RESTRICTED

GENERAL SERVICES ADMINISTRATION

18 January 1951

CONTENTS

Page

INTRODUCTION--Brigadier General J. L. Holman, USA, Deputy Commandant for Education, ICAF..... 1

SPEAKER--Mr. Jess Larson, Administrator, General Services Administration..... 1

GENERAL DISCUSSION..... 12

Publication No. L51-87

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

RESTRICTED

Mr. Jess Larson, Administrator, General Services Administration, was born at Mill Creek in the Indian Territory on 22 June 1904. He was educated at the Missouri Military Academy and the University of Oklahoma. Prior to his induction into the Federal service with the Oklahoma National Guard in 1940, he was rancher, lawyer, and public administrator in Oklahoma. In 1943 as lieutenant colonel, he took command of the 160th Field Artillery Battalion. He landed in North Africa and later participated in the landings on Sicily and Salerno and was wounded in combat at the crossing of the Volturno River in Italy. Evacuated to the United States, he was assigned as instructor in the Field Artillery School at Fort Sill, Oklahoma. Later he was advanced to head the Department of Tactics in the advanced course at the school and was promoted to the rank of colonel in October 1944. He was ordered to Washington in July 1945 for duty with the Chief of Staff, War Department, where he participated in the reorganization of the National Guard and the Organized Reserve Corps. In July 1946 Mr. Larson was transferred to the War Assets Administration where he served successively as assistant general counsel, general counsel, and associate administrator. He was appointed WAA administrator in December 1947, succeeding General Littlejohn. The Senate confirmed his nomination as Administrator of General Services Administration in July 1949.

GENERAL SERVICES ADMINISTRATION

18 January 1951

GENERAL HOLMAN: Gentlemen, continuing with our Procurement course, we will have the opportunity this morning to hear more about procurement as it is handled by the General Services Administration. It is significant to note, in passing, that this Federal agency was created as one of the recommendations of the Hoover Commission for the Reorganization of the Federal Government.

We are most fortunate in having with us, Mr. Jess Larson, the Administrator of GSA. Mr. Larson is a lawyer; he was an Artillery officer during World War II. He served with distinction in North Africa and in Italy. Later on, having been ordered back to the United States because of wounds received in action, he became the Chief of the Department of Tactics at the Field Artillery School at Fort Sill. Toward the end of the war he was ordered to Washington for duty with the Office of the Chief of Staff, where he participated in the planning for the reorganization of the National Guard and the Organized Reserves. After serving as general counsel and associate administrator in the War Assets Administration, he became its director in 1947. And since 1949 he has been the Administrator of the General Services Administration.

Mr. Larson, we are certainly honored to have you with us this morning. It is a pleasure to welcome you to the platform.

MR. LARSON: Thank you very much General Holman. General Vanaman and gentlemen: I am sure there will be a difference of opinion, before I complete my assigned 30 minutes or so, as to whether or not you are fortunate in having me here. I don't say this by way of apology but by way of explanation of what we in the Government call "occupational hazard."

I have the unfortunate responsibility--I say "unfortunate" because of a lot of difficulties attendant on the assignment--of appearing this afternoon at two o'clock before a committee of the Congress to assure it that the activities of the General Services Administration and other offices of the Government responsible for the stockpiling program are not creating a situation of monopoly. Frankly, I am one of those people who barely keep a jump ahead of the sheriff, and I gave a priority to my assignment at two o'clock. The time that I had set aside for preparation for you gentlemen this morning I used in preparation for that priority assignment, so what you are going to get is strictly extemporaneous.

I want to divide my time this morning into discussing with you two things: (1) the purpose of the General Services Administration, its place in our Government and its organization, in brief and general terms and (2), in so far as time will permit, the progress of accomplishment in bringing about areas of understanding between the offices of the Government responsible for military procurement and supply planning and management, on the one hand, and my own agency, on the other, which is, perhaps, the more important part of my remarks to you this morning.

The over-all purpose of my appearance before you is that you might be informed as to the present thinking on supply in the civilian agencies of the Government.

Public Law 152, which was signed by the President on 30 June 1949, brought into being, for the first time in the civilian executive branch of the Government, a G-4 organization. That organization, generally speaking, is responsible for the accomplishment of those duties that are generally attendant upon G-4 assignments as you recognize them in the military service--at least in so far as the Army is concerned, that having been the extent of my military experience.

It has long been recognized by students of government organization that the Chief Executive of our Government had not had the proper kind of organization to carry out these responsibilities. And I think it is significant to you gentlemen of the military that the experience of the military in segregating these responsibilities under one head, such as G-4, as it is in the Army, had a great deal to do with the creation of this supply organization which I represent. I use "supply" in a very broad sense.

For some time, the President has had, as a principal adjunct of his staff, the Bureau of the Budget, which is responsible to the President for formulating policies for his consideration on matters pertaining to the broad expenditures of the Government, or the fiscal affairs of the Government, as distinguished from the functions of the Department of the Treasury in raising revenue. He has also had, for some time, a G-1, the Civil Service Commission--a staff responsible to him for the personnel policies and the personnel administration, in the broad sense. But he had never had a central agency responsible for the housekeeping or the supply or administrative functions of the Government not falling in the other two categories. And it was because of this void, largely, that the Hoover Commission, as the result of the studies and the thinking it had given to this subject, came up with a recommendation that there be created in the Office of the President a general services organization which would be responsible for space, for supply, and for records, generally speaking. Certain other functions, such as the District of Columbia government, and a few others, were included, but the idea of the Commission was to relieve the President of the task of having people representing those other areas report directly to him.

After further study by the committees of the Congress, however, the responsibilities of the General Services Administration were confined, generally, to space (when I say "space" I mean real property or real estate), supply, personal property and its management, and the archives and records of the Government. And instead of being created in the Office of the President, it was considered wise to create the General Services Administration as an independent agency. It was not considered good government organization to have working directly out of the Office of the President, for instance, all the charwomen, elevator operators, truck drivers who deliver coal, and so on, which technically would have been the case had we been organized in the Office of the President.

The purpose of the Hoover Commission in making the recommendation that this organization be in the Office of the President, however, is significant. So much stress was put on the need for this organization that they thought it should have the prestige of being directly associated with the Office of the President. However, my personal opinion is that the same goal can be accomplished with people having the will to do the job, regardless of their place on an organization chart.

I would like to run over with you some charts, which will give you, better than words a quick picture of the development and organization of the General Services Administration. (Chart was not reproduced.)

Starting off, I would like to call your attention to a statement made in a communication by the President to the Congress on 5 March 1948. He outlined a program which he said would be embodied in proposed legislation to follow and which became the Administrative Property Act of 1949. The President said:

> "For a number of years the Federal Government has needed a better system of property management. The present arrangements which have been developed under piecemeal legislation dating as far back as 1870 are inadequate to meet the present requirements of the Government. The legislation contains many obsolete provisions and does not provide for the central leadership and direction necessary to coordinate the complex activities concerned with the procurement, use, and disposal of government property."

Public Law 152, in its second section, sets forth the intent of Congress in creating the General Services Administration and in laying down its charter of responsibilities. I think the language used there is as good as could be selected for an occasion of this kind:

> "It is the intent of the Congress in enacting this legislation to provide for the Government an economical and efficient system for (a) the procurement and supply of personal property and non-personal services, including related functions such as contracting, inspection, storage, issue, specifications, property identification

and classification, transportation and traffic management, management of public utility services, repairing and converting, establishment of inventory levels, establishment of forms and procedures, and representation before Federal and State regulatory bodies; (b) the utilization of available property; (c) the disposal of surplus property; and (d) records and management."

We have interpreted that responsibility, generally, in terms of operations, performance, regulations, or delegations of authority for operation or regulation. The General Services Administration has a responsibility to all executive agencies and departments to furnish the leadership for, or to perform, or to regulate, or to delegate for the performance or regulation, the management of the real estate of the Government. And I will explain to you, gentlemen, in the latter part of my remarks this morning, that this does not include military reservations, posts, camps, and stations, and so forth. Under our over-all responsibility we also furnish the leadership, direction, or performance in the case of records management and the management of the personal property of the Government.

By "personal property" we mean all the personal property of the Government except military items. By "real property" we mean all the administrative property of the Government. By "records" we mean all the records of the Government, including those necessary in the day-to-day operations of the various agencies of the Government, both military and civilian--and this, indeed, is a new field of centralized administrative responsibility, and affords one of the greatest opportunities for service toward the end of bringing about higher efficiency in the Federal Government.

Referring again to the personal property management responsibilities of GSA and digesting for the purpose of brevity provisions of Public Law 152, we interpret our responsibilities as:

1. Setting up the procedure which will establish standards: (a) Prescribing standard purchase specifications for use by all Federal agencies and (b) developing a uniform catalog system in coordination with the Department of Defense, for use by all Federal agencies.

2. Requirements and the utilization of property (one agency not disposing of property as excess to its needs when another agency is in the field procuring that same property. Nothing can be more embarrassing, as no doubt you gentlemen will agree): (a) Examining supply management systems to ascertain supply requirements and efficiency, (b) promoting maximum utilization of excess property available to the Government; and (c) regulating decentralized disposal of surplus property by holding agencies. In my opinion, we have come a long way since the old War Assets days when we had a central agency responsible for the disposal of property, although some other people might not agree with me.

3. Purchase and stores operations (the personal property field): (a) Progressive decentralization of purchasing of new property unavailable in the Government's inventory, (b) coordinating government inspection and inspecting GSA purchases; and (c) reducing government warehousing and purchasing costs through integration with other agencies.

4. Freight traffic and utilities management: (a) Development of government-wide use of economical freight shipment and classifications, and so forth and (b) increasing government-wide use of economical classes of utility service and rates. There is no sense in agencies of the Government competing with one another for utility service or for the services of transportation in the fields of traffic management.

In the real property management activities, we have the responsibility for:

1. Buildings management--the management of administrative buildings not located on military reservations.

2. Custody of the industrial reserve set up as a result of Public Law 883--government-owned industrial properties to be held in reserve.

3. Real property acquisition and utilization.

4. Disposal of surplus real property--and in this field, unlike the personal property field, we have continued centralized disposal activities of real property in order that we might assure a higher degree of utilization.

5. Designing and going into the design of administrative types of space necessary to carry on the various programs of the Government. This research has made some remarkable developments and is a field all its own. The product is a transition from the old gingerbread, monumental type to the block-type, strictly functional building, built to do a job at the lowest possible cost in both construction and maintenance.

In the field of records management--there are too many records made and filed in the Federal Government, we think. There are 20 million cubic feet of records held in the Government today, one-third of which are not necessary in the daily conduct of the Government's business. Because of the lack of facilities and planned records programs in the Federal agencies, those records have not been retired to records centers.

The annual space cost for keeping these records not necessary in everyday use is about 12 million dollars a year, the equipment replacement cost is 50 million dollars a year, and the maintenance of that space costs about 5 million dollars a year, based on a 1949 survey. With the emergency coming on, those costs no doubt will be increased.

Too many records are kept inefficiently. Too many are kept too long. So it is the responsibility of GSA to furnish the leadership and to establish, maintain, and operate records centers where records can be kept that must be kept under provisions of law, and so forth, in space that is not the expensive type of space in which we carry on our daily operations--a most interesting assignment.

I would like to show you next the organization that exists today for the carrying out of these responsibilities. The General Services Administration is divided into services that are integrated into common staff functions serving all of these services.

The Public Buildings Service is a basic service of GSA and has the responsibility for promulgating regulations for the management of real property and the actual operations in the custody and maintenance, building, and design of administrative space.

The National Archives and Records Service has combined the responsibility of keeping the historical and institutional documents and records of the country as existed in the old Archives with the records management leadership and operations of records centers, as I have just indicated.

The Federal Supply Service, which was originally the old Treasury Procurement Division and later the Bureau of Federal Supply under the Treasury Department, furnishes the leadership and direction in the field of supply as well as the actual operation and the actual procurement of certain classes of supply that are assigned to it for such operation--generally speaking, common-use items.

We also have an emergency service called the Emergency Procurement Service, which we created in order that the stockpiling responsibilities formerly carried on under the Federal Supply Service would not become the tail that wagged the dog; in other words, in order that we may continue our basic programs toward the development of a Federal-wide supply service in conjunction with the Department of Defense, as I will explain in a few minutes. In order that it may proceed orderly and not be completely overshadowed by a new or stepped-up emergency operation, we pulled out the stockpiling--the actual procurement, warehousing, transportation, and distribution of the materials in the stockpile--which is the responsibility of GSA under Public Law 520; we have set up the Emergency Procurement Service; and that service has taken on an expansion of its responsibilities under Public Law 774, the National Defense Act of 1950, and the Executive order issued in connection therewith, in that it is the principal procurement agency of the Government for procuring the products of expanded facilities, such as the expansion of the aluminum industry, and that sort of thing.

Now, the regional organization for accomplishing this: We have decentralized to the field, to the maximum possible extent, the actual operations--the maintenance of the buildings, the records centers, the warehousing, the transportation, and the follow-up or the inspection to determine that regulatory provisions are being carried out. We are also decentralizing our actual procurement operations, that is, the actual buying, to the field, if we can get quantities in a given region that will give us the lowest price we can get generally, even if we lumped everything together and bought it in Washington. For example, we run such a program out in Kansas City, in Region VI, in keeping with the government-wide program, including that of the Department of Defense, to serve the small businessman, and to get as much of the procurement activity as possible out of Washington.

We have 10 regions: the New England area, Region I, with headquarters at Boston; Pennsylvania, New Jersey, and New York, Region II, with headquarters in New York City; the middle Atlantic area, Region III, with headquarters in Washington, which also has the responsibility for operation of the administrative functions we have here in the District, and they are, of course, heavier here than anywhere else; the southeastern area, Region IV, with headquarters at Atlanta; Region V, with headquarters at Chicago; Region VI, with headquarters at Kansas City; Region VII, with headquarters at Dallas; the intermountain area states, Region VIII, with headquarters at Denver; the southwestern area, Region IX, with headquarters at San Francisco; and the northwestern area, Region X, with headquarters at Seattle. We do not operate, except in our Emergency Procurement Service, in overseas areas. We do operate in the territories.

Briefly, that is our organization as of now for carrying out our responsibilities under Public Law 152 and other acts.

We are setting up and activating another service, the Defense Facilities Service. Because of the stepped-up program of reopening national industrial reserve properties, we have moved the national industrial reserve from a custodial operation in Public Buildings over to the Defense Facilities Service. Under the Defense Production Act, it is indicated that an activity similar to the old Defense Plants Corporation under RFC, which operated in World War II, is rapidly developing. At present those activities are being carried on through GSA, and the Defense Facilities Service is being organized in order to carry out those responsibilities.

I might indicate that I found it necessary to create in my office another staff office, which is called the Office of Defense Coordination, in order that we might coordinate our far-flung activities in the field of emergency responsibilities. Just as an indication of how big that work load is running, as compared to our normal budgetary requirements, which, excluding stockpiling, generally run around 500 million dollars

a year, our present responsibility for obligations in stockpiling alone runs at approximately 3 billion dollars, and we are developing a backlog here which is now approaching a billion dollars in plant expansion, procurement of machine tools and finished products, and that sort of thing. So you can see how rapidly we are expanding.

We think we have organized to meet that expansion in a flexible manner. There may be over-all governmental organizations under Mr. Wilson that will take these services out of GSA. If they are, they can readily be taken out without disruption of our basic responsibilities.

So much for the background, the organization, and the purpose of the General Services Administration. I now come to the second phase of my discussion.

There has long existed in the Government--perhaps you are familiar with it and perhaps you are not--a feeling of lack of confidence on the part of the military in the civilian branches of the Government--and this is understandable to anyone with any military background at all--in the field of supply. When the hearings were being conducted on Public Law 152, the services within the Department of Defense had many meetings, and it was proposed that a provision be made in the act completely exempting the defense establishment from any of the provisions of this act. But, frankly, the responsible officers in the Department of Defense at once recognized there was a great deal to be accomplished here for the "American taxpayer" whom we sometimes have lost sight of. Congress had its finger right squarely in our eyes in bringing to our attention that the taxpayer is entitled to some consideration and that he would not tolerate civilian and military establishments competing with each other for identical items, such as has been the case in every period of emergency. I am sorry to say it still exists today but, I am happy to say, to a much lesser extent; I am very confident it will eventually be eliminated. Congress insisted that there be someone in the Government who could be called upon and who would be responsible for informing Congress as to what had been done to eliminate matters of conflict in so far as supply is concerned. A compromise was finally reached, and a provision was inserted into the act that was satisfactory to the Department of Defense and accepted by Congress, that the Secretary of Defense could exempt the military establishment from any area of procurement or supply covered by Public Law 152 if, in his discretion, he saw fit, provided that he cleared it and got the approval of the President before so doing.

When the President signed Public Law 152, he wrote a letter to the Secretary of Defense, and to myself whom he appointed Administrator of General Services on 1 July 1949--a copy of this letter went to the Director of the Bureau of the Budget, by the way--in which he said to the Secretary of Defense: I don't want you to exercise, for the time being and until you check further with me, this provision in the law,

because I feel, with the Bureau of the Budget, that General Services and the Department of Defense can get together and delineate areas of understanding whereby we can move toward the development of an over-all Federal supply system that will be flexible enough to work in any period of emergency, and that is what I want you to do.

As a result of that directive, a meeting was held among Secretary Johnson, Mr. Pace (the then director of the Budget), and myself in which we reached an agreement as to how we would proceed to carry out this directive of the President. That agreement, which was signed 27 September 1949, is, in itself, very interesting, and it is important to those of you who might be interested in further research on this subject.

I won't read the agreement. It is somewhat lengthy. I just want to read some excerpts from it. This is one paragraph:

> "It is a necessary part of our national defense to keep appropriations within bounds. Our economy requires it, the President and the Congress rightfully expect it consistent with the fulfillment of primary missions. The preservation of our non-renewable resources from unnecessary exploitation in our time will mean that future generations may also have the substance of defense."

This is a pretty statesmanlike document. I did not have anything to do with drafting it, but I certainly concur in it. As a matter of fact, it was drafted by the working committee that was appointed by each of us to carry out the President's directive that we get together. That working committee is composed of Admiral Morton Ring of the Munitions Board staff, as Chairman; Mr. Russell Forbes, the Deputy Administrator of General Services, as a member; and Mr. Ray Ward, a Special Assistant to the Director of the Bureau of the Budget, as the representative of that department. That committee has been working away, meeting every week, with staff operations that are pretty far-reaching, concrete, and tangible going on continually, and encouraging results have emanated therefrom.

Mr. Small has approved and I have approved, but the Director of the Bureau of the Budget has not yet approved, a report to the Congress on the progress of this assignment in developing areas of understanding. We have reached an agreement and have signed such agreement, for instance, in the field of traffic management, whereby we delineate the responsibilities of the Department of Defense, of GSA, and of the other civilian agencies of the Government, toward the end that we get common representation of the taxpayer before the rate-making bodies and before the classification authorities of the various transportation facilities throughout the country; and that we don't have one rate prevailing in the Department of Agriculture for a product, with a higher rate prevailing

in the Treasury Department, and perhaps even a different rate prevailing in one of the divisions of the Department of Defense, for the identical product. That, generally, is what that agreement accomplishes, and it sets up the working arrangements, which have already been tested and found to be workable, in representations before regulatory bodies.

We have reached an agreement, which has been signed, in so far as our area of responsibility in connection with the procurement of utility services--power, gas, and water--is concerned. Now when we negotiate with a utility for power to be furnished a government installation, regardless of what it is, we represent the Government of the United States, and not the Army, the Navy, the Air Force, the Treasury Department, Reclamation in Interior, or something of that sort. That has likewise proved to be effective in its approach, and we are making progress under that arrangement.

An area of understanding has been reached and reduced to the form of an agreement, just signed 22 November 1950 by Mr. Small, in so far as communications is concerned--administrative communications, not military communications--and a delineation into what is one and the other, with enough flexibility to satisfy even the most doubting Thomas who felt that could not be done, has been brought about.

Already we are feeling the results of that in the approaches of the telephone companies in the adjustment of certain rates for services that are being charged--going back to what the Congress and the President had in mind, the taxpayer's dollar--and those things are working effectively in this period of emergency and, in my opinion, so long as the will to make them work exists, will continue to work effectively. All that is required is an understanding as to the ultimate goal on the part of the people concerned in working these out.

We are rapidly developing areas of understanding--as a matter of fact staff work has practically been completed--on a Federal system of material inspection and testing. Many of you are familiar with the confusion, and even chaos, that existed in World War II, when the great avalanche of inspectors swooped down on particularly the common-use producer in his plant: in the morning, an inspector from the Air Forces; in the afternoon, an inspector from the Navy; the next day, an inspector from the Ordnance Department; the next day, an inspector from the Bureau of Standards; and so forth. A Federal system of inspection and testing would bring order into that sort of thing. Of course, it reaches much further than the example I have stated.

In the field of preparing standards and standard purchase specifications, a great deal of progress has been made. That area, of course, is confined to common-use items, where we use the same item regardless of whether we are in a military occupation or a civilian occupation.

The use of blind-made and prison-made products, which we are required under the law to utilize, is being worked out in an orderly manner.

Such small-appearing items as typewriter purchase and replacement standards are being worked out. Such items have been the subject of hours of hearing and debate on the part of Congress because of the lack of coordination among the government agencies, including the military, in this field.

The use by the civilian agencies, and a common area of understanding as to its general use in the Federal Government, of a qualified products list, to transcend the lengthy and time-consuming specification writing process, with the leadership initially having been taken by the military in that field, is being developed.

The matter of handling late bids, which is always controversial, difficult, and time-consuming for the executive in the Government, regardless of his assignment, is being worked out so that a common approach will be made. Purchase for direct delivery and storage is likewise being worked out.

Perhaps almost the most important--I am saving the most important to the last--is the matter of purchase assignments. It has been my feeling, as a result of my brief experience in this field and by the application of some common sense, that there is no reason why there should be 26 different agencies and bureaus procuring medical supplies and hospital supplies for the Government, particularly for use in domestic areas. I have always felt that the medical department of one of the services could not only justify the continuation of a bigger cadre during times of peace for training purposes, but would serve to save a great many million dollars if it would agree to take over the procurement for the various civilian agencies; the locations of the medical depots of the Army indicate that this could readily be done.

I am running over my time. I want to give you an opportunity to put me on the spot with any questions that you might have, regardless of what they might cover.

But I want to mention what is perhaps the biggest field, cataloging. I am sure that, in the course of your study here, you have been impressed with the desirability, or should I say the absolute necessity, of the development of a Federal cataloging system. I say to you that we in the civilian branch of the Government have delegated to the Munitions Board Cataloging Agency our responsibility; we are reimbursing and making assignments of staff--so that the Munitions Board Cataloging Agency has primary responsibility within the Government for cataloging, or bringing about this much needed nomenclature of the many millions of items that are used in the supply systems of all the agencies of the Federal Government.

We had to crack a lot of heads on our side of the river in order to accomplish that. There were people who had apoplexy and there were several retirements as a result of that blasphemous sort of assignment. But I emphasize it here to you today to indicate to you the determination on the part of all of us concerned to create here a flexible Federal supply system and procurement operation that will get the taxpayer the most for his dollar; and, perhaps even more important, as indicated in our initial agreement, conserve our natural resources, as being perhaps one of our biggest responsibilities in the area of national defense.

Briefly, gentlemen, that is my story. I have run 10 minutes over the time that General Vanaman assigned me. I don't want to disrupt your schedule, General, but I assure you that I am available from now until one o'clock for any assignment you want to give me in so far as the pursuit of this subject is concerned.

QUESTION: Mr. Larson, I have two rather specific questions. First, has there been any interagency working relationship developed in the machine-tool field, specifically, in relation to the services' machine-tool reserve and the machine-tool responsibilities under the Defense Production Act allocated to GSA? Second, to what extent is GSA planning on getting into the field of building new facilities and leasing them to contractors, as was the practice under the Defense Plants Corporation?

MR. LARSON: I am perhaps better equipped to answer your second question than I am your first one. But to deal with them in order, to the extent of my familiarity with them, I would say there are informal interagency discussions and meetings on the machine-tool question. As yet, however, nothing formal has come out of these informal meetings. They have come about mostly as a result of the assignment, in the President's Executive order, of responsibility for procurement to GSA, which included machine tools, the requirements of the services to be made known through the services themselves.

When I say "services," I mean the Ordnance and Air Force technical people, and that sort of thing. They did not come from the top level; they came really from the lower level.

Those requirements were made known to us and we have been in the process of moving along toward, first of all, the ascertainment of the magnitude of our job and how big the work load is going to be; and, second, the determination of areas where we can delegate that responsibility back to the using service.

I am sure that those discussions, because of the technical people involved, are getting down to the field of standardization, which is, perhaps, what you had in mind. But there, again, you go across the board; you get into the National Production Authority, which eventually will assume that responsibility of standardization, I am sure.

So far as the reserve of machine tools held by the Munitions Board from the surplus is concerned, the taking of surplus inventories is one of the wisest things that has been done, in my opinion.

To date, the position of the Munitions Board is that this is a stockpile of machine tools, and it is not contemplated that the stockpile be utilized in the current emergency. There are some very wide differences of opinion, including those in our own agency--and, you might say, including my own. I feel that, because of obsolescence that occurs, because of the used characteristics of many of those tools, and so forth, they should be used initially to get the program rolling; and that our big machine-tool program should come along later to constitute the stockpile and the continuing fulfillment of machine-tool requirements.

Perhaps the best answer to your question is that it is being worked out, in the background and in the light of what I have tried to say.

Your second question was, as I remember, to what extent are we going into the field of building plants and leasing them to operators? At present there is no provision in the Defense Production Act, or in any other provision of law with which I am familiar, that gives authority to construct production facilities with government funds. There is a provision for the expansion of existing facilities, but not the construction of new facilities.

The question turns, then, on what is expansion of existing facilities. That is something which is giving us quite a bit of concern, because the hearings in connection with the act indicate that Congress had in mind a plant location being expanded. As yet, it has not been necessary to reach a decision on that because, up to date, we have been able to accomplish expansion without the use of government funds in all the areas we have been assigned responsibility, through other provisions of the National Defense Act; namely, first of all, through underwriting procurement. I will use as an example the aluminum expansion program, which has been the biggest one so far, and one which was assigned to our agency, or certified to GSA, by the Defense Minerals Authority of the Department of the Interior.

I might deviate a moment here to indicate the ministerial aspect or character of GSA. We do not originate policy. We do not determine the extent of the expansion. We do not determine requirements. We merely carry out directives. We are, in other words, the contractor who takes over the contract to carry out the requirements. So we were "certified" that job.

We went in and have increased the aluminum capacity. We have completed our part of the work in the expansion program. Construction has begun in some cases. The contemplated increase is about 60 percent of present capacity, about 500,000 tons of aluminum pig a year.

We underwrote the production. We said, "We will guarantee to take your production for two and a half years." First we said, "We will take it for five years, but we will guarantee it for only two and a half years, because in two and a half years we might want to cancel this contract; if we do, certain provisions are set up for that cancellation." Then the contractor said, "That is fine, but that is not enough. We want accelerated tax amortization in order to do this." So we recommended that the Department of the Interior grant accelerated tax amortization, and they are wrestling with that in the Department of the Interior.

That is not, in my opinion, a good arrangement--when the contractor has to run back to another department of the Government. Anyway, through diligence, a lot of work, long hours, and bumping heads together, we have made progress.

Then the third thing the contractors said they must have would be for the Government to guarantee the loans they got from the lending agency, through normal banking channels, for construction of these production facilities. We said that under our authority, under the Executive order, we have the necessary authority to guarantee the loans. They are being processed through the Federal Reserve bank.

That is the way we are expanding. As a matter of fact, my personal feeling is that we should expand to the maximum possible extent in that manner, particularly in the field of the guarantee of loans, because, harking back to my experience--I see my friend, Colonel Smith, is here; I hope he will back me up--when the emergency is over and you get the disposal phase, if you have government ownership, you have an operator in a plant who is operating, not necessarily on a lease, but on a management-fee basis, and his interest is not in the continued operation of that particular facility and fitting it into the civilian economy when the emergency is over, but in collecting his fee and getting out. That was the experience in World War II. Then you have this terrific disposal job on your hands. Whereas, if you have private ownership, with the incentive to keep that property in operation, I think you add to the over-all economy as well as eliminate the disposal activity.

I didn't mean to make another speech in answering the question, but I could not resist the opportunity to cover some of the field.

QUESTION: Mr. Larson, in GSA, how do you control your expendable properties among the 10 districts that you have established?

MR. LARSON: You are referring to GSA property, our own administrative property?

QUESTIONER: Yes.

MR. LARSON: I would say we are experimenting with that on account of the provisions of Public Law 152 that the General Accounting Office and GSA jointly set up a system of property accountability within the Government. And for the first time, the General Accounting Office has come into the field of property accountability, whereas it had always been confined to fiscal accountability theretofore. A great deal of hard work has been put into the development of a property accountability system, and we have put into effect a system of property accountability in GSA. I am sorry I cannot give you an answer as to the details of distinguishing between expendable and nonexpendable responsibility.

One of the interesting things is that the Comptroller of GSA, an old friend of Colonel Smith's, has talked me into centralizing those accountability records under the Comptroller. I am not so sure it is going to work out. The operating people are not very happy about it. I can understand why.

I am sorry I cannot answer your question about expendable and nonexpendable items.

QUESTION: Mr. Larson, in view of the wording of Public Law 152, would you like to discuss the potential danger of the General Services Administration taking over all Federal procurement, including that for the military establishment?

MR. LARSON: Yes, I would be very happy to do so.

First of all, I say that the danger does not exist. Personally, I cannot see where it would ever exist, with the proviso in the law as it is. However, regardless of that proviso in the law, I cannot understand why any reasonable person, with all the responsibilities that go along with being the General Services Administrator, would want to get over into and assume the responsibilities of military procurement and supply without having an organization to do it--and having an organization to do it would mean duplicating all of that organization as it now exists within the Department of Defense for military items. Perhaps even more basic than that, we cannot conceive of fighting a war without the commander having control of the implements of war necessary to carry out his assignment. No civilian agency should be injected into that field, and there is no development conceived or taking place in that direction.

When the areas of understanding I mentioned have been completed, I think it will be very well defined as to what GSA can contribute, in time of peace and in time of emergency, to the military establishment; what the military establishment can contribute, in time of peace particularly, to the civilian agencies of the Government; and what we can as responsible officers of the Government, contribute to the taxpayer, a contribution in which we are most interested.

I certainly cannot conceive of any human being having enough of a reputation to be approved by the Senate of the United States as being a man of such unquestionable judgment who would want to reach out and take over. Even if he wanted to, the Secretary of Defense could say, "No, you can't do this," and then you would get it in the lap of the President if there is an argument. I am sure we would have to trust the Commander in Chief to make a decision there, as he has to do in all military matters when they are up to him for decision.

I trust all of you will have an opportunity to read this agreement of 27 September 1949. Admiral Ring, who, in my opinion, has contributed more to this program than any other individual in the Government, civilian or military, has appeared before you to discuss cataloging and other phases. This agreement will indicate the whole concept. In time of emergency it gears the civilian agencies to fit into the supply line to do what we can.

We are demonstrating that in the field of raw materials right now. We are the procurement agency for raw materials--the exclusive procurement agency in so far as the very critical item known as rubber is concerned. As of today GSA is buying every pound of rubber that is brought into the United States, for stockpiling for defense needs, or for anything else, and I think we are demonstrating our ability to do it.

I hope I answered your question without making another speech.

QUESTION: Mr. Larson, we have been interested in the subject of decentralization and dispersion. I wonder if you would discuss briefly the proposals with respect to the agencies of government here in Washington in that regard, particularly from the point of view of what appears to you to be a feasible timetable for their dispersion and decentralization.

MR. LARSON: I would be very glad to discuss it. You are getting me into fields on which I am inclined to make speeches, I am sorry to say.

First of all, here, again, let me emphasize the ministerial responsibility of GSA. The National Security Resources Board has a specific responsibility under the National Security Act to effect such means as will assure the continued functions of the Government in case of attack upon the Capitol of the National Government. That is a specific statutory assignment of responsibility. NSRB assigned a part of that job, the job of coming up with the answer to that responsibility, to the old Federal Works Agency. When the Federal Works Agency was absorbed into GSA at the time GSA was created, we inherited it and we have carried on.

It is a space problem, it is a real estate management problem, and logically belongs, perhaps, in our shop. However, we have had the assistance of the Department of Defense, the Atomic Energy Commission, and a great many other people, in working on our phases of that assignment, and the over-all assignment has been umpired, reviewed, and adjusted by NSRB. So the dispersal plan is a National Security Resources Board plan.

Now I would like to speak about the distinction between "dispersal" and "decentralization" as we use those terms. I think that is important. We think of dispersal, in its military sense, as a commander dispersing his installations and his troops to the extent that he can still maintain control of those troops in the field.

I would like, if I may, to give a little sidelight here, one which I used effectively, I hope, before the congressional committee the other day. I said that one time when I was doing a job which afforded me more pleasure than any other job I have ever done, commanding a battalion in Field Artillery in the 45th Infantry Division, we had a little skirmish on Salerno. I was up with one of my forward observers one morning about 10 o'clock, going over his targets with him. He said, "That little house over there--I have seen about five Germans go into it. How about a battalion concentration?" I said, "We can't afford a battalion concentration on a house with five Germans." So we stayed around until about two o'clock in the afternoon, counting the Germans that went into that house. I don't know what they went there for; it might have been for mess. Anyway, eventually about 25 Germans went into the house. We then decided it was a profitable target and put a battalion concentration there, with a high degree of success.

Those Germans failed to take advantage of the theory of dispersal. We want to be sure to take that advantage here in the Capitol area.

There is no defense against the atomic bomb that is not beyond our means, beyond our resources--the expense of it is too great. Dispersal is the only reasonable defense. So our recommendation was that we disperse the governmental functions out of the center of the city of Washington and thereby lessen its value as a target to the enemy. In other words, the enemy knows that, as of today, he could drop the "egg" in the vicinity of the Washington Monument and put out of business every important function of government, military and civilian, that exists in our National Capital today.

The question is, How far are we going to scatter the governmental functions? The answer is that we are going to scatter them, as the squad leader or platoon leader on the battlefield does, far enough so that we can continue control. The squad leader must be able to come to the platoon leader, and the platoon leader to the company commander, meet on a face-to-face basis and discuss the situation on the battlefield. The Government also has to be conducted in that way.

The policy-making, responsible operating heads of the Government have to be available to the legislative branch of the Government. So our dispersal has to take into consideration face-to-face availability of the responsible officers of the Government.

You cannot have just the officer; you must have his staff with him. The staff must be available to him to equip him to come to the conferences, and so forth. You all understand that. And if you separate headquarters too far, then you duplicate staffs, as you gentlemen in the military well know is a tendency.

Having all those things in mind, the National Security Resources Board determined that this area of dispersal should be outside but near the District of Columbia; that sufficient dispersal would be afforded in that way. Then it was determined that, by making these sites available, about 40,000 to 45,000 people would be what would be necessary to house in these dispersed areas to carry on the essential functions of the Government, legislative and executive. In time of full mobilization, that number would have to be stepped up to between 80,000 and 100,000, but it could be stepped up by expanding each of eight sites to cover 10,000 to 12,000 people rather than 5,000 people.

So a plan has been presented to the Congress calling for the establishment of eight sites outside but near the District of Columbia. In each of these sites facilities will be constructed to house 5,000 people, with necessary utilities, and so forth, and, equally important, the necessary roads, and so forth, to permit face-to-face conferences between sites, with agencies that will remain in the center or in the District of Columbia and with the legislative branch. There will be an extensive system of communications by means of roadways that will connect those sites.

That is the dispersal plan, not as briefly as I should have given it to you, perhaps, because of the time.

The decentralization plan means decentralizing, or moving outside the city of Washington, functions that can be carried on just as well in San Francisco, Denver, Omaha, Chicago, Dallas, St. Louis, or Fort Worth, as they can here in the city of Washington; functions such as the Bureau of Engraving and Printing, for instance. As a matter of fact, that is something which should not be in the city of Washington anyway. It is a production-line type of operation. A great many activities of the Government fall in that category--insurance, IBM machines, and so on, which are not policy making. It is not necessary to have the heads of those functions available to the legislative branch of the Government. The Bureau of the Budget is drawing up a list of such agencies to be moved permanently out of the city of Washington and located elsewhere.

QUESTION: What is the timetable?

MR. LARSON: A certain number of the functions I have indicated that may be decentralized can be moved as fast as funds can be made available.

There are other agencies that should be moved, and can only be moved, as a result of getting legislation. The basic law setting up the Federal Power Commission, for instance, says that it shall meet in the seat of government. The seat of government is the city of Washington, or this area here. So we cannot move the Federal Power Commission without getting legislation. I don't say anybody is about to move it; I merely use it as an example. The time schedule would depend in that case on legislation.

So far as dispersal is concerned, there, again, the time schedule will depend on legislation authorizing the dispersal and making the funds available. When the funds are made available, the construction will take a minimum of 18 months. The decentralization program can be carried out just as fast as funds are made available, to the extent I have indicated.

That is about the best I can do on the time schedule.

COLONEL JOHNSON: Mr. Larson, so that we will keep on our time schedule--there are numerous other questions I am sure we would like to ask--our time schedule calls for quitting. On behalf of the Commandant, the faculty, and the student body, thank you for a very interesting hour.

MR. LARSON: Thank you.

(14 Feb 1951--650)S.