

NAVY DISTRIBUTION SYSTEM

15 January 1948

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15 January 1948

GENERAL MCKINLEY: Gentlemen, this morning it gives me great pleasure to welcome back to our platform a graduate of this institution, a former member of the staff and faculty, and a repeat lecturer. You have heard him referred to several times from this platform already, and since you have read his biography, without further ado, I take great pleasure in introducing to you Rear Admiral A. Buck, Chief, Bureau of Supplies and Accounts, Department of the Navy, who will discuss the Navy's distribution system.

ADMIRAL BUCK: General McKinley, members of the class, and guests, it is always a pleasure and a privilege to be here. Perhaps I should make some excuse in advance this morning. I seem to be having my part of the colds that are going around. I hope my voice will hold up.

When I was asked to appear at the ICAF again this year to talk to you on the subject "Navy Distribution System" I planned to spend the allotted time describing later developments of that subject that have taken place since my talk before the college in October 1946. I, therefore, had ten exhibits prepared for distribution to the class, some of these in revision of those distributed with the previous talk and others presenting additional information concerning points that I understand are of special interest to you. I shall let these exhibits speak for themselves.

The lectures given last week by Admiral Ring and Colonel Hornor have indicated that I might cover additional related phases of the overall problem of logistic support. I have, therefore, altered my original plan for this talk so as to cover a wider range of the problem of material logistics than at first intended. To do this and not take more time than is proper my treatment will have to be more superficial than if my subject had not been so broadened, and I shall rely more heavily on your questions to develop specific points of interest to you. To conserve our time I will not repeat the material presented in my October 1946 talk except where that may be necessary for emphasis. It is my understanding that this previous talk has been made available to you and that I may assume that you are familiar with it.

THE ORGANIZATION OF THE NATIONAL MILITARY ESTABLISHMENT

Colonel Hornor, in his very interesting and thought-provoking talk last week, presented to the class his views concerning a proper assignment of procurement and supply responsibility for the National Military

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Establishment. His view, as I understand it, is that the interests of the country can only be served best in this respect by the organization of a separate and additional branch of that establishment coequal with the Departments of the Army, Navy, and Air Force and charged with the responsibility for procurement and supply. I understand that he believes that with such an organization better results will be obtained because he believes such a plan:

1. Gives proper organizational recognition to the importance of logistics.

2. Would insure greater economy of the use of the Nation's economic and industrial strength because unified control and direction would eliminate duplication and competition.

3. Would insure against confusion in the supply of operating forces.

Colonel Horner indicated that he thought I held and would present the opposite view.

We all know that the problem of proper organization of procurement and supply for the Armed Forces is a controversial subject that was discussed and debated at great length before the passage of the National Security Act of 1947. I do not willingly accept the label of one who holds the "opposite view" on this subject. It is my belief, having in mind the aim of the Congress, that the organization provided for in the National Security Act is the proper one. Any views at variance with that Act then become in my mind the "opposite view." The official views of the Department of the Navy on the subject of procurement and supply as related to the then proposed service unification may be found in the statement of Mr. W. John Kenney, then Assistant Secretary of the Navy, made before the Senate Armed Services Committee on 8 April 1947. His statement appears in the published hearings of that committee beginning on page 247 of part 2. I recommend to you a careful study of this thoughtful statement made by one with a background of years of civil business experience and experience in the Navy Department as well.

#### THE NAVY SUPPLY SYSTEM

The primary objective of any supply system must be to provide the operating forces with needed material and equipment at the point of need when needed. This is not only axiomatic but is so all important that no other desirable considerations such as economy must be allowed to compromise that result, if such a reduction in material availability can possibly be avoided. Military effectiveness in time

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of war must be at its maximum. I do not mean by these statements to depreciate the importance of economy or other considerations, but rather to indicate what I feel is their proper relationship. It is this conclusion that governs all Navy thinking in matters of supply.

Exhibit A supplies you, in its first two columns, with a summary statement of the over-all problem of supply for the Navy listing as it does 22 categories of material comprising some 2,750,000 individual items as they are listed today. We expect to reduce this tremendous number of items and the storage, distribution, and control work that such an enormous list entails as we continue our cataloging and identification work, eliminate unnecessary duplications within and between systems; and eliminate also items for which there is no demand. A special and most important aspect of the problem that can be derived from the data in the exhibit is the fact that 90 percent of the items which must be supplied are in the category of spare parts. This means that the great majority of the items are governed by the design of the basic equipment for which they are spares. Alterations in basic design may therefore void a considerable stock as to usefulness. Furthermore, if the equipments are not present in a particular operating area or task force, a supply of such items to that area or force is not only wasteful of the material but is wasteful of the various efforts necessary to its distribution to that area. This feature of the problem of supply is frequently overlooked in the design of a supply system. In my opinion, it makes the most intimate contact and understanding between the operating forces representing the Navy, the technical material personnel (the material bureaus), and the supply and purchase organization a must.

You are all familiar with the organizational pattern of the Navy with respect to the assignment of responsibility for the design and availability of certain types of material required by the Navy. In effect the bureaus are but separate desks in the Office of the Secretary and they represent a division of the Secretary's responsibility so as to obtain the advantages of specialized attention in the various scientific and industrial fields involved in the range of the Navy's material responsibilities. Even the Bureau of Supplies and Accounts, my bureau, has the same type of responsibility as stated in Articles 393(8) and 393(11) Navy Regulations for certain classes of material requirements of the Navy, such as provisions, clothing, ship's store and ship's service store items.

Each bureau, if completely autonomous, would be responsible for the performance of certain functions of supply that, although differing in the character and purpose of material involved, are so similar in basic character as to offer advantages of functional specialization.

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These functions are purchase, shipment, storage, payment or disbursing and the maintenance of stock status and usage records and of property, cost and appropriation accounts.

Furthermore, each bureau requires, in the discharge of its basic responsibilities, certain items of material that, without too great sacrifice of effectiveness, can be standardized with the material required by another bureau. A considerable percentage of the items in the General Stores category of exhibit A are of this type. In recognition of this fact the Navy began in the late 1880's and early 1890's the development of an organizational pattern that assigned responsibility for these functions of common interest to one bureau, the Bureau of Supplies and Accounts.

During the early months of World War II, the responsible official of the Navy Department became convinced on the basis of war experience that functional specialization of purchase was most unsatisfactory for the material logistics responsibilities of the Navy and its operating forces. The centralization of purchase responsibilities in one organizational unit with technical material knowledge and responsibility resting in other organizational units interposed paper work and other obstacles that delayed and otherwise lessened the effectiveness of the purchase function without compensating advantage. It became clear that for a great part of the Navy's material requirements close and intimate coordination of the technician and the business man was necessary.

The Secretary's directive of 13 December 1942, therefore, delegated to each of the bureau chiefs purchase authority for the categories of material peculiar to that bureau's responsibility. Coordination as to purchase policy matters was insured by the supervision over all bureaus exercised by a procurement policy branch of an office of procurement and material in the Executive Office of the Secretary. It was my privilege to serve as deputy officer in charge of this procurement branch during 1942. This same directive further assured coordinated direction of the legal phases of purchase by the establishment of an Office of General Council with branches in each of the bureaus.

Thus it can be seen that the Navy has tested centralized purchasing operation under war conditions and found that type of operation lacking in the basic essential--effectiveness of material support. It cannot be said that the organizational pattern developed operated without disadvantage but whether they were recognized in advance or not they are susceptible of remedy by other means which are now being placed in effect in the development of the Navy Supply System. The principal defect not necessarily inherent in but fostered by the diffusion of purchase authority was the considerable duplication of items within the stocks of material procured by the various bureaus. The Navy Supply System now being implemented provides an answer to this problem.

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At this point I ask that you recall what I previously emphasized, first, the predominance of spare parts in the Navy's supply requirements; second, the need for close coordination between the operating forces, the technical phases and the supply phases; and third, the possibility of advantage from functional specialization in certain aspects of the over-all logistic problem.

During 1946 a Navy Supply Plan was developed in the Bureau of Supplies and Accounts and submitted to the Chief of Naval Operations. The plan, after study by CNO and the various bureaus and the incorporation of certain modifications, the most notable being the exclusion of items of medical supply, was then submitted to the Secretary of the Navy for approval, which approval was given on 14 February 1947.

The Navy Supply System then established is, in effect, the coordination of specialized supply operations and applies "in toto" to items of material having a replenishable nature exclusive of ammunition, medical and Marine Corps supplies. It represents the culmination of progress made in recent years in applying the experiences on supply matters evolved during World War II to a standard pattern of supply for the Navy. Many of the existing and proved methods have been retained. These have withstood the test of war. These best methods will be given application to the extent permitted by the natures of the material to which they will be applied. The plan insures and defines those technical functions and authorities of the various bureaus and fixes clear-cut responsibilities and authorities for the coordinated performance of supply and technical functions. Also, it insures a specialized system of supply for each major type of replenishable material while providing for over-all coordination of the system as a whole.

The functions relating to the supply of material are assigned to one of two categories--technical and supply. The performance of the technical functions are the responsibility of each bureau (including BuSandA) for the types of material comprising their responsibilities. The performance of the supply functions is the responsibility of a single bureau--BuSandA. The chart of functional cognizance distributed as exhibit B-1 illustrates the breakdown in responsibility and also shows the changes made in conditions existing during World War II. I will ask you to make a correction in exhibit B-1 in the right-hand column headed "At Supply." The word "Office" should be added there-- "At Supply Office."

In the case of some of the functions involved in material logistic support, they cannot be identified as either a strictly technical or supply function. As an example of the difficulties inherent in the assignment and defining of functions, the determination of requirements involving roughly five phases is used. This function requires

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technical information and information of a supply nature. The items to be stocked, the initial determination of requirements on new items on which no usage data have developed, and planned requirements are properly the functions of the technical bureau. The accumulation of usage data, stock status information and the application of planned requirements to stock status and usage data to arrive at the determination of actual requirements are properly a supply function. This fact is recognized and depicted in the chart distributed as exhibit B-1 by the insertion of the parenthetical (1) opposite five of the functions listed evidencing technical bureau interest and responsibility in these functions.

The Navy Supply Plan provides a supply organization functioning around a system of control at four levels (see exhibit B):

1. Policy Control at the SecNav-CNO level for direction and evaluation of effort. Application of standardized methods and procedures developed from experience is insured by this control, and information on long-range operational requirements is furnished here.

2. Operational management control at the bureau level to insure application of technical aspects and developments to the system and to interpret and implement the policy directives with respect to their specialized application. BuSandA has special functions at this level as the coordinator of supply operations, as well as the responsibility for the proper performance of all supply functions. It is here that opportunity is afforded for detail item policing to insure against uneconomical duplication of items between systems.

3. Inventory control at the supply-demand control point level established for the several major categories of materials. Here standards of good business are applied in the control of the categories of Navy stocks. These supply-demand control points are agents of the bureaus and perform both technical and supply functions necessary in the administration of stocks. For the materials assigned them, these control points have control of cataloging, determination of requirements, procurement, distribution, and disposal. These control points serve but one master--The Navy--but operate under the direction of two bureaus, each within its special field--the technical bureaus for the performance of technical functions and BuSandA for the performance of supply functions.

4. Local control at the issue point is effected through the Supply Distributing Organization. Within each major area of Naval Operations a Naval Supply Center is, or will be, established to serve the fleet and shore establishment with balanced material support. Each center will consist of several specialized stocking points for the

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various categories of materials coordinated by a Supply Officer in Command. Through his coordination, control, and management of common services such as labor, transportation and waterfront transshipment facilities, the Supply Officer in Command insures effectiveness of support of forces assigned with economy of effort. The specialized stocking point still remains responsive to the supply-demand control point for their material. Controlled by their respective commanders, other supply activities, such as Supply Departments of Shipyards and Air Stations and Inland Supply Depots, furnish local material logistic support. In addition Inland Supply Depots store reserve materials and backup stocks for coastal supply activities.

Experience has proven to many of us that it is absolutely necessary for good purchase that the purchasing organization be fully cognizant of the stock control aspects of the supply of the material involved. It is also essential that stock control personnel be cognizant of purchase problems. This requirement is met by placing the purchasing office for the class of material controlled by any one of the several supply offices physically in the same location and preferably as a responsibility of the officer in charge.

The names and locations of the various supply-demand control offices established and the joint bureau interest in these offices are shown in the three right-hand columns of exhibit A.

#### PRESENT NAVY STOCKS

In the maintenance of a stock of equipment and supplies, the Navy has been governed by the principle that adequate minimum preparedness for war requires that there be on hand and ready for use material sufficient to provide for the Navy:

1. A working stock to meet peacetime needs.
2. A reserve to meet:
  - a. The immediate needs of mobilization.
  - b. The maintenance requirements for operations during the early period of a war before industry has been converted to war purposes.

Primarily as a result of the abrupt termination of World War II at a time when large stocks of material had been accumulated in preparation for another and greater offensive effort, the Navy now possesses a considerable stock of material to meet these requirements. The present reserves, while extensive, are unbalanced in that they comprise in

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general the material on hand at the end of the recent war less that disposed of as surplus. Some categories of material which would otherwise have been retained as a reserve were disposed of as "surplus" to meet the requirements of the civilian economy. Other categories are already obsolescent, and still others were not on hand in sufficient quantity at the war's end. Thus, to the reserves already on hand there needs to be added even more material if a balanced and adequate working and reserve stock is to be maintained.

Much of this material on hand is not properly identified, cataloged, and inventoried. In many cases, its distribution as to storage location leaves much to be desired. This work is primarily the responsibility of the supply-demand control offices previously described. They are pushing this grubby but important work as much as the availability of the funds appropriated by Congress will allow. Some appreciation of the size of the task may be gained from the fact that BuSanda has programmed \$11,620,000 from its fiscal 1948 appropriation for the support of the supply-demand control offices. Other bureaus also contribute to the work although in lesser degree.

#### STORAGE FACILITIES

It is clearly evident that a considerable physical plant--storage capacity--is necessary to the proper care and preservation of the Navy's stock of material. Three of the exhibits distributed provide you with certain data regarding that physical plant--all government owned except for an insignificant amount.

Exhibit C--A tabulation of capacities by classes of facilities and a statement of the present missions of the major depots and centers.

Exhibit D--A geographical location chart of the continental supply depots and centers, of special interest from the standpoint of strategic disbursement.

Exhibit E--Data as to current occupancy.

There is little that I need add to the discussion of this physical plant contained in my previous talk and the information contained in these exhibits.

Since, however, storage facilities are often a matter of inquiry as to duplication of facilities between the three departments and as fertile fields for joint use, I shall explain the Navy's criteria for the retention of storage facilities. The governing principle has been to retain, under Navy operation and control, facilities with sufficient capacity for:

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1. The accomodation of peacetime working stocks
2. The storage and care of reserves
3. The reception, preparation and shipment of the increased volume of material requirements, during the early period of a war before private facilities can be obtained and converted for war use, and
4. Its wartime needs requiring permanent construction of a nature not available from private resources, thus avoiding construction during war.

With respect to the retention of supply facilities, two points should be elaborated. First, the physical plant must in peacetime have unused excess capacity to accomodate the immediate handling in war work of a greatly expanded throughout volume. They must be available to support our Navy in a war facing east, west or in both directions. They must be manned with a well trained and adequate personnel. A job that cannot be performed overnight after the declaration of war is the organization and training of adequate and efficient personnel. Second, they must be afforded reasonable protection against attack in the first days of war before our defenses are organized. Such protection can be had by placing storage underground or by dispersal. The former, underground storage is, except in isolated cases, very expensive. The latter method of protection, dispersal, is in reasonable degree available. It requires only the retention of these facilities already held and a proper distribution of stock among them.

The supply facilities in the continental United States retained by the Navy are, in my opinion, adequate to afford the required unused capacity and to give adequate protection through dispersal of stocks. They are of permanent construction involving reasonable maintenance and operating costs. In recognition of the possible long-term requirements for storage of the reserves, the Navy is pushing a program of dehumidification of a considerable percentage of this capacity. It is my considered opinion that, provided our storage facilities are not required to operate at full capacity in peace, to achieve a temporary saving by accommodating other government activities, we have in storage facilities at least excellent readiness for war.

This is not to say that we are not ready and willing in individual instances to accommodate the storage requirements of other government departments. Colonel Hornor cited in his talk the failure on the part of the Navy to make cold storage capacity at the Naval Supply Center, Oakland, available to the Army as an example of the defects of the present organization for supply. I do not know the source of his information nor had any request for the use of capacity at that point come to my attention. The Navy maintains, as a matter of readiness

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policy, reserves of refrigerated products. These reserves are stored as a matter of strategic dispersal in government-owned, Navy-operated, cold storage plants at the Naval Supply Depots, Seattle, Washington, and Bayonne, New Jersey, and at the Naval Supply Centers, Oakland, California, and Norfolk, Virginia. The cold storage at the Naval Supply Center, Oakland, has a freezer capacity of 480,352 cubic feet. It has no chilling capacity. It is used chiefly as a source for the Pacific Ocean areas including under present logistic arrangements Army and Air Force personnel in the Marianas. Although its percentage of occupancy varies as reefer ship cargoes are shipped and bulk replenishment received, I assure you there is not sufficient capacity available for any other than temporary storage to meet other needs. In fact, the Navy assigns high priority to a project for the construction of additional cold storage capacity at Oakland. On 30 November, the latest date for which I now have occupancy data, the Oakland plant was filled to capacity.

The Navy has cold storage capacity at Cheatham Supply Annex, a waterfront property on the York River near Norfolk, Virginia, that is now being operated to handle Army freezer and chill requirements. This cold storage is the largest of the Navy plants. It has a total freezer and chill capacity of 1,350,640 cubic feet, all on one floor, and is well adapted to economical operation. It is understood that its use will result in considerable saving over the costs formerly obtaining through the use of commercial facilities and the Army is highly pleased with the operation. From our standpoint we are pleased to have the plant used and to be better prepared for possible war by having our officers and civil personnel gain experience in its operation. After two months and a half of active operation, though, we are still uncertain as to whether we are to deal with the Quartermaster or the Transportation Corps on detail matters including the very important one of reimbursement. Negotiations are currently in progress looking toward a similar use of a part of the Bayonne, New Jersey, cold storage to meet Army needs.

#### NAVY REVOLVING FUNDS

Your Commandant has at various times evidenced a strong interest in the revolving fund procedures available to the Navy for the financing of procurement of material and its maintenance as stock until placed in use. I have, therefore, distributed to you four exhibits dealing with the use of this type of procurement and inventory financing by the Navy to supplement my previous explanation of these funds.

It is again emphasized that proper administration of a revolving fund is a matter of some difficulty. The authorities granted by the Congress are susceptible of abuse. The funds must in fact revolve. By reference to exhibit I it can be seen that the administration of

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the Naval Stock Fund during the twenty-seven years of its availability in its present form has been excellent from that viewpoint. In fact the assets of the fund are now some 219 million dollars in excess of the net amounts appropriated to the fund. We have over-revolved.

Exhibit G illustrates effectively some of our current difficulty in so managing the fund as to maintain cash solvency under the present restrictions imposed by Congress on the size of our cash balances. Congress siphons off money from the fund each year, allowing us to retain 50 million dollars as a maximum cash balance. The volume of transactions is such that it is most difficult to manage and relate your expenditures and receipts to this much larger volume so you won't run in the red on the books of the Treasury Department.

#### CONCLUSION

As when I appeared before the College the last time, again may I say in conclusion that I have but scratched the surface of this most important subject. The maintenance of a proper material readiness for a modern Navy is a complex and difficult operation in either peace or war. The range of material items involved is tremendous. The variety of interests that must be served and recognized are many. The systems and procedures employed must be flexible, and those engaged in the work must be immediately responsive to changes in Naval employment and operation and to changes in technical aspects. It is my considered opinion now, after thirty years in this phase of the Navy's work, that so long as the Navy is an operating force with a distinctive field of responsibility we must assure its maximum effectiveness by providing that Navy with a supply system closely in tune with its other elements. The further you remove responsibility for supply from intimate association with operational and technical personnel, the more you weaken the effectiveness of the Navy as a military asset.

GENERAL MCKINLEY: We are open for questions.

QUESTION: Admiral, does the BuSandA have anything to do with the reserve defense plants? Do you use them for storage or do you have any cognizance over plants while they are in reserve status?

ADMIRAL BUCK: We do not, as a general rule, have any cognizance over reserve defense plants. They are used for certain storage when they are particularly suited to the problem, but as a general rule we are not involved in the reserve plants. I do not think that the purpose of maintenance of those plants would be best served by cluttering them up with storage because then you have the problem of moving the material immediately. There might be further delay in getting the plant ready for operation.

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QUESTION: In the Army, the technical services have their individual branch depots to take care of their stocks. So far as I know, part of their stocks are carried in general depots similar to your Naval Supply Centers. Do your technical operations bureaus, such as the Bureau of Ordnance, have any such depots where they store special items peculiar to their service?

ADMIRAL BUCK: Well, that is a complex picture. The Bureau of Ordnance, as an example, of course does have its own ammunition depots. They are specialized and operated by the Bureau of Ordnance, and there are a number of ordnance stations of other types, manufacturing activities for some types of material for which they are responsible. These ordnance activities have supply departments as a part of the activities and ordnance material will be stocked there. The two Bureaus have a joint interest in that.

The Bureau of Ordnance has what the Navy calls "management control" of that activity and the Bureau of Supply and Accounts has what we call "technical control" of Supply Operations within the activity. The Bureau of Ordnance does not have supply storage depots as such except for the ammunition depots. That applies for all bureaus except the Bureau of Medicine and Surgery which operates its own depots of medical supplies.

GENERAL MCKINLEY: Admiral, how about the Marine Corps? It may be in this exhibit and I didn't see it. Do they have an entirely independent depot system?

ADMIRAL BUCK: Yes, they do operate their own depot system. That is not to say that the Marines do not depend upon the Navy depots for some materials.

GENERAL MCKINLEY: That is, their own uniforms and things of that kind go through their own depots rather than being in what we would call a general depot?

ADMIRAL BUCK: That is right. As I understand the Army organization of general depot, our own supply center organization is different in that its cost of operation is entirely under BuSandA and the other branches contribute nothing to the cost of operation of the supply center. Other bureau materials are stored in what we call "branches." This is a matter of organization in order to obtain better technical competence in the organization handling the particular type of material. Also, organizationally to make a clearer pattern of communication from the Supply Demand Control point to the storage location.

GENERAL MCKINLEY: Do you handle the entire expense of civilian employees?

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ADMIRAL BUCK: There will be some projects in those depots financed by the other bureaus which are not of storage warehouse character, such as repair of small arms and the modification of small arms. Ordnance will put money in to finance that project.

GENERAL McKINLEY: In other words, you just act as the real estate agent and merely give them space.

ADMIRAL BUCK: We are still the managing bureau, but they put the projects in.

GENERAL McKINLEY: They could just as well go to some place else and do the same thing.

ADMIRAL BUCK: They would have to ship the material to some other point. It is more economical to do it where it is stored.

GENERAL McKINLEY: That is a great part of the General Depot concept as I understand it, although I will admit I don't understand it even though I was mixed up with it, because they changed their thinking all the time.

ADMIRAL BUCK: Ours, of course, is an old setup and we have a good many years of experience.

GENERAL McKINLEY: There seems to be an idea to put a common roof over technical activities of each one of the chiefs with a view to furnishing common services with economy.

ADMIRAL BUCK: It would be my observation that there will be difficulty in working that way if the branch chiefs still have too much direct control of the branch storing the material.

GENERAL McKINLEY: There is always that nice balance of emphasis.

QUESTION: Admiral, I wonder if my understanding here from your lecture is correct? It is my understanding that BuSands is the distribution agency for the Navy. I mean all the major common items are charged to it, you might say, as a distribution branch. Is that correct?

ADMIRAL BUCK: That would depend entirely on what the word "distribution" means to you.

QUESTION: I mean storage, and distribution to the using agency.

ADMIRAL BUCK: We are responsible for the storage of all Navy property except ammunition, medical supplies, and Marine Corps supplies.

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There are two different types of activities. The activities that are solely storage are under our bureau. At activities not solely storage but requiring storage in support of their mission, the storage is under our technical control. Other phases of distribution, such as transportation, is a responsibility of the Bureau of Supplies and Accounts as to providing the funds and the supervision and management of that phase of distribution except where transportation by Navy operated ships is involved. The control of operation of those ships is a function of the Chief of Naval Operations, being an operational matter. Stock control of those stocks is a joint operation between the two bureaus. As I explained, we have the supply phases of stock control; the technical bureaus have the technical phases, and we work there as a team.

GENERAL MCKINLEY: You mentioned the close coordination and that there will be interchange of information between the person who controls the stock and the person who controls the purchase, and you try to make it the same person.

ADMIRAL BUCK: It is my belief that there is more possibility of wasteful expenditure in buying the wrong amount than in any other phase of supply.

GENERAL MCKINLEY: In other words, you like an emotional interest in a commodity by having some one person responsible. I would like to stress that point because I have seen it work both ways. Where functionalization took place, the person who was buying was merely interested in buying what was on a piece of paper and nobody knew what the entire situation was on that particular commodity.

ADMIRAL BUCK: Being an officer in the Supply Corps, I think I can speak authoritatively on that subject. We are functional specialists. It is very difficult to maintain the proper spirit within your organization performing this function for somebody else. They tend to handle it as a piece of paper. It is not effective. Too much removal of some of these functions from direct responsibility is not effective. I think we have gone as far as we can go.

QUESTION: Admiral, would you elaborate a little on the identification and cataloging program? How active is that and what reduction may be expected from this total of 2,750,000 items that are shown on the exhibit now?

ADMIRAL BUCK: The last part of your question would be the wild-est kind of a guess. All I would like to say on that is that in my opinion it will be considerable. I am certain that there is considerable duplication within these spare parts stocks and between different categories, which grew up in the war when we were all in a hurry

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and didn't have time to watch things too carefully. We had to rely on the parts numbers systems and identifications of the suppliers, and it seems to be characteristic of American industry that they don't want to have a standard pattern of parts.

As to activity in the program, a very large part of this 11 million dollars that I mentioned we programmed this year is to be spent in that field, and the other bureaus are contributing, too. I can't forecast any day that I would guess it would be completed except for the continual maintenance that you would always have to keep things clean. Three to five years would be just as good as any other figure. If we do not do it by that time, it is going to be a very sorry mistake. Whether we do it in that time is largely dependent upon how convincing an argument we can present to Congress. Incidentally, the Bureau of the Budget is backing us.

QUESTION: In the 2,700,000 items, I notice 535,000 items relate to the Bureau of Air.

ADMIRAL BUCK: That is right.

QUESTION: Do you have any idea of the number of those items which might be common both to the Air Force and to the Bureau of Air of the Navy?

ADMIRAL BUCK: I do not. I know they work very closely together. The Air Materiel Command at Dayton and the Aviation Supply Office in Philadelphia have a very good interchange of information. I think they are well standardized although I am not familiar with the detail and wouldn't be able to answer how many of those items are common to the two. They have had coordinated operation for years between the Bureau of Aeronautics and the Air Corps on material matters.

QUESTION: Admiral, the Byrd Act required that the departments have certain ceilings on civilian employees. I can understand that. You have touched lightly on the reimbursement problem, which is not too serious except for procedures. How will you handle the question of adjustment of civilian employee ceilings, say, between the departments when one department is doing a service for another department. How can you take a piece of the act and make adjustments and still know where your ceilings would be when a ceiling is put on one department?

ADMIRAL BUCK: There would be a problem there if the work by one department for the other department was of considerable volume. I don't think I am revealing any secrets by saying that we didn't have to get an adjustment on the Cheatham operation. I think that problem could be handled, if it occurs, through the Bureau of the Budget. In other

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words, there is no increase in the total employment in the Army or the Navy. Presumably, there is a net decrease. If it is economical, from that standpoint I think we could handle that with the Bureau of the Budget. In other words, parcel the ceilings out--although I think the Byrd Act did give them by departments. Maybe we break even by exchanging.

QUESTION: What exception do you make in the case of the Bureau of Medical Supplies? We made a certain proportion in the Army.

ADMIRAL BUCK: They handle their own storage and distribution of medical supplies. It is administered by the Bureau of Medicine and Surgery, all the stores in medical supply depots. So far as purchasing medical supplies is concerned, that is a joint Army-Navy operation, they are not a part of the Navy supply plan in any particular.

GENERAL MCKINLEY: In the list of supplies, that they handle strictly through medical channels, are there any items that are common to other bureaus?

ADMIRAL BUCK: Yes, and those are being straightened out.

GENERAL MCKINLEY: The Army does it. It is the same way. They duplicate. I was wondering if it was the same on your side.

QUESTION: Sir, you have covered the supply situation in the United States. I am interested in what would happen in the event of an emergency overseas where the Navy had to establish a base in a place where they are not operating. Would you cover that to indicate how the plan of centralization or decentralization applies in this case, including, please, the Marine Corps?

ADMIRAL BUCK: I will have to ask exemption on that last inclusion. I am not up-to-date on that. But the establishment of an advance supply base in a new area will be a matter planned in advance. Each bureau would be responsible for the assembly of the material components for whatever the character of that base is to be. They would be assembled in advance, we hope, of the actual need for the base. The shipping to the area would be coordinated by the area commander himself. That in brief is the outline of the way to approach that problem.

Now, in planning an assembly of material for such an operation, it would be a problem for the supply demand control points to designate the activity from which the material is to be issued or at which it is to be made ready for each of the bureau components that are involved. We have rather elaborate logistical plans of that character, detailing the components and various responsibilities involved. Does that answer your question?

# RESTRICTED

QUESTION: Well, sir, I am interested in how it would operate after it was established. Who would have control? For instance, would your bureau enter into operations overseas?

ADMIRAL BUCK: Oh, the overseas operation? That again would be the area commander's responsibility, and he will have assigned to him supply corps officers who are specialists in the operation of supply depots. In wartime you don't get involved so much in matters of financing those depots--I mean actual operation of depots--as you do in peacetime. He would be provided with the trained personnel, but it is under the area commander. The bureau responsibility wouldn't extend that far, if that is what is bothering you. It is the area commander in that case. The only responsibility we have is providing him with personnel with the proper background and training. He runs that show; we don't.

GENERAL McKINLEY: Along that line, is it the function of your bureau to plan facility storage depots and buildings for supplies for areas like the islands of the Pacific where you have activities and expect to go in?

ADMIRAL BUCK: You mean peacetime installations?

GENERAL McKINLEY: No, for wartime; for expeditionary forces.

ADMIRAL BUCK: We plan jointly with the Bureau of Yards and Docks for the supply facilities and their operation.

GENERAL McKINLEY: The materials for buildings that are shipped over there and put up?

ADMIRAL BUCK: Yes. We don't provide the buildings, but we plan jointly with the Bureau of Yards on that; that bureau provides the buildings.

GENERAL McKINLEY: I want to make this comment: Every place I went the Navy had erected beautiful supply depots. The Army had piles of stuff on the ground. Apparently in the Army no one is responsible for thinking of facilities in overseas areas.

ADMIRAL BUCK: That is a joint, three-party responsibility in our system: The personnel of the Bureau of Supplies and Accounts are purely functional specialists, storage type of operation; the Bureau of Yards and Docks is the construction bureau; the Chief of Naval Operations has over-all logistics responsibility.

GENERAL McKINLEY: They did a beautiful job setting up those buildings over there.

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QUESTION: Admiral Buck, I am in the Quartermaster Corps, which is basically built up on common supply for the Army. I am sorry I didn't hear Colonel Hornor's speech here last week, or whenever it was. My particular interest is in handling common supplies, particularly such things as food and clothing, which you call small stores.

My experience during the war was in England, North Africa, and Italy. At all of those places we had the pleasure of working with the Navy and of supplying its men. Particularly, we fed them from the time they came in with us, and whenever they needed clothing they came and got their clothing from us. We had innumerable small arguments, nothing of great consequence; but still arguments on methods of procedure, or allowances, and what-have-you.

ADMIRAL BUCK: Fruit juices.

QUESTION: The Navy inevitably wanted the hospital rations that were being carefully hoarded, or they wanted the combat jackets which were designed only for tank work for use on the boats. We got into those arguments.

Now, diverting a little bit to these cold storage facilities which the Navy has in this country and also in some of the overseas bases, we are gradually working toward a common system, in that the Army procures--and this is my understanding from a statement I received the other day from some of my friends who work with the Navy--90 percent of Navy food.

ADMIRAL BUCK: That is right.

QUESTION: And the 10 percent that is left is the locally procured items or specialties, or something else in areas in the United States. Then, that frozen beef, which is in Oakland, is purchased through the Army procurement system and transferred to the Oakland depot in quantities called for by the Navy.

Going on from there, let us take a trip from there to the Marianas. The Army Transport Command--incidentally this is hearsay also--when they were buying reefers during the war, in the rush to buy them, the temperatures of those reefers were not set low enough in the specifications. Therefore, on some of these long trips they are not so good as they should be. Therefore, the movement of cold storage from San Francisco or Oakland for both the Army and the Navy is being transported by Navy reefers because of better technical facilities. When they arrive in the Marianas, they go into a Navy Cold storage plant which the Navy operates, and from there these supplies are broken down and the Navy feeds the Army its cold storage products.

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It occurs to me that there is a great deal that can be done in common procurement and distribution systems in such things as food, which is common to every man whether he be in the Air Force or the Navy, with the exception of certain tasks. If he is in submarine service or flying under certain conditions, he may need certain diet, but basically if those were established, then it would be very simple for one agency to procure, store, and distribute those items. Would you care to make any comments on that?

ADMIRAL BUCK: Well, I think the fact that the operation you describe does that is evidence that things can be done on a common basis in certain areas. I cannot agree, first, that there is any lack of economy in the present operation; and, second, that a supply of food to the Army by a Navy organization or to the Navy by an Army organization, particularly where they control the quantities and set the allowances, would be satisfactory to either. We have different operating problems and as soon as you put the controlling decision that far away from the personnel who live in that particular service and understand the problems, you lose effectiveness.

Now, on this Marianas problem, I personally can't see any reason for any change in that setup. As you say, the fresh provisions are purchased by the Army Market Service on the basis of requirements submitted by the Supply Center at Oakland, which has the logistic responsibility of the Navy for the supply of the Pacific Ocean areas, including supplies for the Marianas, the requirements for which are obtained on request from the Marianas. They are shipped in Navy ships, loaded into Navy refrigeration at that point, and are again obtained by Army personnel for distribution to their camps and stations.

That would be the procedure no matter who is responsible. It happens in that case, I believe, that we have the facilities which the Army does not have to handle the problem at this time. However, the responsibility of the Navy Supply Center at Oakland is not limited to the Marianas. We also supply the fleet in other parts of the Pacific, including China and various other places where we have installations.

GENERAL MCKINLEY: We are running late here. Are there any more questions?

Admiral, your presentation was grand this morning, even without these splendid exhibits. You have gone to a great deal of pains and I certainly wish to thank you for the students for all that preparation to make this subject very clear to us. Thank you very much.

(4 February 1948--575)S.

RESTRICTED

EXHIBIT "A"  
 PRINCIPAL CLASSES OF MATERIAL IN THE  
 NAVY DISTRIBUTION SYSTEM

Type of Material	Approximate Number of Items	CONTROL OFFICE		
		Name	Location	Bureau Cognizance
General Stores	75,000	General Stores Supply Office, NASD	Philadelphia, Pa.	BuSandA
Automotive Equipment Repair Parts	80,000	Yards & Docks Supply Office, ABD	Port Hueneme, Calif.	Y&D - BuSandA
Fresh & Dry Provisions	700	BuSandA	Washington, D. C.	BuSandA
Clothing & Small Stores and Special Clothing	2,000	Clothing Supply Office, CSD	Brooklyn, N. Y.	BuSandA
Ships Stores Items	1,000	Ships Store Office	New York, N. Y.	BuSandA
Fuel	250	BuSandA	Washington, D. C.	BuSandA
Hull & Machinery & Intern- al Combustion Engine Re- pair Parts	1,500,000	Ships Parts Control Center, NSD	Mechanicsburg, Pa.	BuShips-BuSandA
BuShips Controlled Com- ponents	30,000	BuShips	Washington, D. C.	BuShips
Submarine Repair Parts	40,000	Submarine Supply Office	Philadelphia, Pa.	BuShips-BuSandA
Gyro Compass Repair Parts	12,196	Ships Parts Control Center	Mechanicsburg, Pa.	BuShips-BuSandA
Motion Picture Machine Repair Parts	2,500	Ships Parts Control Center	Mechanicsburg, Pa.	BuShips-BuSandA
Navigation Repair Parts	7,000	Ships Parts Control Center	Mechanicsburg, Pa.	BuShips-BuSandA

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EXHIBIT "A"  
 PRINCIPAL CLASSES OF MATERIAL IN THE  
 NAVY DISTRIBUTION SYSTEM

Type of Material	Approximate Number of Items	Name	CONTROL OFFICE	
			Location	Bureau Cognizance
Electronic Components	8,000	BuShips	Washington, D. C.	BuShips
Electronic Repair Parts	100,000	Electronic Supply Office, MSD	Great Lakes, Ill.	BuShips-BuSandA
BuOrdnance Components	25,000	BuOrd	Washington, D. C.	BuOrd
Ordnance Repair Parts	210,000	Ordnance Stock Office Naval Gun Factory	Washington, D. C.	BuOrd-BuSandA
Aeronautical Materials & Repair Parts	535,000	Aviation Supply Office	Philadelphia, Pa.	BuAer-BuSandA
Yards & Docks Repair Parts	10,000	Yards & Docks Supply Office, ABD	Hueneme, Calif.	BuDocks-BuSandA
Yards & Docks Components	30,000	BuYards & Docks	Washington, D. C.	BuDocks
Medical Surgical & Dental Supplies & Equipment	5,000	Medical Supply Depot	Brooklyn, N. Y.	BuMed
Athletic & Welfare Material	10,000	BuPers	Washington, D. C.	BuPers
Materials Handling Repair Parts	40,000	Yards & Docks Supply Office, ABD	Hueneme, Calif.	BuDocks-BuSandA
Subtotal - - - - -	2,723,646			
Miscellaneous unclassified items	21,273			

# VERTICAL STRUCTURE OF NAVY SUPPLY SYSTEM

USING AVIATION & SHIPS PARTS AS EXAMPLES

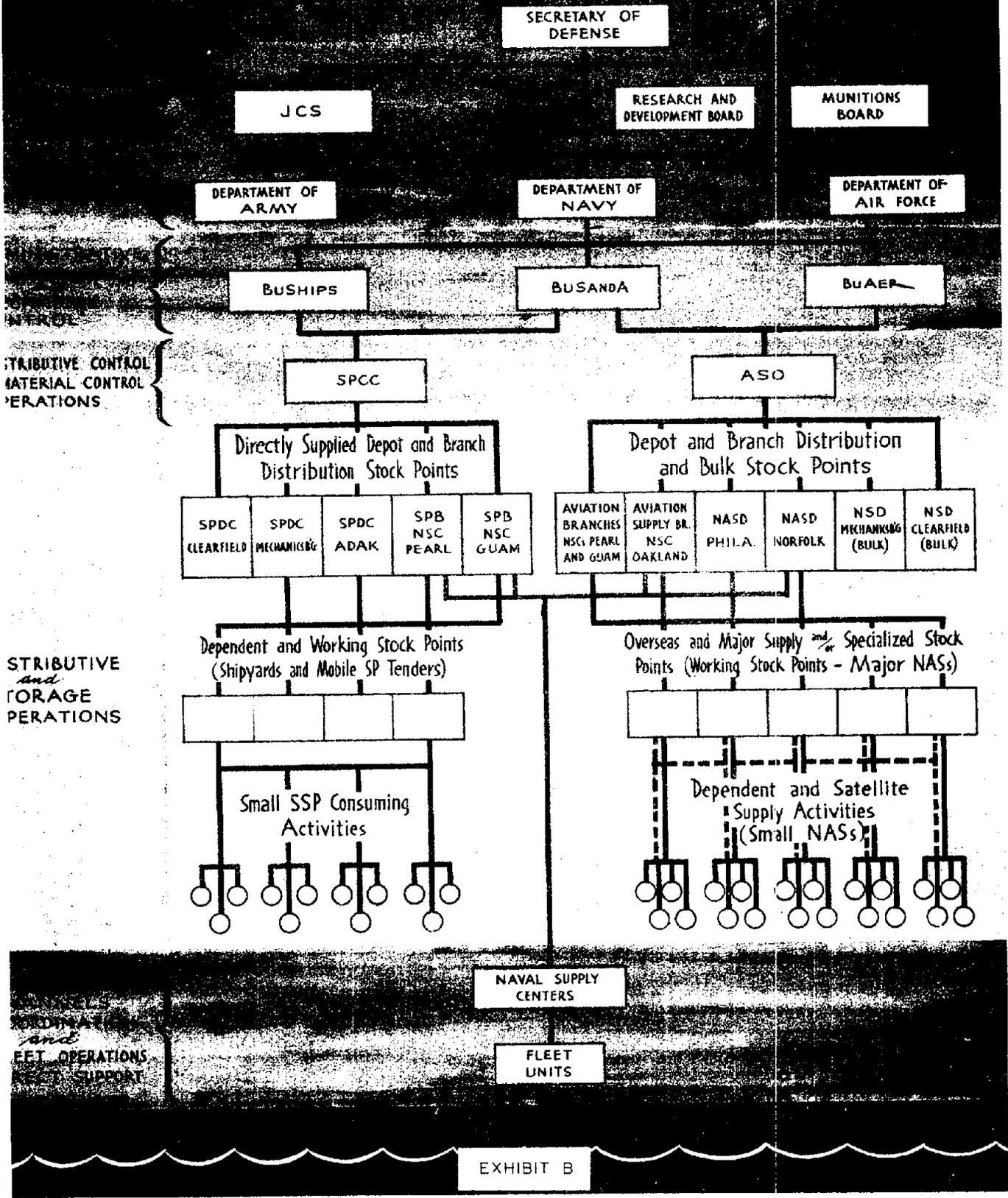


EXHIBIT B

## FUNCTIONAL COGNIZANCE-MATERIAL LOGISTICS

MATERIAL LOGISTICS FUNCTIONS	WORLD WARI		REQUIRE FUNCTIONAL SPECIALIZATION COORDINATION	THE NAVY SUPPLY SYSTEM		
	TECH. BU.	S & A		TECH. BU.	S & A	AT SUPPLY
RESEARCH AND DEVELOPMENT	X			X		
DESIGN	X			X		
CATALOGING	X		X	( )	X	X
INVENTORY INFORMATION, (STATUS AND USAGE OR ISSUE DATA)	X		X		X	X
REQUIREMENTS (HOW MUCH, WHERE, WHEN)	X		X	(I)	X	X
ACQUISITION						
(A) MANUFACTURE	X			X		
(B) OTHER GOVERNMENT DEPARTMENTS	X			X		X
(C) PURCHASE	X			X		X
INSPECTION	X		X	X		
STORAGE	X	X	X	(I)	X	X
PRESERVATION IN STORE	X		X	(I)	X	
FINANCING INVENTORY	X		X		X	
ISSUE	X		X	(I)	X	X
TRANSPORTATION		X	X		X	
STORES ACCOUNTING		X	X		X	

NOTE: (I) AS TO TECHNICAL PHASES

EXHIBIT "C"

U. S. NAVY GROSS COVERED STORAGE SPACE AT SHORE ACTIVITIES 31 OCT. 1947. \*

Inland Supply Depots, Continental U. S.	24,683,000
Coastal Supply Depots and Centers, Continental U. S.	36,513,000
Naval Supply Centers and Depots, Outside Continental U. S.	10,477,000
Naval Shipyards, Continental U. S.	20,956,000
Naval Air Stations, Continental U. S.	16,202,000
Other activities, Continental U. S.	41,400,000
Other Activities, Outside Continental U. S.	11,702,000
	<hr/>
TOTAL COVERED STORAGE SPACE AT NAVAL ACTIVITIES	161,933,000

\* Excludes space in Cold Storage facilities, Naval storehouses, and Stations disestablished, in caretaker or maintenance status, and stations declared or in process of being declared surplus to WAA.

## EXHIBIT "C"

NAVY COASTAL SUPPLY DEPOTS, CONTINENT L U. S.  
GROSS COVERED STORAGE SPACE - 31 OCT. 1947.

<u>Station</u>	<u>Mission</u>	<u>Gross Sq. Ft.</u>
NSD Newport Incl.	General Supply, Less technical items, to fleet units. Supports local activities east side Narragansett Bay.	824,000
Davisville Annex		
NSD Bayonne New Jersey	Supplies provisions to local activities and to fleet units in New York Harbor area. Serves as the primary east coast distribution point for ordnance and electronics materials. Stores war reserve materials and serves as a storage and issue point for petroleum products. Supports local activities and performs designated functions for foreign aid programs.	4,667,000
NCD Bayonne. New Jersey	Manufactures and supplies Naval uniforms and accessories as directed by the Clothing Supply Office. Administers coffee roasting plant.	1,987,000
NASD Philadelphia Pennsylvania	Houses Aviation Supply Office, which controls procurement, distribution, and storage of aviation materials. Provides supply support of aviation materials to fleet units and activities in designated areas, both continental and extra-continental. Serves as East Coast distribution point for automotive and materials handling equipment repair parts and for special devices spare parts.	1,491,000
NSC Norfolk Virginia Incl. Cheatham Annex	Provides full supply support to active and reserve fleet units in designated Atlantic areas at both continental and overseas bases and to continental activities of the southeastern United States as designated. Preserves and stores Reserve Materials and provides storage for National Stockpile Materials. Trans-shipment point for overseas fleet units and activities in the Atlantic. Receives, stores, and ships perishable and non-perishable (limited) stocks of provisions for the Department of the Army on a "reimbursement of costs" basis.	9,055,000

EXHIBIT "C"

NAVY COASTAL SUPPLY DEPOTS, CONTINENTAL U. S.  
GROSS COVERED STORAGE SPACE - 31 OCT. 1947.

<u>Station</u>	<u>Mission</u>	<u>Gross Sq. Ft.</u>
NSD San Diego California	Supply, less technical items, to Fleet Units and local shore activities. Limited supply for Coast Guard vessels at Naval Base, San Diego.	1,748,000
NSD San Pedro California Incl. Torrance Annex	General supply, less technical items, to fleet units and local shore activities.	1,233,000
NSC Oakland California Incl. Stockton Annex	Provides full supply support to fleet in Pacific Ocean area and to Pacific bases. Is primary west coast distribution point for selected materials and supplies. Serves as West Coast center and outlet for Special Devices Equipment and parts therefor including the furnishing of shop facilities to accomplish the overhaul, repair and general reconditioning of class 265 (93) material. Provides the functions of an Overseas Air Cargo Terminal, a Navy Central Disbursing Office and a Small Craft Accounting Office. Trans-shipment point for overseas cargo.	13,108,000
NSD Seattle Washington	Provides full supply support to Naval shore activities of the Thirteenth Naval District areas. Naval forces in the Thirteenth Naval District Area and in the NorPac and Alaskan Theaters for assigned types of naval materials. Acts as the Navy trans-shipment point for the NorPac and Alaskan Theaters.	2,400,000
TOTAL COASTAL SUPPLY DEPOTS		36,513,000

## EXHIBIT "C"

COVERED STORAGE SPACE AT NAVAL SUPPLY CENTERS AND DEPOTS OUTSIDE CONTINENTAL U. S. 31 OCT. 1947.

<u>Station</u>	<u>Mission</u>	<u>Gross Sq. Ft.</u>
NSD Argentina, Newfoundland	Reduced operating basis. Supply support NOB Argentina, limited fleet supply, and designated supplies Army & Air Forces.	277,000
NSD Trinidad, B. W. I.	Full supply support Forces NOB Trinidad, limited general Fleet Supply less, technical items.	701,000
NSD Guantanamo Bay, Cuba	Full supply support local shore establishment and designated craft, limited general Fleet Supply, less technical items.	239,000
NSD Balboa, C. Z.	Full supply support less technical items, naval activities and craft Canal Zone, limited general Fleet Supply support, less technical items.	519,000
NSC Pearl Harbor, T. H.	Full supply support shore activities and fleet based at or operating from FOURTEENTH Naval District Area, limited support to transient vessels.	5,973,000
NSC Guam-Saipan	Full supply support naval forces under ComMarianas and in Marianas, provides designated supplies for Guamanians as per policy established by SecNav.	2,768,000
TOTAL NSC's AND NSD's OUTSIDE CONTINENTAL U. S.		<u>10,477,000</u>
<u>SUPPLY ACTIVITIES OTHER THAN DEPOTS</u>		
Naval Ship- yards Cont'l U. S.	Supply Department supports shipbuilding and ship repair activities of the Industrial Department of the local Yard. Retail supply of technical items to vessels.	20,956,000
Air Stations, Cont'l U. S.	Supply Aviation and other Stores for local consumption. Larger stations are indicated as distribution points for smaller air stations	16,202,000

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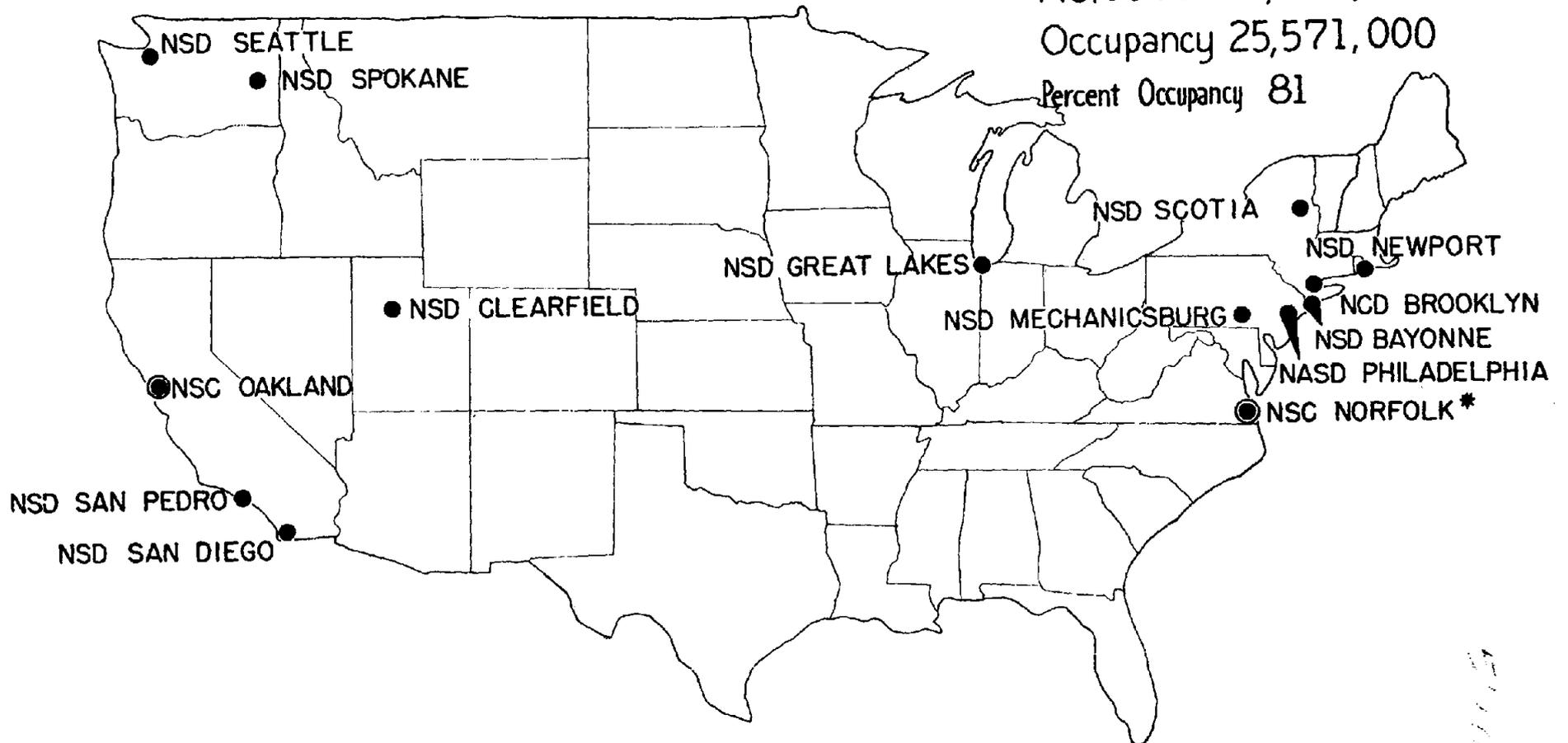
EXHIBIT "C"

COVERED STORAGE SPACE AT NAVAL SUPPLY CENTERS AND DEPOTS OUTSIDE CONTINENTAL U. S. 31 OCT. 1947.

<u>Station</u>	<u>Mission</u>	<u>Gross Sq. Ft.</u>
Other Naval activities, Cont'l U. S.		41,400,000
Other Naval Activities, Outside Cont'l U. S.		11,702,000

# NAVAL INLAND AND COASTAL SUPPLY DEPOTS AND CENTERS IN OPERATION 1 JULY, 1947

Covered Capacity (sq. ft.):  
Net..... 31,704,000  
Occupancy 25,571,000  
Percent Occupancy 81



\* NOT YET IN OPERATION AS A CENTER

EXHIBIT D

# COMPARISON BETWEEN VJ DAY AND 1 JULY 1947 OF TOTAL COVERED STORAGE SPACE AVAILABLE AND AMOUNT OCCUPIED, CLASSIFIED BETWEEN OCCUPANCY BY LIVE AND NON-LIVE ISSUE MATERIALS\*

\*NON LIVE ISSUE MATERIALS INCLUDES EXCESS, SURPLUS, OBSOLETE, AND SALVAGE AND SCRAP MATERIALS

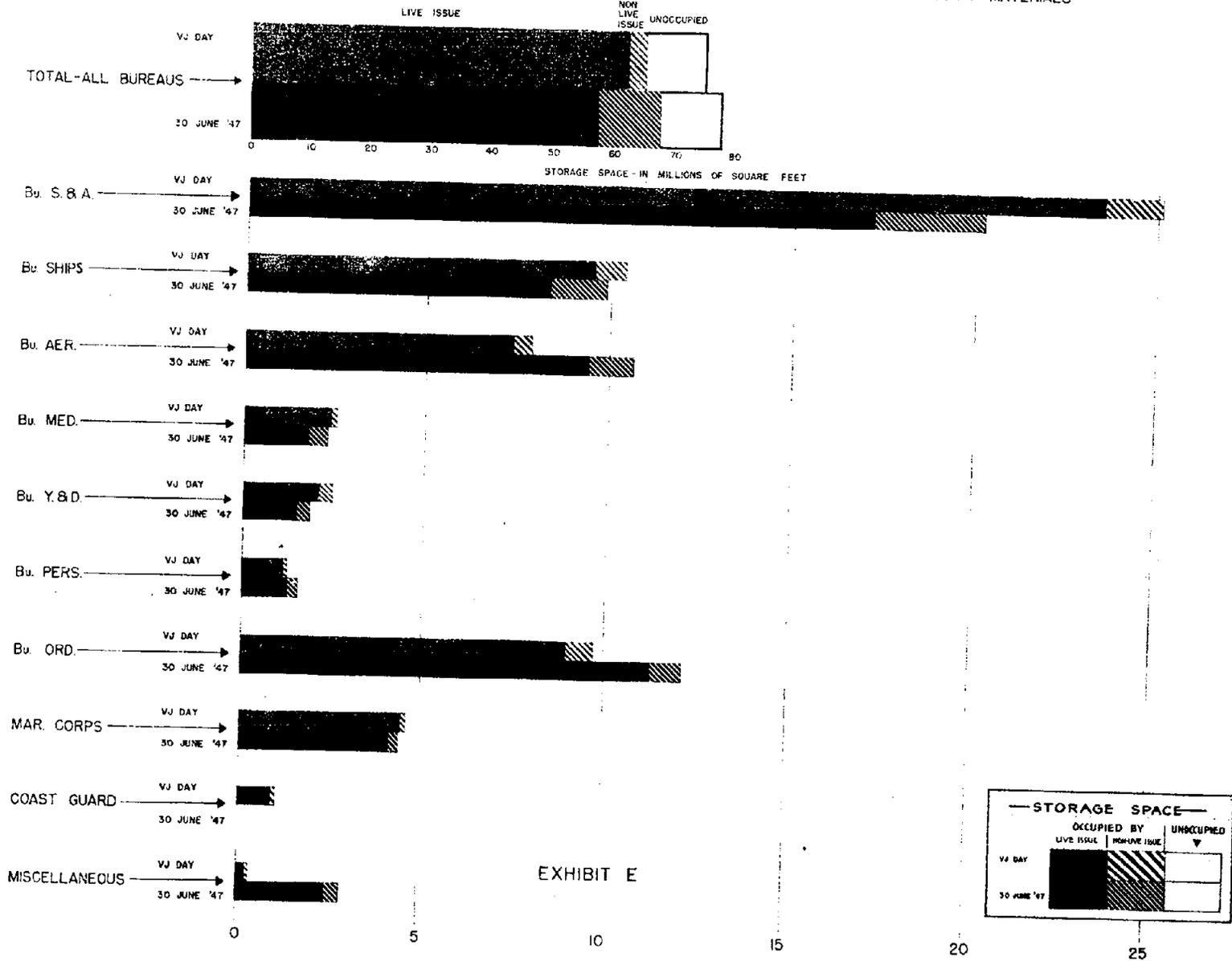
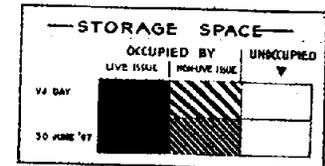


EXHIBIT E



571

# Purpose of the Stock Fund and its Operation

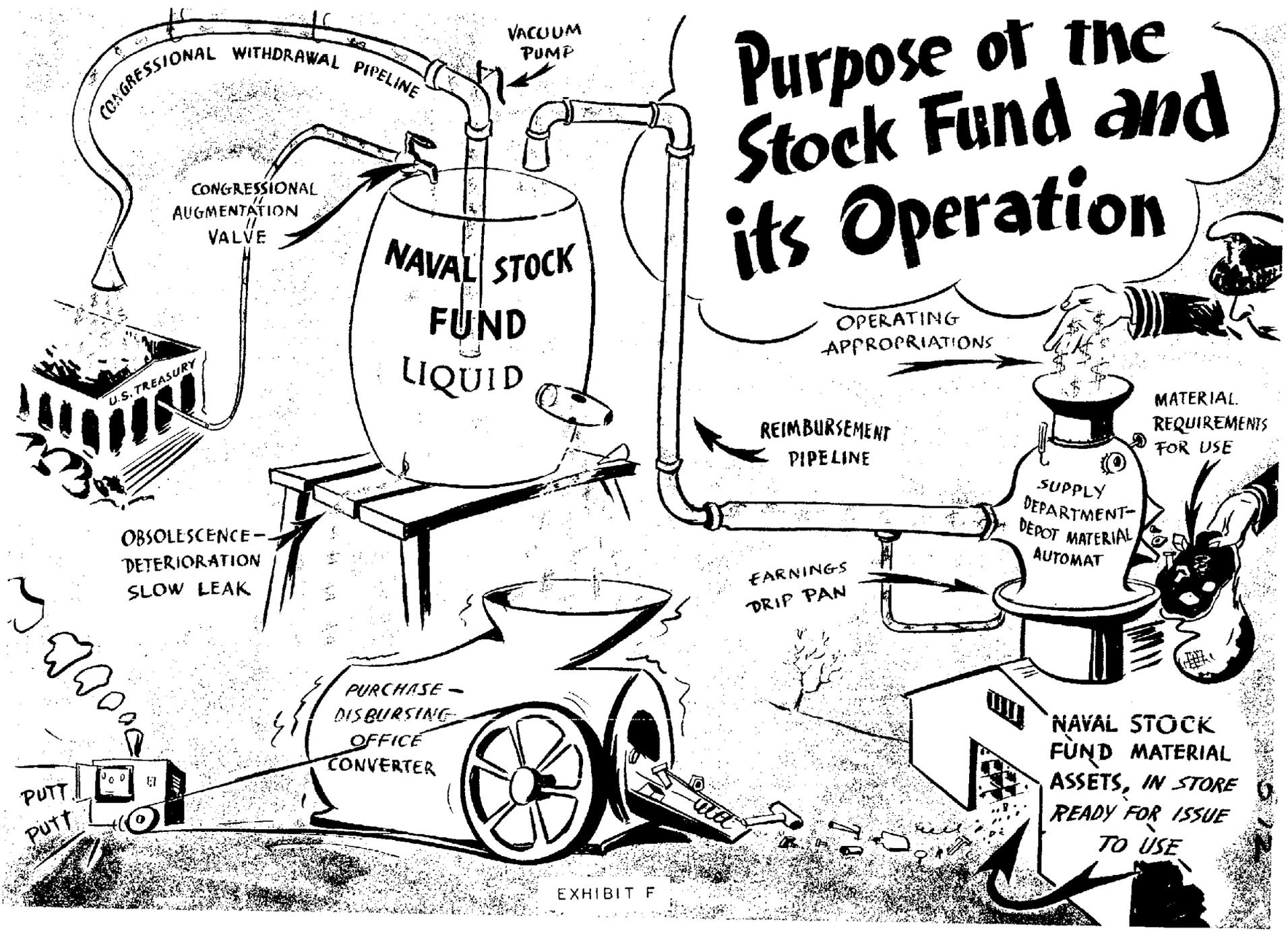


EXHIBIT F

# NAVAL STOCK FUND

## CASH

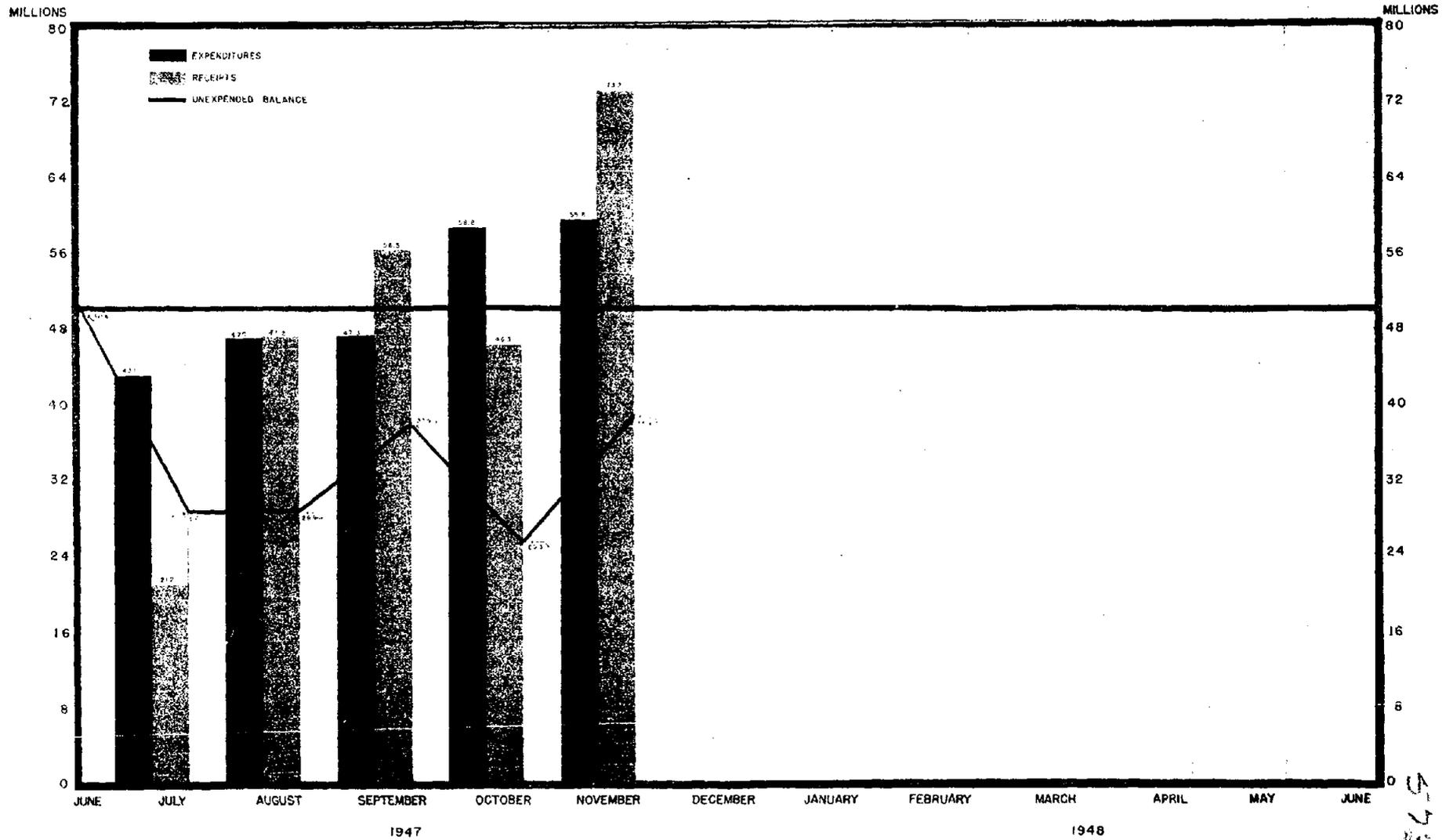


EXHIBIT G

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# BUREAU OF SUPPLIES AND ACCOUNTS

FISCAL YEAR 1948

## 1 NAVAL STOCK FUND

ASSETS JUNE 30, 1947	CASH	-----	\$ 125,003,813.74
	MATERIAL INVENTORY	-----	1,042,511,468.50
ESTIMATED 1948 ACTIVITY	RECEIPTS	-----	674,000,000.00
	EXPENDITURES	-----	674,614,984.12

## 2 CLOTHING & SMALL STORES

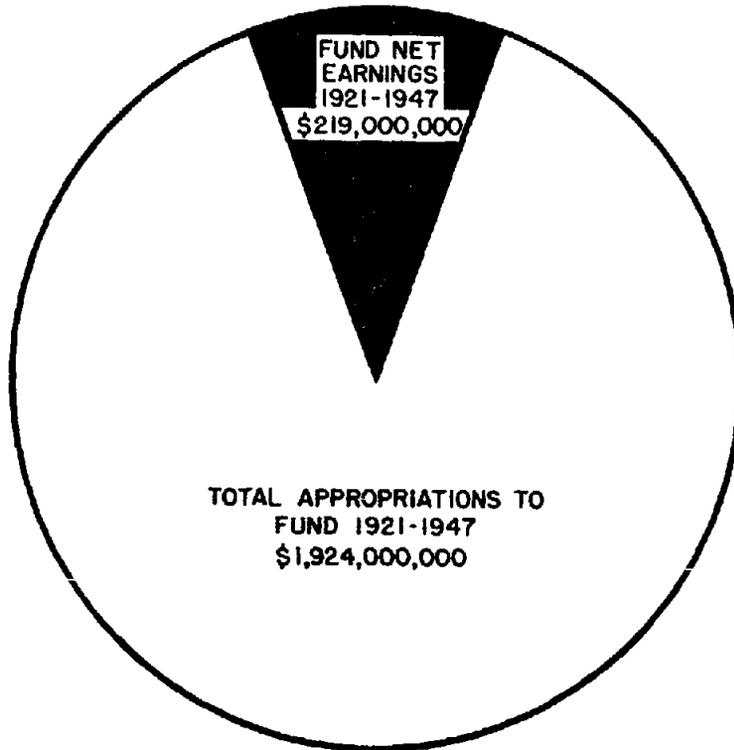
ASSETS JUNE 30, 1947	CASH	-----	\$ 49,558,967.04
	MATERIAL INVENTORY	-----	197,743,032.72
ESTIMATED 1948 ACTIVITY	RECEIPTS	-----	32,500,000.00
	EXPENDITURES	-----	64,600,000.00

EXHIBIT H

# NAVAL STOCK FUND

## APPROPRIATIONS, EARNINGS AND VALUE OF FUND 1921-1947

TOTAL CONGRESSIONAL APPROPRIATIONS  
AND EARNINGS OF FUND  
DURING PERIOD 1921-1947  
\$2,143,000,000



DISPOSITION OF  
FUND EARNINGS AND  
APPROPRIATIONS  
1921 - 1947

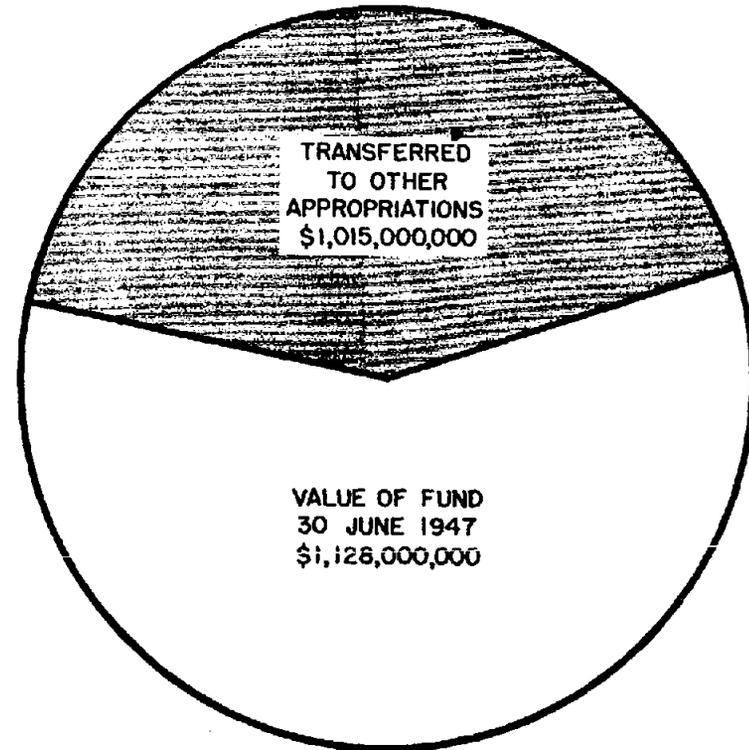


EXHIBIT I