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DEPOT SYSTEMS

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3 April 1952

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Mr. Nathan Brodsky, Assistant to the Vice-Chairman for Supply Management, Munitions Board, was born in Philadelphia, Pennsylvania, in 1916. He was graduated with honors from Temple University in 1937 and completed his graduate study in the field of economics at the University of Pennsylvania and the American University. He is now writing his doctor's thesis. Mr. Brodsky completed the Officers Special Course at the Quartermaster School in 1941 and the Services of Supply Course at the Command and General Staff School in 1943. From 1941 to 1943 he taught at the Quartermaster School. He then served in the Pacific Theater for 30 months, first as executive officer in the Supply Division, Headquarters, SOS South Pacific Area and later as chief of the Supply Division, Co. 4, Headquarters, South Pacific Base Command. From 1946 to 1948, he was first chief of the British Dominions and India Branch of UNRRA and then chief of the Procurement Coordination Branch. He has been with the Munitions Board since 1948. One of the first details after joining the Department of Defense was to assist the Hoover Commission Task Force on Federal Supply Management. He recently accompanied a congressional subcommittee on its investigation of supply activities overseas. Mr. Brodsky is the author of a United Nation's monograph and of several articles in the fields of economics and supply management.

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## DEPOT SYSTEMS

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MR. HENKEL: General Vanaman and gentlemen: Distribution logistics covers many angles. Last Tuesday General Reeder discussed some of the supply management problems. Today we are going to hear about another important facet so essential to the proper distribution of supplies, that is, the depot system of the three services. To present this we have with us Mr. Brodsky, of the Munitions Board, who has been studying this problem since 1941 and has some very definite ideas about this phase of distribution.

Gentlemen, it gives me great pleasure to present to you Mr. Brodsky.

MR. BRODSKY: Gentlemen, I am pleased to have this opportunity to speak to this group of officers, who will soon add to the cadre of business managers in the military departments. The Industrial College of the Armed Forces is making an outstanding contribution in developing professional soldiers, sailors, and airmen who can understand the relationship of their daily tasks to the economic health of our country, upon which our political and military strength rests. The military-economic relationship must gain wider recognition in the military and civilian sphere, if we are to build a well-balanced force that will preserve our way of life. It has become platitudinous to say that the Soviets are anxious to defeat us by economic as well as military means. But the significance of that platitude has not been fully realized. Our strength rests largely on our military potential; our military might can be built and maintained only by a sound productive economy. Economic dislocation can impede military preparedness. This does not preclude the necessity for personal sacrifice to build our military strength to its highest potential. But it does mean that our national planners and John Q. Public must understand the military-economic equation.

The military planner must consider the impact of his requirements upon the economic fabric of the country. We have never fought a war in an economy of scarcity. We have never even begun to approach what many of our allies and practically all of our enemies faced in the last war. This country has the economic strength and resiliency that can assure our military might. But the sacrifices that we will make in any future war will surpass any that our people have ever been called upon to make.

Economic forces at play today are substantially different from those that preceded World War II. In 1941 we faced some unemployment and had unused facilities. While there are soft spots in particular areas and industries today, as a whole, we have manpower and facilities

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shortages, and in addition, critical supplies of vital raw materials. Our economy has been strained at various times and has withstood the pulls with the outstanding elasticity that has made this country great. But we are at a point where all governmental expenditures must be made so that the highest possible net return is obtained to avoid any unnecessary economic strains. It is, therefore, of great concern not only to the success of military operations, but also to the efficient utilization of the country's resources that productivity in military supply management be given careful consideration not only to increase the effectiveness of military support (which is our prime consideration) but also to reduce the costs and to husband our nation's resources.

Now why this lengthy introduction? It is because I believe that a greater realization of the military demand-economic supply picture is essential. Our military supply operation is the largest business in the world. We who are charged with administering it have assumed the tremendous responsibility of balancing military-economic considerations. Our procurement, requirements, and distribution activities must be based on a keen awareness of the interrelationship of military and economic strength. It does not suffice to perform our business-type operations on the basis of tradition alone; our supply programs must be realistic effective, and economical. This involves a soul-searching examination of our entire supply operations to discover areas for improvement. This morning we will focus our attention on one supply function--that of the military depot systems.

I have been asked to speak to you to acquaint you with the depot systems of the armed forces and to contribute to your understanding of the reasons for the use of each system. A depot system is difficult to discuss out of context. To really understand it and its functions, we must consider it in relationship to the entire supply process of which it is a part. The physical depot for the storing of supplies, its location and its functions are dependent upon the type of distribution system in use and the consumption centers to be served. The depot is a link in the process of conveying materiel from the producer through the various phases necessary to place the items in the hands of the consumers. It is an element of logistics and has a direct relationship to matters such as procurement, inventory control, issue procedures, and transportation. The depot system is a segment in the pipeline of the supply systems and as such it is closely related to tactics and strategy.

The amount of goods that will be required by the military consumer must be forecast, based upon strategic plans and normal day-to-day operations. Levels of stock are established to insure that a regular flow will be maintained and that sufficient materiel will be on hand to meet consumer needs. A depot system provides means for storing, processing as necessary, and issuing goods.

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There are compelling needs for military storage. A storage system compensates for delays in procurement and permits the development of resources for contingencies. It overcomes the inability of industry to provide specified material to the consumers in specific quantities at specific places at specific times. A military depot system thus plays a vital role in assuring adequacy of military supply. It also provides means for storing strategic reserves. In essence, then, a depot system permits the storing of materiel to meet current needs and also enables us to buy time and readiness in terms of mobilization, particularly with respect to military items with long lead time to manufacture.

But storage and movement are costly. In a sense storage is "economic waste." Goods sitting idly in warehouses, subject to deterioration and requiring maintenance, make no immediate contribution to military support. This is an "economic waste" which we must bear to buy military security but we are obligated to reduce this waste to a minimum. We must, therefore, devise means to reduce storage and movement of goods to the minimum aggregate amounts consistent with military necessity. The point I am making is this: It would be ideal if goods could be produced in proper quantities and moved to military consumers precisely as and when needed. The ideal not being attainable, we then interject an intermediate step, the military depot, to store and issue materiel to assure adequacy of supply. This intermediate step must be kept at the point of maximum returns with minimum outlay. To attain this point we must reduce procurement lead time, improve the procurement processes, and develop effective control of materiel in the military pipeline.

With this statement of the relationship of a depot system to the entire supply process of which it is a part, let's look at the depot systems of the military departments as they exist in the zone of interior.

#### The Army Depot System

The Army depot system has in a large measure been governed by the technical services. The Army supply organization is not a functional one below the general staff level. The operating organization is built on specialized technical lines. Because of this technical service set-up, many items of supply may be carried in more than one technical service supply system. Though the Army has made increasing strides toward the assignment of an item to one technical service, there is still a long path ahead.

Branch depots which pertain to only one technical service are the backbone of the Army distribution system. General depots combine the storage by two or more technical services but each service in a depot maintains its own operating autonomy. The general depot is under the administration of the Quartermaster General. Within a general depot

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administrative services are pooled by the depot commander but he has no control of the supply functions of the technical services in his depot.

Currently there are 71 Army depots in the zone of interior. The 10 general depots are located so as to serve the needs of one or more of six Army areas. They stock fast-moving items and are backed up by the 61 branch depots operated by the technical services. These branch depots also store commodities requiring special handling and surveillance while in storage. Some branch depots have specialized missions such as the handling and processing of photographic equipment.

For several years prior to World War II, general depots were commanded by officers reporting directly to the War Department General Staff. In 1940 administrative responsibility was passed to the Quartermaster General who was, in turn, responsible to the War Department General Staff. Upon the organization of the Services of Supply in 1942, general depot command responsibility passed to officers reporting directly to Headquarters, SOS, only to pass back four months later to the Quartermaster General.

The history of the technical service supply systems prior to World War II is one of lack of coordination. Consequently, the technical services evolved their own procedures. World War II found each technical service with its own inventory control, its own depot operations, and its own shipping procedures. As a consequence, a major change in the Army supply system had to be made during the war. Subsequent to the war many of these changes were undone. I wonder whether it would not be wise to develop an effective system prior to any future war.

The Services of Supply (later the Army Service Forces) did a great deal to unify and simplify the technical services' operations. It did an outstanding job in the staff supervision of storage activities. The Army Service Forces concerned itself with the institution of modern commercial methods, with the use of materials handling equipment, with personnel training, and with requirements for storage facilities. By the end of 1942, maximum requirements for covered storage space had been compiled and plans for additional major construction were cancelled. Control of space was centralized in a common pool for allocation to the technical services.

Because each technical service had developed its own distribution and storage plan independently, there was no integrated storage plan for the Army as a whole when World War II broke out. In his final report of the Army Service Forces titled "Logistics in World War II," General Lutes stated:

"It also became apparent that the existing depot system did not meet all needs. Unfortunately, it was then too late

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to make the large scale changes that were desirable, and it was also impractical to redistribute the large stocks that had been developed. The difficulty consisted of reconciling such inconsistent needs as proximity to manufacturers, proximity to large military posts in the United States, and proximity to Ports of Embarkation. The solution required careful planning and such adjustments between facilities as were practicable."

With the end of World War II, the technical services of the Army resumed many of their traditional functions upon the dissolution of the Army Service Forces. G-4 of the General Staff was designated as the coordinating agency. A great deal of the success achieved by the Army Service Forces was, in my opinion, dissipated in postwar developments. While there have been significant accomplishments in the standardization of procedures, there is still much to be desired. Duplication in operations exists and G-4 can only perform a limited role in coordination of the technical services.

Each technical service has its own rules for processing requisitions by depots. Each stock control point has its own idiosyncrasies of operations. Within a general depot a Quartermaster Corps clerk working next to an Ordnance Corps clerk can render limited assistance when his workload is light because he is unfamiliar with the techniques of the other technical service. Within a general depot a Quartermaster section short of hand tools may be requisitioning on its source hundreds of miles away while an Engineer or Signal or Ordnance section in the same depot may even be declaring the same type hand tools as excess. This type of operation does not render the most effective supply support nor does it attain the greatest degree of economy consistent with the best supply support.

An evenly flowing pipeline with minimum investments in inventory and maximum use of that inventory across the board will do more to provide effective supply support than an unbalanced operation. The technical services can and do render outstanding technical services. I believe, however, that the supply functions should be in the hands of an integrated team within the Army to provide more effective and more economical supply support.

Recently a G-4 official, who is now a member of your class, spoke of the Army distribution system to the Army War College. I would like to quote a pertinent extract, though in justice to your classmate, I must add that his conclusions and mine are not alike.

"Processing of requisitions at depots has become so specialized that many internal depot actions appear to be manufactured for the sake of providing a job . . . .

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"The most difficult task confronting any supply officer or logistics staff officer is finding the pertinent policy or procedure in the many hundreds of supply publications which have been published to date. Department of the Army and technical service publications covering distribution are published piecemeal and do not follow the same format. Many of the procedural directives permit interpretation by successive echelons resulting in lack of uniformity, inefficiency and waste. The diversity, volume and complexity of supply manuals and catalogs renders the preparation of requisitions which will produce the required supplies, unnecessarily difficult. One of the projects which we of G-4 wish to accomplish as soon as possible is to conduct a review of all existing supply publications and rescind all documents, or portions thereof, which are no longer applicable; consolidate, condense and rearrange all documents into a standard loose-leaf supply manual."

I recognize the long-standing and distinguished contributions made by the Army technical services. I realize that each technical service has a long statutory history. Within each technical service there is a great deal of talent. But it is a fact that World Wars I and II necessitated changes in the somewhat autonomous operations of the technical services. These wartime moves to acquire efficiency in supply support indicate, I believe, that the technical service system should be re-examined prior to the beginning of any future hostilities. Is it wise to wait until a major conflict and then reorganize our supply structure as we have done in the past? I believe that for the sake of efficiency in military support as well as economy in operation, the Army technical set-up should be evaluated objectively now; we cannot afford sentimentality in this vital area.

The Department of the Army has made significant progress toward improved supply management. Its operations are complex and many of its problems are unique. But I believe that, basic to any real progress in the Department of Defense supply, operations as a whole is the need to attain integration of Army supply.

## Navy Depot System

Prior to World War II, the Navy's supply problems were principally those of general stores; the volume of technical material was small and handled largely by the technical bureaus. The Bureau of Supplies and Accounts was charged by Navy regulations with the storage of all material except ammunition, medical supplies, and other items assigned to the technical bureaus.

World War II found the technical bureaus unprepared to cope with the increased supply problems. As a result, approximately 30 distribution systems were created within the Navy supply system. The Bureau

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of Supplies and Accounts was used to some extent to perform the distribution functions but centralized control and standardized procedures were lacking. The Navy Department recognized this problem and, in the aviation supply office, it developed a means for centralized control of aeronautical material.

After World War II the Navy Department conducted a study and evolved a plan for the Navy supply system. This plan has to a considerable extent integrated the various systems of the Navy, and the Bureau of Supplies and Accounts has been charged with coordinating the operation of the supply functions of the Navy supply system. Basically, the Navy supply system is a so-called "marrying" of the technical and supply functions at the supply-demand control points. The supply-demand control points support particular categories of Navy materiel. At these points, the technical knowledge, which is provided by the technical bureaus, is combined with the supply knowledge, provided by the Bureau of Supplies and Accounts. The supply specialists and the technical specialists work side by side. The technical specialist is under the control of the technical bureau which is responsible for research, development, inspection, manufacture, etc. The supply specialist is a member of the Navy Supply Corps, professionally trained in the field of supply and responsible for supply management. This set-up is made possible by the existence of the Navy Supply Corps which develops the business managers for the Department of the Navy.

The Bureau of Supplies and Accounts has primary cognizance over general stores, subsistence, clothing, materials handling, equipment and spares, and other common-use items. This has succeeded, in a large measure, in centralizing in one bureau common-use items and has reduced duplication within the Navy supply system. The Navy still has its problem with the technical bureaus who have shown varying degrees of reluctance to turn items over to the primary cognizance of the Bureau of Supplies and Accounts. However, an over-all structure which will permit the elimination of duplication within the system certainly has been established.

The Navy has four echelons of supply: reserve stock points; distribution points; primary stock points; and secondary stock points. (1) Reserve stock points maintain bulk storage materials, (2) distribution points carry stocks to support specific activities, (3) primary stock points are installations which generally receive supplies from industry or from reserve or distribution points, and (4) secondary stock points are installations which generally receive supplies from the primaries.

Naval Supply Centers and Naval Supply Depots are both reserve and distribution points. They maintain bulk storage and support specific activities. The Naval Supply Centers are at Oakland,

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Norfolk, and Pearl Harbor. Each is a supply point for the fleet and for overseas activities. The naval supply depots, of which there are 14, receive, store, account for, and issue material to support one or more Navy programs such as ships, aircraft, ordnance.

The Navy supply system, based on the concept of supply-demand control points where the technical and supply functions are joined, is performing a good job of supply for the Navy. I believe that the extension of this system to permit cross, joint, or common servicing with the Army and the Air Force will not only improve the Navy supply operation but will also assure the rendering of effective supply support as a whole for the entire military establishment. I would like to see some of the businesslike advances made by the Navy Department shared with its sister departments.

## Air Force Depot Systems

During World War II the Air Corps, as part of the War Department, was assigned responsibility for distributing technical supplies and equipment and relied upon the other Army technical services for common-use items. Under the Chief, Air Corps, and later, the Commanding General, Army Air Force, air depots were constructed to store parts peculiar to aircraft.

With the creation of the Air Force as a separate department in the post World War II period, a new distribution approach, the zonal concept, has been developed. The United States is divided into two zones. Each zone maintains a stock of all classes of Air Force supplies and equipment. Within each zone states are grouped into Air Materiel Areas. Three such areas are in the eastern zone and five in the western zone. Within each Air Materiel Area, a headquarters is established at an Air Force depot. In addition to eight depots located at the Air Materiel Area Headquarters, there are eight other depots in the zone of interior, a total of 16 active depots.

A single property class is stocked in only two depots, one in each zone. Supplies are shipped from producers directly to a zone depot and from there to the Air Force bases. A general depot, as in the case of the Army, does not exist. Because a single property class is stocked at only two depots, one in each zone, the requisitioning activities within a zone go directly to the appropriate depot for their materiel. This concept eliminates a "middleman" in the supply chain. The zonal system affords opportunities for transportation economies by maximizing carload shipments and reducing crosshauling of supply.

The Air Force two-zone system is working well for the supply of parts peculiar to aircraft. It must be remembered that the Air Force is dependent upon the distribution facilities of the Army for its common-use items except for certain classes of quartermaster supplies.

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## Conclusion

We have just described the depot systems of the Army, Navy, and Air Force. I think you will agree that there are substantial differences in the organizational and operational aspects. These differences interfere with effective utilization of materiel in the supply systems and limit the ability for common, cross, or joint servicing among the military departments. Some of these differences are essential because of the missions of each of the departments. Many persons have raised the question, however, whether the dictates of efficiency and economy as well as the intent of the National Security Act do not necessitate more unification than is now in existence. Is it reasonable to accept the concept of virtually independent supply systems in light of the unification act?

Supply must be responsive to command--that axiom is frequently used as the basis for independent supply systems. But will unification of supply prove less responsive to command? I believe that, by good planning, single, joint, or cross servicing can prove at least as responsive to the needs of command in many areas of supply and that we must exploit those instances to obtain the maximum economy in our operations. After all, we have unified commands in overseas areas without jeopardy to the success of the military operation. Why should unified supply commands be less responsive to military needs?

The Secretary of Defense has been aware of the need for greater unification in the field of military supply. In July 1951 he issued a directive to the effect that cross, joint, or common servicing shall be effected among the military departments whenever such action will maintain or increase the effectiveness of military support and will also eliminate unnecessary overlapping and duplication among the services. Parenthetically, though our discussion this morning is not concerned with procurement as such, you might be interested to know that the Secretary of Defense has also stated that procurement shall be performed by a single or joint agency whenever duplication can be eliminated and military operations can be supported.

You may be familiar with an earlier directive of November 1949 which established basic policy for the Department of Defense supply system and which was clarified by the 1951 directive to which I have just referred. Let me review briefly the history of the earlier directive. The 1949 directive was issued in response to a request by the Secretary of Defense that the Munitions Board, in conjunction with the military departments, develop a proposal for a supply system for common items. The resultant directive of November 1949 was subject to varying interpretations the moment it was issued. Many persons exclusively stressed the separatism aspects of the departmental supply systems which the directive included rather than the equally important provision for greater cross servicing. Instead of contributing to

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greater unification, in my opinion, the 1949 directive encouraged legalistic and frustrating debate. Finally, in July 1951, the Secretary of Defense issued the clarifying directive. In this statement of policies he declared that while each military department shall operate a supply system, this system shall be such that the combat efficiency of the armed services as a whole is the most effective; it shall be based on uniform policies, standards, and procedures to the extent necessary to coordinate supply operations and prevent unnecessary duplication and overlapping among the services; and cross, joint, or common servicing shall be encouraged.

As part of the implementation of these policies, the Secretary of Defense stated that expansion of the existing supply systems for the procurement and distribution of classes of common items of supply not already agreed upon by July 1951 shall be subject to the approval of the Secretary of Defense. Specifically, this means for instance, that the Air Force cannot expand its supply system without approval of the Secretary of Defense except in the areas agreed upon prior to July 1951.

The Secretary of Defense also directed that to the extent feasible each military department will assign to a single (but not necessarily the same) technical service, bureau, or command responsibility for procurement and distribution of common classes of supply, including technical items. This directive was more applicable to the Department of the Army. In this connection the Assistant Secretary of the Army, Mr. Bendetsen, on 10 July 1951, made the following statement:

"The Department of the Army favors the consolidation of procurement, depot storage and issue and depot maintenance of common items in a single technical service or bureau within each department and intends to further such consolidation within the Department of the Army. Further, we favor the extension of this principle of consolidation, to include within a single service of a department, the procurement and supply function for all three departments with respect to common items, but believe that any general acceptance should be preceded by consolidation on a pilot basis with respect to some class of common items."

The Secretary of Defense accepted Mr. Bendetsen's recommendation and directed that priority study be given by the Munitions Board to the feasibility of assigning to a single military department the responsibility for procurement; distribution, including depot storage and issue for classes of common items of supply and equipment; and depot maintenance of such equipment. He directed that medical supply items be the first category to be studied.

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As a result of the basic policies and the implementation just described, a supplementary directive was issued in August 1951, establishing a supply systems study project. The supply systems study project is designed to develop recommendations concerning changes to existing organization, policies, standards, and procedures that will increase or maintain military effectiveness and produce optimum efficiency and economy. One of the purposes of the supply systems study is to examine the feasibility of assigning to one military department responsibility for procurement; distribution, including depot storage and issue; and maintenance of common categories of supply. The directive provides that studies will be on a commodity basis. Three commodity areas are currently under study: subsistence, automotive, and medical and dental.

You will recall that the Secretary of Defense designated the medical and dental area as meriting priority consideration. One aspect of the medical supply study includes a supply support test to determine the feasibility of consolidating distribution facilities. This test assigns to the Department of the Army responsibility for depot procurement, distribution, and maintenance in the Sixth Army Area. The Sixth Army Area was selected because of the existence of adequate Army depot facilities and large numbers and types of Naval activities and because the Korean conflict permits the test to be run under conditions including overseas support in time of actual hostilities.

The tooling-up phase of the medical supply support test got under way on 15 November 1951. By 1 March the test was in full-scale operation, serving both domestic and overseas areas. The test is expected to run till 1 September 1952 at which time the results will be evaluated. In addition to consolidating distribution facilities, the test will permit us to combine the depot maintenance of materiel and equipment and the local procurement of medical supplies and to measure the advantages and disadvantages of such a combination. The test should permit a high degree of cross servicing since the total assets of the three services will be available more readily to fill the needs of each service.

I am convinced that the supply systems study project is one of the most important tasks which confronts the logistics people in the Department of Defense. We are placing a great deal of reliance on these studies. We know that the departments, working in conjunction with the Munitions Board, are seeking the best solution to the problems of supply unification. I am firmly convinced that major economies can be realized within the existing Department of Defense organizational framework. The supply systems study project must devise means for obtaining such economies. We have frequently encountered recommendations for a "fourth service of supply" which would handle the entire supply load for all the military departments. I believe that a fourth

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service would not solve the problems of unifying the supply operations of the military departments. However, the threat of a fourth service of supply does hang overhead. The supply systems study project (which includes the single assignment of procurement program that I haven't been able to discuss this morning) gives us the opportunity to develop a unified supply structure which will effectively support military operations and yet attain economies that the advocates of a fourth service seek. Those who realize the defects of a fourth service must know that any reluctance to make the supply systems study project meaningful can only contribute to the hastening of legislation prescribing a fourth service of supply.

QUESTION: Notwithstanding your avowed belief that you expressed at the end of your talk, it occurred to me in the earlier part of your talk that you definitely believed that the way to righteousness for the Army was to eliminate the technical services and have a single supply service. My belief is 180 percent the opposite of that.

When the ASF was formed, the number of technical services were expanded and they continued to operate as they always have. I do not see where we are going to beat that by one coordinated service with a lot of specialists on various lines and a lot of jack-of-all-trades. Would you comment on that?

MR. BRODSKY: I confess that I find it difficult to answer your question, for this reason: I wasn't aware--and I don't think that it is a fact--that the technical services were expanded under the Army Service Forces. I think that I disagree with you 100 percent on that.

I am not foolish enough to think that you should eliminate the technical services. The Department of the Navy has not eliminated the technical services, but the Department of the Navy has said: "You are a good technician. You are a good engineer. You stick to engineering work. Here is a supply officer who is a career man in the field of supply. Let him handle the supply matters."

So my program, if you want to call it that, is not for eliminating the technical services, but, rather, giving the technical services the opportunity of developing those fields in which they really excell.

QUESTION: Having been on the receiving end of Army support, I know that the present system of supply support to the Air Force is often very unsatisfactory and very costly. Since the Munitions Board is observing this matter, can you tell me precisely what led to all the misrepresentations and unsupported conclusions contained in the Bommer Committee's report, which I understand has been opposing the Air Force's efforts to correct the situation?

MR. BRODSKY: Let me start at the beginning of the question, First, I thought you said--and if I don't interpret it correctly,

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please tell me so--that you know the Air Force was not getting satisfactory supply support.

QUESTION: At all times very unsatisfactory and very often costly to our operations.

MR. BRODSKY: Let me say this, then: I don't know of any Air Force officer in high authority who has had the opportunity to speak about this problem who has contended that the Air Force has not gotten satisfactory supply support from the Department of the Army.

I don't remember the adjectives that you used, but with respect to Air Force supply support, the facts are simply these: When the National Security Act was passed, or at the time the act was being debated, General Spaatz and General Eisenhower both agreed that the Air Force would depend upon the Army for the supply of other than technical items. That is a matter of record.

Mr. Patterson, who with Mr. Forrestal was a chief proponent in testifying on the National Security Act, stated that he had General Spaatz' concurrence in the fact that the Air Force should not have a separate supply system for common-use items.

Last December--when I was in Europe as an observer with the Bonner Committee--General Eisenhower testified before the Bonner Committee that General Spaatz had agreed in 1947 that the Air Force should not have a separate supply system for common-use items. That is the historical background of it.

Now, at the moment I have no fixed view as to whether the Air Force should or should not have a separate system of supply for common-use items under the principles that I have enumerated, either in Europe or in the Far East or in the United States. I am of that opinion, however--it is not just my opinion, it is the opinion of the Secretary of Defense. Let me modify that and say it is the directive of the Secretary of Defense--that before he approves any expansion of any existing supply system, he must have that expansion justified in terms of manpower, facilities, money, and whether the Army is going to give up anything when the Air Force takes this over. What are the reasons for it?

The reason of the Secretary of Defense is based precisely on this: "Before I can approve any expansion, I must have the facts." Therefore the Air Force and the Army are now in a position where they are assembling the facts to lay them before the Secretary of Defense.

QUESTION: To go a little beyond your talk, I understand that at the present time a Navy board has under advisement and study, and perhaps the GSA, that some agency outside the Department of Defense, not

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GSA, should take over certain supply functions performed within the Department of Defense now. I would like to know what account is being taken in that study of the past complete failures of supply by those agencies, for instance, GSA in the case of office furniture and the Postoffice Department in handling supplies. At the present time GSA is in charge of furnishing items of military supply, but is not charged with any responsibility. So that when you go down to get anything, GSA people can simply say, "So sorry. We don't have any, boys," and nothing can be done to them. What account is being taken of that past situation?

MR. BRODSKY: Certainly one of the major elements that is taken into consideration in any recommendation of that sort is the ability to satisfy the needs of the consumer. One of the basic functions of the Munitions Board staff in any participation in a study of that sort is to make sure that any such program will be beneficial not only across the board, but also will be specifically beneficial to the Defense Department.

With respect to GSA, I know of many instances of the types you have described. GSA representatives' reply generally has been as follows: "We haven't done a good job servicing you. As a matter of fact, you wouldn't do a good job servicing yourself if you didn't know your requirements; therefore, submit your requirements. Give us your planned procurement, so we can establish a program whereby we can service you adequately."

In these discussions that we are holding with GSA now, those problems are being given due consideration.

If I may digress a moment from what you have said: With respect to GSA's operation, I don't know the extent to which you people are familiar with it, but let me state very briefly that Public Law 152 established the GSA. It gave the Administrator of General Services broad and sweeping authority. It included a statement that the Secretary of Defense could exempt himself under certain circumstances from some of that authority.

At the time that the GSA act was under consideration, it was the intent of the congressional committee which was recommending the bill that GSA would provide all supplies for the Federal Government. We objected to that very violently. That exemption was written into the act in order to permit us to exempt ourselves on the technical items. I give you this historical background so that you might see the broad and sweeping authority which the Congress has given to GSA.

When Congress finally approved the bill, which stated that the Secretary of Defense could make certain exemptions, the President signed the bill, sent a letter to us in which he said: "Mr. Secretary of Defense, you will not take advantage of the opportunity to claim exemption without arriving at areas of understanding with GSA and the

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Bureau of the Budget, and submitting those areas of understanding to me for approval." That again shows the broad and sweeping powers which GSA has been given by Congress and by the President.

What is the Munitions Board staff trying to do? The Munitions Board staff is trying, in conjunction with GSA and the civilian agencies of the Government, to establish a system for common-use items which will not upset the military operations one iota, under which they can in some measure be gotten in a more economical manner and distributed in a more economical manner.

GSA has a terrific problem in its organization; it has a record of mediocre accomplishment. Nevertheless, we have to recognize the broad and sweeping authority that GSA has. We have to realize that unless we go along with the civilian agencies--and here I go back to what I said in my earlier statement--we may find some fourth agency getting the entire authority.

About roughly a year ago we spent three, four, five months haggling with the military departments on whether or not the military departments should procure prison-made and blind-made products through GSA. We got arguments about the responsiveness to command, about military effectiveness, and similar arguments as to why GSA should not be the source for prison-made and blind-made products.

My curiosity was aroused sufficiently so that I took a look at the list of prison-made and blind-made products. They consisted of mops, different sizes of handles, items of that nature, and brooms.

Honestly, I don't see how military effectiveness is going to be greatly disturbed if we get our mops and our brooms from GSA. I personally think that if the military departments would say to GSA: "O. K. You provide the mops, you provide the brooms, for us," GSA would get busy enough handling mops and brooms without looking into these other areas.

COMMENT: That is all very well, but for 20 years I have been up against that very thing. It is not only mops and brooms, but next week it is paint brushes and next week it may be manhole covers. You want something tomorrow, but you can't get it tomorrow. You have to requisition it.

I believe we should have less talk about centralization and more talk about decentralization of supply. I base that on a great many examples. Probably the most obvious is this: In 1941 I was in charge of the construction of a camp in Missouri. I was buying my lumber from small mills for 18, 20, 22 dollars a thousand, until somebody got the bright idea that we should have one purchasing agency, one agent, to buy supplies.

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That meant that I had to requisition my lumber. So my lumber came to me in the same trucks; but, instead of getting it for 18 or 20 dollars a thousand, it now cost 50 dollars a thousand. That requisition had to go through one echelon, two echelons, three echelons, and finally to Wirehauser, and pay a profit all down the line.

Don't you think that there are areas for decentralization rather than centralization?

MR. BRODSKY: Yes. I think there are a number of areas for decentralization.

As to your statement with respect to lumber, I don't know what facts were involved there. It looks as if somebody did a poor job. That can happen whether the Army is buying for itself or whether the Navy is buying for itself or whether the Navy or Army is buying for the Air Force. If you have poor administration, it doesn't make any difference what type of organization you have.

Perhaps what is involved there is that you should have better procurement, better purchasing officials, than you have. I don't know. But I don't think that this in itself is an argument against unified operation.

"Unified" doesn't mean centralized. Centralized will be when you have the fourth service of supply.

But let us take the case of lumber. Why shouldn't one department buy the lumber for all of the departments? The requirements are computed by each department and it puts in its own requisition. Those requisitions are bought by the one agency which is the best qualified to buy lumber. In the case of another product, such as paints, it can be assigned to the Navy for single procurement.

There are many, many advantages to that. You eliminate competition in the market. I could give you many examples where the departments were competing against each other for the same product in the same market at the same time and that made the prices skyrocket.

Take wool--immediately after Korea the military departments in a large measure contributed to the rise in the price of wool. Everybody went out into the wool market at the same time and bought wool independently.

I remember one Navy supply officer in New York telling me that when he heard that the Army was going out into the market to buy shoes, at a time when the shoe industry was operating at full capacity, he immediately called Washington and asked if he could get permission to go ahead and beat the Army to the draw and procure all he could

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get, so the Navy could get them before the Army. I can't endorse that type of operation and Congress is not endorsing that type of operation.

Under single and joint assignment of procurement, under joint and single servicing and distribution, I think you can obtain responsiveness to command. You can so far as reasonable make sure of adequacy of supply and at the same time obtain maximum economy within the military budget and within the national economy.

QUESTION: I agree with the former questioner that decentralization of operation is certainly much more efficient and leads to this economy that we are all talking about. But on this wool question, I think it was speculation in the wool market that ran up the price of wool. How can we keep moving in the direction of centralization as opposed to decentralization in the face of all the industrial experience to the contrary? Du Pont and General Motors are outstanding examples of efficiency in operation through the decentralization concept.

MR. BRODSKY: Well, first, with respect to your statement about the wool market, I think you have to take cognizance of what to me was a very interesting thing in cause and effect; that is, the wool market fell way down when the services pulled out of buying wool. I think that there might be some relationship there.

With respect to centralization versus decentralization, I think we are arguing words and not concepts. Admiral Fox, Chief of Naval Material, who certainly can't be accused of being an advocate of centralization, described the Navy's supply concept as a decentralized one.

We are arguing words. The Navy is not doing its aviation supply work in Washington. It is doing it at Philadelphia--its clothing, its general stores are not in Washington. Centralization doesn't mean that you have to move everything into Washington.

I am not talking centralization; I am talking unification. I am saying that the military departments should not be competing against each other. I am saying that we should take advantage of transportation economies. I am saying that it is wrong, in my opinion, for us to go several hundred miles to get an item of supply when we can get that item out of storage close by. I don't say it can be done overnight; it requires planning. But people can be doing the planning which will obtain such economy.

QUESTION: You stated that several major economies can be effected in the armed services supply system without disrupting the organization. Would you tell us some more about what those major economies are and where they lie?

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MR. BRODSKY: One is single and joint procurement. For instance, take the clothing and the shoe situation. Incidentally, I am not making this up. The National Security Act directs that all of us make single assignments to the maximum extent practicable. That is the law of the land--single assignment of procurement where practicable.

Under single assignment of procurement, one department could do it for all three, or, as in the case of medical supplies being bought for Army, Navy, and Air Force in a joint agency in New York; I don't know of any responsible official in the departments who has been critical of the latter operation.

A joint or single operation produces economy by elimination of competition among the departments. It can reduce inspection costs by eliminating the duplication of inspectors in the same plant. It may reduce the costs of transportation. It may reduce the paper flow. It may reduce the number of people that have to be working, because a guy can issue an invitation to bid on a million blankets on the same hunk of paper that he issues an invitation to bid on two separate lots of 500,000 each. I think that substantial economy can be obtained by it.

QUESTION: A question comes to my mind right now on this centralization system that you are talking about. Can you tell me why just two years ago in the PX, when we were running it ourselves, we were making money but selling for much less than now--with the thought of better service to your men and ships and shore establishments--when now goods are priced at twice as much?

MR. BRODSKY: I can't answer that definitively. Obviously, prices are different today than they were two years ago. You have to take that into account in the PX as well as in commercial operation.

Secondly, there has been a lot of commercial pressure to reduce the PX price differential. I certainly don't endorse that. It is a fact that you can get things so much cheaper at the PX than in commercial operation. I don't think the fault just lies at that point.

COMMENT: It seems to me that when you are procuring a million or two million blankets, you are cutting out the fellow with the small business; whereas by limiting it to smaller amounts, you might keep the small fellow in. If you have to buy your whole supply at one time, the little man is out.

MR. BRODSKY: We are very cognizant of the necessity of helping small business. We certainly want to do that to the maximum extent that we can.

That proposal that I have made doesn't eliminate small business, for this reason: Let us assume that the Department of the Navy were to buy all the blankets for the military departments. We don't expect

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the Department of the Navy to operate as an order clerk might--go out and at one time fill the requirements of the Army, Navy, and Air Force. There would have to be procurement phasing. You have the requirements for the Army, for the Navy, and for the Air Force. You break those requirements up and you invite bids. You invite small business to participate.

It doesn't mean that you issue bids for a million blankets at one time. It does mean that you have this program and you are not working under independent types of operation. If in the Navy you have no control over what the Army is going to do, both of you are going to hit the market on the same day and have the same people bidding against each other; you will be responsible for the price being bid up.

QUESTION: You said it was cheaper to buy a million at a time.

MR. BRODSKY: I said it is cheaper to issue an invitation to bid on a million blankets. But that invitation to bid doesn't mean that all those blankets have to be produced tomorrow. They may be phased over a year's delivery.

QUESTION: I am trying to get down to a little lower level. During the war I used to have to be a chameleon, because I was the supply officer. When I wanted engineer items, I would change my insignia to engineers. I had a whole raft of insignia to wear, depending upon whom I wanted to get the supplies from. How can you get effective cross procurement between the three services when you have to do things like that? How would you implement it?

MR. BRODSKY: I am fully sympathetic with your statement with respect to wartime conditions because I had to participate in the same type of operation. But I don't really think that proves anything. It proves that you have to go a long way in the field of supply.

In the past we operated on the basis of logistics as usual. We didn't have trained supply specialists who could establish the necessary even flow in the pipeline that would make sure that they could meet the requests. Therefore you had to resort to poor administration. You had to barter. You had to give favors and get favors.

Well, I think that certainly one of the results of your course at the Industrial College will be to make you more cognizant of the necessity of supply economy and of other interrelationships, and much more astute about the determination of requirements and about the operation of the supply system.

You can have poor administration under any system. If you don't have good people working, who are technically qualified, you can't operate the system effectively.

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MR. HENKEL: Mr. Brodsky, on behalf of the Industrial College I thank you for a very interesting and thought-provoking talk.

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