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INDUSTRY PARTICIPATION IN ECONOMIC MOBILIZATION PLANNING

25 May 1948

L48-149

CONTENTS

	<u>Page</u>
SPEAKER--Commodore J. K. Richards, Executive Director, Navy Industrial Association.....	1
GENERAL DISCUSSION.....	10

Publication Number L48-149

INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D.C.

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25 May 1948

COLONEL NEIS: Gentlemen, yesterday afternoon you had the opportunity of hearing from Colonel Codd who presented to you the views of industry in respect to some of the problems of economic mobilization.

Today we are very fortunate in having with us the Executive Secretary of the Navy Industrial Association who has had a long background of experience and contact with industry; We have asked Commodore Richards to tell us what industry thinks about the problems of economic mobilization. It is a great pleasure to have Commodore Richards with us.

COMMODORE RICHARDS: The greatest lesson of the last two World Wars is that modern warfare is no longer a conflict between men and arms but a struggle in which the national resources and the industrial capacity of nations are pitted against each other, with the Armed Services functioning as the means of bringing home to the enemy the national potential. Accordingly, as part of our country's Defense Forces, the Navy and the Navy Industrial Association have a common purpose--National Preparedness--which after all is basic national security.

The Navy Industrial Association is composed of a group of corporations that have united as a representative cross section of American business and industry to promote our national security through a program of close assistance and cooperation with the Navy Department. The Association is made up of a group of industrialists who have not waited for any Selective Service Act or Universal Military Training Law to require them to make their services available to the National Defense Establishment. They have devised a program of assistance to the Navy Department not because they had to, not because they were ordered to, but because they wanted to and because they believe that patriotic service by American industry is as important to our Nation's welfare as the drafting of the youth of America to maintain our Armed Services at required strength.

One of our biggest problems has been occasioned by the Navy's rotation system. While the bureau chiefs and department heads have been aware of the existence of the Association and the ability of its operating organization to assist them in the solution of their problems, it has been difficult to bring the message of the Association to the officers down the line on whose desks the problems actually arise. Accordingly, I am delighted to have an opportunity today to tell you the Association's story.

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For these reasons, it is a self-evident fact that industrialists should be, and are, interested in preparedness; for it is the first line of defense to insure the peace necessary to normal business and economic conditions.

The Navy Industrial Association is composed of 505 Industrial concerns--large, medium, and small--that have united to promote international peace and the national security by working together with our Armed Services to keep our Nation so strong and so well prepared that no fanaticist will be able to balance the scales and see any hope of success in attacking us.

This organization, which was incorporated in August 1944, is the logical development of the Civilian Orientation Courses held under the orders of the Navy Department and started early during the recent war.

These courses were conducted by the Midshipmen's School New York at Columbia University. At that time, it was considered vitally important that business executives and industrialists should have a more comprehensive understanding and knowledge of military methods, procedures, and objectives. This experiment proved so successful in developing mutual understanding, teamwork and cooperative effort, that the Government as well as industry was impressed with the importance of continuing this relationship. So, with the hearty endorsement of the late Secretary Knox, seconded by the then Under Secretary of the Navy Forrestal and after consultation with the Bureau Chiefs, the Navy Industrial Association was born to carry forward the objectives fostered by the Orientation courses.

With this encouraging support, a small group of 10 industrialists incorporated the Navy Industrial Association. The Association is entirely nonpolitical and nonprofit and is made up of a group of corporations that have gotten together as industrial friends of the Navy, to project into peacetime the same spirit of cooperation which was established and maintained throughout the war.

The members of the Association are aware that the pages of American history are replete with the disastrous effects of the national complacency which has followed the successful completion of every war in which we have engaged. The Navy Industrial Association is determined that no such complacency shall diminish its interest in keeping our Navy strong and in keeping our Nation equipped to meet the world-wide responsibilities which have been placed upon us. The Navy Industrial Association is convinced that one of the most important prerequisites of national security is a mutual understanding between the Navy and industry of the problems of each; for industry is the lifeblood of this country's strength and the Military Services are not only the users but also the protectors of that strength.

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Having set up the objectives under which the Association would operate, our next and most important step was to demonstrate not only to our members but to the Navy Department that our mission would be carried forward without the usual motives or methods employed by the so-called "high-pressure groups"; that the decisions would be the Navy's; and that our purpose would be to assist in making effective these decisions.

With this fundamental basis for the accomplishment of its mission, the Navy Industrial Association during the past two years has developed a program of committee activities specifically designed to meet our objectives.

In considering our program of activities, I like to think of our efforts as falling into three major categories:

1. Industrial mobilization preparedness.
2. The development of easy, workable business relations between the Navy and industry.
3. The solution of day-to-day and long-range problems through mutual understanding.

In inviting me to speak here today, General Vanaman suggested that I discuss the work of the Association with particular emphasis on industrial participation in economic mobilization planning. Accordingly, I shall confine the remainder of my remarks to the first two categories mentioned because they are most concerned with the over-all aspects of the problem and are basic to any consideration of it.

Industrial mobilization planning is undoubtedly the core of the whole philosophy under which the Navy Industrial Association was formed. Admiral Halsey addressed a meeting of the Association in Cincinnati last year and I should like to quote some of the thoughts he expressed at that time. He said:

"The official termination of hostilities did not end our need for cooperation between the Navy and industry. If anything, it clarified the importance of continuing this cooperation in peacetime, not only as a means of added protection of our hard-won peace, but, should war again overtake us, as a means of fighting and winning more quickly and easily than before.

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persons engaged in furnishing aircraft, ships, munitions, and supplies of all types is vastly greater than the number that appears on a fighting front. But we in America have left the organization of that vast manpower machine to chance, though we have plans for the expansion and organization of our military force."

Extremely conscious of our responsibilities in assisting the Military Services and the Munitions Board in preparing a practical, workable mobilization plan, the Navy Industrial Association last year organized an Industrial Mobilization Committee under the Chairmanship of Mr. Thomas P. Archer, Vice President of General Motors (Corporation). The committee consists of representatives of nineteen major industrial classifications, (each an authority in his particular field). This committee was formed to assist the Munitions Board in the preparation of a national industrial mobilization plan and to consider mobilization problems presented to it by the Board and the Navy Department. The committee has a three-point program, (1) to assist in coordinating industry's contribution to the board and to the services, (2) to act as a liaison between interested groups by supplying information on the mobilization plan, and (3) to assist in acquainting industry with the importance of the plan to national defense. In the past year the Association has conducted a survey of its members to determine what materials, components, and end products proved critical in World War II, and to determine what facilities should be retained for their production. The committee has urged preservation of excess plant capacity and the stockpiling of an adequate reserve of machine tools. To acquaint industry with the latest thinking in connection with mobilization planning, the Association has held open meetings across the Nation which have promoted general discussion of mobilization questions.

The committee believes that if government is to develop mobilization plans that are workable and helpful to industry, industry in general will have to participate in the formation of these plans. Accordingly, the committee has suggested that each member of the Association think in terms of a mobilization plan for its own plants. The committee has called on each member to inaugurate an individual mobilization plan appropriate for application to its own operations. Initiation of a plan of this type contemplates that in the absence of a national plan promulgated by the Munitions Board or the National Security Resources Board, each industrial concern will prepare within itself to deal promptly and constructively with all matters relating to industrial mobilization and, most particularly, to plan ways and means of adapting its facilities to immediate use in the event of war. Industrial mobilization planning will not wait. It must be completed in peacetime; it must be practical; it must be workable; and it must be capable of immediate execution. Beyond this, it must not be static

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On the other hand, certain contractors who had very substantial patent rights in particular fields felt unwilling to sign a contract presented to them by the Government but for patriotic reasons went ahead without a contract and completed the job because the war was on. Between these two groups there were a great number of companies during World War II that gave the Government royalty-free or reduced fee license rights under their existing patents, or did the same thing indirectly by making these patents available to competing manufacturers without charge. I know of no instance where such a grant was considered by a company to be anything other than its very reasonable contribution to the war effort.

Of course the end of the war by no means cut off research and development work and, accordingly, on 28 August 1945, the Association established a Patents Advisory Committee which was immediately confronted with the task of analyzing and suggesting amendments to improve the patent provisions of Navy procurement contracts, and particularly those pertaining to the conduct of research.

Let me state at the outset that it has been the aim of the Navy to cover patent and research clauses in a fair and uniform manner. A directive covering the use of patent clauses in Navy contracts was issued by the Secretary of the Navy in October 1945. The Association's committee made an exhaustive study of this directive and has conducted detailed discussions among its members to develop the requirements of industry and at the same time keep in mind the Navy's viewpoint. This study resulted in a series of meetings between the committee and officials of the Navy Department, which led to the recommendation of changes and the development of the reactions of both sides to them. A compromise position was agreed upon which the committee members felt they could recommend to industry and in August 1946 the Navy Department prepared a draft proposal of a new directive. This proposal was widely distributed to industry and was the subject of a forum meeting in September 1946 sponsored by the Association and attended by over three hundred experts in the patent field.

After another series of conferences with the research and patent officials of the Navy Department, the Association's committee subsequently issued an interim report with an explanatory statement of the major changes suggested by the Navy and the committee, on those points still unresolved.

This chain of negotiations has been effective in presenting a clear concept of industry's thinking on patent provisions to the Navy and of the Navy's thinking to industry. It also has revealed that the Navy's approach has been progressive and that the existing points of difference are for the most part minor. One entire section of the new

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Commodore, I am going to pose a question: Have you heard any adverse comments among members of your group in respect to surpluses of war materiel?

COMMODORE RICHARDS: I have never heard it even brought up or mentioned. I don't see how it is humanly possible to have adequate supplies without having surpluses.

COLONEL NEIS: Commodore, I would like to ask you one other question: Is your group sympathetic to passing out to the public information in respect to industrial mobilization plans as they are being made?

COMMODORE RICHARDS: No, I don't believe so. I believe they are sympathetic to passing out enough information when it is to a certain extent crystallized so the general public will know what is before them, but certainly not in any stage of preparation.

Colonel, isn't it generally conceded that a plan that is published has official sanction, if it is published by the Government? It seems to me that the Munitions Board about Christmas time was prepared to issue an industrial mobilization plan that had been cooked up, called the Industrial Mobilization Plan of 1947. Mr Archer, Mr. Hensel, and one or two others of this committee of ours, prevailed upon them not to do so, but to send about a hundred copies marked "tentative" to a hundred prominent industrialists. What they did to that plan was pathetic, and I think the Munitions Board was very well pleased that it did not publish the tentative plan.

COLONEL NEIS: That will be of interest to the students who are issuing a critique on the 1947 plan.

Gentlemen, if there are no further questions, we will not detain the Commodore any longer.

Commodore, on behalf of the Commandant, I thank you for a very fine presentation.

(28 May 1948--450)S

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