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Tab E

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29 Jun 1979

BURDEN SHARING ALTERNATIVES FOR LRTNF FACILITIES CONSTRUCTION

ISSUE: Should funding for construction of facilities required for LRTNF be funded through the NATO Infrastructure Fund, or should a special fund be created just for this purpose?

DISCUSSION: If NATO should decide to go ahead with LRTNF modernization, new facilities would have to be constructed. An advantageous way to fund this construction -- one Congress may insist on -- is to have the Alliance as a whole pay for it. This would help ease the financial burden on the US, and provide evidence of widespread support for LRTNF by the Allies. The fundamental issue will be whether to use the existing NATO Infrastructure Fund, or create a new Special Fund specifically for LRTNF.

The NATO Infrastructure Fund was created to provide a common fund to support operational military facilities in the NATO area that will be for joint use of two or more nations, or which are of common interest to the Alliance. The fund is generally confined to the support of such items as aircraft, shelter construction, communications, weapons sites construction, etc. (Tab A gives a more complete list). All NATO nations involved in the military structure (except Iceland and France for certain projects) contribute a specific percentage of the total infrastructure budget. The table at Tab B depicts the current contribution. Theoretically, the amount of each country's share is based on ability to pay (GNP or GDP), the military use each nation will get from the facility, and the economic benefits derived as a result of having that facility.

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Using these criteria, the Alliance members then negotiate the amount to be contributed by nation. This is renegotiated every five years. The data at Tab B also shows the amount of return each country gets from the Fund which in part at least gives a country a return on its investment in the Fund.

The Infrastructure budget is approved for a five year period. The level just approved for 1980-1984 establishes a financial ceiling and cost sharing arrangement of 1 Billion Infrastructure account units (IAUs), approximately \$4.45 Billion at current value. This amount was approved in May 1979 on the condition that mid way through the period the Alliance would evaluate the progress of the programs covered. Though not part of the Alliance agreement, this mid-term review would afford an opportunity to consider augmenting Infrastructure funds to support LRTNF.

The actual costs of the construction of LRTNF facilities would vary considerably depending on the particular deployment option chosen. The SCC is considering four basing options. Probable facilities construction costs under each of these options are:

<u>FACILITY CONSTRUCTION COSTS^{1/}</u>			
(FY 79 dollars)			
<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
\$309M	\$284M	\$184M	\$238M

Option A, the largest option, would cost the greatest amount, \$309M US 1979 dollars. Similarly, Options B and C would cost proportionately less as the numbers of systems decrease, and therefore fewer facilities would be required. Option D, has fewer warheads on launchers than Option B. However,

^{1/} These figures include the cost of constructing hardened shelters for all Pershing II and GLCM forces.

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these two options cost about the same since they both have about the same number of launchers, and thus about the same number of shelters, which are the dominant factors in construction costs.

Alternatives

1) Approved Infrastructure Program - Under this approach existing NATO Infrastructure Funds would be used for construction of facilities needed to support LRTNF basing. This could involve raising the overall level of the infrastructure budget to accommodate the additional requirement for LRTNF. This increase might be accomplished as part of the mid term review of the 1980-84 financial ceiling of IAU 1.0B.

2) Special Fund - This approach would involve setting up a special fund specifically for construction of facilities associated with LRTNF deployment.

Evaluation of Alternatives

Evidence of Participation - One of the purposes of cost-sharing in general is to provide visible evidence that a large number of NATO countries support LRTNF modernization. A special LRTNF account would best support this objective since it would be clear to the public that all contributors to the special fund were directly providing the wherewithal for LRTNF deployments.

(b)(1)



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(b)(1)



Distribution of Burden - If LRTNF were financed under the current NATO Infrastructure Program, the distribution of country shares would be as shown at Tab B. Tabs C and D display the amount of infrastructure funding by nation that would go for LRTNF Options being considered. These Tabs also present the amount of funds which would be spent in the countries accepting LRTNF basing. In general, basing participants get back more than they pay in, whereas non-basing countries -- (b)(1) -- would make substantial contributions without any return.

A special fund, however, could allow for great flexibility in shares to be paid by each country. Thus it would be possible to bias the shares in what might be a more equitable way by asking those countries with sound economies but without LRTNF basing -- (b)(1) -- to contribute more to infrastructure funding than would otherwise be the case. This would require agreement on a non-cost sharing formula, which would be a difficult undertaking.

Timing

Regardless of whether LRTNF were funded from either the existing Infrastructure Fund or a new Special Fund, the following sequence of events would have to occur once political decisions were made, shares were worked out and funds committed:

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<u>Event</u>	<u>Approximate Time</u>
o Develop and obtain NATO-wide agreement on basic design of facilities (optimistic estimate)	1 year
o Architectural drawings, site surveys	6 months
o Competitive bidding, awarding contracts, readying construction crews	6 months
o <u>Construction of facilities</u>	<u>1 year</u>
<u>Total Time</u>	<u>3 years</u>

Assuming a late 1983 IOC for initial deployments, this means all the political decisions and fiscal commitments have to be wrapped up by late 1980. If a basic decision to proceed with modernization were to be made at the end of 1979, this would leave a window of about a year to firm up an Alliance political decision on the modalities of construction funding under either Alternative 1 or 2.

An Alliance political decision for either alternative could involve the following steps:

- December 1979 DPC Ministers ask NATO PermReps to determine arrangements for construction funding and design of facilities.
- The PermReps work out the details of funding and facilities design augmented by bilateral contacts as appropriate to ensure movement.
- PermReps or DPC give NATO endorsement of approach.

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Where Alternatives 1 and 2 would differ is what issues would have to be resolved in the Alliance discussions during the second step in this process.

Alternative 1 could involve discussions over what already planned NATO infrastructure programs would be dropped or deferred to make way for LRTNF funding. The discussions might also get into increasing the infrastructure budget to accommodate LRTNF without cutting back in other programs. However, such a debate would risk dragging on discussions such as to slip IOCs, and thus might better be deferred to the already scheduled mid-term review in 1982-3. In Alternative 2, a great deal of discussion would be devoted to the shares for which each country would be responsible, as well as the overall amount of the special fund.

Either Alternative 1 or 2 could involve protracted debates -- perhaps forcing slips in IOC - with fiscal modalities surrogates for reopening the issue of whether LRTNF ought to be deployed in the first place. Between the two Alternatives, the second involving a Special Fund would probably risk a longer time for resolution since the country-share issue would be particularly difficult to solve, and since, being unambiguously associated with LRTNF, it would be politically more controversial.

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NATO INFRASTRUCTURE — ELIGIBLE CATEGORIES

AIRFIELDS

AIRFIELD PROTECTION
SIGNALS

POL

NAVAL BASES

NAVIGATION AIDS

RADAR

TRAINING

WAR HQ

SAM

SAS

SSM

NADGE

OTHER

-ESSENTIAL OPERATIONAL FACILITIES ONLY.

-INCLUDES SHELTERS FOR TACTICAL AIRCRAFT

-MILITARY COMMUNICATIONS

CONNECTIONS WITH GOVERNMENTS.

SATELLITE COMMUNICATIONS.

-PIPELINES & 30-DAY STORAGE FOR JET FUEL.

-POL, AMMO AND OTHER STORAGE, REPAIR FACILITIES, PIERS.

-FOR COMMON USE — AIR AND SEA.

-EARLY WARNING, AIR AND SEA.

-TANK, AIR, AND MISSILE RANGES

-STATIC AND MOBILE FOR INTERNATIONAL HEAD-
QUARTERS.

-NIKE AND HAWK SITES.

-STORAGE SITES FOR U.S. NUCLEAR WARHEADS.

-MACE AND PERSHING SITES.

-NATO AIR DEFENSE GROUND ENVIRONMENT — INTE-
GRATED EARLY WARNING, COMMAND AND CON-
TROL.

-CASE-BY-CASE AGREEMENTS (e.g.: CONTROLLED
HUMIDITY STORAGE FOR U.S.)



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AMOUNT OF INFRASTRUCTURE FUNDS (\$ FY 79M)*
(With Full PII Shelter)

OPTIONS

COUNTRY	SHARE %	A	B	C	D
(b)(1)					
		309	270	184	238

Note: Rounding of numbers will cause sums of columns to differ from true total.

* Numbers in parenthesis reflect amount of infrastructure funds that would be spent (b)(1)

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AMOUNT OF INFRASTRUCTURE FUNDS (\$ FY 79M)*
(Without PII Shelters)

<u>COUNTRY</u>	<u>SHARE %</u>	<u>OPTIONS</u>			
		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
(b)(1)					
		201	162	112	4

Note: Rounding of numbers will cause sums of columns to differ from true total.

*Numbers in parenthesis reflect the amount of infrastructure funds which would be spent (b)(1)

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