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DETERMINATION OF PROCUREMENT OBJECTIVE
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DETERMINATION OF PROCUREMENT OBJECTIVE

MR. SILVERSTRAND:

I think this will be the last time you will have to look at this big form (referring to an enlargement of Supply Control Chart), which many of you are getting pretty tired of by this time.

As a result of Colonel Brown's request of last week I have rearranged my notes this morning. I had not included, originally, a discussion of the McCoy Board Report or the Richards Committee or the Draper-Strauss Reports. I had assumed that since there were so many of those reports probably you would use them as library references. As a matter of fact, however, I am very glad to talk about those because they are probably not too widely known inasmuch as they were secret—I do not believe any of them were considered top secret, but most of them were secret when rendered and did not have wide distribution. There are just a few more things we want to mention about the Supply Control Form before going into those studies.

The first is in relation to the determination of issue demands for overseas theaters. That has to do with the Theater Forecast of Requisitions Report, which was issued last November. The first report covered a selected list of about 700 important items, scheduled to reach the War Department technical services on 15 January. Those reports are now in.

The second report, which will include a forecast of requisitions for 42 thousand items, in case the theater has a forecast of requisitions for all items, will be due in on 15 February. That forecast of requisitions will provide, for the 700 important items, the stocks on hand in the theaters, both in the hands of troops and also in the theater depots. In addition it will provide a forecast of any quantities the theater expects to requisition for shipment from the United States depots during the next four calendar quarters, starting on the first of April.

For the items other than the 700 important items, the theater will list an item only in the event that it has a forecast requisition requirement during one of those four quarters. For the important items the theaters will list the items even though they have no forecast requirement.

It is hoped that that report will provide a means for reflecting local conditions in the theaters and that our forecast of requirements will be much more realistic than our computation through the use of replacement factors and other factors of allowances, so that sitting back here so far away from MacArthur in Japan when we set up our long, complicated-looking formulas we shall come out with the right answer. We have to assume that the answer is right unless it is proved wrong, which is sometimes the case. In that connection, the proof is usually shown after the material has been delivered by the manufacturer.

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Now in peacetime it is felt that the theaters will have time to devote to the computation of what some of their requirements will be. By the time they have rendered those reports they will have got into the swing of the thing well enough so that we can practically accept their reports as the basis for our forecasting for the issue demands to overseas theaters. In the final analysis, those reports will really form the basis for both Lines 2 and 3 (referring to Supply Control Chart), that is, overseas issue demands including special operational projects of Class 4 requirements. Incidentally, we are looking forward to that report with a great deal of hope.

As you probably all know, the Critical Items Report, which furnished a statement of resources in the various theaters for about 700 or 800 items during the war, has been rescinded. The Theater Forecast of Requisitions Report will be the only report that gives any resources data in the theaters. It is on a simpler basis than the old Critical Items Report so that it can be prepared with far fewer personnel. It is based upon the same instructions they have for preparing their quarterly requisitions, which is provided for by TM-33-418, if any of you are interested in the manual that tells the theaters how to prepare requisitions.

A copy of the current Theater Forecast of Requisitions Report is submitted to the responsible Port of Embarkation with the requisition covering the first month of the first quarter covered by the report. The port uses that report in editing requisitions from the reporting command. If the requisition submitted for the subsequent months differs widely from the theater's forecast of requisitions, then an explanation is requested. Some of the working details will, no doubt, have to be modified when the report is put into full operation.

Another point we want to discuss briefly is the Navy requirements. These were touched upon last Friday.

The Navy's requirements were accumulated by its Materiel Division, and submitted in tabulated form to ASF, which transmitted them to the chiefs of the technical services. They go through the Staff, ASF, so that if the Navy should request an item for which we could not meet the total demands of the Army and the other agencies then a conference would be called to agree, or attempt to agree, on some rationing of production. In the event the supply was tight, the Navy would be fully informed in advance that they might have some difficulty in getting some of the supplies requested.

In the very early days of the war the requirements submitted by the Navy, as well as by the Army, usually opened quite a bit of discussion, because, for example, in some ammunition rounds it was discovered that the Marines' requirements were sometimes as much as 25 percent of what they were for the entire Army, which looked a little high. So that several conferences were held.

Those requirements in some cases proved to be reasonable. After all, the Marines had certain commitments and certain long-range supply lines out in the Pacific which required much heavier quantities of ammunition per man than we did. In some other cases they decided, after looking over our forecast, that they could whittle down the requirements a little. There was a lot of give and take in the early days of the war. In the last couple of years the requirements submitted by the Navy have been, in general, on a very sound basis. The only reason for the conferences, as I mentioned first, was to arrive at some method of rationing production when we could not get everything we needed from procurement.

There have been a number of discussions and conferences with Navy in which some of their people have talked with the Requirements people and they, in turn, have talked with Navy. These conferences have resulted in the exchange of many ideas on procurement. I think they have been very valuable. The Navy requirements people had a man who was in civil life an insurance actuary. I consider him to be one of the most intelligent men in the field of requirements that I have run across anywhere. I think he has gone back to an insurance company now, but while he was here he certainly was a very valuable man. I picked up a lot of points from him.

The International Aid requirements were collected by the International Aid Division of ASF. Lend-lease accredited countries submitted their demands or their requirements (originally based on annual periods and later by quarters) to the International Aid Division. The International Aid Division consolidated these requirements and determined the total demand for International Aid countries. These demands were then combined with U. S. Army and Navy demands to determine the total requirement.

Requests of the lend-lease accredited countries were in many cases screened down. In very few instances was it possible for us to produce at random everything requested. Lend-lease accredited countries were asked to submit certain reductions within general categories of items: for example, combat vehicles. A given country might finally decide to concentrate its requests for combat vehicles in one particular item, if possible, and give up some other items that would have impinged on the production of the particular items most desired.

There were many agreements worked out. Much reduction in requirements also became necessary. There were some demands placed which were possibly 25 to 50 percent higher than they actually wanted. These requests were made for bargaining purposes. So that was something that had to be watched for all the time. In general, though, I believe the International Aid Division people all feel that the requests of the lend-lease accredited countries, after they became familiar with the scheme of handling things over here, became more and more reasonable.

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The British, I know, had some difficulty in finding a method for computing requirements early in the war and at one time it took them about six months from the time they initiated the computation to complete it. Under the old Army Supply Program we figured about eight weeks to complete a computation. We finally had that whittled down to about four weeks under the Supply Control system.

The British, I might add, went into a much more elaborate system of computing requirements than we did. They sent out to the various theaters asking each one of the theater commanders to prepare estimates. They furnished him with very detailed instructions and very long and complicated formulas and complicated work-sheets to figure out. One of their Requirements people, I cannot recall his name now, in talking to the International Division people said, one rule they sometimes recommended was to compute the requirements in the most intelligent manner possible and then add 50 percent. I think that is possibly the tendency on the part of most requirements people when they feel they are responsible for supplying.

The International Division, after screening all those requirements, tabulated them and submitted them to the technical services. The technical services included requirements on an annual basis in the old Army Supply Program. Later, when Supply Control was developed, they scheduled them in accordance with instructions received from the International Division.

After the International Aid requirements had been submitted, it was frequently found that the demands of those countries (just as the demands of the U.S. Army for that matter) varied widely from the original forecast of what they would need. So, when it really came down to splitting supplies it became simply a matter of horse-trading and bidding for the quantities produced.

Many of you, I am sure, are familiar with the Munitions Allocations Committee, Ground. They actually made all the basic decisions and submitted all of the contested cases to the Munitions Assignments Board. You see, the countries involved would give and take; the U. S. Army and the U. S. Navy would also give and take. For instance, some piece of equipment might be put in the program for International Aid purposes which later on we decided we wanted. Well, then, we always worked out a deal whereby we would get a part of that production provided we would give them a share of something else they had originally thought they would not want. So, in the final analysis, there was a lot of horse-trading. Inevitably it was based upon the mere dynamic nature of war. Always remember one basic point: war is dynamic and not static. You cannot forecast for all possibilities. Simply do the best job you can with available data and then continue to revise your estimates.

One matter in connection with International Aid that caused quite a bit of difficulty at the time it was being worked out was the procedure for handling theater transfers—theater transfers to the French, the Brazilians, the Chinese, and some other countries.

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In Supply Control, quantities issued from United States depots had to be charged to U. S. Army issues. You could not break out quantities to be transferred overseas. For example, quantities to be transferred to the French were included in regular ETO U.S. Army requisitions. The supplying depot had no knowledge as to what the supplies requisitioned would be used for when they reached the theater. We had to include in U.S. Army estimates what the theater transfers to the French, Brazilians, or Chinese would be.

That problem, of course, ended with the European War; that is the largest part of the problem ended with the European War because we wiped out the French transfers from the U.S. Army issues. Of course, with the ending of the Pacific War we wiped out the Chinese.

The next important thing I mentioned last Friday, along with which we had some discussion, was this line (indicating) on Stock Level. The Stock Level represents just the quantity authorized to be on hand. It does not include the Reserve quantities at all. The Stock Level represents an ordinary inventory; the kind of inventory the average department store tries to keep on hand in order to operate at a profit. When you have a seller's market the average department store is lucky if it can keep any sheets or pillow cases in stock at all. When the market is saturated the store must be prepared to keep some sort of inventory to meet sales which it can forecast pretty well over a long period of time. But the store managers cannot forecast the exact time when they will make a sale. They will know, for example, that they may sell a thousand dollars' worth of pillow cases in a year, but they will not know exactly when. The Army faced the same problem: we knew approximately the number of items we thought we had to issue during the year, but we could never be too sure as to the exact time we would have to issue them.

The Richards Committee, The McCoy Board, and some of the other boards that we will talk about a little bit later, established the maximum of 90 days of supply to be kept on hand as an operating inventory. That was implemented in the findings of the Richards Committee and later incorporated in the McNarney directive, and by War Department Circular 206, 1944. That circular, having reached the age of 18 months, has been republished in very similar form as War Department Circular 368, 1945. That circular gives ASF authority to have on hand three months of supply. In general, the ASF implementation of that has been a basic sixty days of supplies,—two months of expected issues on certain items. However, there are items that are relatively small and that cannot be treated as individual items so readily as a tank for example—if you should find yourself short of tanks you could send to the factory and have them ship the tank direct to the point where you want it, just as was done with a lot of heavy field-artillery ammunition during the Battle of the Bulge.

You cannot do that on small items, like socks, for instance. If you fall into that trap on too many items you bog down on your whole requisition system.

So, in order to avoid that condition, many such items were approved 90 day of supply. That 90 days was the computed forecast of issues to the U. S. Army, stated on these lines up here (indicating lines 1, 2, and 3).

We did not make provision in our stock level for issues to International Aid or Navy; because they had stated all their demands, as to the time they wanted them. We fashioned our own production; they, in turn, maintained their own stock levels. Navy included in its requirements provision for its own inventories. The International Aid countries, we assumed, did likewise. We assumed only the responsibility for delivering those goods in the quantities they had requested. In our own case, for instance, if our own theater commanders requisitioned twice as much as we had forecast for them, we could meet such requisitions only from the stock level.

The next important area of the form, and the area of the form which is really the payoff of the whole computation, is this section on Supply Balance. It provided two lines under Supply Balance. The first one is Total Supply Less Issue Demand. Total supply includes every source of supply you have: stock on hand as of the date of the report plus estimate receipts from the returns of stock and receipts from procurement. That is everything which will be available to meet requisitions. We could always order certain items shipped direct from the facility, bearing in mind that if we did that on many items, that assumption would soon break down. But that represented the very basis, the very bottom. Now, actually, if Supply Less Issue Demand comes out zero all the way along there will inevitably be a delay in filling some of the requests. It will then be necessary to establish a priority scheme whereby theater requisitions are filled first.

The next comparison is Total Supply Less Total Demand. Total Demand includes not only the issue demand (the total forecast of actual issues) but the forecast of what is authorized to be on hand. We were authorized during the war to have on hand a stock level as Colonel Daly pointed out, plus an equipment reserve, and for some items a production reserve. There were some seasonal reserves also, such as quartersmaster used in buying canned peaches in the summer time rather than in January.

This line (indicating) represents what is the ideal balance by which it is possible to meet all requisitions and at the same time maintain the stocks on hand that were authorized during the war. There could never be an exact balance on line 29, only an approximate balance. It is not possible to turn on a spigot of supply like a spigot of water. It just doesn't work that way. It takes a long time to control the flow of supplies. If supply and demand can be kept in relative balance so as to vary both up and down in successive months (never all long or all short) then the supply figures are in pretty good shape.

After the ending of the Japanese war this particular line (indicating) became very important from the standpoint of forecasting our disposal action. After the conclusion of the Japanese war we included in these reserves the reserves for a peacetime Army, certain quantities set aside for re-arming and equipping the Chinese—in the event that the State Department and Congress ever get together on the job, —and certain other provisions for the Western Hemisphere defense and for the rearmament of South American Countries.

This line (indicating) represents the extent to which we would have quantities available for disposal. By adding our reserves to our issue demand, this line—Line 15, Total Demand—represented actually the redistribution and disposal level. Anything we had on hand in excess of Total Demand was available for disposal. So that if this line—Line 29, Total Supply Less Total Demand—ran consistently long, then we could dispose of a quantity which would bring it into balance out here (indicating) at the end of period III on 30 June 1949. We could dispose of that quantity, as soon as the quantity was available in stock on hand ready for issue.

There has been a long battle over the disposal of surplus of civilian-type items and military-type items, which, in themselves, are very difficult to define. But, basically, at the present time civilian-type items are retained only to the extent we require to meet issue demand through 30 June 1949, plus requirements for Western Hemisphere defense and for the Chinese through 1946. There is no reserve for the peacetime army of civilian-type items after 30 June 1949. For military-type items there is still such a reserve.

The annual data comparison section provides, as I mentioned the other day, annual comparisons of the changes, or fluctuations of programs from month to month, of the annual computed procurement requirements, the procurement objectives and programmed procurement.

The computed procurement requirement on an annual basis is simply the arithmetical result of applying the various formulas that have been provided for determining the quantity required from procurement to bring supply into balance with demand. It is a straight arithmetical computation, pulled right off the form. Computed procurement requirements represent (without going into a lot of the complications which arise in about five percent of the items) the receipts from procurement to date, plus computed procurement requirements for the balance of the year.

(Referring again to the Chart)

This figure right here (indicating), 414 (receipts from procurement for the year to date) plus 90 (computed procurement requirement for the balance of the year), gives you 504 as the computed procurement requirement for the entire year.

The computed procurement requirement was not adjusted for anything. Obviously, there would always be minor fluctuations from month to month. If we tried to adjust production for every single fluctuation we would run into the difficulty that the General talked about on the first day: we wanted to avoid closing just because of little, minor fluctuations. We wanted that condition as much as possible.

We wanted to avoid changing our production contracts for fluctuations which were confined to a 60- or 90-day stock level. We could avoid many contract changes by permitting fluctuations in computed requirements to vary somewhere within the stock level. So, for that purpose, we set up a procurement objective, which was kept at a constant figure until the difference between that figure and the computed procurement figure was so significant that it appeared necessary to take corrective action on the control of procurement.

The procurement objective, then, represented the statement of the Requirements Division to the production people of what we thought we needed from Procurement, based on firm trends. Obviously there was a lot of room for personal opinion in those lines; you can't avoid that. But if you have a good, intelligent officer operating on that basis you have to assume he is going to use good, sound judgement.

The Programmed Procurement line represents the statement of the production people of how much they thought they could produce in accordance with the procurement objective. Now in most cases— I would say probably 85 percent of the cases—they would say, "Okay; we can produce exactly what you ask for, on an annual basis." There again, realizing that when they say, "We can produce 490 obviously actual production might be 490 or 491 or maybe 500, but that is so close that, for all practical purposes, it is the same thing.

In some cases, however, they could not produce all we wanted. They would have to say, "If we try to produce the 490 you ask for, we have got to stop producing something else. Make up your mind whether you want this particular item or that item. We can give you 450 of this item. Any more would impinge on the production of item X." So there would be a production conference to decide which item should be produced, or whether a new facility should be built, or something of the sort.

The theater commander was often radical about the matter. So that the difference, then, between procurement objective and programmed procurement was that programmed procurement stated what could be produced and what would be produced, barring further changes in statement of policy and orders to the production people.

At the present time the Supply Control System is undergoing a revision, which does not change any of the fundamental things we have talked about—any of its concepts.

In order to reduce the clerical and reporting job, certain of these lines (indicating) have been combined. It was the feeling in peacetime the detailed back-up data (some of which is contained here) is not necessary at Staff level. It has been "dehydrated" so that we now get two items on one sheet. That does not mean we have removed enough lines to cut the form in half, but it has been rearranged by cutting out some of the blank spaces. By these changes we have reduced the printing load by 50 percent. Also, by cutting down the number of principal items from 1900 to about a thousand at the present time, we have cut down further the clerical load involved in reporting these items.

We have also changed the cycle of computation and reporting from monthly to quarterly. We expect to report on a quarterly basis throughout the period of transition from wartime to full peacetime operation. I, personally, think when the peacetime operation is in full force a semi-annual computation will be sufficient. And, possibly, later, consideration may be given to an annual computation.

This computation is of great value in determining budget estimates of the more important items. There is, I might add, a companion report to this quantitative report, in terms of dollar summaries by categories of items. That dollar summary report is a report of the dollar volume of issues, stock on hand, authorized stock level and disposal level, and the dollar volume of expected procurement during the following fiscal or calendar years, if the money is available to make that procurement.

Those reports are of value from a management point of view, as Colonel Daly points out. They try to spot areas in which some trouble may exist. It may require an inspection similar to an I.G. inspection to find out what is the matter with stock control if the category report indicates that.

So much, then, for Supply Control.

During the period of the war we, as well as a lot of other agencies in the War Department and the Navy and throughout the Government, were subjected to one investigation after another. On the whole, I think these investigations were a very healthy thing. I assure you they caused us a great deal of work at the time they were going on. We grumbled a lot. We had to spend so much time preparing our cases for those boards in order to make ourselves look good, that we frequently felt as if we were neglecting more important work in trying to improve the system under which we were then operating.

But, be that as it may, I think that, without a single exception, very decided improvements were made in the control of procurement following each one of those investigations. So that I really think in Government, in typical democracy, a check by one Agency on another is a very healthy and good thing, in general.

Now if you should have too many of them, and if they are not planned and handled by extremely intelligent people, they can be detrimental, because decisions can be made which are absolutely unsound. Fortunately, in most of the cases where we thought a decision was bad we were able eventually to prove it and finally get the whole situation corrected. All of this was done without too much difficulty.

The first review of procurement, to my own knowledge, was made at the direction of General Marshall when he appointed the War Department Procurement Review Board, which was headed by Major General McCoy. He appointed that board on 2 July 1943 and required the report to be made to him by 1 September 1943. So the board had to work pretty fast on a very complicated and involved problem. It had to review both ASF and also AAF procurement at that time and come up with some recommendations. I wish to recommend to each one of you the reading of that report. It is one of the most interesting and the best written reports I have ever seen. The report is included in two volumes, which were published at the time of the publication of the McNarney Directive, 1 January 1944. Probably there are other copies of the McCoy Report, but I do not happen to have one. At one time we had some copies of that report available in multilith printed form.

These volumes are, incidentally, entitled "Levels of Supply and Supply Procedure," with seven appendices, in two volumes: six appendices in the first volume and one in the second. The first volume includes, as Appendix B, the entire McCoy Board Report. It does not include any of the testimony given before the board, but it prints the final report along with certain additional data.

The report was, in general, very favorable, particularly to ASF's control of procurement through the use of the Army Supply Program. Actually, what the board wanted to determine was whether intelligent coordination was being given to the control of procurement. However, the board's recommendations included among other things-- I am not attempting to enumerate all of them here; I am not mentioning any of their recommendations in so far as they apply to the AAF-- a re-study of reserves. That was one of the first recommendations. That recommendation provided the basis for the appointment of the Richards Committee, which we will discuss later and which led to the McNarney Directive.

The board also recommended the discontinuance of advance production when advanced production was authorized simply to keep a facility in operation. That was a rather tricky point because, theoretically, in those cases where advance production was authorized, it was authorized to keep a facility in operation because we would need it later and we were not too sure of our requirements. We were always the first to admit that some of the requirements were open to question.

But the mere fact that our computation of requirements indicated that we no longer needed the production of this facility did not lead us to feel we could safely permit the dismantling of a facility and the consequent loss of the labor force when, in our next computation (with a few additional factors which were not previously available) we might show we needed the full output of that facility. The board, however, made recommendations that we discontinue advanced production merely to keep a facility in operation.

It also recommended that overseas inventories be taken. The difficulty of keeping books in an overseas theater was realized, but, at the same time, it was felt that such a job was very important in the control of supplies. For ASF and AAF computations on this side, it was worthwhile to ask theater commanders to come in with certain inventories.

That greatly aided in the establishment and the expansion of the Overseas Supply Reports, which were sometimes called the Material Status Reports. Those reports, however, were limited to some 800 or 900 items, so that there was never a really broad coverage.

The board recommended the screening of allowances; of the regular individual allowance tables as well as the TO&E. Board members made a trip to the New York Port and watched some of the doughboys getting on the transports, hardly able to climb the gangplank they were so loaded down. The board decided that, obviously, a few items of supply were not absolutely necessary. So it recommended a further screening of those allowance tables. A lot of money was saved by a further screening and review of those tables.

After this report was submitted, General Marshall appointed a committee to study, specifically, the problem of Reserves in our War Department computations. They named that committee the War Department Special Committee for the Restudy of Reserves. The report of that committee, along with its comments, is also contained in these two volumes I cited to you. This particular committee's report is included in Volume I, as Appendix F. That report also is certainly well worth reading. It represents a lot of hard work by a very capable group of men. General Richards, who is the budget officer of the War Department, knows probably as much about the problems of supply and procurement as any one man in the War Department. He headed the committee very capably and came up with some very good recommendations.

It is not possible in the period of time we are using here this morning to discuss the other 57 points recommended by the committee. The points were broken down. They had, for example, several recommendations covering the activities of War Department General Staff in supplying additional planning data to AAF and ASF to make possible a more intelligent approach to the computation of requirements.

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There were several rather interlocking recommendations which led to the establishment of the War Department Troop Deployment (troop basis) which gave us the deployment by theaters--a forecast of the deployment to those theaters.

Those recommendations also led to the establishment of the Supply Supplement to the War Department Troop Deployment, which gives a lot of information as to future deployment plans and other factors which affect supply. Both of those documents, I might add, are well worth looking over very carefully. You could spend quite some time on them. We have files of these documents up in our offices, in the Requirements Division. We do not have extra copies because those troop bases are all bulky things. If we keep one set of documents on file we have a library, practically. I am sure they are also on file in G-4 and in SA&RO, Strength Accounting Reporting Office.

SA&RO is a direct outgrowth of the action of this committee because before the report of the Richards Committee there were so many different troop bases, which did not tie together (at least on the surface). The Strength Accounting and Reporting Office served to coordinate all of the various troop planning material and led, in the opinion of many, to a much more sound deployment planning. Troop-basis plans are made in accordance with basic policies established by the Joint Chiefs of Staff and the Combined Chiefs of Staff.

The Richards Committee made certain other recommendations with regard to international aid and the collection and dissemination of international aid requirements data.

It also approached the subject of spare parts, and considered the matter long and carefully because at that time we appeared to be procuring end-items without adequate spare parts. We would find ourselves with end-items, the complete item deadlined somewhere through a lack of spare parts simply because, in most cases, the manufacturer much preferred producing the entire item rather than laying off a certain line and producing parts only for a while. That just drew attention to the fact that it was an easier job to procure spare parts than to procure the end-item even though it was a little more trouble to the manufacturer. That had a good effect all along the line.

The sections of the report that were of the most interest and had the most effect on the Procurement Program were those having to do with overseas levels of supply in the theaters and with levels of supply in the Zone of the Interior. There had been little central coordinated control for authorizing levels in the theaters. The theater commander would be asked how many months supply he needed. The Engineer officer would say he needed, say, four months of supplies. The Medical Officer would say he needed two months' supplies and along would come the Signal Corps officer and he would say he needed five and a half. There would be little coordination.

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We had wide variations of levels within the theaters. The Richards Committee came up with a formula for establishing those levels of supplies. They came up with the idea that the theater level should be based upon the theater-distribution time from the Port of Debarkation to the troops, and in that should be included the convoy interval time for expendable items, Classes 1 and 3, and/or the emergency replacement time for Classes 2, 4, and 5.

Now the technical reasons for the slight difference between levels for Classes 1 and 3 and Classes 2, 4 and 5 was based upon the idea that for Classes 1 and 3 (expendable items)—subsistence, and so on—there is just a steady consumption at all times. So that if you had convoy interval time you would have a pretty good basis for the quantity required in the theater. If the convoy interval was 15 days, for example, you would use up 15 days of supply and then your ships would come in and you would reestablish that particular element of the level. The committee recognized that on Classes 2, 4 and 5 the consumption did not follow a steady pattern. Therefore, it put in what it called the emergency replacement time. The expenditure of ammunition for 105 mm-howitzers, for example, would be greater in periods of heavy fighting than in periods of relative inactivity. So that if a heavy action took place which had not been forecast, the theater was allowed to have on hand a quantity to last until it could get emergency replacements, which, for purposes of this computation, were established at some fixed figure for each theater. As I recall, it was about 30 days for the U.K. and Mediterranean theaters.

Then the committee gave each theater an operating level, which it defined as 30 days. Those three factors—theater distribution time, convoy interval or emergency replacement time, plus the 30-day operating level—resulted in the establishment of the maximum theater level.

The committee also recommended certain levels, by theaters, that it wanted to have instituted immediately. Those levels were put into effect by General McNarney. In most instances they reduced existing overseas levels to some extent. Theater commanders were given a certain period of time to fall in line with them.

Each theater was asked for comments. Generally speaking, the levels proved by later use to have been pretty well thought out and sound. There were some modifications for special items.

The committee placed full responsibility for establishing levels in the General Staff and prohibited delegating that responsibility to anybody else. While the Staff might get the comments of the theater commanders, the Navy and the major forces, the ultimate decision had to be that of the War Department General Staff, with no delegation of that responsibility. Prior to that time, I believe, ASF Planning Division had established a few of those levels.

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There are several paragraphs in the McNarney letter and in the Richards Committee Reports that particularly relate to the control of supply. If you are interested in those particular paragraphs, they are Paragraphs 20, 21, 22, 25, 51 and 55.

Paragraph 51 prescribed the 60 to 90 day depot levels in the Zone of the Interior ; which were later slightly modified by War Department Circular 85 and by Circular 206, in 1944. The basic principles of the McNarney directive, however, were retained.

Paragraph 55 provided that production capacity would be substituted to the maximum extent possible for finished reserves. That is, if an item was produced at a regular rate day by day, we could always count on that much production and consequently our inventories could be cut accordingly. That is just plain common sense; it is true. If an item is not available readily on the civilian market or if productive capacity is not available, then it is necessary for the Army to keep larger stocks on hand in order to meet unforeseen demands.

One of the things in the report, as I mentioned last Friday, that worried us no little was the exclusion of in-transit time to the theaters. This exclusion necessitated the assumption that the theater level or the authorized Zone of the Interior level included this in-transit time. We tried to get that statement put into the report—that it would be assumed the in-transit time would be included in the Zone of Interior levels or the theater levels—but the committee would not agree to that.

That was one difference of opinion I have always had with the committee. I could not quite understand why it would exclude in-transit time and yet not say it was provided for in some other manner. It is just axiomatic that while supplies are on the water from New York to Liverpool they are not being used for any other purpose. You either have to include them in your forecast of requirements, or you have to say, "That is provided for in our depot levels," or, "That is provided for in our theater levels."

It was all right if the committee wanted to define the theater level as including all those quantities on the water. But one cannot shut one's eyes and simply disregard this in-transit time element in computing requirements. That was recognized later on in War Department Circular 203, 1944, which set up the policy for overseas supply. It provided for what was called "order and shipping time"—it was not called in-transit-time but it was provided for—for ammunition and other critical items of supply. Later, order and shipping time was provided for, in the directives that went out providing for the critical items reports which, in themselves, were semi-automatic requisitions. These directives all went out under the direction of the General Staff, and had the effect of really putting in-transit time into requirements computation. It was assumed when those went out that they, in effect, modified the McNarney Directive.

We operated on that basis until Supply Control came out, which cut off at the depot and made no attempt to trace any supplies beyond the depot door because ASF has no control beyond the Port of Embarkation on this side. Since ASF does have no control in the theaters we had no way in the world of assuring ourselves that the quantities we assumed they had on hand were right for items other than those contained in the Critical Items List. We had to get out of the business of trying to guess what the total quantities on hand were in overseas theaters.

I noticed that it is now 11:30 and that Colonel Brown is getting a little bit excited over here. I do have a few notes on the Draper-Strauss Report, if any of you are interested in it. I want to confess I had not read that report before last Friday. I knew the report had been written and I knew, roughly, what it was all about. It was a very interesting report. I am certainly glad you brought it to my attention and forced me to read it.

COLONEL BROWN:

I assembled the research analysis and the people I thought would be connected with this course, but who got away from it before the course ever got started, and we spent about a week studying that. Also, I assembled the research the research analysts and the officers, and we went into both the McNarney and McCoy reports. That is really the reason my hair is getting so thin on top.

Now I want to ask you one question: I was under the impression here the other day, when you appeared in civilian clothing, that you were going out to be a millionaire; but somebody told me you are just going to hide, under another name, around the War Department as a civilian employee.

MR. SILVERSTRAND:

That's right.

COLONEL BROWN:

That being correct, don't you think it would be possible, since this course lasts until June, that we may see you again from time to time—the people who are interested in requirements, who have to make a report on requirements—and that we may have access to your knowledge?

MR. SILVERSTRAND:

Oh, certainly

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COLONEL BROWN:

We can save time here by not subjecting you to cross-examination, because after all there are some of these gentlemen here who are just giving this requirements business a passing thought. They are fidgeting on their seats more than I am.

MR. SILVERSTRAND:

No doubt.

COLONEL BROWN:

So that I wish to thank you very much for this discussion and say that the Class is dismissed. If you want to know anything more about requirements, why we will get Mr. Silverstrand down at a little informal gathering for the people who are particularly interested in requirements.

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