A SUPPLY SYSTEM FOR COMMON-USE ITEMS

12 December 1957

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Mr. Nathan Brodsky, Staff Director for Research and Special Projects in OASD (S&L), was born in Philadelphia, Pennsylvania, in 1916. He served with the U. S. Army from December 1940 to April 1946. He was on the faculty of the Quartermaster School from 1941 to 1943. From 1943 to 1946 he was in the Pacific area, serving consecutively as Executive Officer, Supply and Salvage Division, Headquarters Services of Supply, South Pacific Area; Chief, Supply Division, G-4, Headquarters, South Pacific Base Command; and Chief, Supply Division, G-4, Headquarters, Army Service Command Olympic. From 1946 to 1948, Mr. Brodsky was Chief, British Dominions and India Branch, and Chief, Procurement Coordination Branch, UNRRA. He served with the Munitions Board from 1948 to 1952, in the capacity of Deputy Vice Chairman for Supply Management from 1951 to 1952. In 1952-1953, Mr. Brodsky served as Deputy Director, Defense Supply Management Agency. From 1953 to 1956, he served as Assistant Director for Cataloging, Standardization and Inspection in the Office of the Assistant Secretary of Defense, Supply and Logistics. Since June 1957 he has been Staff Director for Research and Special Projects in OASD (S&L). He is currently Team Leader, Army Single Manager Assignments on the Logistics Systems Study Project. From 1949 to 1952, Mr. Brodsky was a consultant to the Intergovernmental Relations Subcommittee, U. S. House of Representatives. Mr. Brodsky was graduated from Temple University and continued graduate study at the University of Pennsylvania and at American University. He attended the Quartermaster School in 1941 and the Command and General Staff School in 1943. Mr. Brodsky was a member of the ICAF Class of 1957. He is a Colonel in the Army Reserve. This is his third lecture at the Industrial College.

A SUPPLY SYSTEM FOR COMMON-USE ITEMS

12 December 1957

COLONEL LACKAS: We are going to spend most of the day considering organization. An organization is an important aspect of any operation. I might suggest that you listen to the lecture this morning and when questions arise in your mind concerning operations you reserve them for this afternoon for we have a number of the participants on a panel this afternoon to discuss the mission, functions, and operations of single manager agencies.

I would like to point out that we have with us this morning General Feldman, who was the former Quartermaster General.

As I have indicated, organization determines more or less how you operate. I think I can even use a biblical text to introduce the speaker. It is from Exodus 18, Verses 25 and 26.

> "And Moses chose able men out of all Israel and made them heads over the people, rulers of thousands, rulers of hundreds, rulers of fifties, and rulers of tens, and they judged the people in all causes. The hard causes they brought unto Moses. Most every small matter they judged themselves."

The recognition of the importance of the subject we are to start discussing today is demonstrated by the fact that the former Secretary of Defense, Mr. Wilson, directed the Secretaries of the various military departments to participate in a study. It is called Logistics Systems Study Project.

Our speaker is a participant in that study, and one of the panelists this afternoon, General McNamara, The Quartermaster General, is the Army's representative on the Steering Group of that study.

I feel that perhaps nothing means more in an operation than how we organize to perform it, and so we felt that it was worthwhile to spend this day on it. We will have another session on this subject later in January, about which you will hear later.

In the selection of a speaker, we obtained Mr. Brodsky, who is in the Office of the Assistant Secretary of Defense for Supply and

Logistics, and Director for Research and Special Projects. Mr. Brodsky is a graduate of the Industrial College. In fact he graduated last year. However, this is the third time he will have appeared on this platform. Prior to becoming a student he spoke at this College on two occasions.

It gives me great pleasure, therefore, to welcome back to this platform and back to the College, Mr. Brodsky.

MR. BRODSKY: Admiral Clark, Members of the Faculty, and Students: I suppose it should be with some trepidation that I face a group as illustrious as this, particularly as I look around and see some of my classmates who were lucky enough to stay on in the faculty. But I must confess that this is not quite as fearful as the occasion of getting up here and making a public speech, as you people have to do in your oral presentations or in your public speaking class, where you have a public speaking professor sitting in the audience viewing you with a jaundiced eye. Actually it is more relaxing to be here and to be able to put my hands in my pockets and know that no one is going to criticize. Also, I find myself at a great disadvantage. As you probably know, there is a little coffee period before the speaker is brought in here to the kill, and I am torn betwixt and between some of the advice that I have heard. General McNamara, for instance, feels that any speech which goes over 20 minutes isn't worth listening to, and I had planned not to get to the guts of what I was going to say for about 20 minutes.

I would like to outline for you today the plan which we will be following. I will devote the lecture this morning to the background leading to the development of the single-manager concept. I will describe the concept, explaining how it differs from previous supply systems in the areas encompassed, discuss what the single-manager concept was intended to accomplish, and then acquaint you briefly with the Logistics System Study Project which Colonel Lackas just mentioned.

As you know from the talk which Secretary McGuire gave to you on Monday, the Logistics System Study Project is currently evaluating progress of the Department of Defense in coordinating common supply and logistics activities.

This afternoon you will be participating in a seminar which will deal with the detailed performance of two single managers, namely,

subsistence and clothing. General McKenzie, who is the Executive Director for the Subsistence Supply Agency, General Anderson, who is the Executive Director for the Clothing Supply Agency, and General McNamara, The Quartermaster General of the Army, will participate in this seminar. This will be your opportunity to get into some of the details of the operation.

Needless to say, your study of common supply is particularly timely. I understand that Deputy Secretary Quarles, in talking to you and the students of the War College on Friday, mentioned the concept of a single manager. Mr. McGuire, in speaking with you on Monday, did likewise. As we will elaborate on later, we are currently engaged in the Defense Department in a study of our programs for integrating common supply and logistics systems. The single-manager concept is of course receiving careful scrutiny in this study.

The two teams which are exploring single-manager concepts have had an opportunity to look at this operation at every level. The teams are currently preparing their reports, and I would urge the College to get copies of them as soon as they are made available.

I would like to review briefly some of the background which led to the development of this single-manager plan. For some of you this may be old history. I know that some of you, as I look around, participated in this. For others, it may be well to quickly run through this review. As you know, the National Security Act directed the Secretary of Defense to pay particular attention to the area of logistics management. Among others, he is required to coordinate the procurement, the production, and the distribution plans of the Department of Defense. He is required to determine relative priorities of the various segments of the military procurement programs, and he is required to review materiel requirements.

How to do this effectively in an organization as large as the Department of Defense has been a challenge to the logistics brains within that department. In the meantime, criticism of logistics operations continues, alleging unnecessary duplication of inventories, unnecessary duplication of facilities and services, and asserting that our assets are not being utilized efficiently and that competition among the Armed Forces for the resources of our country produces an unhealthy impact on our economy.

As early as 1949 the Secretary of Defense requested the then existing Munitions Board to develop, in conjunction with the military departments, a proposal for a supply system for common items. Several studies were undertaken during subsequent years, and much progress was made toward achieving improvement in supply management. Congressional pressures and public criticism continued, nevertheless, motivated by a desire to seek greater unification. My office has recently completed a study of the complaints and alleged deficiencies in supply and logistics activities of the Department of Defense as they appeared in a sampling of congressional reports, congressional hearings, and the Congressional Record. There were approximately 50 major deficiencies alleged in these documents. These covered areas such as planning, requirements, procurement, production, distribution, and transportation. They included allegations of inadequate cross-servicing, of poor inventory turnover, of unsatisfactory stock levels, and of inadequate review of requirements, just to name a few.

In addition to the type of criticism just described, the Second Hoover Commission issued several reports in 1955 criticizing the management of logistics in the Department of Defense. In its report on "Business Organization in the Department of Defense," the Commission concluded that, although efforts have been made since the passage of the National Security Act of 1947 to achieve coordination in the field of supply, no acceptable degree of success was found. The Commission recommended that the Congress enact legislation establishing a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities.

Congressional committees and private groups continue to look at every phase of our operations. Impatient with the rate of unification, legislation is introduced periodically in the Congress calling for a fourth service of supply, a concept never clearly defined, but one which nevertheless generates popular appeal. It is frequently stated that what we need is a fourth service similar to the British Ministry of Supply; yet many who advocate this do not seem to realize that the British Ministry of Supply is essentially a procurement, standardization, and research and development organization for war munitions. It does not get involved in requirements, it does not get involved in distribution, it does not get involved in disposal. Moreover, the very items which we consider when we talk of common supply and service--food, medical items, petroleum--are the very items which are outside the British Ministry of Supply and are controlled by other ministries.

I make this point merely to illustrate the fact that, while there is much passion with respect to the fourth service of supply, the concept as such, to the best of my knowledge, has not been defined.

For several years, the Defense Department has been proceeding with the development of basic supply policies which are essential to the integration of our logistics systems. Policies have been promulgated covering areas such as inventory management, single-service purchase assignment, requirements planning, et cetera. The Federal Catalog Program was started in July 1952, and firm targets for completion were established. The Defense Standardization Program has been developed in recent years. All of these programs bring with them the requirement for detailed study, for the development of new concepts, for the creation of new tools. They bring with them the necessity for training personnel; and there is little, if any, prior experience on which we can fall back in many of these areas.

The Federal Catalog Program, for example, is one which through the years has received much criticism, yet there was no industrial experience that could guide the Defense Department in the establishment of this program. It required a tooling-up phase, a prolonged tooling-up phase, for which the Defense Department got very little credit, and during which period it got very much abuse.

In about January 1955 the Assistant Secretary of Defense for Supply and Logistics undertook a review of past proposals and current systems of supply. By April 1955 a working group was organized to develop a definite proposal for the supply management of common-use items. While it would not be accurate to report that the Department of Defense was oblivious to criticism which was being directed its way, it must, nevertheless, be realized that the action taken to evolve a program for the management of common items was a natural development within the Department of Defense, brought about by the recognition that supply improvement was essential for military reasons as well as for those of efficiency and of economy.

The Single Manager Plan evolved from the deliberations of the working group and the military services. You must keep in mind the fact that a major objective of the Single Manager Plan was to utilize existing organizations and facilities to the maximum extent. In a lecture from this platform in November 1955 Mr. Lanphier, then Deputy Secretary of Defense for Supply and Logistics, who played a major role in the development of the single-manager concept, stated that the intent was to develop a proposal which would bring minimum

disruption to existing practices, would utilize existing assets, and would follow established and proven techniques that have been in various degrees of operation for some time.

This, in brief, is the background of the single-manager concept. Let us now look at the problem which the Department of Defense faced, and how it went about establishing a solution.

Our problem was to devise a plan for managing common-use items and common-use services, and to eliminate duplication and overlapping throughout the Department of Defense.

In considering the development of the single-manager concept, typical categories of common items were isolated--first, those items having a high proportion of common use, such as medical and dental, petroleum, subsistence, and clothing; then, those items having a significant proportion of items of common use, such as general stores, (which includes handtools, hardware, materials handling equipment, et cetera) vehicular parts, tires and tubes, lumber, bearings, and similar items.

Chart 1, page 7.--Now let's look at the supply system as it generally exists today. To the left you see Strategic and Logistics Plans. I need not tell you that these are developed by the Joint Chiefs of Staff and are passed on to the Army, the Navy, and the Air Force.

The second column deals with the Computation of Program Requirements. Under the present system the Army, the Navy, and the Air Force take the Joint Chiefs' plans and translate them into the program requirements. They balance against their program requirements the assets in the system, and come up with a net requirement for the Army, the Navy, and the Air Force.

The next column, Collation of Requirements, implies that there is some kind of collaboration among the services to make maximum use of their assets before they determine what their final buy will be. They then go out for procurement through contracting and contract administration, and from production they receive the supplies which go into their separate supply systems.

You will notice that the services work from jointly developed strategic plans, but each service in the present supply system, generally, with exceptions which we will discuss, goes through a process of its own to operate its supply system.

CHART 1

THE PRESENT SUPPLY SYSTEM

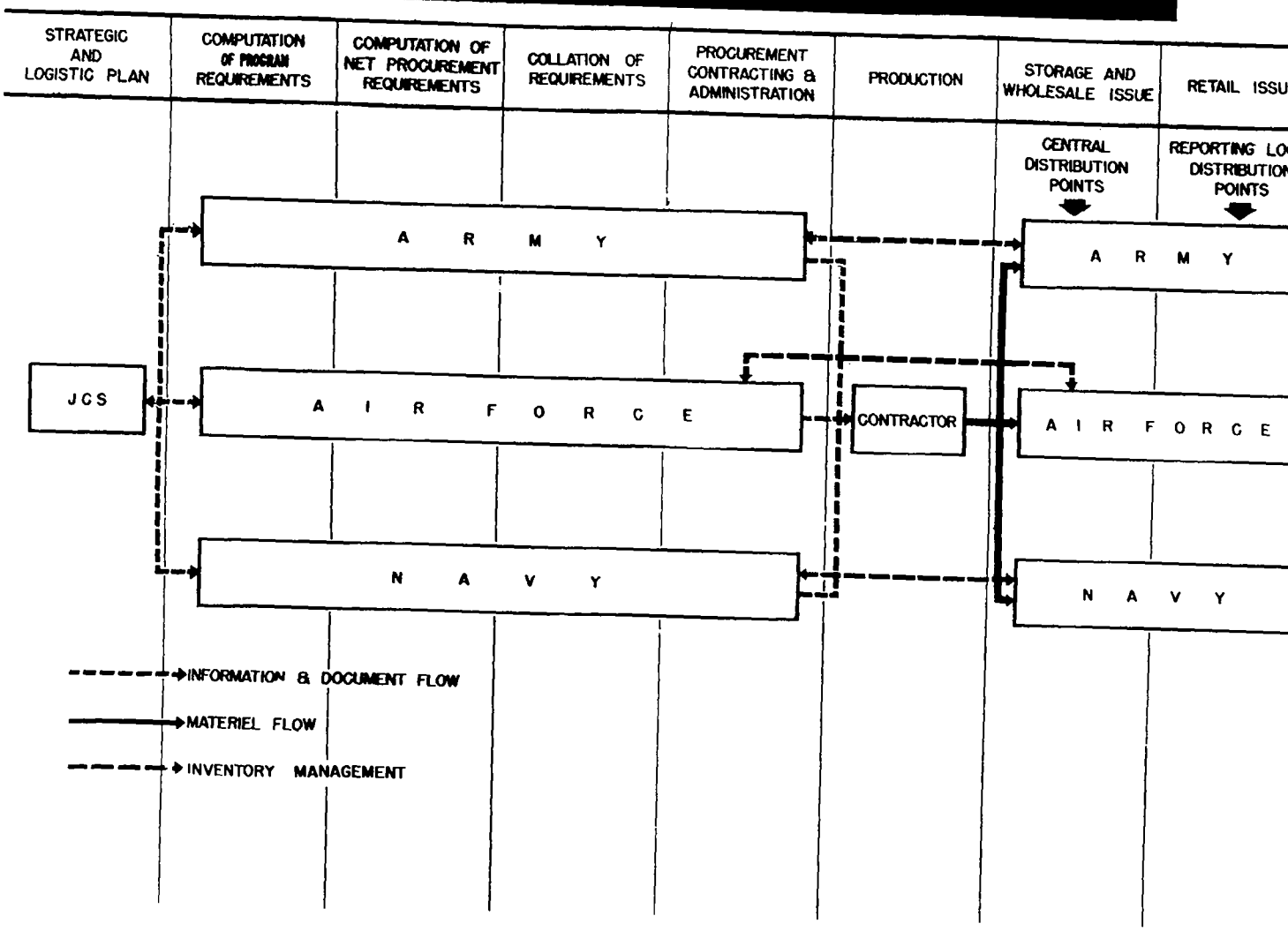


Chart 2, page 9. --Let's look at some of the variations which have existed, and in some instances still exist, in the management of supply. As you know, the National Security Act of 1947 directed the maximum amounts of single-purchase assignments to be made by the Secretary of Defense. This chart demonstrates the operation of the Single Purchase Assignment Program. Currently there are some 35 major commodity areas which fall under single-purchase assignments.

How do these work? Very briefly--the Joint Chiefs develop their plans. Program requirements are developed by the services. Net requirements are computed by the services. There is collation to the extent desirable among the services.

You do not have an organization until you get into the column of Procurement, where one service is designated as the procuring activity for all services in that particular commodity area. In materials handling equipment, for instance, one service has the assignment to do the purchasing. The services give to that service the MIPR, the Military Interdepartmental Purchase Request. That service goes out and does the buying, and the supply is delivered to the separate supply systems of the Army, Navy, and Air Force. This is a modification, then of the supply systems which we have in single-purchase assignments.

Chart 3, page 10.--Now let's look at this chart, which deals with what was true in subsistence before establishment of the single-manager concept. We went through the same process until we got to Procurement. In the case of subsistence, the Army had the assignment to do the purchasing, but additionally, because the Air Force originally came from the Army, the Army also provided the distribution to the Air Force retail points. So that the Army did the buying for the Army, the Navy, and the Air Force. The delivery went to the Army and to the Navy, the Army handling distribution for both Army and Air Force. This was the case in subsistence before single management.

Chart 4, page 11.--This shows clothing and textiles. This area has had a history of attempted coordination which has proven unhappy. I hope that this afternoon you will ask General Anderson to expand on that. But, basically, before the single manager, the situation was such that when we got to collation of requirements there was a requirement for some type of collaboration, though, in my judgment, not a very well-defined type. After this collation of requirements, again, there was assignment to the Army to do the buying for the Air Force, but the Navy did its own buying and distributed to its own distribution system.

CHART 2

THE PRESENT SUPPLY SYSTEM

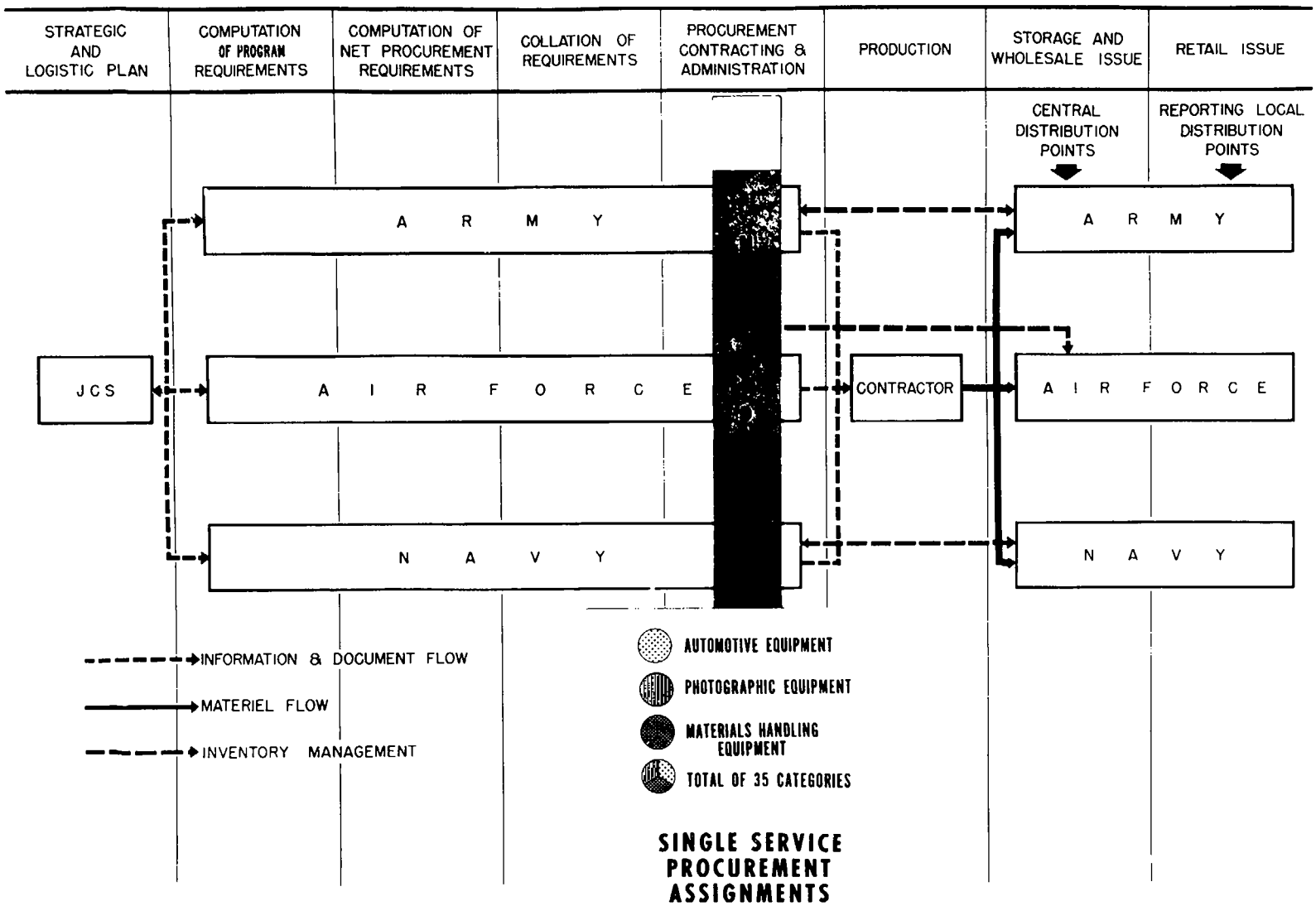


CHART 3

THE PRESENT SUPPLY SYSTEM

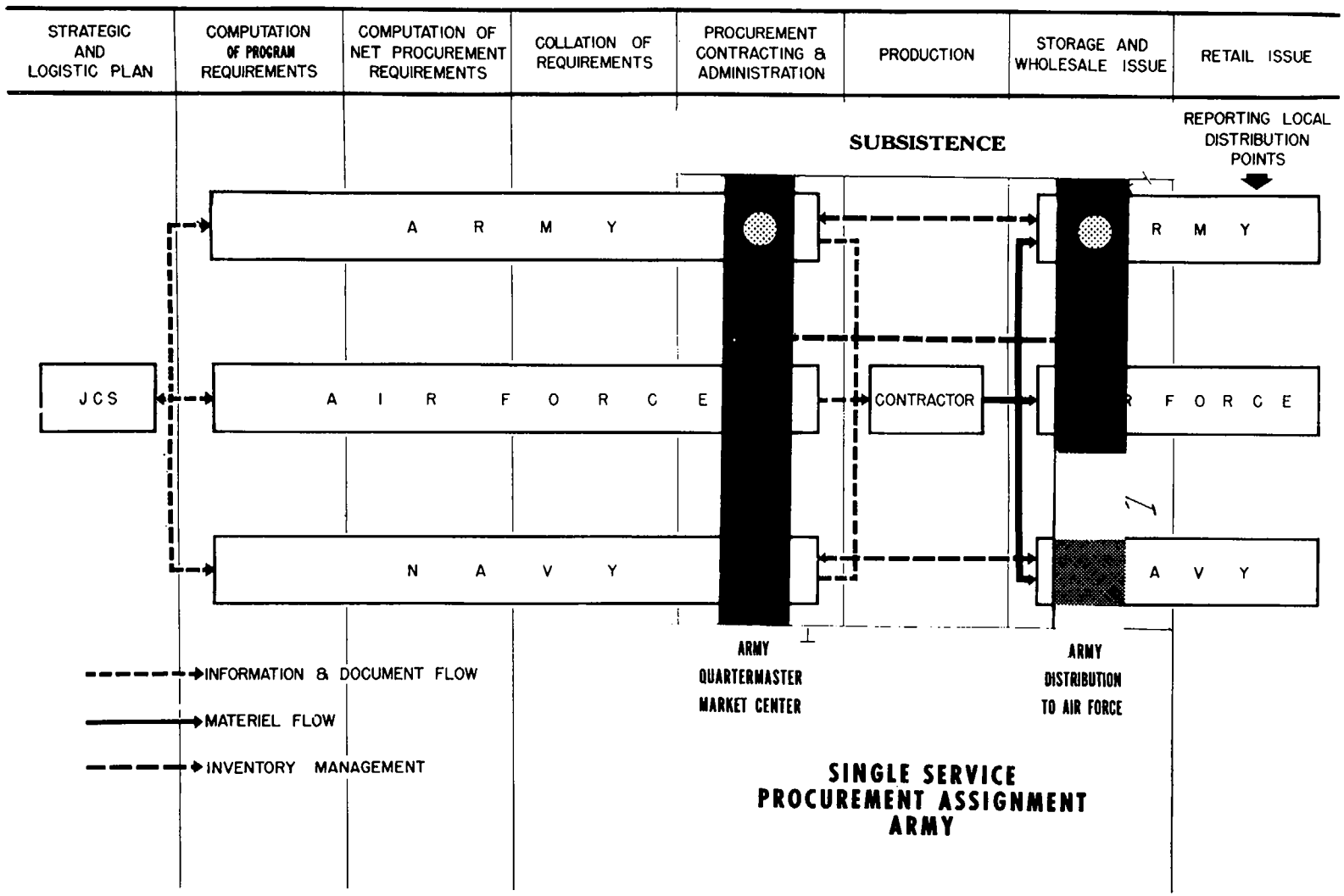


CHART 4

THE PRESENT SUPPLY SYSTEM

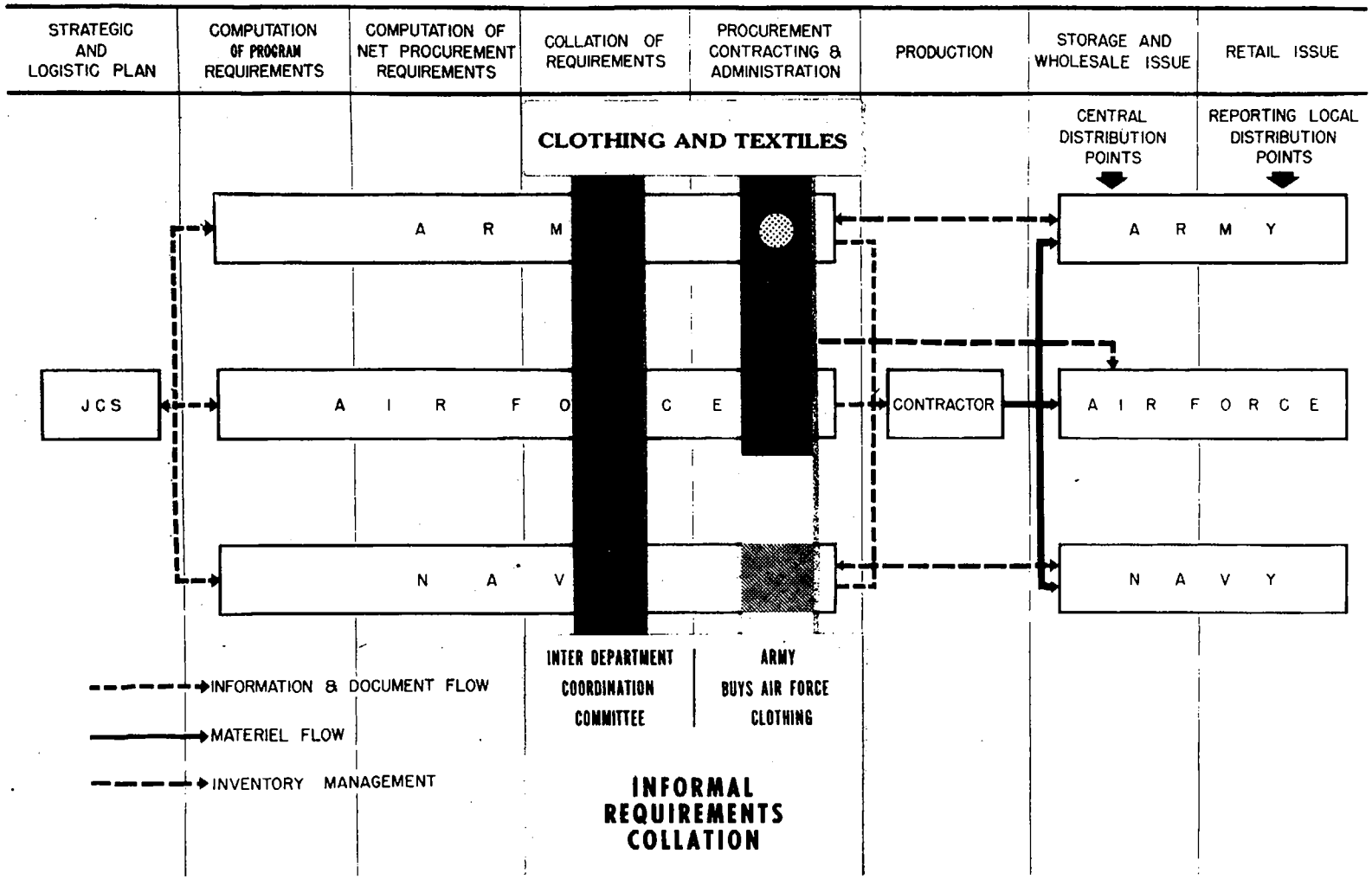


Chart 5, page 13.--Petroleum is another variation. There was a joint agency, the Armed Services Petroleum Procurement Agency, which was responsible only for collating the requirements and for handling the procurement through a joint agency, and distribution to the Army, to the Navy, and to the Air Force. There was no one to review the requirements, but requirements were collated, and procurement was handled by this single agency.

Chart 6, page 14.--Medical and dental is another variation. There was collation of requirements through a joint agency, the Armed Services Medical Procurement Agency. Procurement was through this joint agency. Again, as in the case of subsistence, the Army provided the distribution, at the wholesale level, for the Air Force. The Navy ran its own distribution at the wholesale and retail levels.

Chart 7, page 15.--Now, this is the Single Manager System as it was evolved. Very briefly, again we find the Joint Chiefs establishing the overall strategic and logistics plans. Program requirements are established by the Army, the Navy, and the Air Force to implement those plans. Then we get into the single manager arena. After each service has determined what its requirement will be, it passes that requirement to the single manager, who then has the responsibility for assessing the assets in the wholesale system against the requirements of the services, for collating these requirements, and then for determining how much he has to go out to buy in order to meet the requirements of the services.

So the single manager has the opportunity to examine all of the requirements, to establish his procurement program, and then to go out as a single source of contact with industry and to contract for this supply. This is sent to an area distribution depot, and from that feeds to the retail levels of the Army, the Navy, and the Air Force.

This area distribution depot needs some explanation. The single manager now designates geographic areas within which the services go to get their supply. This may be an Army depot, a Navy depot, or an Air Force depot. Basically, the service goes to its nearest depot to get supplies. This is a complete change from anything which had existed before. So that we find that the source of contact with industry and distribution through the wholesale level is really controlled by the single manager. The services take over again at their retail installations.

CHART 5

THE PRESENT SUPPLY SYSTEM

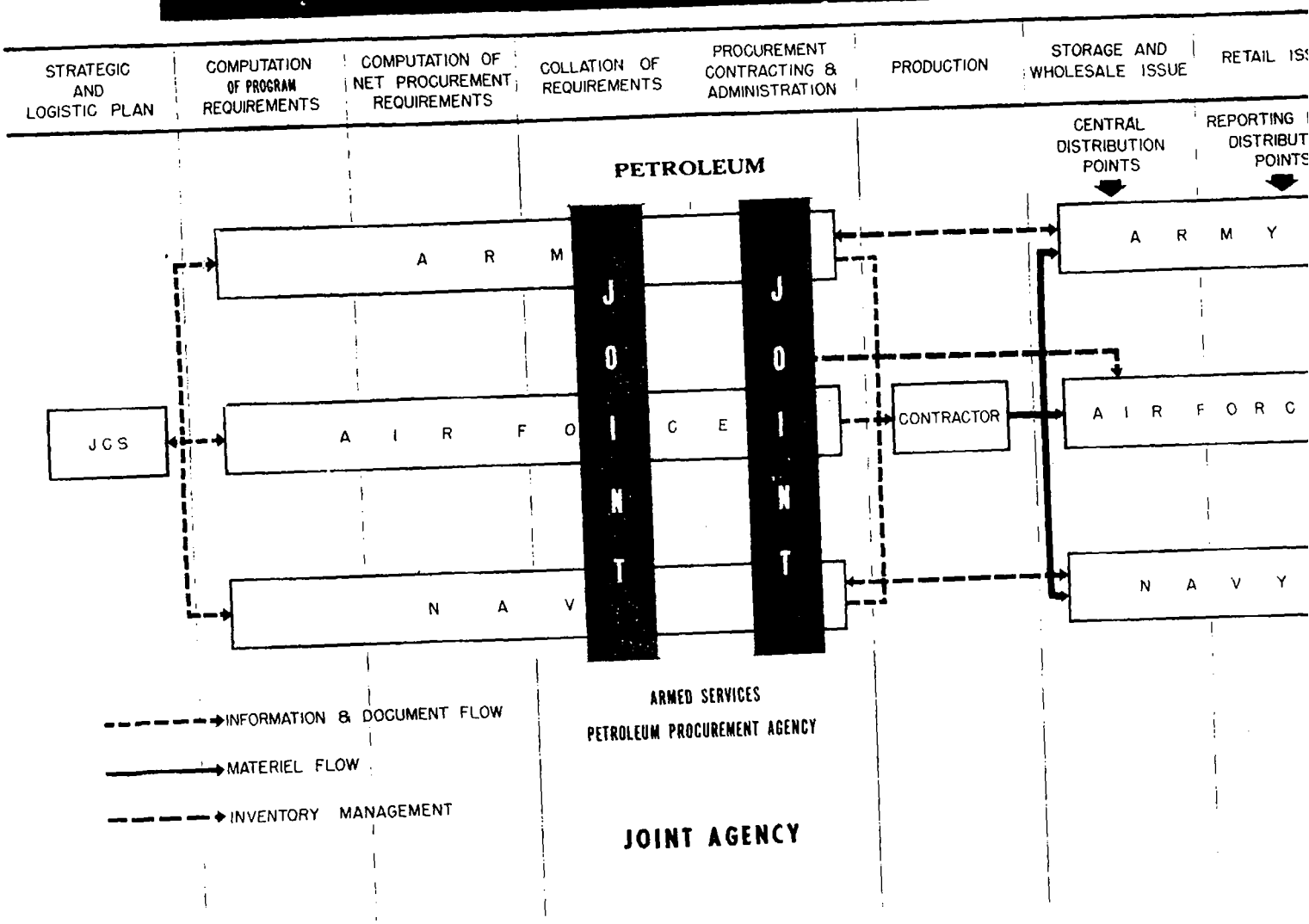


CHART 6

THE PRESENT SUPPLY SYSTEM

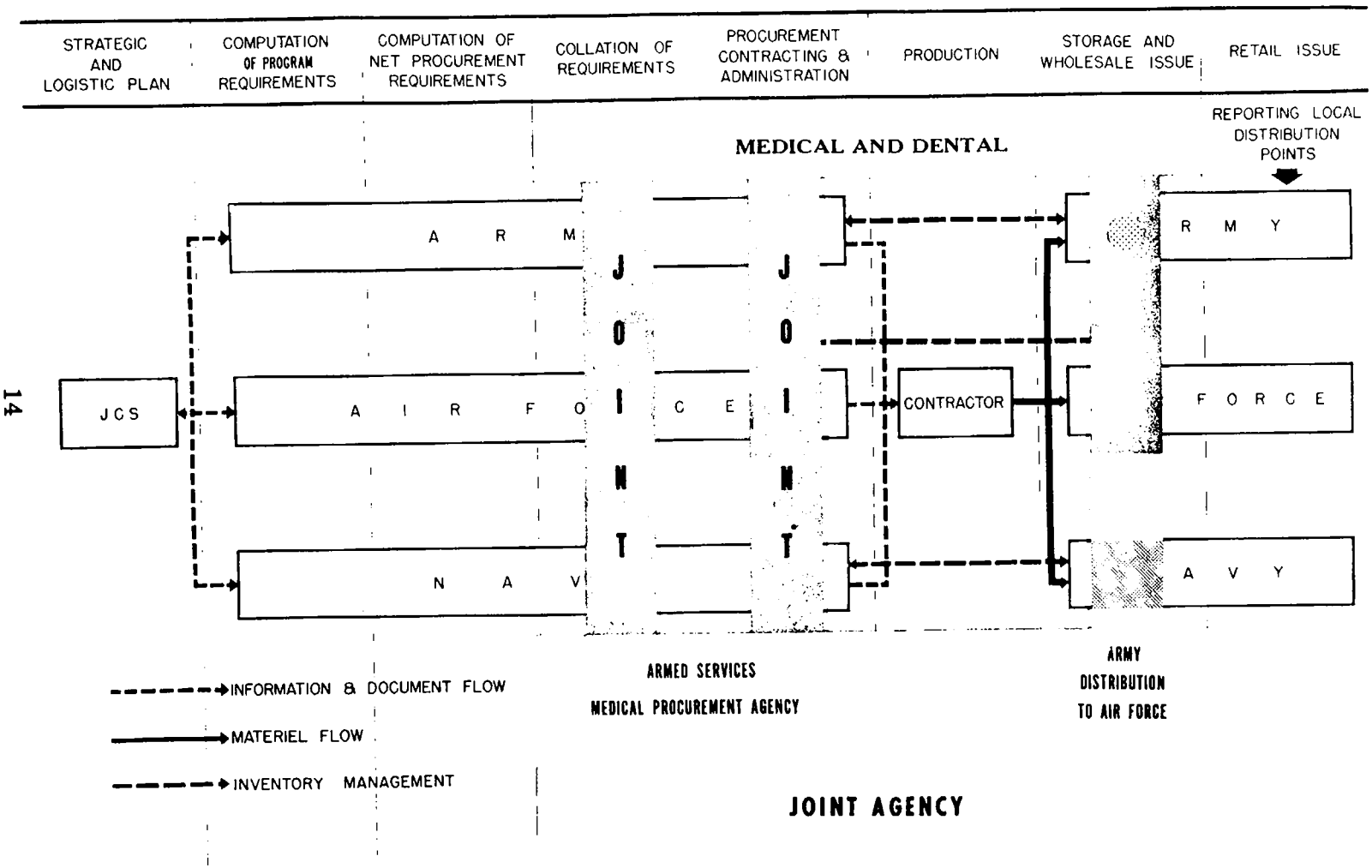


CHART 7

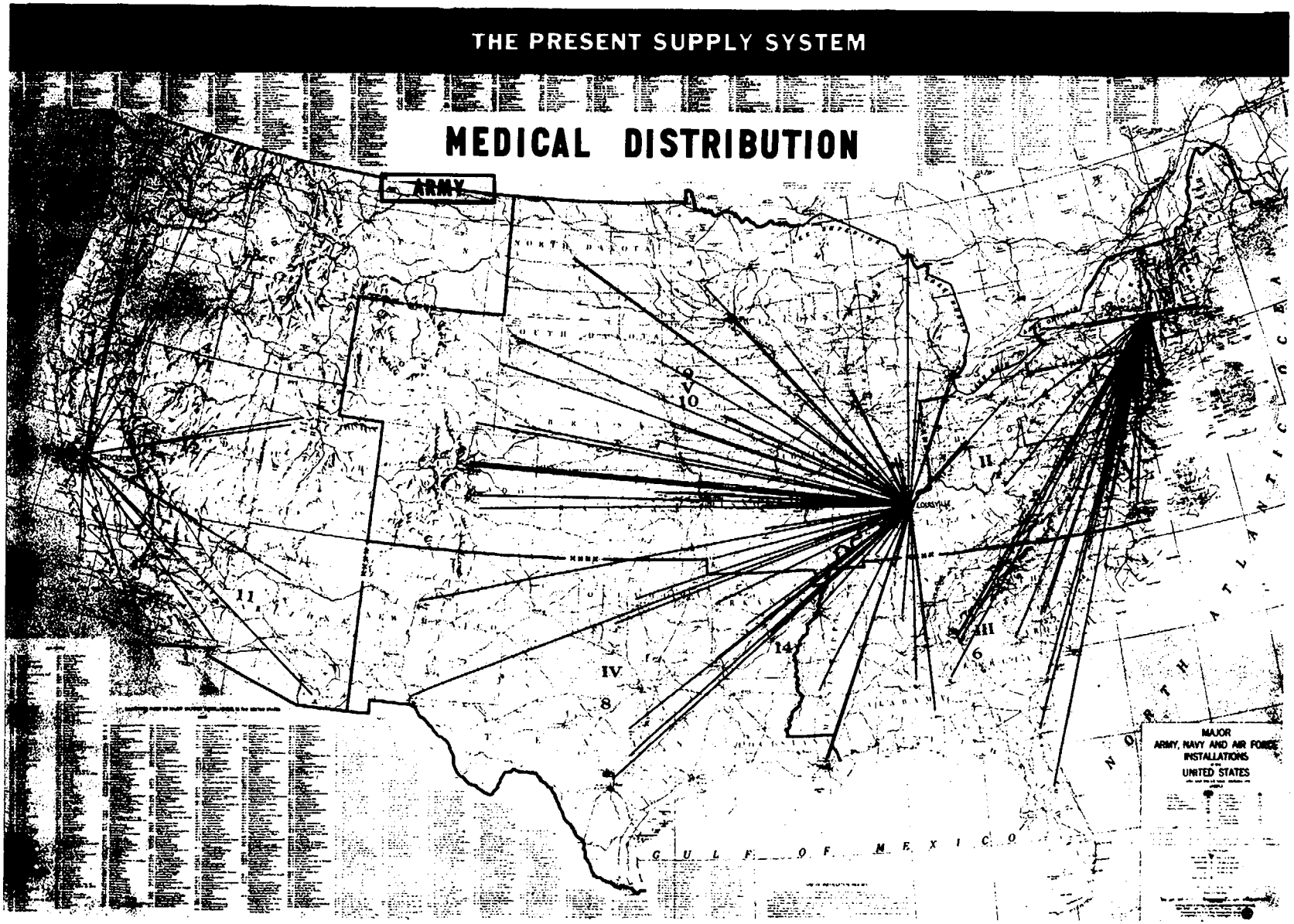

THE PRESENT SUPPLY SYSTEM
MEDICAL DISTRIBUTION
ARMY
NORTH DAKOTA
SOUTH DAKOTA
LOUISVILLE
GULF OF MEXICO
NORTH ATLANTIC OCEAN
V
10
II
11
III
6
14
IV
8
MAJOR
ARMY, NAVY AND AIR FORCE
INSTALLATIONS
IN
UNITED STATES

Chart 8, page 17.--On this chart a statistician has derived a hypothetical distribution pattern which is possible as a result of the single-manager concept. I don't plan to stress any of the statistics here. I think they may be subject to debate. But I think the concept is clear that, under the present system, that is, prior to single manager, in medical, for instance, you could have crosshaul and backhaul distribution from one area into another, because of separate distribution channels to the Army, the Navy, and the Air Force.

The hypothetical situation is demonstrated on your left and indicates distribution through area distribution depots designated by the single manager. It now permits you to get the maximum utilization of your facilities, with elimination of crosshaul and backhaul, the type of criticism to which the Defense Department has been subjected.

Chart 9, page 18.--How does this single-manager organization operate? By direction, the Secretary of Defense declares a military department as the single manager. Specifically, in the commodity areas that we are discussing this morning, the Secretary of the Army is the single manager for clothing and textiles and for subsistence; the Secretary of the Navy is the single manager for petroleum and for medical and dental.

Through delegated channels, then, the Secretary of the Department, who is the single manager, establishes an operating agency. This operating agency actually carries out a majority of the functions which have been assigned to the single manager. Again, in the case of the Army, since we will be dealing primarily with Army single managers today, the Secretary of the Army, through the Deputy Chief of Staff for Logistics, and through General McNamara, The Quartermaster General, has designated General Anderson as the Executive Director for the Military Clothing and Textile Supply Agency. That designation of Executive Director must be approved by the Secretary of Defense.

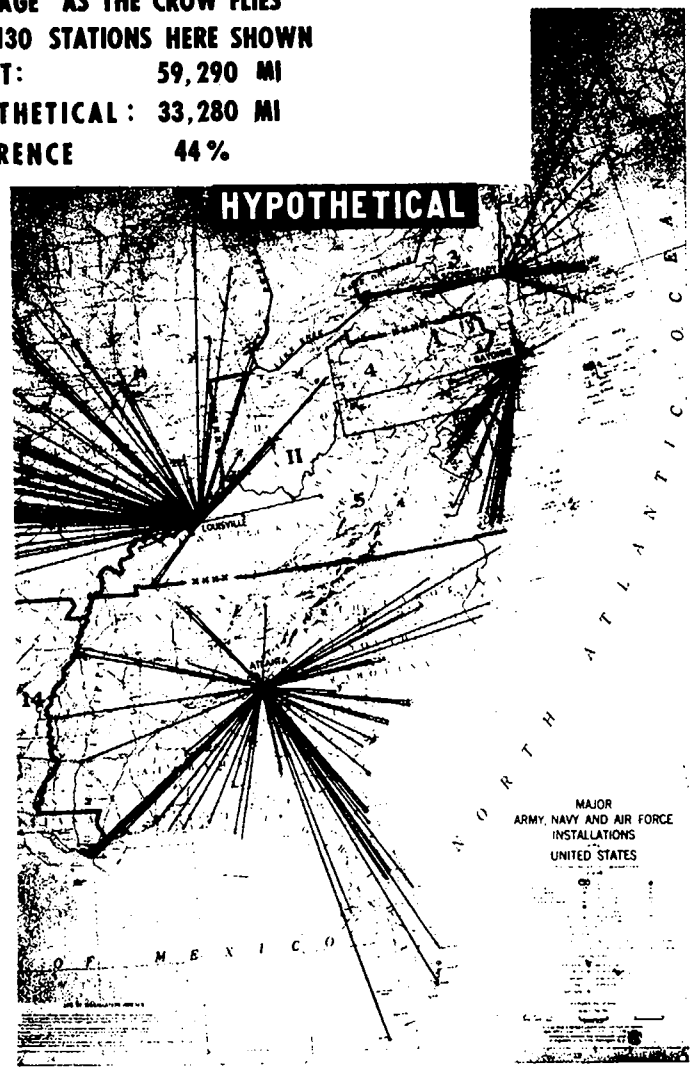
Operating with the Executive Director is an Administrative Committee. This Administrative Committee consists of representatives of the using services, representatives of the Office of the Secretary of Defense, and other technicians as required. But you must keep in mind the fact that this Administrative Committee is an advisory committee to the Executive Director. It is not a policy board. It is not a review board, as had existed in many instances before. It is the Executive Director's means for keeping in touch with the services, and the services' means for keeping intimately in touch with the Executive Director. They do not, however, control or review the operations.

CHART 8

MEDICAL SUPPLY DISTRIBUTION PATTERNS (EASTERN STATES)

TOTAL MILEAGE "AS THE CROW FLIES"
DEPOT TO 130 STATIONS HERE SHOWN

PRESENT:	59,290 MI
HYPOTHETICAL:	33,280 MI
DIFFERENCE	44%



PRESENT: 5 DEPOTS
HYPOTHETICAL: 4 DEPOTS

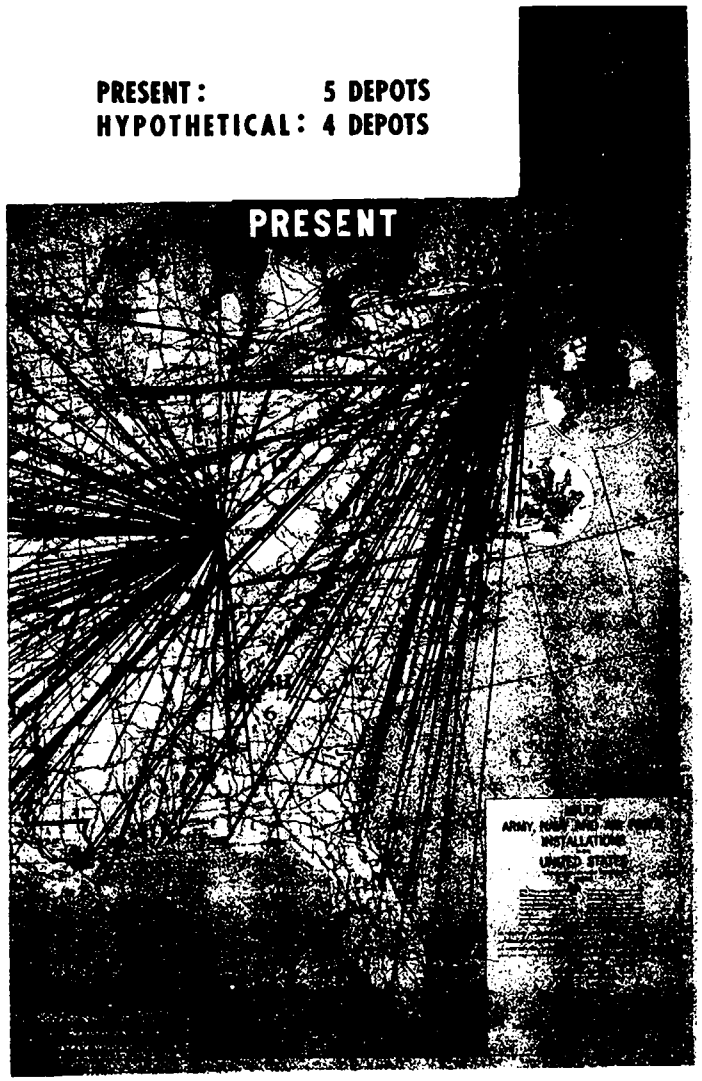
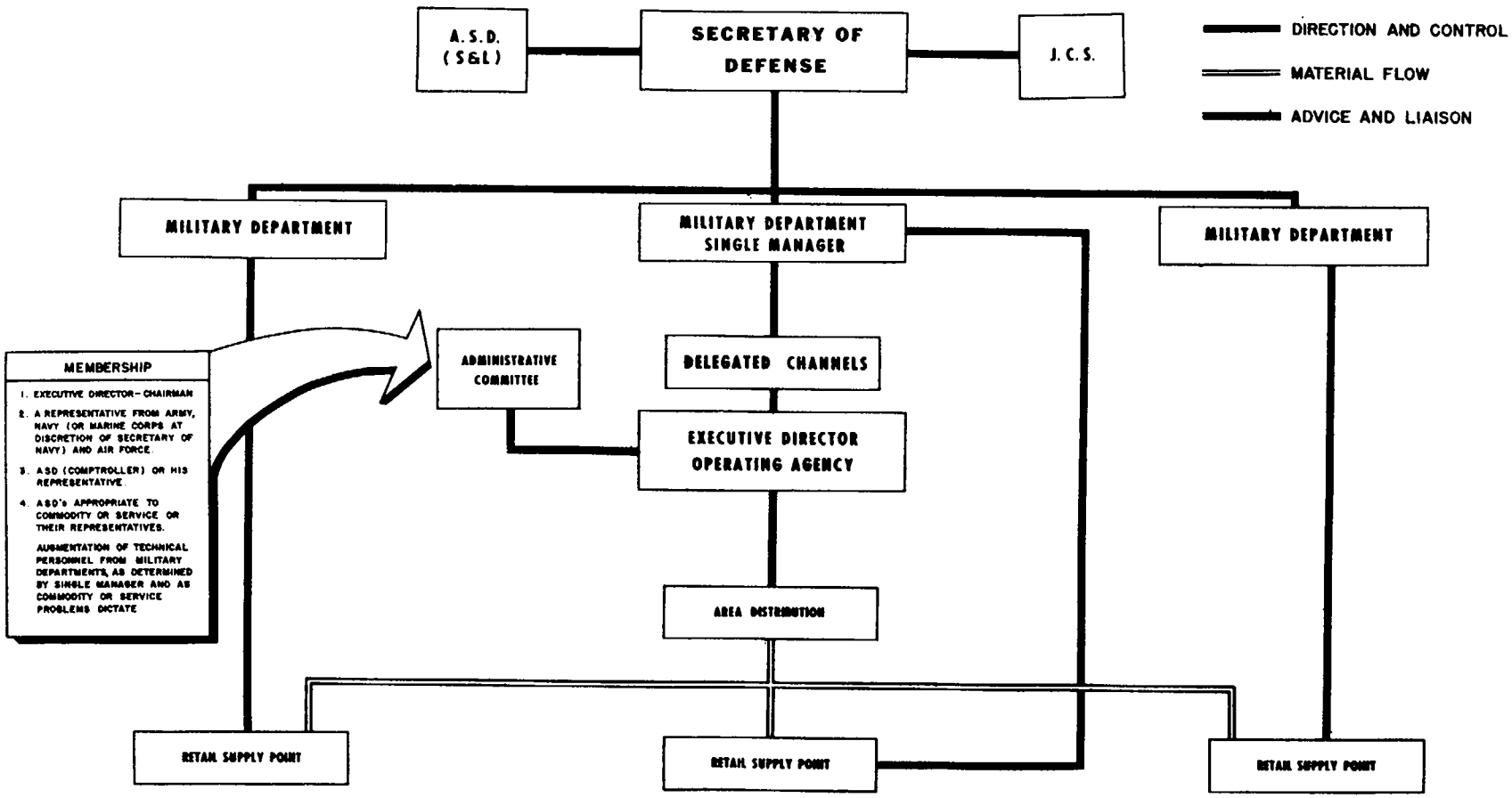


CHART 9

SINGLE MANAGER ORGANIZATION



The Executive Director designates area distribution patterns, and within these areas then the Army, Navy, and Air Force retail supply points go to get their supplies.

That, then, very quickly, is the single-manager organization as it exists today. I have tried to compare it with what existed prior to single manager in the four areas in which we now have single managerships.

Let's see whether this single-manager system meets some of the criticism which was directed against the Department of Defense. The Hoover Commission, which recommended a central control agency, criticized us for lack of certain supply management techniques. We believe that, with respect to the criticisms in the Hoover Commission Reports, the single manager answers many of them by providing for central purchases, the keeping of central inventory records, controlling storage space, accomplishing inspection, establishing training programs, and giving an impetus to the standardization of supply.

Additionally, with respect to the various criticisms which have come from the Congress, we believe that the single-manager concept does answer the criticism of multiple systems for the same items at the wholesale level, and that it eliminates substantial unnecessary duplication and overlapping. We think that it eliminates costly cross-hauling, and that it eliminates the duplication of pipelines and of storage facilities at the wholesale level.

Additionally, the single-manager plan encourages the development of a commodity center to which the Secretary of Defense, the Joint Chiefs of Staff, the Congress, and the public can look for expert advice in a particular commodity area. I think that this is an important contribution which the single-manager concept can make--the development of commodity specialists in a commodity center for the Department of Defense which would permit us to allocate our resources in areas of shortages and to get the best professional advice in that particular commodity area. It provides a central point of contact with industry, enabling the development of uniform procedures. It provides a claimant for military requirements under conditions of shortage.

Now, let's look at the most appropriate categories for single-manager assignments. We mentioned these categories earlier--medical and dental, petroleum, clothing and textiles, and subsistence. They were particularly appropriate at the time the single manager was

developed, because conversion in the catalog program to the single Federal stock number had taken place in each of these common categories. The single-manager concept could not be implemented effectively in areas in which conversion had not taken place.

The following are the number of items which existed in these areas at the time the single managership was being considered. They are not the current items, but they give you an indication of the relative scope. There were approximately 7,000 in medical; about 1,000 in petroleum; about 34,000 in clothing and textiles; and 1,800 in subsistence. There are considerably less in some of these areas now.

This, you may say, is a small cut, but it is a manageable bite, and a significant one. For one thing, they are largely common-use items. Secondly, as I mentioned a moment ago, they were not only completely cataloged but conversion to their use had taken place. Thirdly, to some degree, each of these categories had had some coordinating attention before. Remember, medical had a joint agency; petroleum had a joint agency; the Army had been buying subsistence ever since 1941 for the services; and for clothing there had been a joint agency which had been established in about 1953.

Moreover, these areas contained many of the duplicating items on which crosshauls had taken place and for which we have been subjected to a great deal of criticism.

But of equal importance is the fact that, even though these items were 2 percent of the total supply system, they amounted to 20 percent of the line-item receipts and issues, and they involved expenditures of about $2.6 billion per year. So that, while it was a relatively small quantity of items, it is a sizable bit of our yearly expenditures.

The single-manager plan is founded on experience. It is consistent with single-service purchase assignment. It is consistent with interservice-supply support. It is consistent with stock-fund management and control. It is consistent with unified command operations; and it utilizes the Federal catalog data, which we have developed over the years.

Remember that the concept was based on making use of existing trained personnel, existing organizational know-how, existing facilities and equipment, and existing supply practices and methods. The single managers were created to eliminate the weak links of overlapping and

duplication and lack of supply coordination among the military departments. When the plan was developed, it was stated that, tempered with the will to make it work, the single manager can open the door to efficiency, economy, and responsiveness in the supply of common-use items and common services to all the military customers. The will to make it work is an essential ingredient.

This has been a hurried excursion through the single-manager development. I am afraid that, for some of you who have been close to it, it has perhaps been repetitious. But, in view of the fact that we will be spending the afternoon in the seminar, it may be useful for us to be on a common footing with respect to the background and the intentions of the single-manager plan. This afternoon, as Colonel Lackas mentioned, you will be getting information on how specific commodity areas operate. I understand that a separate seminar is being arranged for the latter part of January, at which time the Executive Director for medical and his staff will appear before you.

In the case of petroleum I should point out that, for reasons peculiar to that commodity area, the single managership, through the distribution level, has not been a part of that plan.

Though development of the single-manager concept was believed to be a substantial step forward in supply integration, during the last year or so our defense system, our logistics system, was still subject to criticism. We firmly believe that the military services have made progress by securing greater uniformity in organization and procedures, by the assignment of purchase responsibility to a single department for some 35 major commodity areas, by establishing formal arrangements to cross-service assets in 36 commodity areas, and by the four single managers in the commodity areas which we have just described, as well as by three additional single managers in the areas of transportation.

In August of this year, the Department of Defense reached the conclusion that steps taken to integrate logistics must be appraised objectively, even though we were convinced that progress had been made. In discussions between Deputy Secretary of Defense Quarles and Mr. Meyer Kestnbaum, the Special Assistant to the President, it was agreed that a Department of Defense study should be undertaken of certain basic and far-reaching problems concerned with the integration of defense supply and logistics systems. In September 1957, Mr. Tom Morris, the Deputy Assistant Secretary of Defense for Supply and Logistics, Mr. Paul Reilly, Chief of Management Analysis of the Military

Division staff of the Bureau of the Budget, and I were assigned the task of developing a study plan. We worked with people in the services during that month.

In October the Logistics Systems Study Project was launched. I would like to tell you the purpose of the study and some of the primary issues which are under study, to describe the organization for the study, and to advise you of its current status.

The study seeks to identify opportunities for improving significantly the effectiveness of supply and logistics systems in the military services of the Department of Defense. The study is conducted in four phases.

Phase 1 deals with common commercial-type items of supply--specifically, the four commodity single managers, single service, procurement, and cross servicing through the commodity coordinating groups. Phase 2 will deal with technical and peculiar items of supply. Phase 3 will deal with logistics services--the single managers which currently exist in sea transportation, air transportation, and traffic management, and future possibilities, such as communications terminals, depots, and so on. Phase 4 will develop an ultimate plan of organization.

At this point in time, serious consideration is being given to shifting Phases 2 and 3. In other words, the next phase would deal with logistics services, and then we would study technical and peculiar items.

We are currently in Phase 1, dealing with common commercial-type items. There are several objectives which have been established for Phase 1, with which you should be familiar. I would like to run through these very quickly.

The first is to determine the beneficial results of each technique to date, in measurable terms, including manpower and costs, and in qualitative terms, including level of service. I don't mind telling you that some of this is extremely difficult. Place yourself in proper perspective and you can realize why.

The single managers, for instance, have been in operation for a relatively short period of time. Many of their problems are those

which they inherited and could do nothing about. In clothing and textiles, for instance, the full distribution pattern did not become effective until July of this year. It is extremely difficult to assess the beneficial results of this technique in qualitative and quantitative terms, and yet we must make some evaluation at this time.

Another objective is to determine the problems and the disadvantages of each technique to date.

A third objective is to determine what additional benefits can be achieved by each technique, under either existing or revised laws, regulations, or organization.

A fourth objective is, on the basis of experience to date, to determine what steps should be taken during the next two or three years to obtain optimum coordination in each category of common-use items.

These are the major objectives. In pursuing these objectives, we have kept in mind several primary issues which have been raised, and I would like to run through these with you.

1. With respect to the results produced: Can it be demonstrated that present techniques have produced significant dollar savings? Currently there is a lack of adequate documentation, and yet the people who look at any of these programs with a jaundiced eye say, "Show me in dollars and cents how much this is saving." I don't know of any one who has devised a technique to show how many dollars are saved when you eliminate cross-and-back haul; but, nevertheless we are asked to place some kind of evaluation on that.

2. Are these programs receiving competent supervision? Are the key positions filled by fully qualified personnel? Are they protected against undesirable turnover? Is military rotation a problem? Should there be more opportunity for career civilians in key positions?

3. With respect to the organizational setting of a single manager, is the Executive Director too subordinated within the military department organization? Is he too far removed from the single manager? (Let's remember our terminology. The Executive Director is the one who runs the operating agency. The single manager, in the case of the Army, is the Secretary of the Army.) Is the Executive Director too far removed from the Secretary of the Army to do his job effectively?

4. Is the Administrative Committee, which we mentioned briefly before, an effective device for assuring that the interests of OSD and of the customer departments are considered by the Executive Director?

5. Is the Interservice Supply Support Committee in a position to exercise proper authority across the board?

6. With respect to the scope of responsibility, you may recall that I said that the Exercutive Director had only a portion of the responsibility assigned to the single manager. Questions are asked as to whether the Executive Director should have more responsibility for matters such as requirements review, depot service, the ownership of retail stocks, overseas stocks, cataloging, and standardization.

7. Should the commodity coordination groups and single-purchase assignees have more responsibilities in these matters?

8. Then we run into the problem of funding. All of you who have been in supply and logistics know the tremendous impact that funding and fiscal management and control have had on supply management in recent years.

One of the basic issues which we are examining is whether the apportionment process limits the effectiveness of the single managers and of the commodity-coordination groups. We heard, before the study got underway, that this was actually the case, and we are looking for specific examples which would illustrate this.

These are the types of issues which are being examined in this study. As you can see, they are very basic issues. They are issues which must be evaluated objectively, even though each of us may have some subjective interest in this. Keep in mind that this is an interdepartmental study which is meant to resolve these issues. It is a Department-of-Defense-wide study. We seek to explore every avenue in evaluating our progress and in building a comprehensive plan for the future. We are keenly aware of the fact that the study must not be directed toward digging up dirt nor toward magnifying the issues out of proportion. It is rather intended to appraise our program and to arrive at mutual goals throughout the Department of Defense.

How is the study being conducted? There is a Policy Board, which is chaired by Deputy Secretary of Defense Quarles. On the Policy Board sit the Assistant Secretaries of Defense for Supply and Logistics,

Comptroller, Manpower Personnel, and Reserves, and the Assistant Secretaries of the Army, Navy, and Air Force for Materiel.

Immediately below the Policy Board is a Steering Group. This Steering Group is chaired by the Assistant Secretary of Defense for Supply and Logistics, Mr. McGuire. The Steering Group consists of a representative from the Bureau of the Budget; it consists of representatives from the Office of the Assistant Secretary for Supply and Logistics; a representative from the Assistant Secretary for Manpower; a representative from the Comptroller; a general or a flag officer from each of the services; and a representative of each materiel secretary from each of the services.

Immediately below the Steering Group is the Survey Staff. The staff is directed by Mr. Morris, the Deputy Assistant Secretary for Supply and Logistics. The staff consists of four survey teams. Team 1, the Army single-manager team, is the team of which I am a part. It is concerned with evaluating the subsistence and the clothing and textiles single managership. Team 2 is concerned with evaluating the Navy single managers--medical and petroleum. Team 3 is concerned with single procurement and with interservice supply support. Team 4 is concerned with the fourth-department concept. That team is evaluating and costing out the various proposals for a fourth service of supply.

Now, where do we stand today? The teams have concluded fact-finding in Phase 1 and are currently drafting their reports. The teams will meet with the Steering Group and with the Assistant Secretaries of the Army, Navy, and Air Force for Materiel at Quantico this coming Sunday and Monday. We will present reports to the Steering Group on Sunday, 15 December. Based on discussions, the team leaders will then present their reports to the Assistant Secretaries on the 16th. It is presumed that a series of conferences will follow and that the final report will be presented to the Policy Board on or before 17 January 1958.

You can see why I have indicated that this is a very timely study which you are undertaking here. I am sure that this class will follow with interest the outcome of these studies. Moreover, I would hope that, in this detached atmosphere of study and deliberation, you will be developing your own recommendations for improved logistics management in the Department of Defense.

Mr. McGuire spoke to you on Monday about the challenge of logistics. I need not tell you that, in this era of rapidly changing technology and radically changing tactics, we must revise and discard traditional concepts which cannot keep pace with the demand for national security.

The role of the logistics manager has become extremely important today. As a graduate of the Industrial College, I know that this College is in a position to open new vistas and to give renewed emphasis and fresh thinking to the problems we face. The problems connected with providing an adequate military posture in a nuclear era have no service boundaries. They require the type of broad-scope thinking which the Industrial College seeks to develop.

Thank you.

COLONEL LACKAS: Mr. Brodsky is now prepared to answer your questions. We would like at this time to introduce the element of informality which we hope will carry through this afternoon during the panel discussion. To start this air of informality, I will call upon the peer of informality to ask the first question.

COLONEL BILBO: I don't know how he knew what I was going to say. John, as long as you started this off with scripture, I will quote from scripture. "In those days came John the Baptist, preaching in the wilderness of Judea, saying 'Repent ye, repent ye, for the Kingdom of Heaven is at hand.'" The question is, How close are we to the fourth service of supply?

MR. BRODSKY: Ted, it will not come as a surprise to you to know that I was afraid I was going to be asked that question. It will come as a surprise to you to know that I didn't expect you to ask it.

I am going to answer frankly. I don't know. I can tell you what is happening, and I can give you my own personal view. First of all, as I said earlier, I don't know of anybody who has really described a fourth-service concept. That includes the Hoover Commission. There is much inadequacy in the description. Secondly, people who advocate a fourth service, as I said earlier, compare this with the British Ministry of Supply. That immediately shows that they don't understand the concept. Thirdly, I don't see how you can consider the matter of organization for logistics independent of your overall defense organization. If you are going to, for instance, follow the Kissinger concept of

reorganizing the Armed Forces, maybe you want to think about the problems of the fourth service of supply. But if you follow the precept which has been spelled out, to make maximum use of existing organizations, existing know-how, and so on, then you are led into some area such as the single-manager plan. As we said earlier, I think, the will to make it work is, in my judgment, one of the things which will contribute to whether or not we get a fourth service of supply.

Aside from this personal rambling, as I mentioned, Team 4 of the survey staff, is war-gaming several models of a fourth service. I don't want to take the time here to enumerate them, unless you have some interest later on. What they are doing is attempting to establish the various combinations that would be possible, and objectively evaluating the advantages, the disadvantages, and the potential cost.

QUESTION: Mr. Brodsky, if the single-manager concept proves successful, would not its success invite its extension to agencies outside of the Department of Defense? As one apparently fertile area for extension, I cite the situation in the hospital field. The Veterans' Administration, the Indian Affairs Agency, and the Public Health Service collectively have more hospitals than do the Army, Navy, and Air Force, and the medical supplies and equipment that they use are essentially the same as those the military services use.

If this concept is successful, it would seem that someone at a higher authority, who is always interested in saving a few nickels, might want to extend this concept. Then the question would arise, Who will have control of the single manager? It could easily be not the Secretary of Defense. It could be the Administrator of the General Services Agency. If that were to happen, what do you think of it? Is it a good idea?

MR. BRODSKY: Well, that is not an easy question to answer. I think, yes, if this is very successful, others may want to extend it, and others may want to take it over. This is one of the risks in life. As you get higher in the ladder, you find that more people want your job. That doesn't mean that you don't strive to attain the highest level that you can. Logically, the converse of the argument which you present would be for us to minimize our successes for fear that people will want to emulate them. I don't think that we could adopt that approach. Rather I think that while a threat exists that some outside organization might want to take over, our mission nevertheless remains

to develop a position that we can firmly support, that the Defense Department as a team can support. If we have arrived at an improved supply organization and others want to take it over, we will have to face that. But I don't think that the fact that the threat of others taking it over exists is sufficient reason for our not moving in a proper direction.

QUESTION: Sir, I don't mean to be facetious at all by this question. I am seeking information. I noticed in the list of things accomplished by the single managership that there was nothing relating to the customer's satisfaction. Have any of your studies shown so far--I am not speaking of emotional satisfaction but of practical satisfaction--whether the single managership has improved the operation?

MR. BRODSKY: Yes. My answer is that our studies have demonstrated that single managership has provided customer satisfaction.

COLONEL LACKAS: If I may interrupt at this point--if we leave the questions on operation for this afternoon's session, I think that would be more appropriate.

MR. BRODSKY: I would like to make just one comment on the question, John. One of the things which my team has looked for specifically has been this question of customer satisfaction. We started at the Office of The Quartermaster General and we worked our way through the Executive Director into the depots of the Army, Navy, Air Force, and Marine Corps, and into the control points, and then down to the consumer level. As you get farther away from Washington you find more satisfaction with the operation.

QUESTION: In advance of your report, this question may be a little unfair. You can pass it, if you care to. Do you find anything in the single-manager arrangement which cannot be accomplished more effectively and more economically now by the interservice of supply which seems to be promising to eliminate the evils of the past? Of course the programs for better communication in the way of cataloging standardization, terminology standardization, and materials standardization and all these things can be done without additional organization under that program.

MR. BRODSKY: Your question was on interservice supply support. This is another one of the techniques which are being examined, and I would suspect that some recommendations will be made for either

improving or extending the interservice supply support. I think it has a certain potential. I think its greatest weakness to date has been the fact that it does not establish a system for making maximum utilization. It is a system for getting rid of your long supply. The definition of "long supply" is a subjective one.

The single managership, with all of its drawbacks--and there are plenty of them--provides a system where you get better utilization of your assets. That's an important difference.

QUESTION: Sir, on this subject of customer satisfaction--if I don't like Sears and Roebuck I can go to Montgomery Ward; but the customer in this situation will have no alternative. Is there some method of representing the user, or the customer, in this organization, so that he can be sure that his need will be met?

MR. BRODSKY: Yes, there is. In the first place, the implication that you are limited to one source now might imply that previously you had several. I don't think that is so. Previously you got it from the Navy. So you had the same kind of problem then. Secondly, as I pointed out, there is an Administrative Committee which meets monthly with the Executive Director. I have observed that these people are not shy in expressing their points of view. Thirdly, each Executive Director is required to give an oral report to the Assistant Secretary of Defense on his progress periodically. Fourthly, the single manager is required to give a quarterly report on his progress.

The materiel secretaries of the other services sit in and get copies of these reports. There certainly is an avenue for expressing dissatisfaction. I don't know of anybody in the Defense Department who has hesitated to use this avenue.

QUESTION: Sir, I note that the single-manager concept has been applied to clothing and textiles, yet there is considerable difference in the kinds of clothing worn by the services. If we carry this to the illogical extreme, as I like to express it, and take a look at something larger, we could pick put for this discussion the item of aircraft--all the services use aircraft of one sort or another. The Army has relied on the Air Force to some extent to purchase some of this aircraft. Has this concept of single manager been extended, or will it be extended, or has it been considered to be extended to the field of aircraft, and then to go on to the field of guided missiles, which is a common-use item?

MR. BRODSKY: I hardly know how to really answer your question, because you started out by saying that it is an illogical assumption. At this point in time it is considered that the single-manager concept, if it is extended, will be extended in the area of commercial common-type items. While it is true that clothing differs, and that you in the Navy wear a different uniform than the man in the Air Force, and so on, there is a considerable potential for standardization even within these differences. There are other parts of clothing which are subjected to standardization, and I think General Anderson this afternoon can give you a detailed rundown on the potential that exists.

Moreover--and I don't want to invade anything that General Anderson might want to talk about this afternoon--in the case of clothing for instance, you are dealing with a relatively homogeneous industry, a largely unstable one, but nevertheless homogeneous. You have certain advantages derived, even if your commonality in items is of a low degree. I don't think we can dispute the fact that in clothing we are talking about commercial-use items.

QUESTION: We have heard that the General Services Administration is getting into the field of procurement of handtools and subsistence for the Air Force. How does this fit into your program here? It looks like it is in conflict with the DOD program. Is that true?

MR. BRODSKY: No. As part of the single-purchase assignment program which we discussed earlier, one of the purchase assignments handtools, goes to GSA. In evaluting all of these concepts--single manager, interservice supply support, single-purchase assignment, and fourth service--it is hoped that eventually a long-range plan will be developed which can either decide that this use of GSA is good and should be extended, or that it should be withdrawn, or that it should become interservice supply support, single managership, or what have you. This is one of the areas which obviously should be included in the study.

QUESTION: Sir, in regard to your study that you mentioned, Phase 1, the one which will be completed and on which I believe you indicated you will give a report in the immediate future, is it appropriate at this time for you to give us the benefit of perhaps your conclusions and recommendations in this area?

MR. BRODSKY: I wish that this lecture had been scheduled for next week. I think you can understand why. Our team is currently

working until about midnight every night, writing this report which has to be presented this Sunday at Quantico. You can understand that some of our conclusions are not totally formulated. An equally important fact is, we have not made any presentation to the Assistant Secretaries, and that will be done this weekend. With your understanding this, I can only very briefly tell you what our team's general type of conclusions have been.

1. The single-manager operation in clothing and subsistence has been a good one.

2. There is a great deal of potential in the single-managership area.

3. For this potential to be fully exploited, certain improvements in the fields of requirements, distribution, and budgeting and funding are required.

We also have listed the disadvantages which are currently part of the single-manager concept. As an example, the single-manager concept, you recall, goes down only to the wholesale level. This means, for instance, that at the retail level you have imposed different procedures from another service. To illustrate: An Army post now which must get medical supply is faced with Navy procedures for the medical supply. This is one of the types of drawbacks which have come with single managership. Another example is at an Army general depot, where the clothing stock control clerk and the subsistence stock control clerk are operating along Army procedures. In the next room you have the medical stock control clerk and he has an entirely different system, because you don't have unification across single managers. This is one of the drawbacks, and we hope to make proposals with respect to it.

I think that at this time all I can do is give you the flavor of the types of things we have been considering. I also want to point out that that is only Team 1, and there are a lot of channels between Team 1 and the other teams.

COLONEL LACKAS: Because we will have this discussion this afternoon, I will take one more question.

QUESTION: Following, I believe, every discussion on every area, we get into the field of funds and the changes that will be required. I am thinking of words such as "reimbursement," "revolving funds," "industrial funds," "citation on business privileges," and so forth. This is a bucket of worms, too.

MR. BRODSKY: Yes, that was one of the issues, I think, that we listed, the one of funding. That is an extremely important one, in my judgment. Whether we will be able to sell the fact that it is important is another thing. Very briefly--as the situation currently exists, you have various funding arrangements. General McNamara and General Anderson, in their operations under the single-manager concept, control a wholesale fund. General McNamara as The Quartermaster General also controls a retail fund. Then there are consumer funds to buy this stuff. We have gotten ourselves into a budgeting and funding situation that finds us sometimes coming and going.

This, again, my team concludes is bad, and we have proposed specific modification. We are also concerned with the limitation of reimbursement when stock goes back to the single manager, because without that there is not an incentive at the retail level to return the stock to the single manager but perhaps to move it all over the country so that you get maximum use of it within the service. If you do that, you will vitiate one of the benefits that are possible from the single managership. This is an avenue that we obviously have to comment on.

COLONEL LACKAS: Mr. Brodsky, I feel that I can speak not only for myself but for all here present when I say that you have made a most clear and significant presentation to us on a subject of great importance to all military people. Realizing that we have taken you away from this project on which you are working, and for which you are preparing material to discuss at Quantico, I want to express to you sincere gratefulness for myself and for all here present for coming down here and making this presentation. Thank you.

MR. BRODSKY: I am glad John is the one making the final speech here. I know what Pop Henkel would say. He always says it is "thought provoking and provocative." I didn't know what John would say.

(5 June 1958--4,100)O/mga/mjs:ekh