

526

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THE PURCHASE, STORAGE AND TRAFFIC DIVISION OF THE W.D.G S
ITS RELATIONSHIP TO THE SUPPLY ARMS AND SERVICES

by

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557

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I hope I shall not disgrace my old friend Colonel Jordan for I did not prepare any set speech. I am just going to talk informally and draw from my recollections of the period of the war as best I can. As I lead a rather busy life, I had to fall back on circulars issued at that time to refresh my memory and perhaps even with that help, it is not adequate.

To begin with I have never served in the Quartermaster Corps of the Army. The Quartermaster Department of the Canal was under the Isthmian Canal Division and not under the Quartermaster General of the Army. I was originally a Cavalry officer who, by luck, got down to Panama and served there ten years. The Quartermaster Department of the Canal was a hybrid between the general purchasing office of the railroad, duties of the Quartermaster General, and the recruiting of labor. It did not bear much resemblance to the Quartermaster Department of the Army as we know it. I went to France with the Rainbow Division and was afterwards Director of the Army Transport Service in France. I got back in April 1918 and was appointed Acting Quartermaster General of the Army. I often tell my friends in civil life who sometimes criticize some of the mistakes made during the war (there are a great many executives who served as officers in Washington during the war) that you can't expand any department or business as we expanded, and not have mistakes.

The old permanent Quartermaster Corps had, I believe, somewhere between 250 and 300 officers in 1917 when the war began, there were 14,000 officers when I became Acting Quartermaster General. Added to that was the fact that the best of the permanent officers were in France, and while we had some good ones left (and we had a great body of officers from civil life) we had plenty of troubles. As the quotas of men in the Army were continually increased the problem of supply became greater and greater.

I was not in on many of the discussions which led to what was known as the Purchase, Storage and Traffic Division. I was trying my best to get supplies, store them and issue them and forward them to France. It may interest you to know that

the man who drew up all the original schemes for the P.S. & T. Division was General Hugh Johnson, the father of the N.R.A. and his conception was that the P.S. & T. Division was not what we would call a staff division, but an operating division. It was to abolish practically all of the bureaus and supply departments and take over the actual purchase and storage and consolidate the functions of all supply branches.

I personally opposed that because I did not believe it could be done. I remember telling Hugh that you could not have the same man purchase airplanes, big guns, and socks, but that was the original conception. General Goethals, who was then Assistant Chief of Staff, was generally in favor of it and the plan was finally put thru. The P.S. & T. Division was set up in Circular No. 1 sometime in August 1918 and its functions defined therein. The Quartermaster Department was to take over the storage and issue of all supplies whether Ordnance, Signal, Medical or anything else. I was opposed to that. Before the circular was issued I was appointed Director of Purchase and Storage. We appointed General Rose of the Engineer Corps, who had charge of the General Depot of the Engineer Department, Director of Purchase, and Colonel Wells, who was a civilian and grain elevator expert from Minneapolis, as Director of Storage. We tried to work it out as best we could. That was in September 1918.

As I say, I was opposed to the general plan. We did not have the leisure to study it perfectly for we were in the middle of a war and had to perform the duties of the branches without making a radical shift in organization at that time. We had an officer in the organization who was a brilliant fellow and he had charge of our warehousing system. He came to me one day and said "Everything is perfectly organized and I don't know what we have to do". I told him he had another guess. We had a National Guard Colonel in the organization with whom no one could get along. He complained about everything, nothing was right. I called him in and told him I wanted him to take a trip through the camps and districts and just write me a personal letter from each one telling me what was wrong with the Quartermaster Department. He started out and the first camp he visited was Camp Lee near Petersburg, Virginia. I received a sizzler from him, apparently nothing was right there, with the Quartermaster Department. By the time he got to the Mississippi River he had written himself out and after that I did not get many letters. Finally I received one postmarked San Diego. There was a small detachment at Yuma, Arizona and he said the camp quartermaster had complained that he had just gotten a carload of Arctic overshoes by express.

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You probably remember that every soldier who went to France was supposed to have Arctic overshoes. Finally they got out of the trenches and the orders for overshoes were countermanded but in the meantime overshoes were coming in by the carloads and I ordered them distributed throughout the United States. Of course, at Yuma it never rains and the temperature seldom gets below a hundred. We had all kinds of absurd mistakes. We had enough horse blankets for three times the number of horses we had. We had a great deal of waste but it was all traceable in the last analysis to the enormous expansion that was involved in raising the Army from a hundred thousand to four million men. In civil life if our business expanded from four million dollars to forty billion dollars we would make some mistakes, too.

To come back to the P. S. & T. Division - it was organized in September 1918 and I think the depots of the Engineers, Surgeon General, Signal Corps were transferred in October, the Ordnance depots were transferred in November. I more or less tried to dodge the issue, I saw that the Armistice was coming along and the day after it was signed I went to General March and requested to be relieved, stating as one reason, which was perfectly true, that the organization was in a state of confusion and would now go back to the permanent organization of the Army, and that the men who were going to stay in the service and make it their life work should work the organization out. After a great deal of argument I got General March to relieve me and I got General Goethals to see that it was much better to get the regular officers of the service back in these Washington posts and have them work out their own staff organization and the organization they conceived to be best for the service.

The organization that was set up in September 1918 never was really tried out. While these depots were transferred on paper, they were only transferred on paper and there was not much change made in the existing organization. I talked it over with General Rose and told him that I thought it out of the question to meddle with the procurement of the existing branches of the service; that we could not begin to buy quinine, or Signal supplies or Ordnance supplies; it just was not in the cards - that all we could do was to synchronize the demands for war material. That was about all we attempted to do, so the organization that was set up in the summer and fall of 1918 was never really put into effect, and I personally was glad.

I am in a business which is essentially a supply business and I know you would be interested to know that the larger a business grows the more nearly it approaches the

military type of organization. After all, war is the oldest business of man and the larger an organization grows the more nearly it has to model itself along military lines. We have the same old questions about where staff ends and line begins. We have some four hundred stores scattered all over the United States. We have a staff in Chicago - a parent organization. We go out among the store managers and I find they have the same reaction toward our staff as I have had as a young lieutenant of Cavalry. They believe these fellows at Chicago just lie awake nights to cause them trouble and issue circulars. Then you come back and listen to the staff and they think all the fellows in the field are dumbbells. I just have to close my eyes and it takes me back thirty years to my time as a lieutenant. The thing to do is to get the people in the field to have confidence in the organization at home, and the organization at home to leave the field alone as much as possible. You find the same thing in civil life that you do in military life; you get a lot of bright young men around headquarters and they want to do something, they want to justify their existence and issue orders and circulars and issue instructions. It seems to me that even the best of them are full of pernicious activity. My biggest problem in the organization (we have 56,000 employees) is to have my staff do as little as possible but yet be ready on long range plans and on studies of the business so that I may draw on their experience and knowledge, yet to have my men in the field feel that the staff is not there to bother and harass them and drive them to death, but to be of assistance to them in their problems. When you have that feeling, you have one of the main problems worked out.

In this respect, business and the Army have come to the same conclusion. We originally kept our staff in Chicago but we found they got out of touch with the problems of the field, so now we rotate them. We bring a bright store manager into the staff and send a man from the staff out in the field to refresh his memory.

So you get in every large organization a striking analogy to a military organization and I have no hesitation in saying that the Army probably understands the principles of organization better than many large and successful business organizations.

Colonel Jordan was kind enough to show me your present chart of organization and while I am not at all familiar with it, it does appear to me as if you had worked

out the problems of organization in a very logical way. It seems to me that the present organization should stand up under the test of another war as an organization. Of course, we all know it depends upon the personnel, too, but from an organizational standpoint it impresses me as being a more logical and finished job than we had in the last war. What we all learned during that war was that you can't wage a war without industry. We can see now that an agricultural nation is at a hopeless disadvantage in a war against an industrial nation. In this age of mechanized warfare you certainly have to have a great industry behind you and as the costs are so enormous a nation that has to buy those goods is at the end of its rope. Even England's credit was exhausted by the time we came in.

I also understand that this College and the supply departments of the Army have studied the organization of industry and the production facilities of the country. In that respect the task of the staff of the United States Army should be easier than that of any other nation because we have the best industrial system in the world so far as production is concerned. We are ahead in that respect of any other nation in the world; we can produce all the food we want, all the clothing and all the steel. We have pretty nearly all the raw materials we need to wage a war and it is just a question of harnessing them. We won't be like Abyssinia, which had no resources, or like Italy who had great difficulty in summoning the industrial resources behind the Army. In that respect we have an easy task.

On the other hand we have an Army to supply and the American army has the highest standard of living in the world. An American army of 100,000 men will require much more material than any other Army of like size in the world. However, I believe you can harness the resources of the United States with comparative ease.

You have a great transportation system, you have every advantage in the world compared with other nations. Of course, outside the Army itself you have a lack of military training, and your permanent army is very small, but you do have the advantage so far as industry is concerned. It will be largely a question of organization and personnel to handle those resources. From your present organization you are far better equipped to do that today than you were in 1917 and 1918 because it had really not gotten into the minds of the supply departments or of the nation that modern war requires modern industry behind it.

Then too, I understand that you have this body of reserve officers. In my time they just came in droves. We didn't know who they were or what; we had some good men and some poor, and we had some good men in the wrong jobs. I remember an experience I had once at St Nazare. the only place in which you could get a good meal was on board of the transports so one day I went aboard for lunch and there was an officer there - the transport quartermaster - and he was about as unhappy as any man I ever met. He had been a rancher in Montana - a horseman and he knew all about horses. He wanted to get in the Army and he took a special course in veterinary science. He got a commission as a captain and was assigned to a ship. He had never seen a ship before, he was seasick all the time and was disgusted and discouraged. It just happened that the next day I went over to the Quartermaster corale and found there with a couple of hundred mules a very polished banker from New York City. He had belonged to a very prominent banking house, had lived abroad and spoke French like a native. He had come into the Army and was put in charge of the mules; he had never seen a mule before.

There were a lot of situations like that. Another thing I noticed was that a lot of men came in who had considerable reputations in civil life and who were appointed as captains or majors and assigned to responsible jobs. We found that some of those men when taken from their own organization and their own environment were as helpless as children; others could have been put in the Sahara Desert - they were resourceful and adaptable and would have made good in any situation.

Coming back to the analogy between business and a military organization, my own organization is a great supply organization. We buy about three hundred million dollars worth of goods a year and distribute it to the people of the United States; therefore, we have the same problems of storage and issue that the Army has. We are organized, roughly, into a purchasing department, corresponding to one of the supply branches. We put a specialist in charge and give him free swing. We have a general merchandising office to plan operations, sources of supply, etc. We put a man in charge of that and leave it up to him. We never give him orders; he runs the business.

I shall be glad to answer any questions if I can.

760

DISCUSSION FOLLOWING LECTURE BY BRIG GEN. R. E. WOOD

THE PURCHASE, STORAGE AND TRAFFIC DIVISION OF THE W.D.G.S.:
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Q - I gather from your talk that you would not recommend the installation of a P S. & T. Division as it was set up in the last war for a future war?

A - No, not as it was conceived by General Johnson - that it was to supersede the supply branches and practically create one gigantic supply department and an operating department which would actually buy, store, and issue all supplies. I think you have got to have the specialists in the supply department with a staff to coordinate them. General Goethals was Assistant Chief of Staff and he was the operating official. That was the only distinction.

Q - Would you tell us something of the relations between the W.D. P.S. & T. Division and the War Industries Board?

A - I never handled that personally. General Goethals first had General Johnson, afterwards Mr. Gerald Swope, now of the General Electric Company, and later John Hancock, who handled our requirements with the War Industries Board. They served as liaison officers between the supply departments and the War Industries Board. We would tell them how much steel we wanted and they would see Mr. Baruch and get an allotment. Generally speaking, the relations were very cordial and worked out very nicely.

Insofar as the Quartermaster Department was concerned, we had no trouble with them.

General Birnie: I think that last question is an interesting one. As I understood it the War Industries Board had a problem in reference to the sustenance of industry as well as responsibility for sustenance of the military effort. It so happened that on the other side I had to figure out what would be needed in the way of production of artillery ammunition. We went to the French and British and took their experience over a period of three years. The French, with that degree of analysis you know they have, had analyzed the problem to such an extent that they knew how many rounds per gun per day would have to be supplied for actual combat. They went into the various degrees of activity on the various fronts. I went to work on the problems of what were the needs of the forces in the field - not necessarily, can they be met? But what were the needs? I worked out a great big table of so many hours of production per day of all the calibers. That was sent from GHQ to the War Department, and of course, when it was totaled up in steel, it amounted to a considerable number of tons and the question immediately arose as to the availability of steel. It is one thing to set up the needs in ammunition to meet the demands of the field forces but it takes a lot of steel to fill them, besides supplying steel for other things. The outcome was that Mr. Stettinius, who was a member

562

of the War Industries Board came over to France with his steel man (I have forgotten his name). We had a conference in Paris in Mr. Stettinius' quarters, he was a delightful host yet a very direct business man. We went all over these tables, analyzed the whole thing and I think convinced him so far as the soundness of the quantities of ammunition we had set up were concerned. But the problem was the availability of steel for that and to meet continuing needs of industry, because after the war we did not want industry to suffer. That was the problem and I think it was the question that General Wood brought out. As far as I understood it the War Department would present to the War Industries Board its needs to carry on the war but the War Industries Board had to give ear also to the needs of other activities than those of the military forces. There was steel needed for ships, for the continuing production of agricultural machinery, etc. That was the function of the War Industries Board as I saw it.

General Wood: They gave priority to the Army and Navy, and private industry had to come in on the tail end.

Colonel Jordan: On October 25, 1935, Mr. Tower of the Iron and Steel Institute presented to the class one of the most outstanding talks. The Ordnance Department sent up to that Institute Major Minton, who is a steel man and knows the game. They have broken down the requirements of the Army into commercial form, and also the requirements of the Navy and Shipping Board.

Minton has actually contacted all the manufacturers throughout the United States who can handle those and we have an accepted schedule of production covering these requirements. We are just so far ahead of what you picture that it is not the same thing at all. We have faced the problem and have some kind of solution to it.

Colonel McFarland: General Wood, I am sure everyone here has enjoyed and profited tremendously by your remarks. There is one thing I should like to emphasize; you have talked about war - it might be that the farther we get away from war the more the War Department talks about peace and less about war. I think the more we can emphasize the war point of view, the better.

General Wood: One more thing I would like to say. We in industry who have studied manufacturing in the United States have shifted a good deal to the South. We believe that the South has great advantages in costs and natural resources over the present industrial east where the bulk of the country's manufacturing plants are at present. There has been a great and continuing shift toward the south. Has the Army ever taken that into consideration in its arsenals and manufacturing plants? Have you got a single manufacturing activity in the south today?

Colonel Jordan: We have not. Major Howard will tell us something about the aeronautical industry in that connection.

564

Major Howard: The aeronautical industry has decidedly gone west, but it is due to climatic reasons. Labor which is tied in the aeronautical industry likes to follow the fine climatic conditions of California. There is a movement on foot to take it down into Florida but there is a great deal of misgiving on the part of executives regarding the summers in Florida - whether the unit production per man will drop off in the summer months.

Q - After you set up your specialist to tie in the various lines of business and give him a free hand, do you then advertise and let Montgomery Ward know what you are going to do or do you get the best industrial deal in order to make more profit?

A - Of course, buying is done in advance of the cataloging. It is kept under cover so far as it can be done. We know in a general way Montgomery Ward's big resources and they know ours, but of course every firm so far as possible keeps its plans from its competitor. They never let their opponent know what they are doing.

Q - Should not such a system be carried out in the Army to throw dust in the eyes of foreign enemies. Especially with references to new types of airplanes - should not they be negotiated for secretly?

260

A - If it is new and revolutionary, I should think it would be. If it is not, I see no objection.

Colonel Jordan: About the Air Corps going west - Mr. Kindleberger, one of the executives of the industry, said the question was put up to him as to whether he should build in Baltimore or in the west; and he found that in spite of the fact that he would have to move out to Los Angeles all his material, it would pay him to locate there on account of the better climatic conditions. Out there they have no heating to contend with. Then a member of the class remarked that he would have to ship the product back east and he said that he would fly it back. According to Mr. Kindleberger the aeronautical industry will be located somewhere out west, possibly around Los Angeles.

General Wood: That is a highly skilled industry and it would be perfectly understandable, but between costs in the south and on the coast there is no comparison. For example - The Goodyear Tire & Rubber Company has plants at Los Angeles, Akron, and Gadsden, Alabama. I practically forced them to build the one in Gadsden. The Los Angeles production per man and cost per tire was lower than in Akron but after training those mountaineers the Gadsden costs were below either and they are now arranging to double their capacity in Gadsden and shift more from Akron. Goodrich is also planning to build a plant in Georgia and shift

266

more from Akron. It is very interesting to see how these industries have shifted. Colonel Jordan, I know you have had command of the Rock Island Arsenal and it might interest you to know that one harness manufacturer in Atlanta has practically driven every other manufacturer in the country out of business. I think there are only two now north of the Ohio River. Of course, the industry has declined but what is left is practically all in Atlanta. High Point, North Carolina ships more furniture than Grand Rapids, there are more stoves made in Tennessee than in Detroit or St. Louis and while it is none of my business I always wondered why the Ordnance Department did not have a big manufacturing arsenal near the Birmingham district, if only from a military standpoint as well as a cost standpoint.

Colonel Jordan: The answer is that you have an installation and you can't move it, you can't get money from Congress.

Q - I would like to ask about the difference in cost. Is it due to the difference in efficiency of the labor or is it due to the difference in the wage scale? Is labor in the south unionized?

A - There is a difference of 15% to 20% in the wage scale. That is the average. But, contrary to the generally

567

accepted opinion the output per man in the south is equal to that per man in the north. We have in this mail order business the only machine industry in distribution; the operations are exactly identical. Our highest output per worker is in Dallas, Texas; our next in Atlanta, Georgia, next in Kansas City with Chicago and Philadelphia lower yet, and Boston at the bottom of the list. The output per worker is approximately the same, the wage rate is much less which, of course, makes the labor cost considerably less; and then the taxes and overhead are way under those in New England. Except for specialties in textiles, New England had not a chance in the world in competition. That is true also in leather, in the shoe industry and in some of the steel industries. In other words, the South today is the best field for manufacturing in the U.S. I have transferred, I imagine, over fifty million dollars worth of business from New England, New York and Pennsylvania, and the southwestern states.

The labor is not unionized; the fundamental reason is that you can't unionize an agricultural country. You can unionize an industrial country of small distances like Germany or England or New England, but you can't unionize a country close to agriculture where for every man in the mill there is one on the mountain ready to come to town and take his place. That is the reason.