

INDUSTRY'S REACTION TO MILITARY PROCUREMENT

8 February 1956

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Colonel Willard F. Rockwell, Chairman of the Board, Rockwell Manufacturing Company, and Rockwell Spring and Axle Company, was born in Boston, Massachusetts, 31 March 1888, and graduated from Massachusetts Institute of Technology, class of 1908. During World War I he served as a civilian specialist in the motor transport division of the quartermaster department, U. S. Army, and continued as a reserve officer consultant. During World War II, Colonel Rockwell served as Director of Production of the U. S. Maritime Commission. In addition, he served on the Executive Committee of the Army and Navy Munitions Board and on the War Production Board. In 1953, he was appointed special assistant to Harold Stassen, Mutual Security Agency, and later was transferred to serve as special assistant to Secretary of Defense Charles E. Wilson. He resigned late in 1953, after reporting on the European production situation and representing the Defense Department at NATO conference in Paris. He has also served the State of Pennsylvania in several capacities. The Rockwell Manufacturing Company, with its subsidiaries, constitutes the world's leading manufacturer of measurement and control equipment. The Rockwell Spring and Axle Company is one of the largest suppliers of parts to the automotive industry. Colonel Rockwell holds many other business directorships, is a member of many national organizations, and has received numerous awards in America and abroad for industrial achievement and active support of free enterprise. In 1953 he received an honorary Doctor of Law degree from Grove City College, Grove City, Pa., and Doctor of Science degree from Duquesne University, Pittsburgh, Pa. In 1954 he was elevated to the grade of Fellow in the American Society of Mechanical Engineers. He is the inventor of a number of engineering improvements for automotive vehicles and has contributed many technical articles to scientific journals.

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GENERAL HOLLIS: Our speaker this morning is Colonel Willard F. Rockwell. You have seen his printed biography, which I assure you is much abbreviated. I have seen his full dossier. It takes a great many pages. It is hard to understand how one man can contribute to as many industrial and cultural and financial enterprises in the course of a single lifetime as has our speaker. In addition to that, he has found time to serve his country in a military capacity in two world wars with distinction. He will talk to us this morning on industry's reaction to the military procurement picture.

Mr. Rockwell, it gives me great pleasure to introduce you to this year's class.

COLONEL ROCKWELL: Good morning, Gentlemen.

Men who serve as officers in our military forces show their willingness to live dangerously, but may I say that anyone who accepts an invitation to offer constructive criticism to his friends must also be willing to live dangerously. It was with rueful recognition of this fact that I accepted the invitation of General Hollis to talk on the subject of "Industry's Reaction to Military Procurement," because industry does give and take criticism.

General Motors Corporation is the largest privately owned business in the world; and when Time Magazine chose its president, Mr. Harlow Curtice, as 1955's "Man of the Year," thousands of letters flowed into Time's editors, some of which were published in the 23 January issue. Comments range from the highest praise of Mr. Curtice as a man and an industrial statesman to the most sarcastic and bitter criticism, accusing Time of worshipping the "Golden Calf," and Mr. Curtice of leading the country into inflation, dangerous credit expansion, and confusion on the highways. To some of us, Mr. Curtice is the greatest industrial leader in the greatest industrial nation in the world; to others he is the Pied Piper who is leading us to economic destruction. But which critic can tell us how seriously our country's military successes would have been postponed in the last fifteen years without the aggressive leadership which switched General Motors' peacetime production of civilian goods to its record-breaking military production?

Recalling that the Department of Defense in recent years, on a comparable basis of budgeted income and expenditures for labor, services, and goods, ranges from five to ten times as big as General Motors Corporation, it is not surprising that criticism of the Department in peacetime completely overshadows words of praise in the headline-hunting newspapers. Former General Motors president, Charles E. Wilson, now Secretary of Defense, could probably tell Mr. Curtice that the bigger the job, the bigger the slings of the critics.

The relative success of private industry is ordinarily judged by its returns in profits, but the Department of Defense is a nonprofit organization whose income is derived from taxes on citizens and private corporations. Taxpayers seem to have a natural antipathy toward tax spenders.

One of the first prominent American businessmen in modern times, who gained fame as an advisor on military procurement problems, was General Charles G. Dawes, who entered the military service in 1917 as a colonel and was promptly sent to France, where he was placed on the headquarters staff of the A. E. F. by General Pershing, as chairman of the General Purchasing Board and Chief of Supply Procurement, charged with the duty of collecting supplies in Europe and coordinating their purchase in such a way as to guard against inflated prices and duplication of orders. After the Armistice, General Dawes became a member of the Liquidation Committee of the A. E. F., charged with the task of selling or salvaging huge accumulations of United States property in France, and settling the outstanding claims against the Army, some of which, incidentally, are still under legal action.

By 1921 the wartime Democratic Party control had been succeeded by Republican control, and congressional committees were avidly investigating war expenditures. General Dawes, called as a witness, was asked if excessive prices had been paid for mules. He replied: "Hell 'n' Maria! I would have paid horse prices for sheep if the sheep could have pulled artillery to the front!" The General's bold answer pleased the public; but when it was discovered later that sets of harness or saddles had been produced in the United States for our military forces sufficient to supply two for each and every mule and horse in the United States, even General Dawes did not attempt to justify that costly blunder, in which he was not involved.

That mistake ruined the harness and saddle business in the United States for the next twenty years, and has been held up as a horrible

example of military waste for a full generation. Repetition makes reputation; and so every procurement officer who miscalculates is making it more difficult for his successors to inspire confidence in our military procurement proposals. Many an industrialist who has cheerfully accepted obviously inflated orders for military production of his peacetime products has lived to regret it, but has not admitted his own greedy part.

General Dawes had made a success in business as chief engineer in construction work, as a utility man, a banker, and a lawyer; but his military service convinced him that in time of war an emergency supply problem cannot be set aside merely because an immediate solution defies all the rules of peacetime economy and efficiency.

Right after the outbreak of World War II, many businessmen were appointed to committees in Washington who were determined to inject better business practices into the military procurement program. Some who protested violently against expenditures which appeared to be wasteful were sent to England during the Battle of Britain, when the Germans made their savage attempt to bomb the civilian population until they demanded that their government surrender; but most of these businessmen returned to Washington completely converted to the idea that any expenditure was justified which would help Britain hold out until we could provide adequate aid in men and munitions.

Among the Hoover Report recommendations was one to spend more money for basic military research, which now requires 2.4 billions; but the Defense Department was urged to use private research organizations where possible. The report hits at your military rotation policy by asking that military men assigned to research projects be given sufficiently long tours of duty to become experts in the field in which they are working, particularly all types of guided missiles.

It is inconceivable that a large company like General Motors would insist that no junior executive could become president unless he had served two or three years in every important lower position in that business, such as factory manager, chief inspector, chief of the engineering department, sales manager, purchasing agent, traffic manager, chief accountant or treasurer, etc.; and yet the policy of rotation in the Armed Forces, particularly in procurement and personnel, seems to be just as absurd to many of the businessmen who have been asked to study and advise on better military procurement procedures. The special talents which promote a successful sales manager may be the

very factors which would prevent his being a successful accountant or engineer or purchasing agent. In military circles, the first-class fighting general may be a frightful fizzle as Quartermaster General, and vice-versa--but there are rumors that the rotation system has resulted in such temporary misplacement, to the regret and embarrassment of all concerned.

The motor car companies are in such an extremely competitive field that they could not succeed if they did not have the most efficient buyers and competent purchasing agents. Any parts or supply vendor can cut off some part of their car production if they fail to deliver on schedule. Motor car purchasing agents will never permit a lower price from an unreliable source to influence their decision, and their judgment must be based on years of experience. On the other hand, the established supplier knows the character of the purchasing agent, and accepts orders which are based on mutual trust, rather than on detailed legal contracts. Such relations cannot be maintained or expected where the procurement and contracting officers are moved and re-moved every two or three years. Such successful companies as Cadillac have had the same purchasing agents for thirty years.

One active high officer has said that, under your military rotation system, an officer who is transferred to a new type of military activity spends about a year learning what his predecessors have done; then he spends a year planning to put in some improved procedures; after which, knowing that he is to be rotated soon, he hesitates to make any radical changes, because they might embarrass his successor.

Realizing that more technical and scientific progress has been made in the past fifty years than in the previous 2,000 years, in such human activities as agriculture, biology, chemistry, engineering, medicine, etc., to say nothing about war, we must acknowledge that this is the age of specialization. It is less than fifty years ago that our best technical schools were teaching students that the atom is the smallest indivisible particle of matter; but, since the atom was smashed, you have probably heard several recognized experts in the field of atomic energy state that they consider themselves experts in only a very small technical area--which emphasizes the high degree of specialization which is practiced in the study and application of recent complex scientific discoveries and developments.

Only the businessman who has served in a military procurement office can understand the burdens which are imposed by Congress on

your procurement officers. It was in 1940 that General Dawes uttered this prophecy:

"Some day a President, if he is to save the country from bankruptcy and its people from ruin, must make the old (economy) fight all over again, and this time the battle will be waged against desperate disadvantages. Against him will be arrayed the largest, strongest, and most formidably entrenched army of interested government spenders, wasters, and patronage-dispensing politicians the world has ever known."

Each time our country has been engaged in an all-out war effort, Congress has investigated to find out where the taxpayers' money was wasted; but their efforts remind us of the man who locks the barn door after the horse is stolen. Most Congressmen would like to stop waste, but there are few who will stop it in their congressional bailiwicks if they know it will throw some voter out of a job.

Life Magazine published an editorial on 23 January 1956, with the headline "American Rope Trick." It points out that:

"President Eisenhower long ago demanded that the Government get out of the kind of business which can be left to private enterprise. The Hoover Commission found the Pentagon has \$15 billion invested in 2,500 separate commercial establishments. Last August, Defense Secretary Wilson ordered 14 such businesses closed . . . including the famous Boston Ropewalk. . . . President Andrew Jackson started the Ropewalk in 1834, when the U. S. Navy used sail. Decades after steam replaced sail, after oil replaced coal, after atomic power even began to replace oil, the Ropewalk goes merrily on making rope for the Navy, preserved by some inner law of bureaucratic immortality."

Some cynic might say, "congressional immorality!"

The Boston Ropewalk has only 26 employees today, but House Majority Leader John McCormack, who frequently denounces Defense Department waste; conservative Republican Senator Leverett Saltonstall; and Democratic Senator John Kennedy, all from Massachusetts, have refused to permit the closing of the Boston Ropewalk. Senator Kennedy, whose father served on the Hoover Committee, has an excellent war record and has written a book recently with the title,

"Profiles in Courage," praising eight acts of political courage exhibited in the United States Senate over the last 150 years. If a man who has proved his heroism in war and peace does not bow before such criticism because it may cause the loss of a few votes in the area he represents, what can be expected from weaker men? In order to muster a majority vote in Congress on local issues, one Congressman agrees to vote for some other Congressman's pork-barrel project, and thus assures another vote for his own pet pork-barrel project; and that procedure goes on ad infinitum. The moral of the Rope Trick seems to be that the voters are to blame if their votes can be gained by the politicians who promise to reward them by wasteful use of the taxpayers' own money.

The subject of interservice and interdepartmental rivalries is of interest to industry because it often affects military procurement. As taxpayers, industry hates waste; and through their own experience, they believe in standardization, which is often neglected from a military standpoint because of interservice rivalries.

I will relate here some of the things which I saw in my personal experience, that no doubt some of you know something about.

During the Second World War, the Allies discovered that German planes bombing London were out-performing Allied planes of practically equal flying characteristics. Finally a high-flying German plane was shot down, and examination showed that the pilot was wearing an automatic oxygen regulator. Further investigation showed that an American company had obtained patent rights on the automatic regulator from the Germans prior to the war, but had been unable to obtain orders from our Air Force.

Our flyers were using oxygen pressure regulators which required hand manipulation of a valve to regulate the supply of oxygen to the flyer's oxygen mask. If a flyer was hit and injured, he was often able to fly to a higher altitude to escape destruction; but if he or any of his crew were disabled so they could not manipulate the valve to increase the oxygen supply, they were in danger of blackout or death. The automatic regulator is controlled by the movement of the flyer's chest, so that whether the flyer is conscious or unconscious, if he breathes more deeply, indicating the need for more oxygen, the automatic regulator increases the supply, up to 90 percent. Nobody knows how many lives were saved by it.

As a subcontractor, our company built thousands of these regulators in the latter part of World War II. With the outbreak of the Korean affair, we were asked to resume the building of regulators; but, having been assured that the Korean affair would result in a quick victory, we felt it would be very wasteful to convert and reconvert our plant when the prime contractor could certainly furnish all that were needed for a short "police action."

When the Defense Department again urged us to resume manufacture, we could not refuse, regardless of the inconvenience; but imagine our surprise when we learned that neither the Air Force nor the Navy's Bureau of Aeronautics would agree to accept the standard type, even after incorporating improvements found necessary or advisable after several years of common use. To design, test, produce prototype models, and finally tool up for two different instruments, each of which was supposed to accomplish exactly the same purpose, caused delay and more than doubled the cost of many of the production measures. In the Korean affair, every plane sent out by the Navy or the land forces could be expected to fly over land, sea, and mountains; so it is impossible to conceive of any difference in operations which would justify two designs.

The lesson on standardization of military items could have been learned in the First World War, when the United States furnished most of the trucks for the Allies. There was no time to design a standard military truck, and so every truck producer in the United States received orders for all the trucks he could produce in the initial period. Among the more important truck producers were Packard, White, and Mack; and although an effort was made to send all Packard trucks to one area in the fighting zone, all White trucks to another area, etc., so that the proper service parts would follow them, and also to permit cannibalization of combat zone trucks damaged by rough use or by shell fire, all reports from the front indicated that many White parts went to the area assigned to Packards, and vice versa.

After the war, it was generally agreed that there must be a standardized military truck available in several capacities. Trucks were designed and prototypes were tested; and small orders were given to several manufacturers so that standardized military trucks were ready when World War II broke out. Because of the limited gasoline engine production capacity in this country, several modified types of standard

engines were used, but practically all other parts and accessories conformed to the plan for interchangeable, standardized parts which could be, and were, produced in many automobile parts plants and assembled by many of the recognized motor truck manufacturers. The program was so successful that the United States 2-1/2-ton, 4-wheel-drive truck was included in the report of our Chief of the Service of Supply on World War II as "one of the six secret weapons that won the war."

There were very few examples of better peacetime preparations or better wartime procurement than were originated and carried through in this pre-World War II military truck program.

The manufacturers of military trucks and components very seldom had cause for complaint about the military planning and allocation of materials to provide continuous production and assembly, but occasionally a breakdown in one steel mill would interrupt the flow of bars or forging billets and there would be an emergency problem to obtain steel from some other mill until the breakdown was repaired. On these occasions it was sometimes amazing and sometimes amusing to find how much steel was set aside under "special allocation," which could be drawn upon in an emergency. Industry discovered that procurement officers seem to be able to store secret supplies in much the same manner as a squirrel which digs up the nuts during the winter which he buried in the ground in the fall.

On the surface, these hidden supplies appear to be a tribute to the procurement officers who planned them; but when every available pound of steel is critically needed for war supplies, the secret stores can be a serious menace to the overall military requirements. The officers who are working to a carefully planned procurement schedule can specify exactly what they want, and they have the power to get it; but, as a war progresses, new inventions call for new weapons or munitions for which there has been no previous planning.

For example, after the war started, it was found necessary to have all the materials ready so that emergency air fields could be constructed in the shortest possible time. A few bulldozers could be landed on a Pacific island, and a level landing runway could be prepared; but it would take many weeks to provide a satisfactory type of runway surface. This problem was solved by the design and production of portable steel mats which could be placed over the semiprepared runway and locked together to provide a satisfactory hard surface quicker than by any

other method. In a few months, landing mats were being produced which probably saved months in time, saved many planes from crash landings, and saved the lives of many Air Force men.

However, hundreds of thousands of tons of steel were needed to carry out the program, and, due to the impossibility of expanding our wartime steel production at the required rate, many other munitions programs had to be cut down so that the steel would be available. It is truly remarkable that the landing mat steel supply was provided with so little disruption of other procurement programs, but industry's suspicions were aroused that some of the other procurement programs had been very unwisely inflated. Every procurement officer should realize that when our industrial capacity is completely converted to all-out wartime needs, any oversupply anywhere will inevitably result in a shortage of some other critical material or service.

If in industry we make the mistake of building up our inventories in optimistic anticipation of a sales demand that does not follow, and especially if there is an unforeseen sharp slowing down in demand for our products, an excessive inventory may wipe us out of business. In periods of depression, an inventory which cost a million dollars may shrink as much as 50 percent in value, and cost of warehousing and financing may wipe out much of the remaining value. Industry, therefore, which cannot survive without profits, cannot afford to run the risk of building up excessive inventories; and industry is extremely critical of military procurement which does not observe these principles merely because it has no profit motive.

One more difference between military procurement and corresponding industrial activity is that procurement officers are rotated so rapidly that it is almost impossible to fix the blame when damage or loss is discovered, while industrial executives seldom escape responsibility when they make a corresponding error.

The interservice struggles for power are of interest to industry because they often result in changes affecting military procurement. As you know, at the present time the Army, the Navy, and the Air Force each seek to take over missile development projects, and each is seeking a bigger budget so that it can take credit for the greatest achievements, with the fond hope that missile development priority will be assigned to their department. With each department competing with the other, there is a tendency for each to keep each newly discovered improvement from

coming to the attention of the others. There is always the possibility that one department may be experimenting along lines which have proven to be worthless by another department, which brings useless and wasteful duplication of effort. You can't imagine Oldsmobile developing something and not letting anybody else in the General Motors group know about it, or vice versa. When such developments are brought to the attention of Congress, there soon arises a demand for a consolidated effort.

"Newsweek" of 30 January 1956 (page 21) reports on this situation as follows:

"A bipartisan group in the Senate is considering a proposal to consolidate all missile development projects, now carried on in the Army, Navy, and Air Force, in one independent agency like the Manhattan District, which developed the first atom bomb."

The various companies which are now working on ballistic missiles for one department or another will find cause for worry over this news item. If the department which they are now serving is ruled out of the future program, the company's present business and future prospects may be washed out, and such a threat is sure to discourage their initiative and divert the management into looking for other business.

In military procurement, Congress corresponds to the board of directors in a private corporation. If directors interfered with the purchasing functions to the extent of insisting that the purchasing agent buy from other companies in which the director had an outside interest, all hope of efficient operations would be wiped out. As an ex-bureaucrat, I can testify that I have not only been forced by law to place Government orders where I would not place them on my own judgment, but I also received subtle threats that if I did not work to favor some Congressman's constituent--and always on the telephone--I, or my department, would suffer nothing less than inquisition by the Congressman's investigating committee; and sometimes the threat to cut off all appropriations.

Very early in my career as a bureaucrat I learned that Congressmen are very sensitive about referring to their pleading, self-seeking constituents as "clients," though the relations may appear to bear some semblance of similarity, especially when 60 percent of our Congressmen are lawyers.

The sources of supply in private industry available for military procurement may be listed as follows by types:

1. Corporations which were started for the sole purpose of producing military materiel, which have little hope of survival if our Government places no more orders for their products or services, because they have no peacetime products. These must solicit your business or they go out of business.

2. Companies such as Douglas and Boeing, whose growth is, or was, due primarily to war orders, but which are now indispensable to our economy, either in defense or in peacetime commercial aviation. These companies must solicit your business, but they may survive without it. As the renegotiation boards think 1-1/2 percent after taxes is enough for Boeing and Douglas, they may be better off without Defense Department work in peacetime.

3. Companies whose peacetime products are essential in wartime for military operations and minimum civilian essential needs, or both. These will bid for your business, but can survive without it, and sometimes do not want it, because they feel they can take over their competitors' peacetime accounts if the competitor diverts to military orders and subsequently neglects his competitive civilian business.

4. Companies whose peacetime production will be forbidden as nonessential in all-out wartime, and have been in the past; but whose facilities can be, and have been, converted to production of military materiel during the emergency. Such companies have had experience with wartime price redetermination, renegotiation, War Labor Board domination of their internal labor disputes, etc., and many of them will never bid on your peacetime requirements unless they feel that the threat of war makes it necessary to consider the effect of closing down in the emergency period.

I was very much pleased to read the brilliant and concise speech of Major General Medearis before the New York Post of the American Ordnance Association on 27 September 1955. He covered industry and military peacetime cooperation as it should be carried out. He had several different listings of these classes of people who will bid for your business in peacetime.

When Congress and the Federal courts decided that there could be no legal appeal from Department of Defense Renegotiation Board's unilateral decisions, many companies felt that they had no right to subject their stockholders' assets to possible legalized confiscation.

On the other hand, the record shows that inefficient, badly managed corporations with watered stock, who had been unable to pay their preferred stock dividends before 1940, were able to rehabilitate their financial status by the benefit obtained from using capital investments, on which they were allowed to earn six percent, as a basis for both excess profits tax base and renegotiations board refunds. That efficiency and economy was never properly rated by the boards is easily demonstrated when the prices the Government paid for such items as 75 mm. shot varied from 8 to 24 dollars to various companies which were allowed approximately the same percentage of net profit.

It is amusing to a veteran bureaucrat to hear that Congress is going to set up new procedures to assure better military procurement. Let me tell you about how Congress starts a real reform, and then stops it when it embarrasses any powerful Congressman's constituents.

Let us record the story of ASTAPA. You can pronounce it any way you want. It is made up of the initials of the Armed Services Textile and Apparel Procurement Agency. I happened to be acting as chairman of the Munitions Board at the time. The first thing I knew I read in the papers that I thoroughly approved of ASTAPA. I didn't even know what ASTAPA was. But I said I would find out. I found out that a purchasing agent for the Firestone Company, who was down here serving in an advisory capacity, had given ASTAPA an extremely high rating. So I went out and looked it over and found that it was very well managed, in my opinion.

For many years, congressional investigations have delved into the procurement operations of the Army, Navy, Air Force, and Marines in connection with purchases of textiles, clothing, shoes, and related clothing requirements for the armed services. It was shown time after time that when each of the armed services handled its own procurement, there was considerable waste, ranging from lack of standardization in specifications to overstaffed organizations which never seemed to coordinate their buying requirements to obtain the best results at the most opportune time.

Congress found cases where orders were placed for quantities out of all reason, followed by other cases in which there were shortages of the same goods at critical times. In the congressional post mortems, case after case has been brought out in which one of the services placed such big orders without any particular need that other services were forced to pay very much higher prices in order to obtain the goods they

wanted at the time they needed them. There were cases in which each of the four services set up different standards for the textiles required for work clothes, and each insisted on a different kind of material, claiming that its selection was best for the very same service. Every once in a while we elect one or more Congressmen who are really expert in their knowledge of the textile and apparel business; and many of these Congressmen have declared that the armed services' former procurement practices added wasted millions to the costs of clothing the Armed Forces, representing a total loss to the taxpayers.

Time after time, Congress blasted the practices of the Department of Defense and insisted that immediate steps be taken to standardize specifications and inject efficiency and economy into the four procurement agencies. Time after time, Congress asked the Department to combine the procurement operations in one agency staffed by the best experts available from each of the four services. Some errors were admitted in each department, but each service insisted that it had set up the right organization and program, and that congressional complaints were the result of less efficient practices and procedures in the other departments or services.

In 1952 a congressional committee caustically ordered the Deputy Secretary of Defense to set up a single agency to handle these functions jointly for the Department of the Army, the Department of the Air Force, the Department of the Navy, and the Marines, who were operating separately, although normally under Navy supervision. On 1 October 1952, the new agency was finally organized and set up; and, in a very few months it instituted many reforms and greatly reduced the number of employees in the joint agency compared to the total number formerly employed by the four separate agencies.

It was only natural that ASTAPA made some mistakes, part of which were due to the rotation system in the armed services, under which officers are transferred every two or three years to take over new duties so they will eventually have every possible kind of military experience. Someone said last year that an officer who is going into service in Korea has to have all kinds of experience but I still believe that a man who is a capable procurement officer should not be sent to Korea as a field officer. He should stay in Washington and do a procurement job, or some other place where he does a procurement job, or even be sent to Korea to do a procurement job. In civil life, an expert is usually developed through special work and training carried

on for many years, but the military experts believe a little knowledge of everything is more useful than developing experts for every technical requirement.

To promote the more efficient operation of ASTAPA, it was decided by Congress that a research laboratory for textiles should be set up, to conduct experiments and to determine, through scientific investigation, which raw and finished materials should be used, and to define specifications to assure the best obtainable end product for the taxpayers' dollars and for the armed services' particular requirements under any or all conditions. It was agreed that at least 10 million dollars would be required for this laboratory, and there were estimates that 30 million dollars would be invested eventually (and triple the original estimate is very close to the mark in past combined military and congressional guesstimates!)

This put the laboratory in the "political plum" category; and, to avoid a political squabble, several civilian experts were asked to form a committee and decide on the most suitable location. The committee eventually reported its recommendations; and, as a result, a site in Natick, Massachusetts, was chosen. This location satisfied two Senators and several Representatives, but it aroused the ire of many more Senators and Representatives who wanted the laboratory located in their states.

The principal offices of procurement under the earlier organizations were located in the Philadelphia, Pennsylvania, and Jeffersonville, Indiana, areas; but, after due consideration, the Armed Services Committee declared that New York City was the center of textile buying and was the logical location for ASTAPA headquarters. This satisfied the Senators from New York and the Congressmen from the New York City area, but it antagonized the Congressmen from Pennsylvania and from Indiana, who saw large payrolls in their respective states transferred to New York City.

Dissatisfaction over the move was first brought out in the Congressional Record, and attacks were made upon the poor old Munitions Board, which had only followed the instructions of the Deputy Secretary of Defense, who had only passes along his orders from Congress. The Munitions Board was, nevertheless, blasted for setting up ASTAPA, and unjustly accused of an arbitrary decision--though it had no part in it--for locating the ASTAPA research laboratory in Massachusetts.

There were no formal hearings in the congressional sessions of 1953 to bring out the good or bad features of the new ASTAPA organization, which had not operated a full year. There was at least one informal discussion, in which several Congressmen bitterly reported that several thousand employees had lost their jobs in their congressional area, and, though most of these dismissals obviously resulted from cutting down the budget of the Defense Department, there was no denying the fact that ASTAPA had reduced the number of individuals in civilian and military personnel formerly employed by the several separate Defense Department agencies.

When the new budget was passed by Congress in late July, 1953, it contained a little paragraph which stated that, after 31 December 1953, no monies in the appropriation bill could be used for the operations of ASTAPA. It would be easier to find out who killed Cock Robin than to discover from the Congressional Record who inserted that paragraph. Only a few Congressmen knew that the paragraph was incorporated in the appropriations bill which they passed, because no Congressman can read all the bills which are presented in a final session of House or Senate. And so the poor infant, ASTAPA, was unceremoniously assassinated by an unknown party!

It has been said that the best way to succeed in politics is to vote for every appropriation and vote against every tax bill. The Defense Department organized ASTAPA because Congress insisted that a better organization was essential, but the same Congressmen who conceived it had no pangs of conscience when they killed it just because its improved operations boomeranged into less Government spending in the Congressmen's districts. The only conclusion that can be drawn from this grim story is that we should render due honors to every Government employee who tries to render honest and efficient service to the taxpayer in spite of all the pressures which are applied by politicians who have no scruples against spending taxpayers' money for any project, regardless of its economic usefulness, if it assures their own election.

Today, our country has the finest and youngest group of retired officers with worldwide military experience ever known. They have the knowledge, they have the ability, they have the patriotism, and, finally, they have freedom from retaliation by political pandering groups, to permit them to educate the public to military needs, to arouse the taxpayers to protest against the waste of time and money, and to both advise and protect our active military officers in their pursuit of improved methods. Surely, they will no longer seek

aggrandizement of their former branch or service when they are asked to use their best judgment on the broadest problems of national defense and public welfare.

I hope these remarks will help you solve your problems. I told you I don't know how to solve them. I am very glad I don't have the responsibility. But, whether you agree with me or not, I assure you that these remarks represent my honest opinion, derived from half a century in industry, with military affiliations over the entire period.

CAPTAIN GERWICK: Gentlemen, Colonel Rockwell is ready for your questions.

QUESTION: During your formal remarks you were kind of on and off the matter of single management across the board. Will you comment from your business and military experience on the practicability or feasibility of a fourth service of supply?

COLONEL ROCKWELL: I consider ASTAPA one of the best examples of military procurement. It was a single service taking care of the other services. I don't know how you could beat that. It was just what Congress wanted. It was just put out of business because it happened to have the wrong effect in a few places. I certainly think that is one of the best ways to handle procurement.

Now, I think that when you compare your procurement with what industry does, it is pretty hard for the military to do that. General Motors have two or three special experts in their main office, but most of the buying is done in each of their plants. It is supervised from the General Motors' building in Detroit very largely, but they have the advantage of having a purchasing agent in each place, who knows what the local requirements are. But they could get in each other's way if they each went out and tried to procure for overall requirements.

Now, cold-rolled steel has been a shortage item for almost fifteen years. So somebody at the top has to say, "You are going to get so much and you so much." Each purchasing agent--and, as I say, I know some who have been in Cadillac for more than thirty years and are still doing excellent work there--builds up an enormous amount of ability to get the things that are needed. They build up knowledge of how reliable certain companies are. There are some of the companies

that they feel pretty sure will go along without labor trouble; that somehow or other they will take care of their requirements.

At present it is a frightful task to get nickel. I know of nobody who is buying nickel and paying the standard price, because they know they have to get it any place they can. One of our companies is one of the largest buyers of nickel in the world. We just have to go wherever we can to get it. It is like the newsprint paper problem. The price of newspaper is supposed to be 120 dollars a ton. Many of the small papers are paying 180 dollars and glad to get it.

So there is no question at all that you need a procurement officer to represent each department. But their work should be coordinated; and, of course, that is what we had in ASTAPA. In my own opinion that was a very, very well operated outfit, and one that worked wonderfully. It worked so doggoned well that Congress didn't decide to investigate it. If they had only been able to show a little waste, they would have dragged in a few officers and really made a fuss about their errors.

But they couldn't investigate them unless it was operated badly. So they just worked out this simple little device of putting in this little clause that says, "None of the monies in the 1954 budget shall be used for the operation of ASTAPA." That was a very simple way to do it, by which Congress does something no one wants to be accused of doing, because they really couldn't justify what they did. That is my opinion, and I will stand up and take the blame for having said it.

QUESTION: May I enlarge a bit on my question? Someone said or intimated a few years ago that single service procurement was all wrong, because of the magnitude of the operations included in the single service concept. The Army, the Navy, and the Air Force are separately and individually larger than any single corporate interest in the United States. No one has suggested that Chrysler and General Motors join hands in procurement. Just where does it end, particularly considering that the civilian administration of this is going to change with every change of the administration of the Government?

COLONEL ROCKWELL: You always have a question of political interference, as I said. In a corporation, where you have a number of directors, each with outside interests, if each one of those directors could tell the purchasing agent where to buy, you just couldn't run the corporation.

I think one of the most interesting things along this line was the investigation of General Motors and DuPont. The Department of Justice was trying to show that they were working together, and that it was not in the public interest; that DuPont had bought a large amount of General Motors stock, so that they could force General Motors to buy DuPont products. No one could prove that anybody in General Motors had orders to buy from DuPont unless they found that DuPont had the best products.

I have been connected with two or three of the largest organizations in the world and I know that when I said I wanted to do business with some affiliated organization, they said: "We will give you a letter of introduction, but don't you go and tell them we sent you to get this business from them. You will get the business only if you can show that you deserve it by your service and the quality of your product."

So you just cannot operate anything efficiently if you are going to have interference from the board of directors, or what-have-you that corresponds to it. If Congress is going to interfere with efficient buying, it just can't be done. I think most of you have been around long enough to know what I mean. If you haven't, you will learn.

QUESTION: You have commented on the fact that we do have trouble because we can't keep procurement officers in any one business a good, long time, for continuity, follow-through, and everything else. Would you care to comment on the situation that requires that we change so often our civilian secretaries, who are in high places and who have much greater responsibility for the national policies that we have to follow?

COLONEL ROCKWELL: You have studied history long enough to know that George Washington and the other people who wrote our Constitution knew what happened in countries where the military could get control. You see that today in South America. So the public has been taught, and the Constitution provides, that you cannot have military officers in full control of military operations in peacetime, or wartime either. So how you can get over that hurdle I don't know.

I do know that if you have enough of these retired officers, all of whom are really highly respected citizens, to go out and point out these things, you can get the voters to understand how things are done. But what does the public hear? All it hears is what Congress says.

As to these civilian secretaries, the head of one of the biggest automobile companies in the world told me about a certain man who is a pretty good engineer, with a pretty good record, who said he was going to take a job as Secretary of the Air Force. This man said to him: "I don't think that is the best job for you. It doesn't pay very well. Why do you want to take it?" "Well," he said, "As Secretary of the Air Force, I can get in my four-motor plane and fly to Egypt if I want to, and the next day I can fly to India if I want to. You have to have a pretty big executive job to do that in industry." There are a certain number of people in industry who will take a political appointment for some such reason as that.

If we, in industry, decided, when we have a certain job open, that we would put anybody in that we like, regardless of his ability and experience, you couldn't expect proper results. But there again, we have these retired Army officers who have made a great reputation for themselves, who can tell what is going on around here and work for better methods. And certainly that is the only way I know of that you can ever hope to really accomplish anything.

It just makes me bleed in various spots when I see honest military officers hammered by congressional committees with ulterior motives. I have been hammered a few times myself. I can remember very distinctly when I was in the Maritime Commission that a certain Congressman called up and said: "I have a constituent"--who I happened to believe was his client--"who is going to get 15 percent before taxes when he is renegotiated. You will leave him that much or else." So I investigated to find out if it was true. I was told it was true; that they were going to go along with this 15 percent before taxes.

"But," I said to one of the top people, "what are you going to do? Are you going to allow this so-and-so," or words to that effect, "to tell us that we have to pay that fellow, "who, by the way, had not a very good record, "15 percent or else?" And he said: "Here is what we are up against politically: He is the head of a certain committee which controls our appropriations. So we just have to take care of this political demand or we get no appropriations."

So that is why you cannot do the job we do in industry. You don't have the same freedom that we have. I have been on several of these procurement advisory committees that have been called to Washington. Inevitably they will come out and say: "You can't tie a purchasing agent

down this way and expect him to do a good job. If you are going to make him buy from a contractor who has a bad record, you just cannot expect him to do a good job."

If you, as a military purchasing agent do not buy from a certain contractor who has put in the low bid, if you don't want any of his product at his price because you don't think he will do a good job, you may be forced to do it. We are not forced to do that in industry. There isn't a purchasing agent I know of who would stay in a company where a director came and told him, "You buy from this fellow or else." He would say: "Very well. I will look for another job." Of course you can't do that. There is no use beating around the bush, because that is what you are up against.

The only help I see is for these retired officers, who are still young and active, to stand up and tell what it is all about down here, and get things straightened out, so that your military duties in procurement can be done on a businesslike basis.

QUESTION: During your talk you spoke to some extent about specialists. I would like to inquire a little more into that. First, I would like to place a timely question.

I believe you drew a parallel between the purchasing agent in industry, in the large corporation, and the military procurement officer. I believe you said, or intimated, that if the military procurement officer remained in one position for a long time, there would be this relationship developed between him and his suppliers similar to that of the industrial purchasing agent. I am not sure that that situation would ever develop. I question whether you would have that relationship.

But over on the specialist side, it doesn't seem to me that your experience has been one of specialization, Colonel. I am of the opinion that specialization alone is not necessarily good. It seems to me that you can buy specialists a whole lot cheaper than you can buy men of experience, with breadth and capability in coordinating specialists. I wonder in this age of extreme specialization where we are going to get these top people. I wonder, along with that, whether your organization has specialists at the head of its divisions, or whether you have men with breadth and experience to run the operation.

That is my general problem. I don't believe really that you believe in specialization as much as you have indicated.

COLONEL ROCKWELL: I think I can prove to you that you and I are thinking of exactly the same thing.

General Hollis said he didn't see how anybody could do all the things that I have to do. I just have to be a specialist in picking out the right kinds of specialists. Naturally, to do that, you have to know a little something about each of the subjects that you deal with. But it is surprising how quickly you acquire experience if you make a few mistakes.

But that is our job. The general manager of General Motors doesn't have to be a good salesman, a good purchasing agent, etc. As general manager of General Motors his big job is to make sure he has the right sales manager in each division, the right purchasing agents, the right technical people. He doesn't have to be a specialist at anything but picking the right man for the job. So, if I can claim to be a specialist in anything, and if I have achieved any success that amounts to anything, it is because I have picked the right people.

One of my friends, whom I knew since he was a very young man, worked all his life for the Standard Oil of New Jersey. Finally they asked him to be the president. He is a very modest and retiring person. He had enough money. He didn't want the big job. But they persisted until he accepted. After he had been in a couple of years as president, he said: "I never went to a directors' meeting but what some director asked me about some million-dollar property or million-dollar operation of the Standard Oil of New Jersey that I had never heard of. But," he said, "I knew where I could find the man who did know."

In the Rockwell Companies we have 37 plants around this country. I don't even get a chance to visit all of them once a year. But I have to make sure we have the right men running them. That can be very easily checked from the reports coming in. If they are not showing improvement each month, you try to find out why.

We try to limit our plants to four or five hundred people in one area, because that is about the best size, one man can handle. The fellow who is running such an affiliated plant is very much better off than if he was running the business independently, because on the very complicated problems, like taxes, legal contracts, workman's compensation, and fire insurance--those are all handled from the main office.

The kind of specialists we have in the main office you couldn't hire if you had only three or four hundred people in your own plant.

You couldn't pay for our grade of legal advice in a small plant. It is often said that it is much more difficult to run a plant with four hundred people than it is to run a company that has thirty or forty thousand employees, because when you get to that size, you can hire specialists.

You have a terrific handicap in the Government. You cannot pay very much to your people in Government who have these requirements. And if they are very good, private industry will hire them away from you. Industry does that. You can't blame them, when you realize the competitive condition in business.

So what I tried to say was that technical jobs require specialists, but the top job requires a specialist in picking out the right kind of men. If the topman is successful in that, his company will be successful.

I told last year about titanium, which was a new metal in our experience several years ago. One of the Air Force officers was assigned to study it. He went everywhere and asked all kinds of questions about titanium. One day a Congressman phoned me and said, "Who knows something about titanium?" I said, "We have an officer here who knows." He said, "I would like to talk to him." So I said, "I will let you talk with him."

I called up and said, "Is Colonel So-and-so there? If he is, I have a Congressman who wants to talk to him." The reply was: "I am sorry, but he has gone to Turkey to teach young Turks how to fly."

So there was a man who in industry would have been considered invaluable. He had more useful information on titanium than anybody in the Pentagon. Yet they sent him to Turkey to teach men to fly. That is the kind of thing that I think is all wrong. If we have a really first-class purchasing agent in industry we just will not let that man go if we can help it. We wouldn't think of making a sales manager of him, unless we were sure he would be a lot more valuable as a sales manager than as a purchasing agent.

Some of the things that I am talking about, that industry criticizes, are beyond your control. But I still say that, if you can get a better understanding of the troubles you have and where they come from, they can be corrected. I hope I am right.

QUESTION: Colonel, this morning you have pretty well developed the situation that most of our trouble lies at the door of Congress.

How do you feel about the manufacturer who goes around to his Congressman and asks him to put pressure on the procurement people to favor his own company?

COLONEL ROCKWELL: In the first place, if you had procurement specialists, you would know how to avoid the manufacturer who relies on political connections. You would find ways to convince the "political-pull" manufacturer that his Congressman should not be brought into the act. There is no excuse for that. It is impossible to do efficient business with people who use their political connections to offset their inability to carry out their contracts.

Of course, as I said, you have a handicap if a Congressman says: "You have to give my friend, who bid the lowest price, the contract or it will be bad for you." If we had to do that in industry, it would be very bad.

Of course one result of that kind of thing is that in procurement it is very often the case that the contract goes to a big company like General Motors or General Electric because you know they are less likely to play politics than a little manufacturer whose business is political, who is relying chiefly on appeals to Congressmen, to avoid penalties.

It is also understandable why you like to do most of your business by negotiation or on a cost-plus basis. You do it because you like to deal with certain people. But if you were in business, you wouldn't do it that way. The number of contracts that we let on a cost-plus basis you could count on the fingers of one hand. It is not the way to do business. So you have to do things that we wouldn't do in industry.

QUESTION: Is there any way in which NAM could conduct an educational program, by discouraging these people who exert undue influence for their own personal interest; in other words, to have you teach your own people through your own organization?

COLONEL ROCKWELL: Many manufacturers are not entirely satisfied with NAM. What can we do about it when NAM comes out, as they did on two or three occasions, when I think the majority of the members of NAM weren't in favor of their actions?

There is a little politics in NAM. A small group gets together and writes a report. The first thing we know, it is shot out. As a member

of NAM there have been several occasions when Congressmen have accused me of things that NAM had done, and I was able to say, "I quit NAM a long time ago, because they didn't represent what I thought was right for the country."

No, I don't know how you are going to do it through the NAM or the Chambers of Commerce or other such organizations. You have to do it with your own people who know what they are talking about, who can go out and show what terrible handicaps you are up against in the military procurement service.

You officers, who devote your lives to the military service are certainly subjected to things that are intolerable, but what can you do about them? I think your only hope is to have this great corps of retired officers get out and tell the people what you are up against, and explain these situations. If that is done, the people will certainly be glad to see that something is done, especially when they find out what it is costing them in taxes.

QUESTION: Colonel, suppose that you have a new weapon that has gone through development and it is now determined to release it for procurement. Would you comment on how you feel about the CPFF or the fixed-price contract?

COLONEL ROCKWELL: In cases where you have something like that, your purchasing agents know of certain people who operate very efficiently. In business, if we had something like that, a new product, and our shops were not properly equipped to do it, we would know some company in which we had great confidence. Our purchasing agent would then feel perfectly safe in putting them on the job to handle it on a cost-plus basis.

But you are always subject to criticism if you do just exactly what we do, because some Congressman thinks that one of his constituents could do the job just as well as anybody else; so he immediately starts to find out if there isn't some ulterior motive for your not having given his constituent the business. That is the kind of handicap you are up against which we don't have.

QUESTION: But from what you said so far I gather that you do use the CPFF at times. Is that right?

COLONEL ROCKWELL: I don't know how you could do otherwise, when you have an experimental project which you cannot handle in your own facilities, and which may require changes, unforeseeing when the work is started.

QUESTION: But you point out, on the other hand, that it is not good business to procure on that basis?

COLONEL ROCKWELL: As I say, in the ordinary things that we are buying, we know several manufacturers who are reliable. So the chances are that we will go to them naturally, because we think their price is the best price, all things considered.

I think one of the most interesting things I have seen in the papers recently--if I may take a moment--is the announcement some weeks ago that the German Volkswagon Company had bought the new Studebaker plant in New Jersey located on the Pennsylvania tracks and were going to build the Volkswagon there in its entirety. The man who runs that Volkswagon, you know, got his training at Opal, a plant in Germany owned by General Motors. When he announced that he was going to build the Volkswagon in the new Studebaker plant, buying the parts from parts manufacturers in the United States I felt sure that they never would carry out the plan. A week ago Sunday they announced that they were not going to build the Volkswagon over here. The reason is that they can't possibly make the parts for the Volkswagon in this country and compete with their own factories in Germany, because of the higher wages and other factors applying to our production costs. So they are now announcing that they will not try to build the Volkswagon over here, and are also talking about selling the New Jersey plant.

The only thing that they found it would pay them to build in this country is bodies. That was simply because the freight rates, the shipping rates, the ocean rates, on bulky things like bodies make it very expensive to ship bodies over here. They could buy the bodies over here instead of bringing them from Germany. On the other parts they just can't touch German costs in this country.

It was very interesting to me to see how quickly they found that out. It took only two or three months after they announced that they were going to build here that they found out they couldn't show a saving.

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CAPTAIN GERWICK: Colonel, our schedule forces us to bring this to a close. On behalf of the College, I want to say that we appreciate your coming over here, and we enjoyed your message. Thank you very much.

(9 Mar 1956--250)B/mmg