

PROCUREMENT PRACTICES

16 February 1950

CONTENTS

	<u>Page</u>
INTRODUCTION--Brigadier General J. L. Holman, USA, Deputy Commandant for Education, ICAF	1
SPEAKER--Mr. Edward T. Gushée, Vice President, The Detroit Edison Company; Civilian District Chief, Detroit Ordnance District	1
GENERAL DISCUSSION	11

Publication No. L50-94

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

RESTRICTED

Mr. Edward T. Gushée, Vice President, The Detroit Edison Company, was born in Los Angeles, California, on 10 January 1895. He was graduated from Kent School and attended Pomona College. He was Manager of the Castle Hot Springs Hotel, Hot Springs, Arizona, for three years. Mr. Gushée was a captain in the Infantry of the United States Army, AEF, during World War I. In 1920 he was employed by the Detroit Edison Company. He served in the Sales Department and organized the Inspection Division in the Research Department. Mr. Gushée then became Purchasing Agent and was elected a Vice President of the Company in 1935, and a Director in 1936. In 1939 he became Executive Vice President and Director of the Union Electric Company of Missouri and Subsidiaries, St. Louis, Missouri. Mr. Gushée was called to Washington early in 1942 to serve as Chief of the Purchase Policy Branch, Ordnance Department, U. S. Army. He returned to The Detroit Edison Company as Assistant to the President late in 1942; was later Assistant to the Chairman and elected Vice President as of January 1948. He served as a member of the Army Ordnance Advisory Board of the Detroit Ordnance District, as Chairman of the Detroit Area Production Urgency Committee, and as a member of the Labor Priorities Committee, War Manpower Commission. In June 1947 he was appointed District Chief, Detroit Ordnance District. Mr. Gushée was President of the Michigan Post, Army Ordnance Association, 1945-46; General Chairman, Community Chest of Metropolitan Detroit, 1948. He is a member of the Detroit Metropolitan Area Regional Planning Commission and Advisory Committee, Business Administration, Wayne University. Mr. Gushée has been an officer and director from time to time of a number of industrial companies. He is author of the book, "The Church Teaches," and co-author of the book, "Scientific Purchasing," and in 1937 was a recipient of the Shipman Gold Medal Award. He is a President of Board of Trustees, Kent School, Kent, Connecticut.

RESTRICTED

PROCUREMENT PRACTICES

16 February 1950

GENERAL HOLMAN: Gentlemen, our lecture this morning is on procurement at the operating level, where things have to get done, where the contractor and the contracting officer have to work together to solve all of those difficult local problems that must be solved so that our fighting forces can be provided with equipment--the very best equipment--in the shortest possible time.

Our speaker is Mr. Edward T. Gushée, who is a vice president of the Detroit Edison Company. He is also the civilian District Chief of the Detroit Ordnance District on a basis of "when and as needed" and without compensation. He brings to this platform a wealth of procurement experience over a long period of time. He is intimately acquainted with the very highly industrialized area out there in Detroit, an area from which a great portion of our munitions came in the last war and from which they will be expected to come should we go to war again.

As you know, the Ordnance Department of the Army has worked for many years under a system of centralized control and decentralized operations. There are 14 ordnance districts located strategically in the industrial centers of the United States. And it was with the idea in mind that it would be interesting for you gentlemen to know how a system of decentralized operations and centralized control works that we asked Mr. Gushée--who knows how the contractors think, knows of their difficulties, and also knows of the limitations under which a contracting officer must work at the operating level--to speak to us today. It is a great pleasure to have him with us this morning.

We welcome to this platform, Mr. Gushée.

MR. GUSHÉE: General Vanaman, General Holman, gentlemen: I feel a little like a schizophrenic personality this morning. I am a little split between my pride in being asked here and my doubt as to whether I can really add anything of importance to your store of knowledge in this exceedingly important subject of procurement. Procurement by the armed forces has tremendously far-reaching results both in peace and in war. In times of peace, particularly in these days of tremendous budgets, procurement for defense may vitally affect the economic life of our Nation. In time of war, it can spell the difference between victory and defeat.

I suppose the doubt in myself is somewhat natural in view of the importance of the subject and because of my own early experience. While the story I am going to tell appeared in print, it actually happened to me. Some years ago, when I first went into industrial purchasing, I had

RESTRICTED

many opportunities to speak before purchasing groups around the country. It was a good mechanism to learn my job, as a matter of fact. Upon one occasion, I was asked to talk at a dinner meeting of the St. Louis Purchasing Agents Association. I arranged it along with a trip for my company. After dinner I made a talk, and after the meeting the treasurer of the association came up to me and said, "Mr. Gushée, we are just starting out and do not have a lot of money, but here is a check for your railroad expense. It won't cover all your expenses." I said to him, "Well, that is very nice of you, but my expenses are paid by my company. I came down on business. You keep the check." His face lit up as if the sun had suddenly glowed on it. "That's awfully nice," he said. "Do you mind if we add it to our special fund?" I said "no." In idle curiosity--and curiosity is not always a good thing--I asked, "What is your special fund?" He replied, "Mr. Gushée, we are getting together a fund this year to enable us to have better speakers next year."

Now, procurement, particularly government procurement, is a very complicated job. If you could picture to yourself the ideal composite individual who had within himself every qualification of a perfect service purchasing agent, you would find that he would be a first-rate lawyer, several kinds of engineer, a certified public accountant, an administrator, and in his relations with the Civil Service Commission, something of a magician. He would be a consummate politician and diplomat. He would be endowed with the patience of Job and the wisdom of Solomon. He would have the courage to side-step laws and regulations, when necessary, even though such action might mean dishonor and an end to his career. And, above all, he would have the honesty and fervor of a patriot. I can name you men who, if they did not have all these technical qualifications, did have these moral qualities; men who offered their careers and their reputations on the altar of patriotism in this last war.

Obviously, we will not have time to discuss this morning all these qualifications or all the details of a district operation. I must further simplify the subject between the two major phases of procurement--procurement in peace and procurement in time of war. War, to an extent, writes its own rules; and, while some of those rules may be prepared in time of peace, it is particularly about peacetime organization and peacetime procurement that I should like to talk with you a bit this morning.

First, I want to say that I sincerely believe that the services, despite many complexities and detailed laws governing their work, do a good over-all job of procurement. I want to discuss with you this morning some of the things that handicap the services in this important field. Some of these are things that the services themselves can do something about; others are matters that lie with Congress but that you and I can help influence if we approach them in the right fashion. I don't want to appear to pontificate or to be a carping critic. My observations are

RESTRICTED

based not only upon my experience in the district organization, but as a businessman and one who has known something about procurement generally. I cannot be as constructive as I should like to be, because of the limitations of time, but I do want to speak about some of the things which I think, fundamentally, would help us all do a better job of procurement. I hope, therefore, that I may speak to you very freely on this basis and that you will understand my premise.

One of the things--and I think one of the most fundamental things--that we need to do our job, not only in procurement but in other phases of service life and work, is a matter that lies with Congress. That is the fundamental, if you will, the philosophic, approach to procurement law. It would appear sometimes--I think you will agree with me--as if the laws governing procurement are based on the philosophic concept of keeping a man honest, rather than on the proper assumption that he is honest. Perhaps, gentlemen, this approach accounts for much of the burdensome detail, the check and countercheck, which is true of government procurement. Such laws are planned, also, to enforce impartiality. That is a good thing, up to a point, but very frequently--and this is fundamental--the spelling out of detail, looking to enforcement of honesty and impartiality, substitutes routine for judgment. You and I know that dishonest men will always find a way. Checks and balances are needed in government and in industry--perhaps, to some extent, more in government, because of the size of the job and because it is a government job, than in industry--but they can go much too far.

I find I am in pretty good company in this matter. I am in a power company and Mr. Lilienthal was with the TVA, so I did not always completely agree with Mr. Lilienthal. But I was very much interested to pick up the paper the other day and read what Mr. Lilienthal had said two days ago, I think it was, on the occasion of his leaving his then office. Unfortunately, my secretary failed to include with my notes the clipping, which I had carefully cut out of the paper, but I called her up this morning and got her to read a couple of the points that he had made much better than I can make. He said, in his discussion of government work, that we are more or less archaic in our laws and regulations for running the biggest business in the world. He went on to say that he hoped and felt there was a way in which government could organize somewhat along the business pattern. He added that government employees work in a frustrating--and these are Mr. Lilienthal's words, not mine--and defeating atmosphere because of the burdensome check and countercheck and that government must adopt the business policy of trusting its employees or sacking them.

The infinite detail of government procurement is sometimes perfectly astounding. In the Detroit Ordnance District, gentlemen-- and, as far as government itself goes, it is a small installation--last week we put out 900,000 pieces of paper. Sometimes I think we can give up making bombs and just smother the enemy with paper.

RESTRICTED

1440

We must put the emphasis in procurement on the right quantity, the right quality, the right time, and the right price--the four cornerstones of proper purchase--and try at least to minimize the dotting of the "i" and the crossing of the "t" of detailed laws and regulations.

These frustrations and these complexities spring from a number of points.

The second point I want to commend to your attention is the very difficult problem posed by civil service regulations. Of course, we will all agree that some protection is needed for our civil servants. That is proper. But words really fail me when I contemplate the unbelievable things that are done under the guise of this protection. The Hoover Commission has treated of the subject. I made no such complete survey, but I have had certain personal experiences which underline some of the facts.

As a matter of fact, during the war, I was with the Ordnance Department for several months, and I had something to do with setting up renegotiation. We needed, in our renegotiation office in Washington, some men who had had experience in finance and business, as a sort of review committee for the renegotiation boards around the country. I was asked to write a job description to get them in. I think the classification was CAF-14. I had about 10 men in mind who were coming down here. Not one of them had earned less than \$25,000 a year in business. I wrote a description. I was innocent. It came back, and I was told, "That one will get you a '7'." I wrote another one. It came back. That would have gotten me a "10." Finally, because I needed the men, I wrote one that I don't think President Roosevelt and all his staff could have fulfilled, and I got a "14." Then Civil Service would not let me employ one of these men--an exceedingly able fellow, who had been an engineer, had been in finance, and had been a banker, a man of independent means--because the year before this particular period he had had an office downtown in a brokerage house and had received an earned salary of only \$3,000. They said he was not good enough to fill my description. I may add that, through the kind offices of General Campbell, we managed to get around this decision. But it is a beautiful illustration of some of the difficulties that you men in procurement jobs, and in other jobs, have to go through.

Take the present employment procedure. It is "out of this world!" The priorities for veterans and for past civil service employees add up to a tremendously complicated job in hiring. Regulations, as you know, are so severe that if an employee wishes to do a halfway sort of job, he can get away with it because, in order to sack him, as Mr. Lilienthal says, you must have lawyers and spend practically all the time of the chief administrative officer keeping records.

RESTRICTED

One of the most deadly factors, it seems to me, is the pay scale. In the Detroit District, in this fiscal year, we may spend somewhere between 300 and 400 million dollars of the taxpayers' money. In preparation for this job last December, the Civil Service Commission cut back 83 ratings--as a sort of morale builder, I suppose. I will admit that we were somewhat at fault in that, in the same way that I was at fault in writing the descriptions I mentioned. We are trying to get it corrected. We are rigorously limited to a pay scale of between \$5,000 and \$7,000 a year in most top jobs, and this simply does not attract the kind of men that we need. I will have to modify that a little. I am amazed at the caliber of some of the men in civil service who are faithful and do a good job.

We must not forget that we are in competition with all industry for brain power and ability. Many of the mechanical methods of procurement stem from the limitations imposed by the Civil Service. Think of this! A man who is rated as a buyer, a civil servant, is limited to a salary of \$4,500 a year unless he couples with his work a large amount of administration. And we need judgment, initiative, and complete integrity in the buyer's job, plus knowledge gained by experience.

One of the most amusing, if it were not so annoying, civil service quirks is the fact that an employee, no matter what his ability is in the opinion of his superior, cannot be promoted, or even retained, if some distant individual in the Civil Service Commission does not think that a descriptive writing comes up to what he or she thinks are the civil service requirements. It is pure fantasy, gentlemen, when you consider the amount of money being spent by the armed forces for defense materials, not to mention the expenditures of the other government departments.

An expanding organization, for instance, under these regulations, even though its job increases 100 percent, if its so-called mission does not change, cannot get more top-level employees than some outfit that has a 50 percent less complex job or whose volume is much less.

I can only leave this though with you: All of us, civilian and military alike, must do everything we possibly can to see that the civil service regulations are changed as to hiring, firing, and pay scales.

Another point I should like to present to you is the regulation that funds appropriated for a fiscal year must be spent in that year. As my old chief, Alex Dow, president of Detroit Edison and civilian chief of the Detroit Ordnance District for many years, used to say, "Why should a calendar month or months have any vested interest in business or in government?" It is an absolutely absurd regulation and one that is very costly. I doubt that there are any men in this audience who have not been engaged in that last, hectic, 60-day drive to get the taxpayers'

RESTRICTED

money committed before the appropriation runs out. It makes for haste and it makes for waste. It makes for confusion. It adds up to overtime and a too-hurried consideration of specifications and quantities. It is, in every fashion, an inefficient provision.

As a specific example, let us look at my own district in this fiscal year 1949-50. As I have said, we have a goal of 300 to 400 million dollars this year, depending on what the developments are. Yet the budget was not passed until November or thereabouts. By the time they got working at it in Washington, we really began to get requisitions some time in January. When you add to that fact the difficulty of getting and training employees, of obtaining office space, and all the rest of the hazards of this sort of job, you can begin to realize, I think the absurdity of a fiscal year regulation.

Yesterday, at a meeting of the Ordnance Association and members of the staff, I spoke very briefly on the importance of decentralization, and of cooperation between industry, the American Ordnance Association, and the Army. I had not planned to say much about that except to emphasize my thinking that it is a very important job, but I have been asked to make a special remark or two in relation to it.

I think it is an exceedingly important thing. The Army, to a large extent, through the Ordnance Department and in other fashions, does decentralize its procurement. There are many very valid and important reasons for decentralization. I suppose one of the most important today is the fact of a possible war, and we might be decentralized against our wills. I think, however, the most important factor in decentralization is that it brings procurement to the seat of know-how, where the industry know-how in a particular kind of product is located. Equally important is the opportunity it gives for human friendships and for understanding. As I said yesterday, all things are done--it may sound trite--through human beings. And if human beings can get together on a friendly basis and on a basis of understanding--which they can do at the local level and which cannot be done, as well at least, at the Washington level--the result is increased efficiency and a better job all around.

I spoke, also, of the real necessity of what I called decentralizing decisions. Both industry and the services have the problem of staff work, and in these important things, whether in industry or in the services, it is very natural to want to make the decisions at a staff level, when it is really an operating matter. I speak of that in connection not only with the general staff, but with what we had in the Army during the war, the ASF, or with the Munitions Board, or with any other organization which works on a staff level. Decentralized decisions will frequently bring better results and faster results.

RESTRICTED

Speaking of industry, one of the questions foremost in the minds of members of industry is that of standardization and inspection. I am no production expert, but I do know some of the difficulties involved in this question. I have discussed them with some of our industry people in Detroit. I should like to quote from one of these representatives, a friend of mine who does know production, in relation to standardization and inspection. His ideas are not the whole story, but they at least may be stimulating to your thinking in relation to this tremendously important matter of standardization. I am going to quote him in a rough fashion:

"Complete standardization of military equipment can be accomplished only where the items to be standardized will be produced through a completely new facility tooled up for this purpose."

That is idealistic standardization, if you will.

"Where early large-volume production is essential and commercial items of a similar nature exist and are in production, use of these commercial substitutes must be made. Only where there is no commercial substitute or where early large-volume production is not required can the ideal of complete standardization of military equipment be afforded."

He goes on:

"Standardization should be arrived at only through deliberate and analytical planning and not as a result of happenstance, or political reasons--or competition as the only factor."

We tend, gentlemen, sometimes to standardize a product because we get a low price for a particular kind of vehicle, in this instance, or materiel.

"Any standardization arrived at as a result of this happenstance will not necessarily be predicated on either the selection of the best unit mechanically or the selection of the most adequate manufacturing facilities and capacities. Rules freezing standardization on an idealistic or academic basis will almost certainly be scrapped under the pressure of wartime tooling.

"Standardization of units within an industry for a given type product is really workable only where it is logical from a production standpoint and permits using existing tooling.

"Inspection duplication by the Government is sometimes a waste of manpower."

By "duplication" we mean both in industry's inspection and the government inspection.

I think a great deal has been done to improve inspection procedures over the last 10 years. There is no thought of relaxing the demand for quality that the military requires, but a basic decision should initially be made as to whether or not the supplier is experienced and competent. If he is, it is possible--and I know this is going a long way--that the Government might well be satisfied, in many instances, with final inspection and acceptance tests. Of course, if that inspection is not keeping the stuff up to date, we can go back to the detailed inspection. If it is decided that the company is not experienced, then we certainly should think about saving manpower and not duplicating inspection as between industry and government, and let the Government do it all through the production process.

Let me hasten to add that this suggestion, both as to standardization and inspection, will not wholly solve the problem. It does indicate the necessity for open-minded study of this very important question. Neither standardization nor inspection is static. They are fluid and need your best thinking.

Now a few details. I hope the time will come when Army purchasing can be done, to some extent, more than it is now through the medium of standard purchase orders, rather than through the use of large, complex, and detailed contracts, which is now the usual procedure. The Hoover Commission, I think, has shown that, in a large number of government contracts, the cost of the routine is in excess of the cost of the goods purchased. True, many complex and large orders must be covered by detailed contracts, but there is much simplification possible in the handling of a myriad of small orders.

I realize what a tremendous job was done when placing business of up to \$1,000 without advertising was approved. That saved a lot of time, trouble, and expense. Personally, I think that limit should be upped to at least \$10,000--that we should have the right in peacetime to purchase up to \$10,000 at least, without the burdensome detail of advertising.

There has been much very fine work, legal and otherwise, on the complicated patent article in our contracts. I think it is still somewhat restrictive and needs some further study, particularly in relation to that part requiring a company to get patent licenses from subcontractors. I realize that the requirement is not absolute, but it does place a very considerable burden on industry and tends to slow down your procurement job and ours.

One of the objectives of peacetime procurement is to prepare for wartime procurement. We are spending much time and a lot of money on mobilization planning. (Incidentally, it is beginning to click a little better.) It would be helpful, it seems to me, if we could go a little further and use peacetime procurement as an aid to mobilization planning as well as an aid to wartime procurement. In that respect, we probably would have to have some regulations changed, and we would have to have the courage not always to take the low competitive price, because, frequently, the company with the low competitive price is not the right company for other reasons.

I had considerable experience in the early days of the past war with renegotiation, and I would like to pay my compliments here to General Quinton, Colonel Duffy, Mr. Joseph Dodge, and others, who did a magnificent job of thinking and organizing wartime renegotiation. I believe in wartime renegotiation, but I should like to emphasize two things to you: (1) that the administration of renegotiation should always be in the hands of the particular procurement organization concerned (I don't mean, of course, the buyer or the contracting officer, but the particular procurement organization which does the buying); and (2) that renegotiation should never be a pure accounting or slapstick operation; it is not a function of a taxing department or of a bookkeeping department, and, literally, if applied in that fashion, will defeat its own purpose and hamper production and delivery.

I have a very real doubt that renegotiation should be widely applicable to procurement in peacetime. During peace, there should be adequate opportunity to plan our procurement procedures, and normal procurement procedures should furnish all the safeguards that industry itself uses in buying. There is, at least, a question whether the good to be obtained by the Government is commensurate with the burden placed upon industry. For instance, there is a natural hesitancy upon the part of a company to accept a government order when it has a very large volume of its own business, or to accept a relatively small government order, when it realizes that it is going to be subject to renegotiation. Of course, commercial business isn't subject to renegotiation, but in order to accept a small order the company must subject itself to a pawing through of its whole business on a renegotiation basis.

I have tried to bring to your attention some matters--some of first importance and some of minor importance--which I believe, if examined and acted upon by the Congress and by the services, will result in a more efficient job. I think that efficiency is very important. I think we should take to heart what Vannevar Bush wrote in his recent book, and I quote:

"There is a common notion that during war costs do not count. There is no greater fallacy. The error comes from the belief that civilian resources are unlimited. They are not.

Costs are more important in war than at any other time, for the need for over-all effectiveness is then more imperative."

It is conceivable, gentlemen, that we could wreck our country, either in peace or in war, now that defense and war are so tremendously expensive, if we do not pay careful attention to the fundamental economy as a whole and to economies. We cannot afford to be extravagant and inefficient.

Perhaps it would be helpful if I summarized some of the points I have made:

1. The Congress should consider fundamental human concepts in rewriting the laws governing procurement and, as far as possible, give latitude to knowledge, experience, and judgment.
2. Revamp civil service regulations in relation to hiring, firing, and compensation, and all that that means.
3. Abandon or modify the fiscal year policy.
4. Continue and strengthen in all services decentralization of procurement and decentralization of decision.
5. Study and develop the important questions of standardization in peace for adaptation in war.
6. Continue the improvement--and there has been improvement--in inspection procedures.
7. Develop the use of a standard, uncomplicated purchase order.
8. Raise the nonadvertised purchase limit from the present limit of \$1,000 to at least \$10,000.
9. Develop the patent articles a little further, particularly in relation to subcontractors.
10. Extend the use of peacetime procurement as an aid to mobilization planning. (That will take courage.)
11. Study the wisdom of renegotiation in peace.

In conclusion, I should be less than accurate if I did not say to you, as I said when I started, that a good job is being done. I will go further. Under the present congressional and Army regulations, a corking good job is being done in the field generally. But I do want you to understand that what I have said deals only with suggestions for

fundamental improvement and simplification--things which must start, I suppose, with Congress and the top level of the Defense Department, but which you gentlemen, if you think them through, can influence tremendously.

Thank you very much.

COLONEL McCULLOCH: Are there any questions?

QUESTION: Mr. Gushée, would you care to discuss any ideas you might have relative to the establishment of a central procurement agency within the Department of National Defense, and then decentralizing it down to regional and field offices, which would be known as National Defense Procurement Offices? In other words, as it is now, we have seven technical services in the Army and they have their procurement setup; there are six bureaus in the Navy that do their own procurement; and there is Headquarters Air Materiel Command in the Air Force. What I am referring to is centralization of those organizations at the top and then decentralization into local offices for operations, with those offices being called National Defense Procurement Offices.

MR. GUSHEE: I have often thought that there probably should be some over-all central staff organization; however, it is such a tremendous job in all three services that a complete centralization, I believe, would break down. I realize that Canada has much the same sort of organization as that of which you have spoken. I think we get a little confused in thinking of the seven services and the other groups as integral to themselves. Let me illustrate that by a description of an industrial purchasing department. Central authority, of course, is vested in the director of purchases, but, in a very small fashion, exactly the same kind of thing exists in industry. As in Ordnance, the Signal Corps, and the other services there are special buying groups--mechanical groups, electrical groups, and so on--and fellows who are specialists. You always must have specialists and have them at top level.

I think the time will come when we will have the Army Service Forces concept applied to all three military departments but I pray, if we ever do have it, that it does not function on an operating basis. I hope that it remains a staff and planning function and does not become an operating one. If it gets into operations, it will surely break down.

Have I at all answered your question? If not, ask me another to help illuminate it.

QUESTION: I was thinking of this; One large plant is turning out material for the three services. In the inspection system, the plant is visited by an Air Force inspection team, a Navy team, and an Army team. It is expensive for the services to send three teams out there when one Department of Defense inspection team could handle it.

RESTRICTED

MR. GUSHÉE: Of course, there is no question whether such overlapping should be and will be adjusted. We were talking about it yesterday in respect to the matter of security. On certain things, before you send out drawings, I understand you must check security. Of course, in the first place, it is almost impossible to do so on the present basis of advertising and the widespread sending out of bids. Second, industry gets pretty fed up when it is checked for security by three or four services. But note that, despite the fact that regulations say if one service has passed on the security that is good enough for all services, because of dispersion and time, such central checks do not work. Perhaps, from a practical standpoint, it could be brought together at the local level.

QUESTION: Mr. Gushée, would you comment on how you think the General Services Administration, the old Bureau of Federal Supply, should fit into procurement for the Department of Defense?

MR. GUSHÉE: Under the present regulations, the General Services Administration is supposed to buy tires. The fashion in which that was done last year prevented us from getting a very much lower price than we otherwise would have gotten.

The question needs study. It needs what I mentioned before-- the right to use judgment.

QUESTION: Mr. Gushée, I interpret your remarks to mean that you do not think very much of renegotiation of contracts. What are your reasons?

MR. GUSHÉE: I wholly agree with renegotiation in wartime. I do not believe it is necessary in peacetime because we have time to advertise and get competitive bids. I believe that many companies whom we would like to have supply us resist taking the orders because they do not want their books pawed through in the case of a small order. It does not work. We are going to have trouble with it this year, definitely. Business is getting a little nervous, shall I say, about the Government going through everything they have.

QUESTION: Sir, have you seen any beneficial effects of the Armed Services Procurement Planning Officers (ASPPO), and do you think, if the plans are completed, they will give industry the confidence you say is necessary with the unification of the armed services?

Also, could you comment on the need--if there is a need--for a higher level of experience or longer assignments on the part of military personnel dealing with industry?

MR. GUSHÉE: To answer your last question first, without question, it is a handicap to efficiency to have people taken from one job and put

RESTRICTED

into another in a relatively short length of time. I presume, from some aspects, it is a wise thing. On the other hand, I wish there could be an increased tenure of responsibility for the same kind of work. As it is now, the man just about gets his hands on the job and really knows what it is when he goes to something else. As to your first question on ASPPO, I think the general effect on business, after it got to understand it, has been good. It is a correct start--this matter of having one service more or less negotiate, as I understand it, or visit, for all services. That particular fact, which is a good one in itself, gets a little mixed up with the great complexities of the planning job, and I don't know what the over-all effect on industry is. We have some major industries that are having a good deal of difficulty with it, and that is natural because of the size of the job. I think, in general, it is a good thing.

QUESTION: Would you care to comment as to whether or not you think the services, in general, are giving enough information out to the public. Does the public know enough about what we are trying to do, what we have to do, and the conditions under which we have to do our job? That may have some effect on Congress' attitude ultimately. Would you care to comment on that?

MR. GUSHEE: As I said, I think you must give information to Congress and to the public. The question of world defense is such a complicated one that it is exceedingly difficult to bring the kind of information about which you speak to the public. I think they are getting a good deal now. I realize how tremendously difficult it is.

QUESTION: Sir, we have conceived an idea around here that the Armed Services Procurement Act of 1947 is pretty good and that it is generally adequate to do the job we have to do. Would you care to point out any weaknesses, other than the \$1,000 limitation, that you think might be corrected?

MR. GUSHEE: Nothing other than what I have already said. The fundamental concepts are wrong, as Mr. Lilienthal pointed out. The Procurement Act and the fundamental principles of government in business, or the business of government, need a complete, thorough overhauling. It is those things that make for 900,000 pieces of paper out of the Detroit Ordnance District in a week. That is a great deal of paper for that little District in one week.

QUESTION: It would seem to me that the administration of the Procurement Act has not gotten across to the business world yet. It probably has not had a chance to do that. But it occurs to me that, since one of the provisions of the act allows exceptions to be made to the renegotiation rule, it is up to the businessman to show that his pricing is in line so that he may be exempted. Would you comment on that?

MR. GUSHÉE: I would first say that there may be, in peacetime, certain kinds of contracts that should be renegotiated. I am not absolutely sure. I think we would be better off without renegotiation because of competition and the other things I mentioned. I think you can do a good job of procurement without it. From a practical standpoint the only way to beat the act is to make all of these exceptions. I hope many of them will be made. That, however, rests with the administrative authority in Washington. I hope it will be used widely. I am afraid the exceptions are going to have to be used widely if we are to get the material where we ought to get it.

COLONEL McCULLOCH: Mr. Gushée, on behalf of the staff and faculty and the student body, I thank you for an excellent presentation. Thank you, sir.

MR. GUSHÉE: Thank you.

(4 April 1950--350)MG