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AREA DISTRIBUTION VERSUS SINGLE SERVICE DISTRIBUTION

7 April 1953

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Lieutenant Colonel Thomas L. McKnight, USAF, Chief, Distribution Division, Munitions Board, was born in El Paso, Texas, and finished a course at the New Mexico Military Institute in 1936, the University of Texas (EBA) in 1939, the Cavalry School in 1940, and the University of Chicago (MBA) in 1947. He was originally commissioned in the Cavalry Reserve in 1938 and his active service began in 1939 with the 7th Cavalry under the Thomason Act. In 1940 he was detailed to the Air Corps and upon completion of pilot training in 1941 he was transferred to the Air Corps. Colonel McKnight's significant materiel assignments have been: director of supply and maintenance at Brook Field, Texas, 1943-1944 and Keesler Field, Mississippi 1944-1945; Air Materiel Command, 1946-1947; adviser to Chinese Air Force Supply and Maintenance Schools, Chengtu, China, 1948; chief of plans and later assistant deputy for materiel at Headquarters Far East Air Materiel Command, 1949-1950; Chief of the Maintenance Division and later the Distribution Division of the Munitions Board, 1950 to present.

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MR. HENKEL: Admiral Hague, gentlemen: Last fall, as you no doubt remember, the Secretary of Defense issued Directive 4000.8, establishing basic regulations designed to achieve the operation of an integrated supply system. While this directive lists eight general promulgations covering the military supply system regulations, one of the most controversial points is that of a single supply system covering certain categories and items and in some cases the cross-servicing of common-use standard-stock items.

Today we have an officer with us who has been studying this problem since 1943. Because of his present assignment, he can present the various military viewpoints of the four services. He is now with the Munitions Board as Chief of the Distribution Division and will speak to us on the subject of "Area Distribution versus Single Service Distribution."

It gives me great pleasure to present Lieutenant Colonel T. L. McKnight, United States Air Force.

COLONEL McKNIGHT: Admiral Hague, gentlemen: Mr. Henkel sort of gilded the lily a little bit. I have been in some phase of supply since 1942 or 1943 but not on this single service business since then.

The other day Admiral Ring spoke a little bit about the Munitions Board and its possible future. I have a clipping from this morning's "Washington Post," a small article in the Federal Diary column, which might be interesting.

"Defense Secretary Charles Wilson recently referred to the Munitions Board as a fifth wheel and implied that it was to be reorganized. Afterwards a booster of the agency sent him this comment: 'As the former head of a company that makes autos you should realize that you can't get anywhere in an auto--including those made by General Motors--if it doesn't have a fifth wheel--a steering wheel.'"

I don't know whether the Munitions Board is a steering wheel or not. I have been there almost two and a half years. I think we have accomplished something. On the other hand, I think we should have gone further.

The distribution systems of the military services exist for the basic defense purpose of providing military units with material in the

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most effective and efficient manner possible. While there are three military departments, there are four military services--Army, Navy, Air Force, and Marine Corps. Each operates its own supply system. Within each system they employ a variety of distribution means or methods. Today we will be talking about the distribution means as applicable to any one or all four of these systems.

It is difficult to confine any discussion on distribution to distribution per se because of the interdependence of all supply functions one upon the other. No functional supply problem can be solved without considering the other elements of supply. So if I appear to slight the other supply functions, please recognize it as my attempt to stay within the confines of my subject.

In 1947 when unification was the topic of the hour, the National Security Act was passed. The act unquestionably intended that our logistic systems be welded together into an effective and unified military effort. Obviously, the terms unification and integration, as used in the National Security Act, were not intended to imply consolidation or merger of the armed forces. However, careful study will reveal that the act itself intended to provide for authoritative coordination and unified direction of the military services under civilian control.

The wording and interpretations of the National Security Act as it applies to logistics have been debated time and again. As time passed, it became rather obvious that the interpretations of the services were at odds with the interpretations of many Members of Congress. The act did not specifically set forth any specific type of distribution to be attained. However, it was apparently intended that something should be done. In this regard early in 1951 a speaker before this student body stated:

"It is a job that we must do and do well without delay. I am confident we can do it provided we understand the problem and the urgency attached to it. In my estimation we had better do the job fast and well for two reasons, namely, to increase military effectiveness and to avoid being force-fed by mandates and laws."

Failure to heed this warning literally led to the passage of section 638 of Public Law 488 which covers the appropriations for the fiscal year 1953. This section reads as follows:

"Notwithstanding any other provisions of law and for the purpose of achieving an efficient, economical and practical operation of an integrated supply system designed to meet the needs of the military departments without duplicating or overlapping of either operations or functions, no officer or agency in or under

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the Department of Defense, after the effective date of this section, shall obligate any funds for procurement, production, warehousing, distribution of supplies or equipment or related supply management functions, except in accordance with regulations issued by the Secretary of Defense."

It has been specifically interpreted that this section of the Appropriation Act, Public Law 488, in general is permanent legislation. The rest of the act is not.

This legislative development caused the Secretary of Defense to publish his Department of Defense Directive 4000.8, dated 17 November 1952. The discussion today on "Area Distribution versus Single Service Distribution" stems from paragraph III.C.7 of this directive. I will read this paragraph so that it is fresh in the memory of each of us:

"Integrated supply support for common-use standard-stock items will be developed. In areas within the United States and overseas, supply support will be accomplished by single service assignment in which one department will support all others, or by cross-servicing in such areas in which supply support will be obtained by one department from the nearest or most economical source without regard to which department controls such source, unless it can be demonstrated that such support will adversely affect military operations or will not result in net advantages to the Department of Defense as a whole."

In examining this paragraph, two things are worthy of notation: First, we should consider the term "common-use standard-stock items." To date, I have been unable to find an accepted definition of the words "common use." There is no Department of Defense definition; no General Services Administration (GSA) definition; and to the best of my knowledge, there is no established Bureau of the Budget or congressional definition. This is in spite of the fact that the term is in almost daily use in all of these elements of government. It has been our experience that it is necessary to define this term relative to each problem to which it is applied. This in itself makes considerable difficulty. To exercise our imaginations this morning, let us define the term in the broadest possible sense, namely: "A common-use item is any item, technical, commercial, or what not, which is used by more than one government agency." For this purpose consider each of the military services as a government agency. It is important that we think deeply on the scope of this broad definition and its many possible implications.

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Secondly, we should look closely at the general approach taken in this paragraph, the manner in which it is written establishes the rule or policy that "common-use standard-stock items will be distributed by single service assignment or on an area distribution basis." It leads off that way and it goes on with exceptions--exceptions are permissible only when it can be demonstrated that the use of either of these systems will adversely affect military operations or will not result in net advantages to the Department of Defense as a whole.

Now early in the game when the draft of 4000.8 was under consideration, it was suggested that this particular paragraph we are talking about this morning be changed to read something like this:

"Each military department, including the Marine Corps, will have its own distribution system except when it can be demonstrated that a single service or area distribution system will result in increased military effectiveness or net advantages to the Department of Defense as a whole."

While these two approaches are similar, the reversal of the policy and the exception make them vastly different.

Under the wording of this policy, there are two means of distribution which appear to be acceptable without question by those who authored the policy.

One is single service assignment to one department or service for the support of all others. In its purest sense this would be on a worldwide basis for all military services. It could be done by assigning all common-use items to one department or split them up among the departments by classes or commodity groups or even items if you want to get into that much detail.

Although it does not qualify under the wording of the policy, a broad interpretation would permit the use of GSA depots as a single service agent for distributing common-use standard-stock items to the military services. Thus far the trend toward increased use of GSA depots for distribution has been limited to local purchase items. However, there is talk in some quarters of formal assignment of distribution responsibility to that agency for some common-use items. In the area of procurement assignment, responsibility for office machines, equipment, and furniture has been formally given to GSA. Currently GSA could not distribute on a worldwide basis as it has no overseas depots.

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The other one which is obviously acceptable is area distribution. In this area, the policy points toward single service assignment of distribution responsibility on a geographical area basis, again either by giving one service the responsibility for all common-use items in the area or by dividing such items up on a commodity basis between the services in the area. This might also conceivably include the use of GSA depots.

There are other distribution methods which the authors will accept, but only if it can be proven conclusively that single service assignment or area distribution will adversely affect military operations or fail to result in net advantages to the Department of Defense as a whole. Some of these other means are:

1. Unilateral and completely independent distribution by each military service.
2. Greater use of civilian distribution systems, such as we now use for bulk petroleum.
3. Parallel but effectively coordinated distribution systems operating under uniform policies, standards, and techniques.
4. Jointly operated distribution systems either on an area or worldwide basis.

Each of these distribution means has advantages and disadvantages. In determining the means to be used, the impacts of each must be analyzed in the light of the whole supply function.

To examine this matter a bit further, let us take a brief look at the elements of the distribution system. I will list only those applicable to the policy with which we are concerned. They are:

1. Requisitioning.
2. Receipt.
3. Inspection.
4. Identification.
5. Classification.
6. Storage.
7. Stock Control.
8. Issue.

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9. Sales.
10. Redistribution.
11. Accounting.
12. Reporting.

Elements such as maintenance, conservation, and disposal, which are covered by other policy paragraphs of the basic directive, have been overlooked in this talk. The accent which I may place on some of these elements is not intended to relegate others to a position of lesser importance in the over-all function of distribution. Each of them can be found in any distribution system.

The degree to which each of these elements is developed, the detail to which they are locked into and carried out, will depend upon their relationship to the over-all mission of the service involved. The degree of the interdependence between the services will to a large extent dictate the degree to which each of these elements is developed. If the mission is unilateral, completely independent, obviously there is no need for any degree of uniformity in an over-all sense or in the detail of any of these elements.

From this it is easy to see that single service or area distribution requires the greatest development of similarity among the elements. Each service distribution system was established to meet the needs of its parent. The growth of these systems began years ago in an era of plenty and of relatively simple warfare. Advances in technology and weapons have been such that we can never again parallel or duplicate the set of conditions under which our distribution systems started.

Even in our present situation we are suffering from shortages and competitive desires have to be rationed. Indeed it is relatively easy to ration the supply of the basic raw materials, but then to control the distribution of the items produced is another point. It is far more difficult and is almost unwieldy today.

Now, there are means for interchange of support on an emergency basis; this can't be denied. It has been done and done on a relatively simple basis, at least on the spot. The lack of uniformity is not only discouraging but it is administratively expensive in the interchange of goods between the services. This, frankly, is because each of the distribution systems is accomplishing the elements we spoke of in a manner suited only to the parent service. The elements are all handled in a different manner, different fiscal, budget, accounting, reporting, stock numbering, and so forth.

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Irrespective of what distribution means we have or we adopt, we certainly must have greater uniformity between the elements so that we can face up to any situation that comes before us in the future. That does not necessarily mean that the elements must be identical in detail, but rather that they should be comparable between the services. I think most of us feel very definitely that any future all-out war will be considerably different from anything we have had in the past. No matter how well we make our munitions or how great the quantity turned out, the effectiveness of their use will depend in large measure on the effectiveness of the distribution means we employ throughout the Department of Defense. Scarcity of resources coupled with increased complexity of any future war will tremendously increase the interdependence of the military services one upon the other. We have to be ready to meet that task.

We have come a long way since 1947. Granted our progress has not been what we would like to have seen; but, on the other hand, we have made some strides forward. Revolving funds--a tool of stock management--are being installed. Clothing funds have been established. Medical, dental, and POL funds will be installed sometime this summer. For these commodities we will soon be able to speak through the commonly understandable language of dollars, which we grew up to understand from the time we entered the first grade.

Interservice redistribution of excesses has been established and is operating smoothly through the Surplus Materials Division, Bureau of Supplies and Accounts of the Navy. This is a Department of Defense designated agency which operates for all services. Additional refinements are in mind for improving the effectiveness of this operation.

Storage reporting is being worked on with an attempt being made to standardize language and reporting systems. A unified commercial warehouse space system has been established and adopted throughout the services. Standard stevedoring contracts are in use. Standard classification condition codes have been unified so that they mean the same thing in all services.

The integration of dollar and item accounting is generally being confined today to the areas in which stock funds are being installed. However, much consideration is being given and in fact certain projects are under way in which item and dollar accounting are being established outside the established stock fund areas.

Retail sales have been pretty well standardized under the variety of legislation applicable. Further advances will require new legislation to remove basic differences which stem from outmoded laws.

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These are only a few of many areas of uniformity which have been developed--developed and installed without jeopardizing the rights, prerogatives, or missions of any of the services. I think that is important, that in the strides we have made so far no prerogatives or rights of any department or military service have been jeopardized. These advancements have placed us in a much better position than we were in four or five years ago.

Now it appears to be the intent of some that we should integrate the distribution systems for common-use items so that each distribution facility could operate at maximum output. These individuals feel that this would give us the best distribution system for the dollar spent.

Now on this basis, what will it cost us to change from the distribution system now used within the four services to either single service or area distribution? This question does not refer only to dollar costs; it refers, gentlemen, to any of the intangible costs, costs that are very difficult to weigh and apply, those which are not measurable in dollars and cents. Let us look at two possible costs of this type.

The first is diminishing returns. I am convinced that there is a point of diminishing returns in the enlargement of any distribution system as a whole. To the best of my knowledge no one has ever yet determined where this point of diminishing returns is. Through such cost accounting systems as we have, we approach it to some extent on an individual installation basis, an individual depot, but we have never applied it to the whole system, including other supply functions--procurement, transportation, and so on. However I am convinced that it can be done, and the success of any such determination will depend on the accuracy of the factors used. Dollars should be tempered by that which is intangible in money. For instance, what is the best personnel strength for a depot operation? Some of the more forward thinking civilian institutions have come to the conclusion that the maximum personnel strength for any operating complex in a single locality lies somewhere between 4,000 and 6,000.

A prominent Business Machine Corporation has 8,000 employees. It has a three-year backlog of orders. Yet its people will not go into a multishift operation. They don't want any more people in this complex.

I have talked to them for many hours on this problem and they feel that the addition of people would greatly diminish the returns which they are getting on their investment. They feel it would put them in the area of diminishing returns. They feel they would lose control of their personnel; they would no longer have the lowest personnel turnover rate of any corporation of its size in the United States. I don't remember the exact figure, but I think their personnel turnover rate is one-tenth of one percent per month throughout the entire organization.

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A second important area is the mobilization base or potential. Let us assume that we have all depots operating at, not optimum output, but maximum output for the individual facility. Where will we go then in the event of any rapid mobilization? Can we build up additional depots in time to meet the input flow of the other elements in our rapid build-up? I don't know the answer completely. There are a lot of parts there we do know, but that is another area which should be examined before we adopt any policy that a distribution facility operate around the clock for maximum output of that facility.

Actually it boils down to this question: Is today's dollar more important than tomorrow's defense? These are opposite extremes. Actually they must be balanced. I do not believe we can go to either one extreme or the other. We have to arrive at a healthy balance to meet our needs.

You can think of many additional problems and costs which should be weighed in determining diminishing returns. All of them should be considered in determining the means of distribution to be adopted.

Any distribution system must consider its customer in any change which is in the planning stage. After all, the system exists only for the combat unit. Now either single service or area distribution could readily provide our supplies if we had a stable situation, a stable force. I don't think there is any question about that. However, I do think we should stop for a moment and consider some of the operational difficulties which could arise under a rapid expansion and war.

One of the most difficult things to handle in any time of stress is priorities. Supply priorities are hard enough within a single service. Will compounding this problem by applying it to four across the board in all details help the situation? Will it make a more effective combat force?

Priorities are the result of attitudes and mental determinations. Every unit feels that its mission is the most important of all missions. For "esprit de corps," each service should feel that its mission is more important than that of any other service. Thus, within the Department of Defense it becomes a problem of priorities within priorities when you amalgamate common-use items under the head of a single service. I don't believe it is possible to develop a supply priority system which would satisfy all concerned with either single service or area distribution.

Military operations are in many ways as much of a business as is manufacturing. The difference is remuneration. The distributor supplying a commercial manufacturer receives remuneration for his service.

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The building of his career, his growth, depends upon that remuneration, and remuneration in turn depends upon the service he renders to the manufacturer. In the event of poor service, the manufacturer has a simple course--he just shifts his business elsewhere. In the event his supplier is a single service or single source, he does one of two things: he either tries to break up the control of that single source by expanding towards his source, or he writes a legal contract which will give rapid satisfaction through the courts if the service breaks down.

Let us take a look at a military service, however. Military service X is dependent upon service Y for its supply. What recourse does X have if Y doesn't produce or provide the service? He can't take his business elsewhere. That is a difficult thing to do when he starts to go through the maze of channels up to the top to get a policy change. How can he punish Y if Y doesn't provide the service? It is almost impossible because Y's career does not depend upon the service rendered to X to the same extent that the civilian distributor depends upon his career through the service he renders to the manufacturer. The control is missing. The rapid action to be taken is missing. Is that good management or good organization?

The tactical desires of our units must be balanced with the available distribution support. Having arrived at the necessary tactical maneuver necessary to accomplish an operational order, it is essential to the success of the mission that proper distribution support be rendered. We never cuss ourselves for an error to the same degree we cuss an outsider. He is always more stupid than we would have been. That is human nature and we can't get away from it; and it has to be considered in selecting the distribution means to be employed.

There are four broad characteristics of a good distribution system. These might be broken down in more detail. However, in their present form they will suffice from a broad standpoint:

1. At all organizational levels where combat control is vested in a single command, distribution control of supplies should be vested in the same command. Let us take the basic combat elements--Air Force wing, Army or Marine battalion, and Navy equivalent. Each of these is authorized supplies necessary to carry out its mission. I am sure no one would think of dogmatically saying that the commanders of these units could not distribute their supplies as they saw fit in carrying out their missions. This does not mean that these commanders are not subject to censure if they use their resources unwisely. It does mean they can establish and change supply priorities within the units they command. This same characteristic should be present at each level--regiment, division, force, corps, theater, and fleet.

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2. The system must be capable of management by the command vested with control. No matter how fine the people are or how pretty the organization is on paper, or how great the quantity of supplies on hand, the time, or space available, the systems will be no good if they can't put the right goods down at the right place at the right time. The ability to do so reflects good management and it requires a balance of all the factors bearing upon distribution. It must take into consideration the size and scope of operations. Simply put, it means round pegs for round holes, square pegs for square holes, and the pegs have to fit the holes. You don't build up a 15-day supply for a 3-day operation, for you would be bogged down by the very weight of the supplies themselves.

3. The systems should be capable of rapid and simple interservice support when such action is more economical and effective or when the tactical or strategic situation requires it. In our modern warfare, combined operations at almost all levels is the rule rather than the exception. For example, anti-aircraft artillery units operate with Air Force wings. The size and distribution of the wing and artillery units should determine the distribution means to be used at that level. Should there be separate distribution systems at this level? If not, should the distribution support of one by the other be complex, cumbersome, difficult to administer? I don't think so. These same questions apply equally to all levels as you go up the command.

In the case of international combined operations, I recall a case over in the Far East Command when the Korean hostilities broke out. The Australians, in anticipation of withdrawing their forces from the occupation of Japan, had pretty well lived up their supplies. In fact, they were down to almost bedrock. They were due to leave Japan in 30 days. However, they jumped into the combat when it broke out. They paid us a visit at the Far East Materiel Command and asked for help. We immediately agreed to exchange supply support with them so long as we could identify what each wanted. Days later a two-way agreement was drawn up providing for an accounting each month for all items which had not been returned in kind in the past six months. Some time later one of our men paid the Australians a visit. While there, he went to their lieutenant in charge of supply accounting and asked him how he was keeping his accounts. The lieutenant showed him a large country-style ledger. On one side was the heading "Received from the Americans"; the opposite side was headed "Given to the Americans." Items which had been returned by either of us had been red-lined. When asked what he was going to do with this impressive document, he replied, "I say, old chap, when the show is over, I'll just dispatch it off down under where some bloody bloke is paid to decide how to settle up." Even more amusing--we were planning to send ours to Wright Field and let them decide.

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This system was simple; it worked, and rapidly. I do not know the degree of trouble they had in Australia with it or the trouble Wright Field had with it. There are probably some people in this class who can tell. Interchange of supplies at all levels should be that simple when it is necessary and will contribute to the effectiveness of the mission at hand.

4. The systems should be capable of supplying estimates of requirements which can be compared and correlated. As requirements flow upward we should be able to compare them at each level through which they flow. By that I mean, at each level which is responsible in any sense for distribution support of the four services. The means of distribution employed will determine the degree of comparison necessary. The extent to which it can be accomplished will depend on the likeness of each service's methods of computing or handling the elements of distribution. There are endless benefits to be obtained from the comparability of requirements. Many of them are outside the field of distribution.

Just the other day I was asked an actual question on requirements: "Is there any reason why A, B, C, and D should each have a different stockage objective for clothing after adjustments have been made for initial issue to build up forces?" For purposes of example, A's procurement and administrative lead time was 140 days; B's, 150 days; C's, 300 days; and D's, 180 days. This is an actual example. However, all of these services were procuring their clothing through the same source--the Armed Forces Textile Procurement Agency. Nobody could explain the difference.

There were many other differences in the computation of requirements in this clothing picture that I drew this example from. At this point I don't know whether the differences were in fact real differences or whether they represented misinterpretations of the guidance which had been given to the computing departments. However, what is important is that the final results of this particular problem--this particular one is a trial this year--will be used to determine the Department of Defense budget for clothing for the fiscal year 1954. Is this in itself not sufficient reason for the development of comparable requirements?

Military supply is a business. We are the largest single purchaser in the United States. From the Government standpoint, defense is spending about 70 percent of the tax dollar this year. We either issue or sell supplies to the combat and housekeeping units who are consumers. This being true, then the management of our military distribution systems and civilian industry must have something in common.

In civilian industry, it is generally conceded that management can be divided into four functions--representation, direction, organization,

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and evaluation. Each of these has a definite place at all echelons of a distribution system. Distribution commanders are constantly performing representation, both lateral and vertical. As commanders of parts of the system, they accomplish direction, effect organization, and make evaluations of the results.

In carrying out these functions, these commanders use four techniques which are common to civilian industry--managerial decision, command, supervision, and control. Each of these techniques is familiar to you.

To accomplish these techniques, distribution commanders use four tools of management which are common to industry--standards, policies, procedures, and budgets. You can readily see how each of these fits into the distribution picture.

This represents an approach to the problem from just one managerial concept. It is now the task of the Secretary of Defense and the military departments to apply this or an equally good managerial concept in determining which distribution means will be used for common-use standard-stock items. Will it be single service? Area distribution? Uncoordinated unilateral distribution? Joint distribution? Coordinated parallel systems? A combination of these? Or some other system?

Should the same means be employed by all services? Or should there be different means used within each system on a commodity basis? Just how far should we go toward identity in the details of the distribution elements? As logisticians you will be faced with participation involving these problems. What would your answer be to these questions?

I am now ready for your questions.

QUESTION: I am quite intrigued by this common-use business. I had some very sad experiences along that line myself for a couple of years. It appears to me that somebody could get a Bronze Star, perhaps with a combat device, for exploring this field and getting down in writing what these common-use items are to be. It seems to me somebody in the Munitions Board or the Department of Defense should right now or have been working on such a thing. Will you comment on what has been done or is being done?

COLONEL MCKNIGHT: I will comment on your question. It has been tried. We got into it one time in one problem. It was defined as being "off the shelf," commercial items common to you, I, or anybody when we go down to the hardware store to buy something, or when we buy paper to write on. At one of the congressional hearings at which I appeared as a witness, a man on loan who is now the staff director of

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that particular committee raised the question. He said, "if pencils are common, are not aircraft generators common? Are not aircraft cylinders, pistons, rings common between the four military services?" Furthermore, he said--and this was in connection with GSA participation in this program--"The Civil Aeronautics Board, or the Department of Commerce uses airplanes; agriculture uses airplanes; I think the Coast Guard uses airplanes. Therefore, all items which are used by any of those agencies and a single military service are common items, and why should not GSA take over the supply?"

Yes, it can be defined. But I think that actually at this juncture any attempt to arrive at a specific definition which would limit this thing all the way, we will say, from generators up to pillows, this very broad definition which I read to you here to exercise imaginations, I think it would be dangerous. I don't think it should be done. I think we should leave well enough alone and let the thing find its own level. There is an awful lot of politics in the situation. People like to build empires; they like to enlarge, so there is a lot of that in it. For that reason, if I were asked--and I have so recommended that we not attempt to make a definition which would be used in all instances, just to keep from allowing ourselves to get into a position we might be sorry for.

QUESTION: It appears to me that there is something a little inconsistent in what is going on. They are complaining about four separate services of supply within the Defense Department and we have entered another supply system into the Defense Department field with GSA. It would appear to me that what we are actually making here piecemeal is a case for the single service supply. Would you care to comment on that?

COLONEL McKNIGHT: Let us assume we determine to make the elements of distribution identical. The effect of the determination will put us in a position where somebody can reach up and pull a cord, and tomorrow say everybody is the same. That is why I reached the conclusion that we should approach this thing from a business concept rather than somebody reviewing things. We should be in a position to say, "If you want to move A over here and superimpose it on B, put them all in one basket (GSA or some other source of supply), I will agree with you that it could be done." There are some who honestly and conscientiously feel that a single unit, whether it is GSA or something under the military, could provide better, more effective, more economical supply under present conditions by lumping it all in one category. Personally, I feel that you would get to the point of terrific diminishing returns if that were done.

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Secondly, I must mention that unless the single source was within the military that you would find yourself with a combat commander responsible for operations only, without control of his logistics support. I think we should look at it from a business standpoint and, by so doing, if it is done properly, without hysteria, a fourth service of supply, a GSA, or Minister of Supply can be avoided.

MR. HENKEL: We have a chart here that Colonel McKnight would like to explain (chart was not reproduced).

COLONEL MCKNIGHT: I want to talk for a minute about disposal. The question was discussed last time. Therefore I thought I would tell you a little bit about what is going on in disposal.

This is a chart showing the total days involved for disposal under ideal conditions. We have recognized this as a rather sad situation, but you must bear in mind that under Public Law 152 the GSA controls to a very large degree--we will say 99.9 percent--the disposal activity of the military services.

There are three types of supplies for disposal purposes. One is those which are exempt from reporting--munitions of war and line items of less than 100 dollars in value.

In a broad sense we don't need to go anywhere to dispose of those. It takes a local staff 30 days to advertise and sell them, total time.

In reportable supplies, there are two types. This is a very recent proposition, these two types. The policy and the instructions came out 24 March 1953 covering the Q and P type of reportable supplies. They are the same property but differentiated on a set of criteria. I will briefly give you that.

Those of you who have been in supply know that 4 is "worst condition"; N is brand new items which have never been used. E is overhauled; 4 worst condition possible, meaning they are in bad shape, not economically repairable. O is used, never been overhauled; 4, very poor condition. The codes run 1, 2, 3, 4. R is repairable.

All items which are N-4, E-4, O-4, R-3 or R-4 without regard to acquisition cost are classed and reported as "Q" property; also those reported as E-3, O-3, and R-2 if the line item acquisition cost is 500 dollars or less. We have computed from going through our records that this will cover between 50 and 60 percent of all items reported as excess.

Now by setting up a special deal with GSA which took 5 months, we got that down to mailing time from post, camp, or station, 3 days; 30

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days screening at materiel control point to make sure it is excess; 3 days mailing time to SMD; 10 days processing; 75 days concurrent screening with GSA and other military departments. At the end of 75 days, there is automatic disposal. They don't have to wait for any word to come back from GSA or anybody else. They would sell it themselves; total 151 days, covering 50 or 60 percent of all property reported.

The "P" category covers all other items and all reportable property went through this cycle prior to this agreement with GSA under the "Q" category. There you have a total of 190 days. The holding activity cannot sell "P" property without actually receiving word from GSA that it is permissible to do so. Sales and exchange property--this is covered by Public Law 152, section 201(c), which provides that you can trade in or sell and apply the money to the procurement of similar items. If you make a determination that you want to sell a machine tool, for instance, and want to apply the money to the purchase of a similar type of machine tool--not exactly the same but similar--the item is not excess to you, it is merely that you want to modernize your shop; so you list it as "sales and exchange" item. The screening procedure which is the time required prior to actual release is a total of 129 days.

The question was asked the other day: How can you get money back on sales and apply it to new procurement? Through the Sales and Exchange Act. It is being enlarged. More and more property of the departments is being reported under "sales and exchange" all the time. The quantity is continually increasing.

Now you people who are in charge of warehousing are thinking about the terrific maintenance problem on this stuff. We are fully aware of that and are taking measures to see how we can reduce nonreportable items to 500 dollars. That will take a large amount of the excess. These are all things that we are working on within the Department of Defense. Some of it is classified, not from the standpoint of security, but because we don't want to let the sales talk out of the bag until we can put it up to GSA in such a manner that it can't say no without being subjected to criticism on the part of the Government.

I will try to answer any questions in this field.

MR. HENKEL: Colonel McKnight, on behalf of the Commandant and the students, I thank you for a very instructive and informative talk.

(1 May 1953--750)S/rrb.

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