

PEACETIME PROCUREMENT

4 February 1946.

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CAPTAIN HENNING:

Gentlemen, Major Sullivan is going to talk to us this morning on peacetime procurement.

Major Sullivan is a graduate of the Class of 1940, Military Academy. He went into the Corps of Engineers. He served with the troops and was in the China-Burma-India area sixteen months on the staff of the Service Forces in the Engineers. He also served two years with the Chief of Engineers in Requirements and two months with the Chief of Purchases Branch, Procurement Division. He is now Chairman of the Procurement Assignment Board.

I note in the outline of his talk he is going to point out, in the beginning, the many respects in which peacetime procurement is different from wartime procurement. I would like to say just a word of warning about that. While that fact can be readily acknowledged, I think there is always danger in letting peacetime procurement become so fixed that it cannot be readily changed to wartime conditions. For example, I recall that for years it was the policy in the Navy Department for every requisition for a typewriter to go over the desk of some old gal in the Bureau of Ships. When we got into the war it was one of the toughest jobs to break down that crystallized procedure. I think they finally were able to accomplish it before the war was over.

So, with that thought in mind, I will present Major Sullivan.

MAJOR SULLIVAN:

Good morning, gentlemen. I see you are all bright and fresh and willing to jump into a very deep subject.

From the introduction which I was given so graciously you can see that my experience directly connected with purchase is somewhat limited. But I suspect that for a few of you your experience with it is limited somewhat. Inasmuch as the subject is peacetime procurement and since it has been five years since we have had any peace, it is still plenty far back in the actual experience of anyone who may have been directly connected with the peacetime procurement program of the Army.

The reasons which we are going to consider in connection with peacetime procurement at this time have been briefly indicated to you by Captain Henning. While peacetime procurement is not basically different from wartime procurement there are certain procedural differences that creep in which make it quite a bit different from wartime procurement; these differences lie mainly, however, in the procedures and rules by which we must abide to carry it out.

Probably the most significant difference between peacetime and wartime procurement is that of volume. Peacetime procurement represented about a half billion dollars annually while the wartime period went into

the tens of billions of dollars. Any system that is originally designed to work on a half billion dollars, filling up the time of the procuring services and taking a whole year to accomplish, is obviously going to require considerable overhauling to start operating on a tens of billions dollar annual program.

A consideration of the peacetime procurement methods and procedures, as carried out in this past peacetime period, should be of some value to you gentlemen for determining what is likely to come in the peacetime procurement field during the period which we are just entering. It may be that certain recommendations should be made to modify that procedure so we do not get into a condition similar to that at the time of the outset of the emergency.

Another significant difference between the peacetime procurement program and that of the wartime program is that the peacetime market favors the buyer. Generally, the Army can get what it requires, without too much difficulty, from the natural resources which exist in the country. There are enough people who are interested in government business and there is enough capacity available to supply both the military and civilian type needs of the Army.

In wartime the situation is not quite so true; in fact, it is not any way near true. That is the basic reason why we have an Industrial College; at least that would be it from my own point of view. We recognize there is a definite need for planning on a logical basis so that a lack in capacity in American industry in peacetime can be augmented to take care of a war emergency in the most rapid and efficient manner possible.

In wartime, as I have mentioned, the position of the market being in favor of the seller reduces the competition that is available. Generally it finally comes back to the point where the basis for deciding who gets a contract is the capacity to do the work, plus a consideration of perhaps forcing him to do the work. In peacetime that is not the position. There usually are sufficient people who are interested in doing business so that there is a rather lively spirit of competition for what government business there is available.

As a matter of fact, in wartime we have had to use considerable artificial means to expedite and inculcate business capacity to take care of war needs. You probably are familiar with a lot of these alphabetical agencies that were created for that, like the Defense Plant Corporation, Defense Supplies Corporation, W.P.B., S.W.P.C. I do not want to discuss those in any great detail, because I think they are more properly a part of a discussion you will have in later lectures.

In peacetime the approval of controls of procurement is different from war. As I have already mentioned, in wartime the control is rather on the side of making the industry try to produce or forcing it to produce, making natural resources suitable to serve our war needs.

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The peacetime controls are designed rather to insure that there is a fair distribution of what government business there is. When we have talked about figures so far, we have not talked about them too specifically. A half billion dollars does not seem like very much money, but it is still quite a lot. In peacetime, particularly, if we go through another period similar to that of 1928 to 1936, a lot of people will want to get in on a half billion dollar business.

One of the basic needs for peacetime control is to assure that this government business will be placed in the most equitable manner possible; so as to get in all those who are interested in doing the business.

Another point of view, of course, in that connection is an attempt to get the maximum return for the taxpayer's dollar. This has been theoretically provided in the legislation that requires competitive bidding, in that normally the lowest bidder is always selected. This sometimes does not work out to the maximum economy because if we take mechanical equipment as an example we may find the lowest bidder on tractors one year is Allis-Chalmers; the next year it may be Caterpillar Tractor, and the third year it may be somebody else. While the initial cost to the Government may be less by selecting the lowest bidders, doing so in these cases a spare parts supply problem is started. The lowest bidder on spare parts cannot be selected because it is necessary to have Allis-Chalmers spare parts for Allis-Chalmers' tractors, consequently any gains secured by the initial selection of the low bidder may be lost.

Another reason for controlling peacetime procurement is an attempt to preserve national resources, or to develop them. As all of you know, there are certain materials which are not available at all in the country, or available in such limited supply that it behooves the planners for national security to consider that we do not deplete our national resources and that we attempt by every means possible to increase capacity for, or increase the importation of these certain materials.

Another field in which government control is necessary in peacetime procurement is that which is required to prevent procurement policies of procurement agencies of the Government from cutting across other policies of the Government. I have noted one here (referring to Outline), the 8-hour law. We could not make much progress if we permitted contracts to be made with businessmen and did not require them to stick to the 8-hour law, which was in direct violation of national policy. Legislation prescribed that the 8-hour law is the normal period of man's work and anything in addition to that be paid overtime, and so on.

All of these fields in which needs for control have been mentioned have actually been specifically covered by Acts of Congress. The matter of foreign purchases is also covered by Act of Congress. That would be the one in which an attempt is made to insure that all government procurement will operate to increase our national capacity, or tend to prevent it from depleting it in those fields where critical materials are involved which are not available in sufficient quantity or not available at all in our normal national resources.

I think I have already mentioned that in wartime the need for controls is on a different basis altogether. All of the controls that have been set up by these various alphabetical agencies, also mentioned before, are designed to do one thing, namely, to insure complete and orderly mobilization in such time that the material required would be available to prosecute the war.

Contract procedures during the war were released from their complication under the First War Powers Act and executive order of the President. Specific authority was given to the War Department and other procuring agencies to depart from the provisions of these statutes on competitive bidding and sealed-bid procedure in order that maximum facilities would be available to get our job on the way.

In peacetime, one of the main ideas or feelings of the Congress is that we should get the maximum return for the taxpayer's dollar. Without going into anything else, the most obvious way this can be done is by getting the lowest price on the item you require. In order to do that the Congressional edict has prescribed that all business, with very few exceptions, put out by the Government will be by formal advertising. This formal advertising merely means that in an invitation to bid the supply of certain materials will be made only after these invitations have been posted in a public place or sent to firms and businesses that are apparently competent to do the work required or to produce the supplies needed. As I have mentioned a couple of times before, this system is generally adequate when the market is in favor of the buyer. If it is not, as is the situation right now, you have considerable difficulty to consummate procurement even when we have the power to negotiate.

Theoretically, the sealed-bid procedure and acceptance of the low bid is the most economical way we can obtain government material. But there are a lot of practical features of the procedure which do not bear that out. I have mentioned the spare parts situation. There are other situations where an item may be nationally produced but still produced by a few of the leading manufacturers. By informal agreement they will come up with certain prices on every bid, then the contracting officer will have to apply his own discretion as to which one he will select.

It may result sometimes in splitting up the thing, giving it to one bidder this time and to another one the next time, or some other method consistent with fairness. As a matter of fact, it apparently looks like there might have been a little collusion on the deal; but in most cases where it occurs there is precedent for it for so many years back. Otherwise, it looks as if you are sticking to the prices previously quoted.

I am not positive about my facts on typewriters, but it is my understanding that typewriters have been sold to the Government at about the same price (about \$50) for a number of years, and nothing has happened to change that. These, of course, are bought on Treasury procurement about which more will be said tomorrow or the next day.

But, theoretically, the sealed-bid procedure should result in getting the cheapest typewriter you can. By agreement prices do not go down. There

have been certain experiences during the war where typewriters were bought under negotiation. In negotiation, consideration is given to the actual cost of manufacture, the cost of labor, and what profit the man comes out with when he finally finishes the job. The results of this indicate we could in all probability buy typewriters for about \$20 each and the producer would still make a reasonable profit.

When in a seller's market one might negotiate and not do so well as he could on competitive bidding, because the wrong man with whom to negotiate might be selected. Negotiation, usually, results in profit. I mean there is always a consideration of the individual who is doing the production. It does not always consider the over-all picture. It permits consideration of profits for the individual. Now it might be, if you selected another one, that his more efficient operation would permit even a lower depreciation in the price.

Another type of peacetime procurement was open-market purchasing. An open-market purchase is any purchase which is not made with formal advertising. Generally, the Congress restricted open-market purchases to those involving \$500 or less. But there were specific provisions for the application of the open-market procedure in certain items, based on various considerations. One of the items is medical supplies. We may get the exact chemical, or theoretically exact chemical item, but it is not the kind that is required. Doctors have expressed the idea that competition is not what is needed and that they should be permitted to buy in the open market the various medicines that are needed without the necessity of formal advertising or, for that matter, any competition.

Open-market purchases do not authorize the elimination of competition unless the law specifically provides it. However, purchases made for under \$500 are done quite informally. We do not have to have any written agreements with the contractor. We do have to write up something in our documents that go forward to indicate how we came about to take the contract, but it is not a formal contract which is signed by the other party.

Of course, another authority to purchase in the open market is always the emergency. But from the way the regulations have been written it looks as if we had better be awfully careful before we make any open-market purchase in the emergency unless it is within the \$500 limit. So far as I could find out there is nothing in the old regulations about a dollar limit in emergency, but there is this statement that the onus is on the contracting officer to cook up his requirements in time. So that he had better be awfully sure before he authorizes any emergency purchases in the open market that they will not be disallowed. That is one of the other differences, I think, between peacetime and wartime procurement: the contracting officer in peacetime is really holding a lot of stuff and he is likely to get nailed for anything he does.

In order to carry out this procurement in the Army, which is always traditionally on a decentralized basis, we have had to develop a lot of standard forms for the various procuring actions that are taken. Most of these forms are actually developed by Treasury Procurement Division, the

agency of the Government which is primarily responsible for procurement in the Government outside the War and Navy Departments. They usually design the forms and all changes that are made in them have to be cleared through them. They, in turn, clear them with the General Accounting Office.

One of these forms that has been developed is the standard Bid Form, which is the one that is prescribed for bids for supplies that are required or construction that is needed. These forms vary, depending on what is wanted. Most all of the standard requirements are included in the form itself. There are many other things included. There is a place for putting in all the other provisions and considerations which the contracting officer needs to have considered by the bidder.

There are forms also for contracts, to be written out on these prescribed Treasury forms. There are certain cases in which a formal contract is required. Generally, at least before the war, it was on purchases over \$25,000 or purchases over \$500 which had terms involving more than sixty days' time for the production of the material required, that required a formal contract, to be reduced in writing, and furnished to the General Accounting Office.

Any contract or agreement not covered by the above descriptions is considered an informal contract. I am not too well informed legally, but I understand that almost anything one offers to do for another and in consideration therefor receives pay, is a contract. So that means these open-market purchases in most cases are really purchase orders in which some indication of agreement has been written up by the contractor which, when he sends his vouchers forward, would constitute a contract.

In order to protect the interests of the Government under this competitive-bidding system, where everybody is given a chance to get in on the financial gain, certain bond procedures have been developed. Most of these bonds are not mandatory. A bid bond is really a bond which insures that the bidder will not withdraw his bond about the time the contracting officer has opened the bid.

There are also performance bonds which are, as the name implies, bonds to reduce government liability in case of the failure of the bidder to perform in accordance with the terms of the contract. It is pretty hard to tell what its value would be, but it could be 10 percent, or more, as determined by the contracting officer, considering the conditions under which he is procuring his supplies or getting his services done.

Another type of bond is a payment bond. Now that bond is not mandatory in all cases. It is mandatory in all construction contracts over two million dollars. It is to insure that the government liability will not accrue where the contractor is unable to pay his help, or

fails to pay them. It is usually based on approximately one-half the value of the contract, except when contracts are over a million dollars it drops to 40 percent. In contracts for over five million dollars, the maximum payment bond required is two and a half million.

Still another type of bond is a patent infringement bond in which government liability for patent infringements, because of the manufacture of a particular item, is reduced by requiring the bidder to put up a patent infringement bond. I do not know from actual operating experience how this is applied, but the regulations say generally it should be applied whenever the financial conditions of the prospective bidders are unknown. So, presumably it would apply in most any case where one is going out for some new item in which it is not known who is going to come in to produce it.

One of the features of these various bonds is that while they are generally not mandatory so far as the War Department is concerned, if they are used in one case they have to be used in all. We cannot make one bidder furnish a bond and not another. It must be applied uniformly.

Generally speaking, all peacetime procurement was either carried out in the open market or under the sealed-bid procedures. The Army was able to secure a formal departure from that procedure in what was called "educational orders". The Army had been working for about 20 years trying to get authority to develop some requirement know-how on military items, from the production point of view that is, prior to the outbreak of an actual emergency.

After a lot of dealings with the Congress and the Military Affairs Committees, a law was passed in 1938 to permit the Army to engage in educational orders. The law was quite brief. It authorized the Secretary of War to deal with the contractors and potential manufacturers who could produce those peculiarly military items as he saw fit.

The law also authorized him to request an appropriation of some money. It did not give him any. He had to go back and get some. It amounted to two million dollars annually. That money was to be available for five years. So, a total of ten million dollars was made available to the Army, in the period immediately subsequent to 1938, for educational orders.

Educational orders should be of some interest to you, gentlemen, because you may want to recommend a similar bit of legislation for the next peace period. It is pretty difficult to work with these things. These educational orders were to develop some know-how with the manufacturer who is likely to produce it, and who is likely to be in business if a war starts. It is hard to know whether that item will still be a standard item, or an item which we will get, if we should get into another war.

It is pretty hard to find a lot of items like that, but here are two examples. The Garand rifle people produced some stuff similar to that turned out, I believe it was, by Winchester. It was not a very

large quantity but it was sufficient to get the line all tooled up, develop some of them, and iron out some of the production bugs in the thing.

The Engineers had some searchlights produced. There were only two or three of them produced and I rather suspect it was pretty much of a hand made job. Those are just two examples, Garand rifles and searchlights.

At the present time we are going through an interim procedure, an interim position, in this procurement field. The War Department's feeling at present is that some of the advantages we have gained during the war under the provisions of the First War Powers Act, mainly the ability to negotiate contracts with consideration of cost analyses, and so on, should be retained to some extent. Also, that we should get specific authorization to depart from the hide-bound requirements of sealed bids and competitive bidding, particularly in those cases where I have given you examples, where it is necessary that the Army standardize on a certain item, or a limited group of items, so we do not have a spare-parts problem.

At the present moment, our main guide on procurement is Procurement Regulation No. 2. This regulation has just been released in modified form. It attempts to indicate what the War Department's interim feeling is; that is, we want to retain some of the power of negotiation and at the same time we also want to get back on with the competitive-bid system as rapidly as possible.

There is a provision in the new Procurement Regulations which permits open-market purchases up to a thousand dollars. At the moment we do not have any legislative backing for this except the First War Powers Act, which may go out any time now. As I understand it, it is supposed to last until the end of this year, but Congress can change it any time it so desires. Congress has not liked a lot of things the Army has been doing, so it might not like that. But in many cases the Procurement Regulation has been modified to come up with this interim position, interim idea, on how we should carry out our procurement business, to develop some experience which may help to justify possible action to modify the existing law so that we can accomplish procurement a little bit more effectively.

At the present time we are having a tough time in going back into peacetime procurement because while the First War Powers Act is still on the books no one believes it is going to be carried on much longer. There is, generally, a lack of civilian goods in which the Army is interested in many cases, and there is a lack of interest in getting into any military production should the Army be wanting to get any of those goods.

The result is we cannot get, even with authority, to negotiate good prices. It means we have to go back and consider all the requirements and consider whether or not they are sufficiently firm to justify some terrific action such as price escalation. We do not want to do that because if we start doing it we will simply open the door and there will not be any price base left.

In these few minutes I have talked to you I have tried to present some of the picture of peacetime procurement as it may in some way help you in relating your ideas on what ought to be done in industrial mobilization. Certainly the actual procedures in effect in the past period of peace are going to affect what will be done in connection with procurement as we get settled down in this postwar period, and of necessity will affect industrial mobilization at any future time.

Probably a lot of you gentlemen who have been in the operating end of procurement during the war period, and possibly even before the war, may know a lot more about this than I do; however, if there are any questions I will attempt to answer them. Maybe I can go dig them up for you if I cannot answer them here.

CAPTAIN STOVER:

Thank you, Major Sullivan. A few days ago we had Captain Andrews of the Navy who outlined for all of us the new procedure for handling procurement in the Navy. The Secretary of the Navy is charged with all procurement. He has delegated that to the Assistant Secretary who, in turn, is coordinating procurement in all of the bureaus. In other words, there is one procurement agency in the Navy. That is very recent. Now what does the Army do?

MAJOR SULLIVAN:

I do not know whether it is the same or not, but traditionally the Assistant Secretary (now known as the Under Secretary) has been charged with procurement in the Army. As I mentioned, it has always been on a decentralized basis. Its primary concern has been that of establishing policy, so firm we cannot depart from it too much. There are stereotyped forms and pretty stringent regulations on what can be done. We are not able to apply too much discretion.

On this sealed-bid business, which we are going back to, we expect that decentralized procedure will go on as before.

But on this coordination business, the Under Secretary's Office has relations with the Army and Navy Munitions Board to try to get maximum coordination between the procuring services of the Army and the Navy. But so far as modifying the traditional autonomy of the Technical Services on procurement is concerned, except as guided by policy, there is nothing particular. I think, generally speaking, that is probably what the Navy is doing too in the actual operation of contract placement.

CAPTAIN STOVER:

We have a coordinating influence from top, of policy-making character in scope.

MAJOR SULLIVAN:

That is the way the Army system works. At the present time the Staff operation is carried out by the Procurement Division of A.S.F., which is

merely an outgrowth of the Office of the Under Secretary. Because of the terrific extension of the Army and the large procurement program it was placed under the operation end for production. It is not so much a part of the peacetime supervision.

I think the two are very parallel. If analyzed in detail, you can see it is practically on a joint basis that the coordination is effected. In the Navy, actual operations are carried out by the bureaus and by the Technical Services in the Army. I think perhaps in the Army there is a little bit more of the decentralization operation than there is in the Navy. In this connection I might also say there are not too many services that are doing their contracting in Washington. They are doing it in the field offices. Ordnance, for example, is doing it in about seventeen districts, or something to that effect.

A STUDENT:

I would like, if I may, to make this comment: On the last page of General Marshall's Annual Report he points out rather clearly that something has to be done whereby we can shift from our peacetime to wartime economy much more quickly. I think with that as sort of a bible we should not fall back on this type of purchase we had between the wars, but should, more or less, maybe centralize so we can get purchases into the big factories quickly, rather than this decentralized purchasing.

What do you have to say on that?

MAJOR SULLIVAN:

As I said, this new Procurement Regulation 2 has been written to try to combine the two: go back on the sealed-bid procedure on those items in which it does not make any difference, and stay on the negotiated procedure for those items which it does make some difference, that is, the military items, items of a commercial nature but which the Army has to stick to so that we will have standardization.

We do not want to have a spare-parts problem by tooling up in several places. Now I do not know whether that affects the decentralized placement of contracts particularly. We definitely want to retain this negotiated authority we have and the ability to select manufacturers on a basis of judgment and consideration of other things besides strictly the price. That is another difference between the wartime and peacetime experience we have just gone through. We found we could buy a half billion dollars' worth of stuff under the sealed-bid procedure. It was jumped up from about a half billion dollars in 1941 to around thirteen billion. We just could not put all that stuff under contract. We want to keep both of them going. We cannot do it on a negotiated basis. So that, should a war come, why then, the thing to do is to emphasize your approach on the negotiation side and get away from the sealed bid.

Another thing, we are lacking in peacetime a lot of the potential we got in war. For instance, we do not have any W.P.B. We have C.P.A. now, but it is going out. You can see it going. The only thing left for them

is building construction, but that will be solved some time, probably in the next few months. We are not going to have all the potential in production we have had. In peacetime we do not have controls. We do not have a W.P.B. that can come along and say, "Joe Doakes, you've got to take this contract and produce it".

Those are all elements, of course, of industrial mobilization. But negotiation would not solve that problem particularly, nor would sealed bids either.

A STUDENT:

No, but it would solve it the long way. They would negotiate where you want to build.

MAJOR SULLIVAN:

There again, as I mentioned, our experience at present in negotiation is that we cannot get anybody to quote us any prices. These big companies will quote prices, but they also say, "Subject to cost at time of delivery". But that will not be above the then existing O.P.A. ceiling. That is not really a price. It just means you are buying on the O.P.A. ceiling, whatever it is. That is the way in which they want to do business now.

The general feeling throughout the country is that we are not now at war. It is something terrific trying to get production started.

COLONEL BROWN:

It has always been the custom for faculty members of the College to participate in the discussion, such discussion usually being ad lib.

You are now discussing such an important question and such an interesting question that it is rather difficult, for one who listened to these discussions from time to time, to keep quiet. I did want to drive home for the benefit of those who have not been familiar with peacetime procurement the intensely complex nature of peacetime procurement. Now I, personally, did not go out and let contracts, but for years and years I did sit on the sideline and answer objections made by The Comptroller General to the procedures that had been followed by the contracting officers.

That is the thing, it seemed, that was not stressed quite enough, about contract procedure. It always seemed to me that peacetime contract procedure was getting something done; getting a contract let, getting a contract placed was always like hanging some important man.

The first time you would come along and get your appropriations two years ahead of time, in the Army. You had to survey all your needs two years in advance. Then you had to go down to a little budget committee in the War Department and justify your projected requirements. All of this was done two years ahead of time. And then you argued with that

committee about whether your appropriation would be \$50 more or a million dollars, or \$50 less or a million dollars less. When you finally got through with those people you had to go over to the Budget Bureau and the whole thing was done over there.

Finally you went on up to the subcommittee of the Appropriations Committee and the whole thing was rehashed there. We argued about \$50 or a million dollars or \$200. Our mind was simply down in the scotchman's groove and there was no way to get out of it at all.

I think the psychology has changed, but I am afraid we are slipping back into the old psychology. For instance, I was executive officer of the Judge Advocate General's department for a number of years. I handled the appropriations there. I went through all of these hearings. I came in there just all pepped up. I wanted to be one of the greatest executives the Army ever had, but I could not do a thing. The fellow who had preceded me had tied me up for two years, or two years and a half. I could not conceive anything, or succeed in getting anything done. I could not start anything at all. I knew I had to wait for two years and a half. I could not run to first base.

Then after we finally got our appropriations by this formal procedure we had to go through, I sat and remarked to some of my companions, "Are we trying to get supplies for the U. S. Army, or are we just trying to cut out a nice juicy appropriation and divide it among various people in the United States"?

I think all of you will agree with me, if you looked into the history of peacetime procedure, that is just about what it amounted to. It amounted to our sitting down and cutting the appropriation to divide it equally among all the people who came in with their hands out. The procurement of supplies, the actual getting of supplies, was a secondary thing. Yes, a secondary thing--not from our own point of view but from the viewpoint of Congress, from the viewpoint of The Comptroller General, and from the viewpoint of the public.

Now it often happened--you all know the law I spoke of that required you to award the contract to the lowest responsible bidder. They would often give us bids. There would be a variation of a few cents. Well, The Comptroller General's office was inclined to look only at the cents while the War Department was inclined to look at the quickness with which the contractors could get the goods, the quality of the goods he produced from any of his past performances, and a great many other elements that entered into making one "a responsible bidder".

The War Department was always inclined to accentuate the lowest responsible bidder and The Comptroller General would always look at the lowest bidder. When the War Department awarded a contract to the lowest responsible bidder we got a stop order. Then we had to reallocate the thing all the way through The Comptroller's Office to see whether this contract was properly awarded. In the meantime, the supplies waited. The contractors argued. Numerous hearings took place and, as I said, it was just like getting a prominent man hanged. That is the way, in my opinion, the peacetime procedure operated.

Now the great test is this: Peacetime procedure--by the way, I wrote a paper on that when I was a student in the Army Industrial College. I, personally, do not ordinarily recommend people getting any of my papers and reading them, but that was a year in which I was Judge Advocate General, acting as an Ordnance officer, and we had to find out whether the Ordnance Department was properly organized for industrial mobilization.

As I say, I wrote a paper and one of the things I discussed in that paper, I remember, was this very thing. I said this peacetime procedure was just putting a man in a scotchman's groove. It simply destroyed all of his initiative. It destroyed his constructive imagination, It tied him down with a lot of red tape to where, if a war did come on, he would have a terrible time shaking off the shackles from his imagination so as to permit him to conceive a scheme of procurement, or a system of procurement, that would permit him to operate on a big scale.

I think it undoubtedly is true that those who were so wrapped up in all of these little pusillanimous peacetime procedures had difficulty in scaling the wall in one leap, while the people who came in, who had never been hampered with such things, could scale the wall in one leap and look back at us--and there we were.

I remember the first experience I had in connection with this peacetime procedure. It was during the last days of the operation of the Army Industrial College, in 1941. We had a great coal strike all over the country. Someone conceived the scheme that we should suspend classes in the Army Industrial College; that we would send some of the men down to Harlan, Kentucky, and two or three other people to Birmingham, Alabama. We took the faculty and dished out the various coal-mining areas to the faculty members. We then took the students and formed a group. We were going in and operate the mines. We were going to take them over from John L. Lewis. We also had the Army maneuvering all the way up there. The Army was going to help us. Really, I was going to be chief around the blue fields of West Virginia and up through Harlan, Kentucky. They simply said, "Submit a plan to carry out this".

At this point I might say the Commandant of the College was an old conservative Marine, a fine man.

We proceeded to draw up our plans. We did not take along any typewriters. We were going to use the companies' typewriters. We did not take anything except some paper and pencil. Well, as soon as they looked over these plans they said they were too simple. There was something wrong with them. So they hired a man to supersede us. The only man he superseded was the Commandant himself. But, boy! we all started drawing up plans and blueprints. You talk about scaling the wall, that man just stripped off the warp and woof from his constructive imagination and we really organized an American Expeditionary Force Headquarters, G-1, G-2. There is where I learned my great lesson: it never pays to work in the scotchman's groove.

What we are trying to do is this: We are trying to get some procurement organization for the War Department--and since we are about to take

over the Navy (if we do take over the Navy), why we have got to get a procurement organization that operates in volume. There will be a vast volume of procurement-flowing down. It will afford experience to the people who are engaged in it.

The procedures in peacetime should be just as nearly like those in wartime as possible because we want to expand this time instead of converting. That is what we have been doing here. We have been converting our procedure heretofore. Now we are trying to get a procurement organization that will just flow along smoothly, as the waters flow to the sea, from peacetime into war. That is the thing you gentlemen here are supposed to think out. I think you are supposed to think that out, too (referring to Major Sullivan). That is why we are standing here, trying to tell you about the importance of peacetime procedure so you will know how to cut your pattern so that it will fit into a beautiful wartime procedure.

I am sorry I took up so much time.

MAJOR SULLIVAN:

You all heard what the Colonel said. (Laughter and applause)

COLONEL BROWN:

Thank you very much, Major Sullivan.

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