

L46-12

ORGANIZATION OF THE OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY  
31 January 1946.

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GENERAL ARMSTRONG:

Gentlemen, this morning we are going to abandon the Army and take a look at the Navy. We naturally want to spend as much time on the Navy and the Air Forces as we spend on A.S.F. We are going to have two talks that I think will be very illuminating in helping us to understand just how the Navy solves the problem of procurement.

The first speaker this morning graduated at the head of his class in 1921 from the Naval Academy. He also holds the degree of Master of Science from M.I.T. (Naval Construction). I am not going into the details of his career either in the Navy or his extra-curricular activities in tennis, which have been distinguished. I want to tell you only that on 7 December 1941, he was at sea on the Saratoga, and came into Pearl Harbor right afterwards, I think, and was engaged in the salvage operations there. Later on, his work was so effective in the Destroyer Escort Program for the Navy that he was decorated for his leadership in that most important undertaking.

Today Commodore Watt is going to speak on the organization of the Office of the Assistant Secretary of the Navy which, I might add, corresponds to the Office of the Under Secretary of War. Gentlemen, Commodore Watt.

COMMODORE WATT:

I am very grateful for that kind introduction from General Armstrong because I think he remembers me mostly as a tennis player and I find it is not good, as one gets gray hair, to be remembered mostly as a tennis player.

On the eighteenth of August 1945, the Secretary of the Navy convened an informal board to make recommendations on the administration of the Naval Establishment and other related matters. That board was composed of the Under Secretary of the Navy, Artemus Gates; the Assistant Secretary, Struve Hensel; the Vice Chief of Naval Operations, Admiral F. J. Horne; the Deputy Commander in Chief, U. S. Fleet, Admiral R. S. Edwards; Admiral C. P. Snyder, the Inspector General; Vice Admiral Samuel M. Robinson, of the Office of Procurement and Material; and, finally, Captain Richard Paget, a very skilled management engineer.

That board went right back to basic fundamentals. It did a lot of very constructive thinking and finally came up with a result that I have found very sound and very interesting. I am going to take a few minutes of your time, before we get into the details of the Office of the Assistant Secretary, to go over the results of the thinking of that board.

Much of their final thought is embodied in General Order No. 230, which was issued on 12 January 1946. I am going, first of all, to quote a few parts from that General Order. The title of it is, "Policies and Principles Governing the Distribution of Authority and Responsibility for the Administration of the Naval Establishment."

(Reading)

#### A. DEFINITIONS

"2. The Naval Establishment consists of three principle parts:

- a. The Operating Forces, which include the sea, air and amphibious forces of the Navy, Marine Corps and Coast Guard (when assigned to the Navy), shore activities assigned to the command of Fleet and Sea Frontier Commanders, and the personnel who man them.
- b. The Navy Department, the executive part of the Naval Establishment located at the seat of the government, which comprises the bureaus, boards and offices of the Navy Department; the Headquarters of the Marine Corps; and the Headquarters of the Coast Guard (when assigned to the Navy).
- c. The Shore Establishment, which comprises all other activities of the Naval Establishment, including all shore activities not assigned to the Operating Forces."

"3. It is fundamental naval policy to maintain the entire Naval Establishment in strength and readiness to uphold national policies and interests, and to guard the United States and its continental and overseas possessions. The effectuation of this policy imposes upon the administration of the Naval Establishment four principal tasks.

- a. First, to interpret, apply and uphold the national policies and interests in the development and use of the Naval Establishment. This task may be described as the 'policy control' of the Naval Establishment.
- b. Second, to command the Operating Forces, and to maintain them in a state of readiness to conduct war; and to promulgate to the Naval Establishment directives embracing matters of operations, security, intelligence, discipline, naval communications, and similar matters of naval administration. This task may be described as the 'naval command' of the Naval Establishment.
- c. Third, to coordinate and direct the effort of the Navy Department and the Shore Establishment in order to assure the development, procurement, production and distribution

of material, facilities and personnel to the Operating Forces. This task may be described as the 'logistics administration and control' of the Naval Establishment.

d. Fourth, to develop and maintain efficiency and economy in the operation of the Naval Establishment with particular regard to matters of organization, staffing, administrative procedures, the utilization of personnel, materials and facilities, and the budgeting and expenditure of funds. This task may be described as the 'business administration' of the Naval Establishment."

Then they come in and divide the administration into certain parts:

"4. The executive administration of the Naval Establishment is prescribed by law or executive order and consists of

a. The Secretary of the Navy, who is responsible directly to the President for the supervision of all naval matters.

b. The Civilian Executive Assistants to the Secretary (the Under Secretary, the Assistant Secretary and the Assistant Secretary for Air), who perform such duties as prescribed by the Secretary or as required by law.

c. The Naval Professional Assistants to the Secretary, who comprise

(1) The Naval Command Assistant (the Chief of Naval Operations) who is responsible under the Secretary of the Navy (a) for the command and administration of the Operating Forces; (b) for the preparation, readiness and logistic support of the Operating Forces; and (c) for the coordination and direction of effort to this end of the bureaus and offices of the Navy Department.

(2) The Naval Technical Assistants (the Chiefs of Bureaus; the Judge Advocate General; the Commandant, Marine Corps; and the Commandant, Coast Guard, when assigned to the Navy), who are directly responsible for the discharge of all the duties assigned to their respective organizations, and are the technical advisers and assistants, in their special fields, to the Secretary, the Civilian Executive Assistants, and the Chief of Naval Operations."

"5. The four principal tasks of the executive administration of the Naval Establishment will be divided, in accordance with law and executive orders, among the Secretary, his Civilian Executive Assistants and his Naval Professional Assistants as set forth in the following paragraphs."

## B. PRIMARY DUTIES OF THE SECRETARY OF THE NAVY

"6. The Secretary of the Navy is responsible directly to the President for the supervision of all naval matters. \* \* \* \*"

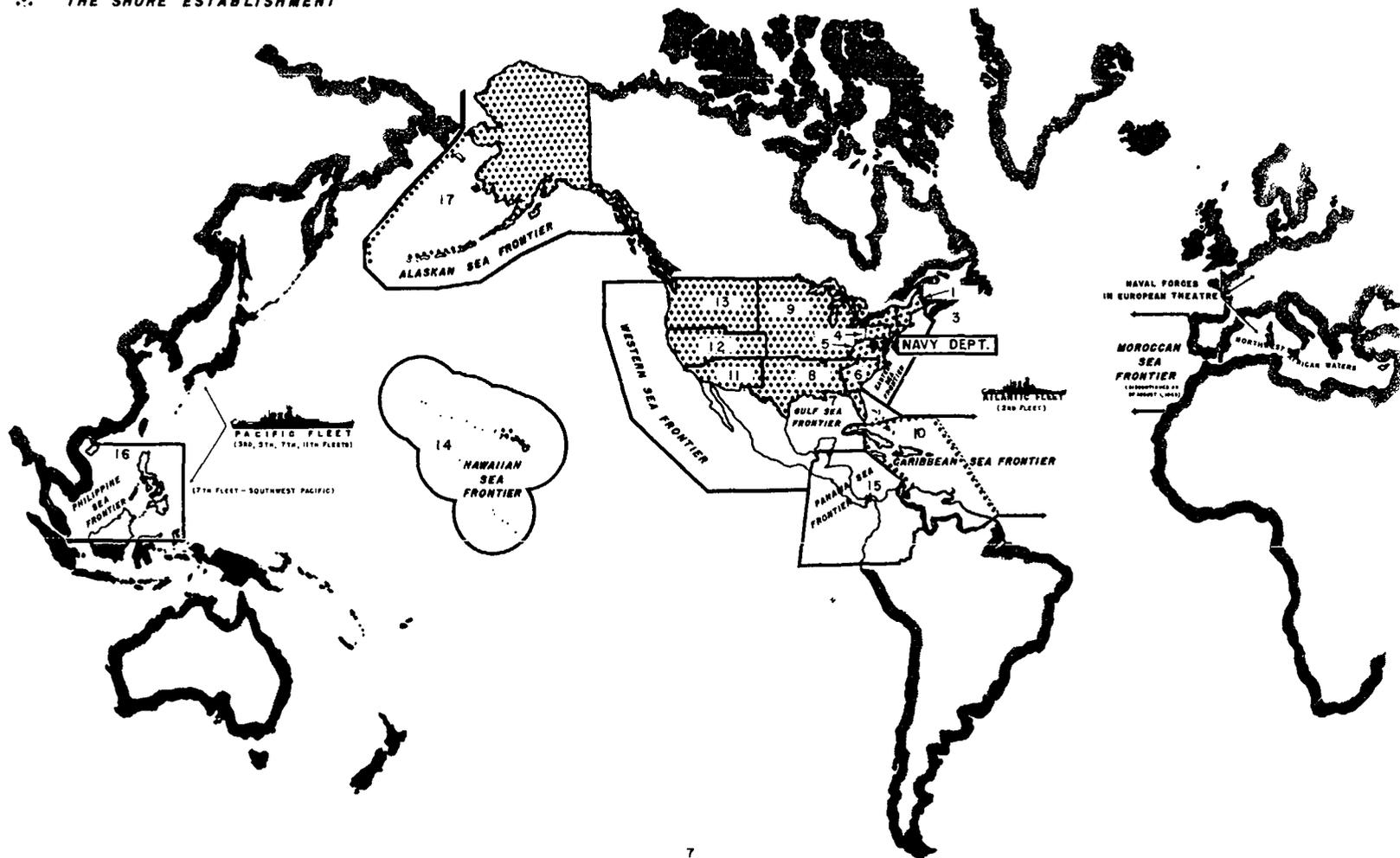
Then there are a number of details which I am going to skip. Then it says it will be the policy of the Secretary to assign the following duties, in accordance with law and executive orders, to his Civilian Executive Assistants. And then for the Assistant Secretary of the Navy we find this: The Assistant Secretary of the Navy is hereby delegated the responsibility, in accordance with law and executive orders, for that part of the "logistics administration and control" of the Naval Establishment which relates to the promulgation of policies and general procedures governing (1) the procurement and production of materiel and facilities, including petroleum and Naval petroleum reserves; (2) the determination of stock levels and replenishment requirements in collaboration with the Chief of Naval Operations, and the administration of inventory control systems; and (3) the correlation and programming of material research, experimental, test and developmental activities.

In this connection he shall have immediate supervision of the activities of the Executive Office of the Secretary which I have written on the board: Army and Navy Munitions Board; the Lend-Lease Liaison Office; Material Division; Naval Petroleum Reserves; Office of General Counsel; Office of the Judge Advocate General for matters relating to everything other than personnel; that is for decisions in matters that would concern materiel; Office of Research and Inventions; and the Requirements Review Board.

We have a few charts here which may help to make that a little more realistic. The chart on Geographic Distribution of the U. S. Navy was gotten up by Dick Paget, in his presentation to the top command, to show the several essential elements of the Navy. The black indicates the Operating Forces, which is, as you can see, spread from the eastern end of the Mediterranean to the Philippine Sea frontier; the oblong indicates the Navy Department, located in Washington, for the support of those Operating Forces; and the dotted portion indicating the Shore Establishment, which is spread literally over the continental United States and its possessions. (Chart--Geographic Distribution of the U. S. Navy--follows.)

# GEOGRAPHIC DISTRIBUTION OF THE UNITED STATES NAVY

- THE OPERATING FORCES
- NAVY DEPT. THE NAVY DEPARTMENT
- ☐ THE SHORE ESTABLISHMENT



## OVER ALL OPERATING ORGANIZATION OF U. S. NAVY

The Navy as one segment of the Nation's armed forces operates under the ultimate authority of the President of the United States. The immediate supervision and direction of the entire Naval Establishment is vested by law in the Secretary of the Navy. In supervising the Naval Establishment, the Secretary has delegated some of his authority to those officers who operate the Fleet, and, likewise, some of his authority to those officers who operate the agencies that build and support the Fleet (the Navy Department and the Shore Establishment).

The Secretary's control of the Navy Department and the Shore Establishment flows direct and is signified by the *single flow lines* on the chart. His control of the Operating Forces, and of those functions related to providing logistic support to the Fleet, is exercised through the Commander in Chief—Chief of Naval Operations, who is his principal naval adviser and executive, and also the principal naval adviser to the President on the conduct of the war. This control is signified by the *double flow lines* on the organization chart.

The Cominch—CNO has two principal jobs which are inherently integrated: As Commander in Chief, he is the over-all commander of the Naval Operating Forces, re-

ceiving specific directions in this connection from the Joint Chiefs of Staff, of which he is a member. As Chief of Naval Operations, this officer is part of the Navy Department and is responsible for the preparation, readiness, and logistic support of the Fleet. His principal assistant in this connection is the Vice Chief of Naval Operations, who attends to planning and supervising the provision of logistic support to the Fleet.

Under the delegated authority of the Secretary, the Chief of Naval Operations coordinates and directs the work of the Bureaus of the Navy Department in providing logistic support to the Operating Forces. He likewise exercises military control of the Shore Establishment through the Commandant of each Naval District.

Before illustrating how the Navy Department and the Shore Establishment work together in supplying, manning, and maintaining the Operating Forces, it will be helpful to examine in more detail the organization and functions of the three principal parts of the Navy. Charts showing the organization and functions of the Operating Forces, the Navy Department, and the Shore Establishment are presented in the following pages.

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I am dealing a little in general with the broad principles of organization here, so that we will see where the Office of the Assistant Secretary, which is charged with procurement and production, fits into the over-all navy picture. (See the following chart.) At the top is the President of the United States, the Commander in Chief of the Army and the Navy. We pass then to the Secretary of the Navy and immediately under him are the top six groups, such as the General Board; and the barred lines indicate broad policy control.

It was the opinion of this board that the Secretary was entirely responsible for the Naval Establishment, but that if he was to administer it correctly he must confine himself to broad policy control and in no sense get himself immersed in details which should be clearly delegated to one or the other groups of his Executive Assistants.

On the left-hand side we have the Chief of Naval Operations, shown in black. That is the naval command side. The lines of direct naval command pass down the left side and ultimately come out in the Shore Establishment, which is, of course, that in which we are interested, in considering procurement of material and the support of the Operating Forces.

Under the Chief of Naval Operations there is, of course, the Naval Inspector General who has a wide precept to inquire into anything that the Chief of Naval Operations desires of him--into any material matter; any matter of organization; any matter of operation; and any matter of discipline.

To the right of the Naval Inspector General on the chart is the Vice Chief of Naval Operations who, in general, is charged with supporting the Fleet. Under him there are six DCNO's: Deputy Chief of Naval Operations for Special Weapons, Vice Admiral William H. Blandy, who will handle the atomic bomb tests; Deputy Chief of Naval Operations for Personnel; Deputy Chief of Naval Operations for Operations; Deputy Chief of Naval Operations for Administration; Deputy Chief of Naval Operations for Logistics; and Deputy Chief of Naval Operations for Air.

Under that it branches down into the District Commandants, the Naval Base Commandants, and so on down into those other branches of the Shore Establishment. The black line, again I say, is indicative of naval command.

Then you pass over to the Operating Forces. On the right-hand side of the chart we have the Civilian Executive Assistants of the Secretary: The Under Secretary, the Assistant Secretary, and the Assistant Secretary for Air.

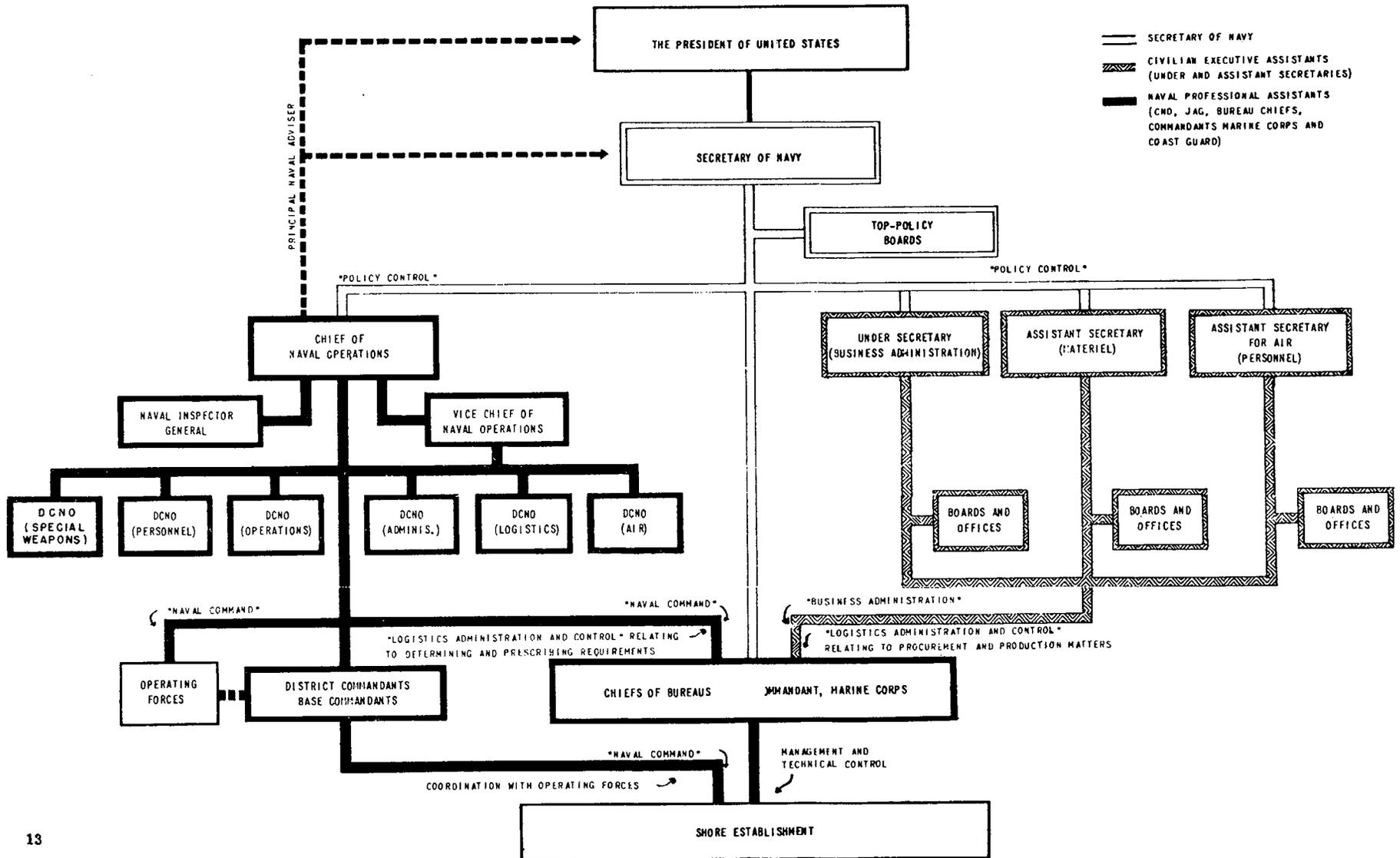
The Under Secretary is assigned primarily the matter of business administration, by which we mean matters of organization, management, staffing, budgetary matters, and everything having to do with the improved business administration and more efficient use of funds in the Naval Establishment.

The Assistant Secretary specialized on material.

The Assistant Secretary for Air, in spite of his title "for Air" which gives him certain statutory requirements in connection with aeronautics, is now made the expert for personnel matters. He assumes general supervision over the Bureau of Naval Personnel, the Bureau of Medicine and Surgery, and all other activities of the Navy which are concerned primarily with personnel matters.

Then you pass on down the general line until all the civilian authority converges and comes down the line of Business Administration, to the Bureaus, Marine Corps, Coast Guard and through them in a line of technical control to the Shore Establishment. (Chart--Organization for the Executive Administration of the U. S. Navy--follows.)

ORGANIZATION FOR THE EXECUTIVE ADMINISTRATION OF THE U. S. NAVY



Now I am going to deal, in particular, with the Material Division. I got myself into a lot of trouble; I happened to be Deputy Chief of the Material Division for Inspection Administration. It appeared to me we had to make some rather drastic changes to streamline our field offices from war to peacetime operation. So I got my deputy, my assistant, who happens to be a very high-priced management engineer, and we both worked days, nights, Sundays and holidays for a couple of weeks and finally produced a very fine sort of reorganization for our particular branch. We took it up to Vice Admiral Ben Moreell with some trepidation as to whether he would like it. He looked it over very carefully and said, "That's fine. That's what I wanted." Then he said, "You fellows get busy and do that for the whole Office of the Assistant Secretary." We proceeded over the Christmas holidays to sweat in producing the revamped organization for the Material Division in the Office of the Assistant Secretary. I can tell you that was not an easy job to do. The first thing is Mr. Forrestal and the present Assistant Secretary, Mr. Hensel, have very definite and clear ideas. They want to coordinate material matters--procurement and production of material--in the Assistant Secretary's office. They both want that done firmly and well. On the other hand, the bureaus that have been established in the Navy since 1842, many of them--that was when the bureaus started in the Navy--are very well established, and they have important rights and privileges and they regard anyone coming into the material field as a new dog in town and, I might add, not a very welcome dog.

We finally came up with the following chart. We again have the President of the United States at the top, then the Secretary of the Navy. The barred lines are broad policy control. On the left there is the naval command with the Chief of Naval Operations at the top, then the Vice Chief of Naval Operations; your general top-planning group, Op-001; your Deputy Chief of Naval Operations for Logistics; your Logistics Planning, Op-40.

From the Chief of Naval Operations the line of command passes down untrammelled and unobstructed. It was quite the feeling, when we first got into this business, that the Material Division should be placed where it is. It was up to the Chief of Naval Operations to state what, when and where, and then for the Chief of the Material Division to take the simple what, when and where and translate it into specific requirements to be supplied by each of the material bureaus.

Theoretically, that may be right. But actually one gets into a three-level operation just as soon as that is done. For example, one fellow starts it off, it goes to another fellow, then it goes on down to the people who actually do the job. The Chief of Naval Operations resented having somebody in his line of command who was doing the operating, the same as the bureaus resented "the new dog in town."

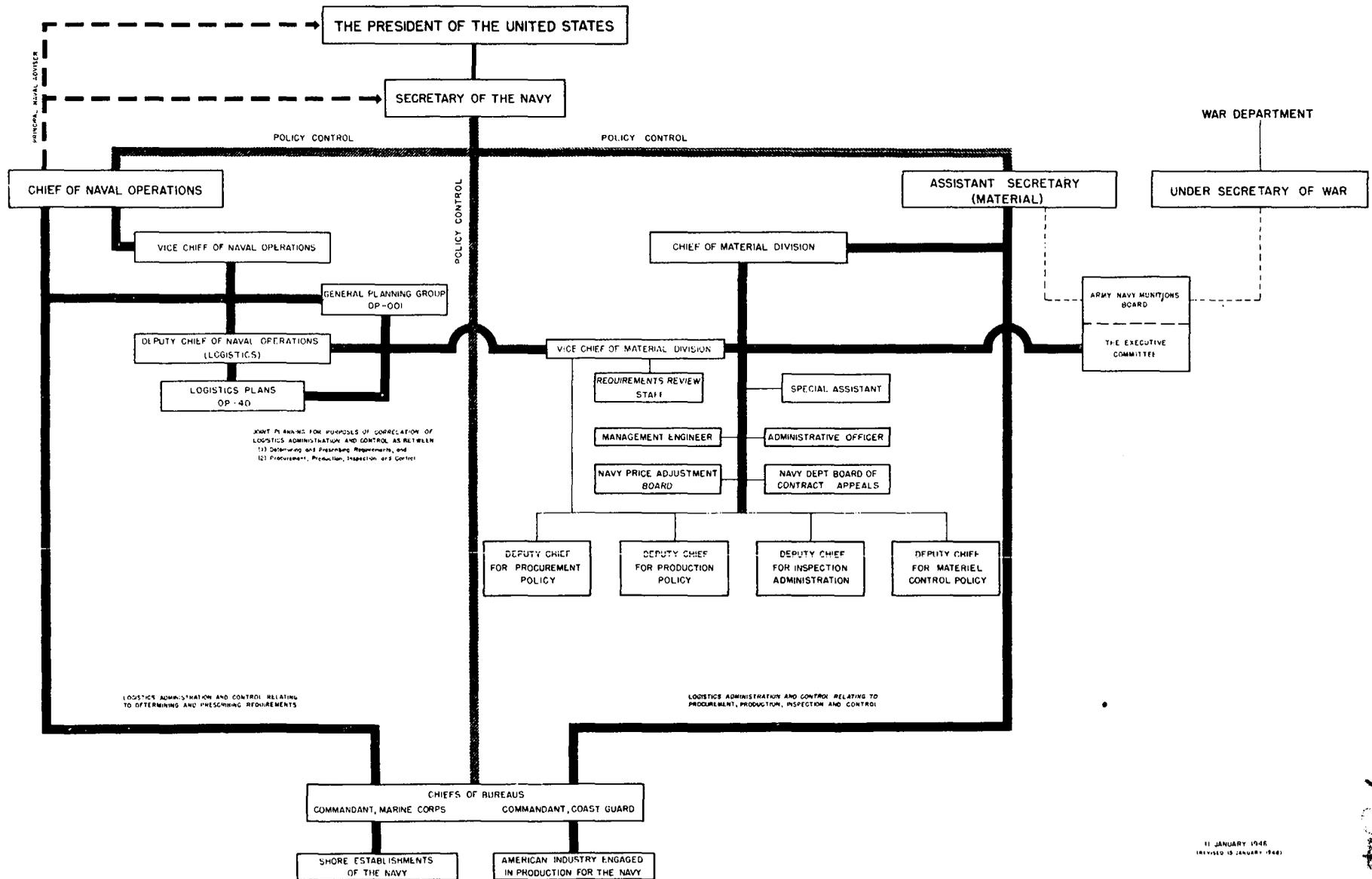
It appeared to us that if we got a directive, one of two things happened: We had to take a day and rubber-stamp it, or else take two or three weeks to go over exactly what the Chief of Naval Operations had done and what the bureaus would do. In any case, it lost time when time was the very essence of our problem. So we decided that the new office of the Assistant Secretary had to stay out of that line.

Here, again, the Material Division was set up at one time, in our first rough draft, between the Assistant Secretary and the operating units of the Navy Department. That, of course, was subject to a number of objections. It was finally worked out that we would simply sit in as a staff function. So we would really have word from the Assistant Secretary, coming in, being operated on in the various branches of the Material Division, then passing back and forth down to the Assistant Secretary and then, finally, from him down to the bureaus.

Now the planning function is rather important. The military planners were charged with the planning of military operations. We have set up a line of Planning Control. The Chief of the Material Division is Vice Admiral Ben Moreell, whom you probably remember as ex-Chief of the Bureau of Yards and Docks, the founder and boss of the Seabees.

We have a Vice Chief of the Material Division, Rear Admiral Cotter. We have taken the Requirements Review Staff and placed them under Admiral Cotter. That is actually the major planning unit for Procurement and Production. That unit is charged with knowing what is industrially feasible and they make contact with the Deputy Chief of Naval Operations, with the top planning group, the Logistics Planning group, and with the Vice Chief of Naval Operations. Now if the planners have hatched some plans which require more material than can be produced in six months, as one or two of the landing-craft planners did, it is then the duty of the Vice Chief of the Material Division to get that word over to his representatives and make sure that the military operations planned are reasonable and industrially feasible. (Chart--Position of the Material Division in the Organization for the Logistics Administration of the U. S. Navy--follows.)

# ORGANIZATION FOR THE LOGISTICS ADMINISTRATION OF THE US NAVY



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Under the Material Division we have a Special Assistant for special and nonrecurring tasks, an administrative officer and a management engineer. Earlier we tried to take those from the Assistant Secretary. We put them down in the branches, but the lawyers raised the objection we were affecting their judicial purity and integrity. So that by putting them down under direct executive control they are really branches of the Material Division.

There are four branches: Deputy Chief for Procurement Policy; Deputy Chief for Production Policy; Deputy Chief for Inspection Administration; and Deputy Chief for Material Control Policy.

I think before we get into the functions of each of those four branches I would like to come back for just a minute to the other offices, on the previous chart, which have been placed under the Assistant Secretary of the Navy. The first one is the Army and Navy Munitions Board. The Vice Chief of the Material Division goes over and collaborates with the Executive Committee of the Army and Navy Munitions Board on broad general logistic planning.

The Lend-Lease Liaison Office is still extant. The Lend-Lease Liaison Officer is the representative of the Secretary of the Navy to handle all dealings between lend-lease representatives of the foreign governments and the Lend-Lease Division of the Chief of Naval Operations and the various bureaus of the Navy Department. That will, in due course, probably pass out of the picture, but we are trying to keep it alive, at least in skeleton form, because it may be needed in another war where we have to help allies.

Naval Petroleum Reserve is just what the name implies and there is no point in going into that further.

The Office of General Counsel. Now it may be a little confusing to see an Office of General Counsel and not an office of Judge Advocate General. You are all familiar with the Office of the Judge Advocate General, which has been set up by statute and has been extant for a long time.

Mr. Forrestal, when he came in as Under Secretary of the Navy, was a little bit concerned with the Navy methods of procurement, which were not fast enough to suit him. He endeavored, and I think properly so, to speed up those methods. One of the things he wanted to do was to get legal advisers who were accustomed to operating in the fastest and most direct manner and who were untrammled by any previous government ideas as to what could and could not be done.

He brought in a number of top-flight commercial lawyers and set them up in what we now call the Office of General Counsel. The Office of General Counsel serves as a general counsel for the Navy Department and furnishes all sorts of commercial legal advice to the operating activities of the Navy Department. They are particularly charged with all matters connected with procurement, contract termination, and renegotiation.

The Office of the Judge Advocate General is under the supervision of the Assistant Secretary for all matters relating to taxation and material

matters connected with the Shore Establishment. The personnel functions of the Office of the Judge Advocate General are under the Assistant Secretary of the Navy for Air.

The Office of Research and Inventions is the agency for correlating and programming the research, developmental, experimental and test activities of the Naval Establishment.

The Requirements Review Board is a board which has been set up to examine very carefully logistic requirements coming in from all parts of the world. It is the duty of this group to be hard-boiled and to screen and separate the over-all logistic requirements in order to find out what the actual needs of the Navy are.

A number of other offices have been put in the Material Division, and they report directly to the Vice Chief to help him with his planning operations.

The next chart is the detailed organization of the Material Division, with a Chief at the top, a Vice Chief; Requirements Review Staff, which was set up to examine over-all logistic requirements; Special Assistant, Management Engineer and Administration Officer.

The Navy Price Adjustment Board does just what the name implies.

The Navy Department Board of Contract Appeals, which is the final appeal of any contractor from what he considers unjust treatment or in connection with any other contractual matters.

The first of the four branches is the Procurement Policy Branch. The general mission of that branch is to formulate and promulgate approved policies and general procedures governing the activities of the Navy with respect to the procurement of material and facilities. Also, to review and evaluate compliance with such policies and procedures and issue such orders as may be required to cause compliance.

You will all notice we do not call that the Procurement Branch. We call it Procurement Policy Branch--and advisedly so. The bureaus of the Navy Department are charged with procurement, and it is going to be pretty difficult for that Procurement Policy Branch to stick to policy. You may say, "If the bureau does it, why do you want a Procurement Policy Branch?" Well, simply this: There are seven bureaus in the Navy Department. If there is not a coordinating agency there, those seven bureaus, in time, will diverge and they will have seven different methods of contracting, seven different sets of forms to fill out in contractual matters, and also seven methods of making payments to the contractors. (Chart--Material Division--follows.)

Now the reason that came up so strongly was that Mr. Forrestal a couple of years ago had some friends, manufacturers, who came to him and said, "What in the world is this we work with? One Navy or seven? There is just enough difference when we deal with the Bureau of Ordnance, the Bureau of Aeronautics, or the Bureau of Ships, so that it makes an enormous amount of increased work for all of us. Let's get ourselves together and see if we can't deal with only one Navy." That was really, I think, the birth of the idea for coordinating these matters in the Office of the Assistant Secretary.

The specific functions of Procurement Policy are negotiation, contract clearance, administrative, review and statistics, procurement allocation, insurance, performance and payment bonds, financial, contract settlements, and joint procurement.

The second branch is the Deputy Chief for Production Policy. I think it would be well to say that in making up this organization there will be in it certain activities which are not going to be very active in peacetime. But the general principle which we followed was to set up a skeleton framework which would embrace all of the activities, all of the functions which are essential in successful wartime operations, and to keep them in at least skeleton form so that they can be immediately activated the instant a second fall of Dunkirk occurs.

So you will see in here certain functions of which you may very properly say, "That doesn't occur in peacetime." It does not, but it's going to occur--it has to occur--the instant another emergency occurs. That is really the reason provision has been made for a number of these things. You will notice that particularly in this Production Policy Branch.

The general mission of the Production Policy Branch is to formulate and promulgate approved policies and procedures governing activities of the Navy. The Branch is to review and evaluate compliance with such policies and procedures, and to issue such orders as may be required to assure compliance.

Getting down to the specific functions, the first is raw materials; the second is products; the third is labor relations; fourth is industry relations; fifth is specifications and standards; sixth is conservation; seventh is emergency plant operation; eighth is liaison with the Foreign Economic Administration; and ninth is production control.

There are two in there, particularly emergency plant operation and liaison with the Foreign Economic Administration, which of course are going to almost pass out of the picture the moment the major wartime operations are completed. But there has been developed in those groups an enormous amount of know-how. In our opinion it would be a great mistake to lose all that know-how and then have to start right from scratch the next time that is required for an emergency operation. So those units have been set up there. They will have the files and the know-how and the general procedures already so they can be instantly activated at the start of the next emergency.

The third group is the Deputy Chief for Inspection Administration. The general mission of Inspection Administration is to formulate and promulgate approved policies and general procedures governing material inspection activities of the Navy Department; to review and evaluate compliance with such policies and procedures, and issue such orders as may be required to assure compliance.

The specific functions are: management engineering, field management services, naval personnel, civilian personnel--that is, staffing the offices with proper naval personnel and proper civilian personnel; inspection administration, office administration, procurement expediting, and contract termination.

The fourth branch is the Material Control Policy Branch. The general mission of that branch is to formulate and promulgate approved policies and general procedures governing activities of the Navy with respect to facilities, inventory control, and property disposition. The specific functions have to do with facilities, inventory control, property disposition, and records of the other three operations.

Now I would like to run just very briefly through the different unit of the Material Division which comprise most of the Assistant Secretary's Office. You have an administrative officer. Of course under that you have the Military Personnel Section; office facilities and service; financial and budget section; security section and also a history section

Under Procurement Policy there is a negotiation section, a contract clearance section, administrative review and statistics, procurement allocation section. Now that is rather important. There are a lot of activities that use similar materials. For example, there may be six bureaus of the Navy Department that use three-fourth inch bolts. Well, this procurement allocation section will take all of such items and allocate their procurement to that particular bureau which has a major interest. In that way the Navy will buy such things, not partly through the Bureau of Supplies and Accounts and partly through the Bureau of Medicine and Surgery and partly through the Bureau of Yards and Docks, for advanced bases, but all procurement of similar items will be issued by this group to that particular bureau which has a major interest in the job.

There is also an Insurance Section, which handles insurance matters for all bureaus of the Navy Department.

The Finance Section handles financing of contractors.

Then there is the Contract Settlement Section and the Joint Procurement Section for joint procurement with the Army.

The Deputy Chief for Production Policy has a Materials Section which deals with raw materials of all kinds and stock piles that are available. In general, it sees that a proper supply of all such materials is kept on hand.

The Products Section handles just what the name implies.

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The Labor Relations Section handles labor relations.

The Industry Relations Section handles relations with the National Association of Manufacturers and other manufacturing groups throughout the country.

Then there are the Specifications and Standards Section, Conservation Section, Emergency Plant Operation Section, liaison with the Foreign Economic Administration.

The Production Control Section handles matters of material requirements, priorities, office ratings and all matters of that type.

Under the Deputy Chief for Inspection Administration there is a Management Engineering Section; Field Management Servicing Section; Naval Personnel Section; Civilian Personnel Section; an Inspection Administration Section for handling the actual details of inspection: methods of sampling, methods of making out papers and shipment forms; Office Administration Section; Procurement Expediting Section; and Contract Termination Section.

Last of all there is the Material Control Policy Branch which has a Facilities Review Section, Inventory Control Section, Property Disposition Policy Section, and a Records Section.

I would like to say the one particular section of that unit that is already swamped with work is the Facilities Review Section. That is a particular pet of our Secretary, Mr. Forrestal, who insists that someone shall exercise over-all coordination in connection with the tremendous Shore Establishment which the Navy has accumulated during the war. Then he also said he was anxious to avoid a recurrence of the things that happened during the war where we had, for example, an immense supply depot which was in need of some additional space and wanted to expand and we had near by, perhaps, a naval ordnance plant which was slowing down and had space available.

That Facilities Review Section is intended to exercise over-all review of the Navy's facilities, both in regard to new construction and coordination of existing activities, no matter what bureau they happen to be under. They have already been swamped with work and been able to do an immense amount of work.

I think that covers the picture of the Material Division. It is new and it is untried, but we are satisfied the general principle is sound and workable. While we expect that time will show a number of desirable changes in the details of the sections and in the detailed administration, yet we are sure the idea of coordinating material functions under the Assistant Secretary is sound and has come to stay. Thank you.

GENERAL ARMSTRONG:

Commodore Watt, I was wondering whether some of these outside activities, like Judge Advocate General and so forth, were really properly assigned to the Assistant Secretary. Does that interfere with his work?

The reason I ask that question is, that in the Army the Assistant secretary (now the Under secretary) has such a multitude of other duties to perform he cannot devote enough time to procurement planning. I would like to see an Assistant Secretary of War who had absolutely nothing to do but procurement and procurement planning. We do not have it, but that is the theory on which we would like to operate.

I think you have approached the problem closer because, after all, the setups as indicated on the organization charts all seem to me to be very definitely a part of the procurement business.

COMMODORE WATT:

That was our feeling about it, General Armstrong. In August when this board made its study it found some seventeen icicles hanging from the Assistant Secretary of the Navy. The board members were shocked at that. They found some were quite meaningless and they endeavored to take those functions and to reallocate them among the other three civilian executive assistants. I think they did a pretty good job of it, too,

Lend-Lease Liaison is also a part of the Material Division. While it is now all shut up it will be necessary to have it reactivated in the next war.

The Material Division is the answer, or at least as near as we could make it, to your question of coordinating and centralizing as much as possible of the Material activities under a well-organized executive administration rather than having the Assistant Secretary spreading himself over a lot of different functions.

The Office of the General Counsel may very well come into the Material Division because the Office of the General Counsel deals exclusively with commercial matters. The General Counsel is just what the name implies, general counsel for the Navy Department on all commercial matters which, of course, are really procurement and production of material. It perhaps will ultimately move in as the legal branch of procurement and production. He has nothing in the world to do with court-martial law or with personnel.

The Office of the Judge Advocate General, as we know, has been set up by statute for a great many years. The Assistant Secretary only concerns himself with such matters as the Judge Advocate General has to do with taxation or with legal matters, statutory matters connected with procurement. Now the General Counsel deals with commercial matters. The Judge Advocate General deals with Congress in regard to statutes, legislation and things of that kind. In so far as they should concern material matters, he comes under the Assistant Secretary. That is a pretty limited function.

The Office of Research and Inventions has the job of correlating and programming all matters of research, experiment, test and development, particularly of new weapons.

GENERAL ARMSTRONG:

That certainly belongs in there.

COMMODORE WATT:

That is under a separate chief. It did not appear possible to put it anywhere else without the possibility of stultifying the initiative of the research gang.

We felt we could put the Requirements Review Board into the Material Division.

GENERAL ARMSTRONG:

I would say this: I think you approach more closely the ideal than our system does. You have fewer extraneous functions than we have in the Under Secretary of War's Office.

There is one other question I would like to ask before we have a few questions from the students. Does your decentralized operation report directly to that inspection office. For instance, you do not have, like we do, Bureau of Ships having offices out in the various cities throughout the country? Your offices are out from the Material Division, are they not?

COMMODORE WATT:

That is one of the things that has caused some hard feeling.

GENERAL ARMSTRONG:

I could not see from your chart just how that works in the Navy.

COMMODORE WATT:

We did not attempt to go into the full details of that in the description of the Material Division. That, is my particular branch and there have been a great many headaches connected with it.

We will go back again and start with Mr. Forrestal, a man of immense energy and ability, who was connected with commercial operations; he had some good friends in industry, who came to him and complained.

In 1941, when procurement had stepped up following the fall of Dunkirk, some of Mr. Forrestal's industrial acquaintances came in and said, "What kind of an outfit do you run?" We have a contract with the Bureau of Ordnance. We have one form of contract to use. We have one method of making payments. We have one set of papers. We have to deal with a Naval Inspector of Ordnance. We have to make out a certain type of shipping paper. Then we came along and you ask us to take out a contract with the Bureau of Aeronautics.

"Now we have to immediately meet up with a fellow called Inspector of Naval Aircraft. He has a new type of contract under the Bureau of Aeronautics. He also has another set of methods for making payments. We have another set of shipment papers. We really have to learn how to do business with him.

"Then I come along and get into another outfit known as the Bureau of Ships. They have a fellow called the Inspector of Naval Material. We have to go through a whole different set of operations with him."

Mr. Forrestal and his advisers were very much impressed with the complaints of their friends.

They looked into the situation--and I think it is entirely true--and a directive was gotten out at that time which set up, in the Office of Procurement and Material, the Office of Inspection Administration. The directive, as since gotten out, was a little bit too broad. It put under that Office of Inspection Administration not only these general inspection offices which inspect all kinds of materials for all the bureaus, but a specialized bureau field office which inspects one type of product for one bureau.

Perhaps the best way I can describe that is, for example, at Bethlehem we have an Inspector of Naval Material. When I go up to see him I find that he inspects all types of products for all bureaus of the Navy Department.

Then there is also a Supervisor of Shipbuilding, who inspects one particular type of product, a ship, for one bureau--the Bureau of Ships.

There is a Bureau of Aeronautics representative who inspects one type of product, an airplane, for only one bureau of the Navy--the Bureau of Aeronautics.

So, the first thing I did on taking over was to get out a revised directive which drew a very definite distinction between the General Inspection Offices which inspects all types of material from guns to underwear for all bureaus of the Navy Department, and the special bureau-type field offices which are, in a sense, decentralized Bureau branches in the field.

The Office of Inspection Administration exercises coordination control over both types of offices, over the General Inspection offices, that is, the Inspectors of Naval Material, and over the bureau field offices which are the Supervisors of Shipbuilding, Inspectors of Machinery, Naval Inspectors of Ordnance, and Bureau of Aeronautics representatives. The day-by-day management of the General Inspection Offices is vested in my organization, in the Material Division. The day-by-day management of the bureau field offices is vested in the bureaus concerned. The technical control, that is the details of specifications and technical requirements for material, is always vested in the bureau purchasing the material. That seems to work out very nicely and the former troubles and misunderstanding have pretty well vanished with that setup.

GENERAL ARMSTRONG:

Thank you very much, Commodore Watt.

(9 April 1946--200)S