

MILITARY PROCUREMENT

18 November 1953

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Vice Admiral John E. Gingrich, USN, Chief of Naval Material, Navy Department, was born at Dodge City, Kansas, 23 February 1897. He attended the University of Kansas in 1915 and the following year was appointed to the Naval Academy from which he was graduated in 1919. He was appointed ensign upon his graduation and advanced successively through the various ranks to vice admiral to which he was appointed 30 July 1953. He was aide to the Under Secretary of the Navy from 1940 to 1944; commander of the USS PITTSBURGH in 1944 and 1945; chief of staff of the 2d Carrier Task Force in 1945; assistant chief of Naval Operations, director of Naval Reserve 1946 to 1947; director of security, Atomic Energy Commission, 1947 to 1949; chief of staff to the commander in chief, Pacific Fleet, 1949 to 1953, after which he was assigned to his present position. This is his first lecture at ICAF.

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ADMIRAL HAGUE: This morning we have our first lecture in the Procurement and Economic Stabilization Unit. That this is a most important unit, I think is evidenced by the fact that our military procurement is currently running at the rate of approximately 7 percent of the gross national product. Whenever a percentage of our gross effort of that magnitude is put into military procurement, it is obvious that some thought must be given to economic stabilization.

We have as our speaker, fortunately, Vice Admiral John E. Gingrich, Chief of Naval Material. The Office of Naval Material is the coordinating agency of the Navy Department in all material procurement matters. As such it lays down the policy which guides and governs naval procurement.

As for our speaker himself, I will content myself this morning with merely telling you that he was a classmate of mine; and that even in those days when we were boys together at Annapolis, it was quite obvious that he had the potential for being a most effective officer. And throughout his long career he has lived up to that early promise.

It is, of course, an honor, and a great personal privilege and pleasure for me to present to you Vice Admiral John E. Gingrich, Chief of Naval Material.

ADMIRAL GINGRICH: Admiral Hague and gentlemen: The privilege of being here and talking with you, seeing my friend of some 37 years' standing, Admiral Hague, is one which I eagerly accepted.

I am reminded of a previous occasion here at the Industrial College when a naval officer was ordered to make a speech on the subject of cooperation between the Army and the Navy. His speech was something as follows: "Gentlemen, the best example I can think of concerning the cooperation between the Army and the Navy is the time that Captain MacKenzie hung the son of the Secretary of War on board the United States Ship SOMERS for mutiny. Thank you, gentlemen." End of speech.

How different today! It has just been my recent experience to have made a number of trips with our Army, Navy, and Air Force Assistant Secretaries for Production and Procurement and the

Assistant Secretary of Defense for Supply and Logistics, Mr. Thomas. These splendid gentlemen have been most cooperative with one another, most objective in their approach to our common problems, very close in their coordination with one another. It has been an example to me, and an example which we can well emulate throughout our service. I think it is wonderful that we have such a team in the secretariat of our Department of Defense.

I have been asked to discuss with you the major problems of military procurement. However, I sincerely believe the most important procurement problems we have today stem directly from faulty requirements. No matter how well we place a contract, no matter how well we get the production and delivery desired, if there was no need for the material in the first place, our procurement effort and our money have been wasted. Yet an inordinate amount of our procurement effort has been wasted in buying unneeded material and equipment. Therefore, I should like to dwell briefly upon this all-important area of requirements determination.

In historic times, war was a matter of man against man, with minimum requirements for material support. The soldiers' weapons were simple and the area of battle extended only to the neighboring state. Logistics were elementary. Wars were not conducted across wide oceans. The Revolutionary War was really revolutionary in a military sense. The failure of the British to solve the greatly magnified problem of logistic support contributed heavily to their defeat.

Now, America has successfully solved its problem in waging World War I and World War II partly, I might say, because of the mistakes of our enemies. If the Japanese had followed up at Guadalcanal, what would have happened? Many other examples could come to your mind. One of the most important factors in our faltering appreciation of logistics was our country's abundant supplies of raw materials. During World War II we drew heavily upon our natural resources. We have now become dependent upon outside sources for many of the important raw materials needed for modern weapons. It should also be noted that there are now vital military requirements for rare minerals which America does not have in abundance. Our deficiencies in both the common and the rare materials became apparent during the recent Korean action. In plain words, World War II was the last war of plenty for America.

This prospect must not, however, bring discouragement. It is our duty, instead, to strengthen America's military readiness, making the hard facts an asset rather than a liability. How shall we approach the problem of requirements?

First of all, there has been too much waste in preparing for and waging the wars of the past. When we fought a war, we threw everything we had at the enemy, economically speaking; and we did that quite literally.

In the Korean action I was commander of Task Force 95, and I was worried about our heavy expenditure of ammunition. When I took over Task Force 95, I found that we were firing monthly 37,000 rounds of 5-inch ammunition on the east coast of Korea and 14,700 on the west coast of Korea. Much of this was in unobserved fire. I gave instructions that I wanted air spots, shore fire-control spots, and director spots at the targets which were worth shooting at. I wanted to know specifically what damage was done, not that "great damage" was done.

The result of this was that we cut down to 8,500 rounds on the east coast. We stabilized there and we did a better job, because we knew what we were shooting at. On the west coast we cut down to 6,500 rounds. That saved us in the cost of the ammunition out there approximately 40 million dollars during the past year.

I found that our destroyers were steaming at 25 knots in going to and returning to their bases of operations. It takes two and a half times the fuel at 25 knots that it does at 18 knots. So we simply said: "Save your ships, save your machinery, save your oil, until you need to hook it on." And by cutting our speed to 18 knots and by arranging our schedules accordingly, we saved 8 million dollars during the past year.

Placing a price tag and a material expenditure tag on the bullets we fire may represent a somewhat new concept in our modern thinking, but success in future wars depends greatly upon the economy measures we utilize.

Our second means of assuring that America will have adequate military strength is through careful planning. We cannot afford to maintain ships, guns, planes, tanks, men, and other necessary items for a fully mobilized fighting force. It would bankrupt any country, and I shall speak on that phase in just a moment. We must have a certain minimum of these items, of course; but such a minimum must be consistent with what the country can afford, and that minimum may well be much less than our present stock levels.

The subject of military reserves and the corollary matter of industrial readiness are areas that call for comprehensive but practical thinking and planning by the Department of Defense and all civilian agencies concerned with these matters. Since the national gross product must in wartime be divided for three purposes--first, minimum essential civilian needs; second, defense-supporting industry requirements; and,

third, maximum feasible military production--it should be obvious that planning must be done on a coordinated basis.

At present it is the feeling of the Navy that there is need for considerable improvement in this matter. And, while the planning must be comprehensive, it must be practical as well. A year and a half ago it was demonstrated that total military requirements, as envisaged by our planners, exceeded the most optimistic estimate of what the national economy could achieve. I think for the Navy alone it was estimated at 105 billion dollars. Such ivory tower thinking borders on stupidity, and could bring disaster to our country economically.

Industrial readiness is so closely related to military readiness and requirements that I think it would be well to consider the various courses we might adopt. There are four paths we can follow. First, we can maintain supplies of weapons, planes, tanks, and guns, ready to fight. Second, we can maintain production lines in being, ready to produce weapons on short notice. Third, we can maintain defense production equipment in storage, but ready to use. Fourth, we can stockpile raw materials for defense purposes.

It must be obvious that the first measure would lead to bankruptcy, a condition that could not suit the Communists better. In fact, there is every reason to believe that the present Communist policy is planned to induce the non-Communist countries to take a path that leads to internal bankruptcy.

It also must be obvious that to maintain production lines in being would be an economic waste we can ill afford. While not as expensive as the program to maintain a stockpile of weapons, the program would nevertheless be a very expensive one to maintain.

Far safer for the American economy, and advantageous for other reasons, is a program that combines the third and fourth measures--maintaining a stockpile of defense tools in storage and stockpiling critical raw materials.

The Navy's concept of the overall machine tool reserve program involves three important measures. First, tools are allocated to a specific mobilization use; second, tools are phased out of reserve as they become obsolescent; and, third, tools are kept in a ready-to-go status under ideal storage conditions.

With respect to stockpiling raw materials, the concept is by no means new. The Navy recognized the need for stockpiling critical items as early as 1938, when provision was made for stockpiling six materials: tin, ferromanganese, tungsten ore, chromite, optical glass, and manila hemp. By 1940 the stockpiling concept was generally accepted; and the program continues today, although it is not under direct military control.

Prior provision for a material is made when there is uncertainty that the material will be available in adequate quantity, quality, or time during an emergency period. Frankly, the Navy would like to see an acceleration of the program to stockpile metals--one example is tungsten--dominated by the Communist countries. In addition, even with relatively easy-to-get items, we must think in terms of raw materials rather than end products. By so doing, we maintain a greater flexibility with a much smaller inventory investment.

Let me give you an example. Recently the Navy purchased for its advanced base mobilization reserve program 4 million dollars' worth of steel fabricated tanks. After these tanks have stood around for an unknown number of years in the open, they will be useless. How much better it would be if we had only stored the steel required for these tanks, with the fabrication to be accomplished if and when we required them.

Related to the matter of having sufficient critical materials for military readiness is an intensive program underway in the various Navy bureaus to use alternate materials to replace more critical ones in our weapons. As an example, titanium is under study for possible uses. Successful application of this metal will relieve the pressure on our nickel requirements.

To sum up this portion of my discussion, we should, for the economic well being of the country, stockpile adequate raw materials and production equipment in readiness for emergency defense use. To go beyond this point will strain our Nation's economy and work to the eventual advantage of our potential enemy.

Our third means of maximum defense at minimum cost is through the accurate appraisal of our potential enemy and his designs.

It is obvious that our potential enemy is the "World Communist Community." While war at the moment appears less imminent, the pattern of future conflict is becoming more clear. The present state of restive truce or cold peace can continue for years, and well may, while the Communists patiently wait to see if we will defeat ourselves economically.

But what kind of war will we fight if and when the actual shooting starts? We must answer this question before we can intelligently determine the equipment and supplies we need. Yet every day I see more and more evidence that our war reserves are direct reflections of what was used in the last war, rather than what we will need to fight Russia in the future. In the Pacific, for example, I found it alarming that we are still thinking in terms of "island hopping," forgetting that this time we'll be fighting Russia, not Japan. So we spend large sums for supplies and equipment to outfit advanced bases which I doubt will ever be used. This is the type of archaic thinking which disturbs me.

In summary, I believe the military establishment is spending considerable money unnecessarily because of our unrealistic requirements, especially in the area of mobilization reserves. If it be conceded that some of our requirements are unrealistic because they are based upon World War II concepts, it will readily be seen how procurement effort is being wasted.

With this brief background in what we need, let's see how we get it, with some special emphasis on the problems of military purchasing.

The Armed Services Procurement Act provides the authority for all military purchasing. Implementing this act is the Armed Services Procurement Regulation, or ASPR, as it is commonly known. This regulation is an outstanding example of interservice cooperation in the field of procurement policy. All services operate under the same basic procurement policy. Detailed instructions implementing the basic policy are prepared and distributed by each service. The ASPR deals with such subjects as formal advertising, negotiation, foreign purchases, patents, taxes, contract termination, and other purchasing problems.

The Armed Services Procurement Regulation Committee membership includes top procurement and legal specialists from each of the three military departments and staff representation of the Assistant Secretary of Defense for Supply and Logistics. Backing up this committee are 60 to 70 subcommittees. The committee not only prepares and submits new sections or revisions of the regulation, but recommends solutions to Defense Department procurement problems which cannot be resolved at lower levels.

The subject of military purchasing is extremely complex, to say the least. The disturbing element is that military purchasing is becoming more complex; and, as this complexity increases, there is less likelihood that the taxpayer will get the most for his procurement dollar.

Many of the complexities of our military purchasing system are closely connected to the unnatural and dangerous separation of responsibility and authority. This problem, as it pertains to military purchasing, may be broken down into two specific areas. They are, first, centralization, which exerts itself in single-service procurement assignments; and, second, socioeconomic experiments, such as regulations concerning small business and distressed labor areas.

First, I should like to discuss the area of centralization.

In recent years there has been in the Department of Defense a continuous and accelerating trend toward centralization of authority, wherein the top echelon is concerning itself more and more with details of management. At the same time, this same top echelon assumed little

or none of the responsibility. Thus, we see a powerful Munitions Board with great authority and little or no responsibility for the directives imposed upon the services.

I am happy to say that this trend towards centralization is beginning to reverse itself.

The military establishment, like private industry, is beginning to see the advantages to be gained from decentralization of authority and responsibility, keeping authority and responsibility in line, however. In this connection it is interesting to note that the Ford Motor Company has 54 decentralized purchasing offices and General Motors has 39. The variety of items purchased by these companies, as well as the quantities, is but a small fraction of the military procurement. Yet these major industrial concerns do not allow single service procurement principles within their companies.

In this area it is interesting to note the comments made by a group of purchasing executives who last year were brought into the Navy Department to review the organization procedures and problems in military procurement. This group was composed of some of the best-qualified purchasing officers in private industry. They said:

"In the function of purchasing, experience shows that over-centralization can result in:

- (a) Over-organization that is not sufficiently elastic and responsive to cope with changing conditions and requirements.
- (b) Separation of authority and responsibility, creating too large a gap to be bridged by procedures and reports where judgment is required.
- (c) Exceeding the natural limitations of human capacity to direct and control gigantic operations, except in a mandatory and mechanical manner; and
- (d) Snowballing of errors."

Let's look at some of the specific problems which single-service procurement has produced in the armed services. In 1950 and 1951 the Army placed large orders for a specific type weapon with the Navy, the single-service procurement agency. To meet this requirement, the Navy placed some private plants on a multishift basis and others on over-time. Still the production rate did not provide the quantities required by the Army. Officials of the Army have stated that the Navy has cooperated fully in this matter. But one fact remains: The Army doesn't have the weapon, but still has the responsibility to perform

the job for which this weapon is required. It has no authority to obtain the weapon; it must depend upon the Navy.

Recent studies have indicated the problem just mentioned can be corrected only by expanding present facilities of industry. This will require an expenditure of about 60 million dollars of Navy funds. Now, let's assume the Navy spends this money and prepares to produce this requirement. By then the Army requirement may no longer exist. They are dependent on their budget, too, and it will have to be distributed. Thereby the Navy may be left with unneeded facilities and the consequent economic waste.

In spite of the Navy's good intentions, I somehow believe the Army would have its required weapons if it had the authority to purchase them itself, had we kept authority and responsibility in line. It is most important that the responsibility and authority should rest together.

The case just cited is not unusual. Only last month the Army reported that it would have to spend approximately 1.5 million dollars to establish facilities to produce a small number of bombs for the Navy. The only current production required from the proposed facilities is to meet the Navy order. The cost of the facilities required to produce the bomb amounts to more than 50 percent of the cost of producing each bomb after the facilities are established. The Army must pay for facilities to produce bombs for the Navy, and it does not have timely notice of the Navy's requirements. The Army has thus no control over the expenditures of its funds, although the fund responsibility very clearly remains with the Army. This is a difficult situation, as I am sure you will agree.

I could continue to cite examples of how single-service procurement assignments are weakening our overall defense effort, for there are many such examples. The net result of these cases is that those having the responsibility to perform a task are unable to perform that task properly, because of the separation of authority and responsibility. This separation might well lead to disaster in time of war.

There are two types of coordinated procurement: single-department and joint. Under a single-department assignment, one service purchases designated supplies for all services, thereby separating authority and responsibility. Under a joint assignment, authority is not separated from responsibility, since a jointly staffed and financed office purchases certain supplies for the three services, as in the case of the Armed Services Petroleum Purchasing Agency.

As a substitute for single-service procurement in certain fields, I would like to submit what I consider to be the latest and the best

thinking in this area. I refer to the recently formed textile agreement. Under this agreement, textiles are purchased under supervision of a board composed of one representative of each service. This board insures cooperation, coordination, and joint exchange of ideas and problems. And this is quite important. At the same time the authority and responsibility remain together, since procurement is accomplished by each department. This system would work in war as well as in peace; whereas I seriously doubt the ability of single-service procurement to satisfactorily stand up under wartime requirements, except in certain items.

With further reference to coordinated procurement, I am working very closely with General Palmer of the Army and General Gerrity of the Air Force. I believe we shall come up with agreements over this single-service procurement which we in the services can live with and which we can take to the Secretary of Defense for his approval and promulgation.

Our second problem area which tends to separate authority and responsibility is what I shall call the socioeconomic experiments. These experiments are attempts to control our national economy by placing restrictions on Federal purchases. These restrictions make the purchasing officer's job a difficult one and result in uneconomical purchases. Some of the socioeconomic laws, regulations, or policies go back to the depressed period of the 1930's--over 20 years ago. While they may well have served a useful purpose at that time, they are now a burden on our economy.

I want to make it clear that socioeconomic experiments do not square with the right that the public has to expect economical and responsible management of military business. You are probably aware that the Small Business Agency has its representatives in certain major Navy contracting offices. These representatives may only make recommendations in the case of proposed procurements under \$25,000. In such cases they advise the contracting officer as to proposals that appear to be suitable for awards to small business, and advise as to the names of possible suppliers. For purchase proposals in excess of \$25,000, however, the Small Business Agency may enter into a joint determination with the contracting officer requiring that all, or a certain portion, of the total business is to be set aside for award to small business plants.

Subsequent bids, even though uninvited, from large firms at times embarrass the contracting officer, since large firms occasionally bid well below the small business level. In such cases the contracting officer may try, not always successfully, to void the joint determination, in order to place a contract in accord with sound business practice.

You may also be aware that the Department of Labor may classify a certain area as one in which there already exists a surplus labor supply or in which such a surplus is imminent. Once the Department of Labor so classifies an area, contracting officers are responsible for making effort to award business in the named area. This appears superficially to be reasonable. What is not obvious is that a surplus labor area may be so classified because it has surplus labor in woolen textiles. However, the contracting officer may desire to procure electronics items, and he may be required to place his procurement in the so-called distressed area.

I submit that restrictions of the socioeconomic experiment kind serve to interfere with the development of responsible contracting, and, in turn, with carefully awarded, businesslike, procurements.

It has been my intention to give you an overall look at the problems that beset production and procurement planning at this time, in order to provoke your thinking in this area. The problems are complex and they are wide in scope. In fact, I can say with all sincerity that during the entire period of my Navy service there has never been a time when logistics planning problems have been so great, when relations with other agencies of the Government have been so inter-related, when everything that we think it needful to do is so susceptible to outside influences of all kinds.

Everyone here is well aware that today the defense budget takes the major share of all the monies collected from the taxpayer. While this situation continues, the taxpayer is going to be critically conscious of the military budget and highly vocal about anything that appears to him to be inefficient or wasteful.

Unfortunately, many people have little or no appreciation of the complexities of military production and procurement planning. They have accepted the thought that further centralization of our efforts along these lines will automatically provide greater efficiency with commensurate savings. This type of thinking has been particularly harmful in connection with procurement. It has led, for example, to the overemphasis upon single-service procurement, to which I have previously referred.

I fully believe that successful procurement, meaningfully geared into our overall planning, requires a return to the sound principles embodied in the Navy concept of the procurement team. As we of the Navy see it, economical procurement requires a team, composed of a technician who knows what to buy, an inventory control man who knows how much to buy, and a purchasing expert who does the actual buying.

The concept of single-service procurement divides these responsibilities and authorities, and in practice has proved to be both wasteful and ineffective. It is my conviction that procurement teams responsive to the peculiar needs of Army, Navy, Air Force, and Marine Corps will best serve the requirements of the services; and that in the end they will be less costly than the illusory, panacea solutions offered under one or another guise of greater centralization.

I mentioned the need for procurement to be responsive. In some circles these days "responsiveness to command" is looked upon as a trite expression. I consider responsiveness to be the key to our production and procurement planning. In wartime, and in the essential peacetime planning for war, we give our commanders responsibility for the preservation of our national life. Is it not wholly logical that these same commanders should have authority over the logistics required to support the military operational plans which they conceive? All that I mean by "responsiveness to command" is that the same command structure that sets up an operational plan shall have authority over all the tools required to implement it--supplies as well as men. If we depart from this principle, we do so at our peril.

In closing these remarks, I desire to leave with you this final thought: We have inherited a tradition of successful logistics effort. Our logistics systems have played a vital part in winning past wars--recently a global war. It is our responsibility to be certain that we obtain full value for every defense dollar entrusted to us by the American taxpayer. Therefore, we must be quick to criticize our own shortcomings in logistics planning and in supply programming.

Having done this, having assured ourselves that we are doing an effective job, we must be both patient and articulate in explaining the soundness of the principles underlying the logistics system which will permit us to carry on with the task in hand. As officers of the armed services, let us make every effort to promote a better understanding of our problems among all those with whom we come in daily contact. Let us make sure that the public, whose servants we are, understands our need for undivided authority and responsibility throughout the field of military logistics. We must advise the public and the Congress in order to assure the continuation of our success in this important area of activity--a success that I feel is vital to our national survival.

To you gentlemen, in whose hands this part of our Nation's welfare is to be entrusted in the future, I counsel you in this fashion: Be imaginative, be bold, be determined, and be right; and may God bless you in the service of your country.

COLONEL MOORE: Admiral Gingrich is ready for questions.

QUESTION: I would like to refer, Admiral, to your mention of the fact that we are making some mistakes. An example you gave was the advanced bases in the Pacific, probably patterned after a war with Japan, whereas we probably would not be following that pattern again. In thinking about that problem, no solution occurs to me. Would you comment on what we should do instead of following the example of the past?

ADMIRAL GINGRICH: Yes. I am glad you asked that question.

We have a big oil tank here. It is this deep. We use out of that tank down to here. A tanker comes along and fills it up. We use out of the tank down to here. Two tankers come in and fill it up. Now, at no time have we used below the middle of that tank. That half of the tank is reserve.

Now, rather than having hundreds of 100-KW diesel generators sitting out in the open deteriorating over a period of years, I would rather be using them; keeping such a war reserve as we can afford, but keeping it in the system.

I think we will do it better by keeping the reserve active in our system. I see hundreds of heavy vehicles with wonderful-looking tires on them. But those tires can't be used, because the side walls have all deteriorated and broken down. If we were to ship them out to any place, we would have to put all new tires on them. I would rather see a reserve that we can afford, but begin at the bottom, not take off the top, so we would keep that stock active.

QUESTION: If we were able to decentralize our purchasing as you suggested, and considering our form of government, would we not have to engage in so many controls and reports and audits that the system would defeat its purpose?

ADMIRAL GINGRICH: God forbid any more controls and reports. However, decentralization from a single-service procurement to a three-service procurement, I think, would reduce the paper work.

I am thinking of coordination, cooperation, joint planning of your requirements--setting those down, and planning your schedules so we don't have peaks and valleys in the procurement, with everybody going into the market at the same time for blankets. All those things which can be worked out in committee between the services should be worked out, so that they do coordinate, cooperate, advise, help one another; but they keep their responsibility and their authority in their services.

I think that would cut down rather than increase the paper work, particularly in the vast number of small items that are now given

single-service procurement, which should be thrown out completely and not even be in the list.

QUESTION: You spoke about the size of the reserve that we can afford, about depending on our reserves of tools and raw materials. How much allowance is being made in our present logistics planning for the difficulty we would have in getting production geared up if we should be hit by a reasonably successful attack against our industry with atomic weapons?

ADMIRAL GINGRICH: I think the planning is inadequate. We have recently made strong representations to the Assistant Secretary of Defense for Supply and Logistics to take the ball to the coordinating committee, so that we have a central control within the military for the planning and the coordination with the Office of Defense Mobilization and with industry.

We can do a certain amount of this ourselves. But I don't think that the planning has been particularly practical, and I don't think it has been adequate; and I think it should be.

QUESTION: Admiral, will this joint system that you have suggested be effective in preventing interservice competition? Let's go back to the blankets you mentioned. Suppose two services are in great need of blankets. Will they try to outbid each other?

ADMIRAL GINGRICH: No. They would allocate between themselves before they ever go into the market.

QUESTION: Will this joint committee be effective that way? Will it be handled in the committee, or will it have to go higher?

ADMIRAL GINGRICH: I think the point you bring up is an important one. Unless people work together, I don't care what kind of organization you have, it still doesn't work.

Let's suppose we have single-service procurement for blankets. If we take all the blankets for the Navy, where in the world is the Army going to come out for blankets? So you have the same deal.

I think people have to work together. Men of good will can solve these things among themselves. Each one gives. If they can't agree, then we always have the Assistant Secretary of Defense for Supply and Logistics, and he can be the referee.

QUESTION: I wonder what your reaction is to the present setup or procedure whereby industrial allocation is made on a plant cognizance basis. Would you comment on that, please?

ADMIRAL GINGRICH: I think it is all right. I think it works reasonably well. I don't think it makes a great deal of difference who has plant cognizance or who runs it.

I think we need to make more progress in the area of our inspection. The Navy inspection is quite different from Army or Air Force inspection. We progress the contract. We get into the administration of it, into the invoices, a great many things, that are not handled by the other service inspectors.

So, when we have interservice exchange, we have some 8,000 exchanges between the Army, Navy, and Air Force; and it is working well, as well as we can expect it to work. We have a minimum number of inspectors. We don't duplicate. We don't have two different kinds of inspection in the same plant. But I do think that is a field in which we still need to make progress. And I don't think it makes a great deal of difference whether it is the Air Force, the Army, or the Navy that has cognizance of the plant, so long as we are carrying out the same plant procedure. That is more important than who has cognizance.

QUESTION: Do you believe the ministry of supply concept that the British practice can be adapted to our service and our Government?

ADMIRAL GINGRICH: I don't know enough about the British Ministry of Supply to say whether it will or not. The consensus of those people that I have talked with is that we don't want it. I just don't know.

QUESTION: One of the most serious criticisms we have had, particularly from Congress, has been the matter of duplication. As you know, defense supply management has recently been established. Admiral Fowler was at one time at the head of a mammoth effort in cataloging and also seeing that there was standardization between specifications for like equipment. Under the new reorganization and the new philosophy of the new Administration, what turn is that going to take? Are we going to continue that work? What chance of success does it have?

ADMIRAL GINGRICH: Yes. I think Admiral Fowler is going back to private life, but that work is going to be pursued.

I think the point you bring out is a very important one. At the Aviation Supply Office in Philadelphia 73 percent of the parts there are peculiar. At the General Supply Office at Mechanicsburg 70 percent of the parts are peculiar and 30 percent are standard items. How wonderful it would be if we could reverse those percentages! I think we can do a great deal in that field.

In the period of the last year the Navy took the lead in steel specifications, in attempting to rewrite those. That has progressed very well. The Iron and Steel Institute people and our own people in

the three services have worked together with the steel expert, Mr. W. C. Bulette, with the result that they have come up with a set of specifications which now it seems will be adopted. We estimate that they will save the Navy 50 million dollars in that one field.

The application of engineering can be very helpful in standardizing our parts. It is something which we are going to actively pursue, and attempt to interest sufficiently the Assistant Secretary of Defense to help put the pressure in that direction. I think it is a very important field.

The Aviation Supply Office at Philadelphia has a billion spare parts. We are spending at the rate of 230 million dollars a year, and buying at the rate of 240 million. How we can ever reduce that inventory to a reasonable level and do that kind of buying I don't know. A lot of it is due to the fact that these parts are peculiar, as well as to a lack of firm requirements. There are too many unknown factors in our figuring that just aren't realistic.

QUESTION: I would like to pursue the subject raised in previous questions in the matter of the mobilization reserve. I got the impression from what you said on the subject that you prefer the stockpiling of some of the critical materials to the mobilization reserves. You also pointed out that it appears to be our practice to fight future wars in the way that we had fought previous wars. In the light of your example of the tank full of fuel oil, I wonder if you would elaborate a little on your point of view on mobilization reserves, the need for them, versus the alternative suggestion of semifabricated materials or critical materials.

ADMIRAL GINGRICH: I just think that the semifabricated, the long-lead-time tools and the raw materials give us a flexibility that we don't have otherwise. The obsolescence of planes, as everybody knows, is so rapid nowadays, and electronics, that to lay by sufficient stores of the end products with which we are going to fight a future war leaves us in a position of being tied to them; and they may not, probably will not, be the equipment that we will want to fight the next war with. There is too rapid advance in our equipment. I just think that we will be in a much better position if we don't overstock.

One of the difficulties in this setting aside of end items is that we do such silly things. We are buying 2.5 million gas masks now and putting those in our mobilization reserve. Those gas masks are going to be worthless a few years from now, because of deterioration.

I have a case on my desk right now of the procurement of 7 million white sailor hats, 4 million of which are for the mobilization reserve. Now, after those white hats have lain around on the shelves for three or four years and become yellow, they are not going to be worth very much to the sailors. I just think we make a mistake in going too far into end items.

I discussed this matter with Mr. Flemming and Mr. Cooley, of the Office of Defense Mobilization. They are heartily in accord with that philosophy of keeping ourselves flexible, putting aside those raw materials that we are going to need, and the long-lead-time machine tools that we are going to need.

You remember, at the beginning of the last war, what bothered us most? Where do we get the copper, where do we get the nickel, where do we get the steel--those things we needed? Where do we get the machine tools--those things we needed to go into production with. And I think probably the same thing will happen the next time.

QUESTION: I am thinking particularly of our situation in 1950, in connection with the thesis that a lot of us have today in respect to the stockpiling of critical materials and semifinished materials in lieu of a certain degree of mobilization reserve in end items. In 1950 we fought the first part of the war almost entirely with materials that we had as mobilization reserve, left over from World War II. My concern, and the concern of a lot of us, is that, if we should adopt this idea of stockpiling semifinished materials and critical materials in lieu of mobilization reserves, in the light of the atomic age that we are in, what are we going to do if we eliminate that modicum of emergency equipment that we had in 1950 and which we will need in any other emergency that we might be looking forward to?

ADMIRAL GINGRICH: I don't know. I do know this: This year the Joint Planning Group for the Chief of Naval Operations cut one-third off what was previously envisaged.

QUESTION: Would you care to comment on Navy offshore procurement?

ADMIRAL GINGRICH: I don't know enough about it to comment. The Chief of the Bureau of Supplies and Accounts has handled that.

COLONEL MOORE: Admiral, it appears that you have answered all the questions to everybody's satisfaction. On behalf of the Commandant, I thank you very much for getting our procurement course off to such a fine start.

(4 Feb 1954--250)s/fhl