

INTRODUCTION TO COORDINATION OF PROCUREMENT
13 May 1946.

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GENERAL ARMSTRONG:

Gentlemen, our speaker this morning has to leave on a plane soon after noon; so I will make my introduction as brief as possible. It is a little difficult this morning because "the late" Admiral Strauss is a gentleman with a very distinguished career, having served as secretary to Mr. Hoover in 1917 to 1919. In his spare time, when he is not serving the Nation, he is a partner in Kuhn Loeb & Co.

I know Admiral Strauss very intimately. I know him to be one of the keenest minds concerned with the problems of national defense. He has made a tremendous contribution both in his service in the Navy Department and on the Army and Navy Munitions Board of which he was the Navy member. He has been, regardless of any laws, one of the instrumentalities of bringing the Army and the Navy more closely together, particularly in the field in which we are concerned.

Gentlemen, it is a privilege to present to you the Honorable Lewis L. Strauss, late Admiral, U. S. Navy.

ADMIRAL STRAUSS:

General Armstrong, I hope your characterization of me as a "late Admiral" did not have any reference to the fact that I had forgotten my way about in the Pentagon Building and was tardy in arriving.

GENERAL ARMSTRONG:

No.

ADMIRAL STRAUSS:

General Armstrong, gentlemen, is expert in semantics, and I commend to your attention his masterly article published in the Saturday Review of literature last year. When he describes me as "late" and does not add "lamented" I can only assume that he administers a deserved reproof. ----

It is a great pleasure to revisit these headquarters, renew old and valued friendships and to have the privilege of meeting the officers of the first peacetime class of this institution.

Even a very cursory study of the history of our country reveals that in the course of wars prior to this latest one the economic life of the land continued to function with the war almost as a side line. An exception should, of course, be made of the Confederacy during the War Between

the States, when, because of very limited industrial resources, it was an "all out" war for the South. But generally speaking private trade and commerce functioned with few restraints in our wars, up to 1941 except those imposed directly by the enemy upon our overseas shipping.

With the advent of modern warfare employing unprecedented numbers of combatant personnel and quantities of materiel surpassing the normal pre-war capacity of basic industries to produce--the all-out war--unfamiliar problems arose in 1941 and the subsequent years which we may assume will be the pattern for the even more aggravated situation which our country must face if we should ever be so unfortunate as to have to go to war in the future. It is only a statement of the obvious to say that henceforth the intelligent mobilization of our resources will be as vital to victory as the mobilization of fighting manpower; and that, having been mobilized, the improper or improvident use of materiel resources would be as fatal to success as a major mistake in grand strategy.

It is for this reason that the work upon which you are here engaged assumes a significance for the future safety of this republic more critical than the material supply function hitherto has had, and, indeed, as important as the plans of the high command or the morale and gallantry of the fighting forces. These factors are henceforth the completely interdependent tripod of victory.

To give a concrete example of what I mean, it may be assumed that in another great war nearly every raw material will be critical and that one service or even one branch of one service could wreck the prospect of victory by selfish and extravagant indulgence in satisfying its own requirements at the expense of the rest of the military establishment. Lest you think this fanciful, it should be noted that it nearly happened several times in this last war. The high-octane gas program was very nearly ruined by the synthetic rubber campaign. The squeeze for brass strip by one service for one requirement barely missed serious consequences for the whole war effort. A number of similar examples, I am sure, are in the minds of all of you.

Or take the question of priorities and preference ratings, with which we began to experiment in World War II, and which produced the ridiculous incident of Elliot Roosevelt's dog and the classic case of the civilian scientist traveling by air to deliver a lecture in a certain town and who was put off a plane to give place to a general officer who was flying to the same town for the purpose of hearing the lecture. We have just begun the study of the proper method of administering the controls which we shall have to invoke in order to fight a war in which there will be no noncombatants. These controls, though necessary, are far more dangerous than high explosives and can only be safely and successfully handled if we know how they behave.

During World War I, before Congress had increased the price of wheat to a figure which induced the farmers to break the permanent sod of the grazing prairies, and because of the submarine situation which curtailed the export of Argentine wheat, the Army and Navy were competing in the food markets of the country. Mr. Hoover, who was then appointed

United States Food Administrator, called in the Quartermaster General and the Navy Chief of the Bureau of Supplies and Accounts proposed the then novel suggestion that they should buy together. He pointed out that they were proposing to feed an army and a navy composed of citizens with similar dietary habits and that if they continued to compete, the result would not only be higher prices to the Government, but that each Service would experience shortages in commodities where the other might have possession of an excess.

Under the legislation of that day (the Lever Act) Mr. Hoover had sufficient authority to compel acquiescence; but it was not necessary for him to use it, for the services quickly adopted the proposal; and right through to World War II the Army bought the bulk of the Navy's food, including, I might add, even navy beans. The procedure was refined with time and functioned with great smoothness. It is true, I believe, that we eat somewhat better in the Navy than you do in the Army--and I do not refer to Emily Post's table manners--but that can be explained by the facilities of permanent galleys aboard ship versus the ambulating camp kitchen, et cetera.

Now, the strange thing is that with this successful example of what joint or single procurement could accomplish, very little more was done to pursue the subject. Fuels and petroleum products were, it is true, bought by the Navy for the Army; but there the logic of the arrangement simply followed the enormously predominant Navy use. And small arms and small arm ammunition were bought by the Army for the Navy for the same reason.

But until the autumn of 1944 almost no further attempt was made to bring order out of a really chaotic state of affairs. In November 1944 the Secretary of the Navy and the present Secretary of War, then serving as the Under Secretary, deputed to General William H. Draper, Jr., and to me the task of surveying the field of procurement and of recommending such steps as it might seem desirable to take in the interest of improving the situation. We rendered a report some two and one half months later, which was interesting for at least two reasons.

First was that the report was the work of several hundred officers of both services working as teams of Army and Navy officers on each project. The second was that the underlying studies resulted in unanimous agreement in every case. That is unification, if you please, but unification by agreement, if I may be pardoned a little propaganda.

General Draper and I decided to divide the studies which were to be the foundation of the report into two main sections. Ten of them dealt with specific classes of material procured by the Services and Bureaus and twenty-six of them dealt with functions having to do with the agencies of the two departments engaged in establishing policies and procedures for procurement.

There may be gentlemen in this room who took part in the preparation of those studies. If so, I want to pay my respects to you, although I cannot see you to single you out. That was a really great job.

The ten material studies in the order undertaken covered:

- Medical Supplies and Equipment
- Textiles, Clothing and Shoes
- Fuels and Lubricants
- Small Boats and Marine Engines
- Ordnance Material
- Electronic Equipment
- Construction Machinery and Mechanical Equipment
- Automotive Equipment
- Chemical Warfare Materiel, and
- Aircraft Equipment

To help visualize the situation we collected a series of exhibits and my office and anteroom became a sort of chamber of horrors, so filled with sad samples that we almost had to move out. Among them I can recall army and navy 20-millimeter cartridges that were not interchangeable in our guns though the calibre was identical; the navy's 5-inch projectile and the army's 4.7-inch, just a few tenths of an inch apart; 50-gallon gas drums of three different specifications, all for the same end use. There were navy identification tags costing one half cent each and army dog tags costing two cents each. I do not mean by that to imply that all navy material was more reasonably purchased. On the contrary, we went as far over the line on other items. There were the navy towels that had to be two inches longer than army towels--no one knew why. And so on ad infinitum.

The functional studies covered:

- The procurement Organization of Both Departments
- Design--Development and Standardization
- Requirements for End Items
- Item Identification and Cataloging
- Selection of Contractors
- Procurement Policies with Regard to Pricing
- Procurement Policies with Regard to Contract Forms
- Procurement Policies with Regard to Contract Appeals
- Procurement Policies with Regard to Patents
- Procurement Policies with Regard to Mandatory Power for Contract Placement
- Renegotiation
- Financing of Production
- Specifications
- Requirements for Components and Materials
- Facilities
- Manpower
- Scheduling
- Inspection
- Packaging, Packing and Marking
- Contract Termination
- Surplus Property
- Insurance
- Auditing,
- and a few more which I do not recall at the moment.

I was particularly interested in the inspection part of that group of functional studies, because my first assignment when I was ordered to duty in early 1941 had been the organization of the Inspection Service for the Navy Bureau of Ordnance. At that time we had Naval inspectors representing Ordnance, Aeronautics, Ships, and in some cases other bureaus, all operating independently. There were a number of plants where we had three and in some cases even four sets of Navy inspectors. Late in 1942 and I will admit not until after some difficulty in overcoming opposition we at least produced consolidation within the Navy. We got down to one inspection service, which is now very ably managed by a commodore whom I see here in this audience. This study recommended that the Army and the Navy now consolidate their inspection services. It is a logical development, one which will produce great savings of money and manpower and will be a blessing to the contractors.

Most of these underlying studies were remarkably well done. The standard was, of course, not uniform; but their unanimity demonstrated the crying need for coordination between the two departments. A reading of the whole made that conclusion inescapable.

While a few old-time officers felt that the historical differences in approach to problems by the two departments made further coordination impossible--that is, to say, beyond the point it had already reached--both General Draper and I held a contrary view. Our optimism was born of success the previous year in producing the Joint Termination Regulations, with which most of you are doubtless familiar and which unified the contract termination procedures of the Services in dealing with American industry. The procurement practices of the Army and Navy had grown up separately and diverged as they grew, so that counsel for both departments stated that a joint termination regulation, while desirable, was an impossible goal. Several officers of both services locked themselves in and in less than a fortnight hammered out all departmental differences and performed the impossible task.

We felt, therefore, that the same imagination, ingenuity and teamwork would surmount the obstacles which might be encountered in the intelligent joint procurement of the eighty billion dollars of material that was planned for the year ahead. We calculated that it could save as much as ten billion of that colossal figure for the Nation.

The final report, which was submitted just over a year ago, was preceded by eleven interim reports, each of which was studied and approved in turn by the two Secretaries. As a result of these reports joint procurement was set up in each of the several fields, and functioned with smoothness and increasing ease as time passed and up to the end of large-scale buying. I do not have the facts at hand, since my detachment but I understand that the procedures are now established, and that army and navy policy and the officer establishments connected with these joint operations are continuing.

If time permitted, I would like to read to you summaries of the basic studies. They were printed by the War Department, and I hope are

still in sufficient supply so that they may be available to those who are curious to know how the War and Navy Departments managed to equip two huge war machines without bankrupting the country materially and financially. Only a procession of miracles saved us in situations where, for example, at least four different sets of instructions for preserving and packing goods were issued separately by Army Service Forces, Army Air Forces, and Navy Bureaus to the same companies for the same items destined for use on the same beachheads. Or where differences in nomenclature for like items prevented them from being serviced or repaired from common stocks, even at the front, and made difficult the determination of overall stock levels and over-all requirements at home. But this catalog of errors could go on almost endlessly. If you are curious, the details are all there to be read, in the second and third volumes of this study.

The report made a major recommendation, which has not yet been acted upon, except in part. I believed then and I believe now that it is an essential step, if we are ever to be ready to fight again. It does not matter whether or not there is consolidation of the War and Navy Departments; for, even if that should come about, unified procurement will not follow it automatically, any more than procurement was unified between Army Service Forces and Army Air Forces. The issue of consolidation, therefore, is quite irrelevant to this question. For that reason I think the basic recommendation in the report is still valid, and, indeed, urgent. The partial effect which has been given to it does not go far enough by any means.

With your permission I would like to read that paragraph.

"Accordingly we have reached the conclusion that what is needed in the procurement field is the establishment at the department level of a staff organization patterned after the Joint Chiefs of Staff, to insure uniform policies and procedures and to further coordination between the several services and bureaus. To the extent feasible such staff organization should not be a mere coordinating agency added to similar staffs in both departments, but should be a joint agency, charged with responsibility for establishing common practices and policies in the areas assigned to both departments and for insuring that such policies are carried out. As pointed out below, there are certain procurement functions which we are not ready to recommend be assigned to such staff organization. As to such functions, however, such a staff organization should be charged with responsibility for further coordination between the two departments. Furthermore, this organization should be responsible for promoting coordination between the procurement activities of the various services and bureaus at the operating level. To be effective, this staff organization must integrate this procurement organization with the rest of the supply organizations of the departments. The field of procurement covered by this report, from design through purchase, production, and delivery to the Government, is largely distinct from the other aspects of supply; but it cannot be left wholly independent. It is necessarily related to the subsequent storage, distribution, transportation, issue and maintenance of equipment after it is delivered to the Government. Therefore, in order to achieve proper integration, such staff organization must be composed of those whose responsibilities cover

the whole field of supply. We believe that the establishment of a joint procurement assignment board will make available perhaps the most effective mechanism for furthering coordination between the bureaus and services at the operating level. Within the War Department this function has, for example, been performed by a board, which has achieved outstanding success in minimizing duplication of effort."

That is the end of the paragraph.

It seems to me that there is now time to perfect and consolidate the measures which were understandably difficult to initiate during the conduct of the war--that is to say, there is time if we do not postpone them to be done tomorrow, or some other day, or, worst of all, on some unforeseeable M-Day, which will dawn darkly through the rubble of collapsing buildings and the smoke of atom bombs. That is why I said when I began these remarks that the work upon which you are engaged in this College is so important and why I believe that upon your shoulders rests a responsibility not exceeded by that of any who will wear the uniform of our country.

I want to thank you for inviting me to come here, General Armstrong. That is the end of my remarks. Thank you, gentlemen, for your courteous attention.

GENERAL ARMSTRONG:

Any questions, gentlemen?

A STUDENT:

Do you think that the Joint Chiefs of Staff could carry out the functions of this procurement board that you have suggested in your talk?

ADMIRAL STRAUSS:

I think the Joint Chiefs would not do a good job of it. It is a job for men whose orientation and training is different.

It seems to me that the men who are directing the strategy of a campaign should be in position to say, for example, "I want so many tanks by such and such a time," but some other body of coordinate importance should be there to say if it is necessary, "Very well but if you want ten thousand tanks on Monday, you cannot have the ten thousand planes you wanted on Wednesday." The men who keep the materiel situation in balance must take an earlier part in strategic planning.

The Joint Chiefs of Staff, I feel, if the war had lasted a little longer, would have realized the necessity for setting up an arrangement of that sort, or conversely the War Production Board would have gradually assumed that importance, or probably some military status, because we were beginning to see the bottom of the barrel in some items.

COLONEL McPIKE:

Those of us who are engaged in procurement have given very serious consideration to your recommendations. With particular reference to the formation of a Procurement Assignment Board, that has been done. But it also brings up this question, which I would like to ask:

Emphasis has been placed upon joint procurement and a merger of the personnel, facilities and services of the Army and Navy. Would not cross procurement, for example, the assigning of items in so far as it is possible to either service, secure the same result as joint procurement?

ADMIRAL STRAUSS:

Colonel, the answer is, unquestionably yes. The emphasis which you say has been placed upon joint procurement is not an emphasis contained in the document. The very first material program that was approved by the Secretaries was the purchase of medical supplies, to be done by the Navy.

I think the use of the words "joint procurement" has been a little loose. General Armstrong might have jacked me up on the semantics of this had I the foresight to consult him before the report was titled. By "joint procurement" we meant, either of the two methods both of which would result in the elimination of competition and in all the other gains that we desired to make such as standardization of material, common specifications, et cetera.

COMMODORE WATT:

I take it the idea you were striving for would be research separately for each separate service; and then all of the material functions combined, starting right in with design, procurement, production, inspection, issue, invoicing and payment, right through to contract termination, would be joint?

ADMIRAL STRAUSS:

I am glad you asked that question, because it enables me to touch upon one point that I would like to make clear. It is this--the one field in which competition should be encouraged is research. We can hardly spend too much money on it. We can scarcely have it going on in too many different places. In the search for new and improved items we never know where the answer is going to turn up.

We know that we used many things in the Navy during the war for which we had to thank the Army. There were a great many things for which the Army is indebted to the Navy. I am satisfied that, if there had been one unified research program, some bright fellow with the pious idea of cutting costs and organizing economically would have said, "Well, there is no use having two outfits duplicating each other on fuzes; one is enough." The result would have been a 50-50 chance of eliminating the group which produced

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the proximity fuze. Economy in research would be penny-wise indeed. No. I think that economy and efficiency begin with design. Perhaps a good argument can be advanced that it should begin after design and just before the design goes into production, because there is an area where design and research are so interrelated that no one can draw a clear line between them.

I notice one of my friends, Captain Herman, is here. He can qualify as an expert on that issue.

CAPTAIN HERMAN:

I was not in agreement with that last remark.

ADMIRAL STRAUSS:

Yes. We went back to design because it is hard to say that a man who designs a pair of collar insignia is working on a research item.

GENERAL ARMSTRONG:

Are there any more questions? (No response.)

I would like to say to you gentlemen that there is one point Admiral Strauss made that is characteristic of the Admiral. During the last year and a half I had numerous contacts with him, and I never saw a man who put his thinking into immediate action the way the Admiral did. Again and again I called up Admiral Strauss and said, "Admiral, we would like to have this done for the joint College"; and before I finished my telephone conversation--he must have been scribbling on his telephone pad--he would say, "Well, now, how about this? If the order is issued in this form, will it accomplish what you want?"

Gentlemen, I commend to your attention the Strauss method of operation. When you get to translating these thoughts of ours into action, just see, when you get a chance to do it, that you do it quickly, because speed is necessary in peace as well as in war.

Admiral Strauss, I thank you for your important and valuable contribution to the work of The Industrial College of the Armed Forces. Thank you very much.