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THE FUNCTIONS OF THE NAVY INDUSTRIAL ASSOCIATION
IN INDUSTRIAL MOBILIZATION PLANNING

12 June 1947

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

WASHINGTON, D. C.

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

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GENERAL MCKINLEY: Gentlemen, you heard me expound at some length the other day on our relations with industry and with the industrialists; also on the importance of the various industrial associations. The particular remark I made was that the Navy has one association while the Army has several; and how desirable it is to have only one.

Also I want to go back to something that happened on this stage this morning when the Secretary of War was talking about publicity. In trying to answer a question on how the message of the Army could get out without the stigma of propoganda, he said he did not see clearly any solution to the problem. I want to suggest the thought that it is possible that the message of the Services can get out through detailed industrial mobilization planning where we take the various manufacturers into our confidence and have them help us make our plans. In so doing we give them the facts, while they, without knowing it, are being indoctrinated; and since they are a very strong segment of the public, the public will acquire a realization of the Service's message as a byproduct, without, in fact, realizing they are being indoctrinated.

So with all that in mind, we are very fortunate today in having Commodore J. K. Richards, who is the mainspring in the Navy Industrial Association. I will give you a little bit of Commodore Richards' background because he is more or less a contemporary of mine, and I am glad to find some.

Commodore Richards graduated from the U. S. Naval Academy in 1912 and was commended for service in destroyers during World War I. Later assignments included Command of various destroyers, Second in Command to the Governor of Guam, and Flag Secretary to the Commander in Chief, U. S. Fleet. During World War II, he commanded various Reserve officer training activities and finally headed the system of 18 colleges which provided thousands of Reserve officers for the Navy.

Commodore Richards is now Executive Director of the Navy Industrial Association. His subject is "The Functions of the Navy Industrial Association in Industrial Mobilization."

I take great pleasure in welcoming back to the College Commodore Richards.

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COMMODORE RICHARDS: General McKinley and students of the Industrial College:

It is a distinct pleasure to have the opportunity to be here today to tell you something of the functions of the Navy Industrial Association. It was just a year ago that I delivered a similar address before the group attending the College at that time. I assume, General McKinley, that I shall now have to mark off June 12th on my annual calendar.

GENERAL MCKINLEY: That will probably be true.

COMMODORE RICHARDS: I always welcome the opportunity to explain the functions of the Navy Industrial Association to groups of Army and Navy officers because I want you to be aware of our existence, to have an appreciation of our objectives and to understand something of the way in which we function so that when the time arises you will feel free to call upon us for industrial assistance in the solution of some of your problems.

Having served the Navy since 1907, I recall only too well my experiences during the period between the two World Wars. I was concerned after the first war and I am concerned today; that, after victory, we see an ever-increasing tendency toward total demobilization and disintegration of our armed strength. It seems that if this is not complacency on the part of the American people, it is certainly the result of it. We seem unwilling to face the fact that we have engaged in two World Wars because we have refused to keep ourselves sufficiently strong that aggressor nations would be reluctant to force us into war.

Rube Goldberg draw a cartoon which was published on the editorial page of the New York Sun on Valentine's Day, 1942. It was in the form of a Valentine directed "From Us to Us" and it contained this doggerel verse:

"We love ourselves most dearly,
We're rich, we're strong, we're fine--
And so today we send ourselves
This pretty Valentine:

But see our precious offspring,
Our little children three--
Incompetence and Carelessness
And Rank Complacency!"

Rube very graciously autographed and gave me the original drawing for that cartoon and I have kept it before me in my office ever since, fervently hoping that the national state of mind which brought forth this doggerel verse would not again engulf us.

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The pages of American history are replete with the complacency of our people following the successful completion of every war in which we have engaged. At the same time, I take great pride in the fact that I represent an organization of American business and industry which is determined that no complacency shall diminish its interest in keeping our Armed Forces strong and, accordingly, keeping this Nation equipped to meet the responsibilities placed upon us in the world of nations, and thus maintaining, protecting and promoting our national security.

In September, 1944, the Honorable James Forrestal, Secretary of the Navy, wrote to the founders of the Navy Industrial Association as follows:

"The future welfare of our nation requires that the Navy not lose touch with the manufacturers and businessmen who have contributed so much to the technical advance of the Navy during the past four years. We need a group of patriotic men, through whom the Navy can learn of the most advanced industrial and commercial techniques and to whom we can turn for disinterested advice on research, manufacturing, and procurement."

The Navy Industrial Association is convinced that one of the most important aspects of national security is a mutual understanding between the Navy and industry of the problems of each. Industry is the lifeblood of this country's strength and the military services are not only the users, but also the protectors of that strength. For that reason mutual understanding is essential and to that end the Navy Industrial Association was organized.

Early in World War II the Navy, as did other branches of the military services, became acutely aware of the interdependence of the military man who uses the weapons of war and the industrialist who produces those weapons. Secretaries Knox and Forrestal both foresaw a need for a high degree of cooperation between the Navy and industry, and sought to utilize every means of giving representatives of industry a finer and more intimate knowledge of the Navy which could be reflected in the efficiency of their production lines.

To further this objective a series of Navy Civilian Orientation Courses for top industrial executives were conducted at Columbia University under my command. The results of these courses were excellent. Once these men understood the Navy's problems and the reason behind Navy policy and standards, they returned to their given assignments with an entirely new concept of the problems facing them. Moreover, they gained a recognition of the continued need for close communication between the Navy and industry. The enthusiasm generated by the course led a group of them to form the Navy Industrial Association.

Its founding members believed that the national security might be protected and advanced by a nonpolitical, nonprofit, scientific, and

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educational institution established to maintain a close and cordial working relationship between the Navy and industry. As stated in its charter, this became the Association's first objective. Its further aims are: to provide mutual understanding of the Navy and industrial problems and to meet them through cooperative efforts; to give direction to scientific research in all fields which affect the Navy; and to assist the Navy Department with technical information relating to industrial experience and practice.

Secretary of the Navy Forrestal introduced Admiral Blandy at a meeting of the Navy Industrial Association last Fall and since the program was broadcast over a nationwide network, he felt called upon to explain the Navy Industrial Association to the radio audience. He did so in these words:

"The Navy Industrial Association is the outgrowth of a series of courses in Naval procedures and organization given at Columbia University in February 1943, about four years ago. The interest that was generated out of these lectures was such that the people from business who attended them, on their own initiative, asked for the inception of an organization which should continue the interest in peacetime that had been started in wartime. The Navy welcomed that effort and has given its support. It is not an organization of warmongers; it is an organization of plain American industries, who are interested in the security of its institutions of American business and of American labor, because they are all a part of the same thing."

Mr. Thomas P. Archer, Vice President, General Motors Corporation, and Chairman of the Navy Industrial Association's Industrial Mobilization Committee, recently addressed a group of industrialists on the subject of industry's responsibility in industrial mobilization planning. He opened his remarks by saying that Napoleon's assertion that "An Army travels on its stomach," is entirely outmoded in these days of modern science and mechanical development; that a more accurate statement today would be "A modern Army and a modern Navy travel on the wheels of their country's industry." The recent war certainly proved that the man who uses the weapons is dependent upon the man who makes them--that war is a contest between industrial and scientific resources in which the Armed Forces are merely the means of bringing home to the enemy the Nation's industrial potential.

It is not necessary for me to explain in detail to you gentlemen the reasons for the existence of a Navy Industrial Association. They parallel and supplement the reasons for the existence of the Industrial College. In the case of the Navy a close relationship with industrial development is, and always has been, of the highest importance--for a Navy fights essentially with machines, be they sloops, frigates, gunboats,

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submarines or airplanes, and we have gone into every war since 1812 with radically different machines.

In 1812, we fought a series of brilliant individual ship actions with frigates which might be compared with the present day cruiser in the rating of fleet strength. The battle-wagon of the day was the ship-of-the-line. We had none available and did not have the capacity to build a fleet of ships-of-the-line great enough to match England's. Neither did we have officers trained in large fleet maneuvers.

But we could build frigates, fast, sturdy ships with a single gun deck, and we could manage them. In one action after the other, the "Constitution" and the "United States" defeated British ships of similar class. In his best historical work, "The Naval History of the War of 1812," Theodore Roosevelt gave full credit for these victories to better ships. No greater lover of individual prowess in battle ever lived than Theodore Roosevelt. He gloried in the skill and seamanship of Hull and Decatur, but he points out that the deciding factor was, in almost every case, a better ship, more heavily armed or more sensibly gunned.

The Civil War found us with a fleet of antiques, many of them sailing ships converted to steam. Two great developments came out of this war--the screw propeller which John Ericsson installed in the "Monitor" and the river gun boat.

The river gun boat was the landing ship of its day. It was designed for a specific purpose and it was built on a production line. The design was standardized; wooden ships, timbers, engines and guns were ordered from all available suppliers and assembled at a number of shipyards, notably by James B. Eads in St. Louis. Thirty ships were built on one design, twenty-three on another, and there were innumerable mortar boats and tinclads. This was mass production on a large scale, and mass production was an innovation which had been pioneered by Eli Whitney and Samuel Colt less than 30 years before. I cite this instance of applied industrial "know-how" to point out that even in the War between the States, most often remembered for the high strategy of the infantry commanders, the weight of up-to-the-minute Naval engineering was a back-breaking force which enclosed the Confederacy in a cruel and fatal grip.

The fleets of Foote and Porter which wrested control of water transportation from the Confederacy were said to be able to "go anywhere it was a little damp" and represented applied ingenuity at its best.

The "White Squadron" was in the process of building when the war broke out in 1898. Our Naval actions at Manila and Santiago proved that preparedness pays. We were ready with ships and guns and we won two actions with amazing ease.

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In 1917 we fought what might be described as a destroyer and subchaser war. Here again we were fortunate to be able to get ships ready to meet existing conditions. Had we had them ready in 1914, would Admiral Von Tirpitz have placed such reliance in the U-boat?

We fought this war over again in the Atlantic in World War II, using better weapons against better U-boats. In the Pacific we faced an entirely new problem in fighting and developed the fast carrier task force.

This little recitation of Naval history since the War of 1812 serves only to illustrate that American ingenuity, given sufficient time, has been able to design and build in sufficient quantities the weapons necessary to succeed in a particular conflict. But what is to be said of future wars? Quite naturally, your concern and ours is for those weapons and those strategies with which to meet a potential enemy. Much has been said and written of future wars in terms of the atom bomb, bacteriological warfare, guided missiles, rockets and jet-propelled aircraft. The Buck Rogers writers have talked so glowingly in terms of push-button warfare that the American public finds it difficult to believe that it is not a reality; that at present, we have little more than the button and the idea. I do not propose to debate such questions as whether guided missiles make unnecessary man-piloted aircraft, or whether the atomic bomb has eliminated the utility of the infantry division, or whether any combination of new weapons affects our need for a Navy second to none.

Two things are self-evident: We have successfully completed each war with the weapons already laid down at the time we entered the war; secondly, never in the history of man has a revolutionary new weapon been brought to play for which an effective defense has not later been found. And in considering this statement I ask only that you consider: The invention of gun powder, the invention of the rifled cannon, the torpedo, modern aircraft, guided missiles, and what have you. With the innovation of each of these, orators proclaimed that war was now too terrible and that no adequate defense could be had against these developments, yet each of you know that each time adequate defensive weapons were found.

Ships, which take months to design and years to build, are the most complicated machines created by man. The need for a close connection between the Navy and the people who must build them is blatantly obvious.

As an association we are merely the bridge or connecting link between the Navy and industry--industry as represented by more than 470 of the most important present and potential Navy contractors. The benefits of our activity will, we hope, extend to all Navy-Business relationships.

As I have just explained, we need only to look at history to know that the weapons with which a Navy fights must reflect the very latest in industrial development and technique; and because of the time involved in building machines, the Navy must not lag behind industry nor must industry lose

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sight of the needs of the Navy. Our first task, then, as an association, is to establish as many lines of communication and interest as possible, and to develop a broad program of mutual effort.

It was recognized from the beginning that there are many types of associations and that our policy would have to be carefully laid in order to do the best job for the country. Some associations have, and need, large treasuries of money. They are engaged in the promotion of ideas and the creation of public opinion, propaganda, if you will. We are not that kind of an association. Instead, we hope to be a reservoir of brains, "know-how" and experience, and as such, dependent more upon individual effort than on dollars.

In setting up our Association, it was felt that it would be more desirable to have memberships held by companies than by individuals. There is a high degree of continuity in a corporation, plus a breadth of comprehension that embraces many fields and many experts. By considering a company as a member we are able to draw upon all the personnel resources of that company, from the laboratory to the counting room; and, as diverse as the problems of the Navy may be, we can find, through our member companies, men who can understand them, and work toward their solution.

Each member company designates a representative through whom the Association affairs are cleared and through whom we draw expert help for our work. These representatives are, generally speaking, men on the executive level. Concerns with plants and factories far from New York and Washington have tried, in most cases, to appoint representatives who are frequently in those cities in order that they may be more easily available for association contacts. Each company also names an alternate representative who receives a duplicate of all communications sent to the list of regular representatives. This gives us a double contact with the member company and is useful because in many instances the representative may be located in New York and the alternate at the factory in the West.

These representatives elect a board of 45 trustees who, in turn, select officers and an executive committee in whose hands the management of the Association actually rests.

Our program, which is very flexible, as I shall soon point out, is carried on by committees. The personnel of these committees is drawn from the member companies and, when considered necessary, nonmember companies have been asked to send people to sit in with us.

The basic framework of our committee structure parallels the organization of the Department of the Navy. As permanent standing groups we have committees assigned to contact the Navy Bureaus--Aeronautics, Medicine and Surgery, Ordnance, Personnel, Ships, Supplies and Accounts, and Yards and Docks. These committees are in regular contact with the

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Bureau Chiefs for easy across-the-table discussion of joint problems, and a general clearing of the air in regard to policy and practice. Should the need arise, either side may suggest the formation of a subcommittee to handle a specific problem.

One of the most interesting developments in this phase of our activity has been the establishment of a training program in industry for officers of the Supply Corps. Under this plan some 62 supply officers of the Navy have been assigned to various industrial concerns for an intensive study of business methods in accounting, inventory control, transportation and procurement. Each of the participating companies has assigned an executive to supervise the training of the officer and each has worked out, from its own experience, a course designed to present a thorough indoctrination in business methods.

The possibilities of this training program are tremendous. Not only will the Navy gain through the proficiency of officers who have acquired a firsthand knowledge of business practice, but also it will have made friends.

This is not an experiment. The Bureau and the Committee have set it up on a permanent basis so that there will always be a group of officers in industry keeping abreast of commercial practice. What better training ground is there than the fiercely competitive school of American industry? What better way is there to know a man than to meet him on common ground? We hope this program will expand until there is never again any talk of "impractical officers" or "wooden-headed businessmen."

Now obviously much of our work must transcend the various Bureaus. Problems that affect two or more Bureaus, or the entire Department, are handled by a somewhat different type of standing committee. The broad subject of Research and Development is covered by such a committee under the chairmanship of Dr. M. J. Kelly of Bell Telephone Laboratories.

Research--Development and Engineering--that represents the technical side of our activity. On the other side is the matter of business practice. It is no secret that many times in the past the Navy and industry have not enjoyed the most cordial and contractual relations. The chief reasons for this were two--first, a basic difference in philosophy and, second, a lack of understanding of each other's problems.

One of the earliest tasks the Association faced was the ironing out of a difference of opinion in the contract offered to companies sending technicians to Europe to investigate German science and industry. The trouble lay in the patent clause, which was so written that the companies invited to make these trips were not anxious to sign this contract. The Association brought together the patent lawyers and experts of a dozen

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companies; a substitute clause was written; and with a few slight changes, adopted by the Navy. It is notable that the committee--in framing the new clause--took into account the Navy's peculiar position as a government agency and followed the general broad outlines of government policy.

The Association's Patent and Contracts Committees have been working the last two years with officials of the Navy Department in an endeavor to reach an Industry-Navy agreement on contract and patent provisions which will permit the adoption of established forms acceptable to both parties, the use of which will eliminate a great deal of individual negotiation in Navy contracts.

The Contracts Committee has established task committees to work on such matters as:

1. Procurement Legislation
2. Escalation in Navy Contracts (now disappearing from contracts)
3. Standard Forms for Research and Development Contracts, and
4. A review of the various contract forms now in use to secure simplification.

A task committee of seven industrialists has just been appointed to work very closely with the Navy Department in reviewing some 93 contract forms now in use so that they may be reduced substantially in number.

The Patents Advisory Committee has recently published an interim report containing a draft proposal of a new Navy Department directive which embodies the views of industry as determined by the Committee. A complete discussion of the proposed changes in the existing patent directive has been had with officials of the Navy Department and resulted in apparent Navy agreement on all provisions. Prior to the issuance of a new patent directive, however, the Navy Department is discussing this proposed directive with the War Department.

Perhaps one of our most important projects is that undertaken by our Industrial Mobilization Committee which is working with the Navy Department and the Army and Navy Munitions Board in the broad aspects of formulating a national industrial preparedness plan which will be fully adequate and in complete readiness for the conversion of American industry to military production in the event of another emergency or war. It has been said that it required three years in the recent war to achieve that degree of production necessary to assure victory. A great deal of time was lost, not only because we were not prepared, but also because we did not have a well-conceived industrial mobilization plan, or, if such a plan was in existence, it was not used.

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The Army and Navy Munitions Board, as you know, is the agency established by the President and charged with the preparation of the national industrial mobilization plan. The Army and Navy Munitions Board is not responsible for determining the types of weapons and other equipment to be used by the military forces. Rather, mobilization must follow a logical process under which the Joint Chiefs of Staff establish the over-all strategic concept for the use of the Armed Forces including the needs for fleets, armies, etc. These requirements are then studied by the Army and Navy. The Chief of Naval Operations determines the end requirements necessary to the strategic concept of the Joint Chiefs of Staff in terms of ships, bases, men and other naval requirements. The various Bureaus of the Navy Department then break down the end items into products, components and materials. The ultimate goal under industrial mobilization is a bill of materials with production drawings for each important end product, together with a means for constant revision, as the anticipated strategy changes and new weapons are developed. A static mobilization plan is worse than no plan.

After the Army and Navy have decided the types and quantities of weapons and equipment they will need, the total requirements are submitted to the Army and Navy Munitions Board and form the basis for the industrial mobilization plan. It is then the Board's responsibility to see that it has the industrial capacity-plant, personnel, machine tools, equipment and raw materials--necessary to produce these requirements.

It can be readily seen that one of the first steps for the Army and Navy Munitions Board in perfecting a plan is the study of critical materials. Accordingly, they are analyzing those materials which are critical in themselves and those materials which proved critical in view of the unusual demands of military production, and as a result of these studies they are now undertaking the stockpiling of materials demonstrated to be either strategic or critical.

The next step, naturally, will involve a study of those plants which experience has proved will be required for military production, and the completion of details of preliminary plant allocation to the production requirements of the Armed Services.

The Association's Industrial Mobilization Committee, composed of representatives of 19 major industrial classifications, will act as an advisory group to the Navy Department and to the Army and Navy Munitions Board and will seek to keep industry, particularly small industry, informed of developments as the preparedness plans are formulated.

These plans and activities I have described present a concrete program which can expand into a great and useful relationship between the Navy and industry. This is the tangible function of the Navy Industrial Association.

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The intangible function is just as important, and perhaps more so. Certainly it offers a tremendous opportunity for the Navy to help itself through the peacetime period; and, as you all know, the Navy has lost more battles in peacetime than it ever did in war.

The last war came upon us more or less gradually. There were enough government contracts around the country to give many businessmen an early taste of what it was like to do business with the Navy.

Furthermore, the planners had a rough idea of the factors which had to be met in the event of total mobilization. Yet no matter how perfect the plan, how polished the scheme, how carefully studied the detail, there was one element which could not be traced on a blueprint or drawn on a chart. This was the element of human contact.

I want to add a note of personal explanation here. I am a Naval Academy graduate and have served 32 years on active duty. Upon my retirement I went into business; and so when recalled to active duty in 1940, I was well aware of the differences in thinking which lie between the man in uniform and the man in business. There is nothing immoral, wicked or unpatriotic about these differences. They exist because the two groups grow apart, live in different environments, and they have different incentives and goals.

Nor is it strange that there should sometimes be a lack of understanding. It is a credit to our Regular officers, both Army and Navy, that it was possible to make the adjustment at all. The pressure was terrific and the services were doing business with concerns which apparently had heard of the Army and Navy primarily through their annual football game. Into this tense picture were thrown thousands of Reserve officers who had to absorb the policies, procedures and traditions of the services in a matter of a few weeks, and on top of that, leap into business and industrial situations with which they were not always familiar.

The job of tying our industrial potential to the war machine was done, well done, superlatively done--but with the typical American love of efficiency, let us agree it could have been done better.

With 470 member companies scattered across the country, it is obviously not easy to bring the key people of each company into regular direct contact with the Navy in peacetime. It is our aim to establish this contact for as many as possible in as many ways as possible.

We can do a small part of this job by mail. Our monthly report, special bulletins and literature are sent to the representatives regularly. The response is good, but this is not direct contact.

Frequently the Navy is able to include a limited number of our members on shakedown and training cruises. These are direct contacts and excellent ones; they are but temporary.

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The continued interest of our members is going to depend upon permanent personal contacts and the definite growth of our committee activity.

We expect the Navy to point the way to us for the solution of those problems which we will face in the case of another war. Once the Navy, which because of its great knowledge of how to use industry-developed research, and its resulting new methods, new missiles, and new weapons, has described the course, industry will try to follow it.

The day will come when we, as industry, may be able to tell the Navy--"You are on the wrong track. We know better." But industry will hesitate to take that step until it is thoroughly acquainted and completely indoctrinated in Navy plans and in Navy methods. In other words, if industry is going to be on the team, it must be taught the signals.

The Navy must realize that we are on the same team and that if industry is critical, it is only because industry is trying to be constructive. So far our discussions have been carried along on a fine, frank, friendly basis, but the Navy should never forget that the job of selling the business man an interest in the Navy belongs to the Navy itself. I cannot go before the members of this Association as an apologist for the Navy. Our committees are made up of the best brains in specific branches of business; they are willing to work, but they must be given tasks worthy of their abilities and their conclusions must be listened to and given consideration.

As an Association we recognize that the whole question of industrial mobilization is plagued by the same factors which have always prevented us from developing an adequate inventory of our skills, machines and resources.

First: There is a general public apathy to industrial mobilization which develops a negative effort upon necessary legislation.

Second: Any Industrial Mobilization Plan which would be adequate would be so incredible that too many people would scoff at it.

Third: In the light of rapidly changing scientific developments, any Industrial Mobilization Plan becomes obsolete almost as soon as it is made.

The first two factors can be overcome only by public education which is bound to develop. This relationship between industry and the military services, as the General has said, will help develop that. The third of these factors, however, is very much our own job.

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The industrialist, in the light of his recent experiences, is wholly conscious of the requirements of the job, should another emergency arise. He is well aware of the necessity for speed. In fact, he knows that the national security will be best protected by a degree of preparedness which anticipates emergency. He will assist and cooperate with any sensible plan for industrial mobilization, provided the Services approach him with a respect and understanding of his problems in peacetime as well as in war.

Industrial mobilization demands that the military machine and the industrial machine be completely integrated. To do this we must first eliminate all points of friction and dislocation, and second, adopt the most efficient business methods. The Navy Industrial Association, the Army Ordnance Association, and the Services themselves are working intelligently toward the solution of the first problem.

And the second must be approached by some over-all plan which will give us a perpetual and liquid inventory of the resources for National Security in materials, machines and men. Ten thousand ships in moth balls are useless unless the modern installations necessary to their effective operations are in stand-by readiness. We may have the design for the best rocket or jet engines in the world, but those designs are useless unless we have enough special alloy steel from which to build them.

Any such over-all plan will embrace elements beyond the limitations of the discussion here, but let me remind you of the chain of considerations which have a bearing on industrial mobilization.

The Nation's foreign policy must be backed by its military power. Military requirements will then be formulated in terms of the men, weapons, equipment and supplies necessary to the national security and to fulfilling our responsibilities on the international scene.

These requirements must then be translated into places of manufacture and schedules of procurement--schedules that go all the way back to raw materials, machines and manpower.

Due consideration must be given to civilian economy in production schedules so planned.

Production capacity must be used efficiently and any program of mobilization must combine a realistic coordination and balance.

All of this planning must, by its very nature, be carried on at the very highest level, for it involves the primary functions of the Government, cuts across almost every office in the Cabinet, and comes under the jurisdiction of Congress.

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In the absence of such a master plan or policy, the activities of an association of companies deeply interested in the national welfare are definitely limited in regard to national industrial mobilization. Our members are less interested in "unification of the Armed Services" than they are in coordination of all the elements involved in an emergency--the diplomatic, the military, the industrial potential, and the raw material supply. The great concerns of the business executive during the last war were less with the Army and Navy than they were with the problems of supply of material and manpower.

As I have said before, this must be a perpetual and liquid inventory. We must not stockpile obsolescence. Industry will do its best to keep up with the Navy, and the Navy must do its best to keep abreast of industry. In our Association, we have the machinery for keeping the two working together in the most cordial and useful relationship. Our people are enthusiastic and interested. The Navy has shown itself to be equally so. We are off to a good start on a sound program of service to the Nation.

GENERAL MCKINLEY: Any questions?

A STUDENT: Commodore Richards, in their mobilization plan the Army and Navy Munitions Board, after the Army and Navy have determined their requirements, will assign specific plants to the Army and Navy and they will make their own surveys of capacity. The question that I have is, can the association give the Navy the answer as to the capacity of various plants assigned better than can be obtained by going directly to the plants, so far as both industry and science are concerned?

COMMODORE RICHARDS: I do not think the association can give them a better answer as to the capacity of individual plants.

A STUDENT: It is a question of both expansion and conversion.

COMMODORE RICHARDS: Expansion and conversion. As I understand this plan that is being worked out, the plan for the use of the plants will work very similar to the way it worked in the previous war, primarily through prime contractors. In other words, the Navy or the Army and Navy Munitions Board will not deal with thousands of different plants. I think I am correct, General McKinley, when I say that in the last war 90 per cent of all contracts were let to ten percent of industry.

GENERAL MCKINLEY: I would not know exactly. That is probably about right.

COMMODORE RICHARDS: And the question of the capacity of various plants was left in the hands of prime contractors primarily, and will be in this case. I do not know whether that is the answer for which you are looking.

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A STUDENT: That gives me an answer, but I thought the association as an industry could give a better answer than an individual could.

COMMODORE RICHARDS: I doubt that.

GENERAL MCKINLEY: Let me complicate that by asking you, should you be the channel through which the request would go?

COMMODORE RICHARDS: Not normally. If we get into such a channel, we will run right into Mr. Clark on the antitrust laws.

GENERAL MCKINLEY: You see one of the disconcerting things in collecting all this capacity information is the fact that your various bureaus might--for instance, if they are all working on their own individual problem--have an interest in some product, capacity or ability of a single plant, whereupon the single manufacturer is pounced on by three or four different people.

COMMODORE RICHARDS: I believe they are attempting to solve that problem, at least in the Navy Department, through the Materials and Inspection Division.

GENERAL MCKINLEY: As a clearing house.

COMMODORE RICHARDS: Yes, the Material Division acting as a clearing house for all information. That is, the Bureau of Ordnance, the Bureau of Ships, the Bureau of Yards and Docks will send it to them. Now the association is willing to do this: Its members are willing to be used as guinea pigs in arriving at a form of adequate report that can be used throughout the industry. That is, if they devise something and send it to us, we will give it to a firm to fill it out and comment on it--or four or five firms--and instead of having every Material Division in every office send out their own forms, try to get one that will do all the work.

A STUDENT: The other point in there was the question of prime contractor. If we deal only with the prime contractor, how will we know if they are all using the same source of component from their subcontractor? I thought maybe the association could clear it.

COMMODORE RICHARDS: You are getting into a practical problem that is practically impossible to solve with American enterprise and individuality. That is a question of regimentation.

GENERAL MCKINLEY: It is a rather important problem, though, involving duplication.

COMMODORE RICHARDS: It is an important problem but as you said, General McKinley, you break down all the theories that the Secretary of War mentioned this morning. You break down some of the theory. You are going

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to have it done to a certain extent, but it can be done more easily through prime contractors than through individuals. I am quite convinced of that, because the main, big, prime contractors, even in peacetime, use anywhere from one to 3,000 subcontractors, and they learned that lesson.

GENERAL MCKINLEY: I ran into a very glaring example of duplication of facilities in the Department's old Quartermaster planning before World War II.

The Chicago District took a lot of rubber goods capacity and said that it could get that stuff there. On investigation, it learned that every bit of that capacity was already scheduled for another district, and the small manufacturer there was merely planning to subcontract it into facilities that another district had farmed out on the same allocation of facilities. So it is a very dangerous thing unless there is some record made of the subcontractors that are proposed to be used.

COMMODORE RICHARDS: The first thing we have got to do is to get down far enough in a plant to know what you are going to do. We have not got that far yet.

GENERAL MCKINLEY: Yes, first we have to find out what we want.

A STUDENT: I have a couple of questions. The first one is this: You commented on the Bureau of S. and A. sending officers out into industry. Have any of your members or has your organization made any plans for sending young executives to the Navy as a counterpart of those officers that the Navy is sending to industry?

COMMODORE RICHARDS: Yes, while it has been done only for short visits in a few instances, there is provision for it and the Navy is willing to take young executives for up to three months, is not that right, Willard?

MR. JENSEN: Not quite that long; about two months.

COMMODORE RICHARDS: But as yet there has been none from industry that has volunteered to go. The Navy is willing to take them.

MR. JENSEN: They want Reserve officers for a two weeks' training duty.

A STUDENT: My other question, sir, a few months ago there was a committee here in the College investigating employment of industrial specialists by the Government during war. At that time we tried unsuccessfully to get an opinion from your organization as to just what you thought about how industrial specialists should be placed in the Government. Do you think they should report in uniform or civilian clothes?

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COMMODORE RICHARDS: Did you not try to get the answer out of me before and I did not give it to you?

A STUDENT: I thought you would speak personally and not as a representative of the association.

COMMODORE RICHARDS: I think personally they should be in uniform.

GENERAL MCKINLEY: You think that gives them protection?

COMMODORE RICHARDS: Yes, it gives them more protection; also you know it is a great advantage. If someone will solve the human problem of making--not only in times of emergency--every man who puts on a uniform strictly on the up and up, and also solve the problem of how to keep people from attempting to get to them, you will solve that other problem, too. He will not need that protection. He gets more of it in uniform than he does if he is there in civilian clothes, but that does not even protect him.

A STUDENT: Do you think he should be used in the industry with which he is most familiar or, in order to protect him from himself, should he be placed in another industry with which he is not familiar where he would not be used.

COMMODORE RICHARDS: There is no sense in putting him in another industry. You do not want to send a man from the steel industry to buy copper. We did a lot of it, but I do not think it is good, do you? Let him use the advantages of his previous knowledge.

A STUDENT: That was the opinion we wanted to get from you several months ago without success.

COMMODORE RICHARDS: I did not want to put it in writing.

DR. YOSHPE: I wonder if you would tell us what is your association's concept of the principles and policies which should guide the military in establishing their organization for procurement and procurement coordination for the Navy in peace and in war?

COMMODORE RICHARDS: I did not get the question.

DR. YOSHPE: I thought the group might be interested to know the conception that the association has as to the guiding principle and policies for the military in setting up their organizations for purchasing and for procurement coordination for the Navy in peacetime or in the event of an emergency.

GENERAL MCKINLEY: Where he stands on unification?

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DR. YOSHPE: No, I was not concerned with unifying. I was concerned more with how the association felt about such questions as centralizing the purchasing in Washington or having it done in the field in the vicinity of sources of production. Second, where you do have procurement in the field, what is the practicability of having common servicing of contracts?

COMMODORE RICHARDS: Well, now, let me get down to one basic principle of the association. The association, as I tried to say, is at the present time young. It does not feel with its present knowledge that it is in a position to dictate a policy to any of the military services. As I said, the time may come when we know enough, when we will be willing to tell someone that we do not approve of what they are doing. We have not reached that position except in specific instances.

The association's purpose is to suggest and give advice, but not to attempt to dictate what shall be done. In other words, as an example, we may advise the Navy Department on some of its contract procedures. It is then the Navy Department's decision to do what it thinks best. We will support that decision, whatever it is. We will not attempt to force our point of view, whatever that may be, upon the Navy or upon any other government agency with which we are working, because we are nonpolitical and nonprofit. We have done that consistently. We were jumped on quite a bit for not getting into this unification business.

A STUDENT: Does the association get into industrial areas or into the distribution and transportation problems?

COMMODORE RICHARDS: Now we confine ourselves to what the Navy Department asks us to get into. If they ask us to make recommendations or to study a distributional problem, we will be glad to do so.

A STUDENT: I meant the basic membership of the association.

COMMODORE RICHARDS: It is fundamentally industry.

A STUDENT: The name of the association embodies the word "industrial." Does that mean it is confined to heavy manufacturing industries?

COMMODORE RICHARDS: It is fundamentally confined to industry. It is willing to accept membership from any reputable firm which is interested in the Navy and which can contribute to the Armed Services. But it is basically industry. We have no power companies in it, no bankers, no brokers.

GENERAL MCKINLEY: Of course, A. T. & T is a manufacturer.

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COMMODORE RICHARDS: A. T. & T. is a manufacturer.

GENERAL MCKINLEY: They are big manufacturers but you have them.

COMMODORE RICHARDS: Yes.

GENERAL MCKINLEY: Have you any railroads?

COMMODORE RICHARDS: Yes, we have four, the Santa Fe, the New York Central, the Pennsylvania, and the Erie.

A STUDENT: How is your association financed?

COMMODORE RICHARDS: By dues of its members. It has no government subsidies of any kind.

GENERAL MCKINLEY: I certainly want to thank you again for doing such a good job.

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