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MILITARY PROCUREMENT REGULATIONS

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Major General George A. Horkan, the Quartermaster General, U. S. Army, was born in Augusta, Georgia, 1 July 1894. He was graduated from Georgetown University with a B.A. degree in 1915 and was appointed second lieutenant, Infantry Reserve, 15 August 1917. He was commissioned second lieutenant, Infantry in the Regular Army 26 October 1917. In World War I he served with the 55th Infantry and sailed with that regiment for France in 1918. He was in the occupation of the Puvencelle Sector and in the Second Army Offensive. He attended Motor Transportation School in 1920. Following graduation he became assistant quartermaster to the Third Corps Area, Baltimore, Maryland. He was graduated from Babson Institute in 1925. He was in charge of the construction of monuments in France of the American Battle Monuments Commission in 1928, and in 1929 was in charge of the Monument at Montfaucon, France. He was graduated from the Army Industrial College in June 1932. In 1934-1937 he was assigned to the Office of the Quartermaster General for procurement planning. In 1937 he was chief of War Production Section, War Plans and Training, Office of the Quartermaster General. He was graduated from the Quartermaster School in June 1938 and became instructor and executive officer of the Quartermaster School in 1941-1942, and commandant in February 1944. He was made commanding officer, Camp Lee, Virginia in 1944. General Horkan was director of Memorial Division, Office of the Quartermaster General from February 1946 to August 1948; Chief Quartermaster, European Command, August 1948 to August 1951. He was appointed Quartermaster General of the U. S. Army on 9 October 1951.

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GENERAL GREELEY: The appearance of so many smiling, happy, eager faces before me this morning is truly gratifying. I am sure that you are all very, very happy indeed, delighted to be back in harness after that long, arduous, perhaps strenuous Christmas holiday. At least here we are again.

Today our attention will again be focused on procurement. We have heard a number of lectures on this subject and we have had pretty definite viewpoints, both military and civilian. One speaker, you will recall, outlined the organization and procedures that are now used by Canada in its military procurement program. Now all of these talks have dealt primarily with principles and policies and the problems stemming from the procurement of major military items, such as combat planes, combat ships, tanks, and so on. It is appropriate therefore that we should now learn something about the procurement of the so-called everyday items, items that are required and constantly used by both the military and the civilian consumer.

General Horkan, the Quartermaster General of the Army and our speaker for this morning, has tremendous operating responsibility in this area of procurement. He has had wide experience in both planning and operations and is particularly well-qualified to discuss the procurement problems of one of our major technical services. It is a pleasure again to welcome General George A. Horkan, one of our distinguished alumni, to this platform. General Horkan.

GENERAL HORKAN: Thank you General Greeley. Admiral Hague, gentlemen: My talk today is about procurement and, as General Greeley said, it is the procurement of those things that are used everyday. Although this is the first day of school after the Christmas holidays, and bills from your Christmas purchases probably have not yet come in, I don't know whether this is a good time to talk about procurement of things that are common to everyday living.

Now this question of procurement is quite a problem. I cannot approach the subject of military procurement, or discuss the many regulations which govern it, without some mixed emotions. I think we can all agree, right at the start, that it is a tough problem, but I doubt if anybody can appreciate just how tough it really is until he has had to live with it.

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The Quartermaster Corps has been wrestling with procurement problems for 177 years and--if we have learned nothing else--we have learned that there is no easy solution. We also have learned that procurement regulations are constantly changing, seldom are clear-cut, and occasionally are contradictory. This means that, no matter how many laws and regulations there are in force at any given time, a great deal depends on the inherent judgment, common sense, and integrity of the procurement officer.

Now the powers that be in their wisdom, have yet to come out with a regulation covering these three vital qualities, although we seem to have regulations covering practically everything else.

Procurement, as it is understood in the armed services today, must be carefully distinguished from purchase. The Joint Chiefs of Staff have defined procurement to cover the whole broad process of obtaining services, supplies, and equipment, with all the related functions of design, specifications, standardization, conservation, selection of contractors, contract forms, pricing, renegotiation, financing, contract termination, and so on.

I think, too, that you should include requirements in the procurement process because, before you can procure intelligently, you have to know how much is needed, as well as what quality, where, and when.

Now I could stop right here and devote the rest of the morning--and a good many other mornings as well--to this subject of requirements. The armed services frequently are criticized for having materiel surpluses. Then the pendulum swings in the other direction and we find ourselves equally criticized for not being able to fill unexpected needs. In other words the armed services usually find themselves in the uncomfortable position of being d----d if we do--and d----d if we don't.

If somebody with a particularly clear crystal ball will simply tell me how many troops we expect to have to support worldwide--and whether we are going to have an all-out war--then I think we can do a perfect job of procurement.

But the important thing to keep in mind is that nobody is able to tell us, because nobody really knows. The best we can do is operate on the informed guesses of those whose business it is to evaluate the whole complex international picture.

One thing is certain: If it comes down to a choice between wasting American lives, or being in a long position on some supplies and equipment, I can assure you gentlemen that we will select the latter. When you reduce it to those fundamental terms, the choice is obvious and inescapable.

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Certainly we will continue to do our best to adjust our procurement to known and foreseeable requirements, but when the chips are down, the safety and welfare and effectiveness of the individual fighting man must come first. The old doggerel which starts out: "For the want of a nail the battle was lost" is pretty good logic anyway you look at it.

Since procurement cuts across so many of the functional areas of the armed services, it is apparent that officers assigned to this important type of duty must have a pretty broad background and certain particular qualifications. There are a great many definitions of a procurement officer--and not all of them are flattering. However, over the years the Quartermaster Corps has concluded that a good procurement officer must have the wisdom of Solomon, the patience of Job, the hide of a rhinoceros, and--like Caesar's wife--must be utterly above reproach.

Now I realize that I have described a paragon. After all, procurement officers are human beings--despite occasional allegations to the contrary--and, because of this it is unlikely that we always will find all these virtues in one person. About the best we can do is set up a goal with these qualifications in mind, then send our officers to the Industrial College to educate them and try to build up to that goal.

Any agency which has to procure military supplies must have four-fold specialized knowledge if it is going to do an intelligent job. This must consist, first, of knowledge of the characteristics and limitations of the industry which produces the item to be procured; second, knowledge of the current and planned development work which may improve the utility of the item, or change its rate of production; third, knowledge of the exact operational requirements of the ultimate user; and, finally, knowledge of the later storage and maintenance problems which will inevitably influence the specifications for the item.

But after we have assembled all this knowledge and--we hope--assigned the best possible officers to the procurement operation, our troubles are only just beginning. We now find ourselves face to face with all the laws, regulations, policies, and official decisions which control our actions. We have to live within this framework and, at the same time, adjust our operations to conform to the regulations without in any way impairing the supply of our armed forces. I repeat--this is a tough problem.

Some of these regulations are extremely specific and restrictive; others are broad and leave a great deal of room for individual interpretation. All of them, however, have one primary objective, and that

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is to accomplish procurement in the most efficient, economical, and expeditious fashion possible in the midst of a highly complex and integrated national economy.

As the complexity of materiel and equipment increases, it would appear inevitable that the armed services sooner or later find themselves in the position of competing with each other for scarce commodities. Therefore it is no longer possible to set aside one category of items and say that these are exclusively the concern of the Navy, for example, and of nobody else. The Army, the Navy, and the Air Force all are claimants for the output of American industry; somebody has to see that each gets its fair share--and no more.

We ran into this sort of a problem early in World War II when it developed that the Air Corps had all the manila rope and fibers in the United States, either on hand or under contract. At the same time the Navy had bought up all the available silk, while the Army had cornered the market for building lumber. It doesn't require a genius to appreciate the fact that such a condition cannot be allowed to exist. The only answer is to be found in regulations.

So now we get down to the root of the matter: the regulations.

To the uninitiated, I suppose, this doesn't seem like much of a problem. All you have to do is read the regulations--and then comply with them.

You start out with a clear understanding of your responsibilities to the Government and the taxpayers; you know that you must get things at the lowest price, determined from sealed competitive bids or on contracts negotiated on a competitive basis. You also know that if you depart from this rule you may have to shell out of your own pocket; so far so good.

However, this isn't the end of it. You have to assist in policing public laws which prohibit discrimination by a contractor in the hiring or promotion of his employees; you have to make sure, in certain instances, that all the business doesn't get concentrated in firms themselves that are concentrated in single large plants; and you have to make sure that you aren't throwing all your business to big industry, even though there might be cases where it actually would be cheaper to do so.

Well, let's assume you have cleared these hurdles. Now you run up against the requirement that small business should get its fair share of your contracts, although you may not be able to determine just what a "fair share" is or, for that matter, just exactly what "small business" is.

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Next comes the problem of distressed areas. You are handed a directive which says you have to put your business into places where there is a surplus of labor. Maybe you'll get some guidance on this, and maybe you won't. And there are times when you wonder whether you represent the U. S. Army, or the Salvation Army.

The well-known practice of subcontracting complicates this latest requirement. Letting a contract to a textile firm in New England doesn't necessarily mean that the production will be effected in New England. It might go to a southern plant of that firm. Being obliged by another directive to encourage subcontracting, you now have to decide whether you must follow through to consider the location of every plant of each subcontractor and, for that matter, of each subcontractor so as to be certain that the actual production is accomplished where the wages will go to alleviate a distressed area.

I could go on and on in this vein, but I think I have mentioned enough to get across the general idea that the procurement officer's job is not an easy one.

Let us now examine briefly some of the regulations which require that a procurement officer do these things. I shall not take the time to go into any of these regulations in detail because I know that you already have done so in your own reading or have listened to discussions of specific regulations from this platform. However, it may be helpful to take a quick look at the picture to see how the various pieces of the jigsaw puzzle fit together.

The basic authority governing procurement is found in Public Law 413 of the 80th Congress, entitled "The Armed Services Procurement Act."

This statute, while it may virtually be the ultimate authority to procurement people, was not arbitrarily imposed on the military services but, instead, was developed in close collaboration with them. If it is intelligently interpreted and applied, it is as superior to previous laws of its kind as the modern eight-cylinder car is superior to the Model "T" car. However, if misguided zealots work on the interpretation and application, we can get ourselves really tied up. Keeping the policy-making authorities "on the beam" is an added chore for those who have to conduct military procurement.

Stemming from Public Law 413, of course, are the Armed Services Procurement Regulations and, within each military department, there are further and somewhat more detailed procurement regulations, instructions, and directives. All of these must be within the framework of the basic law.

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When Congress passed the military appropriation act for fiscal year 1953, it included a proviso that, notwithstanding any other provisions of law, funds for procurement and warehousing, distribution of supplies, or equipment and related functions would be obligated only under regulations issued by the Secretary of Defense.

Well, we now have those regulations and they will go down in history as "DOD 4000.8" or "Military Supply System Regulations."

This document covers the whole wide field of military supply and, appropriately, starts out with a statement of certain general principles governing procurement. These principles, include, among other things, stipulations that procurement will be in accordance with procedures which insure timely submission of consolidated requirements, phasing of requirements, market analyses, phased placement of orders and phased delivery schedules; that there shall be close, accurate, and definite pricing, and that price redetermination shall be conducted within the time specified in the contracts; that single procurement in the form of single department, joint agency, or plant cognizance shall be effected whenever it is to the Government's advantage; and that direct deliveries from suppliers to points of use will be made whenever possible. Now I don't know whether they had the Quartermaster Corps in mind when they wrote this but it certainly is down our alley.

Since last September the armed services have been in the process of making procurement operations conform to this directive. Implementation, while by no means complete, is proceeding steadily. By the time you gentlemen take over your next assignments, it is likely you will have to get acquainted with a lot of new directives and policies because--in times like these--change seems to be the keynote.

The regulations which I have been discussing are not, of course, the only ones which affect our procurement operations. There are various Executive orders, specific laws, directives of the Department of Defense, and administrative orders. These cover such things as price controls, small business, distressed labor areas, the establishment of a Duck and Webbing Pool, "buy American" requirements, and the establishment of joint procurement agencies.

You will recall that earlier in my talk I mentioned the situation which arose in 1942 when each of the military services cornered the market for some particularly scarce commodity, and that many of our regulations and procurement policies are designed to avoid the recurrence of such a situation. An example of this is the Duck and Webbing Pool.

Duck, which we need for such items as tents, tarpaulins, and truck covers, and webbing, which is used for such items as bindings, pallets,

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and straps, come from a segment of the textile industry which has insufficient capacity to meet wartime demands. During both World Wars we had to convert carpet, drapery, and upholstering fabric mills to the production of duck to obtain the required quantities. We had a Duck and Webbing Pool during World War II and in March 1951 the Munitions Board, foreseeing a serious tightening of the supply of duck and webbing, re-established this pool, and delegated to the Quartermaster General of the Army authority for its administration and management. We hope and believe that through the medium of this pool the real requirements of the military departments for duck and webbing will be met equitably, and that we have a mechanism which will stand the test of a new war or any major mobilization.

You already have heard from this platform about the various types of procurement such as collaborative, single service, or joint. We have had since October 1952 a new joint procurement operation which is designed to eliminate interservice competition and achieve the utmost effectiveness and economy in all aspects of the procurement of clothing, textiles, foot wear, and related items.

This is known as the Armed Services Textile and Apparel Procurement Agency or, as we like to call it in this age of abbreviation: ASTAPA. It consists of a Directorate and a buying office, the former comprising the Quartermaster General of the Army, the Chief of the Bureau of Supplies and Accounts of the Navy, the Quartermaster General of the Marine Corps, and the Commanding General of the Air Materiel Command of the Air Force. The Chairman of the Directorate is annually selected by vote of the members, and I am the present Chairman. In New York we have a buying office in the same building which houses the New York Quartermaster Procurement Agency and the Navy Purchasing Office. This buying office is in charge of an officer known as the Chief of the Agency Staff who is selected by the Directorate for a two-year term on a revolving basis among the services. The present Chief is a general officer of the Quartermaster Corps.

The harassed procurement officer is not without friends who appreciate his problems. Mr. Charles Coolidge, former Assistant Secretary of Defense, told a New York audience last winter of some of the headaches of these men; he concluded by saying that "on many a morning, after many a sleepless night, these officers probably come down to the office and start looking up the regulations to see if there isn't some way that they can retire ahead of time--honorably if at all possible, but anyway retire."

I suppose we all have felt this way at one time or another, and I know that in the 177 years of the Quartermaster Corps there must have been many officers who have been baffled, bedeviled, and bewitched by

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the maze of procurement regulations. Nevertheless, it would be tragic for the security of the Nation if we were to let these things get us down; we must never forget that our procurement officers are, in many ways, the keystone in the logistical arch.

In this final report to the Secretary of the Army on 7 February 1948, General Eisenhower said: "We were able to mount successful operations all over the world despite our strategic inferiority in the number of troops, because the United States industrial establishment vastly exceeded that of the combined enemy."

I think it is apparent to all of us that we could not have harnessed the vast potential of our industry in World War II, any more than we can harness it for the uncertain days which lie ahead, without an intelligent, aggressive, and devoted procurement organization in each of the military services. We have to have regulations to insure that these organizations are properly integrated and are efficient. Probably we will have many other regulations as time goes on, and the procurement regulation picture may be vastly changed a year from now. However, we have to live within these regulations and interpret them intelligently. To the extent that we succeed in this task, to that same extent will we succeed in accomplishing our vital procurement mission and supporting, thereby, the broader mission of insuring the security of the United States.

Now I have uttered many words this morning. I hope some of them, at least, have given you an idea of the complex framework within which military procurement has to live. I could say a lot more on the subject, but I think I can fall back on the time-honored adage that "one picture is worth ten thousand words." I think I can show you a picture which will sum up all I have been trying to say to you, and if you carry nothing else out of this auditorium I trust that you will carry the memory of this picture (see following page).

It just happens that the inspired artist put his procurement officer into a Navy uniform, but I know each of you can dress him in your own particular costume, be it olive drab, shade 33, or Air Force blue.

I would like to comment a little on our new organization in New York, ASTAPA. The organization is running very smoothly in New York; all the arguments seem to be here in Washington.

The organization was set up, as you probably know, as a result of considerable congressional pressure. A charter was written and we are living under that charter. Now the logical question that

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You'll have to eliminate some hurdles, "Uncle," if you expect timely performance!

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someone here would ask would be "Are you saving any money as the result of this consolidation?" Well, I think we are saving some personnel, but it is too early for precise appraisal. The agency was activated three months ago. I think when you consolidate these activities you can probably do the job with less personnel.

I have asked General Hollis in New York if he would keep some records up there as to how much money they are saving as the result of these consolidations. Well, of course, that is a complicated job. It is hard to lay down any yardstick for measuring. How are you going to compare the procurement of uniforms that ASTAPA makes this year with what the Army bought last year? There may be a price differential but there may have been different market conditions. So it is exceedingly difficult to find a distinct yardstick by which you can measure the effectiveness of ASTAPA against the buying effectiveness of the three services.

However, I recall when I went to school and studied fundamental economics--of course economics have since changed, too--there was a "law of diminishing returns" that would set in. After you reach a certain result, in order to get a small increase, you would have to put in a disproportionate effort. So I repeat that I can't tell you as yet whether we are truly saving any money in ASTAPA versus the individual service procurement.

That is all I have. Are there any questions?

QUESTION: What percentage of your business is going to small business or do you have any figures on that?

GENERAL HORKAN: I think I would like to answer that from a Quartermaster item standpoint. Here is Colonel Durbin. What does that run about?

COLONEL DURBIN: Itemwise 80 percent; dollarwise around 50 percent.

GENERAL HORKAN: On small business you have a terrible time determining what is a small business. A small business in the trouser industry is one thing; a small business in an automobile industry is something else. With us in the Quartermaster Corps, where we are in the pants and coat business, anybody with a sewing machine is a potential facility for us, therefore small business plays a greater part than it would with the Air Force or the Ordnance.

QUESTION: General, in speaking of ASTAPA, I believe we have an old joint procurement agency for petroleum.

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GENERAL HORKAN: Yes.

QUESTION: Has there been any record kept to show how effective it has been versus procurement by the services?

GENERAL HORKAN: As Chairman of the ASPPA, too, I know that we have problems also, but the problems are different from those in ASTAPA. In ASPPA we are dealing with only a limited number of big refineries and with a smaller number of people. Nevertheless, the problems are both many and complicated. We just finished a serious problem with the Air Force. They were not getting enough high octane gasoline. We got that straightened out. The Navy comes in for special fuel oil, a problem which begins to get into other services.

The Navy must have a certain amount of butane. Butane belongs to the Rubber Reserve over in the Department of Commerce and we have borrowed much of it from that Department. We hoped it would forget we had that butane, but suddenly the people in Rubber Reserve woke up to the fact that we had borrowed it from them and they asked us to return it. By that time it had been used up in these special fuel oils. These are but examples of the type of problems in ASPPA. They are considerably different from those in ASTAPA where we generally deal with many, small companies producing common, everyday items.

QUESTION: General, would you mind discussing the use of open-end contracts for certain common items which are widely used by all the services?

GENERAL HORKAN: Take the question of condensed milk--canned milk is an item that might lend itself very nicely to an open-end contract. Milk is a very difficult thing to warehouse. You have to turn milk over. If you buy the requirements of milk for any extended period of time, you have to turn that milk once every three months. So if you can let a contract to a company that has many outlets throughout the United States where they could deliver direct to the various commissaries or other users, you have a situation that would lend itself very readily to an open-end contract.

Similarly, there are certain other subsistence items likewise adaptable, and I think certain items of paper might lend themselves to open-end contracts--mimeograph paper and other types of paper produced by companies with storage facilities all over the country, each of which could readily supply a using agency in its vicinity.

It is a difficult proposition and when you get into any items other than strictly commercial items, open-end contracts are not applicable. Does that answer your question?

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QUESTION: General, I was really thinking about such items as hand tools. I thought a system might be set up with open-end contracts available to all users so they generally would pay the same price and presumably the best price.

GENERAL HORKAN: Let us take hammers. An open-end contract on hammers is pretty difficult. Everybody has a different specification for hammers. If you could get specifications standardized, maybe we could adapt the procedure to hand tools.

I recall when I was in the Assistant Secretary of War's Office 20 or 25 years ago, we tried to bring about some standardization of hand tools. As I recall, the Signal Corps had 60 different sizes of screw drivers, each one presumably designed for a specific purpose. I don't know how many screw drivers there are in the Army, the Navy, and the Marine Corps. It is difficult to standardize these items, but some standardization is essential before application of the open-end contract procedure.

Now, again, if you will pardon me for going back again to my duty in the Assistant Secretary of War's Office, I remember that we tried to bring about some standardization with a view toward consolidation of procurement. Mr. Coolidge was the President of the United States. As you gentlemen will recall, the whole United States Government, including the Post Office Department and everything else, ran for 3 billion dollars in those days. That was everything--Army, Navy, Air Force, Post Office, everything else; 3 billion, not 3 billion and one. General Lord was Director of the Budget and he wrote with a pencil. In those days when you wore the pencil down as far as you could, they gave you a holder to put on the end. A dollar was a dollar then and the country was attempting to effect some economies, effective economies.

Now an economy to be effective, in my opinion, must be an intelligent economy. So, to consolidate procurement intelligently, there was set up a board consisting of representatives of the Army, the Navy, the Air Force, the Treasury, the Veterans' Bureau, and everything else. The first item they selected was a noncontroversial item, bituminous coal. Certainly bituminous coal would burn anywhere. It didn't make any difference who fired the boiler, the coal would burn. So we wanted to consolidate the procurement around Washington for bituminous coal. We wanted the Bureau of Mines to buy the coal.

The Army had a hospital, Walter Reed; the Navy had a hospital over here near Lincoln Memorial; the Veterans' Bureau had one on Wisconsin Avenue. The Army agreed that this coal would burn at Walter Reed; the Navy agreed the coal would burn in the Navy hospital; but the Veterans' Bureau said that coal would not burn in the Veterans' Bureau hospital.

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Now, why? You immediately get into the personal equation on this thing. Some people in the procurement end of the Veterans' Bureau felt that if they turned this thing over to the Bureau of Mines, they were going to lose their jobs.

You will find that this is generally true in any consolidation. For example, say we are going to consolidate procurement on a single-service basis for the Army, the Navy, the Air Force, and the Marine Corps. The first item that comes up is shoes. You give shoes to the Quartermaster Corps. That is fine; I like that. I get more authority. I buy shoes for everybody. The Marine Corps, the Navy, and the Air Force are going to complain. That is taking something away from them. The people at the top can see the value of the consolidated procurement. The benefits are greater than the loss of power down below, but you do have to consider that personal equation. If you don't consider it, you are going to run into a lot of opposition.

QUESTION: General, we have heard a lot about one procurement service for all three services and other branches of the Government. I wonder what your personal opinion of that would be?

GENERAL HORKAN: Well, we are going through the throes of this problem now. The consolidation of buying for the Army, the Navy, the Air Force, and the Marine Corps. There are certain fundamentals that have to be weighed. What is the mission? Pardon me for referring again to the Quartermaster Corps. What is my job? What is the primary justification for the existence of the Quartermaster Corps of the United States Army?

The only reason that we are in business is to supply the Army, with clothing, food, and other things that the soldier needs. If something goes wrong in any of those areas, whom does the Chief of Staff look to and criticize? It is going to be the Quartermaster General. In other words, I have the responsibility.

Now, we consolidate procurement. The reason we consolidate is to save money. That is the only reason that I can see for it. So now you have money versus mission. The answer to the thing is yet, I think, to be worked out.

However, I would like to make this comment. In peacetime, from 1918 until 1939 or 1940, we operated on a peacetime economy--dollars, dollars, dollars. The man in the Army, the Navy, or the Air Force who made a reputation and who got ahead was the fellow who could save money. Now comes a war. You mobilize. You throw the dollars out the window and time becomes the important element. The fellow who can spend the money and spend it the quickest, saves time, and gets things done--

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he gets ahead. So we have the anomaly here of training for 20 years in peacetime under a dollar economy; then we get into war and we throw it out the window. Time becomes the essence.

What is the answer? In peacetime saving money is the thing. Well, you are going to be forced into certain economies. Anyone in a place of responsibility has to bend a certain amount or he is going to break. He must keep at all times his mission in front of him. He can only give if it is not at the expense of his mission. If there is some small, inconsequential item, I would say go ahead, but he must keep the mission in mind. It is his responsibility, as it is the responsibility of the Chief of Naval Operations to see that the mission of the Navy is not endangered or that he loses control of the things he will need for success in battle. Does that answer your question?

QUESTION: I was thinking about combining the Quartermaster Corps, the Supply Corps, and GSA into one procurement service. I was thinking more of that than anything else.

GENERAL HORKAN: I think the deciding factor from an Army standpoint would be, "what would be the effect of this in war? Do we want to depend on a 'super-GSA' to furnish us with food and other supplies for the Army in war?" I think maybe we can give some small items to them, but when it comes to items of critical importance, if I am going to be held responsible, I want to make my own mistakes.

I don't know where we stand today, relative to peace or war. You put your money on one side of the scale; you put your responsibility for military requirements or needs on the other side, and see how it comes out. The decision, though, is going to have to be above my level. It is a difficult proposition, I realize, and I am sorry I can't give you a better explanation than that.

QUESTION: General, those of us who are somewhat newer in this field than others have gained, I think, the impression during the past month that there are two general types of contracts, (1) a contract awarded after formal advertising to the lowest responsible bidder and (2) the negotiated contract. You referred during your remarks to contracts negotiated on a competitive basis. How much competition is involved in arriving at a negotiated contract? What do you do to achieve that competition?

COLONEL DURBIN: Anything more than one bidder is considered competition. The Quartermaster normally uses more than two bidders. At any rate we use as many as we think we need to accomplish economically the particular procurement.

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GENERAL HORKAN: I think I know what you have in mind. You have a nonstandard item, take some of your guided missiles and other items of that type today where there is no background, no yardstick by which to measure the cost of that item. Nobody knows; they have never made it before. They don't know what it is going to cost. I think that is an ideal example of where a negotiated contract should be made.

We feel we shouldn't get into negotiation any more than absolutely necessary; we do, however, on canned goods. You have a set-aside proposition which is really a negotiated contract, but that is peculiar to the canning industry. With uniforms or other items where there are numerous bidders, it is much better to stick to sealed bid (formal) competitive bidding and we try to do it. If you want to get into trouble, start negotiating for an item such as pants where you have 350 people making them. We find it is much better to stick to sealed bid competitive bidding on this.

COLONEL CROSEY: General Horkan, sir, on behalf of the Commandant, the student body and the faculty, I thank you for a very enlightening discussion.

GENERAL HORKAN: I appreciate coming very much.

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