L60- 96

PERFORMANCE OF THE SINGLE MANAGER FUNCTION

Colonel Charles C. Case, USA

NOTICE

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Reviewed by: Colonel Thomas C. Keach, USAF

Date: 9 March 1960

INDUSTRIAL COLLEGE OF THE ARMED FORCES

WASHINGTON, D. C.

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21 December 1959

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CAPTAIN SMITH: General Mundy, Gentlemen: During the past few days several of our speakers have mentioned the growth and the development of the single manager concept as being one of the principal steps taken in recent years toward the integration of military supply systems.

To discuss "commodity" single-manager matters, as distinguished from the "services" single-manager matters, this morning we are fortunate in having as our speaker the officer who is responsible for this subject of commodity single-manager matters at the OSD staff level.

It is my privilege to introduce to you Colonel Charles C. Case, U. S. Army, Staff Director, Commodity Single Manager Division, Office of Supply Management Policy, Office of Assistant Secretary of Defense for Supply and Logistics, who will speak on the subject, Performance of the Single Manager Function. Colonel Case.

COLONEL CASE: General Mundy, Gentlemen: With a title like that I hardly know whether I am a soldier or a modern Republican. One advantage it has, it takes up a good bit of the lecture period. There is an immutable law in bureaucracy that the longer the title the lower the Indian. So you get some idea of my relative standing in the Department of Defense.

Actually, the Single Manager Division of OSD is a military organization. Maybe it isn't the kind of military organization for the honor of which you would be willing to wade in blood across the parade ground, but it is a military organization nevertheless. I have officers of all three departments. It is sort of a poor man's Joint Chiefs of Staff.

By the accident of my assignment there, I had to learn something about the single manager concept. Up until the time of my assignment I regarded single managers with some apprehension, a great deal of suspicion, and an enormous amount of ignorance. In the process of my education I found that the more I learned about single managers the less I feared them.

It is my hope this morning that I may in some small way dispel some of the apprehensions I know you have about the single manager concept. It has an unfortunate bureaucratic name. Maybe this is one reason why there has been some resistance to the acceptance of this concept. If someone were to tell me as an Army officer that I was going to be supported by the Navy in combat and in operation in the field, this wouldn't worry me very much. I have been supported by the Navy before and I have a lot of confidence that the Navy will do a good job for me. Same thing with the Air Force.

But, when you hang a title like "Single Manager" on it, people get a little nervous. Also, of course, there are other reasons why there is resistance to the single manager concept. It means that each service

must forego responsibility for part of the support of their own operations, and, as you know, military people like to be responsible for the provision of support for their own operations. They like to have the resources commensurate with the responsibility for the performance of their combat missions. This is understandable.

The appraisal that I am going to present this morning is based on an evaluation of the single manager concept that was made commencing about a year ago. This evaluation was made jointly by the Office of the Secretary of Defense and the Joint Staff of the Joint Chiefs of Staff. It was participated in by the Army, the Navy, the Air Force, the Marine Corps, and the Armed Forces Supply Support Center. The purpose of this evaluation was to reach authoritative conclusions regarding the efficacy of the single manager concept and its readiness for mobilization and its capabilities in time of war.

The reason we made this evaluation was that, although at that time single managers had been in operation for about two years, the Department of Defense didn't have an agreed opinion on single managers. We were kind of neutral. Lots of people thought that they were a calamity. Other people reluctantly accepted them. There were all shades and degrees of reaction to the single manager concept. So we decided that it was time to get the feathers off this bird and find out whether it was any good or not, whether it was saving us any money or not, and whether it would be an asset or a liability in time of war.

The statistics that I am going to show you this morning are updated statistics. These are based on our latest management reports on single manager operations. The historical statistics I am going to show you are largely derived from the joint study we made last year. Also, the conclusions I am going to show you are based on that joint study. But, in order to bring the subject current for this audience, I have updated the operating statistics so that you will be getting the most current picture we have.

CHART 1

In the next 50 minutes I would like to cover briefly the origin of the single manager concept, the functions of the Commodity Single Manager, and some highlights of single manager performance over the last three years.

CHART 2

Our critics say that the Single Manager Plan was devised by the military to counter pressure for a fourth department of supply. I think this is a gross oversimplification. Actually, the single manager plan is a logical outgrowth of many developments, including the passage in 1947 of the Unification Act, the evolutionary logistics unification measures that followed the passage of that Act, external pressures for greater efficiency and economy, in the form of Congressional criticism, recommendations of the Hoover Commission and other public and private civic groups, and internal pressures from within the Department of Defense

itself, where there is a constant search for ways and means by which to improve our management, so that we may conserve our funds for our most urgent defense needs.

CHART 3

Before the development of the Single Manager Plan, we had three military departments, each separately administered, each with its own supply system, handling practically all the items used by that department, whether common-use items or technical-weapon-related items. In these circumstances, it was only natural that there was duplication, overlapping, and consequently some extravagance in the supply of common items.

CHART 4

It is not surprising, then, that we were subject to constant criticism. It was alleged by our critics that the Department of Defense Supply System was contrary to law; that it tolerated separate autonomies; that it generated inflated requirements because of a lack of free interchange of supply intelligence; that it permitted duplication and overlapping of common-item supply facilities; that it resulted in poor utilization of total DOD assets; that it countenanced cross-hauling, back-hauling, and concurrent buying and selling; and, finally, that it permitted the services to compete against one another in their procurement programs. The result, it was claimed, and with some validity, was wasteful use of facilities, personnel, material, and money.

CHART 5

The Hoover Commission recommended legislation to correct this situation. Specifically, the Commission recommended that Congress enact legislation establishing a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities. This is commonly referred to as the Fourth Department of Supply. There have been 19 separate legislative proposals introduced into the Congress which, if enacted, would have resulted in the creation of a fourth department of supply. Most proposals for a fourth department of supply are too vague to permit a precise evaluation of that concept. If you are interested in this subject, you will find in your library a talk that was given at this College last year by Colonel Frank Osmanski, who is an advocate of a military fourth department of supply. Actually, most proposals for a fourth department advocate a civilian fourth department of supply, and I would suspect that, if we are to have a fourth department of supply, it will be a civilian organization.

CHART 6

The Department of Defense did not agree with the Hoover Commission solution, and the position of the Department of Defense was sustained by the President. Instead, the Department developed in 1955 the single manager concept which was implemented beginning in 1956. We now have nine Single Managers, as indicated on this chart. We have four

Commodity Single Managers in operation for clothing and textiles, medical supply, subsistence, and petroleum. We have three operational Service Single Managers for sea transport, air transport, and traffic management; and we have two newly created Single Managers for military general supplies and military industrial supplies. The remainder of my remarks will be limited to the Commodity Single Managerships and more particularly to the four Commodity Single Managers that are already in operation.

CHART 7

A single manager for a given commodity owns and distributes wholesale inventories. He effects procurement with stock funds entrusted to him. He is responsible for net requirements computation, cataloging, standardization, inspection, and quality control, distribution, storage, and arrangement for transportation. He depends upon the military services for program requirements, technical advice, the actual operation of the depots through which his supplies flow, and for the research and development of the materiel he supplies. Now I would like to review the progress made to date by the four operational commodity single managers.

CHART 8

First, briefly, the operations of the Military Medical Supply Agency. The Single Manager is the Secretary of the Navy. The Executive Director is Admiral W. L. Knickerbocker. The Agency is located in Brooklyn.

CHART 9

The Military Medical Supply Agency is situated organizationally as indicated on this chart. Under the Secretary of the Navy, the Agency operates under the management control of Admiral Boundy, the Chief of BUSANDA. It is under the technical control of the Bureau of Medicine and Surgery, and, through that bureau, under the Armed Services Medical Coordinating Committee, which is composed of representatives of the three Surgeons General.

CHART 10

The internal organization of the Military Medical Supply Agency is depicted here. The only parts of it that warrant special attention are the major operating divisions--purchase, stock control, and technical. Also worthy of your attention is the fact that the three service retail offices are located on the premises of this organization. This is a highly successful arrangement. It fosters better relations between the supplier and the using services. It improves the quality of requirements determination. And it facilitates the clarification of specification questions and the solution of other operating problems.

CHART 11

This chart portrays supply effectiveness. By supply effectiveness we mean the percentage of the demands that are placed on a supply system which are filled by the date required by the customer. Data gathered from the wholesale depots and corroborated by the customer

indicate that supply effectiveness rendered by the Military Supply Agency is excellent. Average supply effectiveness for 1958 was 96.8 percent. The dip in the curve in August of 1958 is associated with the Lebanon crisis workload and is not alarming when you realize that the lowest point on this chart is 95 percent. Moreover, while routine supply effectiveness fell off slightly during the Lebanon crisis, all Lebanon requisitions were filled 100 percent on time. Fiscal Year 1959 performance is even better, averaging 97.3 percent.

CHART 12

Inventories on hand have decreased slightly, from $314 million upon full capitalization to $301 million as of June 30, 1959, with a further decrease projected for June 30, 1960. You will notice that the largest part of this inventory is stratified as mobilization reserve stock amounting to $212 million.

CHART 13

The Military Medical Supply Agency has been successful in reducing procurement processing time from 60 days, at the time of its establishment, to 45 days at present. There is considerable evidence to indicate that the prices paid by the Agency are lower than those paid by GSA and are lower than those paid by the consumer when buying the same item locally. Of the 1292 procurement contracts being administered as of 30 June 1959, only 2.4 percent were considered delinquent.

CHART 14

Upon activation, the Medical Agency employed 724 personnel. As of 30 June 1959 the strength has been reduced to 624 personnel. The Agency is manned predominantly by civilians. Military personnel are contributed on an equitable basis by the four military services and are employed on the basis of the best man for the job, irrespective of his parent service.

CHART 15

Since it began operations, the Medical Supply Agency has released 798,600 square feet of covered storage space for other uses. This chart gives some insight into the integrated character of medical supply operations. Depots of all three departments are used and, although this is a Navy single managership, the Army is the largest contributor of storage space. Eighty-four percent of the net usable covered storage space allocated to this Single Manager is occupied.

CHART 16

Prior to the establishment of the Military Medical Supply Agency, the independent medical systems of the services overlapped in this fashion.

CHART 17

By integrating distribution operations under the Single Manager, it has been possible to diminish back-hauls and cross-hauls significantly.

CHART 18

Perhaps the greatest potential economies arising from the Single

Manager Plan are those stemming from the reduction of cross-hauls and back-hauls from concurrent buying and selling and from inter-service procurement competition. While these savings cannot be measured precisely, it is reasonable to assume that they have occurred.

In the early stages, they may have been partially offset by expenses related to adjustments to new distribution patterns, but these will be continuing economies in the future. This Agency has been successful in reducing procurement processing time. Reduction in storage space yields an annual saving of $415,000. There has been a substantial reduction in inventory control personnel yielding an annual saving of $600,000. There have been similar savings in the depot system amounting to 173 personnel, or an estimated annual saving of $865,000.

CHART 19

The Secretary of the Army is the Single Manager for Subsistence. The Military Subsistence Supply Agency, located in Chicago, is under the operational control of the Quartermaster General, General McNamara, and is commanded by General Hugh McIntosh.

CHART 20

The Agency is organized as depicted on this chart. Your special attention is drawn to the fact that regional headquarters or market centers, as well as depots, are the field agencies through whicht he subsistence organization functions.

CHART 21

Reports of the Agency, as well as those of its customers, indicate that the subsistence supply support furnished by this Agency is highly effective. Agency reports as of 30 June 1959 indicate an effectiveness rate of 99 percent.

CHART 22

Subsistence inventories have remained relatively stable from the creation of the Single Manager up to June 30, 1959. They amount to $124 million, of which $32 million is stratified as mobilization reserve.

CHART 23

The Single Manager has reduced his contract delinquency rate to a negligible figure. His reduction in inspection costs yielded a saving for FY 1959 of over $800,000. He has accomplished other savings by increased carlot procurement, carlot shipments, and changes in the method of satellization.

CHART 24

Prior to the advent of the Single Manager, the military departments utilized 1727 personnel in the inventory control point and procurement functions for subsistence. As of 30 June 1959, this had been reduced to 1578. You will notice that these people are predominantly civilians.

CHART 25

The services, prior to the advent of the Single Manager, emplo yed 29 wholesale storage locations.

CHART 26

The streamlined distribution system employed by the Single Manager at present utilizes only eight locations and should permit a significant reduction in back-hauls and cross-hauls. You will note that all of these storage locations are Army depots. The decision has been made recently to extend Single Manager wholesale stocks to the Navy facilities at Norfolk and Oakland.

CHART 27

A cost analysis of the Subsistence Agency discloses that, during the period under scrutiny, the number of personnel devoted to subsistence operations has been reduced by 423 at an estimated annual saving of $2,189,500. Transportation costs have been reduced by an estimated $2,451,000, and inspection costs by $805,000. Through increased carlot purchase and shipment, increased direct vendor shipments, by utilizing the Navy reefer facilities at Cheatham Annex, and by standardization of packing, additional savings of $586,000 per year have been realized.

CHART 28

The Single Manager for Clothing and Textile Materials is the Secretary of the Army. The Military Clothing and Textile Supply Agency, located in Philadelphia, is under the operational control of the Quartermaster General, and is commanded by Major General Webster Anderson.

CHART 29

The Military Clothing and Textile Supply Agency includes three major operating divisions--Requirements and Distribution, Purchasing,

and Inspection, and the Manufacturing Division, which operates the clothing factory. It is of particular interest that the organization of this Agency is integrated with the organization of the Philadelphia Quartermaster Depot, which is one of the operating elements of the Clothing Supply System. The overhead services for both the Depot and the Agency are furnished by a common staff. The retail clothing offices of all four military services are located with the Agency in Philadelphia.

CHART 30

A most outstanding example of progress by the Military Clothing and Textile Supply Agency has been the reduction of dues-out or back orders --that is, obligations that the supply systems owes the customers--from a total of over 40,000, which it inherited from the military services, to less than 2600 at present--or I should say when this chart was built. The number as of today is 1700 and, by the end of the year, the Agency hopes to have this figure down to 1500.

CHART 31

Because of the unsatisfactory situation it inherited from the services, and because clothing and textiles are more complex than the other Single Manager commodities which we have under the concept at present, the Military Clothing and Textile Supply Agency has had a more difficult task in attaining a satisfactory level of supply effectiveness than has any of the other commodity single managers. However, as of September 30, supply effectiveness was approaching a respectable 95 percent.

CHART 32

To achieve this record, the Agency has substantially reduced requisitioning processing time from25 days, at the time of establishment, to about 12 days currently.

CHART 33

Clothing inventories have been reduced from a high of $1 billion 862 million upon full capitalization to $1 billion 663 million as of 30 June 1959, with a further reduction to $1 billion 436 million planned by June 30, 1960. This inventory is dominated by mobilization reserve stocks.

CHART 34

The Military Clothing and Textile Supply Agency has made very commendable progress in reducing the procurement delinquency rate which has been high historically in the industry with which this Agency deals. The Agency has also made considerable progress in reducing administrative lead time on procurement from 93 to 56 days.

CHART 35

Personnel for the performance of the inventory control point and procurement functions for the clothing and textile material have been reduced from a total of 1727, prior to the establishment of the Agency, to a total of 1485 as of 30 June 1959.

CHART 36

Prior to the advent of the Single Manager, the military services

employed 58 storage locations for the distribution of clothing and textiles, as indicated on this map.

CHART 37

The Single Manager has adjusted to a streamlined distribution system involving 13 wholesale distribution points which are portrayed on this chart. His inventory control point and his storage locations are connected by a transceiver network.

CHART 38

By reducing from 58 to 13 depots, and by reducing inventories, the Single Manager has saved 4.4 million square feet of storage space.

CHART 39

An analysis of the cost of operating shows annual personnel savings of $1.6 million, annual inspection and test facilities savings of $1.5 million, and annual storage space savings of $2.3 million.

CHART 40

The Secretary of the Navy is the Single Manager for petroleum. The Military Petroleum Supply Agency operates under the management control of the Bureau of Supplies and Accounts, is located in Washington, D. C., and is under the command of Admiral Lattu.

CHART 41

The organization of the Military Petroleum Supply Agency includes a Purchase Division, a Technical Division, which coordinates inspection, standardization, and cataloging, and a Distribution Division, which coordinates,

but does not direct, wholesale distribution operations. The Single Manager organization for petroleum differs substantially from the other Single Managers by reason of the fact that the services retain ownership of their wholesale stocks of petroleum products.

CHART 42

The Petroleum Supply System, which embraces the operations of the Single Manager and the supply systems of the military departments, provides a high degree of supply effectiveness, approaching 100 percent. Customer satisfaction is high.

CHART 43

Sales for FY 1959 amounted to $1,195,600,000, dominated by sales to the Air Force. Worldwide inventory amounted to $442 million, of which about $313 million represented mobilization reserves.

CHART 44

The dollar value of petroleum procurement contracts has increased steadily since 1951, as depicted on this chart. Each service has commented favorably on the petroleum agency's procurement effectiveness. It is obvious that major savings are achieved through the coordinated management of this huge procurement program.

CHART 45

There has been a slight increase in the numbers of personnel devoted to the inventory control point functions. This is accounted for by expanded functions. It is interesting to note that the General Services Administration

has been negotiating an agreement with the Department of Defense whereby all government purchases of petroleum products would be made by the Military Petroleum Supply Agency. This proposal is presently under consideration in the Department of Defense.

CHART 46

The Navy has recently come forward with two interesting recommendations to increase the efficiency and effectiveness of petroleum supply. The first of these would give the Military Petroleum Supply Agency authority to manage industry input into the Military Petroleum Supply System up to the point where the product first enters the service terminals. As I mentioned before, the petroleum agency now lets the procurement for all military services but does not have any control over distribution, except a coordinating function. Under this recommendation, the Agency would have business-management authority over the administration of petroleum contracts and could call forward deliveries from industry under the most favorable price conditions. The second recommendation would bring the inventory control points of the three departments together with the Military Petroleum Supply Agency at a common location. This is agreed to, I think, by the Army and the Navy, but I am not sure it is by the Air Force, because their petroleum office is out of the city. This is the arrangement that has worked so well in the case of clothing and textiles and of medical supplies, where the retailers and the wholesaler are all together under one roof.

CHART 47

The advantages claimed for these proposals are shown on this chart. First, the Military Petroleum Supply Agency could make the best buy with a knowledge of all the facts as to the status of current contracts. The military departments' ownership and control of fuel essential to the conduct of their combat missions would not be disturbed. The military departments' prerogative for the establishment of supply levels would not be violated, but wartime readiness information would be centralized. This proposal is presently under consideration in the Department of Defense. No decision has been reached at this time. But this is an interesting proposal. If it were possible--and the people at the Military Petroleum SupplyAgency think it is--to save one mill in the supply management of each gallon of product from procurement through consumption, an annual saving of $12 million would result.

Now I'd like to summarize for the three fully implemented Single Managers--clothing and textiles, medical supplies, and subsistence.

CHART 48

Supply effectiveness for the single manager agencies compares favorably witht he service-managed supply systems that we tested. I should point out to you that we are not quite honest here, because we are comparing 1958 data for the service-managed supply systems which are shown here in green, with FY 1959 data for the Single Managers. The only reason I have done that is because I don't have the current

statistics for the service-managed systems. But, when we made this same comparison last year and were comparing both on the basis of 1958 data, the picture was the same, except for MC&TSA, which had an effectiveness rate of about 80 percent in FY 1958. So you can see that last year's figures gave you about the same figures, MC&TSA still comparing favorably with some of the service-managed systems. For this analysis we selected general supplies, which we felt were more nearly comparable to Single Manager commodities than were any other supplies. However, we didn't want to draw any inference from these data as to the efficacy of the systems the services operated comparatively, because some of them had many more items classified as general supplies than others.

CHART 49

Personnel reductions of 772 have resulted in savings in the Single Manager concept of $4.4 million per year.

CHART 50

Storage space savings of 4.8 million square feet have yielded annual savings of $2.5 million per year.

CHART 51

Procurement processing time has been reduced significantly, and procurement delinquency rates have been reduced dramatically.

CHART 52

Single Managers have energized the standardization programs for

commodities that they manage, and the resulting reductions in items managed are reflected on this chart.

I'd like to make one point while this chart is up. Realize here this morning that we are talking item-wise of very small relative portions of the supply system, something less than 50,000 items, and, as Mr. Riley told you the other day, there are 3.4 million or more odd items. So that item-wise we are talking about a small segment of the supply system. This is only one technique for managing it. There are many other techniques. Just to keep this is in perspective, a somewhat larger percentage of dollars, of sales, and of inventories are under single management.

CHART 53

As I said before, the greatest potential savings associated with the Single Manager Plan are those arising from the elimination of interservice procurement competition, concurrent buying and selling, and the reduction of back-hauls and cross-hauls through integrated distribution operations. These economies are not precisely measurable.

This chart summarizes some of the savings that we can measure:

(1) Net annual dollar savings of $13.2 million

(2) Net one-time savings of $239 million.

This latter saving is dominated by the inventory draw-down calculated on the basis of the excess of sales over procurement.

CHART 54

Our analysis of the Single Managers' performance to date leads us to the conclusion that the Single Managers are effective, compared to pre-single manager operations, compared to service-managed systems, and in the opinion of their customers.

That Single Managers have effected worth-while savings in storage space, in payroll costs, in inspection services, and in procurement and in distribution operations.

We also conclude that Single Manager operations still need simplification, operational refinement, and procedural standardization.

CHART 55

Our analyses have also included an assessment of the mobilization readiness and wartime capabilities of the Single Manager Supply System. We found in terms of organization, command structure, planning, supply competence, responsive supply performance, emergency planning, data processing, efficiency, and expansibility that the Single Managers had admirable wartime capabilities. Their capabilities are seriously impaired, however, by the vulnerability of their depots, by the gravity of their mobilization-reserve deficiencies, by the lack of a workable system for applying mission priorities, and by cumbersome funding and accounting procedures. We found that the Single Manager Supply System would be workable and responsive in time of war on balance and that the capabilities of the Single Managers compared favorably with other Department of Def ense supply systems.

Now, you might ask, with good reason, what good it does us to have a system that works well in peacetime and that saves us money if it has deficiencies in terms of mobilization readiness and wartime capabilities which might render it useless in time of war. This is a good question. It's true that the deficiencies shown on this chart are serious. For example, take the first item on the debit side of the ledger--the Vulnerability of the Depots. The Single Manager Depot System is seriously vulnerable, but this must be evaluated in perspective. It is no more vulnerable than many of the service-managed depot systems, including systems which store items at least as critical to combat as the Single Manager commodities. For example, the Single Manager System is not as vulnerable as the NavyElectronics Depot System or the Air Force Electronics Depot System or the Navy General Stores Supply System. So, before we condemn the single manager concept for the vulnerability of its depot system, we must subject the service supply systems to the same test. This is what we did in our evaluation, and we found that the vulnerability of the Single Manager Depot System would not be likely to be the limiting factor on the capability of the military services to recuperate and resume military operations following a nuclear attack. Other factors more likely to be limiting on our capability would be communications, transportation, and the vulnerability of industrial facilities and depots supplying combat critical items.

Another serious deficiency is the shortage of mobilization reserve

stocks. Here again, while the Single Manager System is deficient, the service systems are likewise deficient. Nor does the Single Manager System have any monopoly on cumbersome funding and accounting procedures, although there may be a greater degree of complexity because of the interservice nature of single manager operations. This is one area where we feel we can improve single manager readiness within our present resources, and we have just initiated a project to attempt to simplify and unify single manager procedures and improve their readiness for wartime.

CHART 56

Realizing that, in the aggregate, the correction of all these deficiencies which impede the attainment of an acceptable readiness posture by the Single Managers would constitute a program which would place significant demands on the defense budget, we have recommended corrective programs to proceed in accordance with the concept of balanced logistic readiness, with full consideration given to the relative military urgency of these programs in comparison with demands for active-force D-Day readiness, service mobilization reserve deficiencies, weapons modernization requirements, and other high-priority programs competing for available resources.

Our job for the future, then, is to simplify and unify single manager procedures, to develop an integrated single manager distribution system, to improve single manager readiness posture to the extent of our resources,

to extend the single manager concept to other suitable commodities, and to determine the applicability of the single manager concept for the supply of common items to unified commands.

I thank you very much for your attention.

CAPTAIN SMITH: Gentlemen, Colonel Case is ready for your questions.

QUESTION: Sir, could you tell us what has happened in the area of construction materials and equipment? I know that the Army used to buy all the lumber, for example. I don't know whether they still do or not.

COLONEL CASE: Data are now being gathered by the military services and these data will be submitted by the services to the Armed Forces Supply Support Center within about 60 days. The Armed Forces Supply Support Center will analyze these data and will make recommendations as to whether or not it is feasible to establish a Single Manager in the fields of construction materials and in the fields of automotive supplies. We won't know until we see the results of the study whether or not we can create a Single Manager in that area.

QUESTION: According to the charts there was some $13 million saved during the period of this particular study. I have no reason to question that. But how much of that can be attached specifically to the fact that this is a single manager system and how much of it is due t

to the management improvements that could have happened anyway, and that probably would have happened--for instance, the reduction from 58 to 13 depots of textile business and the use of transceivers. Those cannot really, I believe, be chalked up to just purely the single manager business.

COLONEL CASE: Let me answer your question in about three parts. The first point is, the $13 million saving is not a saving that has been made since the introduction of the single manager concept to the present. The $13 million dollars is the rate at which we are saving money annually. Now, as to the second part of your question, it is impossible to tell, as far as I know, how much of this could be directly attributed to the single manager concept. There is no way of getting at this. But it's true, as you say, that a part of these savings may have resulted from forced cuts in ceilings, or forced cutbacks in funds. Those savings are in there; you can't get them out. Another thing you mentioned was transceivers--the use of transceivers. Up to now I haven't seen any place where we can identify any savings with the use of transceivers, particularly. Too many times they don't show any saving. They give us maybe more efficient operation, but, when we look around for where we cut the people on the payroll, particularly in the single manager operation, we haven't found that we've made many personnel savings by the installation of ADPS and transceivers. I am sure there are economies there. That's probably an oversimplification. But it's hard

to find those savings.

Your point is right. All the savings you saw here this morning you should not get the idea are directly relatable to the single manager concept. Obviously they are not. The part that is not I can't identify for you.

QUESTION: Colonel, could you tell us a little about how far the Single Manager gets into research in seeking out new products. Does he have any responsibility in this area?

COLONEL CASE: The charters of the Single Managers specifically exclude from their cognizance research and development. Research and development must remain with the military services, because it is the military services who have the exacting requirements for combat that must be met by materiel. So the development of military characteristics and the research and development necessary to turn out an item that will satisfy those military characteristics must be vested in the military services.

The Single Manager has standardization responsibility. This means that, once an item is standardized and enters the supply system, the Single Manager can look at the items developed by the various services to try to find out if one item would satisfy the needs of more than one service. Of course, also, research and development is coordinated in the research and development and test stage, so that, to the extent that we can do it in the engineering field, we find out ~~whether or not~~

whether or not we can't have more standardization among combat items before the item enters the supply system. But the Single Manager doesn't have any specific responsibility for research and development. Regulations require that he be kept informed of research and development operations. The Single Manager can make suggestions; he can try to get better standardization of the items developed; but he doesn't have any responsibility.

This has come up recently in two instances with specialized flight clothing. The Navy and the Air Force are the users of the items. The items are highly sophisticated. They must retain cognizance over those items until they are standardized. Now, if the Navy comes up with a suit of coveralls that has a lot of fancy gadgets on it and it serves the same purpose and is very similar to one that is developed by the Air Force--the Air Force and the Navy both developing along parallel lines--the Single Manager might very well ask a question as to why one garment won't do for both or why one couldn't be modified so that both could use the same. But he can't dictate to the services what the characteristics of their materiel will be. That must be their responsibility.

QUESTION: What happened to the photographic supplies, Colonel Case?

COLONEL CASE: The photographic supply is one of our most embarrassing cases. When the original Single Managers were created by Mr. Wilson he created an assignment for photographic supplies and

assigned it to the Air Force. The Air Force never thought this was a good idea. As a matter of fact, I think the next day they asked him to reconsider it. Maybe it was the same day. This went along for a couple of years, the Air Force claiming that this was not a good single manager assignment, and the Defense Department trying to make a complete investigation of the potential of this commodity, to make sure that we didn't disestablish one if there were any prospects of making it a good assignment.

We finally turned this job over to the Armed Forces Supply Support Center's analysis staff, and they made a pretty exhaustive study of photographic supplies. They confirmed the opinion of the Air Force, although they did it a little more scientifically, that this is not a good field for single management. The reason it isn't is that, first off, you have a very low rate of commonalty in photographic supplies. Maybe 8 or 9 percent of the items in this commodity area are used by more than one service. This field is dominated by the Air Force. There is not a large inventory in this area. The single managership works best where you have a commodity with a high grade of commonalty of items that are used repetitively by a lot of different people at a lot of different locations, so that you have a requirement to flow a lot of supplies through a depot system.

This is not the case in photographic supplies. A high dollar value of this commodity is concentrated in highly sophisticated technical

equipment that has a very close program or weapon relationship. Some of these items are bought with the plane. A camera is bought with the plane; it's bought under a weapon-system type contract; it never goes through the depot system. Obviously there is no economy to be made by putting this kind of thing under a single managership.

So the Armed Forces Supply Support Center confirmed the view of the Air Force that this was not a productive assignment. They made this recommendation to the materiel Secretaries and Secretary McGuire, and the single managership was cancelled. The Holified Committee badgered us quite actively on this one. But I think the final decision to cancel the assignment was right.

QUESTION: Colonel, what is the budgetary responsibility of the Single Manager?

COLONEL CASE: The Single Manager prepares his own budget. Let's say it is prepared originally by the Executive Director. Sometimes we oversimplify and equate an Executive Director with the Single Manager. The Single Manager is the Secretary of a military department. The Executive Director is a flag officer who runs the agency. The Executive Director prepares the budget; he defends it in the normal process in his own department; and the budget comes up through the Defense Department and is defended and acted upon in the normal way. The Single Manager is entrusted with the division of a stock fund, which is a part of the stock fund of his own department, and he makes his procurements for

his inventories through this stock fund. He has to defend that, and he gets his obligating authority just like anybody else. When he makes sales he reimburses his fund, and he keeps the corpus of his fund up in this way.

QUESTION: Sir, are there any plans to extend the single manager control of overseas stocks at all?

COLONEL CASE: No. We don't have at present any active plan to extend the single manager concept overseas. We do have one project in the Defense Materiel Management Program which has a bearing on this. We have a project in that program which is designed to determine how we should furnish common items to Hawaii. Hawaii is a unified command, but it is not by any stretch of the imagination a typical unified command. We might learn some things in this project. It might have some application to the general idea of extending the single manager concept overseas.

When you get into this area, you get into the area that the services feel very strongly about and with good reason. Thus, you are careful. You realize you are going to start encroaching upon the prerogatives of the unified commander, who must control the resources within his command. I am not saying this couldn't be worked out with some adjustment of the single manager concept.

But, to answer your question directly, there is not now, at this time, that I know of, any active project to extend single management to overseas.

The question is constantly coming up because, to some people, it doesn't make sense that we have a unified supply system in the United States and we have a unified command overseas, and yet the common supplies going to that unified command may have to go through two or three different pipelines. This is a question that we've got to face up to, and I don't pretend to know how it is going to come out.

QUESTION: You indicated that the headquarters for the Single Manager and the department activities are located in the same place in some cases. This makes it highly vulnerable during an attack on the United States. Also, your chart showing credits and debits indicates that there were alternate sites. Can you discuss that?

COLONEL CASE: Yes. Each Single Manager operating agency has an alternate site. At the alternate site we periodically put updated records that would permit that installation to operate in time of emergency. Also, there have been people who have been designated as alternate executive directors, and staffs for these alternate sites. The retail commodity offices of the military services are located physically at the same location as the Single Manager for clothing and textiles and for medical supplies. This doesn't necessarily increase your vulnerability, because these two organizations are doing different functions. It is true that they are working in the same commodity, but your national inventory-control-point function and your procurement function are vested in the Single Manager's operating agency and there is an alternate site for that.

There is also an alternate site for the retail office, and usually they are also located together at the alternate site. Maybe I shouldn't say "usually." In some cases they are, and we have recommended that in all cases they be.

QUESTION: Colonel, you mentioned that about 50,000 out of 3.5 million items are under single managership. What do you have as your personal estimate of the culmination of the movement to single managerships?

COLONEL CASE: That is very difficult to answer, and I'll tell you why. In the areas that are now under study for future single managerships, I think that almost half of the 3.5 million items will be considered. But the fact that a commodity range like electronics, which is a great big commodity area and which is under a long-range study, a very exhaustive study, to find out whether this will be a good single managership or not, is notable. There are a lot of items in there. We know at the outset that some of those items, even though we created a single managership for this commodity, would never be included in the single manager assignment. When you get into such things as electronics, or even, to an extent, automotive, construction, and general supplies and industrial supplies, the field we are working in now, you are going to find that you can no longer take a class and lift it up bodily and give it to a Single Manager. There will be comprehended in this class items that are not suitable for single managership, items that have to be managed

on the basis of weapon-system management or program management or unilateral service-type management. So that, even though you take a large hunk of items like, as I say, we are now considering, about half the items in the spectrum, under future studies, there is no way of telling now, until these items have been coded by the services and classified by the inventory managers or the centers, how many of these items will wind up eventually in the single manager concept. I would suspect that numerically it will not be a very large number relative to the whole pile. I can't give you a more definite answer than that.

QUESTION: You mentioned procedural stability or compatibility as an essential element of success. I wonder if you would comment on the degree of compatibility that you have established thus far; and, secondly, whether anyone has thought about having a common procedural system across the four systems. This sort of becomes desirable when you get into industrial supplies. It would be desirable. The system from which you get it from the Single Managers should be compatible with other things within the given services. Has anyone looked at the total requirements in terms of developing a system for the whole gamut of items?

COLONEL CASE: That's a very good point; an excellent point. And it's a very big problem. If we were to go on down the road merrily creating new single managers, and if we made no effort to require those single managers to harmonize or integrate their procedures and their supply systems, we would wind up with a completely unmanageable mess

of systems, and the customer, the terminal, and industry wouldn't be able to deal with it. In other words, in the name of integration we would be creating a very disintegrated mess.

So this is a hell of a good point. The single-manager evaluation study that I mentioned a while ago said that in time of war this incompatibility among systems, this different way of doing business, would be completely unacceptable. The poor logistics instructor in time of war who is trying to teach the people who are coming in off the street and trying to educate them in a half-dozen systems would find himself with a terrible job on his hands.

You take the Marine Corps Base down at Albany, Georgia. It operates on a Marine Corps Supply System, but it also operates on four Single Manager Systems, and it gets some items from the Navy and a few from the Air Force. You can't go on indefinitely creating new systems. The Armed Forces Supply Support Center just made a very excellent study on the management of general supplies. Again, they comment on this impracticability of too many systems. They have come up with an excellent recommendation, and their recommendation has been made the basis for a project that we are just kicking off now. This is an important project. Their recommendation was that the Quartermaster General and BUSANDA develop an integrated distribution system for Single Manager commodities, and integrated, compatible, consistent, and, to the extent practicable, uniform procedures for Single Manager commodities.

In approving this recommendation, the Armed Forces Supply Support Center changed it, I think wisely. They said that all services should participate in the development of common systems and common procedures. So this project is now about to be kicked off. It will be a significant project, and its objective will be to come up with an integrated Single Manager distribution system and uniform procedures, where practicable, and where not practicable because of unique characteristics of some commodity, at least compatible systems, so that the requisitioner, industry, the terminal, and the wartime logistics instructor are not confronted with a multiplicity of systems.

QUESTION: I was a little surprised at the low number of people you show on some of these monstrous buys. I wonder if you can tell us a little bit about how you maintain your quality, your acceptance, and your technical inspection of the things you buy. Is that the responsibility of the Single Manager? How does he do it?

COLONEL CASE: As you know, the Department of Defense has recently adopted a policy which places the responsibility for inspection and quality control on industry. The Department of Defense satisfies itself that the manufacturer has a good statistical quality-control system and then it relies upon the industry to do its own quality control, making necessary tests and checks which are required to make sure that the quality of the product is maintained. This probably has enabled us to get by with fewer people in the inspection and quality-control game, but

also, by integrating, by putting the three services together for these commodities, we have eliminated the need for two of the three quality control sections, and we, for instance, in clothing and textiles, I guess it is, now maintain inspection and quality-control services for all services with fewer people than the Army used to have for just the Army and the Air Force. Two things: By integration we save people; also, by putting more of the responsibility on industry, and by just checking industry's installations of their systems, we save money on quality control.

CAPTAIN SMITH: Colonel Case, in behalf of the Commandant, the faculty, and the students, thank you very much for coming down here and giving us an insight into the background, the current status, and the efficiency of the Single Manager System. Thank you very much.