MILITARY PROCUREMENT AND INDUSTRY

7 February 1955

1643

CONTENTS

Page

INTRODUCTION--Captain J. D. Gerwick, USN, Member of the Faculty, ICAF..... 1

SPEAKER--Mr. William D. Wilkinson, District Sales Manager, Monarch Aluminum Manufacturing Company, Chicago, Illinois..... 2

GENERAL DISCUSSION..... 15

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Mr. William D. Wilkinson, District Sales Manager of the Midwest Territory of Monarch Aluminum Manufacturing Company, Chicago, Illinois, was born in Michigan City, Indiana, 5 September 1910. He attended the University of Iowa, University of Hawaii, and Armour Institute of Technology. During World War II he served as a senior field service representative for Stewart-Warner Corporation. After the war he joined Chicago Railway Equipment Company as assistant to the executive vice president. In his present position he also handles the Government contracting work for his firm. In 1953 Mr. Wilkinson was elected National Vice President of the Armed Forces Chemical Association. He has also served on the Industrial Development Committee of the Chicago Association of Commerce and Industry for many years, and has acted as adviser to the Senate Small Business Committee Director. In July 1953 the Armed Forces Chemical Association Journal published a talk Mr. Wilkinson gave at its national meeting on the subject of "Industry's Reaction to Government Procurement," which was based on a survey of industry. In May 1954 he completed a survey of industry on research and development contracts with the Government. An article on this survey is being prepared for release. At the present time he is conducting a survey to obtain industry's reaction to the reorganization plan of the Army. This is his first lecture at the Industrial College.

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CAPTAIN GERWICK: Good morning. General, students, and faculty: Our subject this morning is "Military Procurement and Industry." What does industry think about the way we have to buy our supplies, equipment, and materials and make our contracts?

To tell us about this we have invited a speaker who has lots of experience and who knows what he is talking about. He is District Sales Manager for the Monarch Aluminum Manufacturing Company in Chicago and handles its Government contracts. As National Vice President of the Armed Forces Chemical Association, he has made several industrywide surveys of industry's reaction to our procurement policies.

You might be interested to know that his hobby is lion taming. He plays with three lions that are in the Chicago Zoo, and he works out with them several mornings a week when he is home. You have probably seen them on the television show, "Zoo Parade." When we asked him why he liked to play with lions and train them, he said that was the only way he knew to keep in shape for his encounters with purchasing agents.

Students and faculty of the Industrial College, Mr. William D. Wilkinson.

MR. WILKINSON: I might say that lions are a lot easier to work with than this job. Thank you Captain Gerwick. Gentlemen: It is indeed an honor to visit the Industrial College of the Armed Forces, and it is a wonderful pleasure to bring you the greetings of industry, who look to this college for the men who will wrestle with the problems of procurement in the near future. The staff of the college has asked for an expression of what industry thinks of procurement. Today I shall outline for you some of this thinking. Since my invitation to address the college, I have visited and talked, not only with industry, but with procurement people in all branches of the Department of Defense.

In my conferences with services other than the Chemical Corps, I found the reactions to be almost parallel with those reported in the

two surveys you have. The survey on industry's reaction to procurement was presented to the Commission on Organization of the Executive Branch of the Government and, under the date of 6 December 1954, the Commission reported to me that it found no significant differences in the replies they had received to their questionnaire on Government procurement. I feel that there are certain points that should be highlighted in order to present a conclusive picture on procurement, and these points follow.

At the embryo point of procurement, which is at the time a potential contractor seeks out an agency and desires to get on the Bidders' List, it is of extreme importance at this particular stage that there is a clear and clean understanding about what the potential contractor has to sell and what the potential buyer has to buy. Longfellow, in his great wisdom, perhaps understood this situation when he said, "We judge ourselves by what we feel capable of doing; others judge us by what we have done." Gentlemen, I would encourage you to be very explicit on this point--that there is a complete understanding on the part of each party as to what is required in order to be on the Bidders' List.

Industrialists have to recognize that they must be more truthful and factual as to their qualifications at this point, and the contracting officer, because he is a public servant, does not necessarily have to be a "yes" man and place them on the Bidders' List and send them home temporarily happy. In talking to representatives of both the Senate and the House, I asked them what was the largest complaint against procurement that they received from their constituents. It was amazing--they all replied that their constituents came to them and complained that they could not get on the Bidders' List. Gentlemen, if you want to keep the boys on the Hill off your backs, make sure that the potential bidder, or the potential contractor, understands why he is not on the Bidders' List.

In respect to time to formulate a bid, industry asks for only that amount of time in which it can formulate its best bid. It would be well for the procuring agency to review past histories of that item, or a like item, and consult with their staffs before they place a time element on the bid. Granted, that there are times when you must have that bid in a hurry, but at those times make sure that there is time for a good bid. Sometimes it's difficult to get prices together that are the best prices, for, bear in mind, the prime contractor has to investigate and know the sources that are bidding to him on components, in order that when he puts that bid in, he has full faith that he will be able to produce the item in accordance with the contract which he will sign with the Government if he is the successful bidder.

Understanding a bid can create a lot of confusion--there are many who say that a meeting should be held of the bidders, and at that time the procurement agency should explain the bid to them. This is costly from the standpoint that many people would have to travel long distances to attend such a meeting. There are those who say, "I will call up Captain So-and-So on the telephone and discuss this bid with him." But the simple solution to the whole problem is, make every effort possible to simplify the wording of the bid and specifications; adhere as nearly as possible to conventional standard terms and specifications.

One thing industry asks, with the full realization of security measures necessary in some cases, is that wherever possible the use of the item be fully explained; for, if industry knows what you are going to do with it, it has a pretty good idea of how to interpret your specifications, and also how to make recommendations on an alternate bid which might save you some money. That is, provided the procurement agency can get action on these suggested changes in a period of time that will allow the changes to be incorporated into the contract, or even considered at the time the bids are evaluated.

I can think of no subject that creates more discussion than when you ask, "Which do you prefer, advertised or negotiated type contracts?" One type of business will tell you that they want advertised bids because they get the best break on them. You will find others that definitely want negotiated bids. There is a definite place for both types of contracts. There are definite disadvantages to both types of contracts. It seems that industry prefers the advertised bid for, as he calls it in his vernacular, an off-the-shelf item--or perhaps in the military lingo it is a simple item. But, in a complex military mechanism, industry prefers the negotiated bid because then the complete story is analyzed step by step, and there is a complete understanding on the part of both parties, industry and the Government.

A word of caution--there have been a few cases reported where the contracting officers will use a negotiated bid to hammer a price down, until it is hammered down to the point where it is no longer a sane or a sensible bid--and representatives of industry do not like that type of ethics--even though they use it themselves, they don't like to have it used on them.

In reference to the subject of schedules, there must be a factual understanding of this problem. At the time of the bid, the material is wanted, for example, 90 days from the time of the contract. It is

important to take into consideration that there may be components involved that, at the time the component subcontractor bids for the job, he might be able to supply the part in 60 days if he receives the contract; but, if there is much delay in placing the contract, the schedule is unrealistic. That must be taken into consideration in establishing schedules.

There are many other points involved, too, such as the problem of getting a new item into production. It is the recommendation of industry that the first period of a schedule should take into consideration how much time will elapse from the time the bids are opened until the contract is awarded, and this time element should be made available to the bidder at the time he is interpreting the schedule requirements. Second, it is important that schedules should be realistic and that the Government actually wants the material to schedule. Industry asks that you study the scheduling very factually, especially the first portion of that schedule.

In discussing the problem of what constitutes a successful bidder, the law says "the lowest qualified bidder." Here I think it is important to point the finger right square in the face of industrialists and say that it is their job to keep on selling their facility at the time of the plant evaluation; to lay out factually how they propose to do this job; make available all facts and all records; and, go into as much detail as is necessary for the successful presentation of their facility to merit the contract. It is not the duty of the person visiting that plant as a representative of the Government to evaluate that plant and try to sell it back to the Government as a good facility on his own initiative; and, likewise, it is not the job of the various agencies of the Government to step in and do that for the contractor. If that is their job, then, all a man has to do is to take his bid over to that agency and say, "Here, Buddy, you take it from here, and bring me back the contract. I'll sign it."

When this Government provides a sales agency for selling to the Government, it is going to be so busy it won't know where it is. One point industry would like to know at the time of the plant evaluation visit is, what things are there about its facility that will be a discredit. If it is finances, the Government representative should say, "Now, your financial position does not look too strong." If it is his facilities, the Government representative should say, "Your facility to produce this item, in my opinion, is not adequate."

Industry asks that it be allowed to sit in on the final determination of its plant evaluation, especially if it should be in disfavor.

Another phase industrialists would like to know about from all services is how they made out on the bid. It is of extreme importance to you that they know that fact. If a man bids on a given item at a price of $10 and he had the facility to produce that item, and the contract was let to someone else for $9.65, perhaps the next time that item came up, based on the knowledge that he was 35 cents high, he could go back and restudy his bid and come back to you with a price of $9.50 or $9.40. It is of utmost importance to the bidder to know why he lost the contract.

In respect to Government-furnished equipment--and that is another subject on which we could spend a full morning--it is of extreme importance that inspection of that equipment be made available to the potential bidder, which is a practice you gentlemen follow. The one practice you don't follow is that you don't give the history of that piece of equipment. How many parts did it produce? Were there any problems in dealing with that particular equipment? Industry looks upon Government-furnished equipment like a car in a used-car lot. It can look awfully good until you drive it; and it's very hard to look at a piece of equipment and judge it in light of a competitive bid that you can produce X number of pieces from that equipment satisfactorily. Give them the history of that equipment. This is very important.

In respect to critical material, in a mobilized economy, make sure that the contractor is supplied assistance in order to get that material, for bear in mind that a priority is only a ticket to get in one line instead of another. It just determins what line you can get into to get up to the gate. Take those factors into consideration, and also take into consideration, on a very important contract, that the contractor has the facilities and the normal avenues to obtain material. There is nothing like a firm getting a contract and then getting a priority that he doesn't know how to handle. All he has is a hunting license to go hunting for an item.

In respect to inspectors, it is high time that more recognition is given this particularly important phase of a Government contract. An inspector is charged with the responsibility to see that the Government received material in accordance with given specifications, but those inspectors have to be allowed a little latitude to interpret the borderline situations. They have to look at something in the light of whether it will function--and will it perform the assigned mission and will it be safe. Gentlemen, I have seen in many plants Government inspectors working side by side with chief inspectors; members of industry, receiving twice as much money as the Government inspectors--so personalities were bound to enter into the picture, the human element. I have also seen where inspectors were smug in their authority and delighted in using it.

If it is necessary to increase the civil-service rating of inspectors so that they do a good job and have a broader background, and are better equipped to handle the job, then that is what should be done. Maybe we need higher caliber inspectors, for quality is remembered long after the price is forgotten. The inspector is the point of quality. He cannot inspect quality into an item, but he can intelligently interpret it if he has the capability. One of the chief criticisms of inspectors is that they are afraid to make a decision. If this be the case, then their superiors should be readily available to either make the decision for them or obtain a decision that is practical. Inspectors are your representatives in a contractor's plant, and they must be true representatives of the Government and conduct themselves as a credit to the Government in all their actions and decisions.

In respect to engineering changes, there is much to be desired here. The complexity with which engineering changes are handled is a serious problem. Perhaps industry is impatient. They are used to operating from one company to another. They expect engineering changes, they get them, they put them into effect. It is a relationship generally between two chief engineers. However, in military procurement there are many people involved, which is time consuming. Perhaps by setting up a strong engineering force within a procurement district, these engineering changes could be relayed faster and a closer coordination worked out at the contract level.

In respect to payment of contract, this also leaves a lot to be desired. A man generally has a lot of money tied up in a Government contract and he waits until the Government is ready to pay. We are creatures of habit, and it's a habit of industry to discount invoices and argue about the details later, if there are any arguments. This, perhaps, is the reason why over 50 percent of industry criticizes the method of payment of Government contracts. The complexity of paperwork within the Government structure is the cause for delay and this should be restudied and overhauled.

In relation to mobilization planning, or whatever name you wish to use, this idea of planning took a terrific beating during the Korean action. There perhaps was a very broad misinterpretation that the Korean action was a war and that this Nation was totally mobilized. Many industries thought that, because they had a mobilization contract to produce this, that, or the other thing, they were in the driver's seat and they should be off and running, which was not the case at all. Mobilization planning is a necessity; we are living in an era when, if M-day takes place on the first day of the month and we are not ready to throw the book at the enemy, we will grow weaker each day because of the devastation it will wreak upon us. There will not be time to grow strong. We must be ready to go when the whistle blows.

A factual appraisal planning should be made so that each industry knows what it is expected to do. There are programs under way at this time to carry out that plan, but there are misgivings in industry as to whether the Government will do it or not. You will have to sell these new programs to industry, and they must be made to understand that a plan in effect today may be obsolete in a year's time due to changes in methods of warfare. Programs should be instituted to review each company's status periodically in order that the concept of warfare and the probable changes of industry's facilities may be correlated.

In brief that is the report of procurement as we know it, and a natural question for you to ask is: If doing business with the Government is such a headache, why does industry do it? The answer is simple. Industry has no alternative to do it, for, in our modern civilization we have our courts and we are supposed to iron out our problems peacefully; but there are those who do not agree with this concept and feel that the war and its destructive powers are the method of solving problems. There is much material required so that the sinews of war can be provided, and industry is called upon to supply these sinews, hence materials become critical. A plant with its family of employees suddenly hasn't a thing to do unless it has a Government contract. There is a patriotic spirit, yes. When our Nation needs something, the record of industry shows what we can do.

I should like at this time to bring you the reactions of industry to the Navy, Marine Corps, and the Air Force, this might not seem of particular importance at this time; but I would encourage you to glance back over the pages of history. In 1795 Congress passed the first laws regarding the purveying of supplies to the Government. Then as we leaf over the pages of history we learn that not until about the time of the Civil War were there any substantial changes made in that law. We start to see from then on the power transfer from Congress to the executive branch of the Government for the purchasing of supplies. There was also growth of the technical services within the Department of the Army, which was a movement in many minds toward the decentralization of huge buying power. As we leaf forward we see that World War I was primarily fought with foreign goods. Now, as we turn the pages to World War II, the tremendous economic productivity of this Nation was brought to bear on the enemy. Procurement increased on a scale which would have been labeled fantastic by any forecaster.

We went across those pages hurriedly on procurement, now let us go back and watch the growth of the services. We had the Army and the Navy. Then came the unification of the services and we saw the creation of the Army, Navy, and Air Force under the Department of Defense. While there are many in Washington today who would climb to the top of the Washington Monument and disclaim this loudly, there are just as many, if not more, who point down the road and say, "Some day there will be a fourth branch of the services--a Department of Logistics and Supply."

We have come in the past year to a major step in the reorganization of one of our defense services, and that is the reorganization of the Army, where in brief we create two teams--a fighting team and a supply team. There was a day when the logistics aspect of the Department of the Army was a small percent of the team. Today logistics equals the fighting team.

Out in the Midwest, in Chicago, the Armed Forces Chemical Association has a chapter. It consists of about the most aggressive group of men you could ever meet. They sensed that this reorganization was a very important subject and invited the Honorable John Slezak, then Under Secretary of the Army, to come out there and tell the captains of industry, their members, and the heads of the military services in that area about this reorganization. The talk raised a great deal of interest, and the thought came: What does industry think of it? The Association commissioned me to find out what industry did think of the reorganization in respect to logistics.

In reporting to you today on that survey I wish that you would hold in your minds the thought that, while many of these comments may seem negative to you, remember they were asked for their frank opinions. The comments are not meant to be critical; they are meant to be constructive; and out of this seeing ourselves as others see us something constructive may come.

In regard to the plan itself, let me tell you a few comments relating to the overall plan.

The president of one company replied: "Any reorganization of the Army which would provide for a greater continuity of personnel and policy in procurement would be an improvement over the existing system. It would undoubtedly mean that the personnel would be specialized personnel for the purpose intended."

Another comment: "The concentration of responsibility for logistics and supply under the Assistant Secretary of the Army is an excellent move, and it is entirely logical."

It is not my intent to identify the authors of any of these comments; however, this next comment comes from a captain of an industry of some size and importance in the industrial world.

He comments: "In revamping the entire organization, they have put together a new concept of thought and action that should be more beneficial to the Government of our country and to us as individuals. People sometimes criticize a large organization, but when you look over the stupendous size of the Army, you will realize that the function of it far surpasses anything industry could conceive."

In industry's study of this plan, they looked quite naturally to the top of the table of organization and moved over to the segment dealing with logistics, and here they raised a question. Can this job be done with the transitory type of officeholder, that has been occupying the secretarial level posts? If we are practical and honest, we must agree that we have had many changes in our Nation's Capital on the secretarial level in the past years, and here we are charging a man to head up a multibillion dollar program which in industry would take that man at least a year and one-half to get his feet good and wet before he struck out and started to make a showing. There must be some premanency in the people that are holding these responsible positions.

There were comments pointing out that our secretaries are appointed by the President and approved by the Senate. However, in many minds these are political appointees and it would be exceedingly hard for the man that heads the logistics function to forget the road that took him to the secretaryship and to look at it strictly as a great big job to be done without personal feeling, and with the strength to rise above the petty animosities and pressures that will be brought to bear upon him.

In respect to the military personnel that will fit into the logistics scheme of things, I would like to give you a few of the comments that illustrate this aspect of the plan.

One comment: "Perhaps the most common cause of complaint in the procurement work of the services in the past has been the assignment of officers who were unsuited to this type of duty either by training or inclination, and consequently have caused some irritation."

Another comment: "We in industry cannot expect our vice presidents of engineering or their staffs to be as thoroughly trained in the business world as our vice presidents of material and their staffs. If we cannot blend these two together, how does the Army expect to use a man for a few years as a fighting machine and then a few years as a logistician?"

Another comment: "If the Army system of using a fighting man as an executive is correct, then General Motors should hire Rocky Marciano as their president instead of Harlow Curtice."

There were comments to the effect that, if the Assistant Secretary for Logistics and his Deputy Chief of Staff, in their decisions to place manpower and money on the assigned mission basis to the technical services--in the event that there is not adequate manpower or adequate finances, will they assume their responsibilities if the mission fails? Bear in mind this is a new concept; for where in the past our technical services have operated on a resource controlled plan, in pattern of reorganization, we are now entering into a performance of mission assigned program. There are many who feel that giving a man X number of dollars and X number of men, and the full responsibility for the success or failure of a mission, is an excellent thought; this would put the challenge directly to the man and, if he is strong enough to carry out the program, he should be recognized for it; and if he is too weak to handle it he should be replaced. Here we see the growth of an idea that has long been the barrier to men of the services entering the field of logistics. Their work was not recognized and promotions were not based on merit. The logistics officer should have the same opportunities of advancement as the field officer. Granted, there are not the battlefield heroics in the battle of paper, but there are just as many challenges in the battle of paper as there are in the battlefield itself.

Perhaps one of the things that will be a contributing factor to the success of this program will be a strong civilian-military team, not only within the confines of the Pentagon and all the agencies down the line, but within industry itself. As long as military procurement follows the program now established of trying to pattern itself as closely as possible to American industry, the procurement advances made by industry can be reflected by the military quickly and with full effectiveness. This coordination, it is felt, can largely be implemented through the use in logistics planning of technical advisory teams from industry, such teams to operate on a two-way principle--to accept the problems brought to them by the military and at the same time to bring industrial problems to the military for a constructive interpretation.

Granted, there are many advisory groups and teams in existence--many of them serving well, and many of the auxiliary associations of the various technical services have helped immeasurably their particular technical service. But I should like to encourage thinking along the lines of industry's full responsibility to these advisory teams. It is easy for a businessman to sit back in his office and criticize the decisions and policies of the Government, but, ask that same man if he could go to Washington and serve, and he will hide in the closet faster than if a lion came into the room. In his company, scarcely a month goes by but what the draft board takes from his plant one of his employees for possibly two or three years, and he generally calls that employee in and makes quite a patriotic speech about it. Now, it's high time he put that same speech to work on himself; and, when the call comes for a technical adviser, he should serve, or make available his very best people. Maybe there is somebody in his plant who is not the best known man in the world, but he knows his business, and out of that individual could perhaps come some excellent thinking.

In the broadest aspect of this reorganization, while the present charts do not show it, the key to its success so far as the average industry is concerned is the strengthening of the district level of procurement; I should like to read you a comment from industry on this aspect.

"The central office, so to speak, should serve only two broad purposes. First, to disseminate the requirements, and second, to act as a service agency in supplying the basic ground rules and up-to-date information. It almost always follows that, when Washington gets mixed up in procurement, confusion results. I realize that the political pressures to which the central offices are subjected by virtue of their location make for a difficult problem, but it is strongly urged that the Army should be working toward making the Washington offices of all branches highly efficient service agencies to assist the field offices in the actual procurement work."

Another comment: "Let the ivory towers in Washington be the servant of the district offices in the field."

If the district office is properly manned, and the information to that district office is full and adequate, you will cut down the traffic to the National Capital so fast that the hotels will be meeting you at the airport and railroad stations looking for business.

In respect to strengthening the district offices and their corresponding points, a thorough review of their table of organization should be studied

so that there is a complete team of legal, contracting, engineering, and production-planning personnel, and these offices should be manned by men who understand and know their jobs, whether they be military or civilian.

There were those who suggested that perhaps the Civil Service regulations could stand a looking into; that, if necessary to remove a civil-service person, it could be done with something short of an act of Congress. Men of industry are very observing and, as they visit various Government offices, they are always very much impressed by the fact that there are people apparently doing nothing, and there is another segment of people who are working 60 minutes an hour trying to make themselves something to do, and there are other people who are working 120 minutes an hour to do a good job for the Government.

If the district is strengthened, you will eliminate one of the nuisances of industry, and, I believe, of yourselves--that is the "influence peddler" as we call him in civilian life. It is funny that you can come to Washington and hear more rumors, and about half of them are true, and you can go back to the district office and say, "I understand there is a requirement coming up on such and such an item," and the district officer in full honesty will tell you that he doesn't know a thing about it. Only, in about two or three weeks, there it is! It stems from this--the average businessman who cannot get what he believes to be the proper information at the district level, naturally turns to Washington for his answers. The complexity of the capital confuses him, and the public servant who, by virtue of his training, has developed an easy manner of meeting the public is a good listener who is glad to see his visitor, and is attentive to the views expressed, regardless of whether they are complimentary or derogatory. So, at the end of a day, the businessman has talked to several people and still does not have the concrete information he was seeking. It is little wonder that he falls prey to someone who says he has connections and can get the answers this man is looking for; and in many cases he gets the answers or arranges an appointment with someone of authority who can advise the businessman more thoroughly than he had experienced on his own efforts. Industry raised the question, "Why is it that these influence peddlers have access that is not extended to the average person?" It is obvious that, if the district is strengthened, this problem will be totally eliminated; and, in passing, the problem of the businessman turning to the Hill for assistance will also be eliminated.

There were several comments asking for the small business agency to be outlined clearly and cleanly as to exactly what they are supposed to

do, and can do, and will do, and how this will fit into the reorganization plan of the Army. Granted at the present time the law creating that agency is fairly well defined, and granted, that in each of the many district offices there is a small business representative, but you can get more interpretations of what that representative is supposed to do than there is time in this address to cover.

There has been much in the press regarding mobilization planning, and the organization charts that industry has seen of the reorganization, so far, do not show mobilization planning in them. It is the feeling of industry that some place in the organization of the Deputy Chief of Logistics, a mobilization plan should be established that will cover all the technical services, in order to avoid an intertechnical service conflict over facilities. While a small percent of industry does business with only one technical service, much of the industry does business with two or more of the services. Earlier in this talk I outlined the suggestions of industry on mobilization planning, and it is the feeling of industry that these things should be taken into consideration in the reorganization plan and that there should be assigned definite specialized people on this program.

In obtaining industry's reaction to the reorganization, one could not help but feel that it was quite natural to go back and ask industry this question: Do you believe this reorganization will work or not? Those that reported that the reorganization plan will not work based their arguments in general on the fact that, first, there is not available to the Department of Logistics a sufficient quantity of trained personnel to carry out the program as outlined. It would take quite some time to get a full staff of the caliber of people that are needed. There were those who studied the organization chart in some detail and pointed out that the Chief of Staff has access to the manpower and finances, as does the Assistant Secretary for Logistics, and it is quite natural that there is going to be a small scramble for manpower and money.

It is only natural that the field commanders will want the very best men to wage warfare, and it is also only natural that the Secretary for Logistics will want good men, too. There are those who will tell you that the old-line guard will say, "Okay, we have to write our specifications so that they are simpler, and we have to streamline our practices and we have to delegate more authority to the lower echelon--but why? We've been successful in all these wars! We have operated for years over this same route. Why should we change now?" And there will be those who will jealously guard their authority and responsibilities, and

their assignments, and will not wish to mold themselves into the larger program. If any one thing will defeat the reorganization plan of the Army, it will be this--the failure of the people involved to subjugate personal ambition to the fulfillment of the plan.

In respect to why the reorganization will work, one captain of industry pointed it out very simply. "It's got to work, for today, out of every tax dollar, 65 cents of it goes to national security in its broadest purpose. Where you are under pressure to reduce your budgets, there is only one way that you can possibly reduce them, and that is to become more economy minded. Economy is not the old dodge of lopping so many people off the payroll, but it is the institution of systems and programs that will get the maximum per dollar spent, which is the ultimate goal of this program."

In respect to the personal resentments of other people toward this program, it is almost inconceivable to see where this program does not afford them the opportunity to do many of the things that they have wanted to do for many years. To the tactical officer it presents the opportunity to continue in the field where his interests lie, and he will no longer be saddled with the responsibilities of logistics. To the technical services it offers an excellent opportunity to join hands on many projects and operate more compactly as a team, and it offers a spendid opportunity to the procurement personnel to accept the mission assigned to them and see the job to a successful conclusion; for in so doing their chances of recognition are greater than what has previously been the case. In many ways the reorganization of the Army is something that you ask industry to do constantly. You ask us to lower our prices to you. You ask us to sharpen our pencils. This is your opportunity to sharpen your own pencils within your own departments, which will eventually show up in a lower cost of military requirements.

We are in a time of highly specialized warfare, and logistics is definitely a part of that warfare. Perhaps the strongest reason why this plan will work is because of the international situation; for underlying the program there is the recognition that America does not have enough manpower to throw man for man against countries many times more populous than ours. America therefore must rely upon its productive and technological superiority for its first line of defense, and we must accordingly gear our logistics for this objective. If that is the theme of the reorganization of the Army, then the plan will work, for America has always stood head and shoulders above any other nation in productivity and in technological superiority.

Industrialists look to you to establish a new concept of logistics that will make for better teamwork between the Government and themselves, for America's strength lies in that relationship.

Thank you.

CAPTAIN GERWICK: I think Mr. Wilkinson is ready for your questions.

QUESTION: Mr. Wilkinson, with regard to military procurement personnel, we can't have two sets of rules--one for the bidding time and one for the procurement time. Industry seems to forget that if a man is in uniform and is a procurement officer, he has responsibilities which he is accountable for, but the man in industry is not. Would you care to comment on that?

MR. WILKINSON: I am not delegated with the authority to speak for industry, but my feeling, gathered from the contacts that have resulted from the three surveys conducted, is that basically so long as the procurement officer operates within his assigned area of responsibility, he is not held accountable. If such an officer, under the pressure of expediting a situation, exceeds his authority, and makes a mistake, it then becomes a question of error in judgement or deliberate intent to defraud the Government, and to make a decision on these two issues would require a great deal of legal talent. Exploring this situation further--perhaps such an officer, under pressure, makes a bad decision because he is not able to get fast replies from the proper people within the scope of operations. It is inconceivable that any officer would deliberately perpetrate a fraud on the Government. It is conceivable that an officer, in order to do a good job would take upon himself the making of certain decisions which he cannot get elsewhere, which decisions might result in an error in judgment.

In respect to industry, there is not a man who at some time or another hasn't made an error in judgment which cost his firm a sum of money or a legal action; but if this condition occurs repeatedly, he is dismissed from his firm and he will find it exceedingly hard to find a comparable position.

In respect to the portion of your question that you can't have two sets of rules, it is my understanding that you do not have two sets of rules. There is only one rule--that is, that each person must operate within the area of authority assigned to him with the implied understanding that he will receive full cooperation from all others who have adjacent or related authority to his particular job.

QUESTION: With respect to your remarks on decentralization, I am sure you must be speaking about the Army type of procurement primarily and certain types of Navy procurement. I am sure you cannot be speaking of the major Air Force aircraft type of procurement or the Navy aircraft or the ship type of procurement, which many of us feel could not be decentralized to the extent that the common items, or some of the smaller items, or even some of the less technical items of the Army could be.

I hope in your recommendations to your group that we should decentralize from Washington, or decentralize, period, that you do consider the more highly technical problems of aircraft and ships which, incidentally, dollarwise, are by far the greatest amount or volume of business the military has to do.

MR. WILKINSON: Well, in respect to decentralization as industrialists are looking at it today, they are asking for more authority and more information to be given to the district itself. Now, when you start talking about buying a battleship, I don't think you buy one of those every month, and I don't think you buy airplanes every day. When you start getting into those big expenditures, those are generally handled, if I am correct, within a central grouping. That is, a battleship is brought by the Bureau of Ships here in Washington, for example. The whole transaction is here. If you were to buy parts of that ship in several different districts scattered all over the country, those districts would have to be informed, in order to interpret your wishes and supply you back with the product you want.

STUDENT: We do have both a centralized and decentralized method of doing business in the navy. Our decentralized part of our business is primarily through our Supplies and Accounts and various procurement activities; but we do have the dollar volume. The greatest volume of our business is the centralized type of procurement in the Navy with respect to aircraft and ships. The Air Force I think has a good bit of that type of business. It is interested in the Army type of business which is already decentralized to a greater extent, and is going even further, as I understand it. You won't put those recommendations up to the group, say, for a fourth service, without considering all the ramifications of the highly technical type of business with which you people have a pretty long experience.

MR. WILKINSON: Industry, in making its recommendations, follows its own line of thinking and established practices, that the most successful relationship is when it operates close to the ultimate user of its product. There are many items that are procured by all three branches of the

services, where this is possible, and you have termed this centralized procurement--such as ships, aircraft, and large weapons. There are many other items which in the broad interpretation are components. For example, a round of ammunition is a component to the weapon, and such items must be procured in the partially finished state and routed on to a point of assembly and from there on to the point of use or storage. It is such items that you refer to as decentralized procurement.

Industry asks that in such decentralized or even in centralized procurement, the point at which they do business be fully informed and adequately manned in order that the transaction can be carried out in a businesslike manner.

Be assured that industry has no desire to interrupt the centralized type of procurement on large items. This statement may upset some of the thinking on small business, but they will find their opportunities on the subcontract level to the producers of major items.

In respect to the reaction to the Navy's highly centralized procurement, industry favors the Navy method and has less trouble with it, and this is said with full knowledge of possibly offending two-thirds of the people in this room.

QUESTION: In your survey--Did industry indicate any features of military procurement that it likes? We hear and have been hearing, not only from you, but from other speakers, about the things people don't like about military procurement. We have recruited the top leaders of industry to act as the procurement secretaries. They have been down here years on end. They came down and went into apparently all the conditions you have indicated in the survey. These conditions apparently don't change. There must be some fundamental reason why they exist.

On the other side of the ledger, Have you found anything about military procurement that you could recommend?

MR. WILKINSON: To answer the first part of your question--what features of military procurement industry likes--it likes those rare procurement officers who will take an issue in question and follow it through in a manner that provides the answers needed in the quickest possible time, and who are willing to state the issues at stake and make recommendations that will be both beneficial to industry and the Government.

It is only natural that when industry is forced by economic pressure, or chooses for patriotic reasons to do business with a complicated organization, it resents these complications--as industry strived constantly to remove complications in its own business operations. We have asked in these surveys for industry to spell out the complications that cause them headaches, and perhaps through the correction of these a more harmonious relationship will come about. Perhaps we should have asked them what they liked; I will assume the responsibility for that oversight.

QUESTION: Mr. Wilkinson, these people who say it takes the Government so long to pay a bill, I wonder if any of them has ever written to the Pullman Company to get a refund on a seat he didn't use.

MR. WILKINSON: I regret that I am not in a position to explain the policies of the Pullman Company; I left its employ some years ago. I doubt seriously if you wait any longer than the fastest Government reimbursement of invoice, which industry's survey shows is 30 days.

QUESTION: Sir, you mentioned the lack of stability on this top-level direction. I think we would be interested in what industry would recommend as a solution to that.

MR. WILKINSON: There are several solutions to the problem. I will not go into too much detail on them, but I will give you several types of thinking about this problem. There are those who say: "Let's take, for example, the Secretary of the Army and his table of organization. He has one Under Secretary and several assistants. The Secretary should accept his obligation for the factual period of four years. He was appointed by the President when he came in and he should stay the full term. On the second echelon, the Under Secretary should also stay four years." Now, the assistant secretaries are slightly transitory. Some say that the echelon of assistant secretaries should be a four-man team. John Jones can hold the office for the first year, Joe Smith for the second year, and two other men for the third and fourth years. These four people should meet together periodically so that there is an interchange of thinking, and so that there is continuity in the program, and they rotate around. In that way you can draw from industry their top people on a one-year leave basis.

Now that's one method of thinking. Then there are other people who say that atomic energy has not done too badly by having a commission. They say, "Let us create a commission directly below the Secretary or the Under Secretary, and that commission will be a permanent thing; it will go on in permanence, staffed with strong people."

Then there is a third solution, that a selective service act should be passed, so that executives will be made available for service to the Federal Government for a period of two years, approximately.

Those are the three plans that are wide departures from what is now in effect. And, believe it or not, industry willingly endorses all three programs. What is the answer to bringing strong people down here? Maybe we ought to go back to the days of Paul Revere and find out again that we have a pretty good country here and a pretty good Government, and that a few more of us ought to see what we can do to help it.

QUESTION: Back up one higher step in this hierarchy--these people here, either permanent or transitory, have to work under the same regulations, laws, and statutes put out by the Congress of the United States. Is that correct?

MR. WILKINSON: That is correct, as I understand the law.

STUDENT: There were some pressures put on the Members of Congress to pass those laws by someone. What units or parts of this Government can take them off? I can't lobby for the passage of a bill. Who can? Can NAM or small business? Who can do it? The statutes have been written on the books, I understand, since 1934, 1936, or 1938. They are conflicting; they are overlapping and everything else.

MR. WILKINSON: To answer my friend, I would like to quote from something I said about three years ago. As soon as the American public wakes up to the fact that you men in this room, representing your services, are the people who stand guard over their homes, their way of living, and that they have an obligation to you, they will take an active interest in the things that concern you.

The boys on the Hill are a sensitive instrument of the people who elected them, and it is these same people, through aroused interest in the problems of procurement who can bring the pressure to bear upon Congress to change the laws so that they are more workable and in keeping with present-day business practices.

Too many times our legislators have capitalized on unfortunate situations which were not fully understood, and used them to pass certain laws which have further hamstrung the policies of procurement.

It would be well for Congress to read paragraph 14, section 8, Article I of the Constitution, regarding the powers of Congress, which states: "To make Rules for the Government and Regulations of the land and naval Forces." They should regulate our fighting forces in a manner in keeping with the age in which we are living. It would be well if the boys on the Hill would take a good look at their power to see that their laws are being carried out, and to provide further legislature in a more constructive manner, instead of holding these so-called hearings in which they loudly exclaim about how many dollars they saved the taxpayers. If they would factually analyze a problem to see what they could do to help remedy the situation instead of trying to make a monkey out of some representative of the armed services, they would do a lot to unravel some of the problems of procurement.

It is high time the American people started taking more interest in the Government, before they wake up and find the Government is not what they thought it was. That's a harsh statement. The American people are the lobbyists. Industry is starting toward thinking in your favor. I think in general you will agree with the context of the second part of this talk, which is the report from industry to you. It shows that industry is starting to rare up on its hind feet in your behalf.

CAPTAIN GERWICK: That seems to be all the questions, Mr. Wilkinson. I am sorry you didn't bring a lion with you. We are appreciative of your fine message. On behalf of the Commandant, thank you very much.

(10 Mar 1955--250)S/mmg

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