

THE ALLOCATION DIVISION
PLANNING BRANCH
OFFICE OF THE ASSISTANT SECRETARY OF WAR
(Function, Methods, Historical)

(Lecture delivered at the Army Industrial College,
Washington, D.C. February 18, 1936, by the chief
of the Allocation Division)

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1. DEFINITIONS The term allocation when used alone has always been restricted in meaning to the apportionment or assignment of facilities. The term should not be used when speaking of the apportionment of a raw material or of power, unless it is qualified.

The allocation of a facility to a procurement agency authorizes such agency to make detailed surveys and to place schedules of production. An allocated facility will not be contacted for procurement planning purposes except by permission of the agency to which the facility is allocated.

A Single Allocation means that the facility is allocated solely to one procurement agency. A Joint Allocation means that two or more agencies are involved.

Certain important facilities, e.g. General Electric, which will be utilized by nearly all procurement agencies, are not allocated but are designated reserved Facilities and, in lieu of allocation, Capacity Credits are approved for the procurement agencies in accordance with requirements and the capacity to produce.

A capacity credit is defined as an approved credit against the production capacity of a reserved facility. A capacity credit is approved i.e. it is not allocated.

2. FUNCTION The allocation of facilities (approval of capacity credits) is the key to the supervision of procurement. The purpose of allocation is to prevent competition between procurement agencies e.g. the Army and the Navy, to provide for the needs of the civilian population, to distribute the load, and to establish a reserve capacity.

The ANMB allocates facilities (approves capacity credits) to the Army and the Navy. The OASV allocates facilities (approves capacity credits) to the SAS within the Army only. Allocation to the Navy has always been made by the ANMB but only during the past year has allocation to the Army been approved by the ANMB, although a few isolated allocations in the past are of record.

3. CONTROL FUNCTIONS. In the evolution of the OASV certain control functions have become lodged in the Allocation Division. The most important are Contact and survey, capacity, load, schedules of production.

4. ORGANIZATION CHARTS, O.A.S.V. The first chart, dated 1922, shows an Allocation Branch under the Purchase Control Division and

a Facilities Branch (new facilities) under the Industrial Division. Originally, requests for allocation from the SAS were routed to the Requirements Section and then to the Commodities Division. This arrangement continued the methods developed in the V.I.B.

This original organization for allocation and new facilities was continued in effect until 1933 when a separate Facilities Division appears, consisting of an Allocation Section, and a Construction & Conversion Section. This same organization chart, for the OAS, appears in the Industrial Mobilization Plan, 1933.

Recently the Construction Section was made a separate division. Conversion is retained in the Allocation Division. The present organization chart (OAS October 1955) places control of conversion in the Allocation Division.

5. CLEARANCE (ALLOCATION) BY THE WAR INDUSTRIES BOARD DURING 1917-18. The word allocation does not appear in the index of the Report of the V.I.B. Allocation however, had its inception in the Clearance Committee, established early in 1917 as part of the General Munitions Board. This committee was composed of representatives from the Army, Navy and Marine Corps, and later the Allied Purchasing Commission. Frank A. Scott was the first Chairman of the Clearance Committee. The Clearance Committee prepared a clearance list setting forth those items in which a shortage existed. Orders could not be placed for these items until a clearance was obtained. Each purchasing department read its orders before the Committee and if no objection arose, the order was cleared. If any department objected, the conflict had to be adjusted.

Very early, shortages developed in commodity after commodity and the clearance lists had to be enlarged. The Clearance Committee was soon overwhelmed and a need for other agencies arose. A Priorities Committee was established in the summer of 1917 and a Requirements Division in June 1917. By July 1918 the Commodity Committees had developed such strength that these took over the clearance functions and the Clearance Committee was reorganized into a Clearance Office and became merely an office of record. All orders were routed direct to the Commodity Committees. By 1918 the rule was made that all orders to be placed in the congested record all orders involving new construction had to be cleared. Late in 1918 the rule was established that all orders ready to be placed had to be cleared. The Commodity Sections acted in one of six ways

- a. Clear without comment.
- b. Restrict to a certain area.
- c. Restrict to certain power area.
- d. Restrict to certain named plants.
- e. Actual allocation to a certain plant.
- f. Clear with advice regarding suitable source.

Altogether there were 29,000 clearances--80% War Department, 15% Navy, 5% all others. This method of clearance could not control priority or prices. (Clearance schedule as of June 1918-- See Page 319 Report W.I.B.)

This clearance function is stressed because the question of how the future W.I.B. will operate and what kind of records we should have ready (as regards allocation) deserves consideration. The Supply Branches then had no requirements and no definite plans regarding facilities. The situation is much better today at least as regards requirements and facilities.

The stumbling block for allocation is the existing unsatisfactory state of allocation to the Navy. Of 12,000 allocations there are only 381 to the Navy. Allocation is a slow process, well adapted for peace time planning but when the emergency is on it may prove to be clumsy. The method of clearing orders used by the W.I.B. has at least been tried once and should be kept in mind.

6. EARLY ALLOCATION BY THE O.A.S.V. In 1922 an important decision was made to allocate facilities. There was some doubt whether allocation, especially to the Navy, could be made except by a superagency. Colonel Ferguson (February 6, 1922) stated

"Allocation was actually made during the War by the Joint Board, appointed prior to the declaration of war. No matter how allocations are made, they will be changed if they are not properly thought out and made as free from error as possible. No matter who makes them, we or a superagency, they will be changed if they are not made properly."

we may assume that Colonel Ferguson inferred that any allocation made properly would stand since there would be no need to change it.

The ANMB was established in June 1922 and it is interesting to note that the OASV made no allocations until about six months later and none by the ANMB until three years later.

On November 1, 1922, the O.A.S.V. directed the branches to requisition facilities and furnished a blank form for this purpose which called for a statement regarding production capacity and a statement regarding requirements (load) to be placed on the facility. For some unaccountable reason the requirement regarding load was dropped. At this time requirements were not known and a Mobilization Plan was not available until 1924.

Allocation originally was for survey and was tentative for one year. The allocations made were never revoked however. The first requisitions were received in December 1922, and first allocations were made by the O.A.S.W. in January 1923. The first Directory of Allocated Facilities, published in February 1923, listed 5450 facilities.

Memorandum, O.A.S.W., November 13, 1923 states "The allocation of a facility to one Supply Branch does not mean that another branch is prohibited from getting supplies from that facility, but that the branch to which allocated shall have priority on its output, and that all demands of other branches on this facility must be presented to it thru or by satisfactory arrangement with the branch or branches to whom it is allocated."

On October 7, 1925, in order to correct a large amount of waste effort brought about by more allocations than the Supply Branches could survey and subsequent cancellation because many facilities had either gone out of business or were unable to furnish supplies in the quantity desired, the Supply Branches were requested to furnish "A priority list of essential items" and allocation was to be limited to facilities required for these essential items. In addition, except in special cases, facilities rated less than A in Thomas (p100,000) would not be allocated. These policies were never strictly adhered to however.

On May 25, 1927, the O.A.S.W. disapproved a request to place schedules calling for 104 glass beakers and 26 condensers stating "A listing of sources of supply for minor requirements of strictly commercial items in lieu of accepted schedules of production is believed to be adequate for the purpose of procurement planning."

On February 9, 1928, the Quartermaster carrying out the policy regarding unnecessary allocations, recommended the cancellation of about 4,000 facilities engaged exclusively in producing and marketing food stuffs.

ALLOCATIONS (TOTAL)

	1923	1924	1926	1928	1932	1934	1935	
QMC	2463	9110	13665	9232	8012	8252	7805	QMC
Ord.	1082	1328	1375	1140	818	916	874	Ord
Eng.	82	993	2134	1738	1167	922	854	Eng.
A.C.	400	590	700	623	572	526	470	A.C.
Med.	872	924	1252	1196	1031	738	594	Med.
Sig.	290	426	522	467	572	523	506	Sig.
CWS	199	284	330	304	402	406	372	CWS
Navy			17	171	249	251	367	Navy
J.A.	62	217	460	271	285	291	185 *	J.A.
Totals	5450	13872	20455	15142	13108	12825	12027	Total

* 185 facilities involved in 378 joint allocations to S.A.&S.

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Allocations (Capacity Credits) by ANMB - January 1936.

Zone	QMC		Crd. Dept.		C.E.		A.C.		Med. Dept.		Sig. Corps		CWS		Navy		Total	
	A	CC	A	CC	A	CC	A	CC	A	CC	A	CC	A	CC	A	CC	A	CC
I	41	12		10		40	6	17	242	2		2		8	216	95	505	186
II	23	18	5	7	1	43	1	9	201	2	1	1	2	7	63	42	297	129
III	-	-	-	-	-	-	-	-	21	-	-	-	-	2	49	1	70	3
IV	4	-	-	-	-	1	2	-	39	-	-	-	-	-	53	3	98	4
Total	68	30	5	17	1	84	9	26	503	4	1	3	2	17	381	141	970	322
																Army	589	181
																Navy	381	141

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7. QUESTIONNAIRES Authority to survey was granted in November 1922 and the Supply Branches at once flooded Industry with questionnaires regarding production, shop equipment, etc. Letters were received by the Secretary of War from Industry complaining of the work involved in answering such questionnaires and their use was forbidden in May 1923, and is still in effect.

8. SURVEY BY THE BUREAU OF THE CENSUS. It was thought at one time that the Census Bureau could collect very valuable information regarding facilities for study and evaluation by this office. After considerable discussion the Bureau of the Census agreed in December 1925 to send Form 100-A to all facilities having a value of products of \$500,000 or more a year, the number of such being about 15,000. Form 100-A included five questions

- a. Principal commodity manufactured during the War.
- b. Amount produced.
- c. Present status.
- d. Type of work for which best suited.
- e. Alterations necessary.

Reports were received by the OASW in April 1927 and allocations for about 500 facilities were made, 100 of which went to the Navy. The idea of establishing a reserve group was not carried out.

A second Census made in 1927 and received in 1929 proved to be of little value.

In 1929 a third Census, limited to information regarding skilled labor was made for the Navy and the Ordnance Department. This was received in 1931 and was turned over to the Navy.

The Director of the Planning Branch has been approached, during the past year, by more than one of the New Deal agencies with the view to collaborating in a survey of industry. Whether the thought is to develop (expand) industry or to control (restrict) it, is not clear.

9. SUSPENDED FACILITIES. B&L called attention very early to the waste effort involved in attempting to furnish survey data to the different supply branches at intervals and suggested to the OASW that the total load be analyzed for both the Army and the Navy and be presented to B. & L. at one time. A certain group of important facilities were withheld from allocation in the beginning. Taylor Instrument and Eastman Kodak were approached initially by the OASW and allocated in 1923. General Motors was released for allocation in 1927 altho its subsidiaries had been allocated separately, subsidiaries of the U.S. Rubber in 1928, L.S. Starrett in 1932. General Electric, Westinghouse, Standard Oil, have always been suspended altho authority to contact and survey was approved in certain cases (S.C. in 1924 authorized to survey G.E. for radio material only.)

In 1926 the Machine Tool Commodity Committee recommended that all allocations of machine tool facilities be suspended. No action taken. In 1929 a tentative assignment of machine tool facilities was made and a Machine Tool Directory published. The Branch to which assigned would place schedules up to 75% of capacity when allocation and priority was to be established by the Machine Tool Commodity Committee. Survey reports were forwarded to this office. Only one or two were actually allocated. In 1933 all tentative assignments were cancelled although the branch to which previously assigned would act as contact. In 1935 all machine tool facilities, a group of about 280, were made Reserved (OASW) facilities.

In 1932 the New York District Ordnance Office requested the assignment of 47 facilities for the production of gages. This was done. In 1935 about 23 of these, along with other gage facilities were made Reserved (OASW) Facilities.

In 1925 allocation for basic steel was suspended and the Supply Branches directed to submit requirements for iron and steel. The American Iron and Steel Institute cooperated and a Steel Plan was compiled and submitted to the branches in 1927. No definite action taken. The 97 facilities covered in the Steel Plan have been reserved to this office (for raw steel only) since that time. In 1934 new requirements were submitted under the 1935 General Mobilization Plan and an officer of the Ordnance Department is making a new plan in cooperation with the American Iron and Steel Institute. It is expected that this plan will be handled by a commodity committee of the ANMB, credits to be approved for the Navy and the different SA&S. i.e. allowances will be established for steel in lieu of allocation and accepted schedules of production. In February 1935, a group of 147 steel facilities were made reserved facilities. The SA&S objected to the inclusion in this group of 69 facilities having fabricating capacity and these were reallocated to the SA&S in April 1935. The remaining 78 steel facilities (now Reserved) are available for allocation for fabricating capacity if desired by the SA&S. Those remaining unallocated will be deleted from the list of reserved facilities when the ANMB takes over the operation of the steel plan since presumably they will be included in that plan.

At present we have allocated facilities and reserved facilities, the term "suspended" has been dropped.

10. JOINT ALLOCATIONS. Allocation for joint survey was approved from the very beginning. A restriction was made in 1925, that joint allocation would not be made unless the SA&S stated no other facilities were available or none capable of producing were then allocated to the SA&S. In May 1926 a memorandum was issued calling for a study of all joint allocations made to date. The established policy has been to inhibit joint allocations. At present 185 facilities are jointly allocated. The rule today is that a facility required by both the Army and Navy or by more than 2 SA&S will not be jointly allocated but will be made a reserved facility.

When a facility is jointly allocated the SA&S having the basic allocation surrenders its exclusive interest. In fact the other SA&S may by agreement place a larger load than the SA&S to which initially allocated. If the load to be placed is not large it is preferable to avoid a joint allocation and instead, schedules are placed for the desired item by the SA&S to which the facility is allocated.

In case of a joint allocation, the SA&S to which initially allocated is ordinarily listed first in the Directory and is considered the Responsible SA&S. Eventually the SA&S placing the heavier load (priority considered) will be designated as the Responsible SA&S.

11. SUBSIDIARIES, PLANTS, DIVISIONS Originally the allocation of a facility included all the plants and subsidiaries. In order to obviate joint allocations it was decided to allocate subsidiaries separately in special cases and the first allocation was made in 1926. American Hammered Piston Ring Company was allocated to the Air Corps. This is a subsidiary of the Bartlett-Hayward Company, then allocated to the Ordnance Department. Similarly, the first plant separately allocated was in 1927 when the Hoboken Plant of the Eclipse Machine Company was allocated to the Air Corps, and the Elmira plant to the Ordnance Department.

In 1931, it was decided that the allocation of a facility included the plants and divisions of the main office, but did not include any subsidiaries, or plants and division of subsidiaries. This policy is still in effect.

12. CONTACT AND SURVEY. Prior to last year, primarily in order to avoid antagonizing Industry, contact and survey could not be made until the facility was allocated. It has been necessary to first get a facility allocated, then survey, then apportion, and finally place schedules. If it was determined that no apportionment would be made and if the facility was not even required for a reserve capacity, then the allocation was usually cancelled. This, although necessary, has been a rather clumsy method of determining whether a facility was required.

An important change in policy was adopted, in P. B. C#1, 1934, which directed that allocated facilities would not be contacted, but any unallocated facility and any reserved facility could be contacted and surveyed without restriction. The present policy is to have some degree of assurance that the facility will be required and thus avoid unnecessary allocation and subsequent cancellation.

13. SCHEDULES OF PRODUCTION In June 1926 it was decided that all facilities then allocated would be available for production and accepted schedules could be placed. A memorandum to the branches (Jan. 2, 1926) states, "The term War Orders is a misnomer. Its use will be discontinued and hereafter the term Accepted Schedules of Production will be used in its stead."

The term Subschedule of Production was defined in P.B. C#2, OASW 1933, when planning for contributory items was given an impetus. This term covers schedules for contributory items to be furnished by a subcontractor to a prime contractor.

14. CONTRIBUTORY ITEMS--RAW MATERIALS. A memorandum to the branches (Feb. 12, 1925) stated "No allocation would be made for materials or supplies to be obtained by Prime Contractors from Subcontractors except in special cases. Raw and semi-finished materials will be cleared through Commodity Committees." Although this restriction was never rescinded, many allocations were made for both contributory items and raw materials.

In 1933, the policy regarding contributory items was changed and the SA&S could obtain allocation for contributory items purchased direct, whereas those to be obtained by prime contractors were to be cleared through this office by forwarding a copy of the subschedule of production. These subschedules would eventually show the total demands and be the basis for future definite allocations.

In 1934 this policy was changed. P B. C#1, OASW 1934 states, "The priority of the item will determine whether allocation is necessary. No distinction will be made between primary and contributory items and/or services, nor whether the SA&S or the prime contractor will place the contract".

Recently, a large group of allocations has been cancelled covering such raw materials as manganese, copper, cotton linters, coal and coke, and for certain semi-finished or finished products that it was always intended should be controlled by a commodity committee such as building materials (lumber, cement, sand, gravel, plumbing supplies), petroleum products (gasoline, kerosene, lubricating and fuel oil), paint and paint products (paint, varnish, linseed oil, turpentine), office supplies and equipment (paper, pencils, furniture).

15. NAVY ALLOCATIONS. In 1925, a letter was forwarded to the Assistant Secretary of the Navy, requesting joint action regarding motor vehicles, casings and tubes, and other items. A committee agreed upon the joint allocation of 17 facilities. These included Buick, Cadillac, Goodrich, Goodyear, Midvale Steel, Newport News Ship Building. These allocations, the first made to the Navy, were made by the Army and Navy Functions Board.

In 1927, about 100 facilities were allocated to the Navy from data furnished by the Bureau of Census. These included facilities for blankets, buttons, boilers, clocks, clothing, lumber, shoes, steel, ships and drydocks, turbines and others.

In 1929, the question of shipbuilding and dock facilities, related to the Orange Plan, was settled by allocating about 100 facilities to the Navy. Also in 1929, there were ten joint allocations to the Navy and Ordnance, and ten to the Navy and Engineers, covering shipping and steel facilities.

In 1934, certain storage facilities on the west coast were allocated to the Navy by the Joint Board without reference to this office.

During 1935, 116 facilities allocated to the Medical Department and the Quartermaster Corps were reallocated to the Navy. An agreement was also reached regarding all facilities allocated solely to the Medical Department of the Army.

16 LOAD. Memorandum, O.A.S.W. May 29, 1926, states "Suggest a factor of safety as follows (1) in each facility by utilizing its capacity only in part (2) In each District by setting aside a few well established facilities." In 1926, Colonel Ferguson suggested that each branch be required to report all facilities being utilized in excess of 50% of the peace time capacity. He estimated that the war load would be 15% or less, of the total capacity to produce. He also suggested setting aside certain plants as a general reserve. The Check List, June 1926, Par 16, mentions a "semi-annual report of load", to be rendered by the Branches stating the name of each facility where the load exceeds 50% of capacity.

January 10, 1927 a report was submitted by the Supply Branches stating the load on the San Francisco District. Broad commodity groupings e.g. subsistence, forage, clothing, were used and the money value of the load placed was compared with money value of selected industries, as given in Vol. X, Census of Manufactures.

Major Nix made an analysis of the total load placed by the Ordnance Department (Dec 22, 1926), and concluded (1) Number of facilities with load greater than 50% are--none in the Chicago District, one in the Philadelphia District, and three in the San Francisco District. (2) In general, the conclusion is reached that the utilization of over 50% capacity of peace time facilities, is not being planned by the Ordnance Department. (3) Exceptions are ammunition, powder, tractors, for which the facility expands on practically the same peace time product.

P.B. C#1, 1932, restricted the load on allocated facilities to 50% normal capacity, except in special cases. Normal Capacity was not defined until P.B. C#1, 1934, was issued.

In October 1934 the Director, Planning Branch, directed that (1) Allocation be put on a capacity basis and be developed toward a capacity allocation rather than a plant (facility) allocation. (2) A group of

reserved facilities to be established and capacity credits approved for material not constituting the major output of the plant. (3) Require an Annual Load Report from each Supply Arm and Service.

During 1935 considerable progress has been made along this line. A new Form 100 calling for data regarding load (% normal capacity and/or % total plant), was printed and is now in use. Since this form calls for definite information regarding the item, quantity, and % of capacity to be utilized, the load placed or to be placed is known at the time the allocation is approved. The first Annual Load Reports submitted by the Supply Arms and Services on October 1, 1935, have proved to be very valuable documents and constitute the best data available regarding load placed and total load to be placed. This applies particularly for those commodities not covered by a written plan.

Allocation (June 1935) by Zones (The 3 states with the heaviest load appear)

		QMC	Crđ	C.E.	A.C.	Med.	S.C.	CWS	N	Total
Zone I	N.Y.	1346	115	121	88	126	83	46	113	2038
	Pa	1076	65	66	22	39	27	20	24	1339
	Mass	701	44	51	38	68	40	17	20	979
Total		4045	353	327	200	302	234	120	210	5791
Zone II	Ill.	616	51	144	43	84	58	42	9	1052
	Ohio	527	103	51	96	40	28	42	11	898
	Wisc	280	12	43	21	17	6	11	9	399
Total		2494	346	413	253	226	131	175	59	4995
Zone III	N C.	184	3	2		2	5	5		201
	Ga	131	27	1		4	1	10	3	177
	Texas	86	13	10		1		4	13	127
Total		781	102	38	5	24	13	44	48	1055
Zone IV	Cal.	327	55	55	11	33	105	26	34	646
	Wash.	80	8	11	1	5	17	3	12	137
	Ore.	58	7	8		3	5	3	4	88
Total		485	73	76	12	42	128	35	50	901
TOTAL		7805	874	854	470	594	506	372	367	* 11842

* Adding 185 facilities, which are jointly allocated, the total is 12027

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17. PRESENT STATUS The Allocation Section operates today under the policies and regulations laid down in P.B. C#1, O A S W. 1934. Most of the topics discussed herein are covered in this circular and copies are available to you.

18. RECORDS The Allocation Section maintains the following records

a. Master file, Over 12,000 copies of Form 100 kept in a visible Kardex file and arranged in a single alphabetical series, by name of the facility.

b. Directory of Allocated and Reserved Facilities. A visible Kardex file wherein the names of facilities are arranged geographically according to Zone, State, and City. A Directory is published annually "for official use" only, by a lithographic reproduction of this file, thereby saving clerical work and avoiding copying errors. The Directory contains about 20,000 entries (lines) and lists about 2,000 towns and cities.

c. Directory of Load. A file arranged by commodity as listed in Section III, Part I, Federal Standard Stock Catalogue, covering 61 main groups and about 1400 sub-divisions. In addition to listing the facilities to be used for each commodity, it has been decided to utilize this file to indicate the load placed and/or to be placed on each facility, separately for each commodity expressed in terms of % of normal capacity, or % total plant. This Load Directory is published as a secret document.

d. Index of Allocated and Reserved Facilities. A single alphabetical list showing the name and address of each facility, the procurement agency to which allocated, and the commodity which each facility will furnish.

There are, at present, 597 reserved facilities and the work involved in maintaining the record of approved capacity credits for both the Army and the Navy has been additional but obviously is time well spent. Eventually the reserved group should consist essentially of those facilities required by both the Army and the Navy and certain facilities producing important contributory items.

19. FUTURE PLANNING. The existing status of allocation to the Navy transcends all other topics touching upon allocation. From a national standpoint and considering the duties imposed by Section 5c National Defense Act, a better balanced allocation between the Navy and Army must be the main effort. The progress made during the past year by the ANTB distinctly greater than for any recent period, is encouraging and is due entirely to the impetus given this activity by Colonel Harris.

Regarding the large group of facilities allocated to the SA&S, more definite and accurate information regarding load should be recorded and the development of a method for keeping this record current, so that it will be up to date, should be the main effort of the Allocation Division for the immediate future. This record, although initiated in 1932, has only been given a definite start during the last few months.

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THE ARMY INDUSTRIAL COLLEGE
Washington, D. C.

DISCUSSION FOLLOWING LECTURE BY COLONEL ROBERT SKELTON, M.C.

"ALLOCATIONS"

February 18, 1936

Colonel Harris: Procurement planning reduced to its fundamentals simply means two things. What do we want and where are we going to get it? Yesterday you heard one-half, i. e. what we want. Requirements plus type and specifications are what we want, but where we are going to get it, is allocation. We sink or swim in the next war on the work of this division. The subject is complex and there are some flaws in it but this work represents the result of procurement planning. I would like to have you keep that in mind.

Colonel Scowden: In Problem No. 18 the question of allocations must be given serious thought by the class. You now have an opportunity to clear up any questions you may want to ask.

Q - You spoke of the Navy having certain priorities. Just what are they?

A - Commander Hendren will give you that tomorrow. The Joint Board has decided that the Navy will have priority. The requirements for the Army have been figured under the General Mobilization plan, requirements for the Navy are figured under the Navy color plan that represents the greatest effort - the Orange plan. These requirements are matched against the known survey capacity and where the capacity is sufficient, no question of priority is involved. Where a shortage exists, I believe the decision of the Joint Board reads that requirements will be recomputed by the Army, the Navy will keep the Orange plan requirements but the Army will work under a corresponding color plan and facilities would be allocated if possible, to meet the lesser Army program. If there is still a shortage then the Navy gets priority for the fleet in being.

Colonel Harris: That last priority is an agreement in the Army and Navy Munitions Board. The priority decision is what Colonel Skelton has told you - the General Mobilization

Plan works for the Army and the Orange plan for the Navy. Where there is not enough the Army has to drop back for the lesser Orange plan.

Colonel Skelton. If it so happened that we were short of morphine it strikes me that we certainly would not give it all to the Navy boys with pneumonia and make them comfortable and let the Army boys suffer. That would be ridiculous and I don't think the Navy would stand for it. Perhaps for big guns they would get priority, but from what we have heard Colonel Harris say about it, the Army and Navy Munitions Board today is taking a much broader viewpoint and, I think, a more sensible one than would be obtained by sticking to the word of the Joint Board decision.

Q - Can you give us an idea as regards surveys? How many of the surveys completely cover the field? Did they stop when they found an ample supply or are those surveys complete for that field for the whole year.

A - For some reason the Planning Branch has never received a copy of the survey reports. It seems to me that in the beginning if we had had a copy of each survey and a copy of each schedule placed we would have had about all the information wanted. We could from that complete our annual load reports. We would know quantities, items, etc. That question brings up the broader one, under Section 5a, that the Assistant Secretary's office is supposed to survey industries. We have never done any surveying although in a sense some data have been gathered but the branches survey for those items they want and when they find the capacity is ample they stop. Of course, there is never sufficient money to go round. To keep your facilities up to date and drop in occasionally on the important ones about takes all your time.

Q - About this question of priority - the Army General Staff has set up four steps in priority - four star, three star, two star, no star. You spoke about the Navy getting priority, take an item like steel. That may be a three star priority for the Army and if the Navy had it, it may be a no star priority for the Navy. It seems to me that there should be some adjustment on that. A no star priority should not have precedence over a three star priority.

A - That is true and the Army and Navy Munitions Board is actually taking a broader viewpoint. Take the item of blankets the Army wants $4\frac{1}{2}$ million the first

month. The Navy wants $1\frac{1}{2}$ million. That is six million blankets the first month. The difficulty is that those blankets are not required in the first month, they are to stock depots for three months, they represent factors of safety. You can't get six million blankets in the first month; you might get the orders written but you would be short actually. Commander Hendren spoke about the Navy being protected near a warm boiler room and the possibility of their using a substitute blanket. The Medical Department requires quite a few blankets but patients in well equipped and heated hospitals could get by. It is a nice example of how the policy would work on such an item if you stuck rigidly to it. The Navy would get blankets and the Army would be short for four or five months. So this requirements figure muddies the water when you get into priority.

Q - Is it correct that allocation requirements are based on the Four Army plan of mobilization?

A - Yes.

Q - If that is true that one item of 13% that you mention as going to the Navy - there is a ratio of about 7 to 1 there. The 1 is a fixed figure because there is no doubt that the Navy is going to require the 1. Then the other 7 must be a variable. It might be anything from 1 to 7, it is hardly reasonable to say it would be seven at the beginning of the war. If you allocate 7 as the variable, which might be 1, 2, or 3, and give 1 to the Navy, you are going to disappoint an awful lot of dealers who were counting on getting business for 7 of that item. I don't see that the question of mobilization under the Four Army Plan is much of a break for the dealers who are interested in the business and who have more or less counted on it.

A - I would not worry about the dealers too much, and I am not trying to be facetious. Last week there was a lot of talk about the mobilization plan; that plan was undoubtedly stimulated by planning. Fortunately for planning we got a big plan - a plan that we can not reach. Speaking of the mobilization plan, we learned as much from the first plan as we have from the successive two or three plans. I have never thought that the Staff or anybody else would give you either a general plan or a color plan, because it is merely somebody's idea of what the next war will be. If you want to criticize what we are doing I think it would be as fair to criticize any lesser plan. You assume that the Navy will get the one share, nobody knows what what the effort will be. The Navy might not be in the picture at all. I don't see how we could require for a defensive war all these millions of

blankets if the Navy is still awake, but it is undoubtedly true that there is not a 100 to 1 chance that we will mobilize either the Army or Navy on the plans we are thinking of. It strikes me it is absolutely sound and if today we could meet the general mobilization plan we have, then we should get a new plan doubling the requirements. To my mind, it is interesting to note that the staff has never been able to visualize over $4\frac{1}{2}$ million men - the same number we had in the last war. Today, it strikes me that a big effort would be at least ten million. When we get through figuring Army requirements plus the Navy Orange plan we will have a lot of peaks. You can get all the food you want - well above the requirements. In airplanes we are way down. We don't have any anti-aircraft guns. I believe if you want your plan to plan on, you have got to put it up in the stars then if you solve that, any lesser effort would be easy. I don't believe in any color plan for procurement. It strikes me that the supply branches should make their own mobilization plan showing the level of mobilization that would be reasonable to equip a balanced force, and that would show to the Staff the situation regarding war reserves, substitutions, etc.

Colonel Harris: We are doing that very thing now on that problem to try to evaluate the production capacity in the terms of the mobilization plan. We are trying to do right now exactly what Colonel Skelton has indicated. We speak of the Navy as one, but some people seem to think the Army is to be entitled to 1%. I don't believe we are going to be placed in a position of a small minor role in war. The best Navy in the world wouldn't have a chance without the Army in back of it. It is a great plan but I don't think the Army would be less than $2\frac{1}{2}$ million men.

Q - I notice that the Army and Navy Munitions Board and the War Resources Administration have a Facilities Division and that has been changed in the O.A.S.W as noted. There are four things to be considered. surveys, allocations, conversion, and construction. If we put surveys, allocations, and conversion in the Allocations Division in the one case, and have construction to handle matters that come up, why don't we change the organization of the Army and Navy Munitions Board and the War Resources Administration to agree with this?

A - I believe that is being done. These things develop gradually. These war agencies are just paper set-ups, except the Army and Navy Munitions Board.

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Colonel Harris. The reason we have the Construction Division is because construction is a live and important subject it is an important duty of the Planning Branch. The War Department is going to administer construction. We have supported and dignified construction on account of its importance. Theoretically it could go into the Facilities Division.

Q - You said that the next step would be to change the organization of the Army and Navy Munitions Board to agree with this set-up.

Colonel Harris. If you will look in your new draft of the Industrial Mobilization Plan you will see that the organizations of the Army and Navy Munitions Board and the War Resources Administration are identical. I think Construction is important enough to be dignified by a separate group, in the organization of the Assistant Secretary of War.

Q - As long as you are going to plan I don't see why you don't use infinity to plan for, but when it comes to the contact of industry - making definite arrangements for procurement, I think under those conditions the Army and Navy should get together and bring their requirements down out of the stars to the practical requirements we know will be necessary. I think that is where the difficulty arises.

A - We do that in general. Speaking of dealers again, for those commodities where production is large, if we took all of that commodity we needed and there was a large group left over, the Army and Navy Munitions would decide that allocation was not required. In some cases we will need all the production.

Q - To what extent has the Shipping Board come into this picture? We talk about the Army and Navy but we don't know whether the Shipping Board is going to have a big drive for ships. Has that been covered and is there a Shipping Board planning committee?

A - I don't know.

----- In connection with that point the shipping problem figures last year were much below what they figured for the World War. It is small but it has been neglected in the requirements.

Major Kelton - Regarding this question of planning for 10 million men - 4 million men are about 9% of the manpower of the country. Some of the nations in the World War were way above that; we undoubtedly could go above it. In the last few months the British cabinet has set up a plan for defense against gas for the civilian population. The French have just published instructions requiring every man, woman and child in France to get gas masks. I don't believe our requirements in war will ever be met. If we are attacked from the air with gas there is no doubt but that the small requirements that have been set up under our plan will be just a drop in the bucket to what will be the real requirements in masks. In the World War we were always short of ammunition and we will always be short. If we are seriously attacked there will be continuous demand for more troops and more ammunition and more guns. In the Navy here you have a certain number of ships and cannot use any more guns and any more ammunition, of course their planning problems are simple. They see a fleet in being, they realize they can only have a fleet in being, and very wisely. In the Army when you are going to throw every man in the fighting line that you can put in, requirements have to be large. As soon as the French got a supply of ammunition they launched an attack. Many attacks were put off and many offensives were delayed because they did not have ammunition. If you have the guns and the men and the ammunition you are going to throw every bit of it into the fighting line and your consumption is going to amount to astronomical figures. I think we are right in planning for the maximum and just because the Navy cannot use all of these things I agree that it should have priority in the early stages; and you will get it. It has been recognized for years that the Navy will have priority. I happened to be here about 10 years ago when we were begging the Navy to come across and give us their requirements and ask for allocations. When they did not come across, Colonel Ferguson, in one particular case where the engineers wanted a shipbuilding plant to build pontoon boats, left one out and said "No, that goes to the Navy, they haven't asked for it but we will save it for them." When you say that the plan is too large, I can't agree with you at all.

Q - I thoroughly agree that the Army plan should be the maximum, but you should have a plan for mobilizing on the same basis as the Navy for our one color proposition and that plan should be one on which we could go out to industry and contact it rather than on the maximum plan.

Major Kelton: On this question of the survey of facilities - going out and making a complete survey of the productive capacity of industry, you will recall that before

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the World War the Navy went out and surveyed 18,000 plants, which was of very valuable assistance in making allocations. That scheme was adopted in the early days of the O.A.S.W. They attempted to survey. Industry is not set up that way; they have been working for years on getting sufficient orders and saying how much they can do. We found in the Army that you cannot go out and say "How much of this can you build?" We had to go to them with a definite program, and that was the reason the impetus to build a mobilization plan was forced on the General Staff - in order to get at least a concrete idea of what the requirements were. You could then go to a plant and say "Can you build this particular item?" If you have only a general picture without any definite thing to approach industry on, you don't get anywhere. To my mind that is the only reason we have gone ahead and set up a large plan and spent so much time computing requirements - in order to have a concrete item to put up to a manufacturer when you did approach him.

A.- In the various set-ups in the districts - the Quartermaster Corps has nine districts - there is a man in each, that man does not know what the other district fellow is doing so he has to survey all plants in his district. So far as surveying goes it is advantageous to survey the whole show, but when you get down to placing schedules I don't know which would be better. There is one other angle to this, going to industry and placing schedules gets their cooperation and explains our needs. It makes it a public matter, more or less. There are very few industries that we have not contacted, many of these men are quite familiar with this thing. That will be a help on M day. Our worries will begin on M day and many of these people will come in with ideas that we know nothing about.

Q - I understand that a complete knowledge is necessary but I don't quite follow Major Kelton on that. I recognize that such a plan is not possible.

A - That war game we had last year, where we assumed the eastern coast was put out of commission - in such a thing this knowledge about production is, of course, a big ace in the hole.

Q - You refer to the possibility of mobilizing without the Navy having an active part. I can't see a possibility of having to mobilize without the Navy taking an active part.

A - I believe the Navy should have priority and I have always been strong for a big Navy. I agree with Mr. Wilson's policy that we should have incomparably the finest Navy in the world.

Q - There is one point which is not clear. I understand that most of these allocations were made by The Assistant Secretary of War for the Navy but that now the Army and Navy Munitions Board is more active. I have not gotten clear how many allocations will be made through the Army and Navy Munitions Board or who decides which facilities will be submitted to that Board for allocation.

A - As rapidly as possible those that are pooled - ten or twelve thousand allocated by the Assistant Secretary of War - will have to be mulled over by the Army and Navy Munitions Board and distributed between the two services. That is done by this system as soon as the Navy is ready to talk commodities they let us know. For instance, today they are studying blankets and shoes. For shoes we have on our books about 200, and for blankets 150. Those will be mulled over by subcommittees and they will write a tentative program and then it goes to the Army and Navy Munitions Board. They will decide by agreement and then the 350 will become a part of this other picture. Blankets will go to the Navy and to the Quartermaster Corps, they will become allocations and capacity credits.

Q - Under this new scheme of the Army and Navy Munitions Board could not your office be moved into that office completely? What functions will you have left?

A - Yes, we could; we would have a very important function left, however. For example, we have been talking to the Ordnance Department about machine tool facilities that are in the reserve group and from a practical standpoint we are not getting anywhere. All we have is an up-to-date list of the makers of these tools. Captain Hausemann of the Ordnance Department just came in recently and I had him go to Major Crom who is the expert on machine tools in our office - he is chairman of the Machine Tool Commodity Committee. Hausemann went over to the Navy and contacted two men. The Navy was pretty well fixed on requirements and we were surprised to learn they were ready to talk turkey about machine tools. Hausemann came in yesterday with a list of facilities; we have 240 machine tool makers on our list. Out of that the Navy wants 13 allocated outright; 40 will go into the reserve group. There are still almost 200 facilities left that will go to the Army. That is where the Allocations

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Division of the Assistant Secretary of War's office comes in. We were agreeably surprised to find the Navy ready to talk and to know what they wanted. You see they are taking about 15%. There is a bigger problem left in the Army. Captain Hausemann wrote to Colonel Hough, A.C. about machine tools and he said he did not know his requirements but we are going to try to get him in on some figure. These 180 or 200 facilities have to be distributed among the Supply Branches - the Ordnance Department, Air Corps, Engineers, Quartermaster Corps - in that order. The Army and Navy Munitions Board would allocate facilities to the Army - they do not allocate to Ordnance; we then have to settle priorities in the Army. We have to record such things, publish directories and statistical data, etc. about the group of facilities which the Army will have. I would say there would be 500 reserve facilities, the Navy would have about 3,000 outright allocations and we would have left about eight or nine thousand. It will take an office to record these and handle them. The office will be relieved, of course, of that work that is being done by the Army and Navy Munitions Board but, as a matter of fact, even that work is being done by the Assistant Secretary of War's office and a corresponding people in the Navy. The Army and Navy Munitions Board consists of two secretaries and two executives. They are not doing the work, we are.

Major Kelton: We have surveyed facilities and know capacities pretty well under the present system. I wonder if it might not be in order for one of the Navy officers to thank the Army for that work of surveying, getting information about these facilities, and turning it over gratis to the Navy.

A - I think a vote of thanks is in order but you must remember that the Army had an order requiring it.

O - On Sheet 1 you have a percentage shown as 500 - 200, etc. On Sheet 25 you have 13 - 19 - 21. It seems to me like a lot of hair splitting.

A - Those are estimates, it is immaterial whether that is 13 or 19 or 11 but remember it is 21, which means one-fifth of an eight-hour shift.

C - Wouldn't it facilitate your work to make it in multiples of 5, 10 etc.?

A - I don't know about these labor saving studies but it is just as easy to write 21 as it is 20. Some of them come in as 21.684. When the man is packing shoes, I suppose they are packed a gross in boxes and he divides it up and if it comes out 4 decimals he sends that figure along.