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11 JAN 1964

Lyndon B. Johnson

The President
The White House
Washington 25, D. C.

Dear Mr. President:

This is in reply to your memorandum of 30 November 1963 concerning your desire for maximum economy and efficiency in the Federal Government. In the attached paper I have stated briefly some of the major steps taken within the Central Intelligence Agency in 1963 in furtherance of this goal. I have also outlined certain measures planned or in process which should continue and accelerate the progress already made in this direction.

When I assumed the responsibility as Director of Central Intelligence, I immediately organized a task force composed of: Mr. Lyman Kirkpatrick, Executive Director-Comptroller, CIA; [redacted] Executive Secretary, President's Foreign Intelligence Advisory Board; and [redacted]

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[redacted] to work under my direction and with me in examining the activities, operations and management of each and every division and directorate of the Central Intelligence Agency for the purpose of determining the need for the work undertaken and the efficiency with which the directorates were managed. The oral and written reports of this group have been most useful to me and my Deputy in administering the affairs of the Agency.

As a result of their examination, two task forces were established, one under Mr. John Bross, my Deputy for National Intelligence Programs Evaluation, to study in depth manpower utilization; the second under Mr. Lyman Kirkpatrick on personnel management. The results of the studies of these two groups significantly improved our management functions and stemmed the built-in personnel growth.

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ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

(EXECUTIVE DECISION FILE *White House*)
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It is pertinent to note that the Central Intelligence Agency, in and of itself, represents only between 10% and 20% of the total United States intelligence effort. The exact percentage depends upon whether certain military activities such as Air Force and Naval reconnaissance units are classed as "intelligence". At least 80% of the intelligence effort is in the Defense Intelligence Agency, the intelligence units of the Services, the National Security Agency and the communications intelligence activities of the Services. It is obvious therefore that the terms of reference of my appointment, which placed upon me responsibility for coordination and guidance of the community, is of utmost importance if our intelligence costs are to be minimized and duplication and unnecessary effort avoided.

Coordination has until recently been undertaken by me personally, supported by CIA staff, and it has been effective in a great many areas. Last fall I appointed [redacted] as my Deputy for National Intelligence Programs Evaluation and he is now equipped with a most capable staff drawn from the Bureau of the Budget [redacted] Department of Defense [redacted] White House (Mr. Thomas A. Parrott) and others. [redacted] responsibility is to examine various intelligence activities, to report to me and to the United States Intelligence Board on them, and to recommend changes and modifications considered necessary in the interests of improved intelligence and economy. As of now a task force under Mr. Benjamin Shute is commencing an examination in depth of our communications intelligence organization and activity which in itself involves about [redacted] civilian and military personnel. A second task force under [redacted] is examining intelligence collection and reporting on the Middle East. This examination will be extended to other geographic areas.

The level of effort in the field of intelligence is not measurable by any "norms" applied to other government activities or to private enterprise. I have found that the establishment of

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intelligence objectives without consideration of the cost or manpower required to accomplish the objectives has in the past been a serious deficiency in the management of the intelligence community. I therefore plan that the United States Intelligence Board in establishing intelligence objectives, which is the Board's responsibility by NSC directive, will concern itself with the issue of manpower and cost involved in such decisions.

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Respectfully yours,

(Signed) JOHN A. McCONE

John A. McCone

O/BPAM/ [redacted] 2 Jan 1964

Orig & 1 - addressee (w/attach)

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1 - ER ✓

1 - BPAM

1 - ExecDir - Comptroller

Rewritten: JAMcCone:

Final typig : O/ExecDir;kg

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ECONOMY MEASURES WITHIN CIA

Past Accomplishments

In the past year improvements in the decision-making process of top management have begun to materialize following organizational changes inaugurated in the previous year. In particular, the flow of information on fiscal matters has been enhanced, the budget review process strengthened, and the control over allocation of Agency resources strengthened by assigning the Comptroller functions to the Executive Director.

The review and approval process for Agency activities has been revised to facilitate a more orderly execution of our plans and programs. This is particularly important since much of the Agency's work is comprised of a myriad of small efforts which may require only a few employees and a few thousand dollars: thus an effective means of gathering in the reins at successive echelons of command is essential in our daily operations.

Last year the Agency adhered closely to a hold-the-line budget posture except for those high priority programs where growth was essential and directed, e.g. photo-interpretation, reconnaissance and communications. On the manpower front, by careful weighing of priorities, [redacted] positions were reallocated from within the Agency to accommodate a greatly expanded scientific and technological effort. Calculations show that a workload absorption of more than [redacted] man years was achieved in intelligence production, covert operations and support, and in addition uncompensated overtime and forfeited annual leave accounted for nearly [redacted] man years. The net effect of these economies was about a [redacted] percent saving in manpower.

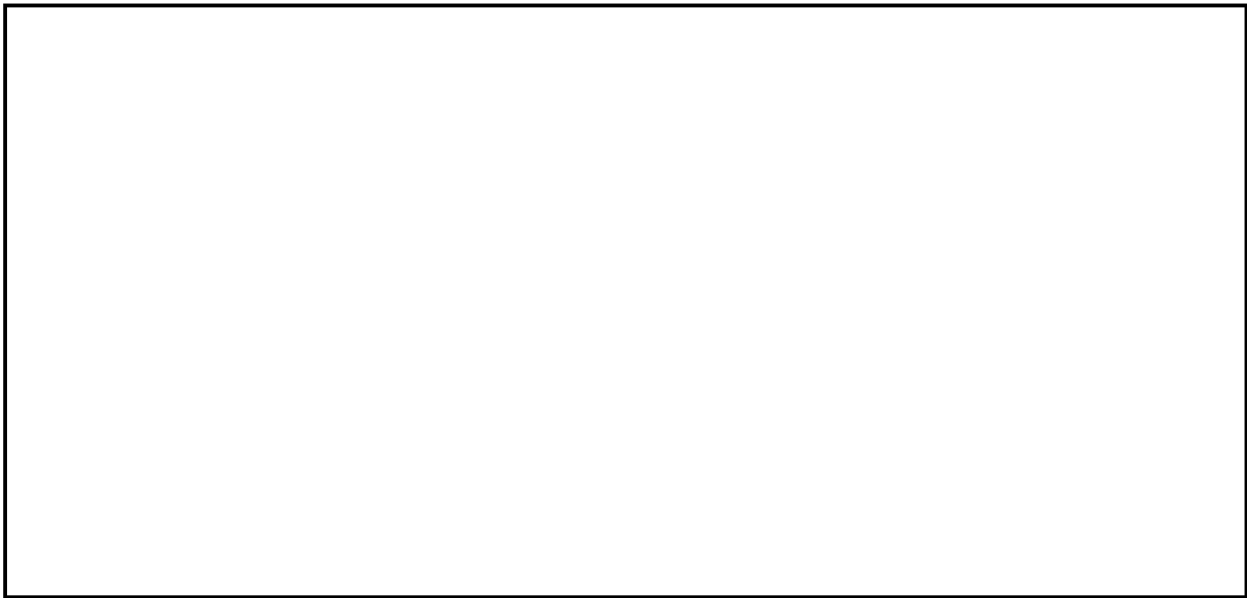
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Intelligence producing components of the Agency have experienced a steeply rising volume of activity and, except for photographic interpretation, this has been largely absorbed within existing personnel levels (estimated savings of more than [redacted] man years). By careful shifting of key intelligence officers, guidance to the intelligence collection machinery has been centralized, providing more flexibility and swifter response to crises. The basic intelligence function was completely recast to eliminate work on information of a transient nature, and the reference services effort on industrial installations updated to reflect only current targets of the highest priority (a reduction from [redacted]). In a government-wide sense, the continuation of the "centralized" concept with regard to national photo interpretation needs and certain translation services undoubtedly saved a great amount of Federal funds.

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Our support and service organization has for some years contended with a steeply rising workload, as demonstrated in an impressive array of statistics, with essentially no increase in manpower. The only exception has been in communications where we have responded to a national requirement for a greatly improved communications capability. (In the last three years, world-wide communications traffic volume has [redacted])

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Indicative of some of the minor steps taken to curtail expenditures are a sharp cutback in [redacted] air travel; in covert operations, a move toward greater use of in-house legal capability rather than resorting to more expensive private law firms; creation of a much needed mid-career training program from existing resources; and new arrangements

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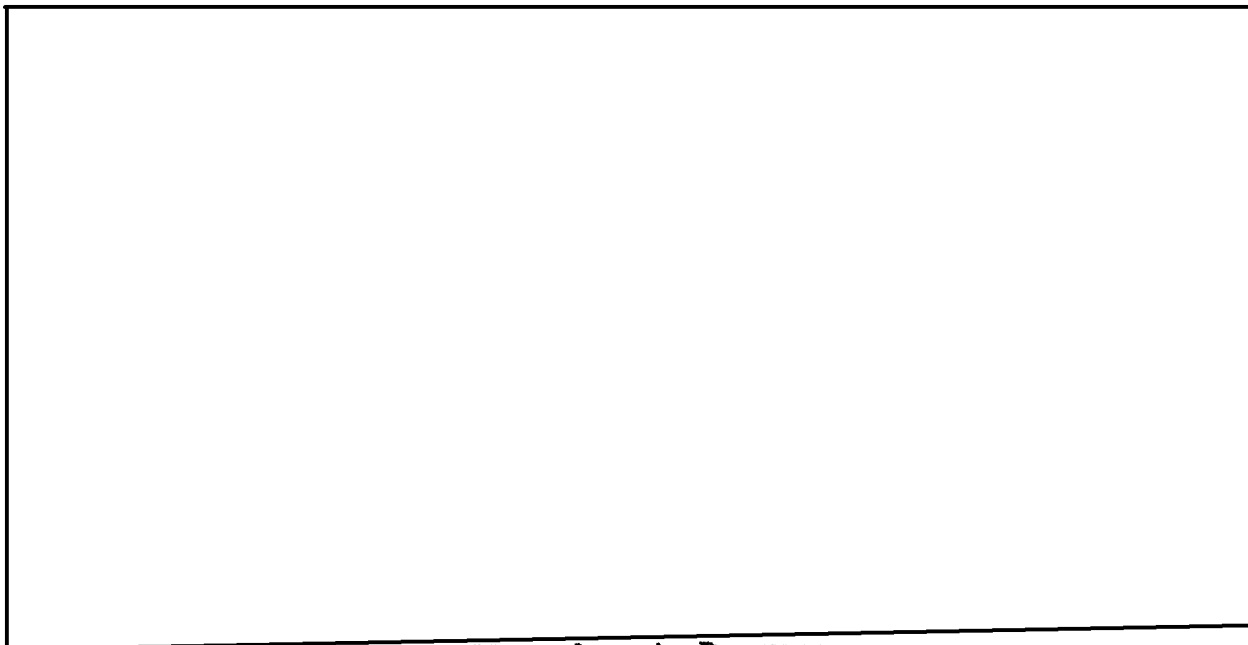
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The effects of hold-down actions taken during the budget cycle when successive echelons of Agency management are conducting hearings, weighing alternatives, and paring away non-essentials are illustrated graphically in the following comparison:

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Measures Planned or in Progress

Upon receipt of the President's memorandum of 30 November 1963, a number of actions were taken immediately:

- the Executive Director-Comptroller was instructed to review with Deputy Directors at least once every quarter progress made in effecting further economies;
- recruitment was drastically cut back and very rigid controls applied to entering on duty any new employees;
- the expansion of our communications staff was halted and the rate of growth in photo interpretation capability checked pending restudy of requirements;
- a much strengthened manpower control system was instituted, with governing measures extending deep into organizational echelons;
- a series of problem areas wherein further economies may lie were identified to subordinate commanders with instructions for reappraisal and reporting back;
- a system was invoked whereby unusual and/or costly demands placed on support and service components will be screened at Executive Director-Comptroller level;
- a reassessment of true Agency needs for the input of Junior Officer Trainees over the next 18 months will be made;

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- a vigorous attack was made on the printing workload and instructions issued which should effect some real reduction in this area.

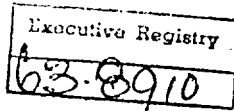
The covert arm has in hand an analysis of all the basic charters under which our overseas posts operate to ensure that priority objectives listed therein conform with present needs and are compatible with current operational environment. The laborious, dollar-trimming review of all clandestine projects continues. Further study will be given to a scale-down of costs involving liaison with foreign intelligence services.

Very promising equipment to aid in translation of documents has been contracted for, which it is anticipated will permit an immediate 300% increase in output of Russian translations with no additional personnel. Under the leadership of a senior substantive officer, the intelligence producing components are undertaking a self-examination to ensure that personnel are being utilized with maximum efficiency and in pursuit of current objectives. In addition, the whole costly business of document handling, a formidable consumer of manpower, is going to be looked at very carefully.

The recruitment slow-down will begin to affect not only the personnel administration function but also the security workload, medical services, office space requirements and other activities which are directly related to personnel strength. In many instances the resources released thereby will have to be redirected to other non-deferrable support tasks, such as administering the new early retirement program. The leveling off of the communications build-up will lower FY 1965 requirements for this activity by

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The coming year will see a further strengthening of our management machinery and an increased flow of information across components and up through the chain of command. We anticipate that an increased awareness of Agency-wide problems among our employees will surface other aspects of substantive programs, operating procedures, and administrative practices wherein further economies can be effected.

At the same time that these measures are being taken within the Central Intelligence Agency, the intelligence community as a whole will be moving forward in concerted attack on the problems of waste, duplication and inefficiency. This community self-examination will be facilitated by the efforts of the Deputy to the Director of Central Intelligence for National Intelligence Programs Evaluation, a post created a few months ago. The prime responsibility of this Deputy, who is being supported by a small staff carefully selected from within and without the Central Intelligence Agency, is to ensure the coordination and guidance necessary for sound decisions concerning investment of national resources for intelligence purposes.



THE WHITE HOUSE

Washington

November 30, 1963

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

I have pledged that the Executive Branch will be administered with the utmost thrift and frugality; that the Government will get a dollar's value for a dollar spent; and that the Government will set an example of prudence and economy.

To carry out this pledge, I intend:

- To examine agency budget requests with the determination to hold the 1965 Budget to the barest minimum consistent with the efficient discharge of our domestic and foreign responsibilities.
- To give you my full support in your efforts to achieve administrative or legislative changes which will eliminate unnecessary procedures, curtail or drop programs of low utility, institute consolidations or other organizational economies, and effect savings in procurement.
- To support salary scales for civil servants, military personnel, and policy officials which will enable you to retain and recruit talented, energetic, and imaginative employees.
- To accord increased recognition to those governmental units and individuals that make notable advances in providing efficient service at lower cost.

To assist me in carrying out my pledge, I ask you:

- To assume personal day-to-day responsibility for making your agency a model of good management and economical administration.

- To press ahead vigorously with your program for manpower control and utilization which you developed in response to President Kennedy's directive of October 11, 1962.
- To hold agency employment at or below the personnel targets established in response to President Kennedy's statement to the Cabinet of September 23, 1963.
- To make clear to your staff that each Government employee is responsible, not only for doing his assigned job to the best of his ability, but also for devising and proposing ways to improve his performance.
- To seek the advice of Committees of the Congress, and of private organizations and individuals, in finding ways to do the public business more economically.
- To submit to me promptly a report of major cost reduction actions taken during the past year, and a statement of the steps which you propose to take in the next year to tighten your operations and effect savings.

The Federal Government has reason to be proud of its many recent achievements in management improvement. But we cannot rest on past accomplishments. There are as many savings to be made in the future as have ever been made in the past. The citizen's faith in free government is strongly influenced by the extent of his confidence that public servants are alert and efficient in conserving the Nation's resources entrusted to their care. For this reason, we must work hard to reduce the costs of Government, not only for the sake of the savings to be made, but also in the interest of vindicating the people's confidence in the institutions of democracy.

signed Lyndon B. Johnson

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