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PROCUREMENT BY THE GENERAL SERVICES ADMINISTRATION

2 February 1956

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Mr. Edmund F. Mansure, Administrator of the General Services Administration, was born 14 March 1901 in Chicago, Illinois. He was educated at Dartmouth College where he graduated in 1924. He received an LL.B. degree from the Kent College of Law and attended the Northwestern University Graduate School. He was admitted to practice before the Illinois Bar in 1927. Much of his business experience has been with E. L. Mansure Company, a textile and drapery manufacturing firm. He resigned as Chairman of the Board of Directors of the firm to accept appointment as General Services Administrator. Mr. Mansure was sworn in on 2 May 1953 as Administrator of General Services. From 29 May 1953 to 15 August 1953, he also served as Administrator of the Defense Materials Procurement Agency.

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GENERAL HOLLIS: Gentlemen: Our speaker this morning is the Honorable Edmund F. Mansure, Administrator of the General Services Administration.

Since the inception of that organization in 1949, it has had, as you all know, a very heavy responsibility for procurement, for property, and for record administration for the armed services. The scale of that operation is indicated by the fact that Mr. Mansure has under his wings some 8 billion dollars in Government assets.

He has spoken before at this College, and we would not miss him if we could possibly avoid it, on the grounds that his work has a very large hand in connection with the conduct of this course.

It is a great privilege to introduce to you the Honorable Edmund F. Mansure.

MR. MANSURE: General Hollis, I appreciate that introduction very much, and it is indeed a privilege and a pleasure to be back here again with you this morning.

Now, I have a great deal of material to cover, so, just because I am going to run through some of this extemporaneously, I don't want you to feel that I have belittled the importance of it. I want to devote as much time as possible to procurement of the critical materials for the defense program. Before doing that, I must give you some background on our general operations.

I know that many of you realize generally the background of GSA, but I still have to call to your attention that we are the outgrowth of the first Hoover Commission report. In GSA were merged five different departments of Government: Public Buildings, Federal Supply, War Assets, Archives, and Public Roads. In the period of two or three months, Public Roads were taken out of GSA, as you know, and put in Commerce. In place of that came the program which was referred to originally as DMPA, Defense Materials Procurement Agency, and was commonly known as "DUMPA." It is now part of EPS, or Emergency Procurement Service.

That phase of our program is, of course, of direct interest to you, but the other things we do are of interest to you as well. So I am going to refrain from telling about the operations of EPS for a few minutes and give you first a background of the other services which are related to your activities.

I am going to very quickly skip through Public Buildings, because you may wonder, "What has Public Buildings got to do with the problems we are interested in?" But of course we have the problem of housing various operations of the three branches of the service, and that sometimes becomes quite a critical problem.

In our public buildings operations, GSA is the world's largest landlord. You can quickly understand why I make that statement. We operate over 5,600 Federal buildings throughout the United States. These have a floor area of 140 million square feet of space. When you consider that the largest mercantile building, or commercial building, in the country is the Merchandise Mart in Chicago, with approximately 4 million square feet, and the Pentagon, with approximately 6.5 million gross square feet, that will give you a rough idea of the extent of our building operations.

Now, then, as you have probably heard, we are going to build our own 300 million dollars' worth of new Federal buildings. A good part of that will be under the so-called Lease-Purchase Program. So that there may be no misunderstanding what that program is, it is nothing more or less than your buying a home on a time-payment basis. In other words, we are going to pay for these buildings out of our rent appropriation, rather than by a direct appropriation from Congress, thereby adding to the public debt. So that we have no direct appropriation from Congress. We take it out of our rent funds, which run in the neighborhood of 50 million dollars a year. Our rule of thumb is that 5 million dollars of rent money will build approximately 60 million dollars' worth of buildings.

That means that, at the end of a period of time, rather than the Government having a lot of rent receipts, we will have the ownership of the buildings within 10 to 25 years. During that period the property will remain on the local tax rolls, which will be a big help to the municipalities. As you also know, the towns and cities today have quite a problem in meeting their own budgets and expenses.

Now I am rapidly going to jump from the Public Buildings operation to the National Archives, because so many people are misled by what that operation is. Of course you are all familiar with the beautiful building on the Mall that houses the famous documents, such as the Declaration of Independence, the Constitution, the Bill of Rights, and all the rest. But that is a very small part of the operations of that division of GSA.

The part which affects you in your operations is the control of Federal records. Now, we refer to that program as the birth control of records, because we are rapidly being snowed under by this terrific accumulation of paperwork.

To give you a quick example of what this amounts to, I call your attention to 1952, when we purchased, in round figures, approximately 97,000 4-drawer filing cabinets, at a cost of approximately 50 dollars per cabinet. Last year we purchased, in round figures, 9,000. That does not mean that we have controlled the accumulation of paper to the extent of the difference between 97,000 and 9,000, but it does mean that we are emptying out a lot of these filing cabinets around the country and making better utilization and control of records.

Now you say, "Well, how many records does the Federal Government have around the country?" Rather than to give you the number of cubic feet, which is very hard for most of us to visualize, I should like to use another example. If all the Federal records were combined in a building, or buildings, they would require 7.5 Pentagon buildings to house them. Or that would be 15 Empire State buildings, from the basement to the top of the tower, including all the foyers and washrooms. In other words, the overall floor space in those buildings would be required.

That is really a colossal operation. But the Hoover Commission Task Force on Paperwork last year came out with these interesting figures. They said that the cost of the paperwork program in Government during the preceding year--I believe they referred to the preceding Government fiscal year--was approximately 4 billion dollars. Four billion dollars is another figure that is very hard for us to comprehend; but, when you recall that the total cost of the Federal Government in 1931 was 4,600,000,000 dollars, that gives you an idea of what this paperwork program is today costing the American people.

Now, the Hoover Commission Task Force estimated that that program could be reduced by approximately one-fourth, and that is a billion dollars. I am speaking about billions, and not millions. Supposing we are over 50 percent wrong. We still have 500 million dollars. GSA can still cut that volume in half and have 250 million dollars. That is what we are shooting at, to try to reduce and control this overall accumulation of records.

Now I am going to very rapidly go into our general supply service, or, as we refer to it, the Federal Supply Service, and how that affects you in your operations.

Last year GSA, in the Federal Supply Service, purchased, in round figures, about 460 million dollars worth of common-use items. What is a common-use item? That includes everything from a typewriter ribbon to a scrub bucket. In between there we buy locomotives and freight cars for India, special-purpose types of electrical machinery and equipment, generators, and so forth, for the various branches of the service and for the civilian departments of the Government. So we run clear across the whole picture of purchasing in the Federal supply operation.

Now, what have we been able to do in bringing about commonsense methods of buying in Federal Supply? Of course this also applies to the EPS program, which I am going to tell you about in a minute or so. For example, a couple of years ago we were buying 54 different kinds of metal desks. Today we buy 8. We were buying 18 different kinds of paper towels. Today we buy 7. So on, across the line, I could give you any number of examples, including extreme cases. For example, we buy clothes lockers, because we have a lot of people working in buildings who come in in the morning and change to working clothes, and in the evening change back again to street wear. We were buying 136 different kinds of ordinary clothes lockers, a fantastic number and variety. Today we buy 10. By this simplification we are doing a service to not only all of the various departments of Government that we service by being able to have these items available or in stock for rapid delivery, but we are making it possible for all types and sizes of suppliers to do business with the Government. In other words, the little fellow, the medium-size fellow, and the big manufacturers can now supply us because we have fewer standard items. We are trying to adapt, insofar as possible, items used throughout industry as a whole, rather than have special-made items for just the Government.

What are we able to do, and why should GSA do this type of servicing for the three branches of the service? The answer is very simple. In the services you are highly trained, with special knowledge for special types of items which you require--combat planes, ships, tanks, special-purpose trucks, guns, and so forth, across the line. But GSA and the Federal Supply operation has that same training in the purchase of these common-use items, the incidentals which keep the branches of the service in business, as well as all the civilian departments of the Government.

I so often hear from some agency customers that, "While we don't buy so much, we can buy as cheaply as you can buy." That is not the point. First of all, we must remember that it is not significant that one department of Government is a huge buyer of an item, and another department is a very small procurer of that item. That is not important. These are all Government funds. They all come out of the same treasury. Therefore, the little buyer in Government should be able to get the benefit of the same price and the same service as the big buyer of Government. It does not make any difference whether it happens to be trucks or automobiles or sheeting or blankets, or whatever the item happens to be.

Our function in Government is to see that all departments of Government have the same service and the same prices that the big buyer in Government receives. That is the reason why we have to bring these purchases together.

I could go on giving you a number of other examples along that line, but I am sure that you understand what we mean by the simplification in purchasing, the consolidation of purchasing, and having the items available.

So often it is said to me, "Well, if this was a commercial operation you would not do business the way you do business." That is true, because, in my experience over a number of years in private industry, the operations are very different. First of all, you are in business to make a profit. Therefore you have a number of incentives in private business that you do not have in working in the Government.

I will give you a good example of what I mean. In our Denver Region a year ago I was looking through some purchase orders from customers that they have. There was an order from an Indian Reservation for six buttons. I said, "Six buttons! You don't fill an order

like that, do you?" They said, "Yes, we fill the order. We don't carry those buttons in our stock." We went down the street to a store and bought those buttons and sent them first-class mail to this Indian Reservation. Here is the reason why. They have to go 30, 40, or 50 miles before they can get anything like that. Think of the expense there would be for someone to go and get six buttons and take them to the reservation. I appreciate that is an extreme case.

The point I am bringing out is that our function is service. We are definitely a service and an administrative agency, so we have to be prepared to give the service to not only the three branches of the military service but to all the civilian departments and agencies of our Government. So we do a lot of things which from a business standpoint would not be considered completely practical, but we do render that service.

Now let me very quickly, because we want to have as much time as possible for our question and answer period, sum up to you what this all means before I go on to the direct purchasing of critical materials.

This means that GSA's size--if you want to know a little bit about its size with reference to some of the largest industries in the world--is over twice that of A.T.&T., and over three times that of General Motors. So you can see it is a rather sizable operation.

Well, during the period of time this administration has been in business, the savings in GSA alone to the people of this country are over 400 million dollars. You ask, "What would 400 million dollars do?" Well that would build and completely equip over 1,200 10-room schoolhouses. A 10-room schoolhouse is a pretty good sized schoolhouse, outside of a metropolitan area. Or it would build a Class 1 highway from the Atlantic Coast to the Pacific Coast and back again to Denver. If we are defense minded, I am told that it would buy and fully equip 3.5 wings of jet interceptor fighters.

That is an accomplishment for one civilian agency in the Government. I am happy to report that this year, if we are able to continue on for the remainder of this fiscal year, our savings will run over 190 million dollars. Year by year these savings are increasing. They are not brought about by me or by just a few people in our agency. They are brought about by the cooperation and by the proper delegation of responsibility to all the people throughout our operations.

That is why we believe in the principle of decentralization out into the regions. We feel, for example, that our Dallas and Fort Worth Region is better qualified to service the various branches of the service in that section of the country than we could possibly be here in Washington. We take the same attitude with regard to Seattle, Boston, and so forth. We try to develop a close relationship between the supply officers of the branches of the service and the local people in the regions where we operate. We try to understand their problems and have them understand our problems. We feel that in that way we can render a far better service than we could by absentee or long-distance service.

This has been developed so successfully that in some regions throughout the country there have been specific requests made into Washington that they be permitted to carry on their supply operations directly with our regional people rather than to have to clear these operations through Washington. It is working out. It is going to continue to work out only if we do it on a cooperative basis.

GSA is not in a position to tell any one of the branches of the service, or any civilian agency, that "You have to do it this way." We have to sell our wares. If we can't give service and price and quality, we can't expect to get the business. That is simply what our problem amounts to.

In the question period, if you have some questions on these things I have been discussing, we will cover them in that way, rather than to dwell further on them, because I want to move quickly into our emergency procurement program, which is of vital interest to you.

Now, the stockpiling of strategic and critical materials is one GSA function which brings us closest to the Department of Defense in terms of support. The regular GSA supply programs are supplementary to the general military purchases, but the critical materials program is a direct service to national defense.

There is only one stockpile of strategic and critical materials. This is a very important point I want to bring out. This is being built for the military and essential civilian needs in the event of war. That is the sole purpose of the stockpile program. The purpose is not to control prices, or rig prices, or raise prices, or depreciate prices. It is strictly a defense operation.

Consequently, GSA stockpile operations are geared closely to DOD planning and ODM planning (that is Office of Defense Mobilization) for emergency requirements. What is the GSA mission in this program? It is contained in Public Law 520 of the 79th Congress. GSA is responsible for:

1. The acquisition of any material termed "strategic" or "critical" by the Office of Defense Mobilization.

2. The storage of these materials.

3. The rotation of these materials as required. That is very important. For example, it assures that rubber and fiber and similar materials of good quality will be available at all times.

4. Maintenance, protection, and related activities.

Now, you can appreciate that some of these things that we have are very valuable. Of course, as you know, GSA is the largest holder of narcotics in the world. We are probably the largest holder of industrial diamonds. You can appreciate the security required in storing diamonds in that volume.

So we do have quite a problem in the protection of many of these materials which we have stored away in hundreds of locations.

Now, what is our planning function? Its concepts in relation to other agencies are:

1. The collection and evaluation of supply data; that is, market studies, economic intelligence, worldwide. We must know exactly what the world market condition is at all times. We must know about crop failures, strikes, and all of those things over which we have no control. We have to be thoroughly versed in things that affect the supply of these items and our purchasing them.

2. The determination of purchase policies, by advising ODM and other departments of the Government. In other words, they look to us for expert advice in these fields.

3. Storage problems--locations, techniques, and preventive measures. For example, there is no use of our storing critical

materials in a location where in case of an emergency one railroad bridge might make it impossible for us to move these materials out of that location. At the same time, we can't store the items in a location which is not readily accessible by various kinds of transportation to the point of use. Also, we can't store them in locations where there are fire hazards or potential flood conditions.

All these various ramifications have to be considered before we select the location to store the items, let alone the protection of the items after they are put in storage.

Of course they all lead indirectly to general transportation problems. How are we going to get the goods in and out if they come on ships from foreign countries? How are we going to transport them, and so forth?

Now, Federal stockpile operations, stockpiling, began in earnest after World War II. Before World War II, in 1939, Congress passed the Stockpile Act and appropriated 40 million dollars to buy and store 17 materials. Just imagine--40 million dollars. Last year we bought about half a billion dollars' worth of critical materials. The Procurement Division of Treasury, known then as the Federal Bureau of Supply had that responsibility. They took the initial stocks previously acquired by RFC, consisting of some rubber, some diamonds, quartz, mica, and a few other miscellaneous items.

The stockpile value at the beginning of World War II stood at 69.5 million dollars, or 29 materials. Today it is about 5 billion dollars. Industrial diamonds and rubber, when available, represent a large part of the value of the stockpiling.

Then stockpiling was resumed in earnest at about the time GSA was created. That was in 1949. In 1950 the growing importance of the stockpiling function resulted in the organization of a special unit within GSA which has concentrated solely on this program. That was and is the Emergency Procurement Service, or EPS. It was organized specifically to handle programs involving metals, minerals, fibers, oils, and the expansion of industrial facilities.

The current status of stockpiling as of 1 January 1956, is: There are 76 materials on the list, divided into these categories: metals, such as copper, lead, nickel, and so forth; minerals, such as mica, quartz,

and so forth; oils, such as palm oil, tung oil, and so forth--not fuel oils; fibers, such as abaca, sisal, and so forth.

The minimum objectives are laid down for GSA by the Office of Defense Mobilization. GSA does not originate the program or say how much is to be purchased. We do the mechanical part of purchasing, transportation, storage, and protection. And of course ODM gets advice from the Department of Defense.

Now it is difficult for supplies to cover military needs and irreducible civilian requirements. You must remember that at all times you have the military needs and the civilian requirements. Like the Gold Dust Twins, they go together.

To establish objectives, ODM consults with the military, which would be the heaviest taker, of course, of these materials in the event of an emergency. Then ODM consults with the civilian agencies which deal with the various industries that use these materials. For example, in some cases it would be Commerce; in other cases it would be another department, say, for example, Interior.

Of course the part in Commerce is the BDSA division of Commerce. Of course GSA advises on these other industries that will use these materials.

What does this all mean in dollars? The stockpile goal is over 7 billion dollars. On hand today we have 67.1 percent, or 4,700,000,000 dollars' worth. On order we have 5.7 percent, or 400 million dollars' worth. Yet to come is 27.2 percent, or 1,900,000,000 dollars.

Let me emphasize, this is it only as it is today. It is a very flexible program. Tomorrow the military may recommend important changes. ODM may give us instructions to rapidly step up our procurement. Maybe the military will decide that 7 billion dollars is not enough. It may want 8 billion dollars.

So, therefore, always remember that this picture can be changed overnight. The percentage to come can go up or down in the light of new calculations. For example, designing titanium into airframes in heavy volume can create a substantial stockpile objective. Titanium is a very expensive item. The use of this material is a large military planning factor in stockpile objectives.

These are the materials we have. This will be of great interest to you, because it will show you that we are really accomplishing something in this program. We have 100 percent of the objective in 33 materials. In other words, we have a full house in 33 various critical materials. We don't need any more.

We have 90 to 99 percent in six additional materials. You see, we are getting along the way pretty well. Thus we draw a very safe margin. No undue strain will be felt in achieving the balance of the goal in these materials, since the materials are available when and if we need them, and our program can be very rapidly stepped up.

In the stockpile we have from 50 to 89 percent of 18 other materials.

We have less than 50 percent of 19 materials. That is what we are putting the pressure on now, to bring these 19 various materials up to over 50 percent, or into the 50 to 89 percent range.

You say, "Why haven't you done a better job on that?" Well, it just is not available. The world supply is not there. We are taking all we can get out of the world supply.

Many problems hamper the acquisition of materials in this category. One of the principal ones is when the existing supply is not enough for current needs, worldwide--not just domestic. An example is certain types of asbestos. There is only one nation that is a source of these types of asbestos. This is in Africa--Rhodesia. So it is beyond our control.

The stockpile inventory is now located in the continental United States at 273 locations. Sixty-five of those locations are military; 125 are commercial, indoor locations; 11 are outdoor commercial bulk locations. There are 16 commercial tank farms for oils. There are 31 plant sites. Four are Government-owned bulk ore storage areas. GSA owns 16 locations, and 5 are vault storage points, the strongest vaults throughout the country.

It would be an impossibility for any individual, or group of individuals, no matter how well organized, to get at our narcotic storage or our diamond storage. It is just beyond physical comprehension. Those are the precautions we have taken.

Storage operations involve first, policy determination of locations. That is of great importance. We must consider target areas, plus fallout areas. Note, in the recent hypothetical air raid, the percentage of knocked-out stockpile locations was kept at a surprising minimum.

Second, locating the materials involves plans to feed the materials to industry so they can be very sure they will reach the plant site in the area where main transport facilities can take them to the point of use. That is what we were talking about a few minutes ago. Transportation to the point of use is of vital importance because it involves the safe-keeping of the materials. We have to avoid bridges, rivers, and target centers. We have to have alternate transportation, by truck, by rail, or by plane. In the stockpile problems of the future emphasis is going to be heavier in these factors.

In storage, more space will be needed as the stockpile nears completion. That is an obvious statement. What really complicates the problem daily, however, is the dispersal plan. We have new rules and new regulations about how far away we have to be from target areas, from rail points, from freight yard centers, and so forth. So we have a changing of the ground rules all the time. What we did yesterday we can't do today. What we do today we can't do tomorrow.

Then we have storage plans to permit better inventorying. As this stockpile grows in size, you can appreciate how our inventory problem grows. It becomes a tremendous job to keep track of all these various materials we have. We now have 20,560,000 square feet of space and a current deficit of 3 million square feet. In other words, we need 3 million additional square feet of storage space at once. You say, "Well, it is easy enough to go and get storage space." We see that there is a lot of storage space available, but it is not in locations where we can take that storage space. There is one limitation or another.

We may need as much as 10 to 11 million more square feet within a very short period of time, and much of it must be premium indoor type space, to protect these materials. This, with the attendant safeguarding and fire-protection facilities, and so forth, is a big undertaking. Materials are moving into storage now at the approximate rate of 68,000 tons per month. So you can see how much space we need, and how rapidly we need the space.

The rotation program is an increasingly important operation. For example, our rubber stockpile is virtually complete, but it is now being upgraded, and the rotation is at about 7,500 tons per month, moving rubber in and out.

Now, there are market implications, because, if we put too much rubber on the market at one time, they say the Government is depressing rubber prices, or they say we are upgrading rubber too much and thereby raising prices. No matter which way we deal, we have to be careful not to upset the market.

Now I have two more minutes and then we will wind up and go on with the questions. I want to cover the implications as well as the stockpile problems very quickly.

For example, we are stepping up the abaca rotation. New plans, recently put into effect, enable close working with industry. This has been speeded up only by the introduction of better plans for the military and civilian uses of this particular item.

The rotation of oils is being accelerated as the stockpile levels get closer to the objective. This means that as we get more and more oil in our tank farms, we increase the problem of rotation. Our problems grow like a snowball, rather than decrease.

Many of the items we needed back in 1952 and 1953, due to technological developments, are no longer needed now, and we have to sell them in the open market. We have to get back what we paid for them.

Let me give you a quick example. We have been stockpiling hog bristles. We have accumulated many bristles which come from foreign countries. We are now cutting them off, because there is a more efficient substitute, the manmade product of nylon. We have a problem of getting rid of the bristles.

There are many items of that kind, on which dispersals require careful marketing, because of the impact on trade in general.

The EPS program of augmenting the stockpile is as follows: The stockpile accumulating under the law is the minimum, projected into the future. These are not maximum operations; they are minimum operations. In addition to these minimum objectives, EPS is expanding

the protection of strategic and critical materials to buttress and support these minimums.

What is the standard program? For example, the aluminum ingot capacity has developed through the past few years to record levels. The stockpile take, tied into each standard contract, guaranteed a very steady flow of material to the stockpile. This is what you call a 25-cent phrase. What does that mean? I think it means that, as this aluminum program expands, we have to see that, of this standard contract, the Government gets its piece of pie out of that so that we protect the military in case of a rapid need for aluminum.

Now, competing against all of this is industry. There is a great shortage of nickel, copper, and aluminum. Industry wants all these items. We have to have a balance between the need of the military and the need to keep our civilian economy going.

On nickel, there is the Cuban nickel operation. The Government owns in Cuba the Nicaro nickel plant. As we say, it is on schedule. I am very happy to report that. This year, on an annual basis, we will be producing nickel on the basis of over 31 million pounds. At the end of World War II, with the maximum production of nickel, we were getting under 24 million pounds of nickel out of that operation. At the end of this calendar year we will be in position to step up this production to over 50 million pounds of nickel. It will be about 15 percent of the United States supply of one of the most critical materials in our defense program.

On titanium, 22,500 tons per year is the basis that is now fully under contract, and the construction and production of those plants are on schedule.

The domestic purchase program is the final part of this division of our discussion. Congressional authorities to encourage the domestic production of critical materials to goals are set through 1958 for some of the items. These are purchased at GSA depots for: (1) inventory, and (2) sale to industry as needed to support the prices involved.

Tungsten, mica, magnesium, and mercury are examples of materials under purchase which are of vital importance to the economy in an emergency.

Standardization and domestic purchase programs have projected, fundamentally, a net cost of about 1,100,000,000 dollars, or about one-seventh of the stockpile objective. This means that about 14 percent more materials over the minimum objective are to be acquired. I will repeat that. This means that about 14 percent more materials over our minimum objective are to be acquired. Now this additional 14 percent means:

1. An extra reserve which can be fed to industry rapidly in time of buildup without touching the stockpile. That is very important. When worldwide conditions upset normal production the reserve can be sent at once to take care of the unfinished defense orders. Note that I differ between civilian and defense orders. Example: The copper strike in Chile slowed down at least the Army's domestic program. The reserves were utilized in order to keep industry on an even keel in the States.

2. A broader base for United States production. The United States today has high-level capacity not only in steel but in aluminum, magnesium, and other critical materials that we produce here in this country.

3. The Government can step up the productive capacity to meet emergencies. Example: Titanium sponge facilities are now in being to handle any need for that metal. In other words, we now have the facilities to handle a greatly expanded program over and above our current needs.

Finally, President Eisenhower in 1954 declared that an atomic war in which the United States Continent would also be a target made it imperative to earmark these materials for future use. That means we cannot suddenly pick out these industries and say they are going to be for future use. They have to be developed right now to be ready for an emergency.

Therefore, goals under the domestic program can be raised quickly if need is determined by the military.

The other EPS programs for defense support are those for the International Cooperation Administration, formerly FOA. An example is locomotives, track, and cars for India. Last year we purchased 100 locomotives and 5,000 freight cars for this agency of the Government for use in India to increase the internal transport system of that country which, incidentally, aids in getting manganese to our stockpiles.

Other examples are foodstuffs, medicines, and industrial equipment to stabilize the economy of the Middle East and the Far East, and, of course, materials for the very timely and important operation of the Federal Civil Defense Agency. EPS is the purchasing agent for the Federal Civil Defense in the procurement of general-supply items, except the medical, which are handled by the military.

We also handle the strategically located reserve in their warehouses. Fifteen warehousing sites are being stocked on schedule. There will be 38 more of these sites.

I take this opportunity to thank you for your splendid attention and for the opportunity to have this discussion with you.

MR. MUNCY: I would like to call your attention to the fact that copies of the material Mr. Mansure has brought will be available to you at the doors as you go out.

Who has the first question?

QUESTION: Mr. Mansure, would you discuss some of the problems you have with Defense and other agencies in deciding what is a common item for you to buy, and what Defense ought to buy?

MR. MANSURE: That is a good question. Part of the problem we have with Defense on what is a common-use item is not so much what a common-use item is, because we have a pretty clear definition of that. Those items are things that are entirely nonmilitary, which you use to really carry on your operations. For example, they include all types of office equipment and supplies, office furniture and things of that type.

Now, on the other part of our problem, I am going to speak very frankly, and I want you to accept it in the way that I give it, because it is not critical at all. Our biggest problem is to convince some of the branches of the services that we should buy what we refer to as "nits" and "lice" items. In other words, they are the headache problems of servicing the services.

There are a number of reasons for that of which I am very cognizant. Sometimes you give up some of your operations, things that you are doing. But we feel that, first of all, Congress has delegated this

responsibility to GSA, so we have the obligation to Congress. That is number one. Number two is that it saves the services from having to bother about whether they buy this kind of pencil or this kind of typewriter ribbon, this kind of broom, or something else of that type. We would not even think of getting into any of the purchasing of items that are combat items or military items. That is not our field. So our function would be to cover the things that are common-use items, which all the civilian departments of the Government use, and the military would be using those same items.

Does that answer the question? Is there another part I have not covered?

STUDENT: No, sir. That is sufficient.

QUESTION: Mr. Mansure, as you know, the GSA, like the military, must be in a goldfish bowl when it comes to procurement. Recently the military has been receiving some attention, from the standpoint of being criticized for procuring a great deal by negotiation instead of advertising and taking formal bids. I wonder if GSA is not getting the same attention. What is your policy in undertaking procurement with respect to that?

MR. MANSURE: That is a very important question. First of all, our negotiation authority is very much limited. We can negotiate for only special items which are not generally made available by supply. For example, in Panama, where there is a number of trucks and passenger cars used, we do not have the service facilities in that country to cover the available types of vehicle that would come into our purchase program, as far as price ceilings are concerned. So therefore the Administrator has the authority to delegate the negotiation of contracts of that kind.

Let me give you another example. In certain sections of the country, say in the use of office equipment and machinery, there are no service facilities for certain companies in those areas, whereas the products of the companies may be very good products and the companies may be excellent companies. So, therefore, even if such a company was the low bidder, it would be foolish for us to buy its equipment for the civilian agencies or for the military to use in that particular locality, because you could not get service of the equipment.

Generally we must advertise and conduct our purchases on a bid basis, except for the examples that I have given you. We are regulated more by law than the military. Furthermore, we must purchase from the lowest responsible bidder. That does not always mean the lowest bidder, who may not be responsible. Responsibility is not just financial responsibility. It is whether they can deliver, their experience, and the quality of the equipment. Except for that, we have very limited discretion.

I don't know whether it would be better--I am frank to say that--if we had more negotiating authority. I am a little bit afraid of it, because you are subject to criticism from Congress. Various branches of the service are now being criticized. At the same time, by using good judgment, and by carrying out a good program, that latitude for negotiation is very important.

I can argue the question either way. It would take too long to get into that phase here. Negotiation has a great deal of merit. I believe if it was properly handled it should be expanded, rather than contracted.

QUESTION: Sir, when the original Hoover Commission recommended the establishment of what is now your agency, it was for the obvious reason of bringing about centralization in many ways. One recent Hoover Committee recommendation, I believe, said the management and maintenance on a standby basis of the industrial reserve plants should go back to the Department of Defense. What is your stand on that? Is this a change in theory or is it more a refinement of the original recommendation?

MR. MANSURE: I think it is more a refinement of the original recommendation. A number of problems are involved there. First, there is the division in this operation now between Defense and GSA. Some of those people in Defense feel that more should go over to GSA, while others feel that the reverse should be the case.

The point I am bringing up is, there is not agreement on thinking even between the departments. That very problem is before the Appropriations Committee now. We have remained more or less out of it. We have taken the position of being neutral on it. We will let the decision be made outside because we are a party to the case. We don't want to be prejudiced one way or the other.

My actual opinion is very simple. Wherever purchases can be most economically handled, I believe that is where they should be. Now, I am not in a position from a technical standpoint to answer on the specific installations or properties, because I am not familiar enough with the problems involved, but my thinking would be that where they can be most economically handled is where they should be.

I have not directly answered your question, because I am not really in a position to answer it, because it is still in the point of discussion. But I have not avoided it for that purpose. I just don't know what the answer is.

QUESTION: During the break you mentioned a point of similarity between your operation and that of a mail-order business.

MR. MANSURE: Yes.

STUDENT: A previous speaker, representing one of the large mail-order houses, pointed out that decentralization in their purchasing, although they control it at the center, gives opportunities for saving on crosshauling and servicing. Their local customers are supplied locally manufactured items. Would you comment on this?

MR. MANSURE: I think you have reference to General Wood, who is one of the great merchants of all times. He got great experience, of course, from his military career. He is also a neighbor of mine. I have known him all my life. I am a great admirer of his. Our thinking is exactly the same. As a matter of fact, one of the advisers to our Federal Supply Service is Carl Kresl, who retired from Sears about a year and one-half or two years ago. He was trouble shooter for General Wood. Unfortunately, he was so good that Sears called him back to go over to Australia to handle the purchasing of some stores they are going to merge into the Sears operation. We hope to get him back shortly.

In addition, we have called upon the specialized experience and knowledge of other men in this field of purchasing--for example, the Executive Vice President of Swift and Company; the Vice President of the Baltimore and Ohio Railroad; the Vice President in charge of Procurement of the Metropolitan Life Insurance Company; whom many of you know. Over at ODM is the Vice President in Charge of the Union Oil Company on the Coast. Then we have Hess Kline from the Food Fair.

The thinking is, briefly, this: Centralized overall control of purchases, which we are doing in both Washington and New York; but decentralization insofar as direct procurement is concerned out in the regions, to avoid cross-transportation in the original purchase and, after the purchase is made, supply to the point of use.

Furthermore we are great believers in the basic fact that local people dealing with local people is very important, because they understand the problems. I will give you a quick example. Say in Fort Worth, Seattle, or San Francisco or Los Angeles, those people are much better versed in the local supply conditions than we could possibly be in New York or Washington. Now, if they can come up with a small or a medium-sized manufacturer who could supply a particular item that will come up to our standard of quality and specifications, it is far better for them to procure that item there.

We have that problem right now in the purchase of soaps and detergents and things of that kind. Our Kansas City director says there is no sense in our buying these items in Chicago because there are manufacturers on hand in the Kansas City area who can supply the items at the same price, plus giving better service because of local plants and saving in the cost of transportation. The same thing would apply to many other items I can mention.

Does that answer your question? There is general centralization in heading up the program and procedure, and decentralization in the actual operation.

I want to give one more answer to that question, which is partly involved in it. As I talk to business groups, the question is asked of me continuously: Why does the Government have these great big warehouses? We don't have warehouses. We have stores. It is like a mail-order operation. Therefore, the Federal Supply operation of GSA is very similar to the mail-order business. We are the general store for the Government, and this is why:

We have our 12 locations. We have two additional specialized locations, one for the Indian Service, and one for special procurement for Defense. But we have 12 general-store operations in strategic locations where we can give immediate service to both military and civilian agencies throughout the United States.

QUESTION: In regard to this question relating to the lease-purchase plan, in buying my house in town I find that on a 15-year loan I am actually paying twice what it would cost me if I had the cash to pay for it at the start. That is, half of my money goes toward paying for the house, and half goes toward paying interest. Of course I can't buy the house outright, because I don't have the cash. But Uncle Sam has the cash, or can increase his debt by borrowing money at 2 percent. I wish you would clarify how it is profitable to the Government to lease-purchase these buildings, against just plain buying them outright.

MR. MANSURE: That is a very logical question. If we could do as we should do it would be fine. Congress will not appropriate the money for these buildings, for a number of reasons. First of all, there is a desire to balance the budget. There is a desire to reduce our overall debt, or keep it from increasing. If we go out and have a direct appropriation of, say, 10 million dollars--we will keep the figure simple--our buildings run less than that or more than that--if we can go to Congress and say we need appropriations this year for 300 million dollars, Congress will say, "You are not going to get it. We haven't that kind of money. We need the money to buy planes, tanks, ships, or something else." But they tell us to go ahead and rent the properties now.

The problem for the Government is exactly the same as your problem of why you buy a home. It is true that you pay interest on the purchase of that home. But when you stop paying you know you own something. You have an asset. That is the same position the Government is in. If we could go out and place this money in the construction of a new building, we could get our money for 2 or 2-1/2 percent, but we don't get that money, so therefore we pay rent year in and year out. We paid out last year about 50 million dollars in rent. At the end of the year we had nothing but rent receipts. Now we are trying to move the Government out of leased space into owned space, or buildings that are already owned now. We reduced our rent bill last year by over 17 million dollars. At the same time we are trying to maintain the buildings that we do own out of our rent money, during a period of 10 to 25 years--the average time will be 15 years.

We are borrowing money, or will borrow money, for under 4 percent. Four percent will be the maximum, so our program is only about 2 percent maximum. Our program will be actually less than that. On this type of construction we don't know what the figure will be, but it will be under 4 percent. That means we are going to have at the end of this

period a Government-owned building, rather than a lot more rent receipts.

In some cities our rent bill alone runs as high as 5 million dollars a year. In 10 years' time we could have a nice Federal building in some city with a 5-million dollar rent bill a year.

QUESTION: This is not a ringer. It has to do with the stockpile. During some recent hearings before the O'Mahoney Committee it was reported that the long-term objectives came about as the result of a boost in the market prices of lead, zinc, and tungsten. I believe those three were mentioned. They set up new requirements for the pile and raised the level. If the pile were originally started under the Act of 1946 as a defense security measure or a guarantee, it now appears to me that they are shifting to a subsidy for the metals and mining industry. Would you care to comment on that?

MR. MANSURE: Yes I would, very much. That is not the case. I think the statement made is true as a statement. I have to give you a yes and no answer. First of all, there is some subsidy on this stockpiling program to domestic producers of metals. That is done just like the support of farm prices. Rather, though, than to have price adjustment or a price floor, the thinking behind it is entirely different. It is to keep marginal producers, for example, of lead or zinc or other items, in business, because, when you shut off a mine you are confronted with the flooding of that mine by the subsurface water situation.

Now, even though we can buy some of these metals cheaper--or some of these minerals, I should say, ores--in foreign countries, we still have to have a domestic output, which we look upon as an insurance policy in case of an emergency. These foreign sources can very possibly be cut off and we could not get these ores from foreign producers.

So, to a degree, that is correct. The purpose is not to support the home mining industry, but to protect, as an insurance policy, our defense program.

Now, specifically, on lead and zinc and so forth, that is incorrect. What happened was that we have a stockpile objective. Let me put it this way: Here is the objective, up here (demonstrating) and here is what we have. What we have here is sufficient to take care of the

immediate needs of an emergency. As we were buying along here, the price of those metals got exorbitantly high. We reasoned: Why keep buying a program for certain metals that, during the course of time, will adjust to the proper price level? As long as we have enough to protect our immediate needs in case of an emergency, there is no sense keeping on buying. So we started to drop off the buying a little bit, and all of a sudden the prices of these metals started to go down to a point where, from a business standpoint, we had fair prices. Then we started in to buy again for the stockpiling program.

We were immediately accused of depressing prices, in the beginning. Then we were accused of inflating prices when we started to buy again. That was not the case. We were just carrying out sound business principles in the purchase of metals like any private company would do. The moment you apply sound principles you can't win, because, no matter what you do, somebody is dissatisfied.

Now, the industry was more or less pleased when the Government started buying again. It stopped the decline in prices. It leveled the prices off. But other people, who advocated buying at higher prices, came in as critics because we were being sensible, whereas before they would have said, "Keep on buying at these high prices."

The answer to your question is yes, and no. That is the only answer I can give. You want the truth, and I want you to understand the problems involved. We are supporting, to a certain degree, the domestic mining industry, but as a protection for the country, and not for the industry.

MR. MUNCY: I am sorry, that is our last question. Mr. Mansure, we are indeed thankful to you this morning for a very helpful talk to us. We realize you have come and served us beyond the call of duty in view of the many other demands on your time today.

MR. MANSURE: I appreciate it very much. The reason I have to go is that our appropriation hearings are coming up. We have to have the money to keep in business.

I would like to say this in closing: If the class group would like any of our people, some of whom are far more qualified than I, to discuss technical problems, we will be glad to cooperate. They will be available. If you want someone to discuss certain phases of the general

operation or of the EPS operation or the supply operation, or some other problem, we will make some excellent talent available.

I have tried to cover the general things this morning. I never underestimate my audience. I know many people here are far more qualified in these things than I am. I have given you a background picture.

Thank you again for your attention.

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