THE MILITARY STORAGE AND DISTRIBUTION SYSTEM

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

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23 November 1954

GENERAL NIBLO: Good morning. During the past two years each of us has repeatedly heard of the Administration's effort to establish the sound business of administration and commercial management in the department of administration of our Federal Government. That has been one of the familiar signs of our present Administration.

This morning we initiate a series of four integrated lectures on management within the field of supply and logistics. As you all know, any military supply and logistics system must have as its primary objectives supporting the combat operations. Consequently, a good storage and distribution system is essential.

Our guest speaker this morning is the Director of Storage, Distribution, and Disposal in the Office of the Assistant Secretary of Defense (Supply and Logistics). He brings with him to this assignment a wealth of knowledge and past experience in the field of commercial storage and distribution, as well as military storage, distribution, and management of depots.

Mr. Drake has previously demonstrated his interest in the Industrial College. He has previously lectured from this platform. In fact he and his staff have assisted our faculty in formulating the program for the course of studies that you are now pursuing in logistics, as well as in storage and distribution. He is our faculty expert and adviser on the subject of our system of storage and distribution of military supplies and equipment.

Mr. Drake, it is a pleasure to welcome you back to the faculty of guest speakers and to present you to this year's class. Ladies and gentlemen, Mr. Drake.

MR. DRAKE: General Niblo, guests, and gentlemen: It is indeed a pleasure to have this opportunity to talk to you about the military storage and distribution systems. There are a great many advantages in speaking to a group such as yours on the subject of

military storage and distribution functions. Virtually all of you have devoted parts of your careers to military logistics. I am sure that a majority of you have done tours of duty in which you have had storage or distribution responsibilities. For these reasons I don't have to impress you with statistics as to the vast size of the military storage business; nor do I need to explain its complexities and the fact that we are continuously faced with countless problems in our efforts to do a good storage and distribution job.

But some things have been happening lately which you might not know about. For one thing, the Assistant Secretary of Defense (Supply and Logistics) has, during the past few months, formulated some new and quite realistic objectives for the improvement of the supply systems of the military services. For another thing our method of approach has undergone a very decided change. And in the storage and distribution fields, the four services and my office are working as one defense team to achieve common goals which, we have unanimously agreed, can be and will be reached. Those are the things I believe I should talk about this morning.

As a start, I should tell you what the current supply and logistics objectives are, since the storage, distribution, and disposal programs for which I am responsible must operate within these guidelines. The Assistant Secretary of Defense (Supply and Logistics) has said, and the military departments have agreed, that our primary objective is to develop a defense supply system that will be coordinated under uniform policies and criteria established by the Secretary of Defense. This will be a defense supply system which has these five characteristics:

1. It will comprise the four existing military supply systems but will maintain the integrity of each system under the separate administration and operational control of the Secretaries of the military departments.

2. It will provide for necessary uniformity in those operating policies and functions which are common to two or more of the services.

3. It will assure the highest possible degree of efficiency in each of the individual supply systems and the complete elimination of unnecessary duplication between those systems.

4. It will insure that each military service will render supply support to the other three services to the extent that effective and economical supply management requires.

5. It will be as adaptable to periods of mobilization or all-out war as it is to peace or cold war.

As I proceed I shall elaborate further on the meaning and intent of this objective; but at this point I want to make a few things very clear:

1. There will not be a separate department of supply. The Office of the Secretary of Defense (OSD) does not need to or want to operate the supply systems of the services.

2. We do not advocate uniformity for uniformity's sake; but we need and expect to get uniformity where it is essential to the economical and effective operation of the several supply systems.

3. Efficiency in operating practice and administrative procedures is a must; we will not knowlingly waste our precious resources of men, money, and materiel.

4. Although each of the military services now provides considerable supply support to the others, through single-service procurement, cross-servicing of supplies and supply services, and joint-servicing of various types, we expect to achieve a much greater observance of the principle of interservice supply support than is now evident.

5. We do not propose to allow ourselves to be caught in a position where our peacetime supply systems are so inflexible that they cannot be geared immediately to conditions of all-out mobilization or war. Mobilization planning is and will continue to be an integral part of our supply systems planning.

These, then, are today's supply and logistics objectives; they are the guidelines within which our storage, distribution, and disposal programs are planned and managed. Many of you might at this point say: "It looks as though there has been a change"; I assure you that there has been. And to point up those changes I need to go back into

recent history a bit. First, however, I should give you a general idea of the approach we are now using as we proceed to achieve our objectives, because that, too, is substantially different from the way we proceeded as recently as a year ago.

Fundamental to our approach to the improvement of storage, distribution, and disposal in the military services is the accepted and practiced philosophy that those who furnish the guidelines--in this case my office--and those who use the guidelines in operating the supply systems--the military services--must work harmoniously together, using the same management data in their efforts to achieve common objectives. What this means is that the development, review, and revision of Department of Defense policies is a joint undertaking--the operators are having a voice in policymaking. It means also that through these close organizational relationships with the services we, at the policymaking level, are better able to evaluate the effectiveness of the policy decisions we have made. And, of equal importance, it means that we and the four services can move in concert toward one common objective instead of a variety of objectives as has been true in the past.

Fundamental also to our present approach is the need to integrate the existing supply systems to the extent feasible. However, the dissimilarity in those systems has, in the past, been a major barrier to many of the integration measures proposed. Consequently, the work projects which are now assigned highest priority are those which remove the barriers to integration, as I will illustrate for you in a few moments.

Having in mind these rather general references to our current objectives and approach, suppose that for purposes of comparison we explore some fairly recent history.

Most of you will remember that during World War II our two military departments were operating 26 major storage and distribution systems. The War Department operated 8 of these--1 for each of 7 technical services, and 1 for Army Air Forces. The Navy Department had a separate system for each of 17 commodity groups and 1 for the Marine Corps, a total of 18 separately administered Navy systems. The logistical problems which arose due to this multiple-system situation were tremendous both in number and in scope. I found myself

in the middle of these problems, as many of you did; and we can all now be thankful that a kind Providence allowed sufficient time for American ingenuity and resourcefulness to overcome these and other major problems so that the war finally could be won. At war's end, however, we still had the same 26 major storage and distribution systems, but we had learned a lesson which left a lasting impression on logistical planners.

The Navy was the first to apply the lesson. Soon after the war it put into operation a plan to physically integrate its 17 commodity systems into 2--1 for ammunition and 1 for all other supplies. The single system for the Marine Corps was left intact.

When it was created in 1947, the Department of the Air Force remembered well the lessons of World War II and provided for a single storage and distribution system under the Air Materiel Command.

The Army is making good use of its recent war experiences and, while there are still seven separately administered storage and distribution systems (or eight, if the Army Adjutant General is included), a great many standardization measures have been or are being planned or instituted which will pave the way for greater integration of these systems in the future.

So, the past eight or nine years have accounted for much progress in minimizing those problems which arose due to the multiplicity and diversity of systems. I will say more also on this point later.

The National Security Act, passed in 1947, established the Munitions Board as a committee composed of the Procurement Secretaries of the three military departments and an outside chairman. The law gave this committee little more than vague responsibilities for "coordinating" the industrial and supply matters which the committee members supervised in their own departments. Experience proved that the functions performed by the Munitions Board might have been performed better by almost any other form of organization. Committee activity at best is unwieldy and time-consuming, and the Munitions Board suffered because its organizational framework violated many rules of sound management. Individual responsibility could not be assigned, much less assessed. An organization consisting of

committies reporting to agencies and councils, which in turn reported to a board, had little chance of success. As you know, the Munitions Board was dissolved about a year ago.

Prodded by congressional interest in the entire supply management field, the Munitions Board in 1951 adopted a concept of approach which provided for separate supply systems studies in the area of common-use items of supply. These studies were based on the premise that, by combining inventories of all military stocks of common-use items, economies in the total inventory held by the Department of Defense would result; further, that different types of items of supply required different organizations and methods for the receipt, storage, and issue of supply.

These studies were made for the services rather than by them for the purpose of insuring that "unification" of supply systems would thus be achieved. In general, it was then thought that centralization of supply-management functions by commodity segments would result in economy by such centralization.

Under this commodity approach, 17 categories of items were selected for study and application. These categories included such items as aeronautical, automotive, medical and dental, subsistence, construction and civil engineering, and household and office-type materiel.

Of these 17 commodity studies, 3 (medical, subsistence, and automotive parts) were completed. The rest were never started. Less than a year ago an ad hoc Committee on Supply Systems Studies was established to evaluate results of the three supply systems studies made and to identify those recommendations which had already been adopted by the military departments, those which could later be adopted, and those which could not be adopted.

The committee arrived at several basic conclusions: First, that the supply systems studies, if all had been completed and implemented, would have established far more diversification in organization, methods, and forms than then existed. Second, that combining stocks of similar supply classes in a single but separate distribution system would not reduce the total volume of requirements of the four military services. Third, that the use of stock funds within

each service facilitates cross-supply support and permits the use of judgment in total quantities to be on hand to support the service affected, since the stock fund manager is responsible command-wise to that service. And fourth, that the original studies recommended jointly administered systems, each basically different. If the 17 commodity studies had been carried out as planned, there would likely be 17 different and separate systems, and there would be no agency except the OSD to administer them. Had this happened, the departments would not be separately administered, as required by statute, and the OSD would become an operating agency and yet not tactically be responsible for tactical operations. This would be a violation of fundamental military doctrine of proven worth. It would not correspond to my definition of good administration.

In July 1954, three years after it was officially instituted as basic policy, the commodity approach was discarded. By that time it had become plainly evident to the military services, and to us, that a different approach was necessary. By that time, also, we were well along in the formulation of the objectives and approach which I have already outlined for you.

When I undertook my present assignment in March of this year, my staff and I soon saw that we needed to develop and get approval of some specific objectives in the areas of storage, distribution, and disposal. We needed to develop and get approval of a clearly defined plan of approach to the achievement of those objectives; and, to be reasonably certain that our plan of action would succeed, we needed to establish a basis for working with the military services which would produce the kind of teamwork essential to continuous improvement in storage, distribution, and disposal functions in the Department of Defense.

To meet these very obvious needs, we did two things: First, contact was established with my opposite numbers in the military services and we initiated a series of conferences with them which, to date, have been most rewarding. At least once each week, these service supply officials, whom we refer to as the "supply managers," meet with me for discussions of mutual problems and to participate with me in planning and implementing our programs for improving the military supply systems.

The supply manager from the Army is Brigadier General A. T. McNamara, Chief of the Storage and Distribution Division in the Office of the Deputy Chief of Staff for Logistics. The Navy supply manager is Chief of the Bureau of Supplies and Accounts, Rear Admiral R. J. Arnold. From the Air Force we have the Director of Supply and Services, Major General G. W. Mundy; and, as the supply manager from the Marine Corps, we have its Quartermaster General, Major General W. P. T. Hill. These men have given me much of their time, which is important to the success of our method of operation. Of even greater importance, however, is the fact that they have given their unqualified endorsement of our objectives and work programs and have displayed a brand of teamwork that has already paid huge dividends.

The second thing we did (with the advice and assistance of the supply managers) was to put on paper, in the simplest language possible, first, a statement of our missions and objectives in storage, distribution, and disposal; second, a description of the philosophy and the methods to be employed in our approach to the achievement of our objectives; and third, lists of specific work projects under way or to be undertaken--in other words, detailed work schedules for our storage, distribution, and disposal programs. We call this document our "Statement of Programs." Copies have been furnished to your Commandant. I will not encroach upon your time today by discussing its contents in detail. Instead, I will use some actual examples to demonstrate to you how the words in our "Statement of Programs" are translated into action.

I want first to talk about our storage program. I am sure that this group is aware of the importance of storage and warehousing in the chain of activities which comprise the total supply management job. The storage link in the chain, of course, has to be as strong as all the other links, and in this case strength means that the storage and warehousing facilities and services of each military department must be efficiently administered and must be so integrated within the defense supply system as to assure that these facilities and services are available to any military department for the storage and issue of any commodity, regardless of ownership of the facility or the supplies.

If the storage and warehousing link in the supply-management chain is to be strong enough to carry a load of these proportions, it

necessarily follows that in matters of policy, organization, language, operating practice, and administrative procedure, a high degree of uniformity among the military services is a basic necessity. There is no other way of assuring that our separate storage and warehousing systems are fully integrated. And, without proper interservice use of our storage facilities, our distribution processes are apt to be less effective and possibly uneconomical.

Having in mind the type of thinking I have just expressed, my staff and I made a rather detailed analysis of the storage program of the Department of Defense several months ago. We found it necessary at that time to draw several conclusions:

First, the degree of integration of storage and warehousing activities of the military services was negligible; therefore, the cross-servicing of warehouse space or of materials-handling services could be practiced only to a very limited extent.

Second, the principal factor contributing to the lack of integration was a notable absence of coordination and uniformity.

Third, due also to the lack of uniformity, the management data received from the military services was of little help to OSD in its efforts to achieve full integration of the storage and warehousing systems.

And, fourth, the OSD approach to the solution of storage and warehousing problems did not seem to be properly geared to the real facts in the situation. It was clearly obvious that our one main obstacle was the lack of uniformity. It was just as obvious that the very low priority given to the elimination of this obstacle had been responsible for slowing down or causing the suspension of much of the work of our Storage Division.

With this evidence to guide us, and with the active participation of the supply managers of the services, we planned a program which culminated in the development of some new work projects and changes in priority in others. Some projects were canceled or placed in a reserve status. As a result, several work projects were given top priority of attention by the services and by the Storage Division of my office.

Two of these projects involved standardization of the reporting policies and forms used by the services in obtaining management data on their storage and warehousing activities and the submission of summaries of these data to us. After only a few weeks of concentrated attention on these projects, agreement was reached on uniform reports; and two DOD directives have been published which put this agreement into action.

This is a real achievement because, for the first time in history, the services will be evaluating their storage and warehousing operations on a common basis; and, for the first time since its creation, the OSD has established a factual framework for moving ahead on an informed basis to create a coordinated warehousing system instead of several uncoordinated systems. The two DOD directives I have just mentioned, and others that I will mention later, will also be supplied to your Commandant.

Another of the projects which was elevated to top priority was one dealing with the development of a Joint Storage and Materials Handling Manual for use by all the services. Work on this manual is progressing rapidly. Through the medium of this manual, we are making provision, to the extent necessary, for uniformity of operating practice and related administrative procedures in the storage and warehousing fields.

In effect, the Storage and Materials Handling Manual will be, in its field of functional coverage, the equivalent of the Armed Services Procurement Regulation in the function of procurement. It will be the vehicle for reaching agreement on and installing such things as a uniform stock-locator system, standard bin units, and standard criteria for planning warehouse layouts, as well as standard materials-handling procedures. It is, in short, one of the principal avenues through which we will achieve the degree of uniformity which is so essential to the achievement of our goals. The manual will be issued in sections as they are finished. Seven sections are now being printed. All sections should be completed within a year.

A fourth high-priority project was initiated for the purpose of laying the proper policy groundwork for cross-servicing storage space and warehousing services. Working with the military services, agreements were reached on the conditions under which the cross-servicing of storage space and warehousing services would be requested and used.

A DOD directive is being published soon which places these agreements in effect. This is another "first." Now, for the first time, a proper foundation has been laid for making the principle of interservice supply support as meaningful in the area of storage space and warehousing services as it has begun to be in the cross-servicing of materiel.

Another high-priority project, which was initiated just prior to the time I entered the picture, involved followup work on a policy directive which had been issued on the subject of space utilization. This directive provided that the unused storage facilities of a military service would, if suitable and required, be transferred to other military services before the construction of new facilities or the expansion of existing facilities would be allowed. Through the followup work done during the past few months, we have been successful in reducing the funding requirements for new construction by nearly 1 million dollars.

One more storage project deserves brief mention. We found some months ago that the military services were observing different fire regulations in the warehousing of hazardous commodities. Uniform regulations were agreed to by the services and published on 18 August 1954 and, while this necessary uniformity was being achieved, we also paved the way for freeing up approximately 7.5 million square feet of space.

I will not take your time to describe several other projects we have undertaken in the storage and warehousing fields. They are all listed in our "Statement of Programs." Based upon the projects I have mentioned, however, I believe you can see that the approach we are now using recognizes the fallacy of trying to effect integration without first establishing the proper framework.

Our distribution program involves control of the flow and positioning of our materiel from the time of receipt from the producer to the point of issue to the consumer. To use a timeworn definition, but a good one nevertheless, the distribution function involves those actions which will assure having the right quantity of the right materiel in the right place at the right time to insure adequate supply to military forces and activities in an effective and economical manner.

In the distribution function, as in storage and warehousing, a considerable degree of uniformity in policies, operating practice and administrative procedure is a basic necessity. Unless inventories are managed on a common basis, a proper atmosphere for interservice supply support will not exist.

Several months ago we were making one of our frequent checks on the progress of the military departments in developing systems for inventorying their property on a financial basis. We came to realize at that time that the data as to dollar value of our property holdings, when they became known, would be practically meaningless for overall management purposes unless these data were developed under common policies. There were fragmentary bits of policy guidance then existing, but it was reasoned that inventory-management policies urgently needed more concentrated attention. While some military officials were busily engaged in reducing excess stocks at many points through the world, it was plainly obvious that we and the departments needed to develop and agree upon a uniform set of guides which were designed to prevent such excess stockages.

As a result of this joint effort, four DOD directives were developed. The first, on the overall subject of inventory management, was published 1 July 1954; the second, dealing with the management of mobilization reserve stocks, was published 28 July 1954; the third, covering the management of stocks which are in long supply, came out 19 August 1954; and the fourth, which covered a very important area, the military pipeline and levels of supply, was released 3 September 1954.

These four directives, which collectively represent the first really full treatment of inventory-management policy by the OSD, are still too new for us to begin to assess tangible results; but they get at the core of our past problems in inventory management, and that is the reason I wanted you to know about them.

These statements of uniform and coordinated inventory-management policy are but groundwork in the field of military distribution. But they are very necessary groundwork, and are essential to progress and improvement of the actual operations of the supply systems on a coordinated and properly interrelated basis. Moreover, they are extremely important to the further development of interservice supply support. We are now preparing for publication

an instruction on interservice supply support which will set the policy and criteria for the optimum interservice transfer and use of available supplies and equipment.

The effective implementation of these uniform policies and standards is not being left to chance. We are systematically reviewing the military departments' implementation orders and have scheduled field trips to evaluate compliance in actual operation. Further, we are installing systematic reporting and analysis of inventory management data, carefully designed to reflect the overall inventory operations of the military services.

This talk would not be complete without some reference to our disposal program, since the screening of excess stocks, the salvage of scrap, and the sales or donations of property surplus to our needs are all a part of the overall supply-management job and are closely allied to our storage and distribution functions.

In the early part of this year, it was realized that the disposal program in the OSD needed strengthening. Our working relationships with the General Services Administration (GSA) needed clarification. Although the military departments were moving ahead in surplus disposal, the situation at the OSD level needed some special attention. Working jointly and in harmony with GSA, we appointed a DOD-GSA Industry Advisory Committee on Disposal of Surplus Personal Property. To fill the position of staff director for disposal, we arranged for the loan of a merchandise executive of Sears-Roebuck and Company.

With the able assistance of these experts and with the cooperation of GSA, there emerged a carefully developed plan for putting our disposal program on a firmer footing. As a first order of business, the plan called for the development of understanding and certain formal agreements between the GSA, the Department of Commerce, and ourselves. Next, as an outgrowth of these agreements, the plan provided for the initial issuance of disposal guidelines to the military services. Three directives have been published during recent months, in accordance with the plan.

In April 1954 we published a directive containing the basic policies and procedures on utilization screening of excess property. This followed a DOD-GSA agreement providing for a time limit for

utilization screening of certain types of excess property. A new charter for a central utilization screening agency was issued two months ago.

Next, a directive providing basic policies and procedures for merchandizing surplus property was issued in July. This instruction provided the guidance needed by the military departments for their surplus sales. It was developed with the advice and assistance of the services and consultants from industry as well as the joint DOD-GSA Industry Advisory Committee which I referred to earlier. By the way, that committee has the honor of having the longest short title in history.

Another directive was published to effect the DOD-Department of Commerce agreement of 19 July 1954, whereby the Department of Commerce provides technical advice on selected items of DOD surplus, the sale of which has caused or may cause serious adverse impact on the national economy. While we are placing considerable emphasis on ridding the military supply systems of unneeded property, we also have a responsibility to protect the civilian economy from an unnecessarily harsh surplus sales impact.

While we have been working with the services in the development of the policy guidelines mentioned, they have planned, engineered, and executed more than 20 auctions, ranging in volume from a low of a 1-million-dollar-acquisition cost per auction sale to a high of 27 million dollars. Sealed-bid and spot-bid sales are being executed every day.

In the three calendar years from 1 January 1951 to 31 December 1953, the services sold 1.5 billion dollars of surplus, a rate of about one-half billion dollars per year. In the first six months of 1954, they sold 747 million dollars worth. This would seem to be evidence of the fact that the services have generated some real momentum in this program.

In February 1951 I also had the privilege of speaking to the Industrial College of the Armed Forces. In comparing what I said on that occasion with what has been said today, I must admit that my thinking has been modified somewhat, but not as much as some have thought. I would like to explain briefly.

In 1951 I said, in connection with the operation of storage depots, that the best plan would be to vest

> "The operating rights and authority for all storage depots, Army, Navy, and Air Force, in one operating agency, which had complete authority to devise and operate storage and materials handling methods, including paper work and the training of personnel. This agency would then operate as a service organization, serving the Army, Navy, and Air Force."

Speaking to the same point today, I said:

> "The storage and warehousing facilities and services of each military department must be . . . so integrated within the defense supply system as to assure that these facilities and services are available to any military department for the storage and issue of any commodity, regardless of ownership of the facility or the supplies."

Now, what are the real basic differences between these two statements? I can detect only one--the matter of ownership of the facility. In my 1951 statement I was advocating that the ownership of storage depots pass to an agency under the Secretary of Defense so as to get the advantages of uniformity, flexibility, effective utilization of available space, and efficient materials-handling procedures and equipment which that type of ownership would provide. Today, after eight months of study, I have become convinced that these same advantages are within reach and can more properly be achieved without such a transfer of ownership and with the added advantage of keeping the OSD away from operating responsibilities.

We have spent a good deal of time looking for flaws in our approach. We have invited a number of people with outstanding competence in the storage and distribution fields to go over our programs and point out defects. We have explained our objectives and approach to members of the Hoover Commission Task Forces, Bureau of the Budget, the Congress, and others. We have gotten a number of helpful suggestions on details, but no one has yet told us that our philosophy of approach is wrong or that our basic objectives are unsound. Perhaps we do have the train on the right track.

Despite the reassuring concurrences, however, we realize that any plan of action can and will become outmoded. That's why we will continue

to hunt for flaws. It is for that reason, too, that I am looking forward to the penetrating type of questions which I know you will throw at me in a few minutes.

Thank you.

COLONEL SEARLE: Gentlemen, Mr. Drake is ready for your questions.

QUESTION: Sir, I have heard that the seven services in the Army are now integrating the procurement and distribution. Please tell us something about that.

MR. DRAKE: I was hoping that you would start off with an easy question. I would like to put the answer in the tone of a hope. First, I believe that the Army is rapidly integrating the seven technical service operations in their depots on common procedures so that they will be operated on a common basis. From that I hope they will proceed into strengthening the general depots, and then have the gradual integration of the system, the same as the Navy has done, so that the Army will have a single storage system within the Army.

Does that answer your question?

STUDENT: Yes, sir; that's fine.

QUESTION: Mr. Drake, this integration program you have described for storage, distribution, and disposal sounds very good; but it seems to me that it is only half of the problem. Is the same thing going on with regard to records, procurement, and production?

MR. DRAKE: Yes, I believe so. I can't answer specifically, because I have been so busy in my own shop. I believe the program calls for rapidly proceeding with integration programs on both procurement and production requirements.

QUESTION: Mr. Drake, you said that your office was concerned not only with disposing of this excess material, but that you were also concerned with preventing excess in the future. Many of the excesses we have on hand today are the result of the Japanese surrendering perhaps two years earlier than people thought they would surrender. I wonder what plans your office has for providing for that contingency.

MR. DRAKE: Well, I have given that answer so many times it is almost stock. The Industry Advisory Committee constantly asks that question. The answer is, we will always have excess, and we will always have surplus; we will always have obsolescence as we progress with weapons and as we plan for different types of warfare. I don't know of any plan that will stop excesses. All we can do is control natural excess by advocating sound policy for supply management. We can't control what our enemies will do.

QUESTION: The Air Force is very dependent upon the Army seven-and-one systems. In view of the principles which you stated here, do you think it is healthy for the Air Force to be as dependent as it is on the Army system of supply?

MR. DRAKE: Do you ask the question because you don't think the Army might perform the service if it is an integrated system?

STUDENT: I ask the question regardless of whether the service is good or bad. I don't want to get into an argument on that subject; but I merely express it from a point of view of objectives. We are so dependent for many hundreds of thousands of line items from their storage and distribution system. Do you think it is a healthy situation for the Air Force, or for the Army to provide that service to us, or for the Air Force to be so dependent upon it, knowing what can take place under a situation like that?

MR. DRAKE: My answer is yes. That is what we are advocating, the cross-servicing of storage services between the military services. Actually, what this policy does is to create a common warehouse service for the use of all the services.

COLONEL WIRAK: Mr. Drake, I wonder if your efforts to promote cross-servicing won't be undermined by the manpower controls which are separately administered. What I am thinking of is--the manpower people in each department are anxious to save people, even at the expense of efficiency. If they can save people by avoiding cross-servicing or by eliminating some that already exists, I think the tendency is to do just that. Would you care to comment on that?

MR. DRAKE: Yes, I think unifying common functions and using those common functions in warehouses that are operating on those common functions will preserve manpower rather than spend manpower.

COLONEL WIRAK: The difficulty is, though, the other departments may have the money, but you get your personnel ceiling from your own department, and they are very reluctant to increase it. They are anxious to show a saving.

MR. DRAKE: On the cross-servicing agreement there is a provision for the reimbursement of those services given by another.

COLONEL WIRAK: That's right, There is no problem moneywise.

MR. DRAKE: I don't see the problem personnelwise. I don't think it will increase personnel. I think it will decrease personnel Department of Defense-wise, rather than increase it.

COLONEL WIRAK: One more example and I will drop the subject You have an operation which is utilizing all your manpower ceiling. Another department comes with money and asks you to perform a service for it. You cannot get the extra people, we will say, for that job, and you don't want to do it at the expense of your own responsibility.

MR. DRAKE: I think the people involved would be only such people as laborers and an operating force. That would have to be added. I think your other department overhead would stay constant.

COLONEL WIRAK: It is a technical question, Mr. Drake, one that is outside the supply field, but it is very grievous to the people who operate depots and service installations.

QUESTION: This question is in the same general field as those the Colonels asked. Have I understood you correctly? Through the development of your remarks earlier in the lecture you stated with respect to the efficiency of a single service for procurement that it would result in an operating agency having responsibility for distribution of procurement and supplies, where any agency did not have the responsibility for practical use. I think that was substantially the sense of that remark.

MR. DRAKE: I did not say I did not advocate single procurement. I said that single distribution would not cut down the amount of supplies. Is that the part of the lecture to which you are referring?

STUDENT: No, sir. You said something like this--that the single service or supply operator of the Department of Defense would violate what you regarded to be a sound rule of management. It was to the effect, as I understood it, that the tactical needs generated the requirement.

MR. DRAKE: What I said was that the Department of Defense did not have the tactical responsibility--in other words, the supply would not be responsive to the military commander who had the command responsibility.

STUDENT: That was the point I was coming to. You added that it would be an unsound rule of management to have this type of thing. It seems to me in this situation there is that conflict which is contained in a large measure with respect to the Air Force dependence on the Army. Isn't it true that it is dependent on the Army in tactical matters? In the provisions of this supply report, tactical supply is as settled as it would be at the DOD level with respect to service. Isn't there conflict there?

MR. DRAKE: I think that is true, except that in the system I am advocating here the Air Force would have control of its supplies insofar as ordering them and deciding where they would go and when they would be issued. The agent storing the supplies for the Air Force would be responsive to the orders of the Air Force. It does not take stock control or distribution facilities away from the Air Force if it is storing with the Army.

STUDENT: If I may say so, it would seem to open the door for the Air Force meddling in the operating of the agency handling the detail of the distribution, which would be unsound, too.

MR. DRAKE: I don't follow you. Control of the supply, from the standpoint of placing that supply at a certain point, is with the owner of the supply, or the Air Force. The requisitioning of that remains with the Air Force. The agent that is storing the supply answers to the orders of the Air Force.

QUESTION: Sir, local purchase affects both storage and distribution of supplies. Is there, or will there be, a servicewide policy by your office on local procurement?

MR. DRAKE: That is not directly in my office--it is across the board, requirements, distribution, procurement, and so on. But local procurement does greatly affect the amount of supplies that come into the depot system, so extensive plans for local procurement have a bearing on the amount of depot space required. A service-wide policy is now being developed by Supply and Logistics and coordinated with the services.

QUESTION: Under your proposed plan for cross-servicing, at what level in the supply chain do you visualize that supplies from the furnishing service would be put into the supply system of the using service? At what level would cross-servicing operate?

MR. DRAKE: At all levels; actual issue to troops.

QUESTION: I understand, sir, that the Armed Forces have made arrangements, and perhaps even contracts, with the warehousing industry--commercial warehouse plan--to supply up to 25 percent of available warehousing space and facilities in time of emergency. Would you care to elaborate a little bit on that?

MR. DRAKE: There is such a plan and, at the present time, I think that the warehouse industry offers some 21,000 carload capacity. The Armed Forces are using at the present time approximately 6,000 carloads of that capacity. I talked in New York the day after Armistice Day; it appeared from our reports that the commercial warehousing in New York City had no vacancy whatsoever, but yet it was hollering for business. It was not reporting because it had not received any business. I explained to the commercial warehousing that it should report regardless of that, because, in making plans, we had to consider the total amount of space, and when it reports 7.5 million square feet, which is approximately 21,000 cars, it is not a true picture.

STUDENT: I was wondering what provision would be made. I understand this is a guarantee on the part of the commercial warehousing industry to furnish up to 25 percent. I wonder what would happen if it was told that the Armed Forces wanted part of the 25 percent. What would the industry do about it?

MR. DRAKE: This contract is for 25 percent of what the representatives of the industry report, so I imagine they would have to

live up to their contract and give the Armed Forces what they needed of the 25 percent for which they contracted.

STUDENT: Is that 25 percent based on what is presently available and vacant?

MR. DRAKE: No, it is 25 percent of what they report. Based on a vacancy, though, rather than total capacity.

QUESTION: Mr. Drake, because of the fact that the people at the operating level have their biggest problems in manpower, if you would not mind I would like to ask you to go back to the question Colonel Wirak raised. Some of the experience, I am sure, some of us have had in cross-servicing only recently between the Army and the Air Force, that I am aware of, is that people at the operating level had to sort of play it by ear to determine how to solve the manpower-load problem. As this integration of service goes on, will policies, as they come out, carry ground rules for the operators to be mutually guided by in determining how they will meet their manpower requirements for taking on the cross-servicing job?

MR. DRAKE: We will publish ground rules. In fact, I believe there are presently in existence regulations that cover provisions for cross-servicing manpower when the occasion arises. Those regulations are embodied in the Directive Relating to Policies and Procedures for Determination and Financing of Charges for Cross-Servicing between Departments, Offices, and Agencies of the National Military Establishment approved 28 June 1949.

QUESTION: You gave some rather formidable figures on disposal. Do those figures represent how much you got out of it or how much you gave?

MR. DRAKE: That is the aquisition cost.

STUDENT: What did you sell it at?

MR. DRAKE: I believe the average would be somewhere in the neighborhood of 6 to 7 percent. That is not a fair figure to even think about unless you realize that it includes scrap, and all military items, and we have no way of dividing consumer-type items from military-type items. So when you say it is 6 or 7 percent of the

acquisition cost, you are taking into consideration what we have had to scrap, which is a great deal of it, also military-type items. I would hazard a guess that the 6 or 7 percent, if you took just consumer-type items, would go away up, perhaps to 25 to 30 percent.

QUESTION: Is there a desired percentage in that case or do you play it by ear?

MR. DRAKE: No, we do not play it by ear. The merchandise plan provides for balancing the cost of selling against the estimated return prior to putting the item up for sale. If that evaluation does not show that there will be at least a break-even point, the material is scrapped.

QUESTION: Mr. Drake, in the operation of the integrated storage, if one of the four services fills up its warehouses in an area, who makes the decision as to whether the overflow in the end will go to the warehouses owned by another service, or whether the service which needed extra space would build more?

MR. DRAKE: The guidelines for the policy setup say that the arrangements are made between the services. If they cannot agree, then they come to the Assistant Secretary of Defense (Supply and Logistics) before any building or expansion of a facility is made. The actual decision of placing that material at a particular depot is up to the supply manager of that particular class or item.

QUESTION: Sir, the Air Force made some studies which indicate that you can cut down the quantity of supplies that you have to buy by moving them faster through the pipeline--that is the important thing, particularly with high-cost items. I wonder if your office is doing anything to promote the speedy removal of certain standard high-cost items.

MR. DRAKE: There are many things happening to make us consider bypassing the pipeline. Local procurement can be more direct, from the manufacturer to the consumer. All sorts of things are happening which will take out of the pipeline a lot of things that used to be in it. As we get into faster transportation, I can well imagine that air delivery, direct from the factory to the troops overseas, can well bypass the pipeline entirely. Those are the progressive things that are going on at the present time.

COLONEL SEARLE: Mr. Drake, on behalf of the Commandant, the staff and faculty, and the student body, I thank you for the insight you have given us into these supply and distribution problems. Thank you very much.

MR. DRAKE: I am very happy to be here.

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