GENERAL SERVICES ADMINISTRATION SUPPORT OF THE DEPARTMENT OF DEFENSE

1 April 1953

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Rear Admiral Morton L. Ring, USN (Ret), Vice Chairman for Supply Management of the Munitions Board, was born in Athens, New York, in 1894. He was graduated from the U. S. Naval Academy in 1915 and entered the Supply Corps in 1916 as an ensign. In 1930 he was graduated from the Army Industrial College and served on the staff until 1933. Later he served as head of the Purchase Division, Bureau of Supplies and Accounts. In 1943 he was promoted to the grade of Rear Admiral and served as Supply Officer of the Thirteenth Naval District, and in 1944 was assigned to the staff of the Commander-in-Chief Pacific where he was charged with preparing and implementing supply plans. In 1946 he served in the Office of the Assistant Secretary of the Navy and in 1947 he became vice chief of Naval Material. In 1949 he became military director of Supply Management, Munitions Board and on 14 October 1951, he assumed duties as acting vice chairman for Supply Management, Munitions Board. He has been on his present assignment since 1 July 1952.

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COLONEL MANN: General Hovey and gentlemen: Yesterday you were very ably introduced to the subject of distribution logistics by Colonel Holmes. This morning we will have the first of a series of four lectures by visiting speakers, each covering a broad problem area directly related to the military distribution system. Many of the matters to be discussed are currently receiving more than average attention by the Congress, the Department of Defense, and other high-level governmental agencies. These problems are matters which should be given serious thought by all of us.

While the scope of this morning's lecture is rather broad, its central theme will be the areas of common interest between the Department of Defense and the General Services Administration (GSA). Several months ago you heard Jess Larson, the former administrator of GSA, discuss from this platform the legal position of that agency and outline its broad responsibility and authority. The speaker this morning will discuss this relationship from the viewpoint of the Department of Defense. It is worthy of our serious thought and consideration that GSA could legally, with the approval of the President, become the material logistic support agency for the armed forces.

To discuss this timely subject, we could scarcely expect to have a more competent or better-informed individual than Admiral Ring. From his biography you know that he has had many years of experience in logistics planning and execution, most of it at high-staff level. For the past four years he has held a key position with the Munitions Board; and since 1 July 1952 has been the Vice Chairman for Supply Management. Admiral Ring has lectured at this college every year since the war; he takes this platform this morning to talk to the eighth consecutive class. He is truly an old friend of the college.

It is sincere pleasure and truly a privilege for me to be able to present to you this morning Rear Admiral Morton L. Ring, of the United States Navy.

ADMIRAL RING: General Hovey and gentlemen: Those Naval officers who read the Naval Institute know of the annual prize contest for the essay of the year. In contending for the prize the rules require you to maintain a cloak of secrecy on your manuscript. You are to send your effort in with a motto, and send under separate cover the title, your motto, and your name. In view of the current high-level discussions that are going on regarding the Munitions Board and its future, someone suggested to me that I might use one of two Latin mottos for this little talk. The

Latin is very poor. It is not even grammatical. I am not sure I know what it means. "De mortuis nihil nisi de bonum." I think it means, "Speak nothing of the dead but good." The other motto is, "Illegitimis non carborundum." Maybe I should reserve the speaker's privilege of asking the first question upon the conclusion of my talk and ask you now, which motto should have been adopted?

Seriously, I think I ought to start my talk this way: What you hear regarding the Munitions Board is relatively unimportant, because I think that what we ought to be concerning ourselves with is the performance of functions. And if we can make up our minds as to what functions ought to be centrally performed for the Department of Defense in the Office of the Secretary of Defense (OSD), and if we can find the people capable of discharging those functions, whether we have an assistant secretary for Blank, call him what you will, plus a staff to handle the functions, if it is a good staff, and if the functions are properly allocated, we will come up with the right answers.

It is very easy for me as a retired Naval officer to take this subject in my stride, because, so far as I am concerned, my tour of active duty is about at an end. It does present, as I am sure you are all aware, a very serious problem when it comes to morale down the line. I am sure that when the Secretary of Defense goes to Congress for a change, the new plan will work well. The Munitions Board as a board is not functioning. The Munitions Board staff as a staff is functioning, but we need to know what is required of the staff.

What the future holds, then, for the performance of the functions is anybody's guess. I am convinced that some functions will continue to be performed centrally for the Secretary of Defense.

To get to the beginning of my subject, which is GSA's distribution support of the Department of Defense, I would like to take you gentlemen back to the thing that started it all a while back, and that is the report of the Hoover Commission, titled "Office of General Services Supply Activities," because the GSA established by Public Law 152, was part and parcel of the Hoover Commission's recommendations.

Basic to this recommendation contained in the Hoover Commission's report was a clear understanding that the nonmilitary segments of the Federal Government desperately needed an agency to tie its supply activities together. And what the Hoover Commission was talking about when it spoke of supply activities was the following seven things, and I read:

"1. Specification or the task of establishing standards for property to be purchased.

"2. Purchasing or the acquisition of property.

"3. Traffic management or the transporting of property from the point of purchase or storage to the point of need.

"4. Inspection or insuring adherence of property to purchase specifications.

"5. Property identification or the task of cataloging property under a standard system so as to facilitate identification.

"6. Storage and issue or the storing of necessary reserves of property and their distribution when needed.

"7. Property utilization or the task of seeing that property is efficiently used and is suitably disposed of when no longer needed."

The gem of this thing is number 7,--"property utilization."

I don't think people could quarrel with the Hoover Commission's recommendations. You could pick other elements of supply management and you could describe them differently; but I think they are about as good as could be gotten together.

The Hoover Commission's recommendation did not contemplate the administering of logistics affairs for the military by what they called the Office of General Services. When Public Law 152 was written and hearings were under way on the bill, the Department of Defense made a vigorous effort to secure exemption from the bill, using what I think was a fairly persuasive argument, which was the Hoover Commission's recommendation that defense supply management and civil government supply management meet together to work it out on the basis of mutual understanding and cooperation. To put it another way, the Hoover Commission did not recommend the establishment of a Ministry of Supply for this country.

However, written into the law was the only "out" that the Department of Defense could get, and that was that the Secretary of Defense could exempt the Department of Defense from any regulations or instructions issued by the GSA except as the President might indicate otherwise. However, when the President transmitted to the Director of the Bureau of the Budget, the Administrator of General Services, and the Secretary of Defense his wishes in connection with the bill, he said that he did not desire the Secretary of Defense to ask for any exemptions from the powers and authorities of the Administrator of General Services; instead, that he desired that the Secretary of Defense, the Director of the Bureau of the Budget, and the Administrator of General Services work out their problems on a mutually satisfactory basis.

In the introductory speech which was made just before I came on the platform the statement was made--and I subscribe to it--that the Administrator of General Services has the statutory power to become the

Minister of Supply for all logistic support matters for the entire Federal Government. I was designated by Mr. Johnson to be the Department of Defense representative on the so-called Areas of Understanding Project. So, with the representative of the Bureau of the Budget and the Deputy Administrator of GSA, I spent a considerable period of time, a good many hours, trying to work out "areas of understanding."

I don't think our progress has been exciting. I think we have made some forward steps.

Bear in mind that your congressional hearings in connection with either single procurement assignment or single distribution assignment generally relate to the types of items which have a standard commercial counterpart. In other words if you are talking about the procurement and distribution of ready-to-wear clothing, footwear, medical supplies, bolts and nuts, what we call in the Navy general stores--housekeeping type supplies--every member of Congress knows what those things are. Every citizen knows what they are. So you have a real drive, both from citizens in general, and from members of Congress in particular, to set up single agencies, single authorities, for the handling of these things across the board.

The problem becomes very difficult because, if you break your supply support off into enough separate little empires, some morning you wake up and you have no supply system. You can't defend against the demands of cleaning materials, brooms, brushes, wiping cloths, soap powers, and stuff like that--you can't defend against them individually--and the rest of the materials. But if you look at the thing by and large, you finally discover that you have purged your supply system of too much. Then you try to find your supply system and it has evaporated.

Now, I am not saying that there isn't a tremendous amount of good work that can be done. The Air Force currently is working with GSA. The Air Force Headquarters and Wright Field both are determined that the Air Force supply system shall concern itself very largely with the technical type of equipment, where nobody else can serve the Air Force. The Air Force has also decided that it will be very happy to work with the GSA to the end that such common-use things as office supplies, stationery, office equipment, and such like be supplied for the Air Force by GSA.

The last report I had from the Navy was about the middle of this month. I think the Navy has currently found about 900 or 1,000 items which it thinks can be purged from its central supply system and be furnished to it locally by the GSA.

The Army's approach to the problem has not been quite so active as regards numbers of items. I think that the Army is more inclined to go more into detail in its studies of a smaller number of items.

The three military departments are currently engaged with the GSA in finding out what supply support GSA can furnish to the Army, the Navy, and the Air Force in the types of items which the three military departments feel need no longer be contained and centrally controlled in their own supply systems.

In addition to this distribution supply support, there is the question of the purchasing function of procurement. The Munitions Board, as a board, has assigned the purchasing of office furniture and office machinery and equipment to the GSA. This was supported by all three military departments. Certainly it would be difficult to go to the Congress and try to explain the need for nonuse of GSA facilities where they are serving all the rest of the Federal Government and we need the same general type of materials. I think there will probably be more such purchase assignments.

It might seem a little bit confusing that in the distribution area we are talking about items of material; and when we get into the purchase assignment and GSA purchase facilities we are talking about classes of commodities. I won't get into the technical reasons for that difference, but there is a reason for it.

We recognize, then, that GSA has the statutory authority, if the President should decide that he wanted it for the Administrator of GSA to become the Minister of Supply. I don't think it is going to happen. It would never have happened while Jess Larson was here, because he said--he said this to you and he said it to me many times--that he doesn't think it would work.

I cannot support such a thesis myself. I never have. And yet I realize that our Canadian neighbors to the north, and our British friends across the ocean, have tried the experiment. I think they are very happy with it. And yet I can't support it over here, for a number of reasons.

I have a feeling that your military distribution system has to be close to the person who has the responsibility for getting the military job done so that he doesn't have to go hat in hand to somebody else and ask for logistic support. That may sound as though I would be saying there can't be any cross-servicing and there can't be any single assignments, that distribution and procurement should stay in the Department of Defense. I am not saying that. I think in the field of common-use items there are certain things where it will make sense for GSA to render service and save us money. But in the last analysis I have the feeling that there has to be an Army supply system, a Navy supply system, and an Air Force supply system.

I don't think that their systems have to be identical. I don't think those systems have to be established under ground rules or criteria. I think they have to be inspected from time to time to make sure that the

systems are sound; that they are sufficiently similar so that cross-servicing is practicable at almost any level of supply. I think it is absolutely mandatory that the fiscal and accounting arrangements of those supply systems be such that we won't have to hire more accountants and clerks to handle the fiscal arrangements than we can possibly save by shortening up the physical handling of the materials.

I think a great deal of work has to be done in the military distribution system to extract the optimum of value out of such management tools as the revolving stock fund. I think it is absolutely essential that a proper concept of the industrial fund operation be applied. I think it is absolutely essential that within each department a system be established so that you can come up with management tools which will tell your top man what is happening.

Please, I am not just here preaching to this august group the fact that the Navy has a supply system. I think the Navy's supply system can be tremendously improved. It just happens that the Navy has had many years of experience with the use of the revolving stock fund and of the industrial fund type of operation for handling the work at industrial installations.

The Army is making tremendous strides with regard to the use of the industrial fund concept. The Chemical Corps has started this at Rocky Mountai Arsenal at Denver. I think that the Pine Bluff Arsenal in Arkansas is deeply interested in the proper use of the funding concept.

Under the revolving stock fund, your capital is dollars and stores. You buy when you need the material and when the market is right. You charge your annual use appropriations when you issue the stores.

So what does that do? If at Watervliet Arsenal you bought some paint under the old system, and you don't use it up this year, you charged it off to the appropriation of this year. You then have some paint in stock that will cost you nothing two years hence. The commanding officer wants to paint a building. What does it cost to paint that building? Nothing for labor. He is going to use his soldiers. Nothing for paint. He may have to buy some paint brushes. But the painting at this particular arsenal would not reflect the cost of the materials that were used.

If he had bought that paint under the revolving stock fund, except that we would hope that he uses it up before the paint becomes unusable, he would have some material for which the contractor had been paid. He would charge his maintenance of the arsenal appropriation with the cost of the paint which he would have on his books.

Inherent, of course, in this system is the pricing of your inventory. It is absolutely essential that you carry your inventory at a price, because item accounting for buckets of paint, gallons or barrels or tons of paint,

means relatively little to top management. What you must have are categories of material, with the value of the material. Then you know how fast your inventory is moving. Then management begins to get a type of control with which it can do something.

Addressing myself for just a moment--and I think this is important--remember, when we talk about the Governments civilian and military distribution systems, we are almost comparing the peanuts that a little girl feeds the elephant with the elephant. Military distribution is a pretty big and important business. I am not speaking of the fixed assets of the civil part of government, but only talking about the supply system. The total number of items which the military handles has been variously estimated as anywhere between 50 million and 2 million. I will hazard a guess that it is 3.5 or 4 million items. And that doesn't include any of your fixed capital assets. The GSA handles only a fraction of that.

I think what I am trying to say is that in that area, however, which GSA can demonstrate a capacity to handle, it is up to the Army, the Navy, the Air Force, and OSD objectively, thoughtfully, and conscientiously to examine the possibility of GSA making a contribution. I see no particular sense in my going over to speak to Mr. Russell Forbes, the GSA Administrator, and saying: "Russ, I have a list here of 3.5 million items" and ask him, "Can GSA take them over?" I think it is better for Forbes to come to me and say: "Mort, I have these items which we are handling. It looks as though we could serve the military in some of these areas."

So, for the record, the efforts that we are making are not so much a case of giving away something from the Department of Defense of the GSA, but an honest effort on the part of General Services to examine its capacity to handle, presenting what it thinks is its ability to handle, participation by the military departments, acceptance of the things that seem to make sense, and rejection of the things that make no sense. I think that is probably a description, as well as I can give it, of what our current thinking is and where we think we are going.

If it is necessary for cross-servicing within the Department of Defense and between the military departments to be supported by easy and quick operating fiscal arrangements, it is even more important when we are looking toward GSA supply support in a given area. Far too often in such efforts in the past have we been confronted with the delivery of material and months of delay in paying the bill. I could not support any thesis that could give us GSA supply support of the military if the settlement of the obligation was going to be any more difficult than monthly billing and the drawing of a check.

It is normally important that you not forget the need for paying the bills, because the thing can really get mixed up. Further if it is desirable for the GSA to service the military needs, I think there is

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a real need for examination of the military departments' ability to turn around and do the other thing--of satisfying the civil agency's need.

I know that this is a very contentious problem. I know that there are many people in the military departments who would say: "We have too much to do now. Please don't force any more on us." But the point is, the armed services are the current procurement agency, and doing a good job, for the buying of biologicals for the Army, Navy, and the Air Force, GSA has the Public Health Service and the Veterans Administration. We are doing a business of buying medical supplies up in Brooklyn. Should we reject out of hand any effort to do a similar job for the Veterans Administration or the Public Health Service? It is something that requires thoughtful examination.

If we feel that it is important for us to continue to have central control of the buying of our own military supplies, medicines, and equipment--and I think we can defend it--if there is a demonstrable advantage, and only if there is a demonstrable advantage, in doing it on a larger scale, it seems to me that at least we ought to give the thing a thoughtful study and not say, "Let us alone. We don't want to touch any part of it."

In connection with the performance of the function of distribution by the GSA or any such agency across the river, I think there is too much of a tendency to try to separate distribution from procurement. I think there are types of contracts that GSA could, and should, be putting out, such as the open-end contract, where we furnish estimates of requirements; they make a contract, and our people are authorized to order against the contract as the supplies are required.

We could take a contract for tires as an example. I think they should really be split two ways. For the common, administrative type of vehicles, of which the military has a big fleet, I see no reason why the tires can't be ordered off the schedule. I think maybe that special-purpose tires for military vehicles ought to be split away from that.

Also I am not saying that we need to order from hand to mouth in the administrative type tires. But I think that if GSA sets up a contract, we can save ourselves a lot of needless stocking of material--depending upon the commercial distribution system for delivery; I think we can save ourselves a lot of contract preparation time and administrative time.

By the same token, up to 1 July 1952 in the field of coffee--you may have seen this in some newspaper--we decided that we wanted to maintain four military coffee roasting plants: Two Army, one at Atlanta, and one at Seattle; two Navy, one at Brooklyn and one at Oakland. I am afraid to walk around the Pentagon and run into a Marine who will inquire, "Why was the Marine Corps coffee roasting plant at Philadelphia shut down?"

GSA was buying coffee, pretty poor coffee, for distribution to various institutions--Occoquan, Lorton, Saint Elizabeth's, Gallinger--and they had considerable requirements for coffee. The coffee was not satisfactory. The price was less than the prevailing price for coffee. So Mr. Forbes decided to try the experiment of seeing if the Navy's coffee roasting plant in Brooklyn could supply his requirements. For what it is worth, the staff of these institutions say that it gives them better coffee than they ever had before. At least I will accept the staff's recommendation. I do not know what the inmates think.

I think that, even though we can be criticized for maintaining military coffee roasting plants, the deal makes sense. But there isn't any sense in GSA trying to establish its own coffee roasting facilities. You have to make the basic decision--and it is a hard decision--that here we have the Government in competition with private industry, manufacturing for itself. Can you justify it? Can you study it and come up with that answer? Yes, you can.

But then, if you adopt a standoffish attitude and say to GSA: "No. We don't care to do business with you," from the viewpoint of the taxpayer, and I am sure from the viewpoint of the congressional committees, before which I have to appear from time to time, it is pretty hard to defend one and deny the other.

It seems to me, then, that I can sum up this rambling discourse of mine with the statement that we have to use common sense. We can say that we don't agree that all supply can be centralized in one man, either in Jess Larson's or within the OSD. I think your supply function has to remain constantly responsive to the direction of the man who has to do the fighting job. I think that you can get that responsiveness by applying the rule of reason. I don't think that it contemplates the establishment of Army, Navy, or Air Force supply systems which cannot service one another.

I would like to close this talk with some ideas of what I think in the field of distribution ought to be centrally performed for the military departments. Please do not hold me accountable for this, because I am not sure there is anybody else in the Pentagon who will accept these ideas. I am giving them for what they may be worth to you. But I am surely going to recommend them to my superiors, and some of them may be accepted.

I believe that in the field of distribution the responsibility of the OSD and his representatives is to establish fundamental policies, concepts, and doctrine common to satisfactory supply systems, including requirements determination, receipt, storage, inventory control, issue, maintenance, cross-servicing, cross supply, and disposal. Remember what I say--fundamental policies, concepts, and doctrine.

The above involve such matters as preventing the introduction into out supply system of off-the-shelf items for which private enterprise provides adequate distribution facilities; gearing maintenance facilities and capacity to the rate at which unserviceables are generated so as to reduce the necessity for procurement; insuring that decision as to the disposition of stocks on hand or on order is made at the time when an improved or substitute item is authorized for issue; the establishment of criteria for either introducing into or taking an item out of the distribution system; the establishment of uniform criteria to determine when an item becomes uneconomically reparable, all costs considered; insuring that procurement will not be authorized except to bridge the gap between maintenance and total requirements; disposing of excesses and surplus; the development of comparability in statements of assets among military departments; and the use of revolving funds and other accounting devices to facilities cross-servicing and cross supply.

This would also include policies for overseas operations, particularly unified commands, to assure that rate of consumption and planned consumption factors are in harmony and that they are reflected in issue demands and requirements computations, that there is a clear delineation of responsibilities for supply in communications zones, that maintenance and service activities are designed to reduce impact on supply support from the United States, and that exploitations of local resources are deducted from total overseas requirements.

Next, to develop recommendations and establish policies with respect to establishment of single service or other distribution systems for the various categories of supplies.

Next, to establish Department of Defense policies and criteria for elimination or retention and utilization of commercial and industrial type activities within the military establishment.

Next, to perform appropriate mobilization planning to insure that provisions are made for meeting requirements for materiel and supply facilities and services.

Next, to participate with GSA, and coordinate departmental participation, in developing supply regulations having government-wide application, consider the utilization of supply facilities of the various civilian agencies and the military departments for government-wide centralized distribution and disposal of selected items, and develop or coordinate the development of implementing procedures for effecting interagency agreements.

Last, to establish policies for the utilization of supply facilities, especially warehouse space, evaluate stated requirements for construction and leasing of facilities, and arrange for allocation of space among departments when available in lieu of construction or leasing.

That may sound like a big order. I have been here four years, and I think only a fraction of what I am talking about has been accomplished. But if you reduce the whole thing to its simplest factors, I think what we are trying to do is to establish sound supply systems capable of doing the job, and extract from those systems the optimum in cross-servicing that is feasible.

COLONEL GOLDSMITH: Admiral Ring is ready to answer your questions.

QUESTION: I know that in supply the Army and the Air Force, since they were separated, have had no trouble cross-servicing each other. The Navy and the Air Force have never been able to cross-service each other, although I understand that they have been working on that basis for some three or four years. You brought out from the standpoint of top management what the difficulty is, but can you enlighten me a little more on that?

ADMIRAL RING: I am not sure that I can give you a thorough answer to that. One part of your difficulty with cross-servicing is whether or not you are able to produce a priced invoice at the time you deliver the goods.

For instance, if the Army stopped its monetary accounting at the general depot level--and I say "if"--and the Navy took it down to a much lower level, and if the Air Force took it down to some intermediate level, cross-servicing from an Army general depot to a Navy supply center would be relatively simple, because the price would be there. But if the Army doesn't price it down to the post, camp, and station levels, when in the field you are trying to cross-service between them, and the Navy under its present system of supply accounting has to know how much the Army Materiel costs, in order to take it up with the supply system, when they get materiel at no price, they either have to estimate a price, which may or may not be right, or they have to hold the materiel out of the supply system until such time as they get the price.

If you are operating under a revolving stock fund concept, where you draw material to the value of 1,000 dollars from your revolving fund, and want to charge it to an annual or use appropriation, if you have the material but you don't have the money, you get your whole revolving stock fund considerably fouled up.

Without any attempt to say that the Navy's system of pricing further down the chain than the Army does is of necessity right, the difficulty, I think, is largely in the fact that, if you use the revolving stock fund to handle your common-use items, it is essential to carry your price down. I think that is probably your basic trouble.

I hope that we can come up in the Government with a sensible consideration of how far down to carry pricing. I personally favor carrying it

down, because I think it gives a better management tool at all levels. I don't think that item accounting is as good as money accounting; I hope we can do something about it.

QUESTION: There is a lot of propaganda that if we go all out with our civilian distribution system, we will lose the opportunity of training people to run our depots and so forth overseas in time of war. If we go all out with MATS or MSTS, which has been cited as one place where we ought to, then, if the Army gets across the ocean in time of war, we won't have any people to run our depots over there. We seem to be downgrading this matter of training, but it costs money to train people to run something like a supply system, and maybe you will get your money back if you do. Is there any pertinent argument in this at all?

ADMIRAL RING: I think there would be. But such a thing is still too big. I don't think we have reached a point yet where we could say that there is just no opportunity for training. You have talked about some top-level ones. Let us take some lower-level ones. Let us take the Fort Myer commissary.

There is a bakery over at Fort Myer. This bakery is baking bread for delivery to the commissary for sale over the counter. So we have here a problem. I think the Army must have some Army bakeries. Why? Because the Army has to have some bakers to serve overseas. What is the proper concept for the establishment of bakeries? Would it be better to have some big central training places in the United States? Or is it better to have separate individual bakeries? And if you have bakers, how should we use them?

The complaint that you get from the local bakers of bread is one thing. That is a little problem all the way down at the bottom. But it is the same problem that you are talking about. We have to be able to train cooks and bakers somewhere. Let us find the best way to do it.

Let us take the need for warehouse facilities. It is possible that somewhere in the United States we could get enough commercial warehouse facilities so that we could sell, lease, or burn all of our warehouses. It is not going that far. I think we should give consideration, however, that if the Air Force at a given installation needs half a million square feet of storage space, should the Air Force try to build it, with all the hurdles that you have to jump over to get permission to build anything?

What we are trying to do in that particular area is not so much to deny the Air Force support for its plan to build, but, rather, to establish a single central point of contact where we know what space availability exists in Army, Navy, and Marine Corps warehousing; and have intimate knowledge of the commercial warehousing capacity that may be available in that area.

As you are aware, we can rent the services of commercial warehouses that, for so many cents per package per year, will perform the military warehousing function.

Now, we are using every known expedient to try to get the necessary service rendered. The whole problem of deciding how much Federal Government warehouse space is needed is a pretty big problem; I think you know that others than the Munitions Board staff have been concerned with that.

We are not going to GSA to say, "Without reservation we get out of the business and we use nothing but commercial capacity." We are going to maintain, as long as I have any voice in the matter, the types of facilities that we must have to support ourselves. But I think we have to show some common sense in not just saying: "Because we need 10,000 square feet of storage space, we are going out to try to get permission from Congress to build it." That is too difficult a task.

QUESTION: Admiral, how do estimates of requirements of the user get to the point where he is going to take delivery of the materials? If he doesn't get his requirements in there, his material won't be there for him to draw. That is where the responsibility for furnishing it has been vested in someone else.

ADMIRAL RING: There is always the difficulty of depending on anybody to do anything for you. But somewhere in the picture there comes a recognition of the need for a thoughtful approach to the job.

Some people say that we sweep out all the corners around the tenth of June; make a quick, hurried estimate of how much money we have left; and then go out and obligate the funds for something, whether we need it or not. Of course that isn't true. You gentlemen all know that.

What we have to do is something like the contract that I used to make when I was with the Bureau of Supplies and Accounts, which was the Federal Government lubricating oil contract, containing a recitation of the total estimated requirements of all branches of the Federal Government for lub oil for one fiscal year.

You can say it is impossible to do it, and for the first year of operation it was most difficult. But as people get into the stride of doing things, the ability is built up to submit estimates for requirements for a period in the future, and you get the estimates far enough ahead to advertise for bids. After you get to know each other, after you get to realize that the other fellow is really trying to do a job, after two or three years the thing works while you sleep.

The Navy for many years has been responsible for executing that type of contract. It is a pretty good type of contract, because it permits a tremendous amount of flexibility. It permits a lot of people, who otherwise

would be awfully hard put to get lub oil for their fleets of vehicles except at tremendous prices and under great difficulty, to get it at reasonable prices and quickly. It prevents the making of literally thousands of separate contracts. It is a reasonably satisfactory way of getting lub oil.

It does something else. It permits laboratory testing of brand names of lub oil prior to award. You can actually get a contract under the acceptable list of approved materials and buy approved brands.

All that, however, takes more than just ordering. It takes people getting together, people recognizing that there is a need for the submission of thoughtfully computed requirements in time to get the job done. It can be done after people work together and begin to trust each other. Until that time comes, it is quite difficult.

QUESTION: I am not sure that I understand your reference to the establishment of policy for the overseas consumption factor and so forth in the particular supply section of the Office Secretary of Defense (OSD). Do you mean that we would take away, for instance, from the Joint Chiefs of Staff (JCS) their present responsibility and also policy on consumption factors? Or, let me put it this way: How far would you go toward establishing the factors in the OSD rather than in the field commander on consumption during wartime or cold war?

ADMIRAL RING: I will read from my recommendations. "This would also include policies for overseas operations, particularly unified commands, to assure that rate of consumption and planned consumption factors are in harmony and that they are reflected in issue demands and requirements computations, that there is a clear delineation of responsibilities for supply in communications zones, that maintenance and service activities are designed to reduce impact on supply support from the United States, and that exploitations of local resources are deducted from total overseas requirements." Is that what you refer to?

QUESTION: Yes.

ADMIRAL RING: I think this is what I mean by that: I think there is a great possibility that sound working relationships between the joint staff of the JCS and the Munitions Board staff can accomplish many things in the Pentagon.

I am not certain that those sound working relationships have ever been developed. There was a time when the JCS held one basic concept--that logistics is divided into two parts. They were very happy to have the Munitions Board in the field of producer logistics. That field stopped when the goods were delivered over the doorsill of any military installation. The second was that there is also the field of consumer logistics, said the Joint Staff; and that field was exclusively reserved for the JCS.

I spent months trying to avoid what I was pleased to call the split cow theory of logistics. That comes from the story of the two boys who formed a partnership on a beautiful jersey cow. But they fell out about which end each should own. Jack liked the limpid brown eyes of the cow and he said, "I will take the front half." Bill was much smarter. He said, "I will take the milking end." After the dispute they got a butcher to cut the cow in two. The limpid brown eyes faded and the milk dried up.

I think of logistics as a single function. I think that the people on the staff of the Munitions Board have primary cognizance over producer logistics, and the Joint Staff over consumer logistics. I don't think the milk is going to flow when you cut logistics in two.

I think that is illustrated something like this: We had a proposal from our industrial advisory committee on storage regarding the palletization of large-caliber ammunition. They contended that instead of trying to handle 16-inch shells on a per unit basis, that not only could we handle them more safely, but we could save a great deal of shipping space by palletization.

How stupid I would be if I participated from the viewpoint of producer logistics in the palletization of large-caliber shells unless I had ascertained, (1) the ability of the ports of embarkation to handle the pallets; (2) the ability for loading the pallets wherever they were going; and, (3) means of prevention of what would inevitably happen--the services acquiring dozens of wire snips and cutting the pallets apart as soon as they reached their destination.

I think what I am trying to say, then, is that, without the Munitions Board or anybody in OSD trying to tell the JCS what their consumption factors and rates of fire should be, there is a relationship between valid, over-all rates and requirements coming from the proper source and the integration of those requirements into a delivery system. The materiel has to be produced by the manufactuers, not only in the quantity needed, but within the time and packaged in the manner in which it can best be handled at the far end.

And please don't gather from what I have said that I think anybody in OSD except the JCS are in the last analysis responsible for determining shell requirements. Please do get the idea that the erection of Chinese walls between the JCS and the staff of the Munitions Board is something which I think is stupid.

QUESTION: I think I can understand GSA's operating in the procurement field, but I am not so agreed that it should operate in the distribution field. Is there any concept of GSA entering into distribution beyond the United States?

ADMIRAL RING: If I were to answer your question point blank--no, none whatever.

I had the misfortune about two years ago to be told to go to Denver and participate in some public hearings with the Select Committee on Small Business of the House of Representatives. It was a most difficult set of hearings. I didn't enjoy them except for one part of it.

I discovered that in Denver there was an assistant inspector of naval materials who was a nice fellow. I was able to ask him privately, "How do you get your stuff that you need to run your office?" He said, "Very simply. I submit a requisition to the Naval Supply Depot at Oakland." I said, "How many miles away is that?" He told me. I said, "Do you get good service?" He said, "Lousy. It takes them too long."

It looked to me like a pretty complicated system. I said, "Do you know the name of the regional director of GSA here in Denver?" "Oh," he said, "yes." He had lunch with him frequently. I said, "How far is his office from yours?" He said, "About two and a half blocks."

Now, somewhere it must be possible for reasonable people to realize that there are 10,000 Navy inspectors, 10,000 Army inspectors, and 10,000 Air Force inspectors who fire at us requisitions of which the individual increments are very small, but the administrative satisfaction of which is tremendous.

Let us take this business of Oakland shipping to Denver, to Brooks. It costs $5.675 in administrative cost just to write a government bill of lading. That includes the cost of preparing the form, the transmission of the form, and auditing the form. So that by the time you get through with that small shipment, you will have spent more in hidden administrative costs in issuing and auditing the GBL than the value of the material being shipped. Of course it is very nice, because your transportation costs comes out a separate appropriation and is not reflected in the cost of the item. But our taxpayers are worried.

That is one of the things that got me started. We have Navy offices and Army offices scattered all over the United States. Once a week or once a month the boys at those installations say they need something. Let us see if we can't find a simple and effective way of supplying those needs. I don't see why the headquarters of the Ninth Naval District at Great Lakes should be shipping stuff by truck and by various other means over a large part of the United States, because it is a big naval district, if you have GSA regional warehouses capable of supplying the common-use goods.

I know this thing sounds silly, but to me Brooks' needs for carbon paper, mimeograph paper, duplicator fluid, whatever he needs to be an assistant inspector of shipbuilding at Denver, are something that have to be supplied. I know I am not talking about winning or losing a war. But I think I am talking about integrating the capacity of the service organizations of the Federal Government to be timely, effective, and economical dischargers of their responsibility. I am not trying to set up GSA as the Minister of Supply when I do that.

As I tried to answer the question a while back, from where you sit the thing looked horrible. If you sat down at the bottom, maybe it would look sensible. I don't know. I am one of the people who has to do things at the top. To me it looks sensible. It is awfully important to the taxpayers to try to do these things and render the service effectively and economically.

The total of Department of Defense purchase documents amount to about 3.5 million documents a year. This might horrify you a little bit, but nearly 90 percent of our purchase transactions are in amounts less than 10,000 dollars. We need to handle small purchase transactions more simply and we need to set up simple supply systems also.

I have had contracts shown me for the Air Force where they sent out a great deal of paper under formal advertising and competitive bidding to buy just four taps. Can't we find a way of buying four taps short of this amount of paper work?

Sure we have to be sensible. I think there has to be evolution at the top of the system. I am convinced of the fact that we will never be able to develop so long as we have a standoffish attitude and say, "I won't do business with GSA." I think we have to do business with it. We have to insure that this business is done in a way so as not to interfere with the complete satisfaction of the mission. If you evidence a lack of desire to meet with them and work with them, I can't predict what will happen.

COLONEL GOLDSMITH: Speaking for Admiral Hague, who I know is very sorry that he couldn't be here, and for everyone present, thank you very much.

(7 May 1953--750)S/ss