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23 December 1960~~SECRET~~

MEMORANDUM FOR THE DIRECTOR, NATIONAL SECURITY AGENCY

Subj: Proposed action to restore reduction to Navy's Fiscal Year 1962
Cryptologic Budget

Ref: (a) Head, NAVSECGRU memo Op-94G/jls ser 00151P94 of 14 Dec 1960

1. Reference (a) informed you of the effects of the \$12.0 million reduction imposed on the FY 1962 budget. In an attempt to obtain restoration, if the FY 1962 budget should be reopened, the Chief of Naval Operations intends to emphasize the serious deficiencies resulting from this reduction during the briefing of the new Secretary of Defense.

2. It is planned to cite the following items which will be reduced and the effects which will result.

a. Reduce cryptographic equipment procurement by \$5.0 million. This reduction will further delay completion of the Navy's link encryption program. There is an urgent requirement to provide increased security, speed, and capacity for naval communications which is possible only with modern on-line devices. These must be obtained and installed by the Navy in most shore stations, all ships, and certain aircraft. Of equal importance is the need to maintain compatibility with the Army and Air Force, and to provide these equipments to the Marine Corps and Coast Guard. The low level of funding in prior years has caused the Navy to lag behind the Army and the Air Force in providing modern link encryption. For example during FY 1958 - FY 1961 the Army spent \$47.5 million and the Air Force \$80.0 million for these equipments while the Navy spent only \$26.1 million. As you know \$5.0 million was specifically added to the Navy Budget following NSA and USCSB action which emphasized the need for greater Navy emphasis on this program. Its elimination is a serious set back.

b. Reduce the Navy's high frequency direction finding and modernization and improvement programs by \$5.8 million. This reduction will eliminate the major portion (\$5 million out of \$6.5 million) of the Fiscal Year 1962 procurement increment of highly important special equipment required to support Anti Submarine Warfare. This equipment is part of a program commenced in Fiscal Years 1960 and 1961 with emergency RDT&E funds. The cut will also eliminate \$.8 million required to provide improved communications for DF bearing reporting and related automated plotting equipment essential to the improvement of DF fixing capabilities. Loss of these items will delay a very important element in the Navy capability for Anti Submarine Warfare operations.

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c. Eliminate procurement (\$1.2 millica) of long lead time electronic equipments for instrumentation of the U. S. Naval Radio Research Station Sugar Grove, West Virginia. This deferral of equipment to a future fiscal year can result in inability to instrument this major (\$136 million) naval facility upon completion of the military construction phase and delay commencement of the intelligence collection usage for which it is being built.

*Super
WJ*

3. Your concurrence in the effects of the reductions as set forth in paragraph 2. above, is requested.

*Have discussed with Adm. Kuntz
Prood position is that we
concur with Navy
KMA
20/12*

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