

RADIO FREE EUROPE
MUNICH

Outgoing Cipher Message

TO: 5

MUN 76 21 OCT 65
TO RICHARDSON FM SMITH
EYES ONLY 21/1230.

EYES ONLY

WE SENT OFF IN THIS MORNING'S POUCH THE PRELIMINARY RFE BUDGET ESTIMATE FOR FY 67. WHILE PRESENTED IN BRIEF AND CONDENSED FORM, THE ESTIMATE IS NOT IN ANY WAY A GUESS BUT HAS BEEN DEVELOPED BY THOROUGH-GOING STUDY OF REQUIREMENTS.

WITH THE PASSING OF SUCCESSIVE BUDGET EXERCISES WE ARE ABLE TO ARRIVE AT AN INCREASINGLY ACCURATE AND REALISTIC KNOWLEDGE OF THE COSTS OF VARIOUS OPERATIONS OF RFE. IN THIS ESTIMATE, WE HAVE ATTEMPTED TO TAKE INTO ACCOUNT EVERY FORESEEABLE CHANGE IN EVERY ACCOUNT AND AREA, BOTH INCREASES AND DECREASES. FOR EXAMPLE, YOU WILL SEE THAT THE TOTAL NET INCREASE REQUESTED FOR OPERATIONS AND CAPITAL COMBINED IS SMALLER THAN THE INCREASES REQUIRED SOLELY TO COVER BUILT-IN EMPLOYEE MAINTENANCE AND SUPPORT INCREASES WHICH ARE A PART OF THE OPERATIONS ACCOUNT. IN OTHER WORDS, THE FY '67 ESTIMATE FOR OPERATIONS REPRESENTS REDUCTIONS IN ACCOUNTS OTHER THAN BUILT-IN EMPLOYEE COSTS, COMPARED TO OUR FY '66 ESTIMATE SUBMITTED LAST JANUARY.

HOWEVER, EVEN THOUGH WE ARE CONFIDENT THAT OUR FY '67 ESTIMATE DOES NOT CONTAIN ANY PADDING, EITHER CONSCIOUSLY OR THROUGH LACK OF THOROUGH REVIEW AND SCREENING OF ACTUAL NEEDS, IT IS ALMOST SHOCKINGLY HIGH, DUE ENTIRELY TO THE UNAVOIDABLE COMULATIVE EFFECTS OF PERSONNEL COSTS. THE ONLY WAY THAT MAJOR REDUCTIONS COULD BE MADE WOULD BE BY ELIMINATING IMPORTANT ELEMENTS OF THE OPERATION, SUCH AS THOSE DESCRIBED IN ENCLOSURE 1 TO MY MEMO OF 8 SEPTEMBER SUBMITTING THE "CUT-BACK" FY '66 BUDGET. IT CAN'T BE DONE BY FURTHER GENERAL SCRIMPING AND SCRAPING, SINCE WE HAVE ALREADY DONE THAT, WITH TOOLS AND TECHNIQUES WELL SHARPENED BY EXPERIENCE.

END MSG

copy given to Hammer

1965 OCT 21

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