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