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COORDINATION OF PURCHASE UNDER THE NATIONAL SECURITY ACT

8 January 1943

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COORDINATION OF PURCHASE UNDER THE NATIONAL SECURITY ACT

8 January 1948

GENERAL MCKINLEY: Gentlemen, this morning we are very happy to have back with us a dear old friend. Rear Admiral Morton L. Ring, of the United States Navy, not only is a graduate of the school but was also a member of the faculty for several years, numbering among his students and graduates the current Commandant of the Marine Corps and two Chiefs of the Bureau of Supplies and Accounts. He is rather proud of that.

He also brings to us a rich experience in procurement and in Navy logistics. I know of no one better qualified to speak to us on the coordination of purchase under the National Security Act than Admiral Ring. I take great pleasure, indeed, in welcoming back to the platform Admiral Ring.

ADMIRAL RING: It is a real pleasure to be back again. Many years ago, when I was imbued with the idea that I had some writing ability, I thought of contributing to a professional journal known as the "Naval Institute." Proof that I was not a writer is evidenced by the fact that I did not win the grand prize; as a matter of fact, they did not even accept my article for publication.

One of the rules of the contest was that the writer of the article would submit his essay under a motto. He identified himself not by his name but by motto, submitting name and motto under separate cover. I have been thinking very hard as to what would be a good motto for this speech on coordination of purchasing under the National Security Act of 1947. The best one I can think of is, "You can catch more flies with honey than with vinegar." I will try to develop that theme as I go along.

There are many ways of organizing yourself for coordination of purchasing. Purchasing is one important leg of the logistics stool. Logistics is a sort of three-legged stool: you determine what you need; you obtain it; you deliver it to the people who need it. It is that second leg of the three-legged stool, obtaining material, that I am trying to talk about.

Obviously, you can organize on a straight-line basis by simply having properly placed authorities say, "This is the way we will do it." I think that during the past two years at least, we have been organized on a little different basis, which I will try to develop in my talk. I think it is beginning to pay us real dividends.

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You are familiar, I am sure, with the provisions of the National Security Act relative to avoidance of overlap and duplication of effort. I wish they would put in the words, "avoiding of overlapping and harmful duplication of effort." I think that is what they meant.

At the risk of boring you I want to read from a document which was issued by the Chairman of the Munitions Board on 13 November 1947, in which the Board enunciates basic policy on the subject of procurement assignment, as follows:

"Basic policy is established by the Declaration of Policy contained in the National Security Act of 1947 which is quoted in part as follows:

"..., it is the intent of Congress... to provide three military departments for the operation and administration of the Army, Navy...and Air Force, with their assigned combat and service components; to provide for their authoritative coordination and unified direction under civilian control but not to merge them."

"Section 213(c) of the National Security Act further provides that:

"It shall be the duty of the Board" --

that is the Munitions Board, of course --

"under the direction of the Secretary of Defense ... to recommend assignment of procurement responsibilities among the several military services and to plan...for the greatest practicable allocation of purchase authority of technical equipment and common-use items on the basis of single procurement."

"In order that the Munitions Board may take appropriate steps to eliminate unnecessary duplication and overlapping of effort in the field of procurement, the Secretary of Defense has delegated to the Chairman of the Munitions Board the authority to make final decisions on the allocation of procurement responsibility among the three Departments of the National Military Establishment.

"The Munitions Board has established a Procurement Policy Council composed of one member and one alternate from each Department. The Council will study the various commodity fields to determine the areas

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which require attention, will initiate action, work with representatives of the Departments (developing such rules of procedure as are required under these policies) and make recommendations to the Munitions Board on assignment of procurement responsibility.

"The following policies will govern:

- "a. First consideration for procurement assignment shall be given to those commodities or groups of end items which are in current short supply or the wartime requirements of which indicate potential difficulty of procurement.
- "b. In those areas where procurement coordination is decided upon, single Department procurement shall be used whenever practicable. However, in the interest of economy and efficiency, other methods of procurement coordination may be instituted.
- "c. In order to insure that each Department shall have those procurement authorities and responsibilities which are essential to the maintenance of effectiveness of its combat forces, there will be maintained in the three Departments as a final result of procurement coordination, organizations capable of performing assigned current procurement tasks and capable of rapid expansion to meet wartime needs.
- "d. Any procurement system established must make adequate provision that the needs of the requiring Departments will be satisfactorily met, either through representation in the purchasing organization or by other appropriate means.
- "e. Recommendations for purchase assignment will be made in accordance with the classifications established in the current issue of 'U. S. Standard Commodity Classification.'
- "f. Whenever feasible, purchase assignment shall be made by major commodity group as listed in the current issue of 'U.S. Standard Commodity Classification.' This is not meant to preclude splitting of major groups whenever sound judgment and practical considerations indicate its desirability. Consideration, insofar as practicable, should be limited to

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end items with the understanding that assignments of components will generally follow those of end items.

"g. Procurement assignments will include responsibility for:

- (1) Purchases.
- (2) Contract administration.
- (3) Arrangement for inspection.
- (4) Arrangement for transportation.
- (5) Development of joint Military or Federal specification when possible.
- (6) Developing recommendations on standardization.

"h. Procurement assignments will leave with requiring Departments the responsibility for:

- (1) Stipulation of quantitative, qualitative, and delivery requirements.
- (2) Budgetary justification and control of funds.
- (3) Research and development to meet its requirements.
- (4) Distribution, storage and issue."

So far as I know, that is our guiding directive.

I am the Vice Chief of the Material Division of the Office of the Under Secretary of the Navy. Because of my holding that job, I am a member of the Procurement Policy Council of the Munitions Board. It is an additional duty, of course. The other two members are Major General Orval E. Cook, an Air Force officer, who is Deputy SCAF--Deputy to General Lutes, and Major General C. M. Powers, Deputy to Lieutenant General H. A. Craig, who is occupying a similar position in the Department of the Air Force.

In other words, the Council is composed of the number two man in the Material Division, in SCAF, and in the Material side of the Air Force. We each have a deputy working with us, so that our Council meetings have six people present, plus people from the Procurement Division of the Munitions Board.

We have a definite feeling in the Procurement Policy Council that the job of purchase assignment is a task for management; that it is our function to study the broad commodity fields and try to select those which, in our combined judgment, look as though coordination of the purchasing

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effort might pay dividends. I know that I cannot sit down and say, "There are 88 commodity groups. Give the first 44, or every alternate one, or every fifth one to one Service or the other." We try to use business judgment.

Having selected groups for study and with due regard to personnel limitations in each Department, we then recommend the establishment of so-called Task Committees. A Task Committee of the Procurement Policy Council is composed of representatives of the technical services and bureaus interested in the procurement of the particular commodity group under consideration. We ask the Task Committee—to come up with recommendations. We ask for a unanimous recommendation. Sometimes we get it; sometimes we don't.

I think one of the best examples of troubles we have had is in connection with the Task Committee on purchase of photographic equipment. The people represented there were Navy, Army (Signal Corps), and the Air Force. They were all vitally interested in photographic equipment. The Task Committee came up with a two-to-one vote. Recognizing the Air Force's controlling interest in photographic equipment (subject to certain protection of the Navy's interest), the Navy Task Committee members recommended, with the Air Force, that the Air Force be set up as the buying agent for all three. The Army, as represented by the Signal Corps, dissented.

The Procurement Policy Council heard discussions from representatives of the Chief Signal Officer and finally came to the conclusion that the best interests of the National Military Establishment would be served by going along with the majority recommendation of the Task Committee. The Munitions Board confirmed that decision and the purchase assignment in that particular case is in process of implementation.

There are many difficulties which have to be overcome in considering purchase assignment. One of the first things we ran up against was that no two were talking about the same thing in the same terms. Consequently, it became necessary to adopt some sort of a classification bible which would indicate that when we say "railroad equipment" we mean certain items. We found that there had been published in December 1946, by the Bureau of the Budget, "U. S. Standard Commodity Classification." We realized it was not perfect, but at least it is the best document we could find and we recommended its adoption to the Munitions Board. The Board confirmed our recommendation that for purpose of purchase assignment we would use that one document.

We have many needless and hard-to-understand differences in specifications. I don't think there is any single subject that is tougher. We have a specification for a given article which was written possibly many

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years ago; maybe the same men who originally devised the specification is still on the job. You will find a very real reluctance on the part of the bureaus and technical services to give up the sponsorship or even change the wording of a particular specification.

It is something that is essential, however, to any real effort in getting ahead with your purchase assignment task. We must do away with nonessential differences in specification of common items. I think anyone who has studied the subject of purchase assignment would tell you that it is in these fields where you do have commonly accepted specifications--solid fuel, subsistence, etc.,--that purchase assignment is most manageable. As you get into more detailed technical-type items, the process of getting together on uniform specifications and purchase assignment becomes more difficult.

We have a great deal of work ahead of us in getting together on specifications, on standardization, and on cataloging. A very worthwhile effort has been started by the Munitions Board in cataloging. There is presently in existence the Munitions Board Cataloging Agency manned by representatives of all the military. I think that agency is pretty close to becoming the Federal Government lead-agency in cataloging. I say that because, as some of you know, the Bureau of Federal Supply, which was running the Federal Catalog Agency, failed to receive its appropriations from the Congress; they were cut off. We had to go ahead. This agency is going ahead and is doing a very remarkable piece of work.

Fundamental, of course, to any coordination of purchase effort is a removal of the statutory prohibitions against doing the job. I do not know much about Army statutes--but I do know some of the Navy purchasing statutes stem from Civil War and post-Civil War days. The Secretary of the Navy was required to advertise in the New York newspapers, twice a month for two months, or something like that, if he wanted to buy some salt pork or tobacco. Certain other things he did not have to advertise for. Our purchasing statutes were an accumulation of many, many years of Congressional enactments. So far as I know, no attention was ever paid over the years toward getting identical statutes for the Army and the Navy.

You have been told before that for nearly two years we have been making a very real effort to get the Congress to pass the Armed Services Procurement Bill (H.R. 1366). I think more lines in the bill are taken up with the repeal of outmoded statutes than almost anything else. The Army, Navy and Air Force are behind this bill. It passed the House of Representatives on the twentieth of March 1947 and almost got passed by the Senate at the end of the session. It is still up for consideration by the Senate. Certain amendments to that bill have to be made because

at the time we first started it there was no Department of the Air Force, because our bill antedated the National Security Act. Its enactment will be a major step forward because it will eliminate differences in statutory requirements as regards purchasing. Remember, please, that Army and Navy agreed voluntarily on this bill over two years ago, which should prove that reasonable men can get together.

In connection with Colonel Herter's talk yesterday, someone brought up the differences in the purchasing structures of the Departments. I do not know what the answer is to that one. I think most of you realize that we have to decentralize. Even though it was mentioned yesterday that Navy purchasing was pretty well centralized in Washington, that is no longer true because we have taken the purchase of electronics, aviation spars, internal combustion engine spares, general stores, and others out of Washington and, through the establishment of supply control points, have established our control, control storage, and purchasing points at different spots.

A great deal of work has got to be done. This is the trouble that will confront the Departments when purchase assignments are made. A great deal of work has got to be done in levelling off between departments as regards how they shall proceed because of the differences in organizations.

I do not think that is a function of the Munitions Board, however, but rather one of the Departments. We have taken such steps in the Procurement Policy Council as we thought appropriate to get ahead with the job. On the sixteenth of October 1947 the Procurement Policy Council was sent for by the Chairman of the Munitions Board. We met with the Board and proposed a broad plan which has generally been accepted. We have gone ahead. Munitions Board statistics recently issued shows that out of three billion dollars which it is estimated the three Departments will spend for supplies in 1948, some 65 percent, by dollar volume, will be under single-service procurement; one percent under a type of buying known as joint buying; 18 percent under what might be called collaborative buying, leaving about 16 percent, again by dollar volume, uncoordinated and still up for study. We have made progress.

What we plan to do is to continue to have the Task Committees meet and submit reports to the Procurement Policy Council. The Council will hold these reports for a period of time. Then we will spread out the existing purchase assignments and the proposed purchase assignments, and finally come up with an over-all study of the results of the purchase assignment job. It is going to give us a chance to look at a nearly finished picture. We do not want to do too much more on the "bits and pieces" purchase assignment basis.

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There are some commodity groups in the Standard Commodity Classification in which the Armed Services have no interest. There are also some commodity groups in which we feel that purchase assignment will pay no dividends. The Procurement Policy Council is not trying to make purchase assignments for the record. The Council does not feel that all assignments must follow one single pattern.

We have too many notable examples of success through other means. I think you are all familiar with what the doctors of the two Services have been doing up at Brooklyn. They have done a very good job up there. They have gone far beyond just a cross-purchasing arrangement. They have gone well into the field of elimination of differences in specifications; of acceptance of a common terminology; of getting up a catalog where if an Army doctor and a Navy doctor wanted an aspirin pill, they would each call it an aspirin pill and the pill would come in the same size bottle. I believe that at one time the Army insisted there would be fifty-three pills, and the Navy forty-seven, to a bottle, which did not make too much sense.

But I would like to point out that this was accomplished by setting up what looked initially like a very awkward organization. The two Surgeons-General agreed they wanted to try to do something. They started with a Navy building. They started out by having a "layered" organization, manned by personnel of both Services and with the officer in charge reporting to the two Surgeons-General. Nobody knew what type of purchasing regulation he was working under. If more than a hundred thousand dollars worth of material was being bought for the Navy, would the Navy have to get clearance of its purchase through Navy clearance channels? I think this was the first decision I made in the Material Division: as long as you are using Army contract forms, please submit your request for clearance for the whole total of medical supplies through the Army clearance channel.

It is no longer a "layered" organization, but a definite working organization which is doing a very fine job. The officer in charge, however, whether he be an Army doctor or a Navy doctor, still has two bosses... anyway, it is working, which is one of the best tests I know of.

I have touched on the Munitions Board Catalog Agency which is doing a fine job in its field. We are trying to get ahead with the problem of standardization. In the field of internal combustion engines, exclusive of marine applications, we have the Chief of Engineers as the head, with representatives from the other bureaus and services, and working with industry.

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We are also working in other fields. I have talked to a good many people regarding their views on purchase-assignment. I get a rather complete acceptance of this philosophy. It sometimes is hard to go the whole way on the first attempt; but as people get to know each other better many of the imaginary difficulties remove themselves; that through a process of evolution, just as the doctors evolved and grew, many things which initially did not appear practicable can be worked out.

It may sound as though I am talking about having fifty to sixty years of peace in which to get something done. I am not. I am talking about a period of a year and a half to two years to accomplish a great deal. I think there are going to be some types of supply, such as liquid fuel, in which single-service assignment is going to be difficult. We have no plan yet for the single-service purchase assignment of liquid fuel. To the Department of the Air Force, aviation gasoline is its lifeblood. To the Department of the Navy, fuel oil is its lifeblood. To the Department of the Army, running its trucks and tanks, motor gasoline and lubricants are essential.

I believe that single-service purchase assignment of petroleum products is practicable. I would, however, strongly recommend against single-service purchase assignment of petroleum now because I do not think any of the three Departments are ready for it. I think that the closer we can draw the people together, the easier, more thoroughly and more willingly the job is going to be done in the end.

Any purchase assignment that does not deliver the goods to the requiring department in kind, quantity, and time needed is a pretty poor purchase assignment. Now I cannot stress that too strongly. If you make a purchase assignment and it does not deliver the goods to the people who need the goods, your purchase assignment or its operation needs further study. Ask yourself this question: As a result of this assignment are you going to have a workable, reasonable operation of your military purchase system?

To review just a little bit: If you will regard the Procurement Policy Council as a management-control organization, with technical knowledge being provided by Task Committees, consulting with industry groups as needed; if you will give the Task Committees a reasonable amount of time to come up with recommendations (urging upon them to come up with unanimous recommendations); if when the Procurement Policy Council appears to be going against what any chief of bureau or technical service wants, he shall have a hearing; if you get unanimous recommendations out of the Procurement Policy Council--if you do all these things, the task of making workable purchase assignments is going to be made relatively easy.

I have told you that the Procurement Policy Council has not had any split votes. We do not propose to have them. The Munitions Board is composed of an industrialist (Mr. Hargrave) as its chairman, the Assistant Secretary of the Army, the Under Secretary of the Air Force, and the Under Secretary of the Navy. When those men agree in the Munitions Board to do something, the Chairman writes a letter to the Secretaries of the Army, Navy, and Air Force, and says, "It has been agreed to do this. Please do it." The Secretary of each Department sends the letter to the man who agreed to do it--the Assistant or Under Secretary, as the case may be. The Assistant or Under Secretary has a job in the Munitions Board; he has agreed to do something; he has a job back in his own Department doing what he has agreed to.

The Procurement Policy Council is in exactly the same position. The number two man in the three policy control agencies agrees to do something if the Board approves. I know perfectly well what I have to implement when I get back to my office, as do Generals Cook and Powers.

This is another one of those committee arrangements, such as JCS. As I remarked to Colonel Hornor, after his lecture yesterday, I noticed that even though he did not like committees, he still had in the upper left-hand corner a little block called JCS. I rather like sending a responsible man to a meeting; a man who realizes he has to be reasonable and sensible. When he agrees to do something, he then comes back to his own office and implements the agreement.

That covers, in general, what we are trying to do in the coordination of purchasing. It might be that if this talk were being made by either General Cook or General Powers, you would get differences in interpretation of some of the things I have said, but I don't think so. I think the three of us pretty clearly understand what we are trying to do; pretty clearly understand the rules under which we are working. We are working as hard as we can toward the development of the most effective method of purchasing the military supplies that the National Military Establishment will need.

GENERAL MCKINLEY: Gentlemen, this is an unusual opportunity to question a source which is very authoritative in the policy-making and in the actual operation of this thing. This is not academic. I hope you will take good advantage of it.

Are there any questions?

QUESTION: Where a Department is assigned the responsibility for procuring on behalf of another Department, does the Munitions Board have a

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The Navy has a centralized inspection service for general inspection. They are called the Naval Inspection Service or the General Inspection Service. They have a Board of Inspection and Survey to handle complaints from the public. The Board consists of naval inspectors who inspect ships and aircraft carriers. They also inspect commercial vessels and other ships. The Board is responsible for ensuring that all ships meet safety standards. They inspect ships at sea and in port. They issue certificates of inspection to ships that meet safety standards. They also issue certificates of survey to ships that meet safety standards. They inspect ships at sea and in port. They issue certificates of inspection to ships that meet safety standards. They also issue certificates of survey to ships that meet safety standards.

ADDITIONAL RING: I am very glad you asked the question.

QUESTION: I should have made that a little clearer. The Procurement Agency has to take the arrangements, but does the Inspections Board visualize those for the inspection to be made by contractors or agencies to take the arrangements? And inspections calling on the inspectors from the other Department?

ANSWER: I think it would be the height of folly for the Inspections Board or a responsible working relationship the details of how they will do it. If you get a purchase agreement, you have to do it this way." Lots of the Procurement Policy Council to try to lay down a pattern and say, "If you give to the people who have to make the contracts and have to work out a reasonable working relationship the details of how they will do it.

So far as the implementation of the procurement assignment is concerned and what detailed arrangements must be made between the bureaus and technical service offices, it is a matter for solution at that level.

- (6) Developing recommendations on standardization.
- (5) Development of joint industry or Federal specification.
- (4) Arrangement for transportation.
- (3) Arrangement for inspection.
- (2) Contract administration.
- (1) Purchase.

"Procurement assignment will include responsibility for:

ADDITIONAL RING: I would like again to read to you the instructions Board's policy expression on that; it does require interpretation. What I told you was--

Policy on just exactly how far the responsibility of the procurement department goes? That is, do they let contracts; do they go through the regular inspection service?

Policy on just exactly how far the responsibility of the procurement department goes? That is, do they let contracts; do they go through the regular

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This simply stresses the importance of not trying to lay down a detailed prescription of how you will do it; rather, to require reasonable people to examine all the facets of the problem and solve the problem in the best and most efficient manner. That is what we are trying to do in that particular field.

It is difficult to prescribe any one single-service purchase method. Consider subsistence, for instance, in which General Hardigree, Colonel McKenzie, and others did such a fine job during the war. We set up a method for coordinating the Navy's interest in the Army's meat-purchase program, which might not have worked in any other commodity field. But it worked well in that area. If we are going to get the hide-bound and say, "This is the way it has to be done," it may wreck the system. That is why I stress the need for a thinking program rather than a completely directed program which, in this effort might be fatal to our best interests.

COLONEL BLISH: When you mention oral I think of the Bureau of Federal Supply, the Treasury Procurement Agency. I wonder what that coordination exists in the purchase of an item like that?

ADMIRAL RING: This afternoon at two o'clock the Procurement Policy Council is going to meet over in the Pentagon. There will be present Mr. Freeman, Deputy to Mr. Clifton Mack, Director of the Bureau of Federal Supply. At that time the Procurement Policy Council is going to start exploratory conversations on how we will mesh in N.W.E. purchasing with Bureau of Federal Supply purchasing. It is a subject that is under active study now.

GENERAL MCKINLEY: Admiral, I would like to ask you a question. I have been out of touch with things for a long time.

During the war—I am talking about the Army side alone—ASF had a purchase assignment group. We also had a budget officer for the War Department. The interests of these two people were directly opposed. In other words, Budget tried to keep us to the pattern of the appropriation acts which came down from post-Civil war days. They were very reluctant to try to change anything because the Congress understood that pattern. Incidentally, I think a great deal of the rigidity of the organization within the Army was caused by the fact that that pattern of money procurement had given certain responsibilities to certain people. That existed over a long period of time. It was always the thing to which they went back to prevent any sort of modernization to exist existing conditions.

The ASF purchase assignment group, for instance, came down to me one day and said, "We want to give you budget for all typewriters. We want you to buy all typewriters." Actually, the money is appropriated for

typewriters for the combat troops of the Army through the Quartermaster Corps. However, the other procuring agencies that defend and administer appropriations may buy typewriters for their own administrative work, which is the biggest part of it. As a matter of fact, if you put all of the typewriters those people bought in one place and showed the total to Congress, they would never appropriate the full amount.

Now what are you doing with things like pencils, pens, and so forth, which are administrative supplies purchased as an administrative expense? What is the answer in that?

ADMIRAL RING: I don't know why you had to ask me that question. I think Admiral Buck, if he doesn't mind my asking him, could give us a more intelligent answer along that line than I could.

MR. ADMIRAL WALTER A. BUCK: As I understand your question, General, it related to what the Munitions Board was doing with that problem; that is the heart of the problem. I am afraid I cannot be intelligent on that.

I am sometimes known as a "rebel" in this coordinated and consolidated operation. I don't think that is because I am basically a rebel—I didn't come from south of the Mason-Dixon Line—but because I am a bureau chief and am the one who has to defend the money and explain what it is used for. In my opinion, until something is done about that phase of the problem, that has not yet been done, we cannot go so far as many people would like to go in coordinating procurement and supply.

On the typewriter problem, we have a solution, so far as the Navy is concerned, which the Army does not have available to it, in the Revolving Fund method of financing.

GENERAL MCKINLEY: Yes, sir. You probably are not so confined as we are.

ADMIRAL BUCK: The typewriters are procured by the Bureau of Supplies and Accounts and stored by the Bureau of Supplies and Accounts. When needed for use, they may be drawn from stock at the time of need and charged to the bureau's appropriation.

GENERAL MCKINLEY: I brought up the typewriter matter to bring out a point in connection with a more basic thing, that is, the basic conflict between the appropriation structure and purchase assignment.

ADMIRAL RING: In that particular connection there have been advocates of a different type of appropriation structure, to go to Congress and ask for a lump sum of money for the three departments. Whether that is going to go through, or not, I do not know.

DEPARTMENT OF DEFENSE  
DIRECTOR OF PURCHASES

A joint directive has been approved by the Secretaries sometime ago relating to the fiscal aspects of single-department procurement. It says in its preface:

"The program under which the Department of the Army, Department of the Navy or Department of the Air Force is assigned the procurement responsibility for a commodity or class of commodities is being implemented rapidly. For the purpose of achieving further economy and efficiency in the single procurement program and of providing simplified procurement and payment procedures which are urgently required in effecting this program, these Departments agree upon the following procedure:"

Then it goes on to say, with regard to the execution and administration of contracts--

"Generally, separate contracts will be prepared covering purchases for each Department. If the purchasing Department determines in a particular instance that economy or more efficient procurement will result, the requirements of the Departments may be combined in a single contract, the quantities of each item for each Department being shown separately and clearly identified as to the proper appropriation or fund to be charged. The purchasing Department will make allocation of purchases among the Departments on an equitable basis, taking into consideration prices, quantities available, and so forth."

Thus, under the subject of Funds and Payments, which probably comes closest to answering your question, it says--

"Each requisition or procurement request forwarded by the Requiring Department to the Purchasing Department will show the appropriation or fund of the Requiring Department under which the contract is to be drawn. The signature of the officer approving the requisition or procurement request for the Requiring Department will be considered as establishing conclusively that the purchase is authorized under the appropriation or fund cited and that the amount stated has been reserved for the purpose of meeting payments on the contract, as and when occurring. The amount shown on the requisition or procurement request will be the Requisition or procurement request will be the Requiring Department's best estimate of the cost of the materials and supplies to be purchased. The Purchasing Department is authorized, without further approval of the Requiring Department, to make a contract for a total sum, including all contingent amounts for variation in quantity and price, not in excess of the amount estimated by the Requiring Department plus 10%, unless otherwise specified in

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the Requisition or Procurement Request. The Purchasing Department will make no amendment increasing the total dollar amount of a contract without prior approval of the Requiring Department; provided, however, that such prior approval shall not be required for amendments establishing the amounts of adjustments, required by the terms of the contract as executed or previously amended. In every instance, the contract will establish an obligation and provide for payment under an appropriation or fund of the Requiring Department.

"In every instance the contract will provide for payment by a disbursing officer of the Department receiving the material in accordance with the regulations of the Requiring Department. Each Department will provide each of the other Departments with a list showing the disbursing offices paying dealers' bills and the regulations governing the submission of dealers' bills and designation of paying offices. The Purchasing Department will comply with such regulations of the Requiring Department by including in the contract appropriate invoicing and payment instructions.

"The Requiring Department will include on the requisition or procurement request appropriate accounting data, ordinarily shown in contracts of the Requiring Department, and such data will be included in the contract issued by the Purchasing Department."

GENERAL MCKINLEY: Actually, in time of emergency, where you certify funds to another agency, and all that, the reimbursement process is so long and involved, in annual appropriations, it really causes a tremendous unnecessary delay. In the Navy, you are very, very lucky in having your Navy fund. We in the Army, without that facility, find it rather rigid. I will give a little example.

When we were purchasing paper during the war--we were buying all our paper at Jersey City--the single purchaser, a civilian out of the paper industry, would get a plant on the phone to try to place an order. The plant would offer him the output of so many days' run. He had to close the deal while he had them on the phone. He did not have time to get on the teletype and contact Washington to see if Engineers, for instance, had the money. He had to take a certain amount of money from each of the technical services and put it in the purchaser's hand so that he could close the deal before he hung up the receiver. It made it very clumsy, indeed.

ADMIRAL RINE: It was a very difficult system.

QUESTION: Admiral, Congress was told repeatedly that unification would effect savings. Sooner or later--probably soon--Congress will ask for a showing as to the savings which have been effected. Is there a

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concurrent study or analysis being made of the savings, or losses, which will occur because of the actions being taken now or in the immediate future so that Congress can be given a statement showing just what savings have been effected?

ADMIRAL RING: Such a study is under way. I can give you a few examples.

The best estimate I can make is that the consolidated purchasing of solid fuel, being performed by the Bureau of Supplies and Accounts, resulted in an annual saving in the order of between \$70,000 and \$100,000 a year. I do not know whether that is a real or a paper saving. However, it did permit the Quartermaster General to dispense with the services of some twenty civilian personnel engaged in the purchasing of coal.

That figure of \$70,000--let's use the higher figure of \$100,000--is a very worthwhile saving. If you will take the total amount of coal being bought, however, and relate that saving to the purchase price of coal. In the purchase of any commodity you may raise the optimum quantity, but you do not get any better price. If the Navy were buying three million tons of coal and the Army five million tons a year, the mine will quote you the same price. You are not going to get any better price f.o.b. the mine. However, you will get some worthwhile administrative savings.

Yes, a study is being made. We are trying to come up with some answers for the Congress. I am not informed as to the total amount of the savings. In the Joint Medical Procurement Agency a study has been made--and they made some very worthwhile savings. You see, the only trouble is, when people appeared before the Congress, they said, "Do this and we will save you billions." The biggest area of savings you can never measure.

I talked one day to a manufacturer of textiles and he said, "You know, I wish you people would get together. I just finished a small job for the Quartermaster Corps. I had just broken my looms and shifted over to something else when another branch came along with another order of the same thing. I took it. I had to set up my looms again. Actually, I could have quoted them a better price if I had known the total quantity required in the beginning."

Your basic saving, which will not come in coal but will come in the manufactured goods, stems from presentation of total requirements to the industry at one time, so that industry can sit down at one time and at

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one place and say, "Well, the millennium has come. This looks like the six-month requirement of the National Military Establishment." They will sit down, sharpen their pencils and get to work, quoting the best price possible.

As to how to figure out how much better price you are going to get on that and how much your saving is going to be, I do not know. That is where your real saving comes, not in the release of a few people, or in purchasing these commodities where you are already getting the best purchase price you could.

It is going to be difficult to show the dollar-saving that this process is always going to achieve, but one is going to be there. I hope we can convince the Congress of the importance of what I just said. I think it is gospel.

QUESTION: Is there any agency of the Government, either within the Armed Services or, say, the Bureau of Federal Supply (getting back to the question of typewriters), that could arbitrarily go out and purchase, we will say, fifty thousand or a hundred thousand typewriters with the idea that the entire Government would utilize those in the space of three months or six months, and then permit the other governmental agencies to requisition against that, giving them their proper appropriation account?

ADMIRAL RING: The general procedure of the Bureau of Federal Supply has been not to make firm quantity contracts but rather to enter into open-end contracts. They will secure estimates of requirements from the several Federal Government Departments. They will circularize industry for bids and will award contracts. The contracts will be price books which will permit placing of orders by requiring Departments. The contracts may put a ceiling beyond which they will not accept orders.

These contracts are not firm orders to manufacture, but are open-end contracts.

As opposed to that, the Bureau of Supplies and Accounts does buy typewriters for the Navy, in firm contracts. It puts them in store, as Admiral Buck has pointed out, buying them under the Revolving Fund, and charging the annual appropriation of the bureau concerned when the machines are drawn from store.

I am not sure of my ground on this, but I think we use the Bureau of Federal Supply contracts in Washington but not in the field. (To Admiral Buck) Is that correct?

ADMIRAL BUCK: We use them in the field now, too.

ADMIRAL RING: We do use them in the field.

ADMIRAL BUCK: That is for field requirements.

ADMIRAL RING: Such a plan as you propose is possible but, in general, is not being used.

GENERAL MCKINLEY: If it came to pass that your Council assigned to the Navy Department all those items I was talking about--pens and pencils and all that sort of thing--and they were all bought out of the Navy fund and put in stock where they were convenient to the three Services, provided the fund was of sufficient size, couldn't they circumvent the Constitution by having the Navy fund carry the common stock for the Army?

ADMIRAL RING: I don't know whether you would be circumventing the Constitution; you would be implementing the National Security Act of 1947.

GENERAL MCKINLEY: The Army, by the Constitution, can not have a fund. The Navy can have a fund. If the Army could get on the Navy team and get sufficient money in this fund, couldn't the Army get in through the back door?

ADMIRAL BUCK: You've been in the back door quite aways already, General: av-acs, fuel oil and, to a considerable extent, provisions in all of the overseas arms.

GENERAL MCKINLEY: But it isn't premeditated.

ADMIRAL BUCK: I don't think it is premeditated; no.

GENERAL MCKINLEY: I am talking about premeditated. I want them to carry common stock for the three Services at strategic points around the country.

ADMIRAL BUCK: That is a practicable operation, so far as the mechanics are concerned, as long as we agree on standardization of items.

GENERAL MCKINLEY: That is what I am talking about.

ADMIRAL BUCK: And as long as we use the same items.

ADMIRAL RING: Specification and standardization are essential there.

GENERAL MCKINLEY: Most of that is off-the-shelf stuff.

ADMIRAL BUCK: The fund would have to be enlarged considerably. I am having some difficulty holding it up now for just the Navy.

QUESTION: I assume joint procurement by the Medical Services has been quite successful. I would like to ask whether, in your opinion, that example could be followed and broadened throughout the Services?

ADMIRAL KING: I tried to point that out to you as being a notable example of success in one way of doing things. I would hesitate to say that there is any one best way of doing it. The Army Market Service in Chicago is a magnificent way of doing something, but I am not sure it would apply to anything else. But so far as groceries were concerned, I think it was the best way to buy. That is why I worry so much about trying to set any definite, particular standard or pattern and say "Do it this way." You will wreck the whole system if you do. We should try to have a comprehension of all the different ways of doing it and then give the Task Committees, representing the chiefs of services and bureaus concerned, the gospel and let them interpret it for you. They can do a much better job than anybody on the Procurement Policy Council or, frankly, anybody on the Munitions Board.

What the doctors have done is a notable example. I think the reason for their success, however, is that they were going much further in that particular effort than just the purchase function. They had cataloguing, common stockpiling, and so on. That particular type of problem I don't think could have been handled by any other type of organization than the one they finally developed. I think that method might apply to some other class of material and might apply very well. I don't know.

GENERAL McKNELLY: Isn't that dictated a great deal by the characteristics of the industries themselves? I mean their own habits and customs.

ADMIRAL KING: Take the location of industry, for instance. Why is it best to buy medical supplies in New York? Because New York is the place where the stuff is made--New York and St. Louis. You go to New York for drugs and medicines and to St. Louis for a lot of the appliances and things like that. But there you have located your purchasing, cataloguing, specification, industry-contact groups right in the industrial center. It is an ideal setup.

QUESTION: It appears to me that the system outlined, where you don't have any rigidity--I mean it is based more on personal contact between individuals and, to a considerable extent, personalities--works fine where you know each other. But how is it going to work in wartime where you have all these activities carried on by people coming in from outside who do not have any definite system under which they are going to function. Every system in every section of the military establishment will be different. What effect will that have? Should it be necessary to establish some method whereby these people coming in to do these jobs will know what they are going to do?

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ADMIRAL RING: In the next war, if and when it comes, I do not anticipate that the Army, the Navy, or the Air Force will be able to hire any supermen. We will hire some plain, ordinary citizens. Most of them, I hope, will be a lot smarter than we professionals are. But the job is going to be so big and their particular compartment is going to be so small, as regards the over-all, that it is going to take every bit of brains any man has.

Let us assume we have a lumberman. The best place to put a lumberman is as a buyer. If he can learn enough, in the period of World War II, to become a truly good military lumber buyer, I will take off my hat to him. He doesn't give a damn how you buy oil or beans, or anything else. Let him learn the job he has to do. Have a clear-cut system for doing that particular job. Don't let him try to be a "superman" and run the whole show. He is going to have a job to do.

That is the way we got meat purchased. We got people who knew how to buy meat and groceries. They didn't try to work with other things.

GENERAL MCKIMMIE: But we have certain fixed systems that are not susceptible to adaptation to their industries. They constantly run into something they do not understand.

ADMIRAL RING: If you get a lumberman and he finds we are using a difficult system for the industry, let him use such influence and ability as he has to better the particular system he is working under. It will be a job for him.

QUESTION: Admiral, when your Council does make an assignment for single-Service procurement, what are the major considerations that affect your decisions?

ADMIRAL RING: I think, in the main, our major decision is, will it work? I believe somewhere I have an official piece of paper that says something about that. This is the instruction to the Task Committees:

"The Committees in their studies will evaluate the following factors:

- "a. Due consideration shall be given, wherever practicable, to compartments, sub-compartments, or division of industry, or industrial organization for the purpose of avoiding multiple contacts with industry.
- "b. Procurement experience.
- "c. Efficiency of procurement.

- "d. Major interest (but need not be dominant as regards peacetime or wartime volume).
- "e. Special facilities.
- "f. Responsibility for research and development.
- "g. Other factors applicable to the field under study.
- "h. Economy of procurement, both as to lower unit costs and as to administrative savings."

Obviously the Procurement Policy Council will likewise use the above--a-h.

Not necessarily in that order, but those are some of the factors that the Task Committees consider when they make their recommendations. They are also some of the factors that the Procurement Policy Council considers.

QUESTION: When procurement assignment is made, how is the accompanying responsibility for the supply of spare parts and maintenance of that end-item indicated?

ADMIRAL RING: In general, we try to make an assignment on the basis of an end-item. I think I read you something on that, if I am not mistaken. Let me see if I can find it and reread it accurately.

"Consideration, in so far as practicable, should be limited to end-items with the understanding that assignments of components will generally follow those of end-items."

The question of spares is a difficult one. It is difficult within each of the two Departments. And it certainly becomes no easier when you try to set up a cross-purchasing arrangement. We have a system in the Navy, which Admiral Buck will tell you about, I believe, when he discusses the Navy's supply plan, whereby we try to estimate the quantities of spares needed in a given category of material. We try to centralize within the Navy the procurement of both the main components and their spares. For instance, in the Bureau of Aeronautics in Washington we buy airplanes and engines and the initial list of spares required.

We do not have the final answer in connection with spares. We have not gotten into the highly technical field. Of course, there have been agreements for long periods between Army Ordnance and Navy Ordnance. There has been single-Service buying by agreement by those two chiefs in the field of ammunition and other items. We have not had too much experience in intradepartmental work as it relates to spares and technical items that need spares. As far as books in the books on that,

GENERAL McKNIEY: Admiral, I cannot tell you how much we appreciate this wonderful talk you have given us this morning. I am sure everyone here is interested in it as I am, and I am tremendously interested in it.

Thank you very much.

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