

ALLOCATION DIVISION

Planning Branch, O.A.S.W.

Conference

October 13, 1936

Conducted By

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List of Exhibits.

- Exhibit "A" - Chart No.1- Historical Summary-Allocations prepared by Major Nix, O.D. (O.A.S.W. File)
- Exhibit "B" - Table, Allocations by Services.
- Exhibit "C" - Summary of Allocations, June 30, 1936.
- Exhibit "D"- Diagram used to explain and discuss capacity and load.

## ALLOCATION DIVISION

Outline  
for  
Conference, October 13, 1936.

1. Allocation - purpose, advantages, disadvantages,
2. Development

W.I.B. 1917-1918. Clearance Committee-Need for survey of industry.

1922 - Decision to allocate facilities - questionnaires.

1923 - Allocation (tentative) for survey only. Release of facility to more than one S.A.S.

1925 - Joint Navy Allocations.

Bureau of Census Surveys.

Too many allocations for Services to survey.

Allocations restricted to Prime Contractors - Raw and semi-finished material to be cleared thru commodity committees - allocations only for essential items.

1926 - Allocation for production based upon accepted schedules.

Attempt to tie in with procurement plans.

Reserve Capacity - load reports over 50% capacity.

Too many allocations.

1927 - Allocation disapproved for minor requirements of strictly commercial items.

1928 - Cancellation food facilities (4000).

1931 - Allocation includes all plants and divisions, main office, but not subsidiaries.

1932 - Load restricted 50% normal capacity.

1933 - Policy 1925 re contributory items partly revoked.

1934 - Allocation by capacity credits - Annual load reports. -

Definition of capacities.

Priority of item to determine whether allocation is necessary.

Survey before allocation of unallocated and reserved facilities.

1936 - I.M.P. - Priority decision for procurement planning.

3. Future Work.

Army-Navy Coordination - Division industrial capacity - adjustment of allocations - capacity credits - commodity allocations, basic steel, machine tools, etc.

Capacity, definition for normal, peace time shifts, hours, and equipment in use.

Load, item, Disruption per cent total plant, by industries,

Conversion, subdivision and regrouping of commodities

30,000-40,000 cards, changes.

Distribution of load, territorial, 50% facility limit.

Revision Form 100 and Cir. No. 1 OAS<sup>V</sup>.

Completion of Records.

4. Records and Routine.

Allocation and survey (Form 100), 10,000 Facilities.

Directory of Allocated and Reserved Facilities (Geographic),

Directory of Load (Industrial),

Index of Facilities (Alphabetical),

Answer to Sec. 5a.

5. Policies for future allocations.

## A. INTRODUCTION.

Much that I shall say in this discussion will be old to most of you. Little if any of it will fall within the rule I heard propounded here a few weeks ago that a thing is new unless it has been repeated more than three times. But in spite of the fact that allocation has been extensively discussed there still is plenty of room for sound thinking and constructive action. It is for this reason that the subject is so interesting.

The main business of the Allocation Division is "allocation". More specifically, the responsibilities prescribed in the Peace Organization, Planning Branch, Office of The Assistant Secretary of War are:

1. Authorization for survey of facilities by the supply arms and services.
2. Requisition on the Army and Navy Munitions Board for capacity credits on reserved facilities for the supply arms and services.
3. Allocation of facilities and assurance of suitable distribution of load.
4. Recommendation of policies for conversion of facilities.
5. Maintenance and publication of Directories of facilities.

A definition seems appropriate at this point.

1. Definition. The Industrial Mobilization Plan, 1936, states (page 8) that "where the ratio between productive capacity or availability and the combined Army and Navy demands indicate the necessity therefor or when such combined demands create critical problems relative to power, labor, transportation or material a proportional division of industrial resources shall be made." This in a broad way it terms "allocation". In a more limited sense, and as now commonly understood, by allocation is meant the assignment by proper authority of definite facilities or materials, or parts thereof, to the Army or Navy, or their authorized procurement agencies, to supply the needs of the service concerned.

2. Purpose of Allocation. The subject of allocations goes ultimately to the root of all procurement planning, that is a determination of requirements, without which intelligent allo-

cations cannot be made. We have then on the one hand the needs of the various services, that is, the job, and on the other hand the industrial resources or facilities, the means to do the job. Through the allocation system we attempt to bring resources and requirements together in balance for those items or commodities which present critical problems in procurement.

But allocation goes further. As Colonel Harris has said on more than one occasion, it is the key to the supervision of procurement. The success of our whole procurement set-up hangs on the soundness of our allocation system. Experience has demonstrated that in order to procure supplies in a systematic manner in the time required, and without unduly disrupting industry, it is necessary to institute some form of control which can be used to prevent undesirable competition between the War Department procurement agencies, the Navy, and others, both civil and governmental. The allocation system properly administered, not only should obviate such competition among procuring agencies, but it is necessary to assure a proper distribution of the industrial load geographically and strategically throughout the country, and to safeguard essential civilian needs.

The following are some of the more detailed advantages offered by the system (I.M.P. page 11).

1. It permits exact and desirable prearrangement for production of munitions, which should facilitate inauguration of the procurement program.
2. It permits orderly distribution of the war load, especially initial production. Any other system might throw this load haphazardly upon the country in an intensive and confused purchasing campaign when time is at a premium.
3. Each allocated plant is forewarned of the task it will be expected to perform, and can make preparations to meet it, thus facilitating early production.
4. Undesirable competition among procurement agencies for the output of a single plant is reduced to a minimum.
5. The elements of cost may be studied in peace time, permitting the development of war time contracts which should protect both industry and the government and facilitate determination of prices by negotiation at the outset of the emergency.
6. Post war readjustment will be eased, since an effort is made to maintain a nucleus of civilian trade in each facility.

Now let's examine some possible disadvantages of the system. These I believe apply mainly to administrative control after M-Day. Political considerations may be the most serious problem if the system is extended too far. Excessive allocations will bog down in red tape and might cause the whole system to collapse unless the temper of the people would permit a very rigid and extensive economic control which now seems undesirable and improbable. As allocations are increased the opportunity for free competition between producers for government contracts decreases. In either case prospective manufacturers who are shut out may become dissatisfied and foster political repercussions and congressional investigations. Negotiated prices that are too high will bring public condemnation, those which are too low will discourage effective production.

Our allocations therefore must be sound and justifiable before Congress and the people. Otherwise the whole set-up will fall. For these and other reasons allocations in peace time are held to a minimum. I mention these facts, which are not new to you, to explain the reason for some of the policies to be outlined later.

#### B. HISTORY OF ALLOCATIONS TO DATE.

Turn now to a brief history of allocation. This word does not appear in the index of the Final Report of the War Industries Board. It had its inception, however, in the Clearance Committee, established early in 1917, as part of the General Munitions Board (page 12). Requirements were sent to the Board and went to the Clearance Committee for action. The Committee prepared clearance lists setting forth the items in which a shortage existed, and orders could not be placed for these items until a clearance was obtained. "Later the requirements of clearance was broadened to include all orders to be placed within districts determined to be already congested with war orders, and all orders requiring the creation of new facilities." (page 12).

The method followed at first was for each purchasing department to read its projected orders daily before the Committee, and if no objection arose the order was cleared. If objection developed the order was referred to the proper agency for adjustment.

It is obvious that such a method was only an expedient pending the creation of a more effective mechanism. As the list of shortages increased the Committee was soon bogged down in a mass of details. The need for other agencies was imperative. You know the results. A Requirements Division to forecast requirements and make definite plans for the future was created in June 1917, and a Priority Committee in the summer of 1917. By July, 1918, the Commodity Sections had developed such strength that these took over the clearance functions and the Clearance Committee was finally displaced by a

Clearance Office which simply analyzed the projected orders and referred them to the appropriate Commodity Section.

By 1918, the rule was made that all orders to be placed in the congested area and 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.

1. Clear without comment.
2. Restrict to a certain area.
3. Restrict to a certain power area.
4. Restrict to certain named plants.
5. Actual allocation to a certain plant.
6. Clear with advice regarding suitable source.

This method of clearance could not control prices or priority. It is to be noted that essentially the War Industries Board cleared orders, it did not allocate facilities. It designated sources of supply or restricted orders to certain areas.

Altogether there were 29,000 clearances, 80% War Department, 15% Navy, 5% all others. This is shown graphically on the chart familiar to you all which was prepared by Major Nix. (Exhibit "A" - Not reproduced). I would like at this time to recognize the great contribution he made to industrial preparedness not only by his work in the Allocation Division, but also in the preparation of the first basic steel plan. The figures on this chart (Exhibit "A") are interesting in that they indicate about what we now estimate to be the proportional requirements for the Navy, 15 to 20% of the whole.

Experience during the last war demonstrated the need for an adequate and complete survey of industry in peace time, as well as a determination of requirements as far as possible before war comes.

And that calls to mind another point. We probably will never mobilize man-power exactly on any plan we prepare in peace. This will necessitate rapid computation of requirements. The method now used seems inadequate not only for war but also for peace in that it takes too long. A more flexible and rapid method seems imperative. Otherwise peace-time allocation will be seriously delayed from time to time as mobilization plans are revised, and even emergency production may be retarded from lack of requirements due to this alone.

Experience obtained during the World War led those in authority to believe that the system used at that time was not altogether efficient and that a more effective method of procuring supplies in

a future war should be instituted. The result is our present system. Let's examine briefly some of the steps leading up to it.

There was at first some doubt whether allocation, especially to the Navy, could be made except by a superagency. But in 1922 the decision was made to allocate facilities (Records O.A.S.1 ). At that time, February 6, 1922, Colonel Ferguson made a statement which seems well to note. He said, "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." That statement holds today.

The Army and Navy Munitions Board if you recall, was established in June 1922, but made no allocations until about three years later.

On November 1, 1922, the Office of The Assistant Secretary of War directed the supply arms and services to requisition facilities and furnished a blank form for that purpose which called for a statement regarding productive capacity, and load requirements to be placed on each facility. For some unknown reason the requirement regarding load was dropped. You of course realize that at first the military requirements were not known. We had no mobilization plan until 1924. Little progress was made until that time, except to force the military plan, because it is difficult to approach industry without definite requirements.

Allocations originally were for survey and were tentative for one year. However, those made were never revoked. The first requisitions were received in December 1922, and the first allocations were made by the Office of The Assistant Secretary of War in January 1923. The first Directory of Allocated Facilities, published in February 1923, listed 5450 facilities.

On November 13, 1923, the Office of The Assistant Secretary of War by memorandum announced that "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 through or by satisfactory agreement with the branch or branches to whom it is allocated."

The basic purpose of the memorandum just quoted apparently was to open the way for utilization of the whole facility rather than to restrict the load to a small percentage desired by one branch. And this touches a vital problem. Ever now the moment a plant is

allocated to a service that service wants everybody else to keep away. The result is loss of a great deal of production. The load could be more evenly placed if that surplus capacity were made available to all. It is probable too that a superagency would not look with favor upon large numbers of straight allocations carrying small loads. It has been suggested that instead of the "keep away" attitude on allocated facilities the service to which allocated should act as an expert and make a detailed survey of the facility and advise all concerned of the remaining capacity, with a view to placement of loads desired. This is being done in a fashion now, but the method is too much dependent on the human element to make it generally applicable. The services are too jealous of their prerogatives. Another advantage suggested for this scheme is that it would help to reduce to a minimum the annoying contacts with industry. But planning has now progressed to the point where contacts should not receive unfavorable reaction.

And this all points to use of capacity credits generally as the solution of this problem, especially when two or more procuring agencies have important interests. This policy would place the great bulk of the productive capacity in the reserve class, which perhaps is the best category for supervision.

The large amount of work in the early days brought about by more allocations than the supply branches could survey, and cancellations of facilities going out of business soon indicated a need for restriction on the number of allocations. On October 7, 1925, the Branches were requested to furnish "A priority list of essential items" and allocation was to be limited to facilities required for these essential items. At that time also it was stated that facilities rated less than "A" in Thomas' Register (\$100,000) would not be allocated except in special cases. These policies were not strictly followed.

Two years later, May 25, 1927, the Office of the Assistant Secretary of War made an important pronouncement in disapproving a request to place schedules calling for 104 glass beakers and 26 condensers, by stating that "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."

That policy suggested a reasonable consideration in the application of allocations, but I feel it did not go nearly far enough in restricting numbers.

And today there is considerable confusion still in the minds of many, notably one supply arm and service, as to how far we should go.

One service at least would like to allocate for everything it procures, and uses as an illustration the item of hand tools now procured by two or more services and in which there is no shortage. The service in mind fears that on M-Day it might be left in the cold due to the placement of orders by another service for the cream of the supply in a certain district. Rearrangement of the items to be procured by each service should help to relieve this objection. Perhaps a pooling of similar items for procurement by a designated agency could be had in many cases now handled by two or more services. Distribution could then be made in accordance with priority needs. This seems to me to offer a fertile field for constructive work. Colonel Barnes I believe is now working on this reclassification. Definite policies on contract procedure for M-Day should also help, and I understand Major Fenn is solving that problem.

One of the basic functions of procurement planning is to make and keep up-to-date a complete survey of industry. In my estimation the allocation system is justified if it does nothing more than that. Some supply arms and services now are surveying with a view to ascertaining the maximum capacity of industry to produce. Others I fear survey merely to place the load apportioned to the several districts. The desirability of the former is obvious. I believe that were it not for practical limitations of funds and personnel survey should cover the whole field, and that copies of all survey reports might well be filed in the Office of the Assistant Secretary of War for purposes of analysis.

On several occasions survey was attempted through the Bureau of the Census. In December 1925, it sent out Form 100-A to all facilities having a value of product of \$500,000 or more a year, or to about 15,000 facilities. The form included five questions:

1. Principal commodity manufactured during the war.
2. Amount produced.
3. Present Status
4. Type of work for which best suited.
5. Alterations necessary.

I imagine these forms were not very welcome to industry coming as they did shortly after its adverse reaction to the flood of questionnaires in 1922. However, reports were received in 1927, and as a result some 500 allocations were made of which 100 went to the Navy. 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.

In order to avoid antagonizing industry, up to about two years ago, contact and survey could not be made until the facility was allocated. This naturally required first allocation, then survey, then apportionment, and finally schedules, and incidentally many cancellations. This procedure seems a little clumsy but probably was the best that could be done under the circumstances. The important thing is that something was done. The present policy is to have some degree of assurance that the facility will be required and thus avoid unnecessary allocation and subsequent cancellation. Therefore unallocated and reserved facilities may be contacted and surveyed freely within the practical limitations indicated above. In this connection we should appreciate the great amount of work which the field force does to accomplish surveys. Inquiries last year disclosed that in the districts more time was devoted to surveys and locating prospective facilities than to any other activity, that a small percentage of allocated plants have not been resurveyed since 1929, and many not since 1933.

Now let's look at a few more important decisions.

In 1925, a memorandum issued from the Office of the Assistant Secretary of War stated that "No allocations 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 and rightly so.

In 1933, the policy regarding contributory items was changed and the supply arms and services 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 were eventually to show the total demands and be the basis for future definite allocations.

In 1934 this policy was changed. Planning Branch Circular No 1 of that year states that "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 supply arms and services or the prime contractor will place the contract". This was an important decision in the interest of sound planning.

We might mention at this point a little of the history of Navy allocations. You realize that the Navy was never very much enthused about the subject until recently.

In 1925, a letter to The Assistant Secretary of the Navy requested joint action regarding motor vehicles, casings and tubes and other items. A Committee at that time agreed to joint allocation of 17 facilities. These included Buick, Cadillac, Goodrich, Goodyear, Midvale, and Newport News Shipbuilding. These allocations, joint with the Army, were the first made to the Navy, and were made by the Army and Navy Munitions 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 to meet the Navy maximum color plan was settled by allocating about 100 facilities to that service. In addition to these, in 1929 there were ten joint allocations to the Navy and Army Ordnance, and ten to the Navy and Army Engineers, covering shipping and steel facilities.

In 1934, certain storage facilities on the west coast were allocated to the Navy by the Joint Board. Of course many of these original Navy allocations have since been changed.

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. These medical allocations still stand but many of them should be cancelled as unnecessary.

There are at present a total of about 10,000 allocations and 370 reserved facilities. Of these the Navy is in on (allocations and capacity credits) about 550 facilities. It is obvious, even considering that the Navy requirements will be only about 20%, that its load is far from placed. One of the big problems is to obtain the Navy requirements and adjust them with Army requirements. This will mean in the end a readjustment of many of the Army allocations. But this had better be done now than on M-Day, for the Navy certainly will get high priority and the problem will be more easily solved to recognize that fact and plan accordingly. Colonel Harris fortunately for us all has infused a spirit of cooperation which is beginning to bear fruit. Navy requests for allocations or capacity credits are now coming in. And a great stumbling block to allocations will be removed if and when the priority decision for procurement planning between the Army and Navy, and which is now before the Joint Board for signature, is promulgated. Colonel Harris is responsible for pushing this very difficult question to a reasonable solution. It will mark one of the major steps in procurement planning.

C. PROBLEMS. Let's examine now some of the more detailed problems.

1. Capacity and Load. Turn first to the question of capacity and load. Herein lies a difficult problem, but its satisfactory solution is basic to the progress of sound planning. Capacity and load have probably caused more headaches and more dissatisfaction among the supply arms and services than any other one thing connected with procurement planning. I am convinced that much of the trouble is due to inconsistent and confused definitions and failure to announce definite policies. Now why do we need load reports? Load data is imperative in order:

a. That suitable distribution may be assured, or conversely that we may have an indication of the industrial capacity remaining after the war load has been placed, and its location.

b. To insure that individual facilities are not overloaded, that a proper reserve is maintained and that civilian needs are properly considered.

c. To give an indication of the amount of conversion, expansion and new construction that will be required to carry the war load.

d. To afford data for analysis of the problems of labor, power, construction and transportation.

In other words a proper report on capacity and load is absolutely vital to intelligent allocations.

It seems that as early as 1926 the Office of The Assistant Secretary of War suggested a factor of safety in each facility by utilizing its capacity only in part, and by setting aside a few well established facilities. In that same year 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 capacity to produce. He also recommended 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, to include the name of each facility where the load exceeds 50% of capacity. The thought apparently was crystallizing that capacity equivalent to about 50% normal should be reserved for civilian needs, and in 1932 the load on allocated facilities was restricted to 50% normal capacity. But no where can I find that normal capacity had been defined.

Up to 1934 considerable more or less uncoordinated work was done in an effort to obtain and analyze load figures, but little of value seems to have been accomplished. A positive step however was taken in October 1934, the Director of the Planning Branch announced that an annual load report would be submitted by each supply arm and service.

The first load reports under this directive were sent in by the supply arms and services on October 1, 1935. But unfortunately due to the use of the several definitions of capacity, and lack of uniformity in the reports the load figures are not susceptible to the analysis for which they were intended.

In our present Circular No. 1, issued in 1934, several kinds of capacity were listed, notably normal, potential and total plant. Normal capacity was defined as the output of a facility ordinarily to be expected for the product desired if working with the usual peace-time number of shifts, using all installed equipment suited for its production together with the necessary personnel therefor. I can subscribe to that definition, because essentially it ties in with what the facility is doing now, a known quantity. But I do not agree with the definition finally evolved later after many changes in form and interpretation, some unfortunately more or less informally. This reads about as follows "Normal capacity is defined as maximum, one shift, capacity on a monthly basis, using all installed machinery and the full complement of personnel". One shift I believe usually has been construed to mean 8 hours, although other interpretations have been applied.

Under this definition the Quartermaster Corps reports load by commodity and not for total plant, on an 8 hour shift as normal; the Ordnance on the total plant only, generally on a basis of 2-10 hour shifts, all incidentally on the 1924 plan until quite recently, and the Chemical Warfare Service claim they cannot tie the load to any one shift since many of their plants will run continuously. A similar situation exists for many of the Ordnance plants.

Also we have been following the rule that 50% normal capacity should be reserved for civilian needs but such a rule it seems to me is not equitable if it reserves only 4 hours from an industry normally running 20 or 24 hours daily while at the same time reserving 4 hours from one running normally 8 hours daily. I believe the spirit of the 50% rule was to safeguard the equivalent of half of the normal peace-time output of a facility or an industry for its civilian trade demands.

Now if we remember that war load as defined in the Industrial Mobilization Plan is "the amount of material that must be produced in war over and above (or at least different from) that produced

in peace" (page 5) it seems reasonable that we should attempt to evaluate the load in terms of peace-time production whatever that may be. Even using known peace-time capacity as a base, war load at best must be an estimation and necessarily involves many intangibles. These must be held to a minimum. The problem must be kept as simple as possible and the supply arms and services must be given some freedom in its solution. Estimates within plus or minus 5% certainly should be acceptable.

With these facts in mind it seems that we should use only one definition for capacity. Let us all call that normal, and make it essentially the same as given originally in Circular No. 1, 1934. And state that 100% normal capacity is what the facility may reasonably be expected to produce running as it ordinarily does with its usual peace-time number of shifts, hours, and productive equipment normally in use.

And again, in view of the diversification of industry, I would like to make another radical departure from present procedure. It seems impracticable to prescribe a common denominator for computing load which will be applicable to all supply arms and services. Therefore I would permit each service to adopt the method it judges best to give a proper load figure to suit each particular case, so long as it indicates the method it has used. In other words the services are the experts, and once we indicate clearly the problem to them, maximum freedom should be allowed in its solution.

Form 100 is being revised for a new issue and will carry suitable headings for load. A special form, however, standard for all supply arms and services to simplify and reduce the burden of preparation of load reports, will probably be issued.

Load reports should show the per cent of each commodity taken, as well as the load against total plant, both expressed in terms of normal capacity, the number of shifts and hours normally operated, the expansion or new construction contemplated, if any, expressed in per cent of normal capacity as a part of the commodity or plant load, whether or not conversion is involved, and the method used in computing the load.

The figures we now have do not permit us to determine the load on a facility in many cases, especially in reserved or joint allocations because they are not additive. But if reported as outlined above we ultimately will have data which will be of great value not only to the Office of The Assistant Secretary of War but also to the supply arms and services.

2. Allocation between Army and Navy. As stated before perhaps the greatest task at hand is to secure a balanced allocation between the Army and Navy. A great deal of coordination and tact, give and take, will be necessary through the medium of the Army and Navy Munitions Board. The requirements of all concerned, including the Navy must be equitably apportioned to the productive sources, with due regard to military priorities set up in war plans and by the Joint Board.

Let's examine some recent activity along this line.

a. Aeronautical Equipment. Division of primary facilities has been made on a 50-50 basis, but there are still shortages. Consequently, certain major automotive concerns, potential producers of aircraft, have been suspended by the ANMB until June 30, 1937, in order to permit the respective Air Services to compute requirements and come in on a division of capacity. We are now sounding out the Army Air Corps on a 50-50 division of small parts manufacturers for the aircraft industry.

b. The main facilities for optical glass have been allocated, but a division of the facilities producing optical and precision instruments is yet to be made. The ANMB allocation sub-committee is about ready to report on these items.

c. Basic Steel Facilities. Here much work remains to be done to allocate properly a long list of facilities, in spite of the fact that a revised steel plan, apportioning capacity credits, is about ready to be issued. You realize many of these big steel facilities carry fabricating capacity, in addition to basic steel, which must be divided, not only between the Army and Navy, but also among the supply arms and services.

d. A division of the important gage facilities was approved by the ANMB, Oct. 15, 1935. Allocation of small gage facilities is still under way.

e. A division of Machine Tool Facilities was approved by the ANMB on May 14, 1936. Allocation of the facilities apportioned to the Army was recently made to the services concerned.

f. The capacity for a number of other items of lesser importance has either been divided or is in process. But there remain many very important critical items which we hope may soon be pushed through the mill. Let me name a few Airplane bombs, shell forgings, optical and precision instruments, powder and explosives, aluminum products, blankets, woolen cloth, shoes, duck and webbing, and rubber goods, all types. Much of the pick and shovel work of course will be done by commodity and allocation sub-committees of the ANMB.

3. Summary of Allocations. The present status of allocations as respects numbers and classes and interested services is shown on the charts. (Exhibits "B" and "C"). You will note that 1926 was the banner year in numbers. The large drop immediately after 1926 was due to the cancellation of about 4000 food facilities for the Quartermaster Corps. The number of allocations are gradually being reduced, and many more with extremely small loads or for other reasons should and will be canceled as the records are reviewed. The load report is almost indispensable in this connection to show up allocations which should be questioned.

Many of the cancellations during the past year were for raw materials. On September 1, last, the list of materials for which allocations were not to be made included:

- a. Building materials (lumber, cement, sand, roofing, etc.)
- b. Coal, coke
- c. Gasoline, lubricating and fuel oils.
- d. Food
- e. Furniture (except field)
- f. Office supplies and equipment
- g. Paint and paint products
- h. Raw materials (manganese, cotton lintens, wool, hides, leather, etc.)
- i. Animals, riding and draft.

Sales agencies, jobbers, and importers (only) are not ordinarily allocated.

The tendency should be toward allocation by Capacity Credits which will automatically place such facilities in the reserve category. Any facility now required by both the Army and Navy is reserved (ANMB) and any of primary interest to two or more supply arms and services should be reserved, unless there is good reason for not doing so. Important facilities such as those producing machine tools, basic steel, optical glass, aluminum products, and automotive equipment fall within this category. Placement of facilities in this class however makes more work for the Allocation Division.

D. ROUTINE AND RECORDS. Turn now to the routine of the office and the records we keep. The work of the Division is closely tied in with other divisions of the Planning Branch, especially with the Procurement Plans and Commodities. Obviously we must work very closely with the Army and Navy Munitions Board.

The Allocation Division maintains the following records.

1. Master File. This consists at present of over 10,000

Forms 100 kept in a visible Kardex file and arranged in a single alphabetical series by name of facility. I have placed before you a copy of a blank Form 100. This form must be revised not only to make some needed changes per se, but also to include the changes respecting load.

You will note near the top we now get some information on employees. It seems that when a survey is being made data might also be collected on the additional personnel, if any, that will be required to carry the war load. This might be of value to the Contributory Division, but of course it would add another burden on the field.

Form 100 is submitted by the supply arms and services whenever they desire an allocation or capacity credit, or in case of important changes, when a revised card is sent in. In the latter case we receive only one copy. But in future I believe we should call for two copies in order that the supply arms and services may know by return copy the action taken.

The Navy likewise submits a similar form (Blue for allocation, White for Capacity Credit) to the ANMB. These forms before approval come to us for consideration of Army interests and for recording of the load. We now receive a copy of each White card for the master file, and we plan to obtain also a copy of the Blue as it comes in from the Navy. In case we desire a capacity credit against a facility reserved by the ANMB, Form 100 (White) is submitted. A yellow card is provided for requesting straight allocations but has not been used. These cards might well be marked "restricted".

2. From the Master File is prepared a Directory of Allocated and Reserved Facilities. This is a visible Kardex file wherein the names of facilities are arranged geographically according to Zone, State, and City. A Directory is published annually by a lithographic reproduction of this file, thereby saving clerical work and avoiding copying errors. An examination of this Directory will show the data contained therein, and will give some indication of the work involved. Changes are occurring every day, and much work is involved to keep it up-to-date. It is now incomplete and some additions are necessary. It is to be published in the future as a restricted document.

3. Directory of Load, which is a file arranged by commodity as outlined in the Federal Standard Stock Catalog. The commodity breakdown in general reflects a corresponding subdivision of productive industry. This directory is used not only to list the facilities to be utilized for each commodity but also to record the

load placed or to be placed on each facility. Unfortunately, the load figures as far as they go are recorded either in per cent of commodity taken and not total plant, or in per cent total plant and not commodity, each computed on different base.

The Load Directory is far from complete. The annual load reports received from the supply arms and services over a year ago are only about half checked and recorded. Here again the large amount of work involved is apparent. It is estimated that to maintain this load directory, it will be necessary to post, classify, file, and keep up-to-date some 30,000 to 40,000 Kardex cards. The changes referred to above are now coming in in five to twenty page lots, each line of which requires a minimum of 2 and in some cases 4 or 5 postings. (Illustrate). If we are to get above water with the present clerical help it will be necessary to cut down the work. This might be done by reducing the number of items on which we now receive load reports, or, not require a change in load unless it exceeds say plus or minus 10%, or possibly regroup and reclassify which now would be a tremendous task to accomplish quickly.

This Directory is published as a confidential document. While much remains to be done on the Load Directory, I want to give credit to the large amount of work done by Colonel Skelton in bringing it as far along as it is.

4. Another file is also kept by the Allocation Division, namely an Index of Allocated and Reserved Facilities. This is a single alphabetical list showing the name and address of each facility the procurement agency to which allocated or reserved, and the commodities which each facility will furnish. I visualize making this index more useful by indicating the total plant load for each facility when such figures become available. At no place is the total plant load now recorded.

It is imperative that the files and Directories issued by the Allocation Division be complete and up-to-date. This division is the office and the only office, of record for all allocations, Navy as well as Army. While the Industrial Mobilization Plan now permits the Navy to designate facilities and even to set up for itself an allocation system similar to ours, I doubt if they will feel the need so long as we publish and issue the Directories I have described. These Directories when completed are an answer in two nutshells to the mandate in Section 5a.

In conclusion, let me emphasize that it is necessary that we clarify and simplify the matter of load for two reasons

- a. To retain the cooperation of the supply arms and services and
- b. To complete the records of our office.

Much will be done in that direction by the revision of Circular No. 1, now under way. This circular should be kept up-to-date by revision to include important changes in definition or policy. I believe Circular No. 1 should be the Allocation Bible.

#### E. POLICIES.

Finally, let me read what I think should be included therein as important policies for future allocation. Most of these policies are old. Some changes however have been made, and a few new ones have been added. These policies, backed by a clear definition of capacity and an explanation of the objectives of load and how it is to be reported, will, I am sure, enable us to retain the cooperation of the supply arms and services and go forward on a sound basis.

1. In general, in the case of a facility in which two or more procuring agencies have, or may have, an interest allocation will be by capacity credits.

A schedule may be placed by one supply arm or service for another providing the supply arm or service placing the schedule has a preponderant interest in the facility. In such cases the total load on the facility will be reported by the supply arm or service to which allocated but will be so listed as to indicate clearly the load for each supply arm and service concerned.

In cases where only one procuring agency has an interest, such as total conversion to the production of noncommercial items, or where the facility is suited to the production of items for only one procuring agency, allocation will be outright by facility.

Joint allocations are discouraged.

2. Allocations will be confined to those items or commodities which present critical problems in war time procurement. Where normal or converted capacity is equal to or greater than four times the combined requirements of the Army and Navy and where the requirements do not involve substantial amounts of strategic or critical materials, allocation will not ordinarily be made. The allocated load must be equitably distributed among all prospective and legitimate producers. Judicious allowance should be made for possible insolvency or discontinuance of one or more facilities allocated to a procurement agency to guard against serious disruption of the procurement program.

3. Capacity equivalent to 50% normal will so far as possible be held for essential civilian needs, for contributory requirements

of industry as a whole, and for unforeseen emergency demands. The remaining capacity, and any additional capacity added by expansion, additional shifts or new construction, is normally available to meet the military program.

Insofar as practicable requirements will be obtained by utilization of not to exceed 50% normal capacity. Confirmation by the OAS' must be obtained for all loads, item or total plant, in excess of 50% normal capacity.

4. Subsidiaries are normally allocated separately. Allocation by plants as separate entities where located is preferable to allocation of the entire organization by main office. Plant allocation is particularly to be preferred in the case of important plants widely separated or situated in different procurement districts. In any event, load will be reported by plants so far as practicable.

5. In general credits against reserved facilities will not be approved until total requirements in their relation to productive capacity are known. Demands of the several supply arms and services will be coordinated by this office. Total Army requirements will be coordinated with the Navy through the Army and Navy Munitions Board.

6. Military priority of items governs in case of conflicting demands. In this connection, quantities needed at specific times will be considered to insure effective time coordination of the productive program.

7. Productive sources of basic raw materials are not generally allocated. Allocations or capacity credits will be granted against productive sources of essential contributory requirements in commodities which present critical problems in procurement, and which sources constitute productive manufacturing facilities subject to diversion to less essential needs. Notable examples are machine tools, basic steel products, aluminum products, and optical glass.

Such allocations are contingent upon the practicability of making a reasonable division and assignment of the available capacity to the procuring agencies, which will normally be decided upon the recommendation of Commodity Committees. In such cases, when the plans have progressed to the point where a satisfactory division of capacity can be made, the problem then falls within the purview of the Allocation Division for administrative control. Commodity committees normally will be continued in a fact-finding and advisory capacity.

8. Ordinarily, allocations will be confined to facilities capitalized at \$50,000 or over.

9. In general food facilities will not be allocated. Facilities producing items in addition to food may be allocated for production of such items.

10 Allocation of facilities in Zone I will be inhibited unless it can be shown that suitable production is not available elsewhere. In the distribution of the industrial load preference will be given productive sources located inland, and outside of congested industrial centers. The load will be so distributed as to obviate unnecessary requirements in power, labor, transportation and construction, particularly at points of congestion.

11 Complete survey of the productive capacity of industry is to be desired in order to facilitate intelligent and equitable allocations.

12 Governmental facilities and facilities outside the continental limits of the United States will not ordinarily be allocated.

13 Load on allocated and reserved facilities will be verified at least once every three years. A revised load report will be submitted on each facility whenever the load placed in any item differs from that previously reported by more than 10% of normal capacity. Allocations in force for more than five years and against which no load has been reported will be considered as potentially available for cancellation and reassignment.

Conference open for questions and discussion.

A L L O C A T I O N S

(June 30, 1936. )

	1923	1924	1926	1928	1932	1934	1935	1936	
Q.M.C.	2463	9110	13665	9232	8012	8252	7805	6604	Q.M.C.
O. D.	1082	1328	1375	1140	818	916	874	858	O.D.
C. E.	82	993	2134	1738	1167	922	854	721	C.E.
A.C.	400	590	700	623	572	526	470	422	A.C.
M.D.	872	924	1252	1196	1031	738	594	525	M.D.
S.C.	290	426	522	467	572	523	506	350	S.C.
C.W.S.	199	284	330	304	402	406	372	278	C.W.S.
Navy			17	171	249	251	367	395	Navy
J.A.	62	217	460	271	283	291	378	419	J.A.
Totals	5450	13872	20455	15142	13108	12825	12220	10572	Totals

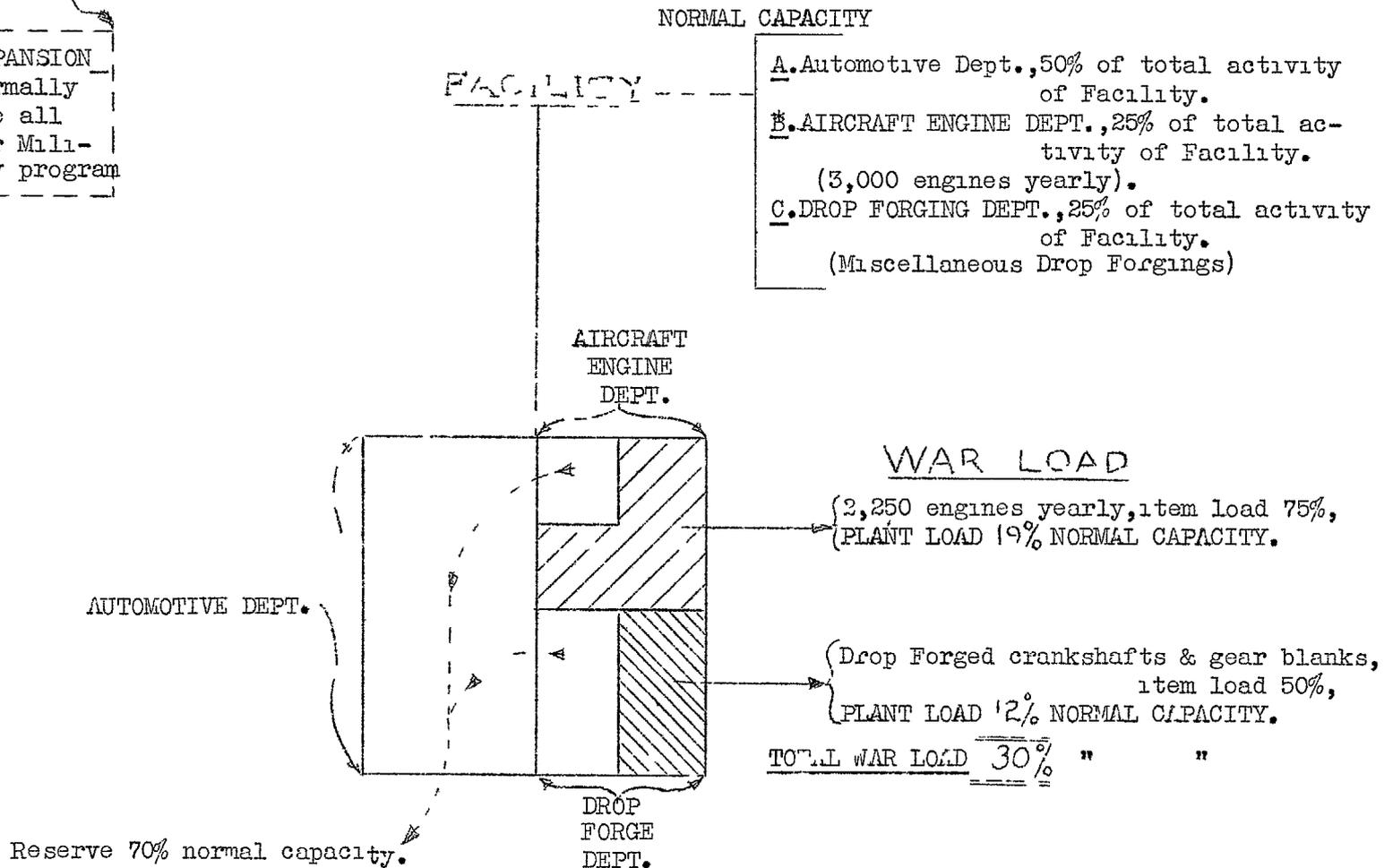
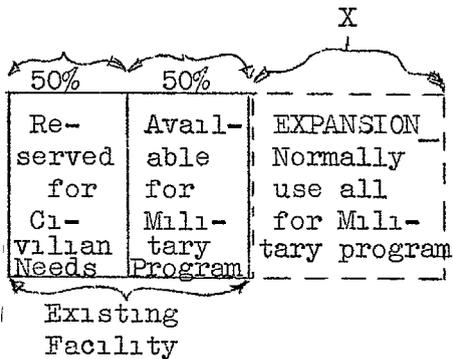
\* 419 Joint Allocations involve only 204 Facilities.

\*\* Deducting a difference of 215 for Joint Allocations, the total number of Facilities allocated is 10,357

Reserve Facilities	<u>370</u>
Grand Total	<u><u>10,727</u></u>

SUMMARY OF ALLOCATIONS, June 30, 1936.

Total Allocations (including joint)	10,572
Total allocations approved by ANMB -- Army 824, Navy 395	1,219
Total facilities allocated	10,357
Total facilities allocated (Army)	9,962
Total Facilities allocated (Navy)	395
Total joint allocations to SA&S	419
Total facilities jointly allocated to SA&S	204
Total reserved facilities (OASW)	370
Total reserved facilities (ANMB)	272
Total approved capacity credits to SA&S	166
Total approved capacity credits to Navy	157
Per cent of total allocations that are located in Zone I	48.3%
Per cent of total reserved facilities that are located in Zone I	58.1%



Expansion may be obtained by

- (a). Placement in operation of a part of the Facility not normally used.
- (b). Additional shifts, (more hours).
- (c). New construction.

NOTE Each to be reported in terms of percent of normal capacity.