

WAR AND NAVY DEPARTMENTS ORGANIZATION  
FOR COORDINATION OF PURCHASE POLICIES

30 October 1946

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

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WAR AND NAVY DEPARTMENTS ORGANIZATION FOR COORDINATION  
OF PURCHASE DIVISION.

30 OCTOBER 1946.

CAPTAIN WORTHINGTON:

It is a pleasure to welcome back here a member of the faculty who was here back in 1933 as the first naval officer on the staff of the old Army Industrial College,

Admiral Ring graduated from the U. S. Naval Academy, class of 1915. He is a graduate of the Army Industrial College, class of 1929-1930. He was a member of the staff of the Army Industrial College from January, 1931, through July, 1933.

Admiral Ring was Officer in Charge of the Purchase Division, Bureau of Supplies and Accounts, from 1937 to 1943. He was District Supply Officer of the 13th Naval District later. He served in the Logistics Section under the Chief of the Pacific Ocean Area. In January, 1946, he returned to the Assistant Secretary of the Navy's Office, where he is the head of the Procurement Policy Branch.

His subject is War and Navy Departments Organization for Coordination of Purchase Policies. Admiral Ring.

**RESTRICTED**  
THE NAVY'S BUYING ORGANIZATION  
AND  
ROLE IN JOINT PROCUREMENT

Before the war the purchasing statutes<sup>1/</sup> required that every contract let by the Navy Department be awarded after advertisement for formal competitive bids. The few exceptions permitted were limited to certain specified categories.

This system has several very real advantages. It is simple, it is automatic, it requires little judgment except in the maintenance of a good mailing list, and if properly followed it precludes favoritism or corruption. It has stood the test of more than a hundred years, and under normal peacetime conditions, it is for many materials the best buying system yet developed.

Even in peacetime, however, this system involved some serious limitations which had been apparent for many years, but for which no corrective measures could be developed. For wartime use this formal advertisement system proved altogether inadequate.

The Navy's freedom of action was limited in various ways. New sources of supply for standard items were difficult to obtain, inasmuch as new bidders were forced to meet the keen competition of experienced producers; educational or developmental orders were not permitted. Except to the extent that large corporations were willing to develop products in the hope that the Navy would later become a customer, research work was confined to the Navy's own laboratories. Perhaps the most serious shortcoming was the delay in procurement caused by this system. Other defects of this system which came to light during the war will be discussed later.

Shortly before the war began, when the Nation began to strengthen its hemispheric defenses and expand its armed forces, the necessity for modifying peacetime purchasing methods became clear. The costs of building bases and airfields abroad could be estimated only roughly. Contractors able to handle such large projects were so few that competition was inadequate, and any fixed price bids which might have been obtained would almost certainly have been padded with large contingency allowances. Recognizing these problems Congress in April 1939, authorized the use of cost-plus-a-fixed-fee ("OPFF") contracts.

Under these contracts, the cost to perform was estimated in advance, and an appropriate fee fixed. The contractor was paid his actual costs plus that same fee. The use of cost-plus-a-percentage-of-cost contracts was expressly denied. Under this law wartime negotiating techniques originated

The next few months saw successive modifications of previous legislation in order to permit the Services to cope with fast-moving events and changes. The Vinson-Trammell restrictions on profits were suspended. The split-award method of dividing awards was authorized. The waiving of

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<sup>1/</sup> R.S. Sec. 3709 & R.S. Secs. 3718 et seq, and others.

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formal advertisement was authorized, together with limited use of contract negotiation, the use of advance payments and the furnishing of facilities to contractors. Not until passage of the First War Power Act in Dec. 1941, however, was negotiation authorized for the purchase of general military supplies. Meanwhile, the Navy took the first steps toward developing suitable techniques for negotiating contracts.

The negotiating procedures adopted in this early stage generally provided for group participation on the Government's side and the review and approval of proposed awards by formal or informal boards. This procedure was adopted to safeguard the Government's interests, to prevent favoritism and to compensate for the lack of trained negotiators. This early and informal practice of group participation in procurement negotiation developed later into the use of regularly constituted negotiating teams consisting of personnel skilled in technical, legal and business matters. It illustrates, incidentally, efforts made by the Navy to use checks and balances wherever possible to prevent improper or ill-advised acts.

With the impact of war and the growth of a seller's market, it became increasingly difficult to procure under the formal advertisement system. The huge increase in government purchases created a monopolistic market and disturbed the normal market place relationships which operated in peacetime to control prices. Bidders' lists grew to an enormous size; the time required for advertising and soliciting bids could not be spared; many desirable vendors unaccustomed to Government practices hesitated to bid because of unfamiliarity with the system. Moreover, the competitive bid system was not compatible with the policies of the War Production Board which were designed to make the best use of available facilities, to spread contracts geographically, and to make the maximum use of small business and marginal producers.

The First War Powers Act, passed on 18 December 1941<sup>2/</sup>, and Executive Order 9001 gave the Navy Department general authority to contract by negotiation rather than by advertising and the War Production Board subsequently instructed the Services to place all contracts by negotiation.

WPB directive No. 2, dated March 3, 1942 ordered that all contracts be placed by negotiation after securing quotations from qualified possible contractors, and that the procedure provided by Section 3709 of the Revised statutes should be used only after obtaining specific authorization from WPB, the Director of Purchases. It further provided that in placing contracts regard should be paid to:

- (1) Securing performance in time.
- (2) Utilizing services of smaller concerns to perform simpler tasks, in order to conserve the capacity of the larger companies for more difficult work.
- (3) Placement of orders with firms requiring the smallest amounts of additional machinery and equipment.

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<sup>2/</sup> 55 Stat. 839

Within the limits prescribed by this order and its later amendments, the Navy, in its negotiation of contracts, utilized informal competition as fully as possible in selecting sources and determining prices.

At the outbreak of the war there was no office in the Navy which served adequately to coordinate the material activities of the Navy and to maintain liaison with the various civilian agencies concerned with material problems. Before the war, the relative simplicity of determining maintenance and repair requirements and the centralized purchase system made such coordination relatively unimportant, but with the outbreak of war coordination became imperative. In recognition of the need of centralizing policy responsibilities, the Office of Procurement and Material (OP&M) was established on 30 January 1942 in the Office of the Under Secretary of the Navy to coordinate all the material procurement activities of the Navy Department and to supervise programs for the procurement of ships and materials of every character.

The newly created office took over the functions of several other organizations, including the statistical unit from the Office of the Chief of Naval Operations; the Machine Tools Division from the Office of Shore Establishments in the Assistant Secretary's office; the Compensation Board; and the Navy Contract Distribution Division. This Office served throughout the war as the Navy's top executive organization concerned with planning, policy and coordination of procurement functions.

Internally OP&M was divided into four branches, in addition to the Navy Price Adjustment Board and the Compensation Board (later renamed the Board of Contract Appeals). The Production Branch acted as a "trouble shooter" for industry, and expedited the production of Navy contracts. The Planning and Statistics Branch forecast the Navy's needs, maintained statistical control over them and also maintained current records of production. The Procurement Branch was responsible for clearing contracts, coordinating purchase policy throughout the several Bureaus, expanding sources of supply, furnishing contract negotiators to the Bureaus, maintaining and supervising a Navy insurance program, supervising the various programs of financial assistance to contractors, and saving critical materials by revising specifications. The approval of this office was required before the award or extension of any contract in an amount of \$200,000 or over. The Resources Branch (later merged with the Production Branch) was the Navy's representative on the Army-Navy Munitions Board, which was initially expected to serve as the mechanism for integrating military requirements with industrial productive capacity. This problem and the attendant problem of coordinating Army and Navy procurement are treated at length below.

Later, when problems of contract termination and surplus disposal were anticipated, there were established within the Office of Procurement and Material, an Industrial Readjustment Branch, a Contract Settlement Branch and the Navy Material Redistribution and Disposal Administration.

The functions of planning, procurement, and production were thus brought together in one organization responsible directly to the Under Secretary of the Navy. This organization has since been described as "the Navy's general staff on the industrial front."

The Bureaus continued, of course, to perform their normal operating functions, subject to policy control, coordination and review by appropriate sections of OP&M. This is another illustration of the Navy's effort to set up a system of internal checks and balances to operate even under wartime stresses.

Paralleling the centralization of procurement policy and planning and closely associated with the Office of Procurement and Material, the Procurement Legal Division was established within the Office of the Under Secretary in September 1941. This office recruited the services of civilian lawyers, trained in business and commercial law, and established within the several technical Bureaus Offices of Counsel who were charged with the responsibility of drafting all procurement contracts and advising on procurement legal matters. The Procurement Legal Division with a centripetal organization operated as a further means of coordinating the procurement functions of the several Bureaus. In August 1944 the Procurement Legal Division was renamed the Office of the General Counsel.

The Navy entered World War II with its purchasing organization largely centralized in the Bureau of Supplies & Accounts at Washington. This organization, during war as well as peace, functioned satisfactorily in the purchase of general stock and maintenance items. In the purchase of technical material for other Bureaus, however, it proved unsatisfactory.

As to stock and maintenance items, the Bureau of Supplies and Accounts is responsible for the entire procurement cycle: maintenance of stock records, determination of requirements, and actual purchase of materials. The Bureau maintains a staff possessing the requisite technical training to equip it to handle the acquisition of standard stock and maintenance items. Thus, the Bureau is in a position not only to control the entire buying cycle, but also to handle each step with due attention to the technical details involved. This integrated operation proved satisfactory even under the stress of wartime procurement.

As to technical, developmental, and research items, however, the situation was different. For technical and combat materials, the Office of Chief of Naval Operations decided what is needed, when it is needed, where it is needed and how many are needed. These are matters of military judgment. Once these decisions have been made, it becomes the responsibility of the various technical Bureaus to translate them into actual materials embodying the best and latest designs, and to arrange for their delivery at the specified time and place, in the specified quantity. The technical Bureau, being responsible for designs, specifications and deliveries, could maintain adequate control over its procurement only if it controlled the procurement contract itself.

In order to shortcut the necessity for channeling through the Bureau of Supplies and Accounts all change orders, contract amendments, changes in specifications and contractual communications, and to further the expeditious awarding of contracts to those concerns best equipped in the

knowledge of the technical Bureau to produce the desired product, the Secretary of the Navy on 13 December 1942, vested the several technical bureaus with authority to determine which contracts should be negotiated, prepared and executed in the technical bureau and which should be referred to the Bureau of Supplies and Accounts. By this directive, the Secretary provided for transfer of trained personnel from the Bureau of Supplies and Accounts to other Bureaus, transferred the Negotiation Section of the Purchase Division of the Bureau of Supplies and Accounts to OP&M, and recognized the establishment in each bureau of a single legal division staffed with civilian attorneys, reporting both to the Chief of the Bureau and to the Under Secretary of the Navy.

Wartime conditions brought a multitude of serious problems demanding business judgment of the highest order. The sheer size of the buying program in itself overwhelmed both the Navy's peacetime purchasing organization and the productive capacity of its suppliers. Priorities, allocation, certificates of necessity, Government-furnished facilities and materials, and various other war-born necessities complicated the task still further. Technological advances called for the production of entirely new items. In radar, for example, laboratory research, prototype construction and production line manufacture proceeded almost simultaneously. In such a situation changes in specifications during production were numerous necessitating frequent change orders. For example, on one contract for an electronic unit, over 3,500 change orders were required. It was also difficult to predict the effect of the learning curve in lowering the price of new products, and the extent to which it would be offset by material substitutions, advancing wages and prices and other changing conditions.

In this atmosphere of fluidity and changing conditions, the Navy faced the problem of negotiating satisfactory contract terms, including fair prices. By agreement between the Office of Price Administration and the Services, the Army and Navy assumed complete responsibility for the control of prices on a majority of distinctly military items such as aircraft, vessels, guns, and their various parts and sub-assemblies. OPA ceilings were effective principally on standard commercial items which had civilian use such as food, textiles and clothing, and machinery. So far as was consistent with insuring delivery of supplies in necessary quantities at the time required, the Navy Department sought to negotiate close prices which would be fair and reasonable to both the Government and the contractor, and would at the same time serve as an incentive to efficiency on the part of the contractor. It sought to secure satisfactory contracts by extensive negotiation of contracts.

While the method of negotiation varied somewhat from one bureau to another, and from one type of purchase to another, its main features became quite thoroughly standardized. Briefly, it involved selection of firms able to produce the required material; the request from each such firm of preliminary quotations accompanied by cost breakdown; study of these quotations to determine the three or four best offers; analysis of the bids of these relatively low firms in the light of all available

price, cost and profit information; negotiation with these firms, quotation by each of its final bid; and award to the firm making the final proposal most advantageous to the Navy. The system could be speeded up by wire and by telephone; it gave the Navy's representatives an opportunity to question unduly high cost factors and overhead rates, unnecessary allowances for contingencies, unreasonably high profit rates, high mark-ups on sub-contracted items, and numerous other practices which increased Navy costs; it permitted observance of appropriate security precautions; it offered flexibility in dealing with manpower regulations, Smaller War Plant legislation, overloaded plant facilities, and various other important factors in wartime purchasing; and it made possible the development of a variety of contract types tailored to the various special circumstances which arose. As to most of the points I have just mentioned, contract negotiation differed sharply from formal advertisement procedures.

One important negotiation technique consisted of requiring each bidder to furnish breakdowns of his estimated costs to manufacture the goods. These cost breakdowns permitted detailed comparisons of various contractors' material and labor costs, overhead rates, and projected profits, and thereby assisted better buying. Cost data furnished by prospective contractors were confidential and not available to other contractors.

In the final analysis, buying is like surgery--all the rulebooks do little good unless a skilled man does the work. The Navy concentrated all major purchasing activities in a few locations; it concentrated control over those purchases in one office; and it paid particular attention to assigning highly competent men to the work of purchasing.

The Navy was able to obtain the services of men with business experience in buying and selling standard commercial products, such as petroleum, textiles, metals, hardware and lumber. These commodity buyers, assigned to the Bureau of Supplies and Accounts, were drawn from their respective industries; they brought into the Navy during the war a background and experience in their particular fields that could not otherwise have been duplicated; and they have returned to their former pursuits.

There were in industry no "battleship buyers," or "big gun buyers." The Navy was under the necessity, nevertheless, of securing and training men capable of applying business experience and judgment in the buying of these highly technical products. At its peak, the Negotiation Section of the Office of Procurement and Material included about a hundred men, who, with the commodity buyers previously mentioned, bought nearly 90%, by value, of the Navy's wartime needs. These men were outstandingly successful business men of recognized integrity, selected for their broad business background, unusual personal ability, and "nose for a trade." Representatives of this Negotiation Section were assigned to the respective technical bureaus, to assist in their procurement.

In two respects the negotiators operated as members of a team. In the negotiations themselves, the negotiator had his own team, composed of an engineer or technical expert from the processing Bureau, a cost analyst or accountant, and a lawyer. With this group the negotiator was able to meet on even terms with any comparable group representing the prospective contractor.

Within the Navy additional procurement coordination was achieved by requiring clearance from the Secretary's office before awarding any contract exceeding \$200,000. While the authority to clear contracts was not normally used as a veto power, it did furnish an opportunity to insure that Bureau and major field purchasing offices followed prescribed policy, that their operations were coordinated, and the business aspects of each major contract were adequately justified. This high-calibre, close-knit clearance group did much to avoid serious operating blunders, present a united Navy front to industry, and keep policy officials well informed. The fact that several major corporations are now reported to be introducing similar systems is not entirely coincidental.

The Cost Inspection Service of the Bureau of Supplies and Accounts was during the war years, and is presently, responsible for the determination of allowable costs under all Navy cost-plus-a-fixed-fee and true cost contracts, for the computation of price adjustments through the operation of escalation provisions, for the determination of bonuses for savings in cost, for the computation of billing rates under Time and Material contracts, for the examination and review of termination claims, and for furnishing information to the technical Bureaus and negotiating teams relative to a particular contractor's accounting methods, his actual costs and overhead rates, and his fiscal organization.

To accomplish this service, the Bureau maintains in the field cost inspectors trained in accounting who, in the case of larger contractors, are physically located in the contractor's plant. Constant supervision is thereby maintained over the propriety, allowability and proper allocation of costs which the Navy may be called upon to reimburse.

This organization was built around Certified Public Accountants and by its independent discharge of the functions outlined above provided centralized cost inspection independent of contracting officers--another illustration of the use of checks and balances.

As contrasted with the situation during the early months of the war, when centralized procurement was breaking down under its overload of divided responsibility, inadequate system, and excessive paper work, there were many advantages to this system of decentralized procurement controlled by a single central authority. Most important of all, perhaps, was the fact that technical procurement was done close to the technical desks, where appropriate technical decisions could be made quickly, and by competent personnel.

In the Navy, coordination was possible because while purchasing was decentralized among the various Bureaus, the Bureaus in turn were located in Washington, physically close to each other and to the Secretary's office. Hence geography worked for the Navy rather than against it, as would have been the case had purchasing been decentralized geographically.

World War I demonstrated the need for the coordination of Army and Navy procurement in the event of a major war. Such coordination had not been effected during that war.

One of the few fields in which coordination of procurement had actually been achieved prior to World War II was in the field of airplane frames, engines, and equipment.

Between the wars elaborate plans for industrial mobilization had been made which were designed to avoid the evils of competition for goods between the services in the event of another war. These plans called for the allocation of various industrial facilities to supply the needs of either the War or Navy Departments and for the determination of price of negotiations. For various reasons the industrial mobilization plan which was to have been headed by the Army and Navy Munitions Board was not implemented upon the approach of war.

With the approach of war, the principal responsibility for coordinating the procurement policies and procedures of the War and Navy Departments and other government procurement agencies, was vested in a succession of civilian agencies beginning with the National Advisory Defense Commission, followed in turn by the Office of Production Management, the Supplies, Priorities and Allocation Board, and finally the War Production Board. As early as 6 June 1941, Mr. Donald M. Nelson was appointed head of the Office for Coordination of National Defense Purchases, an office of the National Defense Advisory Commission. Executive Order 9024, establishing the War Production Board, gave the chairman of that board authority to "determine the policies, plans, procedures, and methods of the several Federal Departments...in respect to procurement and production including purchasing, contracting, specifications and construction..." Appropriate organizations were set up in WPB to exercise these functions and a Purchases Policy Committee (later superseded by the Procurement Policy Board) was appointed on which the WPB and the various procurement agencies were represented. This Committee was to aid the WPB in its functions and to review policy determinations prior to issuance. Until April of 1942 all major contracts entered into by the Navy Department were cleared with the war Production Board prior to placement. It is clear that major responsibility for coordination of the policies and procedures of the services lay with the WPB and its predecessors. The Procurement Policy Board served as an important medium for developing agreement between the various parties at interest on the broad policies and procedures to be used.

At the operating levels within the services the coordination achieved in the early years of the war was largely the result of collaboration by individual technical services and bureaus prompted by the obvious necessity for close coordination by the Services in their wartime purchasing and aided materially by the Army-Navy Munitions Board which resolved conflicts between the two Services.

Coordinated procurement efforts were demonstrated in a number of commodities in the early stages of the war.

Lumber. By the middle of 1942, it was evident that the lumber procurement methods being followed by government agencies, particularly the Army, Navy, and Maritime Commission, were distinctly unsuitable to

meet the existing situation. In general, demands exceeded the capacity of the industry. Each government service was making its own contracts independently of the others. Suppliers were besieged by different expeditors from the various departments.

In an endeavor to correct this situation within its own service, the Corps of Engineers developed the "auction" system of buying, wherein suppliers sent their representatives to regularly scheduled sales for which requirements had been circularized in advance. At these auctions, sales were closed on the spot. The auction system was so successful that the Army and Navy Munitions Board on 1 September 1942, set up the "Central Procuring Agency" for the procurement of lumber for the Army, Navy, and Maritime Commission, and for any other government agency desiring to come into the program. Field purchasing offices were set up and staffed with personnel of both services.

Food Products. A similar situation developed with regard to food products. With the advent of war, peacetime methods of purchase of subsistence items by the Army and Navy appeared inadequate to meet the situation. Coordination between the two services and the War Food Administration was effected and the single-service procurement method adopted, (i.e., cross-procurement) where one service buys for both, with the Army buying about 85% of Navy requirements as well as all of its own, and with Navy personnel assisting in the operation.

Airplanes and Major Components

Very early during the war, the Army Air Forces and the Bureau of Aeronautics adopted a plan for the single-service procurement of complete airplanes, complete airplane engines, complete propellers, and some major accessories, together with their spare parts. This was done by having one service or the other purchase directly for both services the total output of each major plant. This did not preclude the opposite service from getting a large part of the output of that plant. For example, the Navy purchased the entire output of Pratt and Whitney; but in cases where the two services agreed that it was desirable that the Army have a specified part of the output of Pratt and Whitney, the Navy simply purchased it for the Army.

There were numerous other examples of coordination in the earlier years of the war. Most took the form of either standardization of end items or of single-service procurement. Some noteworthy examples were: crawler tractors (under 12 miles per hour), bunker fuel oil, some anti-aircraft guns, armor, small arms, aviation ordnance, some electronic equipment, and chemical warfare material.

Late in 1944, the Secretary of War and the Secretary of the Navy appointed respectively Colonel W.H. Draper, Jr., and Captain L.L. Strauss to make a study of the existing procurement coordination between the two services, to indicate the functional lines and material fields in which further coordination appeared desirable, and to make recommendations as to how such coordination should be accomplished. These officers

assisted by a staff composed of officers of both services, completed their report and submitted their recommendations to the Secretaries early in 1945.

The study was conducted along two lines: First as the coordination which existed and might immediately be improved in specified classes of material, and second as to the coordination which existed and might be improved in the various functions which comprise procurement or are closely related to it.

The report concluded that in three of the thirteen material fields studied, coordination was adequate; and that in the remaining ten fields further coordination, in varying extent, should be effected.

Along functional lines, Messrs. Strauss and Draper forwarded the reports of the staffs which made the individual studies, but made no separate recommendations.

As a result of their study, Col. Draper and Capt. Strauss made the overall recommendation that there be established a "Joint Material Chiefs of Staff" to be composed of four senior officers in the War and Navy Departments directly concerned with material; and that they appoint, subject to the Secretaries' approval, a Joint Director of Material.

It was proposed that the Joint Director be authorized to issue joint regulations, in the name of the Joint Material Chiefs, to the services and bureaus of the War and Navy Departments along some functional lines, and that along other functional lines the Joint Director act as a coordinator. The function of this organization was, of course, to achieve procurement coordination and to clothe the organization with the necessary authority for accomplishing the purpose. This overall recommendation did not receive approval, principally because it was felt that such a step would be premature. Too many points of uncertainty remained, as to which additional experience was needed. This was particularly true in regard to the relative merits of the three principal types of coordinated purchase, which I shall discuss in a moment.

In the procurement of specific materials the recommendations made by Col. Draper and Capt. Strauss have proven of considerable value and have been put into effect in whole or in part by both services.

Three different procedures have been developed to coordinate Army-Navy purchases, joint procurement, collaboration of buyers, and cross procurement.

The first two methods require elaborate organization. The third method, a single-serve or cross procurement, in general requires few changes, and permits easy expansion or contraction. Because of this simplicity and flexibility, it will probably prove the best method for coordinating Army-Navy Procurement in most areas in which joint procurement is possible.

Any procurement system must permit each service to assure itself that its needs will be satisfactorily met. As we approach a new material field, either of the first two methods illustrated may be used in the exploratory stage, with every effort being made to arrive at cross procurement as the final solution.

By V-J Day, procurement coordination between the Services, although by no means complete, was far ahead of its status at the start of the war or even at the time of the Strauss-Draper report. The extent of this coordination will first be described according to the more important classes of material and then along functional lines.

- (a) Subsistence, lumber, crawler tractors (under 12 miles per hour), and aviation material. A high degree of coordination continued.
- (b) Medical Supplies and Surgical Equipment.

All necessary preliminaries to the establishment of an Army-Navy Medical Procurement Office had been taken.

- (c) Textiles and Clothing. The principal buying offices of both the Army and Navy were housed together in a single office in New York City. Although each of these buying offices maintained its own staff, the buyers of similar products had adjacent offices and were in constant contact with each other. This illustrates coordination through collaboration of buyers.
- (d) Petroleum, Fuels, and Lubricants. A central petroleum purchasing agency was established in Washington covering all large-volume procurement by the Army and Navy. This was similar in organization and procedure to the textile and clothing buying operation.

As to small vessels, internal combustion marine engines, and parts, ordnance, construction machinery and mechanical equipment, and electronics, some progress toward coordination had been made, but not as much as might have been desired.

#### Progress since V-J Day

Since V-J Day, further material progress has been made:

- (a) The Army and Navy Munitions Board has been reconstituted and strengthened.
- (b) The Army-Navy Joint Specifications Board and Council have been established, with a full-time staff, to develop joint Army-Navy specifications.
- (c) The Joint Army-Navy Packaging Board has been established to develop new packaging methods and materials, and to make them uniform

between the services.

(d) Legislation (S. 2496 - H.R. 7209) has been introduced in Congress, which, if enacted, will modernize pre-war statutes covering purchases and will apply identical to both services.

(e) The Army-Navy Medical Procurement Office has been established in New York. This is a jointly staffed agency which buys medical, surgical, and dental supplies and equipment for both services.

(f) The Quartermaster General and the Bureau of Supplies and Accounts have assigned paper, stationery, office supplies, soap, and chemicals to their "collaborative buying" office in New York which also buys clothing and textiles.

(g) The Joint Army-Navy Committee on Construction machinery and mechanical equipment has established preferred and alternate commercial models.

(h) The Army and Navy have agreed upon the basic contract clauses for fixed-price contracts.

(i) The Army and Navy are participating in the development of a uniform Federal System for item classification, identification, numbering, and catalog format.

(j) Finally, and perhaps most important, a working system for developing parallel policy in procurement matters has been evolved.

Several of the other accomplishments just listed resulted from this system, and still others may confidently be expected in the future.

You will be interested, I am sure, in some of the most recent developments concerning the Army-Navy Munitions Board. On September 19, 1946, the Under Secretary of War, and the Assistant Secretary of the Navy directed the ANMB to establish a Procurement Policy Committee, composed of two members and two alternates from each of the two departments. The duties of the Committee are:

"To initiate and present to the Army-Navy Munitions Board recommendations with respect to policies and plans, including procedures for the implementation thereof, in the fields of procurement responsibilities and operations of the military services, in the accomplishment of the primary objectives of:

- (1) Development of maximum coordination in all aspects of current procurement by the military departments.
- (2) Elimination of duplication of effort in all elements of current military procurement to the maximum extent practicable.
- (3) Development of procedures to accomplish an expeditious and efficient transition from methods of current procurement to those anticipated to meet the expanded requirements of a major emergency.

- (4) Development of any changes in current methods of operation or assignment of responsibilities considered necessary or desirable to meet the requirements of a major emergency.

"To coordinate the work of Army-Navy Munitions Board Committees engaged in procurement functions to insure a dequate progress, allocation of workload, and resolution of differences. To receive all reports and review the major recommendations submitted by this committees. For these purposes, it will have direct access to the Committees."

The Procurement Policy Committee will have its organizing meeting this afternoon. The members are:

For the War Department

Lt. Gen. Lutes, Director of Service, Supply and Procurement.  
Maj. Gen. Powers, A-4 of the Air Forces Staff.  
Two alternates.

For the Navy Department

R. Adm. Braine, Chief, Production Policy Branch, Material Division.  
R. Adm. Ring, Chief, Procurement Policy Branch, Material Division.  
Two alternates.

On October 7, 1946, the Under Secretary of War and the Assistant Secretary of the Navy extended an invitation to the Director of the Treasury Procurement Division, the Maritime Commission, the Reconstruction Finance Corporation and the General Accounting Office to join with the War and Navy Departments in forming an Inter-Departmental Committee to develop:

- (1) Detailed regulations under the proposed Post-War Procurement Bill.
- (2) Protective measures considered necessary in case of a national emergency.
- (3) An evaluation of World War II purchasing procedures.

The War Department will be represented on the Committee by Col. P.W. Smith and the Navy Department by the speaker. An early meeting is anticipated.

We know now that the formal-advertisement, competitive-bid system could not stand the gaff of war. The question now is: Will negotiation of other systems be able to stand up in the event of another war, with its atom bombs, rockets, jet planes, etc.

We need creative thinking and imagination in the purchase field. If we were to be content with logic only we would be whistling in the dark. We would probably rationalize an existing situation and vindicate ourselves by saying that we have solved the problem, when in reality we had only arrived at a surface solution.

It is going to take the best brains we can get to solve the problems that confront us. While our country rightfully turns its eyes toward peaceful progress, we must keep our attention centered on the perfection of a smooth-working, quick-operating defense plan.

The field has ample room for original thinking. No plans have been solidified, no genius has yet produced the final answer. I hope that I have provoked in the minds of some of you a desire to think about our problems. If I have, my talk has been successful. Thank you.

(5 Nov. 1946 - 350) Ins.