

PEACETIME PROCUREMENT,  
6 February 1946.

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GENERAL ARMSTRONG:

Gentlemen, the speaker this morning spent four years in the Navy in this war and a very brief time in the Navy, I think, in World War I. He joined the Procurement Division in 1935. His service there was interrupted by the war when, as I told you, he joined the Navy. He was a Captain in the Navy and Assistant Director of the Office of Censorship at the end of the war.

I want to say in defense of our speaker that he has been torpedoed without warning. Yesterday, I believe it was, he learned that he was to make a speech here today. So, now he finds himself on the platform. Mr. Freeman says if he makes any mistakes, or if his speech is not so good as he would like it to be, he has an excellent alibi. We are all very grateful to Mr. Freeman because he is substituting for Mr. Mack, who is the Director of the agency, and who was unable to be with us this morning. Gentlemen, Mr. Freeman, who will speak to us this morning on "Peacetime Procurement."

MR. FREEMAN:

Thank you very much, General Armstrong.

In order to try to keep this within a reasonable time and also to bring out some of the points that I know Mr. Mack wanted to mention, I am going to take the liberty of reading a part of this at least.

The Procurement Division of the Treasury Department is a central procurement agency. We buy against the requisitions and funds of using agencies--in other words, of our customers.

SOURCE OF AUTHORITY

Executive Order 6166--The source and degree of authority of the Procurement Division is contained in Executive Order 6166, under which it was established. Dated 10 June 1933, this executive order was issued pursuant to the authority of section 16 of the Act of 3 March 1933, which provides for reorganizations within the Executive branch of the Government. Executive Order 6166 therefore has the full force and effect of law. It reads in part:

"In respect of any kind of procurement, warehousing, or distribution for any agency the Procurement Division may, with the approval of the President, (a) undertake the performance of such procurement, warehousing, or distribution itself, or (b) permit such agency to perform such procurement, warehousing, or distribution, or (c) entrust such performance to some other agency, or (d) avail itself in part of any of these recourses, according as it may deem desirable in the interest of economy and efficiency. When the Procurement Division has

prescribed the manner of procurement, warehousing, or distribution of anything, no agency shall thereafter procure, warehouse, or distribute such thing in any manner other than so prescribed."

Director's Order 73--On 1 June 1939, Director's Order 73, issued pursuant to the authority of Executive Order 6166, and approved by the Secretary of the Treasury and by the President, stipulated the extent to which the Director of Procurement would undertake to procure for Federal agencies or to procure specific types of supplies and services. However, this order specifically exempted the War and Navy Departments and the Marine Corps from the provisions of the order.

Our purchases, break down into four general categories: (1) those purchases which we make for stocking our warehouses, of which we have a number throughout the country; (2) those purchases which we make on a consolidated-purchase basis--that is, accumulating the requirements of several agencies over a period of time and then going into the market to cover those requirements; (3) purchases of individual items that we make from time to time which do not lend themselves to stock purchases, or to consolidated purchases; and (4) our General Schedule of Supply contracts.

I think the nearest approach to the ideal purchase occurs in our purchases for warehouse stock, because there we have the benefit of buying in large quantities, at a definite time, for definite delivery points. In addition to that, since we are buying for our own warehousing purposes, we have a substantial control over the time that we go into the market. That is something which we will be able to develop to a much greater extent in the peacetime future.

Next to that type of purchase, looking at it from the "ideal" point of view, I think the next best result we obtain in our consolidated purchase procedure where, for instance, in the case of motor vehicles we will accumulate the requirements of the various agencies over a period of time, say two months, and then, taking those requirements, will consolidate them in our invitations so as to offer the greatest possible attraction to bidders. That has a definite quantity feature, a definite time feature, and also a definite point of delivery feature.

The individual direct purchases I will not dwell on, because to my mind they simply constitute a purchase. There are no difficult problems, as a rule, in that connection. There is no great thrill in making them because a good purchase is simply made, and that's that.

The General Schedule of Supplies type of contract, is an interesting one. Also a very difficult one. It goes back to 1910 when the General Supply Committee was first organized. Under these contracts we estimate the requirements for the government service for a period of time, maybe three months, six months, or a year, depending upon the commodity and the conditions. We put out our invitations and effect contracts on an indefinite quantity basis.

These contracts are listed in schedules and distributed to all government agencies. Some of these contracts apply all over the country, some

apply in limited areas, some only apply in the District of Columbia; some apply to all agencies, and some have limited application to agencies.

One great advantage of these contracts is that they save administrative costs, because once contracts are established the various agencies, when they want anything that is included in these contracts, simply issue purchase orders against them, thereby saving a number of complete purchase transactions.

These contracts, if properly considered and properly placed, should generally produce a price advantage and should never produce a price disadvantage. In considering commodities for this method of procurement consideration must be given to every possible factor, and determination must be made beforehand, first that the result will not produce a price disadvantage, and, secondly, that every effort is made to gain a price advantage.

We had a number of items under General Schedule before the war which during the war naturally were eliminated due to lack of availability. We are reinstating a number of these items now. This type of purchase consumes more man-hours of thought than any other type.

Our purchasing organization in peacetime is no different from that which existed during the war. The policy and trend of thought, however, is materially different, due to the difference in weight that must be given to the different factors entering into a purchase. A good purchase results in obtaining the right goods in the right volume at the right time from the right source and at the right price. During peacetime procurement, all of these elements should receive equal weight in the mind of the buyer, and except in unusual circumstances, he will be able to follow this principle. But in wartime procurement the elements of a purchase definitely cease to maintain equal weight against one another. The elements that receive the greatest weight in the mind of a buyer are the right goods at the right time. I would say that the next in weight is right volume; the fourth in weight then becomes the right source; and the element assuming the least weight is the right price. A good buyer, of course, will try to maintain equal weight between the elements so far as possible, but strive as he will in a wartime procurement, this is impossible. Higher prices, for example, frequently must be paid in order to get early delivery. This was especially true of the purchases we made for the lend-lease program during the war.

I do not mean by what I have just said that I consider many of the prices that were paid during the war were the wrong prices; but from a peacetime viewpoint they might appear so. With the conditions existing, they were undoubtedly the right prices because the job to be done was to get the materials.

The transition of an organization from wartime procurement to peacetime procurement is not an easy one, because each purchasing officer must divorce himself from the habits of thought and procedure followed during the wartime period and adjust himself to the slower and more methodical tempo of peacetime procurement.

In wartime procurement where time is of the essence, formal advertising, extensive competitive bidding and patient attempts to ascertain the lowest responsible bidder must of necessity be superseded by relatively informal negotiation. Negotiation should have its place in peacetime procurement, but only to a limited extent, such as when entering into transactions involving small amounts of money, proprietary items, experimental or research work, the standardization of equipment; attempts to break up price combines; and certain other special instances. Even in these instances, however, peacetime negotiation should never be devoid of the element of competition in so far as it is reasonably possible to have it present.

In peacetime, the majority of governmental procurement should be achieved by formal advertising, involving all known sources of supply and resulting in competitive bidding with an award to the lowest responsible bidder meeting the specifications and the conditions of the invitation. The invitation should be explicit and definite and should leave absolutely no doubt in the mind of the bidder as to exactly what is required, when it is required, and where it is to be delivered and at what time. If a number of items are involved in the invitation, care should be taken to reserve the right to make awards in whole or in part, or to make multiple awards if such action is desired by the procuring agency. Care in the preparation of invitations is one of the most important phases of purchasing and can save much time and money caused by controversies which inevitably result from indefinite and ambiguous statements of requirements. The time between the issuance of an invitation and the award of a contract should be as short as possible consistent with giving bidders sufficient chance to give proper consideration to their bids and the purchasing organization enough time to analyze the bids and make a proper award. Even though all these factors must be considered in peacetime procurement, we can nevertheless operate efficiently and lose as little as possible of the speed we learned during the war.

Before the war in the General Schedule procedure, the effective period of a contract might be for six months, but the length of time that elapsed from the time of receiving bids until the contract was made, added to the term of the contract, might mean that a contractor was really committing himself for considerably more than six months. We had, before the war, shortened the time between receiving bids and making awards and we are now going to shorten it still more.

In peacetime procurement greater consideration can be given to the characteristics of commodities and to market conditions. Some items lend themselves to centralized procurement and some do not. Certain types of commodities, for instance, can be procured in Washington for delivery anywhere in the United States, without disadvantageous elements resulting. Other types of commodities can best be procured in certain specific locations. This is the case in textile procurement, which is handled largely in New York, the textile center, rather than in Washington. Still again, some types of commodities--for example, gasoline--can be purchased from a centralized location, such as Washington, but must be procured on a "zone" basis. Under such circumstances, bids may be sent

from Washington to suppliers within or adjacent to an established zone for delivery within the particular zone. To attempt to get one supplier of such a commodity to bid on deliveries all over the country, is of course, almost absurd. There are, of course, many other items that fall into the "zone" type of purchase, or possibly it could be expressed as a local purchase. Items of this type would be construction materials such as lumber, sand and gravel.

Inspection--A vital element in all procurement is adequate inspection, both at the source of manufacture and at the point of delivery. During the war, the Procurement Division made inspections in the various plants as manufacture progressed. Final inspection was made at the plant or elsewhere as circumstances dictated. Material carried in storage was inspected regularly to protect against deterioration. In peacetime procurement, from the viewpoint of excessive expenditure of government funds, it is not possible to achieve complete inspection coverage by Procurement Division inspectors of all items purchased or delivered--nor, as a matter of fact, is it necessary to do this. However, the Procurement Division endeavors to make periodic inspections of various items in the course of manufacture and also collaborates with using agencies in their inspection at the time of the receipt of commodities.

In connection with General Schedule items, like furniture, we try to make inspections at the manufacturers plants without definite regularity so we can observe under normal operating conditions.

The experience gained during wartime procurement, together with the practices used during that time, will be of great benefit to peacetime procurement. Because of this experience, procurement in the future should be accomplished in much less time than usually was the case prior to World War II. In addition, I believe that wartime methods of negotiation can be adapted to peacetime procurement when necessary without materially changing the statutes and regulations applicable to peacetime procurement.

So far I have been discussing methods and procedures of procurement. I think you would be interested now in hearing about our Stores Operations which, in peacetime, is one of our major procurement functions. The basic purpose of this program is to make available to Federal agencies the commonly used standard administrative and maintenance items at or near the site of use.

At the time our Stores program was initiated only ten percent of Federal employees was located in Washington, D. C. Paradoxically, except for the Armed Forces, substantially all of the supply work was centered in Washington. From this you will observe that merchandise had to move from the manufacturing centers to Washington, and thence to the ultimate user somewhere in the field. This meant duplicate and overlapping handling and cross freight hauls. In fact, there were several instances of distribution facilities located on the west coast which received certain supplies from sources of production on the east coast which later were distributed eastward as far as the New England states.

It is this sort of thing our Stores program is designed to prevent and make unnecessary. At the same time, it extends savings in cost and time by reason of the ability to make distribution from locations picked according to Federal civil employee concentrations. In other words, our eleven regional warehouse and supply centers are located as nearly as possible at points where Federal civil employees are the most numerous, thereby reducing delivery expense.

There are many other savings, too, which can be effected through one agency buying and distributing the government's requirements of standard administrative and maintenance items. Better prices can be obtained by purchasing the aggregate requirements in specific quantities rather than having individual demands purchased by the various agencies as and when needed. As I have said, lower prices can be obtained for large quantities, and the best way to increase quantities is to consolidate requirements. Another saving that would accrue from such an operation is through the decrease in the aggregate inventory, which in turn would decrease the capital investment. The incentive for stock turnover is much greater in a reimbursable self-sustaining operation than in the conventional type of stores operation which is conducted on appropriated funds. Obsolescence, a source of considerable expense, is also reduced through the centralization of stores in comparison with the maintenance of numerous small and separate inventories.

An important element of a procurement system, is the extensive use of proper specifications and the concentration of purchases on standardized items. This aids in achieving our goal in Federal procurement of mass buying and truly competitive purchasing. The standards activities in the Procurement Division consist of work on Federal Specifications, Federal cataloging, and research and technical assistance to supply our own staff and other agencies with information and technical data on specifications, standards and related subjects.

Federal Specifications activities, with which many of you are familiar, have made more rapid advances in recent months in terms of improved procedures and increased output. The Federal Specifications Board has been reorganized to assure active interagency participation in the formulation of policies and procedures. Coincidentally, the work of the seventy-four technical committees, which prepare the specifications, has been greatly accelerated through adjustments in membership, the establishment of working procedures, the scheduling of work, and the convening of regular meetings. Through the Federal Specifications Board and also through direct contact, this work is being closely coordinated with that of the Army-Navy Joint Specifications Board. Ultimately we hope arrangements can be worked out for formal coordination through official liaison to assure even closer cooperation and full uniformity of requirements on commonly used items.

Cataloging, embodying as it does the classification into related groups of commodities, and the identification of items through proper and uniform description and item number, and the establishment of standard nomenclature, is at present being done in seventeen major

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operations of the Armed Forces and civilian establishments of the Government. This includes the work being done on the Federal Standard Stock Catalog.

Plans now are under way to establish a Federal Catalog System which will provide uniformity of the items regularly stocked and used by all departments and establishments of the Government. A single method of identifying all commodities, through a system of classification, uniform item description and item number, will thus be provided. Through standardization of commonly used items and the elimination of unnecessary sizes, types and varieties of goods in the simplification program, substantial reduction in inventory will be achieved and large monetary savings realized both in respect to the cost of materials and the administrative expense of supply operations.

The catalog when completed will include all items of supply, involving, according to current estimates, some three million. A central catalog file will be maintained and operating catalogs prepared from it so that each using group can have the information it requires in the most usable form.

It is planned that the policies and procedures to control the cataloging work and its application will be developed through an inter-agency board consisting of designees of the Secretaries of War, Navy, Treasury, Agriculture, Commerce and the Director of the Bureau of the Budget. The operation of the cataloging offices in each agency will be coordinated into the uniform catalog system through a central catalog office located in the Procurement Division.

The critical importance of standardization work involving specifications and item identification was emphasized during World War II in the difficulties of supply encountered through lack of such coordination. All phases of Federal procurement and supply will continue to suffer until full uniformity of standards in the Government is achieved.

#### PUBLIC UTILITIES

One phase of the Procurement Division's activities to which we can give greater emphasis now that the war is over is our public utilities work. As you may know, the Federal Government is the largest single user of public utility services in the country. The major services used include electricity; gas; and communications by telephone, telegraph, teletypewriter, cable and radio. It is the function of the Procurement Division to see that the Government obtains these services as efficiently as possible and at a minimum reasonable cost. Our function in this respect is not regulatory. We simply negotiate to secure the best possible "deal" for the services required. This work involves making economic and technical studies and negotiating contracts. We do not tell any agency how many telephones they can have in a building, but when they tell us how many they have, and various other conditions, we will work out the best possible "deal."

It might be well to point out here that although the War and Navy Departments' use of utilities does not come within the orbit of the Procurement Division's activities, in some instances they have chosen to avail themselves of our services.

The Procurement Division negotiates several types of consolidated utility contracts, the type depending on the situation. One type is rather unique, and exists at present only in New York City. Under the Procurement Division's consolidated contract all Federal Government use of electric energy in that area is aggregated, and billed at a special block rate. It is estimated that the cost of energy so purchased is \$600,000 per year less than it would have been if the various agencies bought their requirements on an individual basis at the usual rates. Both the War and Navy Departments are covered by this contract.

Economic and engineering studies are the basis for the contracts the Procurement Division negotiates. For example, electricity and gas are sold by a given utility company at various rate schedules. One of the duties of the Procurement Division is to determine whether the individual agencies are on the most economical schedule for the location and the type of use. Quite often, too, the characteristics of a given load are such that no existing schedule is properly adaptable. In that case, the Procurement Division either negotiates an adjustment in the rate schedule, or, if negotiation fails, takes the necessary formal action before the state regulatory commission.

In the field of communications, the Procurement Division is now making a complete telegraph traffic analysis, covering all civilian agencies of the Government for the purpose of designing a nationwide network of leased teletype lines. This network will be available to all civilian agencies for their common needs. Messages will be switched either automatically or semiautomatically between major cities. It is anticipated that a message will travel from origin to destination, anywhere in the country, in a matter of minutes, and at a very low cost--certainly below one cent a word, including all costs. It is proposed to coordinate this system with the land-line systems operated by the Army and Navy.

Another project well along towards completion is a country-wide government telephone leased-line network to be used in common by all agencies and departments. It is expected that such a network can be put into operation in several months, with savings estimated conservatively at \$500,000 a year. Rapid progress on this project is due in large measure to the complete cooperation with the Procurement Division of the War and Navy Departments, the Public Buildings Administration, and the Bell Telephone System.

A third project nearly completed is the analysis and design, in cooperation with the local telephone company, of a full automatic switching center for the rapid and economical handling of interagency telephone calls in Washington. Although this system will save only about \$80,000 a year, it will provide much more efficient and dependable interagency service.

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One of the lessons we have gained from Public Utility studies is that too little thought is given to utility charges when commercial space is leased by government agencies. As an illustration, we have found instances of overcharges exceeding \$40,000 in a single building.

#### TRANSPORTATION

An activity--tremendously important to procurement--which has not received its proper emphasis, is transportation. As you probably know, transportation costs average about 15 percent of the total cost of goods and in many cases, equal or exceed the cost of goods. Special rates due to land grant deductions go out 1 October 1946 for military and naval traffic--they were eliminated on civil property about two years ago--so after that time the Government will receive no further benefits on freight rates under the original land grant acts.

As an illustration of what can be accomplished through a close check of transportation costs, we might consider the fundamental of the description of articles tendered for shipment. If we are to avoid excessive freight charges, commodities must frequently be called by different names for shipping purposes than the ones used in purchasing. For example, we buy cheesecloth in bolts as "cheesecloth," but in shipping we should use freight classification nomenclature and describe it as "cotton goods in the original piece." Otherwise we are liable for charges 50 percent higher.

You will be interested to know that the Procurement Division maintains a central traffic service which provides daily transportation information for all government agencies in the District of Columbia, except the military services. This section also conducts surveys of government traffic practices; negotiates with carriers and their agents for special rates; and prepares and files complaints before the Interstate Commerce Commission and other public regulatory bodies.

Perhaps at some later date this group would be interested to have a discussion of transportation matters and we would be glad to go more deeply into the subject then.

In the meantime, however, there is being organized a committee of the transportation representatives of the various agencies that will collaborate with the Advisory Committee on Procurement Policy, with the objective of exchanging ideas, discussing common problems, and emphasizing cooperation between purchasing officials and those responsible for transportation. Among other things, it will be the duty of this committee to analyze transportation requirements of the Government. It will also be empowered to take whatever steps are necessary to remedy any situation in which federal agencies are incurring excessive transportation costs.

In summarizing, I would like to leave the thought that purchasing operations will be efficient only to the extent that we standardize requirements; use specifications that are adequate and that enable

active competition; examine carefully the necessity for any special clauses in contracts; constantly develop new sources of supply and consider the possibilities of new materials; maintain adequate property control; obtain the maximum benefits of transportation rates; constantly re-examine our inspection procedures; and maintain active cooperation between the inspection service, purchasing officers, those responsible for drafting specifications, and transportation personnel.

I would also like to leave the further thought that the Procurement Division in peacetime contemplates the accomplishment of a complete purchasing service.

COLONEL BROWN:

Would you be good enough to answer some questions?

MR. FREEMAN:

Yes. I would be glad to.

A STUDENT:

I would like to ask if you have any division set up for the purpose of studying the forms, or types of forms, you put out on which you request invoices be made? There was a time when it was not profitable to do business with the Government. Just to give an example, we were forced to bid on some stuff to be shipped to Philadelphia from the West. Well, we bid 20 percent higher than we would sell to our own customers. We got the order but there was twice the amount of the order just in the freight charged for shipping it to Philadelphia. That would indicate that a lot of other firms were outbidding themselves on the same sort of basis, which would indicate that the government system of invoicing was not any too good. There were so many companies here and so many companies there.

MR. FREEMAN:

No doubt there is a great deal in what you say. One of my own criticisms has been the amount of paper work involved. We are trying in every way possible to reduce the extent of the paper work in connection with purchase transactions. Of course, as all of you know, there are many elements involved. For instance, in your invoice procedure you have to meet the requirements not only of your own people but also of the General Accounting Office. During the war everybody was staggered by the number of copies of documents that were necessary in connection with some of the Lend-Lease transactions; and also in our UNRRA program.

A STUDENT:

Do you have at present, or contemplate, in your agency anything resembling the Army-Navy Consolidated Freight Station for the handling of miscellaneous government freight?

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MR. FREEMAN:

No, I cannot say that at the present time we do. Certainly it might be a beneficial possibility.

A STUDENT:

The last sentence of your talk, would you please amplify that a little. Did I understand you to say that the Treasury expects to take over all procurement?

MR. FREEMAN:

No. What I meant by that was that we contemplated doing an entirely complete procurement job within the scope of our authority. Of course, as you know, our authority is pretty broad.

A STUDENT:

You mean with the exception of the Army and Navy, which is to be taken off.

MR. FREEMAN:

I think that it is quite possible that in connection with items of common use, used by the Army and Navy as well as the civilian service that the requirements of the Army and Navy may ultimately be included in our procurement program.

CAPTAIN LOVENSTEIN:

I wonder, is there any statement of policy about when you will use the negotiation technique and when you will use the lowest-bidder technique?

MR. FREEMAN:

That is something that is under discussion right now. Of course, under the existing statute (3709) there are certain conditions under which contracts can be negotiated and under which contracts have been negotiated in the past. Generally, however, under that provision it involves an immediate urgency to obtain the material.

The competitive basis need not necessarily involve formal advertising and a lot of paper work. It might be entirely by telephone over the course of maybe an hour or so.

CAPTAIN LOVENSTEIN:

How did you use the competitive-bid technique when you were buying from, say, one seller who has the utilities, and so forth?

MR. FREEMAN:

What you are doing there is buying a proprietary item. I would say that you cannot use the competitive technique.

If you only have one utility in an area, you do not have any competition. Your responsibility is to see that your requirements are established in the right rate bracket.

A STUDENT:

What system do you have to check on the life of mechanical equipment that the Navy buys to ascertain that it is useful for the service for which it is bought? In other words, if only the price is used. It depends, I think, a lot on the type of equipment. Do you integrate that in any way?

MR. FREEMAN:

To such extent as we can. I think what you say is absolutely so. When you buy equipment, if you simply take the low price you may have the highest cost over a period of years. Through cooperating with the using agencies and from the reports from their own inspectors, people who are actually operating the equipment, we use our best endeavors to build up performance records. A great deal more can and should be done in that direction.

A STUDENT:

I believe my question is related to government purchasing and warehousing. Until twenty-four hours ago nobody ever heard of a wheat shortage. About all any of us knew was that we had the greatest wheat crop in history. Since then, all you could hear is that the world was going to starve. The poor people of Europe were going to have to go back on black bread. We had to cut UMRRA's wheat by fifty percent.

I wonder, sir, are you in a position to throw any light on that subject?

MR. FREEMAN:

I am afraid I am not.

A STUDENT:

I imagine in each storehouse area you have funds set up. Now how is it possible for the Navy to draw from them?

MR. FREEMAN:

The warehouses are self-sustaining. They are operated on the basis of a surcharge on the items which they sell. The surcharge is based on the operating expenses and is designed to recover these expenses. Their purchases are financed from the General Supply Fund, of the Procurement Division, which is a revolving fund.

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If we buy an item for the warehouses, the contractor involved is paid from the General Supply Fund of the Procurement Division. The item is put into the different warehouses and its cost is charged against their accounts. Sales of the item to other agencies are billed at the cost of the item plus the surcharge, which reimburses the General Supply Fund for the cost of the item plus the cost of handling the item. If the Navy wanted to procure something from such stocks, it could do so by submitting a purchase order to the warehouse involved. Collection from the Navy would be accomplished by a transfer and counter warrant or by a 1080 voucher.

A STUDENT:

May I get a little help here? Take the case of a typewriter, which I suppose you people have been buying for the Service. For example, if I am at Edgewood Arsenal and I should want a typewriter, do you have one of these open contracts you talked about with all the typewriter companies? Do I get that typewriter from your warehouse, or do I get it from the Underwood Company, or whoever you have the contract with? And how do I pay for it?

MR. FREEMAN:

I will have to answer that one in two ways on account of our immediate situation.

Ordinarily, before the war, that would be set up on a General Schedule contract. As a matter of fact, as you probably know, the prices of new typewriters are established by law. So that is an example of General Schedule contracting, where you gain the benefit of administrative economy only. You do not gain any price advantage. You would ordinarily simply issue a purchase order against that General Schedule contract to get whatever size typewriter you wanted.

A STUDENT:

To the Royal Typewriter Company?

MR. FREEMAN:

Well, all companies are on that schedule. Now at the present time that schedule is not in existence because of the fact that new typewriters are so difficult to get. We are handling typewriters through our Stores Operations. These are surplus typewriters that we take in. Some of them are sold "as is" and some are sold as "reconditioned," which simply means they are cleaned up and put in reasonable working order. Some are rebuilt. At the present time if you wanted a typewriter you would have to come to our Stores Operations first.

COLONEL BROWN:

Undoubtedly there are some members of the class who do not know exactly what commodities or supplies you do purchase for supply to the War and Navy Departments now.

MR. FREEMAN:

Colonel, that is a difficult question for me to answer because of the many changes that have taken place on account of the war; and because I have been away from procurement during the period of the war.

Prior to the war, for instance, we bought gasoline requirements for all of the government services; including the Army and some of the Navy's requirements. We also bought fuel-oil requirements.

COLONEL BROWN:

But we are now talking about typewriters, envelopes and so forth.

MR. FREEMAN:

We definitely contemplate in the future, in connection with complete procurement, including these various items of common use, such as typewriters, office machines, office supplies, paper and things of that sort. That is why it seems to us so important to carry on standardization as fast as possible. With standardization, we are able to get a simplification of items and a more common use of items. It is perfectly logical, it seems to me, that then we will be able to buy these in consolidated purchases rather than various scattered purchases.

A STUDENT:

Captain Freeman, how can the using agencies tell what they are going to pay for an item if it comes out of a warehouse and you tack on the surcharge? Will your schedule prices reflect that?

MR. FREEMAN:

Yes. I probably should have said something about that. We issue a schedule of stock items. That lists all the items that we carry in our warehouses and the prices.

A STUDENT:

That is, I suppose, the issue price?

MR. FREEMAN:

The issue prices, the delivery terms and any other information that an ordering agency might want to know about.

A STUDENT:

During the war we had some experience in the use of some defective wiring--materials and workmanship. Now, if they were used, what were the results? I mean was there any great loss suffered on the part of the contractor? Just what was done to get the maximum worth?

MR. FREEMAN:

I am not really in a position to answer that.

COLONEL BROWN:

Would you want to say anything about the standardization of contract forms? Does your division handle that matter? Do you contemplate any simplification in contract forms for the Services in the future?

MR. FREEMAN:

We do handle that; yes. We are contemplating some simplifications. Right among my own people right now we are working on that very thing because we have a number of different contracting conditions that we have been using. Of course, some of them have been specifically applicable to the war. But I think that it is something that has to be all gone over again and the most simple result possible arrived at and then have that standardized. Standardization of forms and procedures is almost as important, as standardizing equipment and supplies. It will save a considerable amount of money.

COLONEL BROWN:

I think we could in all probability keep Captain Freeman here a considerable period of time. We already have kept him overtime. I think you have been very gracious, Captain Freeman, in answering so many of our questions.

We want, at this time, to thank you for your able and clear exposition of your functions in the Treasury Department. We hope that the members of our class and the members of our faculty will be permitted to keep in contact with you and your branch over there. We may want to call on you informally for some additional help and we hope you will be good enough to assist us.

Captain, we certainly want to thank you for what you have done here this morning.

MR. FREEMAN:

Thank you, Colonel Brown.

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(14 June 1946--200.)S