

JOINT PROCUREMENT ACTIVITIES

1 November 1946

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GENERAL MCKINLEY:

Gentlemen, I am sure that this morning we are going to be very much interested in our speaker, Admiral Strauss. He comes to us from Richmond and served as Herbert Hoover's private secretary during World War I. He has been associated with Kuhn, Loeb and Company since 1919. In 1940 he was ordered to active service as a Naval Reserve Lieutenant Commander. He became the Navy representative on the Army and Navy Munitions Board and on the Interdepartmental Committee on Atomic Energy. He is a director of several corporations and of educational and philanthropic institutions, including the institute for Advanced Study at Princeton, and the Memorial Cancer Hospital at New York. He was appointed to the recently established Naval Research Advisory Board. During World War II, Admiral Strauss was Special Assistant to the Secretary of the Navy, and to the Vice Chief of Naval Operations. On 28 October 1946, President Truman appointed him as a member of the new Atomic Energy Commission. His subject today is: War and Navy Departments. Organization for Coordination of Purchase Policies.

I have extreme honor and pleasure in introducing Admiral Strauss.

ADMIRAL STRAUSS:

General McKinley and gentlemen, it is a privilege to be with you this morning. From General McKinley's generous introduction, gentlemen, you will have inferred that I am what is known as an "expert." In the Navy we used to define an expert as a "stuffed shirt from out of town." Since the headquarters of the Atomic Energy Commission is to be here, I cannot claim non-residence. As to the rest of the definition-I deny the soft impeachment.

General McKinley has instructed me to talk on the subject of Coordination of Procurement. It used to be a very hot subject. I say "used to be" because just two weeks ago I received a letter from Secretary Forrestal reading as follows: "Dear Lewis: You will be interested to know that at long last the fundamental recommendations of the Strauss-Draper Report--transmission of the authority to make decisions on who buys what, between the Army and Navy, is being implemented and a letter is being signed by Patterson and myself."

I have heard no further details, but I am advised that the President in his capacity as Commander-in-Chief has taken the principal step recommended in the report and the executive order is probably familiar to all of you.

Students of military subjects at some future date are probably going to wonder why we took so long to arrive at an obvious conclusion.

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 restraints 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 industries -- so-called "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 planned 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 the republic more critical than hitherto, 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 supports of the tripod of victory: Strategy - the human factor and materiel.

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 estimate of 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 and the synthetic rubber program very nearly wrecked each other. 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 fantastic episodes like the classic case of the civilian scientist traveling by air to deliver a lecture in a certain town and who was put off the plane to give place to a general officer who was flying to the same town for the specific 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 before we start to apply them.

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, because of the submarine situation which curtailed the export of Argentine wheat, the Army and Navy were competing in the markets of the country for flour -- and other foods as well. Mr. Hoover, who was then appointed United States Food Administrator, called in the Quartermaster General and the Chief of the Navy Bureau of Supplies and Accounts and proposed the then radical suggestion that they should buy together. He pointed out that they were proposing to feed an army and navy composed of citizens with the same dietary habits and that no different specifications were necessary 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 these commodities, where the other service might have possession of an excess as a result of cleaning up the market.

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 his 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 -- permanent galleys and refrigerators 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 arms 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 came in with a report some two and one half months later, which was interesting for at least two reasons.

The first was that the report was the work of several hundred officers of both services working as joint 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 on this occasion against the suggested merger of the Services.

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 Army Services and Navy 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 auditorium who took part in the preparation of those studies. If so, I want to pay my respects to you, for 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 Material, and
- Aircraft Equipment

To help visualize the situation we collected a series of exhibits and my office 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 unlike; 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 portion of that group of functional studies, because one of my first assignments 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 groups of Navy inspectors. Late in 1942, and not until after some difficulty in overcoming bureau opposition, we at least produced consolidation within the Navy. We got down to one material inspection service. This study recommended that the Army and the Navy now consolidate their material inspection services. It is a logical development, one which will produce great savings of money and manpower in another war.

As for the rest of these underlying studies they were for the most part 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 -- General Draper and I held a more hopeful view. Our optimism was born of success the previous year in developing 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. We selected several very competent officers of both services who simply locked themselves in and in less than a fortnight hammered out all departmental differences and performed the impossible by preparing the Joint Termination Regulations.

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 1945-1946. We calculated that it could save for the nation as much as ten billion of that colossal figure.

The final report, which was submitted eighteen months 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 on a skeleton basis.

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 for common stocks, even at the front, and made difficult the determination of over-all 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 the study.

The report made a major recommendation, to which Secretary Forrestal referred in his letter. 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 was valid, and, indeed, urgent.

With your permission I would like to brief that recommendation.

"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, 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. 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."

That is the end of the summary

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 may dawn darkly and too late 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 McKinley. That is the end of my remarks. Thank you, gentlemen, for your courteous attention.

GENERAL MCKINLEY:

The meeting is now open for questions.

REAR ADMIRAL RING:

I had the pleasure of talking to this Institution the other day, and I was very happy to hear you talk. I think there is one point where Admiral Strauss might be current, and that is that I am working with General Lutz and General Powers on the Army side on the Price Procurement Policy Committee, working under the leadership, of course, of Mr. Dupre, who has the authority to make the decisions in the thing; and, Mr. Dupre told us the other day that it is quite important, it is essential that in the questions that they have, representing the Army Services and Supply Services and Navy Bureaus, that these people get a unanimous recommendation if they can. If they can't, they are supposed to come out with the statement "Is this a commodity that lends itself to a single service procurement?" If that matter comes up on a split vote in the committee

composed of Lutz, Powers and Ring, it is imperative that they get from them a unanimous recommendation, but if they can't, what Mr. Dupre asks us for is a statement of opinion on "Does this item lend itself to a single service procurement?"

GENERAL MCKINLEY:

Thank you very much for coming down and giving us your time in this illuminating discussion.

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