

100

146-30  
PRIORITIES AND THE PREFERENCE RATING SYSTEM,  
15 February 1946.

CONTENTS	<u>Page</u>
Introduction--Brigadier General Donald Armstrong, Commandant, The Army Industrial College . . . . .	1
Guest speaker--Colonel W. H. Hutchinson, Army Executive Secretary of the Army and Navy Munitions Board . . . . .	1
General discussion . . . . .	7
General Armstrong	
Colonel Robert W. Brown, Assistant Commandant, The Army Industrial College	
Colonel Hutchinson	
Students	
Captain E. R. Henning, USN, Assistant Commandant, The Army Industrial College	
Colonel Booneville L. Neis, The Army Industrial College	

PRIORITIES AND THE PREFERENCE RATING SYSTEM

15 February 1946

GENERAL ARMSTRONG:

Gentlemen, the speaker this morning is, in a sense, coming back home because in 1941 he was an instructor in the Army Industrial College. He is pretty good. I might as well tell you I tried to get him back here six or seven months ago, but it did not work.

Colonel Hutchinson is the Executive Secretary of the Army and Navy Munitions Board. He has been on the ANMB, off and on, for some time. He has also been in the Army Service Forces, in Headquarters. He is particularly well qualified to speak on the subject of priorities and the preference rating system.

Gentlemen, Colonel Hutchinson.

COLONEL HUTCHINSON:

~~General Armstrong--Gentlemen~~

It is a pleasure to be here this morning, at least it will be for the first twenty minutes, but the question period I may say I do not look forward to with keen delight, especially when Colonel Brown is in the room. He unerringly picks the spot where one is weak in facts or reasoning.

Priority as applied to the systems employed during World War II means the preference of one need over one or more other needs. It is a discrimination against various uses in favor of a particular use. If there is an abundance to satisfy all requests, there is no necessity to invoke priority but if there is a scarcity of materials and facilities in a given time period, a priority system is necessary to allow the available materials and facilities to be used for the more essential uses. It is fundamental, therefore, that you only use priority when there is a shortage or a threatened shortage.

In the summer of 1940 when our defense program increased to an appreciable volume, it was seen that unless military orders were preferred over the nonmilitary they would not be completed at the time desired. The facilities and tools available could not produce at the same time all of the military and civilian items desired.

In order that a military order might be tagged so that it would be produced first, it became necessary to give it a symbol denoting it as such. As some military items were more urgently needed than others, it was also necessary to have a series of symbols which would differentiate the degrees of urgency within the field of military items.

The Army and Navy Munitions Board in July 1940 organized a Priorities Committee to initiate a priorities system for defense orders. A series of symbols was chosen, denominated A-1, A-2, down through A-10; A-1 being the highest. These were called preference ratings. In order that there be uniformity in the application of these symbols to contracts and not have it subject to the whim of the contracting officer as to what he considered the most urgent order, the Joint Board of the Army and Navy compiled a list of needed items divided into ten categories, the first containing the most urgently needed and the last covering the least urgent. Contracts calling for the production of critical articles in the first category were entitled to be assigned a preference rating of A-1 and so on down the line. For example, items required to complete the equipment of the authorized active elements of the Regular Army were included in A-1, as were items essential to the upkeep, repair, alteration and operation of all existing ships. Every contracting officer was of course anxious to get his contracts completed on time and so, although the preference ratings were to be placed on contracts for critical items only in the designated categories, in three months time so many contracts had been rated A-1 that it was necessary in order to bring a semblance of order, to divide A-1 into A-1-a, A-1-b, and so on, down to A-1-j. A-1-a was at first reserved for supplies for machine tool builders as the tooling-up program was at that time of the first importance. Another example of the pressing need for facilities was that plant equipment for producers of destroyers and light cruisers was found in A-1-b, although the ships themselves were only entitled to an A-1-c. The document which listed the items entitled to different preference ratings was called a Priorities Directive which name was used throughout the war.

In recognition of the fact that preference ratings should only be used where articles were scarce, the Army and Navy Munitions Board published a Priorities Critical List which was amended monthly. It enumerated military articles, commodities and components of which there was a shortage; and unless the item appeared on this list, an order for it could not be given a preference rating even though it was included in a broad category in the Priorities Directive.

When a contracting officer placed an order and wished to give it a rating, he first consulted the Critical List. Let us assume that the contract covered aircraft machine guns, caliber .50. He found on the list "machine guns: all types and calibers with mounts, sights and tripods." He was free, therefore, to rate the order; and examining the Priorities Directive he discovered aircraft machine guns, caliber .50 under a certain category, say A-1-e. The contract with a rating of A-1-e served as a notice to the supplier that preference must be given, if necessary, over contracts of lower rating to meet the delivery date. It did not mean that work on lower-rated items need cease if that was not necessary in order to meet the delivery date. It was imperative in the interests of successful production program control that completion dates be set in accordance with proper scheduling, that is, no earlier than actually required but too often that was not observed.

Preference ratings were assigned by the issuance of rating certificates signed by the contracting officer and delivered to the prime contractor. If the prime could not get the necessary materials or components to fill his order without a rating, he could extend the contract rating to his subcontractor but it took another rating certificate to accomplish this and each certificate had to be countersigned by an Army or Navy officer. The object of the countersignature was to prevent the rating of more materials than were necessary to fill the order and the fixing of a delivery date earlier than actually required. As many of you know, the number of these extension certificates grew by leaps and bounds so that some officers did nothing but countersign all day long. Naturally it was impossible, under these circumstances, to do any real checking of delivery dates or quantities ordered. In the spring of 1942 the necessity of issuing these extension certificates was eliminated and contractors and subcontractors were authorized to extend ratings by a certification on their orders.

At the same time the Priorities Critical List, which had expanded to resemble an encyclopedia, was abolished so that ratings thereafter were not limited to particular materials and components.

At a much later time the Services were given the option of doing away with a quantity of paper work by using an indorsement on the contract for the assignment of a rating rather than using a certificate. Some bureaus and technical services preferred to retain the certificate method in the interests of control.

After the rating A-1 was subdivided, many contracts with the lower ratings, A-1-b, etc., were delayed in deliveries due to precedence of other work bearing a higher rating. As is natural, the contracting officers responsible for these contracts were anxious to have them elevated in urgency and the Army and Navy Munitions Board Priorities Committee was and continued to be for many months overwhelmed with requests for higher ratings on particular prime and subcontracts and also whole programs. A rating higher than that allowed by the Priorities Directive was called an out-of-line rating. This committee had some hundred Army and Navy officers screening these applications to determine actual urgency and interference with other orders and programs. Each division of the committee was headed by an Army and Navy officer sitting side by side. All approvals of the granting of an out-of-line rating had to be concurred in by both officers. In this way it was possible to keep informed of the interference of an uprating of a Navy order with an Army contract and vice versa. Colonel Neis and Commander Freile occupied positions of responsibility on this committee and are more conversant with this type of activity than I am.

It took a year and one half with this uprating activity going on for the A-1-a rating band to get so full that there was no selectivity left and interferences in the band itself were innumerable. The solution took the form of abolishing the single A series of ratings and instituting a double A series AA-1, AA-2, 3, 4 and 5. A new Priorities Directive approved by the President was issued in June 1942 which, in general,

provided that 50 percent of the 1942 military program might be rated AA-1 and the remainder AA-2. Material and equipment needed for later programs were placed in AA-3 and 4. Each bureau and technical service and the Army Air Forces were required to submit catalogues to the Priorities Committee for approval setting out the items it desired to rate AA-1 and AA-2.

It is necessary to digress for a moment and mention the control agencies for the operation of the priorities system. The system inaugurated by the ANMB in the summer of 1940 was entirely voluntary and manufacturers were not compelled to comply. In the fall of 1940 the Advisory Commission to the Council of National Defense organized a Priorities Board, comprised wholly of civilians, to have cognizance of all priorities both for the military and civilian orders. The President delegated to the board the power which he had received by statute to enforce mandatory priorities. This power was given to the Office of Production Management when it was formed in 1941 and later to War Production Board when it succeeded OPM. Each of these agencies delegated to the ANMB the right to prescribe and assign preference ratings for military contracts under regulations issued by them.

Each of these civilian agencies during its existence prescribed and issued ratings for civilian and indirect military production. They, of course, had the right to use the same ratings as were being applied to military contracts as well as lower ones and the ANMB waged a continual struggle to keep as many civilian ratings as possible below the plane of those assigned to military orders. As might be expected, the Army and Navy were never wholly successful.

To revert to the evolution of preference ratings the next and last major change occurred in 1943. At that time WPB agreed that the aircraft program generally might be rated AA-1. Sixty percent of the required production of equipment and supplies in the Army Supply Program was also given this rating on the theory that this amount would be used in active theaters in any succeeding six months. This was not limited to any one Army Supply Program and therefore constituted what was called a rolling barrage which always kept 60 percent of the program in AA-1. This was 60 percent of the dollar value of the program and not 60 percent of the number of each item, and the Technical Services were allowed to designate that portion of their programs to be rated AA-1. The Navy was given the right to rate AA-1 all materials supplies and equipment for all combatant vessels shown in the Bureau of Ships Progress Report for completion in 1943 and 1944. You will readily appreciate the fact that as ships were completed the amount of shipbuilding authorized at AA-1 kept dropping and current work on 1945 ships still remained in the second rating band. This condition became so acute in the fall of 1943 that WPB authorized a rolling barrage for the Navy with a continuous flow of ships into AA-1 rating by having new construction moving from lower ratings as it reached a certain degree of completion. As the new rating took effect as of the date of the assignment of the old rating and this was well known to the shipbuilder at the time of the signing of the contract, all of these ships for all practicable purposes had the benefit of an AA-1 rating through the course of its construction.

2

After VE-day the Military was given the privilege of using a new MM rating for all of its procurement. This rating was superior to AA-1 and the old series. As a matter of fact, the Military (Army & Navy) prefer to use an MM rating on all its procurement even now.

Soon after war orders began to flow in earnest it was found that manufacturers of shelf items and common components, such as fractional horsepower motors, bearings, nuts and bolts and similar items, were bogged down in paper work relating to preference ratings. Thousands of ratings would be extended down from different contractors to one manufacturer of nuts and bolts. He would in turn have to basket these ratings together to extend for the procurement of steel. Only the same class of ratings could be grouped on the purchase order. The buyer of the bolts wanted them immediately and therefore they had to be kept in stock but the manufacturer could not keep them in stock if he had to wait to receive a rating before he could place a rated order for his raw materials. This condition led to the creation of what has been called a cow rating as opposed to a horse rating. The horse rating is the one that is given by the Military to the prime contractor and which he extends to his subcontractor and which is extended on down through the chain of contractors till it hits the brass or steel mill. The cow rating is one authorized directly by WPB to manufacturers of common components and shelf items which they can extend for materials without bothering about the ratings received on orders placed with them.

This type of rating has been an inherent element of the Defense Supplies Rating Plan, Production Requirements Plan, and Controlled Materials Plan which will be discussed by subsequent speakers.

Another effort to reduce the paper work involved in the extension of preference ratings was the institution of the Preference Rating Orders, popularly known as P-orders. For instance, the aircraft industry was engaged solely on military production. It was a useless gesture to compel aircraft manufacturers to institute the controls and procedures necessary to extend all of the various ratings they received. Therefore, WPB issued a P-order which authorized all aircraft manufacturers to use one rating when they wished to procure their raw materials.

At the inception of the preference rating system a contractor could use the rating on his contract to secure tools, equipment and to construct a facility. It was soon found that this was capable of wide abuse. It has been told that one manufacturer built a million dollar factory using a preference rating which he had received on a \$500 order. To prevent this type of operation it was necessary to change the rules to provide that a contractor needing equipment to complete military contracts was required to go to his contracting officer to secure a rating to be used solely for the procurement of the necessary tools and equipment. In this way it was possible to check the essentiality of such equipment.

It was felt that construction, on the other hand, needed a central control and under new rules and, therefore, all applications for a construction rating which was related to the production of a munitions item was funneled to the Priorities Committee of the ANMB. Here the

plans and drawings were examined and the bill of materials was screened. If a rating was issued, it was in the nature of a project rating which might be used for all equipment and materials for the job. The WPB later took away from the Military the right to issue construction ratings except in the case of command construction.

A manufacturer was also barred soon after the initiation of preference ratings from using a rating he received on a contract for the purpose of maintenance, repair and operating supplies. As the maintenance of the industrial machine and contributing services, such as railroads, was of equal urgency with the production of the most needed items a system was evolved whereby under the authority of WPB manufacturers of highly essential items and services of like degree of essentiality were authorized to use the top preference rating to secure these supplies. A second grouping of other producers and services was empowered to use the second highest rating for this purpose. All were limited to a quarterly dollar quota based on past purchases.

From the first Priorities Directive it was understood that a system of preference ratings to be applied automatically could not anticipate all bottlenecks that might arise, or solve conflicts between several orders bearing the same rating and the same delivery date requirements. An emergency rating was provided to be granted on special application for individual orders after investigation and weighing of various factors of relative urgency, degree of interference, actual delivery requirements, alternate sources of supply or substitution. When the base ratings were in the A series AA was the emergency rating, followed by AAA when base ratings were AA-1, etc. These emergency ratings could only be issued by the Special Ratings Branch of WPB. Attached to this branch and physically located with its members were a number of Army and Navy officers who screened each request, cleared with the opposite service, and presented it to WPB for approval of the issuance of an emergency rating.

So long as munitions could be produced with interference only with unrated "business as usual" orders, the preference rating system alone was sufficient. But when the munitions program grew to such size that there were not enough raw materials and manufacturing facilities even for munitions, other controls were necessary. At this point a great cry went up that preference ratings had failed. They had not failed to do the job for which they were designed, that of differentiating between degrees of urgency. Preference ratings were never expected to limit the amount of procurement to the materials and facilities available. If you remember nothing else from what I said this morning, I trust you will remember that statement, especially when you hear some other speakers on related control plans.

Nor were preference ratings designed to perform the two remaining functions of priority control, namely, that of directing the flow of materials and services as to provide for the most effective production of war requirements and, second, that of diverting resources from nonwar to war production. The first implementing controls along these lines were the "M" and "L" orders. The "M" or material orders restricted the use of

materials by prohibiting certain uses, and allocating available supplies to the most important uses. "L" or limitation orders, restricted production, sale or delivery of products and also effectuated standardization, simplification or restrictions on quantities of materials used in permitted production.

It was found after a time that these were not sufficient and finally CMP was inaugurated to keep procurement within the bounds of available materials.

The use of mandatory preference ratings had a result that was not immediately appreciated at the time they were instituted. In 1940 and 1941 there was a great reluctance on the part of industry to give up profitable peacetime business. Preference rated orders which had to be accepted by a manufacturer solved this problem and was the main factor in the great transition from nonwar to war production in that period.

That preference ratings were the best means of performing the job they were given, that of getting the most urgent order out first, is evidenced by the fact that from the summer of 1940 until the end of the war, despite all changes in methods of materials and production controls, ratings remained an essential element of every plan that was adopted.

I thank you.

GENERAL ARMSTRONG:

Any questions, gentlemen?

COLONEL BROWN:

You were here as a student in the Army Industrial College in August 1940. On graduation you were assigned as an instructor. My recollection is that you played with priorities and preference ratings all of that time. Now why did not you foresee, during that period, all of these difficulties?

COLONEL HUTCHINSON:

There were many things we did not foresee in 1941.

COLONEL BROWN:

He admitted that his lectures were usually the subject of frequent criticism. It seems to me that with three or four years of delivering those lectures all the kinks should be ironed out by now.

A STUDENT:

I would like to bring out one point in connection with preference ratings for spare parts for dead-end equipment.

The War Production Board made us certify equipment as "dead-end" before they would give us a preference rating at all. I think it would

be much better if they would take into consideration the lead time because all of our stores had to go through a storehouse in order for them to be issued. We had to have a lead time of approximately one year to get the stuff out into the Southern Pacific. That is what they ought to go into because if too long a wait for the stuff, finally they will find they do not want the things.

COLONEL HUTCHINSON:

Was that automotive equipment?

A STUDENT:

Yes, sir.

COLONEL HUTCHINSON:

They did that because of the great need of spare parts for civilian automobiles. As a matter of fact, the demand of the Military for automotive spare parts had been so great that the shelves of the stores in the country had been stripped, so that the civilian garages had practically nothing left.

A STUDENT:

The civilian garages, of course, do not have to have all those spare parts that we need. They could get out of it by giving us the preference to take care of the lead time because--for instance, if I was going to run my storehouse in Joliet, well I had to get my stuff in there fully one year in advance in order to get it to the South Pacific when it was needed. When a Seabee battalion was sent there we had to anticipate its needs one year ahead. We all know there cannot be a long time of waiting for the stuff to come up.

COLONEL HUTCHINSON:

Yes, that is correct.

A STUDENT:

Colonel, so that we can all understand the situation, just what is meant by dead-end equipment?

COLONEL HUTCHINSON:

"Dead-end equipment", as I understand it, is equipment that cannot run, and is out of commission entirely until the spare part or replacement part can be obtained for it.

A STUDENT:

That is right. The stuff out there is usually all shot up, too.

A STUDENT:

I would like to ask, in the planning of that system of priorities, what was going to be done in the case of these low priorities? You would never get the stuff if they kept following that system of priorities. We have never had that satisfactorily explained.

COLONEL HUTCHINSON:

Exactly to what situation are you referring?

A STUDENT:

Well, if a man had a shop full of stuff with AA-1 ratings and then some other contractor would have stuff that he could get no higher than an A-3 rating and he extended it down to the subcontractors, and it was necessary to furnish that A-3 equipment, he never would get around to making the A-3 because he never got out the lot of AA-1 stuff.

COLONEL HUTCHINSON:

That is because at that time there was no control on the amount of procurement that was authorized. There were actually more contracts out, from the Army and Navy, than could possibly be filled in the given time period by the facilities available or from the materials that were available during that time. Somebody had to go by the board and it was always the AA-2 or AA-3 man. In fact, at one time, or before the Controlled Materials Plan was initiated, there were more AA-1 than could be completed and delivered by the time they were required to be.

A STUDENT:

Was it not that condition that brought on the great scourge of expeditors to get the stuff out in spite of the system?

COLONEL HUTCHINSON:

It may well be.

CAPTAIN HENNING:

I would like to confirm what the Colonel brought up.

I, personally, think the Preference Rating System is a little weakened to lean upon as a general control in war. As the Colonel pointed out you build up these A-1 in machine tool plants, go in there, and everything eventually on the books was A-1, while the Ordnance program which was A-1 at one time, could not get anything directly. It can be applied, to a certain degree, in the start of a war--the military requirements against luxury civilian items, and things of that sort.

I think the sound control is an allocation system by which the whole program is brought forward in balance. Time after time we see one program get A-l-a--Air Corps, Ordnance, Navy Ordnance at the beginning of the war--and they were freezing out all other deliveries of machine tools and occupying that favored position which led finally to a lack of economy. I know, for example, that the Bureau of Ordnance contractors who were ordering in their 40-mm program and 20-mm program were ordering sometimes 300 or 400 percent more tools than they actually needed. So we eventually, on machine tools, went to the allocation system. We divided up the swag so that everyone would get a cut, based, roughly, on the orders they had on their books.

Now I do not see how in the world any masterminds can sit down in Washington and say, "We think this boring machine ought to go to this fellow." I think we have to have preference ratings. True, they do have a certain part to play, but I think it would be dangerous to let the students get in their minds--particularly those who are not familiar with it--that the Preference Rating System is something to lean upon as the basic control in the distribution of material. We did not do it, remember, with our raw materials. We had to go to the Controlled Materials Plan. With plant equipment we had to go to allocation. Preference ratings broke down completely in the distribution of machine tools, and all other plant equipment.

For the "B" products, we had to go on to Production Scheduling.

So, in the final analysis, while it has its place, I do not think it is acceptable as a basic control.

COLONEL HUTCHINSON:

I do not believe, Captain, that priorities broke down on the job they were supposed to do. You say we should have had allocation, which is true, and allocation is a means of control of procurement. When a machine-tool facility was allocated and so much was given to Ordnance, it meant they could buy so many machine tools; but in that allocation there was what amounted to a preference rating system by the use of urgency numbers.

CAPTAIN HENNING:

That is right.

COLONEL HUTCHINSON:

In other words, the contractor with the highest urgency number received delivery of his machine tool first.

The point I want to make again is that preference ratings are not supposed to do the whole control job in a war.

CAPTAIN HENNING: ...

If I could sum it all up in a word, I think the basic principle is that with machine tools 25 percent was given to nonmilitary uses and 75 percent went to the Military. We then cut that down between the bureaus and branches and that system worked.

I do not think the latter system would be satisfactory because it would freeze out people who are lower down on the priorities list. They cannot get any higher at all. They cannot even set their pilot lines to go into production. I do not think any virtuoso can sit down in Washington and say, "I am going to get the turret lathe to go on to that fellow." I think there must be an allocation which gives everyone a shot at the white owl.

GENERAL ARMSTRONG: ...

I think, in defense of our speaker here, that--at least he did to me--he made it pretty clear that he was talking about preference rating as only one tool. He admitted that it was not the panacea for all the ills; there were some other things that had to be done.

CAPTAIN HENNING: ...

I am sure I realized that, but I wanted to make certain the students did.

GENERAL ARMSTRONG: ...

Colonel Hutchinson what was that you said you wanted everybody to take away from here?

COLONEL HUTCHINSON: ...

That preference ratings did not fail; they did not fail in the job they were designed to do, that of differentiating between urgencies. They were not designed to control the total amount of procurement.

GENERAL ARMSTRONG: ...

Then your next statement, I think, was that other controls were also needed.

COLONEL HUTCHINSON: ...

That is correct. In the Controlled Materials Plan, when for instance, they would allot so much steel, brass and aluminum to the Ordnance Department for a quarter, the Ordnance Department had to make up its mind what it wanted done with that and how it was to be used. But the same preference ratings were used on all the orders that Ordnance put out. It went on down the line of contractors and governed the time in which those orders should be delivered, which ones should be delivered first.

The Preference Rating System was used with everyone of those controls. When you gave Ordnance a certain allocation for a quarter, of different types of machine tools and the contractors having different urgency numbers, the man with the highest number got his tools first. As I understand it, if there were more numbers, or contractors with urgency numbers desiring that type of tool within that period than could be manufactured in that plant, some of those men with lower urgency numbers did not get anything in that quarter.

CAPTAIN HENNING:

That is right. But Ordnance did have a chance to get tools for whatever they considered most important. But in one period Army Ordnance had no chance to get tools simply because they were way down on the list. Navy Ordnance and Air Corps put pressure in high places and they got their A-1-a and the other claimants were closed completely out. That is the principal danger of the straight Preference Rating System against an allocation system, which gives everyone a fair consideration.

A STUDENT:

Based on my experience it seems to me the basic cause of the failure of the PRP and finally going on to CMP and in the allocation of machine tools was lack of an over-all planning division for the technical services. Nobody did the over-all planning function. I was wondering if there is any thought being given to using the fundamental principles of industrial plant scheduling as controlled and handled by an over-all planning division for the technical services.

I would like to expand and make my point clearer: We all know what delivery dates are required. We all know the beginning dates of production. We all know the lead time required to get the machine tools into the plants. We also know the lead time required to undergo plant changes. It seems to me we have no over-all planning division at this time, and in getting into PRP we would have gotten the production job done faster.

Now I wonder if there is any thought being given to that in the higher echelons above the technical services?

COLONEL HUTCHINSON:

I cannot answer that question because I am not in A.S.F.

A STUDENT:

Who would control that? Why would not the Army and Navy Munitions Board take on the functions of an over-all planning division for the technical services in the next war?

COLONEL HUTCHINSON:

The Army and Navy Munitions Board is not an operating agency.

A STUDENT:

That is the point I am trying to make.

COLONEL HUTCHINSON:

The basis on which we are proceeding now is that the Army and Navy Munitions Board may lay down broad policy, but that the actual operation is performed on the army side by the Air Forces and Service Forces.

GENERAL ARMSTRONG:

That certainly would be taken care of in the new Supply Division of the General Staff of which General Lutes will have charge. But I think that point should be made in these reports that come out of this College, pointing out the need for it.

COLONEL NEIS:

I have a little thought to throw into this discussion. The advocates of the allocation system should, I would think, bear in mind that the machine tool industry is an industry peculiar unto itself. It is an integrated industry. Our experience in allocation, so far as machine tools are concerned, are peculiar. I am not as enthusiastic as some are of the allocation system for end products in fields other than machine tools.

Colonel, I am very happy you brought out the fact that priorities were an indication of relative urgency, and that the Controlled Materials Plan, or any other allocation plan, would not have worked unless we had some indication of the relative urgency of the end product.

COLONEL BROWN:

If we keep on talking about machine tools Captain Henning is not going to have to deliver his lecture.

A STUDENT:

It seems to me there is one more step we have to consider in our controls, with CMP, and that is even though you have A-1-a on your order, and you have an allocation down there, you still do not tell the manufacturer of an article that gets 4,000 A-1-a orders, what relative urgency your order bears.

COLONEL HUTCHINSON:

You mean within A-1-a.

A STUDENT:

Within A-1-a:

A STUDENT:

That's true. But we also had relative urgency of various projects that material was going into which the contractor had no knowledge of whatsoever. There was no indication to him at all.

COLONEL HUTCHINSON:

Did you have the same trouble under CMP?

A STUDENT:

Yes, that was done by giving each manufacturer a priorities list of Army and Navy items in the order in which they were to be turned out. He did not know what his precedence rating was with respect to some other manufacturer, but he knew within his own district.

COLONEL HUTCHINSON:

You had your own precedence list and you simply broke down AA-1.

A STUDENT:

No. We gave them actual numerical ratings.

COLONEL HUTCHINSON:

However, the numerical ratings applied within separate rating bands so that within one rating one order was more important than another; it had a higher degree of selectivity.

COLONEL BROWN:

Just for clarification, when was it first realized that orderly production was dependent upon procurement controls as well as preference ratings?

COLONEL HUTCHINSON:

Well, I think some people realized it from the first.

COLONEL BROWN:

When was P.R.P. instituted?

COLONEL HUTCHINSON:

In 1942; I think it was in the second or the third quarter.

COLONEL BROWN:

I still want to get back to this first question: Why did not we realize sooner something like procurement control was going to be absolutely necessary? Why in the world did we have to wait so long?

2-17

A STUDENT:

Colonel, I think that can be best answered by asking you, when we entered into this war, whether we knew we were going to be the Arsenal of Democracy and that our requirements were going to mount to such staggering proportions?

A STUDENT:

Well I, for one, realized that. We realized it before we got into the war. We were already the Arsenal of Democracy.

COLONEL BROWN:

I think there was no understanding we were going to produce in billions of dollars as we did. When I first came to the Army Industrial College I can remember a great many of the former students were beating their fists and telling how they had revised the Industrial Mobilization Plan, the I.M.P., because it was physically impossible for them to implement an army of three million men within the remaining short time originally contemplated.

I really think most of this trouble has arisen due to the fact that there was no definite understanding of the problem we were going to encounter during the war.

Colonel Hutchinson, I apologize for that question.

COLONEL HUTCHINSON:

That is all right.

CAPTAIN HENNING:

Some of the contractors received more machine tools and supplies than they needed simply because their production schedule was falling behind. The Industry Integrating Committees came in and helped out on the ones that had the lower urgency ratings by transferring the machine tools and supplies to some of the plants that could not produce the quantities that the Integrating Committee was taking care of.

GENERAL ARMSTRONG:

The class has not heard about the Integrating Committees yet. I think we will take that up later.

A STUDENT:

Basically, I do not think it is very difficult to clear this thing up if a person realizes that when there are priorities, they are good only when there is enough to go around. That has been the trouble. Priorities are always based on scarce articles; there was not enough to go around.

COLONEL HUTCHINSON:

I am sorry but I disagree with you on the point that priorities are good only when there is enough to go around. When there is enough to go around priorities are not needed. It is only when somebody has to be put off and not given what he wants at the time he wants it that a preference rating system to establish relative urgencies is essential.

GENERAL ARMSTRONG:

We seem to be getting into the problem of semantics now, so I guess it is about time to let you go, Colonel. I do want to thank you for your very excellent contribution here this morning.

(1 July 1946 -- 200.)S