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QUARTERMASTER PROCUREMENT
11 March 1946.

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GENERAL ARMSTRONG:

Gentlemen, this morning we are going to hear from an officer who has a very distinguished record. Although he graduated from the United States Military Academy in 1918 and was commissioned in the Corps of Engineers, in 1942 he was picked up unexpectedly and bodily out of the Armored Forces, where he somehow had gravitated--as I told him just now, I do not know how a man from the Corps of Engineers had such a variety of assignments and duties--but he was taken right out of the maneuvers in Tennessee and told to become a quartermaster; and he has been acting as a quartermaster ever since. Not long ago he transferred to the Quartermaster Corps. He is actually Assistant to the Quartermaster General and is now the Director of the Procurement Division.

His great contribution to World War II was his work in charge of the Fuels and Lubricants Division. He has cooperated with the Industrial College a great deal in the past on the problems of petroleum, in which he is particularly well qualified.

He did not serve as the Director of Procurement in the late war. It is, I suppose, somewhat difficult for him to address you on that subject. But, knowing General Peckham as I do, I am certain that his knowledge of this subject is entirely adequate for presenting the case for the Quartermaster Corps. His subject is "Quartermaster Procurement." Gentlemen, General Peckham.

GENERAL PECKHAM:

General Armstrong and gentlemen, it is always a pleasure for me to come over to the Industrial College. I had the pleasure of talking here perhaps six months ago to a smaller group of faculty people and research people in a petroleum seminar. At that time I talked about the work of the Fuels and Lubricants Division of the Quartermaster General's Office, which, as General Armstrong has just indicated, I know somewhat more about than I do on my subject for this morning. However, by research and talking with my people in the Procurement Division I have attempted to get together the story of the problems which confronted the Quartermaster Corps in its procurement in World War II.

Mobilization for modern war is a gigantic task. The expansion of an army from peacetime to wartime strength places colossal demands upon industry. The speed with which industry is able to meet those demands might determine the final outcome of the war.

We entered World War I without a plan for the mobilization of industry. The bitter experiences of those days illustrated the necessity for making provision, in future national defense plans, for industrial mobilization as a concomitant to the mobilization of manpower. Consequently, when the National Defense Act of 1920 was passed it placed

responsibility upon the Assistant Secretary of War for "assurance of adequate provision for mobilization of materiel and industrial organizations essential to war-time needs."

The Quartermaster Corps, in carrying out its portion of this mission, established nine Procurement Planning Districts, the boundaries of which conformed generally to those of the nine Corps Areas.

It was contemplated that each of the districts would study all industrial facilities within its area with regard to procurement possibilities for items of QM supply. The practicability of converting peacetime production to meet the supply needs of the Army was analyzed, and estimates were made of the total production obtainable in each district.

By the summer of 1940 Quartermaster procurement planning officers had extensive records indicating the actual and potential productive capacities of the firms in their areas for manufacturing the particular items to be purchased. From these surveys, "schedules of production" had been agreed upon showing what amounts of specific items the surveyed facilities were prepared and willing to produce in the event of an emergency.

These schedules in no way bound either the firm or the Government in any contractual relationship, but merely indicated the firm's capacity and willingness to enter into a contract if procurement of the product became necessary. It was planned that on M-day formal contracts would be negotiated in each procurement district for goods needed to meet the mobilization requirements of that district. Thus this plan contemplated a decentralized procurement organization. And in a defense plan this basis appeared sound. It was reasoned that if one section of the country were invaded--if one district were cut off--the other districts would be able to operate unimpaired.

On the other hand, the peacetime procurement organization of the Quartermaster Corps had been developed for efficiency. Duplication of effort had been eliminated as much as practicable. Centralization of purchase responsibility for basic items had become the cornerstone of Quartermaster procurement.

Under this system certain classes of items were allocated for purchase to individual depots. All footwear, for example, was contracted for by the Boston Depot, clothing by the Philadelphia Depot, motor transport items by the Holabird Depot, and tents and manufactured canvas articles by the Jeffersonville Depot. The depots drew on the entire country for their requirements.

There was also, of course, a substantial amount of regional and local buying. For example, Quartermaster installations in the distributing areas procured within their respective areas all Quartermaster supplies of a general nature. The posts, camps and stations made local purchases of subsistence and maintenance items.

Under the law, at that time, supplies could be purchased without advertising only under certain exceptional circumstances or when a public exigency required immediate delivery. Such restriction upon the award of contracts was incompatible with the mobilization plan, which called for the negotiation of contracts with allocated facilities located within the geographical limits of the districts.

The emergency procurement plans assumed that the crisis precipitating M-day would be of such nature that immediate legislation would suspend the normal peacetime methods of purchase and set the mobilization plan in operation.

As it turned out, the transition from peacetime to war conditions was very gradual. An M-day was never recognized and no authority was granted to resort to the system of negotiating allocated orders in the manner contemplated in the Industrial Mobilization Plan until after the war was declared.

When the augmented purchasing program was initiated, before Pearl Harbor, it was neither necessary nor desirable to convert the "Schedules of production" into contracts. Formal advertising and competitive bidding continued, and orders were placed without regard to the "allocation boundaries" marked out for the various supply services; the methods pursued were far from those contemplated under the procurement planning theory.

By the time war was declared, the Quartermaster Corps had gone in for such heavy procurement with little departure from normal peacetime methods that it was feared a change-over to the industrial mobilization plans would confuse industry and might prove disastrous to the war effort. So the war plans were abandoned and the planning organization itself was absorbed by the procurement depots, where our purchasing officers looked forward with confidence to their increased responsibilities.

One of the first problems to present itself, as orders for hundreds of thousands of units began pouring in on industries geared to produce only hundreds of units, was the shortage of raw materials and component parts. As the program unfolded, critical shortages of rubber, hardware components, leather, some types of cloth, duck and webbing, steel, copper, aluminum and other metals, machinery, repair parts and small tools made it impossible for contractors to meet their production schedules.

The priorities system, established early in the emergency, did not prove practicable for controlling materials needed in war production. Quartermaster requirements--at least 90 percent of them--were given a comparatively low rating; and many of our contracts were delayed for long periods because the Quartermaster Corps had not been assigned ratings so high as those of other services competing for the same materials. Supplies on order by the Quartermaster Corps were often "lifted" by other services by the simple method of placing higher ratings on them. Industry became priority conscious, and many concerns refused to bid on Quartermaster requirements unless assured of preference ratings high enough to enable them to secure the necessary materials and component parts in time

to complete their contracts. If the Quartermaster Corps was to fulfill successfully its great responsibility of feeding, clothing and equipping the Army, the bottleneck created by material shortages and the priorities system had to be broken.

The Procurement Division, Office of The Quartermaster General, therefore, set up a system under which production delays caused by material shortages were reported immediately. Upon receipt of such reports the Procurement Division's "Clearing house" scoured the country for the materials or machine tools reported to be lacking.

Another step taken by the Division included an examination of specifications with a view to utilizing adequate substitute materials. Canteens and raincoats are two good examples of the application of this procedure.

Before the war canteens were made of aluminum. The shortage of aluminum early in the production program caused standardization of enameled canteens, but these were found unsatisfactory. They were not strong enough -- the enamel chipped and the metal underneath rusted. New specifications were developed for the manufacture of canteens from stainless steel. Although this material had never been used for this purpose before, by February 1943 stainless steel canteens were being manufactured in large-enough quantities to meet requirements.

Soon after war was declared, the use of rubber in raincoat production was prohibited. Experiments developed a synthetic material, and a raincoat which would serve both in the tropics and the Arctic was made from it. But difficulties immediately arose.

Commercial production in peacetime amounted to only one and a half million raincoats per year. The army program called for 11 million coats. Manufacturers had no experience in working with this new material; they lacked the necessary know-how. So the Quartermaster Corps called a series of meetings of all producers who might be able to produce the new raincoat, and several contracts were let. After a short while 49 producers were at work, only 12 of whom had ever produced raincoats before. In July 1942, 40,000 raincoats were produced; and by January 1943, 850,000 were being turned out every month.

One part of the over-all program that helped immensely was the trading of methods and personnel back and forth between the producers. If one concern was having difficulty with a certain phase of production, the Quartermaster Corps contacted another producer who had solved the problem, and brought the two together. Sometimes the one who was having the difficulties sent men to the other plant for a few weeks in order to learn the process. This industrial cooperation was fostered throughout the entire program and contributed a great deal to its eventual success.

The position of the Quartermaster Corps under the priority system improved under the Controlled Materials Plan, whereby the available supply of such critical metals as steel, copper and aluminum were allocated among the Services in proportion to their requirements.

To give the contractors assurance that they would have materials needed to complete their contracts, the Quartermaster Corps became a supplier as well as a buyer. It furnished wool to the spinner; cloth and buttons to the tailor; canvas, grommets and rope to the tentmaker.

Realizing that long-range planning was a primary requisite to smooth production, the Quartermaster Corps went about the task of scheduling production beyond current requirements. It was believed that this policy would make possible the planning of requirements in line with available capacity, would permit advance analysis of potential bottlenecks in production, and would assure industry of a stable basis on which to do its planning.

The first step in setting procurement objectives and accomplishing adequate production planning was the determination of military requirements on a long-range basis. To keep industry operating at an even tempo, the supply program was made to reflect accurately military needs and was correlated to the potentialities of industry in the light of available raw materials, labor, productive capacity, power and transportation. There was gradually developed a practical and dependable approach to the problem of planning, directing and controlling contract operations. With the formulation of the Army Supply Program and the allocation of critical materials, item schedules were adjusted to the limitations of available materials, and allocations of these materials were specifically earmarked to meet these schedules. A Master Production Schedule reflected the official monthly requirements for each Quartermaster item. Procurement plans and procurement directives were made to conform to the Master Production Schedule.

The computation of long-range requirements, the placement of contracts with facilities in line with their productive capacity and on the basis of continuous production, and the realistic planning and scheduling of production and delivery--these Quartermaster policies have made for excellent relations between contracting officers and their suppliers and have proven of inestimable value in maintaining production at required levels.

In order to protect the Government adequately in the negotiation of contracts, the Quartermaster Corps adopted a Cost Analysis program.

It was felt that the procedure of informally negotiating contracts, under the existing abnormal market conditions, might result at times, in prices which would be excessive and unfair to the Government.

Therefore the contracting officers in all procuring depots were instructed to obtain detailed cost estimates from bidders on all major procurements. A Cost and Price Analysis Section was set up in each large depot to digest this cost information and to bring to the attention of the contracting officers for their use in the negotiations the cost factors and price components which might appear to be out of line.

The Cost Analysis Branch in the Procurement Division, Office, Quartermaster General, expanded the depot program to provide on many of the major items of procurement a cross section of manufacturing costs actually experienced by a representative list of contractors. In many

instances, field studies were made of the costs of contractors whose submitted figures appeared out of line. Where it was found that the estimates were not realistic and the profits made or likely to be made were excessive, the matter was brought to the attention of the contractors and efforts were made to redetermine the price on a fair basis.

One of the serious stumbling-blocks which troubled procurement officers in all agencies of the Government was interagency competition for similar items. Duck, webbing, bedding, canvas, textiles, burlap bags, chinaware, cutlery and silver were typical of the many classes of items being purchased independently, not only by various procurement agencies within the Army, but also by the Navy and the Maritime Commission. This uncoordinated procurement of similar items of supply created a bad competitive condition which disrupted the price structure, resulted in the placement of impossible delivery demands, dislocated civilian requirements, and prevented the equitable allocation of essential materials.

It was readily apparent that much good could be gained by pooling the purchase of these items, and assigning to one agency the responsibility for determining over-all requirements and for prorating the materials among the other agencies in accordance with the over-all needs of the war program. Hence, procedures were worked out for the determination of requirements and the allotment of applicable funds by the agencies participating in the pool.

Duck and webbing were among the many items for which the Quartermaster Corps was designated as the central purchasing agency. Army requirements, together with those of the British and other Foreign Purchasing Missions, placed a very heavy load on the duck and webbing industries throughout the war. Some two weeks after Pearl Harbor, on the recommendation of the Procurement Assignment Board, the Under Secretary of War placed the purchase of canvas, duck and webbing for all Army services in the hands of the Quartermaster Corps.

As nearly as could be determined, 200 million yards of duck and 300 million yards of webbing would be needed in the first six months of 1942. The capacity of industry was nowhere near this figure. Something had to be done at once.

Representatives of the cotton duck industry were invited by the Quartermaster Corps to a meeting, where a thorough discussion of the problems involved brought to light several new methods for increasing production. Subsequent meetings revealed further methods for increasing production; but in spite of every effort that the duck producers put forth, additional productive capacity had to be obtained.

It was necessary to have the W.P.B. issue a freeze order, so that all duck would be available for military needs; and carpet, tapestry, upholstery and plush manufacturers were given every possible aid by the Quartermaster Corps in their conversion to the production of duck.

Much the same problem was met in the production of webbing. The heavier types of webbing, particularly, were needed and were in very short supply.

Factories producing elastic webbing, ribbon mills, and automobile webbing, asbestos brake lining, and velvet manufactures were converted; and new looms were built.

By the end of 1942 the Quartermaster Corps had purchased enough duck to erect an assembly tent the width of a New York City block extending from Washington, D. C., to San Francisco; and sufficient webbing to make a web waist belt which would stretch from the earth to the moon and back and encircle both.

An outstanding example of the benefits of coordinated procurement of clothing and textiles is afforded by the Army-Navy Purchasing Office, which was established in New York City during the spring of 1945. It was found that certain manufacturers had been reserving their entire output for the Army or the Navy. Others came into the picture only occasionally. Combined action allowed an exchange of information on contract procedures and costs, and permitted the contracting officers of both departments to have combined knowledge of the experience, reliability and capabilities of the manufacturers. In the case of common items, it became possible to determine the relative urgency of the requirements for the two Services, and to allocate output in such a manner as to prevent critical shortages. The industry has been benefited too by this service, by having one central office to go to for full information on all matters related to the supply of clothing and textiles to the Army and the Navy.

The importance and complexity of the procurement problems of two general classes of Quartermaster supplies--Class I and Class III--were so great that separate commodity divisions were established in the Quartermaster General's office during the war to handle them--the Subsistence Division and the Fuels and Lubricants Division.

Subsistence has several special characteristics that must be kept in mind if we are to understand its procurement:

1. It is a "must" item. Every soldier must have three meals a day, starting the day he reports at camp and continuing until the day he is discharged.
2. All subsistence is perishable. Its keeping qualities vary with the items and with the conditions under which it is stored. Inventories must be kept as low as possible to still insure the supply. While we speak of perishable subsistence and nonperishable subsistence, as a matter of fact, all of it is subject to constant deterioration.
3. Subsistence is an item of great interest three times a day, not only to soldiers, but also to every inhabitant of the United States. We must, consequently, take action to take out the supply necessary for the soldiers with the least possible impact on the civilian supply.
4. Price ceilings must be observed if the cost of living is not to rise sharply. The civilian population does not need an airplane or a tank or a machine gun in time of war, but it does need subsistence three times a day.

5. Subsistence supplies must be obtained as close to the point of production as possible, to prevent dislocations in the trade and to place as much of the price as close to the producer as possible, where it will serve to stimulate production.

6. Seasonally produced items, such as canned goods, dairy products, and poultry products, must be taken during the season of production, to insure adequate supplies for the Army and to prevent dislocation of the civil supply.

Prior to the war, subsistence, with the exception of canned meats and one or two other items, was not stocked, but was procured by local purchase or for direct delivery to using stations. This was a sound method in time of peace, when a very small army was spread from Portland, Maine, to Manila. By this system we made use of the commercial distribution facilities of the country and saved the expense of operating our own distribution system. However, it was very necessary, as the Army started to grow, to establish our own system of distribution, as in no other way could the large number of troops in this country and especially those overseas be adequately supplied.

Nonperishable subsistence is moved by mail and ordinary freight and is stored in ordinary warehouses. On the other hand, perishable subsistence is moved by telegraph and refrigerated cars and is stored in refrigerated warehouses. In the Army, as in civil business, they require two separate organizations.

In making its own distribution system for subsistence, the Army established central purchasing depots for nonperishables at New York, Chicago and San Francisco, each being charged with those commodities for which those cities were the usual commercial headquarters. New York was charged with the procurement of all sugar, coffee, spices and similar items. Chicago purchased all canned meats, canned vegetables, cereals and special rations. San Francisco was responsible for the purchase of all canned fruits. Each of the central depots operated as a purchasing agent for the others on those supplies not charged to it for procurement.

A market center headquarters was established in Chicago separately from the Chicago Depot, which purchased the nonperishables, to supervise the procurement of all perishable supplies through 37 market centers located throughout the United States, with one in Canada for the supply of the Northwest Service Command. The market centers were located conveniently for the supply of the troops in their areas and were connected with the market center headquarters in Chicago by teletype. They purchased supplies locally when they were available and when it was advantageous for the Government. Carload requirements were transmitted to the market center headquarters by teletype, where they were relayed to purchasing officers in the producing areas for procurement and direct shipment to the camp or distributing point.

The establishment of the market center system was an entirely new method and was a departure from any past experience. It operated very successfully to supply the Army in this country with a greater proportion

of perishables than the Army had consumed in time of peace and to forward very large quantities of frozen meats and poultry, butter, cheese, citrus fruits and vegetables to the troops overseas. The forwarding of refrigerated supplies overseas was controlled by the market centers in the ports, which retained the responsibility for the supplies to the docks alongside the ships. During the month of April 1945, approximately 160 million pounds of perishable cargo were forwarded from the port of New York alone, of which approximately 42 million pounds were frozen boneless beef. The total purchases for the market center system in the fiscal year 1945 were approximately one and a half billion dollars.

When supplies are sent overseas with an army, the proportion of each item that is sent determines the menu that must be used by the troops. It becomes necessary, if the subsistence supply is to be satisfactory, to make up standard menus, which serve as the basis for subsistence requirements. These menus, and the requirements for subsistence, will constantly change due to the facilities that are available overseas to care for perishable supplies and to the type and activity of combat. During the time the troops were in England, a considerable proportion of the rations used could be perishable, since refrigerated facilities and refrigerated railroad cars were available. But as soon as the troops landed in Africa or on the continent, a high proportion of special rations (K, C, or 10-in-1) was necessary for the troops in active combat. This constant change in requirements required the placing of contracts only so far in advance as was necessary to insure production and to obtain the maximum flexibility in supply.

Some items, such as dehydrated vegetables, eggs and milk, were highly important in the early stages of the war, because of the lack of cold storage facilities overseas and shipping space. Later in the war, as ships and cold storage became available, they were of less importance; but it was still necessary in many cases to build the production capacity and to engineer the improvement in quality of dehydrated foods.

The subsistence program is one of the best examples of combined buying for the Army and Navy. During the last two years of war, the Army purchased from 80 to 90 percent of the subsistence supplies for the Navy and Marine Corps, thus eliminating competition and the necessity of carrying reserve stocks by each service.

The Quartermaster Corps is responsible for the procurement of all petroleum products for the Army with the exception of fuels and lubricants for Army Air Forces aircraft and a few other special products such as lubricants and greases for weapons, cutting oils and rust preventives.

The Army-Navy Petroleum Board was established as an agency of the Joint Chiefs of Staff early in the war to coordinate the petroleum affairs of the Army, Navy and Army Air Forces. The three Services transmitted their respective long-term requirements for the various products to the Army-Navy Petroleum Board, which combined them and submitted the total requirements to the Petroleum Administrator for War, who was charged by Executive Order with the responsibility of insuring the supply of petroleum to the Services, as well as to the other Federal agencies, our war facilities, and the civilian economy.

The Army-Navy Petroleum Board made the determination as to which Service would procure each petroleum product for each theater of operations; and forwarded the monthly theater requisitions to The Quartermaster General and the other services for action. If the product was required in bulk, the Office of The Quartermaster General arranged for its supply by one of the oil companies, and directed the appropriate depot to make the purchase. Bulk products were normally held in industry's terminals, at which tankers loaded direct and then moved to the theater. Where refinery storage was inadequate, joint Army-Navy pools were set up, in which a 10-to-20-day level was held to insure flexibility in loading tankers.

Packaged products for overseas shipment were held in depots and at holding and reconsignment points and in industry's own warehouses. Storage contracts with the oil industry conserved Army warehouse and saved handling and transportation costs.

Petroleum supply to posts, camps and stations in this country was immeasurably simplified by the excellent marketing and distribution facilities of the oil industry throughout the country. All posts, camps and stations received quarterly allotments of funds earmarked for the purchase of petroleum products, and they ordered their own supplies directly from the commercial concerns listed in official bulletins, with whom open-end contracts were negotiated by the Quartermaster Corps for engine oils and greases, by the Procurement Division of the Treasury Department for gasolines and fuel oil, and by the Navy Department for certain Navy symbol oils used by the Army. By this decentralization of purchases in the Zone of the Interior, we avoided the necessity for centralized requisitioning and purchase, and the use of Army depots.

Throughout the war, the production and refining facilities of this country and our Allies were taxed to the utmost to provide the tremendous quantities of diversified products required. Semiannually representatives of the United States and the British Government met, alternately in Washington and London, to integrate the requirements of the Allied Nations, and to determine how they would be met. The production, refining and transportation programs of each country were then arranged so as to implement the approved supply plan.

Now, before closing, I want to mention briefly several other activities which had an important part in the Quartermaster procurement program-- labor relations, Smaller War Plants, O.P.A. price regulations, and contract renegotiation.

Prior to the emergency the interest of the Quartermaster Corps in labor matters was largely confined to the inclusion in appropriate contracts of clauses calling for compliance with applicable labor provisions. With the advent of the emergency, however, labor matters came to play a crucial part in the Quartermaster procurement program. Recognizing that harmonious labor relations and increased labor productivity were basic for an acceleration of production, the Quartermaster Corps became vitally concerned with the maintenance of satisfactory labor standards, the recruitment and training of an adequate labor supply, the removal of discrimination, the avoidance and early settlement of labor shortages, and the stimulation of labor morale.

A Labor Section in the Personnel Division, Office of The Quartermaster General, directed and executed this program, and closely coordinated all labor matters affecting Quartermaster production with the appropriate branches of the Procurement Division.

The Quartermaster Corps was keenly aware that its expanded procurement program could be a great force in the alleviation of economic distress, or, if it were handled improperly, it could squeeze many smaller producers out of the picture. Accordingly it adopted a policy of spreading contracts to smaller suppliers wherever possible. The similarity between the great majority of Quartermaster items and their civilian counterparts facilitated the program.

Large orders were split up so that contracts might be distributed to "distress areas" and to small plants and production pools throughout the country. Subcontracting was encouraged wherever feasible, to further insure a wide production base.

Some of the fruits of this program were the preservation of the capacity of some plants which might otherwise have gone under, reduction on the overload of individual contractors; greater flexibility, and assurance of a steady flow of deliveries. Vital construction materials and machinery were conserved by utilizing existing facilities instead of constructing new plants and equipment. Manpower, housing, and transportation shortages were alleviated by the placement of contracts in labor-surplus areas. Furthermore, this wide distribution of contracts afforded an excellent opportunity to save transportation by arranging for production conveniently with respect to storage depots and ports of embarkation.

In 1944 and 1945 the Quartermaster Corps contracted for about 9 billion dollars worth of supplies, of which about 5 billion dollars' worth came from contractors employing less than 500 persons. Of the 150 thousand-odd contracts awarded during these same two years, about two-thirds went to contractors employing less than 500 persons.

These figures attest the diligence of Quartermaster purchasing officers in carrying out this program.

Now a number of problems in Quartermaster procurement resulted from the application of O.P.A. price regulations. Frequently a contractor felt that his ceiling price did not permit him a fair return on an Army contract.

Normally the O.P.A. considered a request for price adjustment on the basis of the contractor's over-all position, and compared his current earnings with his profits during the base years 1936-1939. The Quartermaster Corps, on the other hand, attempted to buy at prices which would allow the contractor a reasonable profit on the particular item regardless of the contractor's earnings on other business.

Attempts were made by the Quartermaster Corps from time to time to secure exemption of certain critical items from O.P.A. price control. For example, it secured a 90-day exemption on the procurement of cotton duck, a temporary exemption on the procurement of wind-resistant cloth, and an exemption on some experimental lots of textiles.

If an industry had pending with O.P.A. an application for an increase in ceiling price, contracting officers would sometimes add an escalator clause to contracts with these producers which would permit an upward revision of the contract price if the O.P.A. allowed the increase in ceiling price.

If a contractor refused absolutely to accept a contract, he could be given a rated order under War Production Board Priorities Regulation No. 1, or in extreme cases a mandatory order.

If a contractor had supplies which he refused to sell, those supplies could be requisitioned under certain conditions.

Owing to the great shortage of certain types of foodstuffs it was necessary to use various means for the procurement of subsistence. Requisitions were used to obtain pepper from stocks held in speculative hands; "set asides" were used to procure canned fruits and vegetables, meats, butter and some other items; and priorities were used to obtain food containers and many items of foodstuffs.

At the beginning of the fiscal year 1943, when procurement activities were intense, the Procurement Division undertook the additional task of renegotiating contracts under the provisions of the Renegotiation Act of 1942.

Renegotiation of Quartermaster contracts involved certain problems peculiar to this particular service. In the first place, contractors assigned to the Quartermaster Corps for renegotiation were numerous--some 16,000 as of 1 January 1946. This placed the Quartermaster Corps first among the renegotiating agencies in the number of contractors assigned. Secondly, a large percentage of the contractors to be dealt with were relatively small in size, largely because of the Quartermaster Corps' policy of spreading contracts among small contractors whenever possible. And thirdly, unlike contractors in other services, most of the plants holding Quartermaster contracts were continuing to do civilian business in substantial volume. Civilian demand in many cases was greater than industry could satisfy. Therefore, renegotiation had to chart a careful course to avoid jeopardizing Quartermaster procurement.

Of the 16,000 assignments to the Quartermaster Corps as of 1 January 1946, over 14,000 have been settled, resulting in a net recovery by the Government of over 83 million dollars.

In conclusion, I have tried to give you the highlights of the Quartermaster Corps' experience as the world's largest buyer of consumer goods. The dispatch with which it fulfilled its obligation to feed, clothe and equip our Army, for a global war, bears testimony to the efficiency of its procurement organization. With the experience of World War II behind us, we feel confident of our ability to tackle effectively any responsibilities which may be placed on us in the future.

Thank you very much.

GENERAL ARMSTRONG:

General Peckham, do you consider that your organization and methods are entirely adapted to the new age of warfare, that is, the atomic age and the bacteriological age of warfare; or do you think that you will have to make some changes in the system of existing operations?

GENERAL PECKHAM:

Do you mean, General Armstrong, our plan for procurement, our organization for procurement, primarily?

GENERAL ARMSTRONG:

Yes.

GENERAL PECKHAM:

I would say that it would be entirely satisfactory for the needs of modern war. It is flexible and it is decentralized, thus permitting any of the offices to expand or contract at will.

GENERAL ARMSTRONG:

Are you planning any underground storage or anything of that sort?

GENERAL PECKHAM:

We have no such plans at this time.

A STUDENT:

I am not quite sure, General Peckham, what you said about entering the war without a mobilization plan. Would you mind repeating that or elaborating on that? I probably misunderstood you.

GENERAL PECKHAM:

Yes. I think I said we entered World War I without any mobilization plan. We had one for World War II, although we did not use it.

A STUDENT:

In the mobilization plan for World War II were the items for which you planned inclusive of such things as subsistence and petroleum and so on, or did they include only items necessary for equipping the troops?

GENERAL PECKHAM:

I cannot answer that question. I was not here at the time; nor do I know.

A STUDENT:

What brought that up in my mind was why there was no such plan when you went in for these new ideas, like the decentralized purchasing in certain markets.

GENERAL PECKHAM:

There are 37 market centers. I do not believe that that plan was even considered until the war broke out.

A STUDENT:

I wonder if you would care to elaborate on how procurement activities at peculiar depots are handled. What I had in mind was something like this: For instance, in the case of shoes, for which Boston has the primary procurement responsibility, how would that tie in with the other procurement--by procurement I mean production, price control, and so forth--with the shoe industry in St. Louis, for instance, which would come under the Kansas City Quartermaster Depot?

GENERAL PECKHAM:

I think that all of our orders for shoes are sent to the Boston Depot; that is the central procuring depot for shoes. But I believe that Boston sometimes extracts those orders to Kansas City or Chicago or another depot in a region where those supplies are procured.

Does that answer your question?

A STUDENT:

Yes, except that I wondered if you would elaborate on how it worked out. In other words, that particular plan or particular activity of the Quartermaster Corps differs from, I think, most of the other Technical Services. It seems to me that that would work out pretty well in answering some of the objectives as to exceedingly good coordination.

GENERAL PECKHAM:

I regret, Colonel, that my experience in the Procurement Division has not yet been long enough to enable me to answer that. But I know that, for example, our Boston Depot right now has a contract with a firm in Cuba to make athletic shoes. We could not get anybody interested in the United States in that, and we had to go to Cuba with that contract.

A STUDENT:

I have a question which refers back to General Armstrong's question in connection with the ability of your organization to take care of future requirements. What would be the difficulty if, for instance, Boston was bombed, it being such a centralized place for control of shoes? In other words, you have centralized all of that in one place. What would you do?

GENERAL PECKHAM:

We would immediately designate some other depot to be our central procurement center for shoes. We would perhaps have the Quartermaster purchasing office in New York City, which is the same building as the Navy purchases of clothing and textiles, take care of it. Of course, if the whole shoe industry were wiped out, we would be in a bad way. But it would be quite simple to designate some other procurement office to be our shoe procurement agency.

A STUDENT:

What would happen in the meantime while you were doing that?

GENERAL PECKHAM:

I would not see any terrific problem to be surmounted there.

GENERAL ARMSTRONG:

Could not those records be duplicated and shipped across the country?

GENERAL PECKHAM:

Yes. You mean records of the capacity of the companies, of Company A and Company B, and their reliability and so on?

GENERAL ARMSTRONG:

Yes. Records of contracts and orders.

GENERAL PECKHAM:

Yes. They could be duplicated. We are not doing that. In other words, the main office here in Washington, as I am sure you all know, lets no contracts itself. We issue procurement directives to the Quartermaster and the Army Service Forces depots, and they let the contracts. However, I am confident that we keep copies of those contracts here in the main office. So they could be readily passed on to some other office.

A STUDENT:

You spoke of surplus. What effect does that have on your present system? To what extent do you use your surplus for reserve stocks?

GENERAL PECKHAM:

We have surpluses right now, of course, as all the Technical Services do. We are declaring them to the War Assets Corporation. Therefore we are not procuring many items at this time. It will be relatively easy, though, to prepare that master production schedule outlining how many units we want per month at the time when it does become necessary to prepare it again. I am not sure that I understood your question. Does that answer it?

A STUDENT:

I was trying to find out whether you are using any of the surplus to go into the stocks for possible use in the future.

GENERAL PECKHAM:

That is, war reserve?

A STUDENT:

Yes, War reserve.

GENERAL PECKHAM:

I do not believe that the report of the Stillwell Board has yet been entirely implemented in the way of instructions to the Department. At least, if it has, I have not seen it. But I do know that we make declaration on each item as to whether it is a civilian-type item or a military-type item. If it is a civilian-type item, then we are only required to hold the quantity needed for issue between now and 30 June 1949. If it is a military-type item, then certain other requirements enter into the picture--war reserve, peacetime operating reserve, and so forth.

A STUDENT:

General Peckham, do you not take the recommendations of the War Plans Corporation about having work done at certain plants and do you not investigate those plants before you enter into a contract?

GENERAL PECKHAM:

I am not certain. But I would think that we would have had our decentralized organization, our field agency, our depots, explore those plants before we gave them a contract, just as we always would examine the capacity of a prospective bidder before we let a contract to him.

A STUDENT:

I understood that they had a right to force you to give a contract to their corporation. Did you have any experience with that?

GENERAL PECKHAM:

I was not there and I do not know. I was handling fuels and lubricants at that time, and that question did not arise with us.

A STUDENT:

Does the Quartermaster General maintain liaison with any other government agency, such as the Department of Agriculture, to determine how much food can be produced and where and how?

GENERAL PECKHAM:

Major General Carl A. Hardigg, who has been the head of the Subsistence Division, has had the most intimate contact with the Department of Agriculture for food administration. I do not think he has actually found it necessary to have an officer physically located in that office, but I know that his contacts with them are very close, daily.

COLONEL FAIRCHILD:

You spoke about the procurement of duck and webbing. Did your estimates prove to be substantially correct, or did they result in surpluses or shortages?

GENERAL PECKHAM:

I can not answer that question. I am sorry.

GENERAL ARMSTRONG:

We are very glad to have this report on "Quartermaster Procurement" in our permanent records. Thank you very much.

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(12 March 1946--200)