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1055

## THE DETERMINATION OF REQUIREMENTS BY THE NATIONAL PRODUCTION AUTHORITY

18 December 1950

### CONTENTS

	<u>Page</u>
INTRODUCTION--Mr. Lowell L. Henkel, Member of the Faculty, ICAF.....	1
SPEAKER--Mr. Charles E. Kohlhepp, Acting Administrator for Program, National Production Authority.....	1
GENERAL DISCUSSION.....	10

Publication No. L51-74

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

# RESTRICTED

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**RESTRICTED**

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NATIONAL PRODUCTION AUTHORITY**

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**MR. HENKEL:** General Holman, gentlemen: About two weeks ago a member of the National Security Resources Board gave us a talk on requirements information essential to mobilization planning and the present wartime situation. Today we are going to hear about its counterpart--that is, the National Production Authority (NPA), which was set up by Executive order and was given the authority to implement the economic mobilization planning. As you know, this organization was originally set up under the Department of Commerce, but, by the recent proclamation, it has been under the Office of Defense Mobilization since 16 December 1950.

We are extremely fortunate in having Mr. Kohlhepp for our speaker today. He is Acting Assistant Administrator for Program of the NPA. As you know, the way events are occurring, he is a very busy man and has a lot to do. Some of his duties cover the analysis of the civilian, military, and foreign-aid requirements, with respect not only to the present situation but also to long-range planning. He has other duties, such as setting up the controls for scarce materials and issuing orders and regulations for them. During World War II, Mr. Kohlhepp was associated with the War Production Board in a similar capacity.

Gentlemen, I now present to you, Mr. Kohlhepp.

**MR. KOHLHEPP:** Mr. Henkel, General Holman, gentlemen: It is not only a pleasure, but I consider it an honor to be invited to come here to speak to you. I have no prepared speech. I have some notes to keep me on the track.

Mr. Henkel introduced me as having had WPB experience; I have also had some military experience. I fell off a lot of horses at "Fort Meade" during the First World War. It was "Camp Meade" then.

The title assigned is "The Determination of Requirements by the National Production Authority." I don't mean to quarrel about the choice of words, but I do think I should say right away that NPA does not determine the requirements--nor, for that matter, did WPB. The military, the Agriculture Department, the Department of the Interior, the ECA--they determine what the requirements are. The primary responsibility of organizations like WPB and NPA is (a) to encourage greater production and, perhaps more importantly, (b) to divide up an inadequate piece of pie.

**RESTRICTED**

I am not going to speak at too great length on that particular side of the subject. I have noticed, from examining some of your previous lectures that there has already been a certain amount of coverage of this area. I am going to be a little sketchy about it and then take the liberty of talking a little about where we stand today, what the picture looks like in the Department of Commerce Building from day to day, and perhaps a word or two about what the picture may be tomorrow.

The assigned topic said something about the determination of civilian requirements. That is a terrific job. I don't know how long ago it was that another speaker made quite extensive remarks about civilian requirements, what a tremendous area it is, and how we never do get very reliable or dependable statistics. In short, in times of stress and strain, through which we have gone and through which we are going, civilians generally kind of have to take what is left.

In connection with supply--I mean the available quantities of everything--the available data are pretty good. I am speaking of steel, copper, aluminum, cobalt, and a lot of other things that everyone needs. The data as to the necessity for expanding the available supply of such materials are also fairly reliable. I am sure you have been reading the debates about the necessity for increasing our steel supply and things of that kind.

Generally speaking, the problems are not too great in that area. It is on the side of the requirements that the real headaches come--the bills of material, which form the foundation stones on which requirements are built; the tremendous problem of the so-called "B" products, the "shelf" items, which are excluded from requirements as computed by the military and by all the other claimant agencies; and the area of foreign requirements, which is always a very interesting and hot subject.

In accumulating requirements, there are a lot of difficult problems for everyone. I have said many times that if the requirements as presented by Defense, the Munitions Board, or the military--whichever title you wish to use--are a little on the high side, I don't blame them a bit. If I had the responsibility that you gentlemen have I would handle the situation in exactly the same way. After all, the life of the Nation is in your hands, and if you do not have a right to play it a little safe, I don't know who has.

However, generally speaking, it is a fact, as history shows, that the requirements, as they are put together by the claimants and presented to whichever body has the task of trying to fit them together

**RESTRICTED**

and to divide up, as I said, the pie that is not large enough, require auditing. Requirements require auditing as to quantities; they require auditing as to relative essentiality; and they require auditing as to time urgency.

I don't know if I dare say this to this audience, but I recall a bit of banter that was going around during WPB days with reference to the things that just had to be made out of copper. It was said that we absolutely could not prohibit making spittoons out of copper, because the admirals had to have them.

Finally, there is the question of having all these things fit together. I mean this: There is no sense in having one item come off the assembly lines and go into the storerooms when some other item that is needed to make the first item effective is not yet ready. In other words, it is like a football team: If the four backfield men, the guards who pull out, and the other linemen don't synchronize their efforts, nothing will happen that is worth while. But if they all synchronize, there will probably be a touchdown. This problem of which I speak is somewhat the same.

In the early days of the last war a lot of trouble spots of that kind appeared. I am sure I am not competent to give any advice on it; I merely mention that it is a problem and I am sure that it is something that deserves careful thought and attention from this group.

The basic policy of the NPA today is to take care of the military first and then try to do what can be done about what is left. That is not always so simple as it may seem. The military come first, yes-- but how about agriculture? The farmers claim that the soldiers have to eat and that farm equipment and tractors are necessary to keep the production of food going. We have a large number of claimants who say they are so closely allied with the military that they must be treated the same as the military--railroads, petroleum, rubber, power, expansion of plants that are going to produce military items, war housing, and then the "B" products I mentioned.

The orders which the NPA has already issued--out of desperation, out of the necessity of doing something to save critical materials-- with their flat percentage cutbacks, have in them the possibility that one of these days they are liable to hit a military crucial item right smack in the nose. In other words, we don't know what "shelf" "B" product items are going to be in short supply as a result of these orders. They could be number-one items of military procurement!

**RESTRICTED**

I mention that subject because I want to come to something else I think is of major significance as of today; that is, the mechanism which has been tried up to now cannot go on. We must come, and we are coming, into the area of relative urgency.

About six weeks ago the NPA had in preparation an order prohibiting the use of aluminum for a large number of items in which it was considered aluminum is really not necessary. That tentative order was circulated--not formally but merely distributed--at a meeting of the Priorities Committee. The next morning it was printed in toto in the "New York Times," with the list of the items for which it was proposed to prohibit the use of aluminum. I am told--I did not personally experience this--that in a day or two there were about 100 telegrams and 25 or 30 calls from Members of the Congress protesting against such action at that time. As a result the NPA backed away from such "prohibited use" type of order and went to the other type--the blanket percentage cut-backs.

I think it is very safe for me to say that we are now at the end of that era and that we must begin to choose as to relative urgencies. To illustrate, I am sure that an aluminum order will be resurrected very shortly. Also, there is now in process an order which will prohibit the use of copper in a very large number of items. The work of exploring the areas in which copper can be prohibited without serious damage is a tough task, but it has been done--at least it is substantially completed--and there is a list ready that is going to be in circulation, I believe, within a few days.

Not only do we have relative urgencies as to programs, but we have relative urgencies within a specific program. None of you would say, I am sure, that every single item that is on your list for military procurement is of the same urgency. Likewise, I am sure you would all agree that the last tank of, say, 10,000 tanks is of lesser importance than some other item that is needed on a post to keep your officers and men alive, or in clothing, and so on.

Relative urgency is a tough problem, to repeat, quantitatively, qualitatively, and as to timing. It is one of the toughest problems with which any agency that has to try to fit these pieces together has to deal.

Another very serious problem--I am sure that you gentlemen are all aware of it--one that is very tough for any organization like NPA and, no doubt, for the military procurement officers and organizations like the Munitions Board, is that the military program changes. It is getting ready to change right now, I suppose, and it is going to call a completely new

**RESTRICTED**

set of signals almost overnight. It is a tough job for everyone involved to keep up with those kinds of things. I am not expert enough to spell out in complete detail what all those problems are. You gentlemen have been through this. You probably know much better than I do. Nevertheless, I want to mention it because it deserves a lot of your thought and attention.

Another area in which an organization like NPA runs into a lot of headaches is the area of stockpiling. It involves very delicate judgments as to just how much is stockpiled, how much is put into current production, and how much is taken away from the civilian economy. Again, I don't pretend to have the answers to those questions. A mechanism has been developed to help with answering those questions. In the WPB days it was called the Requirements Committee, where all the claimants had a chance to have their say. Now we have a little committee called the Advisory Committee on Priorities. That term will have to be expanded because pretty soon we are going into allocations. Whether an exact and proper title would be Advisory Committee on Priorities and Allocations, I don't know, but at least those words will illustrate the scope of the committee's activities.

When we have an operation like that, in which each claimant has a chance to have his say and to impose his facts on all the others, and if the people involved are of good will, we get a balanced judgment on these very tough problems, which judgment should be better than any one man's judgment.

Now I would like to say a word or two about priorities. Even before the NPA was formed, the Department of Defense and the Atomic Energy Commission were given the so-called priority symbol, "DO." It has caused some troubles here and there in the economy, but, generally speaking, so far as we know, it is doing the job of military procurement. If it is not, we would like to know about it.

There are some areas where, in spite of it, troubles have developed. Cobalt is one and cadmium another. Someone told me--I don't know whether this is the kind of thing I should be frank about--that the DO orders which have reached the cadmium suppliers are something like four times the available supply. That suggests either that there is a tremendous requirement buried in the military program somewhere that was not apparent, or that there is serious inflation somewhere down the line. It is the kind of thing I had in mind when I said I don't blame the military for playing it safe. Yet I am sure you won't resent my saying that, when you gentlemen get into positions where you can exert some influence on that sort of thing, you have a duty to see to it that you leave a safe margin or cushion for the military for emergencies, and yet don't go so far as to absorb so much that you create more serious problems elsewhere.

**RESTRICTED**

As I say, I don't know that mistakes have been made, or that there is unjustified inflation, in the cadmium matter. I just mention it to illustrate the point that care needs to be taken.

Before a single DO order had reached the steel mills, the steel situation in this country was tough. One week end about three weeks ago, when I was back home, I called up a half dozen friends of mine who were either presidents or vice-presidents of large metal, steel-using industries around Milwaukee. Milwaukee is not Pittsburgh, but it is somewhat of a heavy-industry town. This roll calling included A. O. Smith, Allis-Chalmers, Falk, Nordberg, Bucyrus-Erie, Harnischfeger, Heil, and one or two others. Every single one of them said he did not have a single DO order in his shop, with the exception of the Heil Company, which had an Air Force order of some kind--and even there Joe Heil told me that they had not finished translating the order into sizes and shapes and quantities of steel. In other words, three weeks ago, down through that Milwaukee industrial chain, there was not a single pound of DO steel that had been ordered from the steel mills. Yet steel, as of that date and as of today, has really been a very serious problem. If that is so today, what is it going to be when the military procurement actually reaches the steel mills?

I mention that because it is related to the comments I would like to make about the priorities system. There have been headaches created by the military DO orders which are in process of going out. A lot of the headaches, I think, have been created by fear of the DO rather than things that have actually happened, although there are areas where things have actually happened. The result is, and was, that we are under tremendous pressure from all kinds of people who want DO's. They must have them, they say.

In some few areas the Department of Defense has supported requests to get on the bandwagon. To illustrate, there was support for some help for the TVA because it is required to furnish a substantial block of additional power for the AEC. That is a perfectly reasonable thing, and there would not be any question on the part of NPA that such program required help. But there are many others, and much too much of its represents either the procurement officials themselves or the contractors or manufacturers wanting to take the easy way out. It is very easy to use a DO. It would be the easy way for NPA to get rid of these people that pester us to death to give them the DO's.

Just to illustrate the point, here is a list of requests, if not demands, for DO's that have come to us--and this is by no means a complete list:

It was stated by a public works department that the military were very much interested in a highway artery around a major city and it had to be done very promptly.

**RESTRICTED**

Repair parts for all kinds of equipment, particularly farming equipment, in Alaska.--It was claimed there were serious problems in this respect during the last war and that without a DO things would break down.

The Bureau of Mines wants a DO for an experimental turbine.

The Post Office Department has had a plan for mobile post offices, and it wants to be sure it can procure that equipment.

MRO (maintenance, repair, and operating) supplies for everyone.-- The military representatives are interested in that too, incidentally. We are studying that problem at the present time.

The Panama Canal.

The American freight car program.--The manufacturers didn't get a DO, but they got something just as good; they got a directive on the steel mills to give them the steel. I might add that it didn't work out too well, and they are back, too. Apparently they are having trouble with tag-end components.

Then there is a Great Lakes ore carriers' program. The requirement is based on the assumption that we must move more iron ore in order to have more steel.

Now there is a program in for freight cars for Canada.

Just within the last couple of days there was a program for expansion of the American railroad program to include locomotives.

There is Wherry housing, which is the construction of privately owned housing surrounding, as I understand it, the military posts.

The Veterans Administration hospitals.--There we ran into a very interesting, if not amusing, situation. The Veterans Administration had made some kind of arrangement with the Army Engineers, by which the Army Engineers would build some of the hospitals for VA, and VA itself builds the others. It was about a 50-50 division. Through a misinterpretation of NPA's DO authority, the Department of Defense got busy and put DO's on all the Veterans Administration hospitals the Army Engineers were building, but the VA could not put the DO's on the ones it was building--and the VA has been raising cane about it ever since!

There was a demand for DO's for the White House.

There was a demand for something approximating DO's for paper, and it included a suggestion that the GSA, which procures all the paper for the Government, should be included. There was a proposal to set aside

**RESTRICTED**

for the military and for the Government a proportion of the paper manufactured. At least a few people said, if we ever did that, the columnists would have a field day making fun of giving priorities so that the Government could procure the paper for a lot of things of which the columnists like to make fun.

There is a barge program. It must be for Mississippi River barges. I don't have it closely identified.

There is a Civil Aeronautics plane program.

Every program I mentioned wants DO's as directives, which mean substantially the same thing.

The NPA has fought the best kind of rear-guard action it knows how to fight against giving DO's to practically all the items of this character. There are some exceptions. I believe that the Air Force is going to support the request of CAA for DO assistance for civilian airplane construction, on the assumption that our civilian air will be an arm of the military when an emergency comes and that you have requisitioning powers if they are needed. I cannot say at the moment that this decision is final on the part of the military, but I believe there is some understanding that the Department of Defense will support the program and ask to have it assigned a DO rating. At the present time defense procurement is not at a level--except as to a few items, where it monopolizes the economy to such an extent that it would be a serious mistake to let a few tag-end items have the right to use the DO symbol. Doing that would not be too serious, and so long as it is restricted to a very small number of types of things and to fairly small programs, in terms of dollars or critical materials, I don't think the military should be too much concerned about it. But if we let it go too far, it will make a "bum" out of the DO. It will inflate the currency or depreciate the currency, whichever way you wish to put it. Then the DO becomes what has been called merely a hunting license, rather than what it is today, an effective "do it" mechanism.

If we let too many others have this DO privilege, there will be a demand for a second type of priority. In other words, there will be created and will grow up a demand for banded priorities. There were layers on layers during the WPB days, and I am told by those who know--and I am sure there are a number of you here who must have had the same experience--that this was one of the most pernicious things that came out of the last war. The bands merely made everyone dissatisfied. Somebody was in every other day demanding that he be uprated, and there was a continuous leapfrogging going on which just upset everything all over the country and actually, I have been told, had the over-all effect

**RESTRICTED**

of interfering with, and in many cases actually cutting down, production. And when the production that was interfered with was of the "B" product type, it was frequently found that the military people were being "hit in the nose", without realizing that it was being done at the time. Of course, the bands could not interfere with basic military programs, but I am told that they did actually cause damage, in many cases, to military programs and military procurement.

I want to urge all of you, first, to support our present program of trying to defend the DO privilege and restrict it, to as great an extent as possible, to the military alone; and, second, to aid us in holding the line so that we don't start banding.

So long as the available supply of materials and equipment is adequate to take care of the military needs and of essential civilian needs, a priorities system will work or can be made to work. But the minute the supply becomes less than the military, plus essential civilian requirements--and I must emphasize the word "civilian"--then the DO system won't work. To illustrate, there was not enough cobalt, and the DO's became more or less meaningless.

I mention that because I now come to the final thing I want to say before I try to answer questions; that is, some type of controlled materials plan is coming. It does not necessarily have to be the same as it was before. A lot of people think our economy is so full now, that it is running at such high speed now and there is little cushion and flexibility left in it, that we must take another very careful look at that whole CMP mechanism to make sure that it will work or that it is broad enough. The statement has been made that chemicals and soft goods of all kinds will be, perhaps, just as important this time as steel, copper, and aluminum; and we must be sure all the pieces fit together, instead of letting some of them kind of run off in a vacuum on their own, as was done to a certain extent during the Second World War.

I was tempted this morning, when General Vanaman was talking about the way you run your school and the things you do here, to suggest that you might want to adopt a "project" of taking a critical look at CMP in the light of your knowledge of what is going on today and what the problems are that lie down the road, and perhaps suggest some amendment or variation of it that might fit today's conditions. I know that it is going to get, and is getting right now, a lot of study by a lot of people. Some of them went through the experience before and, therefore, may not be completely objective about it; they may be prejudiced in favor of it, in other words. On the other hand, there are those who

# RESTRICTED

1066

did not have the experience and lack an understanding of the tremendous complexities and problems that go with it. A team of some of each group would probably be a good team to take a good, objective look at the problems which lie ahead--and they are tremendous.

I have tried to say things that will be helpful to you and that will illustrate the problems with which we are now confronted. I would be very happy to try to answer questions.

Thank you very much.

QUESTION: You have made the statement, sir, that our information on supply is all right. From time to time we have heard some contrary opinions. Will you enlarge upon that, please?

MR. KOHLHEPP: I didn't mean to say that the information on supply is all right. I said I believe it is fairly good. It is at least more reliable, statistically, at the present time, than the requirements picture. I think, generally speaking, the reasons are that, first, there is a substantial amount of data and records left from the WPB days; and, second, the Department of Commerce operations have been expanded tremendously since the war, and there is a very large amount of information available in the Census Bureau and in Department of Commerce operations generally. So that while you could challenge what I said as to specific items and specific types of materials, I am sure, as a generalization, that supply data are more reliable than the requirements data as of today.

QUESTION: From recent speakers and from the newspaper picture, I have gleaned the impression that we are pretty much behind in getting the wheels of industry busy turning out munitions. Yet just now in your remarks you indicated that, although these railroad manufacturing companies had enough steel to make their cars, they still could not get whatever was necessary to go with them. I am wondering how, if we do not have our orders out yet, the situation could have gotten so tight as to affect those small items. I wonder if you could elaborate on that.

MR. KOHLHEPP: That is a bit of a mystery, frankly, but I think the only answer is that our economy is running in very high gear on everything. Just to illustrate: We are having a tough problem right now on sulphur. The question of export of sulphur is up and sulphur is beginning to show a deficiency. There is a recommendation that sulphur supply and requirements ought to be brought into balance by cutting exports and not by doing anything so far as our domestic use is concerned.

# RESTRICTED

I mention that only because the increase in the use of sulphur in the United States from 1949 to 31 October 1950 was tremendous. Although it is being investigated, nobody knows, as of today at least, just exactly what has caused that tremendous increase. It is going on everywhere.

Take automobiles--I spoke about this steel roll calling that I did. One of my friends in Milwaukee said: "The steel people are saying that they are treating everybody fairly, that they are giving everyone his pro rata share of what they have available, even though it does cut them back some. Maybe that is true, but it seems very strange, if it is true, that the automobile people can be making 30 percent more automobiles than they made last year." It is in that kind of thing that I think the answer to your question lies.

QUESTION: As we run into critical areas of material, how do we determine, and who determines, whether we aggressively take measures to increase our supply, whether we cut down the requirements, or whether we hit a balance of the two?

MR. KOHLHEPP: You put me on the spot a little because of the way things are moving in Washington at the moment. There was a time, I am sure, when the responsibility for increased capacity and increased production lay with the NSRB. As of today, at this moment, I do not know where we stand.

But I believe it would be safe to say that, no matter where the responsibility for taking the action lies, it will be somewhere, and that unless an increase of production will take too serious a bite out of current requirements--and we do have cases where we need the current production so desperately that we cannot spare anything to build new capacity--we ought to do some of each. In other words, increase production, but also, by limitation and prohibition orders, reduce the demand to something approximately the supply that is currently available. After all, we cannot increase production overnight. But if we are willing to stand the pressures that are created, we can reduce demand pretty rapidly.

QUESTION: Mr. Kohlhepp, within the last six months there has been developed a freight car design using plywood, which, according to information that I have seen on it, is quite good. And I have been a little mystified that so much tonnage of steel is going into freight cars when we have this allegedly superior substitute. Do you know of any authority at present, or to come, which could make the railroad people adopt that substitute item?

## RESTRICTED

MR. KOHLHEPP: I am not a lawyer and I do not know whether any governmental body, even the President himself or the Congress, under our Constitution, has the right to force the railroads to take that kind of car. I know that they didn't want it and I am told they don't want it. By indirection, however, if they really need freight cars, the NPA could accomplish the result by not giving them the steel for the steel cars.

QUESTION: As I understand it, when the DO orders are delegated by the NPA to the Department of Defense and down through the various echelons, at the same time you assign a certain dollar value against which those DO's may be allocated. I am somewhat confused in that it seems to me, at least in theory, the method is very similar to CMP, where, I believe, a metal was assigned in a certain quantity to the military services and then they would delegate the power down through the echelons. Isn't the idea and the procedure the same, except that under DO's you are dealing in dollars whereas under CMP you would be dealing in metals?

MR. KOHLHEPP: It is quite similar, with one other variation, and that is that the DO can go on all kinds of things whereas the CMP was restricted to the three metals.

QUESTION: What is wrong with the DO, admitting it is quite similar to CMP?

MR. KOHLHEPP: I tried to make it clear that it is perfectly all right so long as conditions continue as they are now. But if the military program gets another large increase, as apparently it is going to, and if the military procurement, when it really gets going, causes pressures that NPA is unable to resist and we are forced to let others into the DO band, so that we depreciate that currency and it no longer has its present value, then something else has to be done. And my point is that, when such time arrives, something approximating CMP has to come.

QUESTION: Mr. Kohlhepp, I wonder if there is any agency to which a businessman could appeal if the reduction in the use of materials threatens to drive him into bankruptcy and actually eliminate his company. I have in mind such a company as may be required in the case of an all-out mobilization but is not required in this creeping mobilization we have.

MR. KOHLHEPP: Oh, yes. The NPA is issuing the orders, and every single order has provisions for exceptions. They are granting a lot of hardship exceptions, particularly with reference to the inventory base periods, which are unsound in the case of many people for various reasons.

RESTRICTED

We are trying not to put anybody out of business; I think a man who is actually up against it to that extent will get some consideration.

QUESTION: Even though the product he is turning out at the moment has no possible military application?

MR. KOHLHEPP: Until things get tougher than they are, or at least until the military is ready to move into that vacuum, I think he would get some consideration. However, if he wants cobalt, even if he wants a great deal of aluminum and copper, it is going to be a little tough. But I think I can safely say that the policy is not to actually put someone out of business, as of today, certainly not without some warning. To illustrate, with respect to the copper order of which I spoke, which order is now in the works and is an actual prohibition against use for a long list of purposes, the proposal will be to give two or three months' warning before it becomes effective.

QUESTION: Several times in your lecture you mentioned politics. I don't know whether you would like to elaborate on that subject or not, but I have gathered, through a couple of months of looking at this requirements business, that the political pressures are very important as to determining requirements for civilian needs. I have heard several people informally use the expression "how much the traffic will bear." Would you care to discuss anything along that line, principally concerning the future, and maybe with a 3-million-man army? How will you determine what the political pressures are going to be? And are you going to give what the traffic will bear or is the squeaking wheel going to get the grease?

MR. KOHLHEPP: I think it is safe to say one thing: The NPA or any other similar organization, if it is staffed by the right kind of people--by men who were in the service, who have their kids in, who are good Americans--is going to see that the defense program gets taken care of first. It is going to try to squeeze unnecessary amounts out of the military program, but once that is done, it is going to stand whatever pressures come.

QUESTION: Have you considered the publicity angle to get in the right direction?

MR. KOHLHEPP: That is outside my field, but I am sure that problems like those are receiving consideration every day.

Some of the civilian agencies, even more than the military, surprisingly, have a tendency, if I may use a slang term, to throw their weight around. But it is the kind of thing that is NPA's duty to stand up under, and we do.

## RESTRICTED

Let me illustrate--I recall one time during the last war, just shortly after we landed in New Guinea, late one afternoon we got a telephone call and then a delegation came over from the Army. They needed immediately tractors which were coming off the assembly line at International Harvester. When similar things come along, the people who are going to be affected are consulted. The agricultural people were unhappy about it, but it was a real emergency. With the conditions the forces were running into, the Army had to have the tractors to clear some paths and move their equipment. The request was that we take the action the next day. To illustrate the kind of thing I think can be relied on by Defense, if we have the proper kind of civilian agency, after the boys took their hats and went away we said to ourselves, "This thing is extremely important." WPB didn't wait until the next day; it acted that night by telephone and wire and by the next morning the tractors were off the assembly lines and on their way west.

QUESTION: Mr. Kohlhepp, from your remarks, I would gather that the DO system works beautifully when there is plenty of material to go around, but the minute the chips are down, then it does not work any more. Can you tell us what the timetable is? Is there any planning to try to get a system that will work both now and when the chips are down, rather than waiting until the chips are down and having to go into an improvised system until you do find something?

MR. KOHLHEPP: Yes. We are guessing that the military procurement peak may be in the second quarter, and certainly not later than the third quarter, of 1951, so that we will then be in the trouble period. Whether we will be able to study the shortcomings and the good points of the old CMP in time to correct it, amend it, or discard it and find something new in time to get the thing in operation in the second quarter, I cannot say at the moment. We are hoping to get it moving in the second quarter for what some of the masterminds call a dry run, meaning that it will be in operation but, generally, we will be practicing, you might say, rather than that it will be too effective. We believe that by the third quarter of 1951 we must have something more than a mere priority system.

QUESTION: When that occurs, will that eliminate the DO priority rating, or will that still stay in effect in conjunction with the CMP?

MR. KOHLHEPP: I believe that the military will continue to have a priority for use in fields other than items that are controlled by the base metals, if the CMP is applicable only to the base metals. As I have tried to say earlier, we must take a new look at the whole problem.

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MR. HENKEL: Mr. Kohlhepp, we certainly appreciate your taking time off to come over here to discuss the NPA activities. On behalf of the Commandant and the Industrial College, I thank you very much.

MR. KOHLHEPP: Thank you.

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