

DEPARTMENT OF DEFENSE SUPPLY SYSTEM

4 January 1954

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

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Honorable Charles S. Thomas, Assistant Secretary of Defense for Supply and Logistics, was born in Independence, Missouri, 28 September 1897. He has been a resident of California since 1911. He attended the University of California and Cornell University, leaving the latter during World War I to go into naval aviation. At the conclusion of his tour, he joined the investment house of George H. Burr Company in Los Angeles and became a partner in 1925. In 1932 he left the Burr Company to become vice president and general manager of Foreman and Clarke, a chain of retail clothing stores. In 1937 he became president of that company which position he held until his appointment as Under Secretary of the Navy. During World War II Mr. Thomas was a special assistant to Mr. Artemus L. Gates, then Assistant Secretary of the Navy for Air, and later became a special assistant to Mr. James Forrestal. During that time he set up the Navy's inventory control program and the first contract negotiation section of the Navy. For this wartime service, he received the Presidential Medal of Merit and the Distinguished Services Award. He has been very active in civic affairs, having been airport commissioner in Los Angeles, president of the Navy League in the Eleventh Region and vice president of the Los Angeles Chamber of Commerce. Previous to his present position, Mr. Thomas held directorships in the Lockheed Aircraft Corporation, the Byron-Jackson Company, Pacific Finance Corporation, and Broadway Hale Department Stores. He was appointed by the President and with confirmation by the Senate, sworn in as Assistant Secretary of Defense for Supply and Logistics on 5 August 1953. This is his first lecture at the Industrial College.

## DEPARTMENT OF DEFENSE SUPPLY SYSTEM

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GENERAL GREELEY: Today we hear our first lecture in the Distribution Logistics Unit of the curriculum. The subject, as you all know, is the "Department of Defense Supply System."

Our speaker, Mr. Charles S. Thomas, Assistant Secretary of Defense for Supply and Logistics, is the best-qualified man to speak on that subject and the problems in connection with it, for several very excellent reasons--his very broad background in business and finance, his military service, and his top-level Government assignments during World War II and since, to name only a few. Perhaps his best qualification to speak on the subject of the "Department of Defense Supply System" is the fact that he heads that system. He lives with its problems and its complexities day after day.

And so, gentlemen, it is a great pleasure indeed to welcome Secretary Thomas to the college and to present him to this class this morning.

MR. THOMAS: General Greeley, Admiral Hague, and gentlemen: I have had a long association with the services over many years, and I can't tell you how pleased I am to be here today and talk to you on the "Department of Defense Supply System."

My office, the Office of the Assistant Secretary of Defense for Supply and Logistics, is charged with the responsibility of developing and maintaining policies and programs for a modern and effective supply and logistics system for the four services.

Now, this responsibility is in the specialized fields of--and I quote from my charter--requirements analysis and review, mobilization planning, procurement, production, storage, distribution, disposal, petroleum logistics, cataloging, standardization, inspection, transportation, and communications. I can insure that this is a full-time job.

I think you all realize that I could speak on any one of those subjects for the full time that I have been allotted. I also think you realize that no one person could be a specialist in all those fields. So my office basically is a policymaking and coordinating office.

I will try to give you first some idea of the scope of the problems which are involved in this office. So I will ask you to remember back to 1935. The services in those days were not the large services that

they are now. As a matter of fact, in 1935 and this is important to remember, the entire appropriation for all the services--Army, Navy, Marines, and Air Force--was 590 million dollars--a little over half a billion dollars.

In those days the services didn't have to have a modern system, because their requirements were not such that they had to have it. I can remember back in those days that the Navy shipyards, for instance, had no standard catalog--no standard stock numbers. They knew what was in those shipyards and they knew what they needed. So they had interchangeability, because they knew what they had on hand.

I ask you to remember that in 1935 the total service appropriation was 590 million dollars. From 1942 to 1945 those same services were appropriated, and they spent, approximately 300 billion dollars. In other words, they spent over five hundred times what their total appropriation had been up to then.

Let me give you an example. In 1944 when we were starting to mount our great offensive in the Pacific I was sent by Mr. Forrestal to the Naval Supply Depot at Oakland, California. That supply depot was loaded with critical items but it was 90 days behind in its paper work. The depot had these critical items but didn't know it or wouldn't be able to use them for 90 days.

I went out there and took a look. The thing that made a tremendous impression on me was that in 1936 the total Navy appropriation had been 350 million dollars; that was for everything--personnel, maintenance, ships, aircraft.

Now then at this one naval supply depot, a short time later, there was 426 million dollars' worth of inventory--75 million dollars more in inventory in that one supply depot than the entire naval appropriation had been a short time before. Remember this is only one of the Navy's many supply depots, and doesn't include those of any of the three services.

I also ask you to remember that after World War II instead of an orderly demobilization, the demand was made by Congress and the mothers and fathers to bring the boys home and right now. We did just that. As a result we demobilized much too fast. That had just been done then came Korea, and another sum of 100 billion dollars or more was pumped into the supply system.

There has never been an organization in history that could stand such an expansion as that, with the same sort of contraction. With no background of issue and usage factors, there was bound to be a lot of waste and a lot of extravagance and a lot of excesses and surpluses.

Of course, that is what happened after World War II. You remember, there was a tremendous accumulation of such excesses and surpluses.

Now, no business, no service, nor anyone else could be expected to go through that kind of expansion and contraction and at the same time do a good planning and economical procurement job. It just isn't possible in that sort of situation.

To be realistic, we might just as well realize that the services are now entirely different services from what they were prior to World War II. They are today the biggest business in the world, with budgets of 35 to 45 billion dollars annually, or 80 to 90 times as large as they used to be, and spending nearly three-fourths of every one of the taxpayer's dollars. The public, through Congress, is going to demand competence in military spending. We might just as well get reconciled to it, because that is what is going to happen.

As you well know, congressional committees have been, and are becoming, increasingly active in reviewing the activities of the Defense Department. Frankly, when we consider the astronomical size of the defense appropriations, it is only right and proper that the legislative branch of the Government discharge to the fullest extent its responsibility in seeing that the Nation is provided maximum security but within a range that will not destroy our economy. After all, gentlemen, if our economy should be destroyed--and it could well be--then the enemy would win the war without ever having fired a shot or ever having lost a man; and I don't want that to happen. I have a large family, and certainly that is the last thing any one of us wants to have happen.

Subcommittees of the Government Operations Committee of the House have been particularly active in the area of supply-management operations, particularly the former Bonner Subcommittee and the present Riehlman Subcommittee. Their concern has been devoted toward the elimination of waste, extravagance, and duplicate-use practices. As such they have been examining, and are continuing to examine, the military practices and policies concerning cross-servicing, supply discipline, requirements planning, and in the areas of conservation, utilization, and disposal of material.

As I said earlier, my office is charged with the responsibility of developing the policies for an efficient supply and logistics system that will, insofar as possible, enable the services to handle efficiently this tremendously expanded workload. I think, therefore, that you will be interested in knowing what we are doing, or what we are trying to do, to be effective.

First I would like to give you a background of my office, so you will understand some of the problems we have and some of the problems we inherited.

The original Office of the Secretary of Defense, which was conceived by James Forrestal, was supposed to have about 100 people in it. He envisioned it as being only a very top-level policymaking and coordinating group. It was only to make policies for the four services and coordinate their activities. But when this new Administration came in 20 January 1953, there were over 3,000 people in the Defense Department--not 100 people but over 3,000 people in it.

My particular office largely inherited the responsibilities of the old Munitions Board, which Board had approximately 1,000 people in it a little over a year ago; 250 of those were in the cataloging division. That was a truly manual operation. Eliminating those, there were approximately 750 people in the Munitions Board supposedly to make policy. But they weren't making policy. They had become operators. They were getting into the operations of all the services. And they became discredited, as you know, by the Congress, by the people, and by the services themselves. They were discredited to the point where the Munitions Board was abolished by the last Congress.

Now, fortunately, when I came in, I could set up an entirely new organization. I picked only the people that I needed to fill those important jobs, and today we have 145 people in our office to carry out the same policymaking responsibility that 750 people were supposed to carry out before. And I can assure you gentlemen that we are back now as policymakers and as coordinators and not as operators.

My board of directors, for lack of a better name, or whatever you want to call it, are the three materiel Secretaries. Incidentally, they are all particularly well-qualified men in the materiel field. These three materiel Secretaries and myself get together and we make policies. Those policies are generally made by the services themselves. Then my office looks to the services to carry out those policies.

One thing I would like to tell you is that the operations of the military services are too vast to centralize. They are so big that they have to be decentralized. When I say "decentralized" I also mean that they have to be properly coordinated, because you can't have the three services completely free wheeling and independent. They have to be centralized in their operation and have the proper coordination at the top.

How is my office approaching this policymaking and coordinating job? First of all, I would like to call your attention to the fact that people are going to do these jobs. I don't care how good an organization chart is set up, it is going to be accomplished only by competent people.

I have six major people. I have a deputy and five directors. Those are the principal jobs to carry out the responsibilities which I mentioned before.

To give you some idea of the type of men that we have, I selected for my deputy a young man from California by the name of Thomas Pike. He is 44 years old. He is President of the Pike Drilling Company. He has built one of the largest and most successful companies in California. He is a young man. This is the worst time for him to leave his business and come to work for the Government. It will cost him a tremendous amount of money. But Mr. Pike has left his business to come back here to serve as my deputy. He is one of the most competent men I know.

Then as to other top men, I have as Director of Procurement and Production, Mr. Warren Webster. He is President of the Webster Manufacturing Company. He was selected purely on his ability in his particular line. Mr. Webster has left the presidency of his company and is here working for the Government.

Then in transportation and communications I looked for the top man in that field that I could find. He is a man named Earl Smith. He was Vice President of General Mills of Minneapolis. I went out to Minneapolis and saw the Chairman of the Board. I sat down and told him that the only way we could do a creditable job for our country in this business would be to get the right kind of specialist into this job. I told him I wanted to borrow Smith for two years.

He looked at me and asked, "How soon do you want to have him?" I said, "We would like to have him as early as we can." He said, "I will let you know by the middle of next week." The next Wednesday he called and said I could have Smith for two years.

Then, for our cataloging, standardization, and inspection director we have picked the man for that particular job that we think is one of the most outstanding men you could find. He is Roger Hepenstal, who is Vice President of the American Can Company in charge of production. He is 47 years old. Again, he is a man who should not leave industry to come down and serve with the Government. But Mr. Wilson succeeded in persuading the American Can Company to loan him for two years, and he will be here this week.

For requirements analysis and review we have Mr. Robert Lanphier, Vice President of the Sangamo Electric Company, of Springfield, Illinois. He is one of the top specialists in that field.

What I am pointing out is that these are all specialized jobs. For those fields we have specialists. They are all men at their peak and there isn't a political appointee among them. They weren't men that were either retired or men that the companies would like to get rid of. They were men that we sought out as the top specialists in those fields.

Gentlemen, I don't know how you are going to do any better than that. Remember that in the management of a supply and logistic system the whole purpose of it is to get the right thing to the men at the front at the right time to help them win the war. It is at the front where we will prove either the effectiveness or the ineffectiveness of a supply and logistic system.

Incidentally, I just returned from Korea. I will tell you a little more about that later, as it fits into the picture.

The first area is requirements analysis and review. That is a provocative issue, but in my opinion it is a very essential thing.

The military services have always opposed a requirements analysis and review office in the Secretary's Office. They say that civilians should have no say in military assumptions or requirements.

Now, that could well have been true when we go back to the days when we were talking about half-a-billion-dollar budgets and the like. But I challenge that attitude now, because the military spending has such a tremendous impact on our economy that it has to be integrated with that economy.

I don't say that civilian secretaries should establish military requirements. But I do say that they should review them with the purpose of pointing out to the military some of the mistakes made at the lower desks before they are actually put into effect.

I have seen a lot of these mistakes made at lower desks. The original plans may be good ones; but when they are implemented and broken down at the lower desks, they may come up with some horrible requirements. And, if I were the military, I would welcome an objective review of that kind, because that review would be purely to point out to me the mistakes that would be made, which later might rise to discredit me.

But, in any event, we do have in my office the Requirements Analysis and Review Division. We are going to check the requirements. We are going to do it purely for the benefit of the military. And I hope to prove to the military people before I get through that this may be the best thing for them, may be to their best interests.

Mobilization planning is the next one. Now that it appears that we are in for a long drawn-out cold war, which I think we are, we are going to have to limit our defense spending to an amount that we can afford and keep our economy sound. So mobilization planning becomes increasingly important.

Now, in this respect I think we are particularly fortunate, because our industry today--remember this--is not only running the wartime requirements, but it is at the same time running the highest civilian economy in the history of the world, and still it is overproducing in many fields. If we should ever turn this entire productive capacity over to military production, the outcome, gentlemen, would be staggering.

Therefore it becomes important that we prepare in advance to take advantage of this productive capacity. We are doing it in two different ways. First, we have a new 519 form, which is going to analyze mobilization requirements of major items to see, first, if it is feasible to produce those items as to quantities required; and then, second, if they can be produced within the required time, then also to allocate, in advance, certain items to certain plants, and have those plants ready to start production on M-day, so that there will be no lag or as little lag as possible.

This program is extremely important; we are going to continue to perfect it, because, if we can take advantage of our tremendous industrial production quickly, there would be nothing that would help win a war any quicker.

Procurement is the next subject. This is too large a subject to cover in anything but a very general way. I will, however, give you a few of the high spots of it.

There has been, in my opinion, too much emphasis put on the centralization of procurement, by both the Congress and the old Munitions Board. The idea that the more you buy, the cheaper you buy, is a complete fallacy. Above a certain volume, when you buy up to a certain point, you do not buy any cheaper. But when you try to put it all under a centralized control, the hidden cost of the paper work alone is unbelievably costly. So, again I say, we have to get back to decentralized procurement, with the proper coordination.

Another thing, the idea that you can centralize the procurement of some common-use items--like pencils, rubber bands, paper, and things like that--and save money, can easily be discredited. Frankly, if I had it to do, I would buy as much of that at the local wholesale level as I could. I would rather buy a few days or weeks or a 30-day stock from a local wholesaler and pay a little higher price for it rather than have all the paper work that would be necessary if you got it all from a centralized procurement program.

Now, it is true that a few items lend themselves to single-service procurement, such as subsistence, petroleum products, and the like. But there are very few of them. The procurement of most items can better be decentralized if you maintain proper inventories, reasonable

stock levels, and the medium for interchangeability between the services. Remember those things, because they are important. If you can do it in a decentralized way, you will be much more effective in your procurement.

I can assure you that the policy of the Department of Defense from here on out is definitely away from a fourth service of supply, but, rather, working for a decentralized setup, with a proper umbrella or canopy of coordination.

Frankly, there are some very glaring weaknesses in some of our procurement areas. I will mention a few.

For example, we do not have standard fiscal and accounting procedures between the services to further promote cross-servicing. In my opinion, that is absolutely a must. And, as you know, Mr. Wilson has recently set up the Cooper Committee, which is composed of a group of fiscal experts. They are studying now with the idea of creating standard accounting and fiscal systems for the four services. That you have to have, gentlemen, if you are going to have interchangeability, with the vast quantities of material that all the services will handle.

Then, as you know, certain of the services have not priced out their items. They are now in the process of pricing their items. Heretofore they carried them on a tonnage basis. If you should go to a depot and say, "What is the value of your stock?" its people would say, "We have so many tons of this and so many pounds of that, and we estimate our stock on hand as worth so much."

Now, in this day and age the reporting of supplies in financial terms is absolutely essential to good stock management. In no other way can assumption and stock trends be detected in their cumulative total. That, I think, is a must for the services. They are doing it now. It is a prodigious job. They have to take inventories and then price them out on a pricing basis. It is a big job and they are actively doing it.

Then the services have not classified their inventories. To me that is one of the most important things we have. In other words the services cannot tell you today whether their inventories are current, what is surplus, what is excess, what is reserve, and what is M-day. You can't operate successfully any large business or any large military service, with all the material they have, unless their inventories are properly classified.

The most important problem of all is stock control. At present certain of the stock control systems do not provide for the gathering of actual consumption data. We did not find a central stock control

for the supplies in Japan, in the communication zone and the 8th Army. Each area was supposed to maintain a certain stock level, but there was no central control of these various stock levels. There was no one office that you could go to and find a central stock control of the various items.

Now, gentlemen, you can't run a large system on that basis. You have to have a central stock control somewhere. If you don't have it, you are either going to have great shortages or you are going to have great excesses. When you get into a war period, you are much more likely to have great excesses than you are to have shortages.

At this point I would like to say, however, that the services are conscious of everything that I have mentioned here. What I have said here is purely constructive. It is not supposed to be critical. The services are conscious of these things, and they are working very hard to develop solutions to these problems.

I would also like to say that I can give nothing but the highest commendation to the men in the field. I have never seen finer men. I have never seen men working harder. They are working terrifically hard to carry out the policies which are laid down for them. I have great pride in them as I go out and see the men in the field--their interest, their enthusiasm, and their sincerity.

Now, the next item is production. The basic idea of that division is, first, to estimate production capacities, to know what we can be assured of producing. Then, second, it is to set up a program to check delivery of major items against production schedules.

We have a new reporting form that we think is going to do this. It will show on one sheet of paper the unit itself, the prime manufacturer, then the major components, and the manufacturer of these major components. Then it will show monthly deliveries of each against the schedules.

This will pick up at the service level, or, if not there, at our level, any slippage in these items. It won't have a chance to get months behind without an investigation. I think that is going to be a definite step that is going to improve our production record.

Also we are planning eventually to check about 550 major items in this way. These 550 major items represent about 65 percent of our procurement dollar.

Storage and distribution.--I am going to pass over that fairly quickly. The services have done an excellent job in this field. If you go out in the field and see their warehouses, they will compare favorably, if not better, with anything I have seen in industry in this field.

The next thing is disposal. This is one of the hottest political issues, as I think you probably know. There is no use kidding ourselves. There is a great accumulation of obsolete and excess materials; and there is no use of our going ahead and building new warehouses to store our new materials and let material stay in our warehouses that is absolutely obsolete or excess to the services.

To give you an idea of some of these things, I saw in one warehouse over 14,000 20-millimeter guns. There is nothing more obsolete than a 20-millimeter gun. We have spare parts for obsolete airplanes. We have spare parts for old automotive and mechanized equipment. Once it is obsolete, we might just as well get it out of those warehouses.

These, as I said before, came from the crash planning of World Wars I and II. It came from many causes, but the real cause was due to the original requirements being unsound because the program was on such a crash basis.

I have spent a lot of time lately with Congressman Riehlman, who is the head of the Riehlman Subcommittee, which is working on surplus disposal. I would like to say that I have never met a finer, more objective man--a man who wants to work with the services, to the credit of the services, rather than to their discredit. I have explained to him that we have inherited these conditions of excesses, surpluses, and obsolescence. I have explained to the Congressmen that the reasons for it are the crash program in World War II and in Korea. I have said: "Let's not go back now and spend a lot of time figuring out why that happened. Let's do two things. First, let's go in and clean them up. Let's get what is obsolete and excess out of the warehouses--do that first. Then let's set up the best systems that we can, that will prevent a recurrence of these conditions, that will insure as far as possible against a recurrence of this waste."

Mr. Riehlman has been in complete accord. I think we are going to work with his committee in a very friendly way. We are going to go to the committee and tell it the worst things and ask for help in solving them, rather than having the committee dig around and find things out for itself. We are going to be truthful and realistic.

To show you how costly this program is, on these excesses and surpluses worth billions of dollars in material, which we have liquidated to date, we have averaged about eight cents on the dollar. So you can see that when you run into the vast amount of excess and obsolete material, it is very costly. It may cost you as much as 92 cents on the dollar.

We have started a program that we call "Clean Sweep." That program is to get out of the system now all of these excess and obsolete materials

that we can. Everyone in the field is very conscious of this. Every place I go, they tell me exactly what they are doing for the program. They are all interested in it; I think we are going to have some very effective results accruing from this program.

We have had certain difficulties with the General Services Administration (GSA) in this respect. If you go back to the old War Assets Administration after World War II, you will see that it built up an organization consisting of more than 65,000 people to dispose of surplus material. It became very much of a scandal. It was then on a political basis. The people were dealing with their friends. The whole thing was discredited. Then Public Law 152 came into being, which gave the GSA complete authority and responsibility to dispose of surplus material.

Up until now if we had anything that we wanted to declare excess or surplus, it first had to be screened through the military. It took in the neighborhood of 90 days to give the military the first crack at it. Then it was screened over in GSA and from there to various places. That normally took from six months to a year or a year and a half. The result was that it was almost impossible to get out of the system these excesses.

On 24 July 1953 we set up a new program for items that can be disposed of without screening. That has speeded it up to some extent. But still on the major items, those that have a market value, we have to screen them within the services; and then GSA has to screen them before we can get rid of the surplus items.

We have made a recommendation. We believe that anybody who has the problem of surpluses and excesses to deal with should be held responsible for it. We believe that we should be held responsible in the Defense Department for getting rid of surpluses and excesses as we feel we have more of an interest in getting rid of them than anybody else. We have made the recommendation to GSA that it give us the responsibility for this problem. We would screen it within the military and get the same agencies to screen it that are now screening it. But we would do it concurrently. We think it would take us a 75-day or 90-day period to screen it concurrently. They agreed to it and I understand that they are going to put it into effect.

That is a problem which I think we will work out. I think we can do a better job if this responsibility is placed where the materials are, and with the people who were responsible for creating these conditions. If they don't do a good job, we can get new people to fill those places.

Cataloging is another hot issue with Congress. Congress believes very definitely that there should be interchangeability of items and cross-servicing between the services; and that a common, standard catalog is necessary to accomplish this. They have been consistently promised that there would be a Federal catalog. But up to now very little has happened on it. We are actively going ahead and we are going to develop a Federal catalog.

I might give you a few facts about a standard catalog, so-called. The four services, as you know, do not have any such catalog. They do not have a catalog with standard stock numbers where there can be interchangeability.

People think of this as a pretty easy thing to accomplish. They think of a standard catalog as a glorified telephone book. It's a big book all right, but they don't realize the problems involved.

Actually, there are about 4.5 million items in the four different services. In ships parts alone the book would be about 10 feet wide. So when you take that and think of 4.5 million items, you can see that you are talking about a tremendous number of items.

Now, already in screening and properly describing the items we will find an identical item where the four services carry it under as many as 400 different stock numbers. Then it is not uncommon at all to find the same item covered in the services with as many as 200 or 300 different stock numbers.

We think that the screening--and this is a guess at the best--of these items alone will probably reduce that number 2.5 million. Then we think that standardizing the balance of the items in the services should reduce them to somewhere between 1.5 million and 2 million items, as against 4.5 million items now.

The Navy already has a very fine catalog. It is already established. It has listed and described approximately 1.1 million out of its 1.3 million items. It is a significant type of number, geared for their supply-management system, which, as you know, is a good one.

The Navy has opposed this new system, and I can't say that I blame its people, because they spent a lot of time evolving their own system. They certainly don't want to go into an untried system and find out that they have to junk their system and put in a new system that wouldn't work into their supply-management system.

But we are going to have to have--and I think you might as well be realistic about it, and I think personally we should have--a standard or a common-language catalog. Unfortunately, the Navy's system is not adaptable to this sort of program.

I have been completely objective in my approach to it. All I want to do is find out the facts. I have gotten down here two of the top men in the field in the country. One is Mr. Cunningham, head of the Sears-Roebuck cataloging division. The other man is Mr. Skelton, head of the General Electric catalog division. General Electric has a million technical items. I think those men should be very qualified for this sort of thing.

Both of these men spent a lot of time with all the services, in the field and in Washington. They have both come up with the same recommendation. That is, the present program that we have, the Federal catalog program, is the best one that can be devised. They say that it can be made into a significant supply-management type of number by merely adding prefixes and suffixes.

So, it is obvious that we must have a standard catalog. We are going to have to proceed to convert to it. I am convinced, as are both of these men, that this is the best system that can be devised. It is not going to be on a crash basis. But we don't think we can make those conversions until or before the end of this year.

If we did that, we would try to keep all the stock numbers for the present times, the bin items. It would cost something like 200 to 300 million dollars to do it sooner than that, and I don't think it would be physically possible to do it anyway.

What we are going to do is to add the new Federal stock number to the 74 Federal classifications as rapidly as practicable. Some people say that will take six months. My guess is that it will take a year or a year and a half. That is not too long a time. Then for those items now stocked, there will be two numbers, with cross indexes, until they go out of the system. All the new items coming into the system will have only the new Federal number. In that way the old numbers will fade out and the new numbers will come in. I think we can do that without any difficulty whatsoever.

The next thing we come to is standardization. In my opinion this represents the largest area for improving our defense and, at the same time, saving both material, equipment, and money.

The best example is what I saw recently out in Korea. I spent a lot of time in the supply areas out there. I saw what I thought was a tremendous lot of things. First, they were referring to it as the "plush war." General Taylor said to me, "This is a plush war. We have guns to fire on Monday and guns to fire on Tuesday." You have never seen anything like it.

Gentlemen, there is a tremendous amount of different types of equipment out there. You would actually have to go out there and see

it to believe it. For the men at the front lines there are cots, rubber mattresses, laundry equipment, heating equipment, and motorized equipment by thousands of units.

I want to say that you can't go into the field and criticize those men out there. They are working as hard as any men ever did to carry out the program with the equipment that they have. They have nothing to do with these things that I am saying. So I am very careful not to be critical of them. They are doing a wonderful job. Any errors there were not created by the men out there.

They also have a vast amount of heavy equipment for single-purpose use. For instance, the Engineers in Pusan had 25 different types of tractor-mounted cranes, 23 different types of power shovels, and 20 types of graders. Ten of their major items had over 400 different makes and models. Multiply these many times over by all the items in the technical services, the technical bureaus, and the Air Force, and just think of the spare parts problem, and the manpower to maintain and repair these thousands of units.

It is my studied opinion that if we should get into an all-out war with a first-class enemy, our present supply and logistic system would collapse. Trying to keep the pipeline flowing with the myriad of mechanized items, all the luxury items, and the spare parts, would prevent getting to the front the necessary essential items to wage a winning war.

Don't forget, we have never had our supply lines seriously affected, so as to make us conscious of the necessity for simplifying and standardizing our equipment. For instance, in Korea, from Pusan up to Seoul, which is roughly 200 miles, the highways are virtually impassable. There are two railroad lines that run up there. There is a bridge or a tunnel every three-quarters of a mile in all those 200 miles. In those 200 miles our supplies are largely in concentrated open storage.

The Communists, in my opinion, could knock out those open storage dumps in a couple of hours. I think the reason they haven't done it is that, if they did, they then would start to get hit from Japan, from Okinawa, and from the Philippines; and the Communists can't afford to have their supply lines and their industrial areas hit. But if we ever get into a first-class war, we will have our supply lines interfered with. If we do that, we cannot get the essential military items to the men at the front and also carry all the highly specialized equipment and all the spare parts that have to go with them.

I believe that so strongly that I am recommending to Mr. Wilson that we have a complete re-evaluation of both our weapons systems and our support systems, with the idea of eliminating a vast number of items from our systems, and standardizing, insofar as practical, the remaining items in the systems.

To date we have done something in the field of standardization, but it has only barely scratched the surface. We have reduced bearings from 74,000 to 21,000. We hope further to reduce the number of bearings down to somewhere between 5,000 and 10,000. We have today over 5,000 different electron tubes. We have reduced those to 92 standard electron tubes. On internal combustion engines we have standardized from 1139 parts to 57 parts. On something that even I can understand, we have reduced screwdrivers by standardizing them from 800 kinds to 100 kinds. That will give you an idea of the tremendous field for standardization. This is one of the most important fields if we are going to have the most competent and most efficient supply and logistic system.

Inspection I will pass over very lightly, because it is simplifying and standardizing our inspection services. Rather than having in one plant different officers from the Army, Air Force, Marine Corps, and Navy, or whatever they are, we want to have one inspection office. By doing the work that way we will save a lot of manpower and also a lot of irritants to manufacturers.

We are spending on transportation about 2 billion dollars a year. There are tremendous areas where money can be saved in that field. We have as the head Mr. Smith, who in my opinion is one of the best and finest transportation men in the world. We hope to come up with something very definite in the way of improvements in that area.

In communications, we are for the first time trying to get an inventory of the various communications services of the four services. You may not believe it, but no one knows what communications services we have in the four services. We are trying to get an inventory of them. We have one of the top men from the American Telephone and Telegraph Company. He has been working on that for two months. We are hopeful that in the next 30 days we will at least know in one place what all of our communications services are. Once we have this, we hope we can make some suggestions for a new and constructive program.

In conclusion I would like to say that I have been connected with the services for many years. Gentlemen, I think they are wonderful services. I can't tell you just how wonderful I think they are. I am very proud of them. I can only pay the highest tribute to the men and the officers in the services. For the most part they are men that would have been outstandingly successful in any business enterprise they might have selected to enter. They, and that includes those of you here, chose the services because of the life and the venturesome nature of the services. They do have a life to offer. I think if I had my life to live over again, I would probably go into the services.

But these men--and I am sure this includes you--realize that their services have become of age, that they have become the biggest business

in the world; and that for their own interests and for their own future they must have modern systems, capable of meeting this tremendous workload and this public trust.

Gentlemen, my office is dedicated to trying to help give you those systems. Thank you very much.

COLONEL HOLMES: Mr. Thomas is now ready for your questions.

QUESTION: Mr. Secretary, your remarks about the engineer equipment in Korea were very interesting, about the supplies and the spare parts there. That leads to one point. The Engineers have had to buy this equipment on open bid or performance bid, and so they have gotten all these various types. Am I to understand from what you say that your shoulders are broad enough so that you are going to stand back of a negotiated procurement of certain specific commercial-type equipment for the Engineers? Most of it is commercial type. That is what it amounts to. Either we get a whole category of types or we say, "This is the one we want" and support our judgment.

MR. THOMAS: To answer your question, first of all, I am expandable and I know it. So I am going before Congress with exactly that program. I am going to say that if we don't have this, we will have something that won't be anywhere near as efficient a supply and logistic program.

QUESTION: In regard to this catalog, I can't help but feel that if you could get industry's support in adopting the catalog system that the Secretary of Defense is coming out with, it will be a great help, particularly in the future. Right now when the Air Force buys something, it takes the contractor's system in its parts and designations. Is any effort being made to get their cooperation?

MR. THOMAS: A lot of manufacturers like to keep their own items and they like their own stock numbers. Many times they will have the same item with different stock numbers.

QUESTION: What has been the attitude of industry toward adopting your new system?

MR. THOMAS: Well, I think they will resist it up to a certain point. I think we are going to have to force them to adopt it. And we can do it. We can say to them, "Standardize your stock numbers or we can't buy from you." I think that this is very definitely an important program.

QUESTION: I was interested in your discussion of procurement. Apparently the services have gone over to decentralized procurement to a large extent. But how do you propose to deal with these congressional specialists who have gone over to the thought of centralized procurement?

MR. THOMAS: I think a lot of this is going to be a selling job. I think we can go to Congress and show that in this thing there is a great deal of misconception among many people that the more you buy, the cheaper you buy. You can very easily disprove that. Then when you try to centralize your control, the paper work involved in those controls and the hidden costs are tremendous. I think we can sell Congress on the fact that decentralized procurement is the best procurement.

But, if we do that, we are going to have to have these modern systems that I am talking about; a catalog and interchangeability between the services; cross-servicing; and a modern program, with proper coordination to make it work, because centralized procurement in these vast quantities is very costly. I think we can sell that.

Incidentally, I might tell you that all through the Pacific, starting with Honolulu, this cross-servicing has been found to be extremely efficient. Everybody that I have talked to said they were working closely with the Air Force and the Marines. In the Philippines and in Okinawa we found that cross-servicing is becoming more important all the time. I never talked to anyone who didn't say that it worked fine. Cross-servicing is going to be a very important thing in the proper coordination of the services.

QUESTION: Mr. Secretary, my question is on the matter of commercial- and industrial-type facilities. I have heard quite a bit of discussion about this Department of Defense directive 4145.3, as to its intent and the extent to which they are interpreting it. For example, a very liberal interpretation of it would take the Army Quartermaster Corps, which has a great deal of commercial type activity, and eventually almost put it out of business. Also a very liberal interpretation would have a serious effect upon the national economy, particularly in certain areas. I wonder if you would express your intent as to what the effect will be on the services.

MR. THOMAS: First of all, if it were interpreted too literally, you wouldn't have any overhaul and repair shops. You wouldn't have any Navy shipyards. You wouldn't have anything like that. But I have read the directive carefully and there is no indication of its meaning that.

I do think this: I think that the services have gotten into a lot of areas in which they don't belong. They have had a lot of money at times, and they have gone into a lot of activities that can better be done by industry. All we are trying to do is to say to them, "If it can be better done by industry, then you ought to get out of it."

There are a lot of those areas. They are not important areas. They are more areas of irritation to the Congress than anything else. We are going to leave it up to the services to say what is essential to

them. That has been very clearly understood. We are not going to tell them what their essential activities are. All we are going to do is to say that if it is something that can be done better by industry, they ought to get out of it, because the services don't belong in it. It will be done on a very practical basis.

I would like to say that the Air Force is doing an excellent job on that. I have gone around to all its areas. They are doing a lot of local contracting. They are finding that it is to their interest and is working very well. They are doing much more than anybody else. I haven't talked to any Air Force activity that hasn't said it has been very definitely to its interest and been very successful for it.

I don't think you have to worry about that. I do want to counsel the services, however, that there are a lot of areas where, if they stay in, they will find they are under constant pressure from the Congress; and they would do much better to get out of them and do a better job with industry.

QUESTION: Mr. Secretary, you mentioned simplifying the inspection services. Does your program contemplate a central inspection service for all four services?

MR. THOMAS: No. This is what it does: For instance, if we have an aircraft plant and it has Air Force and Navy both in it, and they both have separate offices, large offices, we will try to centralize that under either the Air Force or the Navy, whichever is the major contracting service. If in that office they have other services, we will put them under one officer instead of under two or three.

In a lot of plants there are three different offices. It is very irritating to the contractor, because he is under constant pressure from a lot of different officers. I have been in plants where they told me, "There were 15 inspectors here yesterday and 7 here the day before." That is very costly, because they all come in with different ideas and changing ideas. So we are trying to centralize our inspection services.

QUESTION: I would like to invite your comment on the continuity in policy in this program. On this question of drafting men to serve for two years, or some other limited period of time, would you say something about what you see in the future as to continuing that activity?

MR. THOMAS: I am basically an optimist. You have to be to take this job. I think we are going to have to sell industry on the fact that, if we are going to run this supply and logistics program, industry is going to have to loan us its top men to come in and serve. That is going to be part of the training of those men. If they have a man who is coming up to the top, who is going to be president somewhere

along the line, who is 45 or 50 years of age, part of his training should be to spend two years in the Government service. That should be to their best interest. I think we can do that. I think we can sell industry on that.

I think in these civilian jobs we are going to get top-flight men to come in. You will have your continuity in that type of administration.

QUESTION: My question has to do with procurement policy. A few months ago Secretary Wilson issued a publication regarding the Department of Defense policy on partial payments to contractors, particularly progress payments. I haven't been able to ascertain if that has been implemented very strongly in the services. I wondered what was behind that policy—if it was merely an effort to balance the cash budget during this fiscal year, or is it merely the Defense Department's policy of forcing industry into carrying a larger portion of the financial load in these defense contracts?

MR. THOMAS: As a matter of fact, I wrote that directive and I got h— for it.

I think that directive has been completely misunderstood. Contractors have been dealing very loosely with your money in the past. They have been building up inventories with your money, using your money wildly when they did use it, to build up specialized inventories. All we do in this directive is to say that from here on out the fellow has to make his case. If he needs the money, he will get it. But from here on out there will be no more loose spending of the Government's money.

I think the citizens of this country expect that sort of thing. I think they expect that the contractor who doesn't need the money shouldn't get it. They are perfectly willing for the contractor who does need it to get it, but he has to make his case.

Incidentally, that directive is an interoffice directive, between me and the Secretary. It never should have gone out, but it was issued publicly. It is receiving, as you know, no secrecy in the Pentagon.

We had one about three weeks ago, a very secret document, from the National Security Council. Parts of it were quoted. Mr. Wilson really hit the ceiling and he did everything he could to find out how it got out. He even got the FBI in on it. I talked to a Congressman who had known about it. The Congressman said: "Mr. Secretary, I can assure you that these leaks don't come from Congress. They must come from the people that we tell it to."

QUESTION: Mr. Secretary, if I may go back to your comments about standardization, I would like to point out one thing. You mentioned

that in Korea you saw a great variety of construction equipment. We could just take the crawler type of tractor as an example. There are only about three manufacturers of this equipment. In peacetime the military requirements are less than one percent of their total production. What chance do we have of getting them to standardize on some particular type of equipment for the services when our requirement is such a small part of their total production?

MR. THOMAS: I would think it would be better if you could get one standard type; but I am not sure that you can. But if you had only three kinds, it wouldn't be so bad. We were talking about equipment where there were 25 or 30 different models. In compressors there are hundreds of different kinds. So I think we have to think in terms that we probably won't get one standard item in every field, but you can certainly narrow it down from 25 different models to 2, 3, or 4 or something like that.

QUESTION: Along this same line, does your program propose that we be limited to standard commercial items? I feel--and I know that most of the people here feel--that there is some inherent threat to the technological advancement of purely and simply military items if too much effort is made toward making those items standard in all the services. I wonder if you would comment on that.

MR. THOMAS: We are just trying to get a balance. I don't mean that it would be completely standardized. I don't mean that at all. But I do think that each one of the services has too many items in its supply and logistic program. I think it can eliminate a lot of items. I think you can standardize the other items very appreciably too. It is a matter of balance and a matter of judgment.

COLONEL HOLMES: Mr. Secretary, we are deeply grateful to you for the time you have taken from your busy schedule. Thank you very much for a very interesting lecture.

(24 Mar 1954--250)S/sgb