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CENTRAL INTELLIGENCE AGENCY
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The Honorable James T. Lynn
Director, Office of Management and Budget
Old Executive Office Building
Washington, D.C. 20503

Dear Jim:

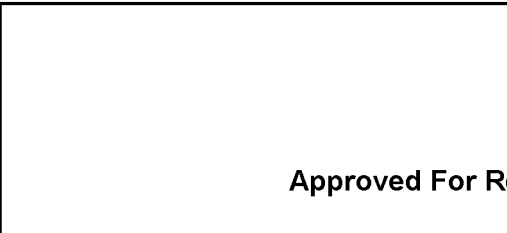
The following are my comments on the report prepared by Don Ogilvie and his colleagues. Each of us will have his own personal views and his own problems with the paper. In stating my own, I do not want to detract from the effort and expertise that went into it, especially against the deadlines imposed. What follows, however, must necessarily emphasize the problems rather than the strengths.

In responding to the outline that accompanied the report, I discuss the full range of topics covered by the Study Group (Attachment B). Here I wish to concentrate on organization and management, the most difficult and ultimately the most important of the issues we face.

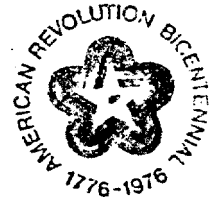
I believe the future structure for American intelligence should rest on the following principles:

- The DCI should have full, easy, and regular access to the President and National Security Council, but should not act as a partisan political supporter of the Administration. Two way communication between the DCI and the President is essential.
- He should be able to provide the President and the NSC and, to the extent feasible, the Congress with assessments of foreign events based on analysis under his control and independent of the major government departments.

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- The system that supports him should be shaped to provide the best possible intelligence; resource allocations, procedures, and organization should be driven by the substantive goals set by national needs for intelligence.
- The DCI should have an established relationship with the Secretaries of State and Defense that enables them to work efficiently together.
- The Department of Defense should be assured that the intelligence capabilities it needs in wartime will be available.



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- In assessing foreign events competition in analysis should be encouraged. In collection, duplication should be avoided except where it greatly increases the chances of acquiring vital intelligence.
- The Intelligence Community should be managed with due regard for resource constraints. (This point is put last for a reason. Too many studies of intelligence approach it with a total focus on economy. Economy is necessary, indeed it is incumbent on all intelligence managers to make hard choices to that end, but it should not be an end in itself. (The primary purpose must be to produce good intelligence)).

Effective management of an intelligence organization built on these principles will depend to a considerable extent on the way it structures the relationship between the DCI and the Secretary of Defense. My basic difficulty with the Study Group's report is that it deals with a number of separate aspects of this problem, but does not pull them together so as to focus attention

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on a matter of such fundamental importance. In simplest terms, the DCI is supposedly responsible for "planning and reviewing all intelligence activities and the allocation of all intelligence resources."

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There are several other topics which must be addressed in any study of Intelligence Community management that seem to me not fully treated in this report.

a. I have noted the importance to the DCI of an independent analytic capability. This is crucial to an understanding of the DCI's role. Without it, no matter what the DCI's paper independence, he is the prisoner of departmental analysis. With it, he can challenge long-standing departmental positions and stimulate new attacks on stubborn problems.

b. The paper gives insufficient emphasis to the importance of an authoritative and informed focus in the Executive for preparing the intelligence program and defending the budget before

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Congress. Congress is moving aggressively toward assuming what are essentially management functions over intelligence programs. This trend can only be reversed if the congressional members of the oversight committees develop confidence in the Executive both with respect to the intelligence program and the execution of its budget.

c. The document does not discuss the importance of maintaining an independent and innovative capability for developing technology and applying this technology to technical collection programs.

Against this background, my reaction to the options developed by the Study Group paper is that they get ahead of the problem by being too specific on complicated issues. The fact is we are not yet ready to ask the President to make a definitive choice on a future intelligence structure. There is no "one" solution to the problems that face us, and every change in one function has repercussions in others that may be impossible to foresee. The Study Group's options will be extremely useful in illustrating for the President the range of choice, but should not be used as a basis for decision. In my view, we should use them to seek from the President a general indication of the direction in which he wants to move. On that basis we can then set in motion detailed studies of the consequences that will ensue from a given choice, and can present for him in some detail the choices he has in reaching that goal.

My comments on the Options themselves are derived by testing them against the principles stated above. By that standard:

--Option 1, which centralizes control of national systems under a DCI, cannot meet Defense's legitimate requirements.

--Option 3 effectively destroys the DCI's present limited authority, and thereby makes it impossible for him to be an effective advocate of independent intelligence positions at the NSC level.

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--Options 2 and 4 would appear compatible with the principles stated. Option 2 in its present form has serious workability problems but goes as far as I think we can go in strengthening the DCI relative to Defense. Option 4 does not have these problems but, as it stands, leaves the basic problems [redacted]

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The first question that the President must decide is whether major change in intelligence organization is a goal to be sought this year. Congress appears to be moving in this direction, but I doubt that the disruption of our effort that would result from major re-organization would be repaid by the results. I would propose instead to take the initiative by moving to achieve better management of the Community in a way that will not require lengthy Congressional debate. Option 4 provides a basis for such a move, but I believe it is somewhat too weak for the purpose. For this reason I suggest a stronger modification.

This proposal, Attachment A, differs from Option 4 more in intent than in substance. It is specifically aimed at reaching the kind of DCI-SecDef relationship that I believe essential, but without the traumatic change in bureaucratic equities required by Option 2. (On the other hand, it gives no additional muscle to the DCI). It provides a central mechanism for managing the Community, [redacted]

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first among equals, and substantive issues, where he is and should be a great deal more. I think it offers promise for real progress with a minimum of disruption.

While it is true, as the Study Group emphasizes, that Option 4 (or the attached modification) could be carried out by administrative rather than legislative action, I believe that strong confirmatory legislation will eventually be required if the recommended changes are to endure. The authorities and responsibilities of our complex Intelligence Community should not be left to bureaucratic conflict and changes in Administration. Executive action could start us on our way to the changes we think essential, but the ambiguities of the existent statutes must be corrected if there is to be any degree of stability in the new organizational arrangements, and if the Congress is to stand behind them.

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All of the above is predicated on a decision by the President to avoid major change this year. If, however, the President feels that a major reorganization is required, then I believe we should look to some form of Option 2. I believe it provides a tentative basis for planning a proposal, primarily because it seeks a solution to the central DCI-SecDef problem. Should the President go that route I would recommend that he give the departments and agencies time to consider the detailed consequences of the Option 2 approach before finally committing himself to it.

Sincerely,

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W. E. Colby
Director

Attachments:
Attachment A
Attachment B

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Letter to James T. Lynn, Director, OMB
Comments on the report prepared by Don Ogilvie

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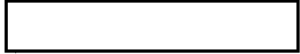
General Walters
Mr. Duckett
Mr. Proctor
Mr. Nelson
Mr. Blake
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Mr. Breckinridge
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ATTACHMENT A

Option 4, Modified - "Collective Management"

RATIONALE

This Option starts from the premise that stronger management of the Intelligence Community is highly desirable, but that the balance of interests reflected in the present structure is a realistic one and should be maintained. It presents a concept for achieving a degree of collective management while preserving present organizational relationships. It requires a minimum of legislative change.

SUMMARY DESCRIPTION

The DCI would continue to be advisor to the President, coordinator of the Community, and Director of CIA. The present structure of Committees and Boards would be consolidated into two, both chaired by the DCI: an Executive Committee of the NSC for Intelligence at the deputy secretary level, responsible for all Community management and policy matters, and a National Intelligence Board at the present USIB Principals level, responsible for substantive production. To enable the DCI to give more attention to his Community responsibilities he would be provided with a second deputy.

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PRIMARY CHANGES AND EFFECTS

The DCI's Responsibilities

The DCI would be the President's chief intelligence advisor, and would remain Director of CIA. With a view to raising the stature of the job, consideration should be given to granting him Cabinet rank. He would be responsible, under the NSC, for the coordination of national intelligence policy and for the production of national intelligence. A clear distinction would be made, however, between his Community and CIA roles.

To this end, he would be provided with an additional Deputy, appointed by the President and confirmed by Congress. The present Deputy would be specifically responsible for managing the Agency under the DCI; the other Deputy would be responsible under the DCI for coordination of the Community. The DCI would have an Agency office at Langley and a Community office downtown, where his Community Deputy would be located.

Coordination of National Intelligence

The present structure of boards and committees would be rationalized, on the basic principle that policy and resource matters requiring a balancing of departmental interests would be considered collectively by the senior officers controlling the assets and resources concerned. A separate forum would be provided for substantive intelligence issues, on the grounds that these are inappropriate for policy officers to adjudicate and that departmental interests are protected by the right of dissent.

Policy and Resources

For the first of these purposes the DCI would chair an NSC Executive Committee for Intelligence, with Deputy Secretaries of State and Defense as members. The committee would have under control of its members all important intelligence assets, and would act as a board of directors for national intelligence. EXCOM(I) would absorb the functions of NSCIC, EXCOM (NRO plus equivalent responsibilities for NSA), IRAC, and USIB (except national intelligence production). It would in addition coordinate policy matters affecting State and the Community



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The DCI's Community Deputy would be his alternate in EXCOM(I) but would not serve as Chairman in his absence. The IC Staff would be the secretariat of EXCOM(I). The DCI would carry out his existing responsibilities for the NFIP (less its tactical and departmental components) with the assistance of the Committee. EXCOM(I) would have approval authority for the NFIP (CIAP, NRP, CCP, and some elements of the GDIP) and its decisions would be binding. The DCI would have administrative and resource authority only over CIA. Present administrative arrangements for the NRP and CCP would be preserved.

Production of National Intelligence

USIB would be reconstituted as a National Intelligence Board, limited by charter to substantive matters, and advisory to the DCI. The NIO's would act as the DCI's staff for the NIB. The Board would be chaired by the DCI, with his Agency Deputy as CIA member. The latter would serve as Chairman in his absence.

Covert Action

The DCI would be a member of the 40 Committee, but not its Chairman, with his Agency Deputy as alternate. Clandestine collection and covert action would remain assigned to CIA, without change in present arrangements.

Oversight

Without administrative authority over the Community, it would be inappropriate for the DCI to have an IG responsibility except over CIA. This Option assumes Executive oversight at the NSC or White House level.

Congress

The DCI would continue to be the Community spokesman to Congress.

National/Tactical Problems

EXCOM(I) would handle matters relating to the relationship between tactical and national intelligence. The DCI would have no responsibility for the tactical intelligence budgets of the military services.

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Attachment B

Detailed Comments

A. "Abuses"

1. Guidelines on Propriety

An Executive Order which promulgates a code of standards for the conduct of intelligence activities, as proposed, could serve constructive purposes, both internally and publicly.

2. Executive Branch Oversight

a. I have already taken steps to strengthen the CIA Inspector-General, in accordance with the Rockefeller Commission recommendations. As to a Community-wide IG, this should depend on the degree of authority vested in the DCI. Under Option 1 he could exercise this responsibility. Under Option 2, 3, and 4 he clearly could not.

b. I believe that the current efforts of the Congress and the changed attitudes of the Executive will provide more than enough oversight over the Community. The problem of the future may be to protect the Community from being so over-overseen as to be hamstrung. If, however, the President feels that an additional body is needed, then I would only urge that this be made a responsibility of the National Security Council Intelligence Committee or of the PFIAB. My preferred course is Option 4 Modified, which would change markedly the character of NSCIC. Moreover, the missions of preventing abuses and improving product do not mix well. As to PFIAB, I have the same problem of mixing incompatible functions. Despite the findings of the Rockefeller and Murphy Commissions, it is doubtful that a part-time Board, even with a greatly expanded permanent staff, could effectively engage this problem.

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3. Intelligence Policy Coordination

Intelligence policy coordination should follow the same lines as Executive oversight, in view of the NSC's statutory duty of integrating domestic, foreign, and military policies relating to national security. This suggests that whatever new coordination arrangements are necessary should be made through the NSC structure, expanding it when and if needed. A second Intelligence Advisor to the President for this purpose does not appear politic or advisable. On the other hand, the DCI should not be involved in matters concerning domestic affairs. It is unfortunate that the Study Group's charter did not extend to counter-intelligence, because it is here that the problem of intelligence policy coordination is thorniest.

4. The 40 Committee

I believe the 40 Committee should be continued and strengthened to provide policy approval for covert action.

B. Intelligence Community Leadership

My position on these matters is contained in my basic letter and the Modified Option 4 appended thereto. The only other comment I have is that I strongly support the Study Group's recommendation that the DCI be relieved of the responsibility for the tactical intelligence budget assigned to him by the Presidential Letter of 1971. This is an unworkable arrangement. I believe the DCI should be responsible for ensuring the integration of tactical and national systems* but that the armed services should propose, defend, and execute their own budgets for their own tactical intelligence requirements.

*Including the responsibility to avoid duplication of national capabilities in tactical systems.

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C. Covert Action

I believe it essential that responsibility for covert action remain in CIA and remain an integral function of CIA's Clandestine Service. For the reasons stated in the Study Group report, separation of clandestine collection and covert action is a recipe for operational disaster.

D. Management Improvements

1. Budgetary and Fiscal Controls

a. As I have stated on numerous occasions, I am opposed to the publication of any U.S. intelligence budget figures. I recognize, however, there is need to improve the flow of budget information to those members the Congress selects to review the intelligence budget, under appropriate security safeguards.

b. I believe that additional controls by OMB, particularly on reprogramming, would serve no purpose whatever in preventing "abuses" or reassuring the public. Rather, they would further reduce the ability of US intelligence to respond to new challenges. If the purpose is better intelligence, we are already going in the wrong direction. In the past flexibility in intelligence budget execution has been provided primarily through informal understandings between the Executive and key congressmen and senators. Changes in Congress have largely negated this flexibility and no adequate alternatives have been developed.

[REDACTED]

The FY-76 Appropriation Bill contains language moving strongly in that direction. I believe what is needed is legislation establishing rules uniquely tailored to intelligence programs.

2. Miscellaneous

a. In regard to compartmentation, I would note that there is no barrier to provision of any intelligence to the senior consumer who really needs to know. The problem is somewhat more complicated, and I have a study in progress on how to simplify and rationalize the present system.

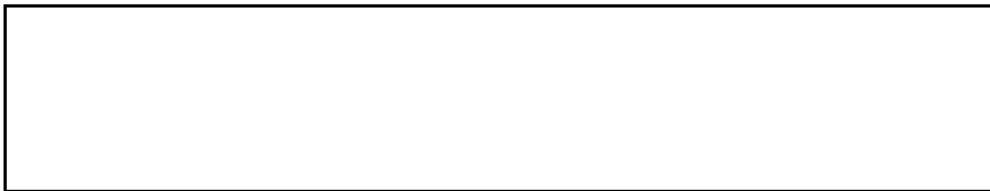
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b. The Study's comments on consumer interaction with the Intelligence Community and needed improvements are valid.

c. With respect to a Performance Evaluation System, we are continuing to develop such a system, with the advice and cooperation of USIB and IRAC, through the mechanisms of the Key Intelligence Question Evaluation Program.



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e. Lastly, although it does not fall within the strict definition of the Study Group's responsibility, I would note yet again the necessity for better legislation to protect intelligence sources and methods.

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