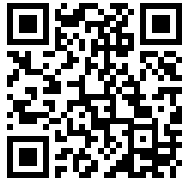
This is a reproduction of a library book that was digitized by Google as part of an ongoing effort to preserve the information in books and make it universally accessible.

Google™ books

https://books.google.com



LC
273
.A318
1955
S
Stacks

B 761,488

COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

business organization of the department of defense

A Report to the Congress

JUNE 1955

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY

THIS VOLUME CONTAINS THE COMMISSION AND TASK FORCE REPORTS

Digitized by Google

Digitized by Google

Business Organization

of the

Department of Defense

☆

A REPORT TO THE CONGRESS

by the

U.S. COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

(1953-1955)

JUNE 1955

Digitized by Google

LJC
273
.A318
1955

Commission on Organization of the Executive Branch of the Government

HERBERT HOOVER, *Chairman*

HERBERT BROWNELL, Jr.	ROBERT G. STOREY
JAMES A. FARLEY	CLARENCE J. BROWN
ARTHUR S. FLEMMING	CHET HOLIFIELD
STYLES BRIDGES	JOSEPH P. KENNEDY
JOHN L. MCCLELLAN	SIDNEY A. MITCHELL

SOLOMON C. HOLLISTER

Digitized by Google

Letter of Transmittal

June 20, 1955.

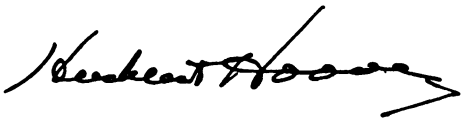
DEAR SIRS:

In accordance with Public Law 108, Eighty-third Congress, approved July 10, 1953, the Commission on Organization of the Executive Branch of the Government submits herewith its Report on Business Organization of the Department of Defense.

The Commission has had the services of an able Committee presided over by Mr. Charles R. Hook, Sr., Chairman of the Board of Armco Steel Corporation of Middletown, Ohio. He and 15 members of the Committee served during the last war in connection with the business organization of the Defense services.

The Commission endorses the recommendations of the Committee on Business Organization of the Department of Defense and includes its report as a part of the Commission Report.

Respectfully,



Chairman.

The Honorable
The President of the Senate

The Honorable
The Speaker of the House of Representatives

Digitized by Google

Digitized by Google

Contents

	Page
Letter of Transmittal	iii
Acknowledgments	ix
Commission Report and Recommendation	xv
Commission Action	xviii

INTRODUCTION

Importance of Improving Business Management in the Department of Defense	3
The Unique Characteristics of the Department of Defense	4
The Importance of Support Activities	7

PART I

Program for Improving Business Management Organization	13
The Role of Principal Members of the Defense Management Organization	13
Primary Obstacles to More Effective Management Coordination	14
Proposed Revisions in Management Organization	16
Recommendation No. 1	19
Recommendation No. 2	21
Recommendation No. 3	24
Recommendation No. 4	24
Recommendation No. 5	29
Recommendation No. 6	30
Recommendation No. 7	32

Digitized by Google

Part II

	Page
Program for Improving Management of Common Supply and Service Activities	37
Congressional Mandate for Unified Supply Systems	37
Approaches to the Coordination of Common Supply and Service Activities	40
1. Coordinated Purchasing	40
2. Cross-Servicing	41
3. Integrated Supply Systems	41
4. A Separate Supply and Service Agency	43
Recommendation No. 8	45
Criteria for Selecting Common Supply Items and Services for Transfer to a Separate Agency	45
Recommendation No. 9	46
The Proper Form of Organization for a Separate Supply and Service Agency	47
Recommendation No. 10	50
Continuing Improvement in the Supply and Logistics System	50
Recommendation No. 11	51

Part III

Program for Improving Management Personnel	55
Increasing the Tenure of Presidential Appointees	56
Recommendation No. 12	58
Specialization of Personnel in Support Activities	59
Recommendation No. 13	61
Delineation of Civilian and Military Roles	62
Recommendation No. 14	63
Comparable Personnel Standards for Civilian and Military Managers in Support Activities	65
Recommendation No. 15	65
Responsibility for Developing Career Managers	67
Recommendation No. 16	68

Digitized by Google

Part IV

Page

Program for Improving Financial Management..... 73
Perfecting the Financial Tools of Management..... 75
1. Budgeting..... 76
2. Accounting..... 77
3. Working Capital Funds (Revolving Funds)..... 78
Recommendation No. 17..... 79
Fixing Responsibility for Managing Defense Dollars.. 79
Recommendation No. 18..... 80
Recommendation No. 19..... 82

Summary of Recommendations

Program for Improving Business Management Organization..... 87
Program for Improving the Management of Common Supply and Service Activities..... 89
Program for Improving Management Personnel..... 89
Program for Improving Financial Management..... 91

Reservations or Dissents

Reservations or Dissents..... 93
Separate Statements of Commissioners..... 97

Appendices

A. Summary of Recommendations on Business Organization of the Department of Defense Contained in Task Force and Subcommittee Reports..... 125
Task Force on:
Budget and Accounting..... 125
Legal Services and Procedure..... 126
Federal Medical Services..... 127

Digitized by Google

A. Summary on Recommendations on Business Organization of the Department of Defense Contained in Task Force and Subcommittee Reports—Con.
Task Force on—Continued Page
Personnel and Civil Service 129
Procurement 130
Real Property 131
Food and Clothing (Food) 133
Food and Clothing (Clothing) 134
Use and Disposal of Surplus Property 135
Subcommittee on:
Business Enterprises 136
Depot Utilization 137
Research Activities 137
Special Personnel Problems in the Department of Defense 138
Transportation 140
B. Steps in the Development of Department of Defense Organization 143
Constitutional Provisions 143
Beginnings of Unification 144
The National Security Act of 1947 146
Changes Growing Out of the First Hoover Commission 147
Changes Resulting From the Rockefeller Report 148
C. Present Organization of Department of Defense 151

Digitized by Google

Acknowledgments

The investigation into the business organization of the Department of Defense was performed by a committee under the chairmanship of Mr. Charles R. Hook, Chairman of the Board of ARMCO Steel Corp., and comprising the members listed below:

Chairman

Charles R. Hook. Middletown, Ohio. Executive. Chairman, ARMCO Steel Corp. Served in Department of Defense and other Government activities during World War II. Member, Business Advisory Council, Department of Commerce, and various civic activities.

Vice-Chairman

Reuben B. Robertson, Jr. Cincinnati. Executive. Yale University. Served in U. S. Army during World War II. Trustee, various institutions. Member, Business Advisory Council, Department of Commerce. Headed Survey Group to evaluate Mutual Security operations in Germany. Now President, Champion Paper & Fibre Co.

Members

Joseph P. Binns. New York. Executive. Cornell University. Colonel, Army Air Force in World War II; Chief of Supply and Service, ATC of the Army Air Force in Europe. Now Managing Director, The Waldorf-Astoria, and Vice President, Hilton Hotels Corp.

George C. Brainard. Cleveland, Ohio. Executive. Cornell University. Served with Army Ordnance Department in both World Wars; later with Office of Production Management and War Production Board. Now Chairman of the Executive Committee, Addressograph-Multigraph Corp.

Howard Bruce. Baltimore. Virginia Military Institute. Director of Materiel, Army Service Forces, World War II; Deputy Administrator, Economic Cooperation Administration. Chairman of the Board, Worthington Corp., New York.

Digitized by Google

John J. Corson. Arlington, Va. Management Consultant. University of Virginia. Formerly professor of economics, University of Richmond. Director, U. S. Employment Service; member, Advisory Board to the Provost Marshal General, U. S. Army. Now management consultant with McKinsey & Company.

Michael DeBakey. Houston, Tex. Surgeon. Tulane University. Formerly Surgeon-in-Chief, Jefferson Davis Hospital and Methodist Hospital, Houston; Consultant to Veterans Administration. Colonel, Medical Corps, U. S. Army, World War II. Now Chairman, Department of Surgery, Baylor University, College of Medicine. Member of Task Force on Federal Medical Services, first Hoover Commission.

Frank M. Folsom. New York, N. Y. Executive. Formerly Vice President and Director, Montgomery Ward & Co. During World War II served as member of National Defense Council and as Special Assistant to the Under Secretary of the Navy. Now President, Radio Corp. of America.

Leroy D. Greene. Bethlehem, Pa. Executive. Formerly with Bethlehem Steel Co.; member of Somervell Mission to Europe on disposition of war scrap; also member of E. C. A. missions in 1948 and 1949 looking into disposition of German scrap. Now Consultant to Office of Defense Mobilization. Member, Iron and Steel Institute.

Joseph B. Hall. Cincinnati, Ohio. Executive. University of Chicago. President of the Kroger Co. Member, Executive Committee, Citizens Development Committee of Cincinnati. Chairman of Board of Trustees, Ohio University. Member, Business Advisory Council, Department of Commerce. Former Chairman, Commercial Activities Advisory Committee on Fiscal Organization and Procedures, Department of Defense.

Clifford E. Hicks. New York, N. Y. Civil Engineer. New York University. President, New York Dock Co. and New York Dock Railway. Former Member, Munitions Board Storage and Handling Industry Advisory Committee.

Mervin J. Kelly. Short Hills, N. J. Research Engineer. Missouri School of Mines and Metallurgy, University of Kentucky, and University of Chicago. Formerly physicist with Western Electric Co. Served on various governmental committees. Formerly physicist, now President, Bell Telephone Laboratories.

Arthur Franklin King. San Francisco, Calif. Publisher. Ohio Wesleyan University. Formerly with McGraw-Hill Publishing Co. Now President, King Publications.

Digitized by Google

John R. Lotz. New York, N. Y. Executive. University of Illinois. Former Chairman of Board, Stone & Webster Engineering Corp. Industrial Advisory Committee for revision of reparations and dismantling plants in Germany. Retained by Secretary of War to report on impact of reparations on Japan, and by Government of Iran to study necessity for and implementation of its 7-year development plan.

George Houk Mead. Dayton, Ohio. Executive. Hobart College and Massachusetts Institute of Technology. Member and Chairman, Business Advisory Council, United States Department of Commerce; various government boards and commissions during World War II. Now Chairman of the Board, Mead Corporation. Member, first Hoover Commission.

Frank H. Neely. Atlanta, Ga. Formerly with Westinghouse Electric & Manufacturing Co. Now Chairman of the Board of Rich's in Atlanta. Chairman, Federal Reserve Bank of Atlanta.

Willard S. Paul. Oklawaha, Fla. Lt. General U. S. A. (Retired). Clark University, Dartmouth College, Johns Hopkins and American Universities. Served in World War I; later Adjutant General's Department; World War II, Commander, 26th Infantry Division; Deputy Chief of Staff, European Theatre; Assistant Chief of Staff, Director Personnel, General Staff. Now Assistant to the Director, Office of Defense Mobilization and Consultant to the Assistant Secretary of Defense for Manpower and Personnel.

Thomas R. Reid. Dearborn, Mich. Executive. University of Arkansas. Presently Director of Civic Affairs, Ford Motor Co. Former Chairman, Surplus Manpower Committee, Office of Defense Mobilization, now on consulting basis.

Franz Schneider. New York, N. Y. Executive. Formerly Financial Editor of New York Post. Served in the Army during World War I; was Deputy Administrator of War Shipping Administration during World War II; Special Advisor to the Director of the Office of War Mobilization. Now Executive Vice President of Newmont Mining Corp. Staff member, first Hoover Commission.

Perry M. Shoemaker. Summit, N. J. Railroad Executive. University of Michigan and Yale University. With Pennsylvania, Erie and New Haven Railroads until 1941. Now President, Lackawanna Railroad.

J. Harold Stewart. Boston, Mass. Certified Public Accountant. Northeastern University. Past President of Massachusetts Society of Certified Public Accountants and of American Institute of Accountants. During World War II, Chairman, Committee on Cost Prin-

Digitized by Google

ciples, Joint Contract Termination Board and later Assistant Director, Office of Contract Settlement.

Robert W. Wolcott. Paoli, Pa. Manufacturer. Lehigh University. President, Lukens Steel Company, 1925–49. Now, Chairman of the Board. Director, American Iron and Steel Institute; Member of the Industrial Committee, Iron and Steel Division, War Production Board, and also liaison representative, Department of Commerce during World War II.

Robert E. Wood. Chicago, Ill. Executive. United States Military Academy. Director of Panama Railway and Chief Quartermaster General of the Army in construction of the Panama Canal, 1905–15; Acting Quartermaster General, U. S. A., during World War I. Until recently Chairman of the Board, Sears, Roebuck & Company. Member, task force on National Security Organization, first Hoover Commission.

Assistant to the Chairman and Liaison Director

Frank Upman, Jr. Stamford, Conn. University of Virginia. Served as Chief Engineer and Highway Commissioner, Connecticut; Chief Liaison Officer for President's Congested War Production Area's Committee; Director of Transportation, Allied Control Commission, Italy; member of General Review Board passing on disposal of War Surplus Real Property; consultant to National Security Resources Board on special security matters.

Staff Director

Charles G. Ellington. Hamilton, Ohio. Business Executive. University of Missouri and Harvard Graduate School of Business Administration. Office of the President, Champion Paper and Fibre Company, Hamilton, Ohio. Former Assistant Dean, Harvard Business School.

Staff

David L. Chewning
Cecil E. Goode
William W. Harrison
Reginald I. Heath
William F. McManus
Richard J. Newman
Curtis W. Tarr
Jay B. Westcott

Consultants

Matthew L. Devine
Charles L. Kluss
Thomas D. Morris

Digitized by Google

The commission wishes to express its appreciation of the services and devotion of the members of the committee and to record its appreciation for the information and assistance provided by the officials of the various Federal agencies.

Digitized by Google

Digitized by Google

Commission Report and Recommendation

The studies of the first Commission on Organization of the Executive Branch of the Government of 1947–49 were based mainly upon studies of individual agencies. The studies of this Commission and its task forces have been based, with one exception, upon studies of similar functions straight across the whole executive branch. The single exception was the Department of Defense. This comprehensive study of the business—mostly civilian—side of this Department has been made for two reasons:

First, many of our functional task force studies led into the Department and each of them developed the possibilities of savings of considerable dimensions.

Second, the Department of Defense alone expends annually about $35,000,000,000 or nearly 60 cents out of each of the taxpayers' dollar.

It therefore was imperative to give special study to the business structural organization of a Department which spends such enormous sums.

Therefore this Commission organized the "Committee on the Business Organization of the Department of Defense" to make this overall study.

Much of its work was based partly upon the work of separate task forces and subcommittees.

Digitized by Google

Task Forces and Subcommittees	*Chairmen*
Budget and Accounting	J. Harold Stewart
Business Enterprises	Joseph B. Hall
Depot Utilization	Clifford E. Hicks
Food and Clothing	Joseph P. Binns
Legal Services and Procedure	James M. Douglas
Medical Services	Dr. Theodore Klumpp
Personnel and Civil Service	Harold W. Dodds
Procurement	Robert W. Wolcott
Real Property	John R. Lotz
Research Activities	Dr. Mervin J. Kelly
Special Personnel Problems in the Department of Defense.	Thomas R. Reid
Transportation	Perry M. Shoemaker
Use and Disposal of Surplus Property	Gen. Robert E. Wood

The chairman or members from 12 of these task forces and subcommittees were also members of the overall "Committee on the Business Organization of the Department of Defense." Including the members of the committee and subcommittees, more than 100 men distinguished in their business and professions have taken part in this study, its findings and recommendations.

The various task forces have estimated that probably upward of $2,000,000,000 of annual savings could be secured by the business organization of the department which they propose.

Neither we nor the task forces of this commission consider this situation as the fault of individual officials. On the contrary, they and we express our admiration for both our civilian and military officials.

The fault lies in the outmoded systems of administration.

Digitized by Google

(*a*) Many of these weaknesses are due to the expansion of the military services in 20 years from a civilian personnel of about 140,000 to 1,180,000 and a military personnel of 250,000 to nearly 3,000,000. Many of these systems, efficient in the smaller dimensions of the past, are inefficient today.

(*b*) Many of these faulty systems are encumbered by traditions, admirable enough at one time but not adapted to the immense business problems of today.

(*c*) Many of these faulty systems arise from static laws from other days which create roadblocks to effective improvement.

(*d*) Many of these faulty systems are not responsive to the changes in structure of the military establishment as a result of the National Security Act of 1947 and its amendments, and need to be modified as a result of experience in their practical working.

When our task forces point out examples of the workings of these outmoded systems, it is for the purpose of illustration and not in criticism of officials or departments or agencies. These officials have struggled manfully with these tangles and have brought about many improvements. Considering the difficulties under which they labor, the Defense Department is better administered than might be expected.

The Report of the Committee on the Business Organization of the Department of Defense is so succinct that it cannot be condensed. The committee makes 19 recommendations, of which 9 are within the present authority of the departmental officials and 10 would require legislation.

847790—55——2

Digitized by Google

This report presents four major programs for achieving improved management in the Department of Defense and the reasons therefor:

First.—Recommendations for realignment of civilian staff duties and lines of authority in the conduct of the business operations of the Department and coordination with the military commands.

Second.—Recommendations for compliance with the congressional mandate for unification of the supply of common use commodities and common use services by the branches of the military establishment, and the method of organization.

Third.—Recommendations for improvement of personnel in the management of business activities.

Fourth.—Recommendations for improving and fixing responsibilities in the financial management of the business activities of the Department.

This Commission has but one recommendation.

Commission Action

We endorse the recommendations of the Committee on Business Organization of the Department of Defense. To avoid repetition we include its report as a part of this commission report.

This recommendation does not, however, constitute an endorsement of all the recommendations of the various subcommittees which are summarized in appendix A, these having been dealt with in other reports.

Digitized by Google

Report on

Business Organization

of the

Department of Defense

☆

Programs for Improving Management

☆

Prepared for the

COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

by the

COMMITTEE ON BUSINESS ORGANIZATION OF THE DEPARTMENT OF DEFENSE

MAY 1955

Digitized by Google

Digitized by Google

Letter of Submission

May 31, 1955.

The Honorable HERBERT HOOVER,
Chairman, Commission on Organization of the Executive Branch of the Government
Washington 25, D. C.

MY DEAR MR. HOOVER: In accordance with your instructions, the Committee on Business Organization of the Department of Defense has evaluated all task force reports, and is transmitting herewith a final report setting forth recommendations for a more efficient, economical and businesslike defense organization.

Our work dealt primarily with the top management structure represented by the Secretariats, and with the management of those areas classified as "support activities." These areas include the functions of financial management, personnel management, research and development, and the provision of materiel and services to the operating forces.

This report presents four major programs for achieving improved management in the Department of Defense. These are:

First.—Improve organizational framework. In this manner civilian control will be made more effective, the support activities will be better organized, and better opportunity for executive teamwork will be provided.

Second.—Integrate common supply and service activities. This will result in greater support effectiveness, efficiency and economy.

Third.—Increase tenure, motivation and skill of both civilian and military executives. This will result in improving the total management of the support activities.

Fourth.—Establish better financial control throughout all levels of the Department of Defense, thus enhancing top management control and economy of operation.

In developing our recommendations, we have been guided by the suggestions of other task forces and our own subcommittees. In

Digitized by Google

addition, we have carefully studied all other major reports concerning the organization and management of the defense establishment. The task forces and subcommittees which were of major assistance to us were:

Task Forces

Budget and Accounting
Food and Clothing
Legal Services and Procedure
Medical Services
Personnel and Civil Service
Procurement
Real Property
Use and Disposal of Surplus Property

Subcommittees

Business Enterprises
Depot Utilization
Research Activities
Special Personnel Problems
Transportation

An examination of the basic organization for conducting military operations was beyond our assigned mission, and this Report contains no comment on that subject. The basic military structure is, however, inseparably interwoven with the business management and support structure.

We wish to recognize the cooperation received from both civilian and military officials in the Department of Defense. Further, we wish to express to you our appreciation in having been privileged to serve with the Commission.

Respectfully and sincerely yours,

Charles R. Hook

CHARLES R. HOOK, *Chairman*
Committee on Business Organization of the
Department of Defense.

Digitized by Google

IMPORTANCE OF IMPROVING BUSINESS MANAGEMENT IN THE DEPARTMENT OF DEFENSE

- *The Unique Characteristics of the Department of Defense*
- *The Importance of Support Activities*

Digitized by Google

Digitized by Google

Introduction

Importance of Improving Business Management in the Department of Defense

This committee has studied the organization and management of the Department of Defense, paying particular attention to support or "business-type" activities.

The most obvious opportunity to make real savings in the cost of Government is in the Department of Defense because it has three-fourths of the Government's payroll and more than 60 percent of its total budget. The tools, services and materiel needed in the defense effort, together with their management, constitute the major cost of national defense.

The commission decided that the business organization of the Department of Defense should not be reported in piecemeal fashion, but coordinated into an overall report. This committee, therefore, has reviewed the task force reports to the extent that they have dealt with the military establishment. To cover subjects not included in task force studies, five subcommittees were formed to render separate reports.[1]

In any assessment of the findings of these studies, it must be kept in mind that the Department of Defense is unique

[1] Appendix A to this committee's report summarizes the recommendations of 8 task forces and 5 subcommittees concerning the business organization of the Department of Defense.

Digitized by Google

in its size, complexity and organizational structure. Thus, its management practices must be geared to these unique characteristics.

The Unique Characteristics of the Department of Defense

The Department of Defense has many characteristics which make it unlike any other organization known to the free world.

It is, by any yardstick of measurement, the largest organization. Its expenditures consume one-seventh of our national income. The Department employs 4,300,000 people, which is more than twice the manpower of the 10 largest corporations of the Nation combined, and is 7 percent of the active national labor force, including military personnel. Its assets, real and personal, approximate $140,000,000,000, which is equal to the value of all privately owned land in the United States. Its activities are spread throughout the 48 States, in 16,000 cities, and extend abroad to 52 other countries.

The activities of the Department of Defense encompass a wider range than those of any other enterprise. Not only does it have counterparts of almost every commercial and industrial enterprise found in the civilian economy (many being on a much vaster scale than those of the civilian economy) but in addition it has the task of recruiting, training, and organizing for combat operations, a task which has no counterpart in civilian enterprise.

Because national survival is at stake, cost cannot be the primary factor. In the words of a prominent flag officer, "our military people are not hired primarily to see how little they can get along with; they are hired primarily to seek to get enough material to meet their responsibilities."

An Assistant Secretary of Defense said along the same line, "* * * it is not unreasonable to expect responsible military personnel to desire sufficient manpower and material at any place and at any time to minimize potential military risks. Cost, even though given active and sympathetic recognition, tends to assume a secondary role."

Digitized by Google

The Subcommittee on Special Personnel Problems concluded: "Military leaders should emphasize military requirements and should not be expected to give first concern to the capabilities of the national economy. On their shoulders rests the heavy responsibility of defending the country; someone else needs to determine what the country can afford within the risks the country is willing to assume."

From a management viewpoint, the Defense establishment is made even more complex by three different sets of executives. First, there are the highly trained and disciplined military leaders upon whom the Nation must depend for the planning and conduct of defense. Second, there are the career civilian managers who provide continuity and skills usual to the civilian economy. Over both are top civilian administrators—the Secretariat [2]—whose responsibility is to insure that the military machine is used as an implement of public policy, to give it the overall direction that stems from the authority of the President, and to see that it is operated with all possible economy and efficiency.

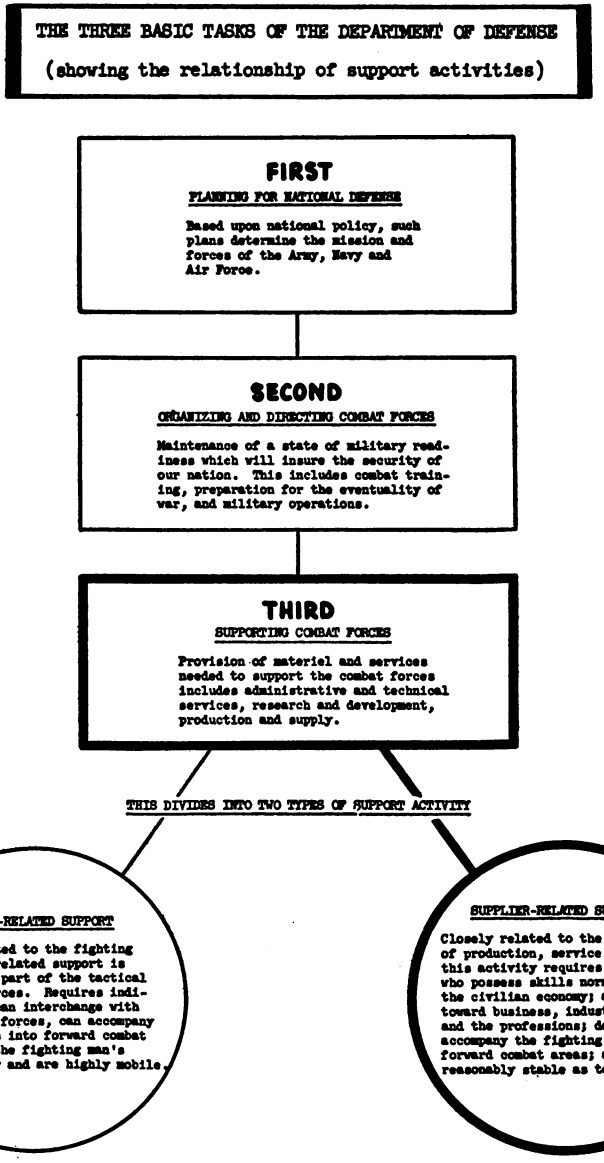
Over a period of years, the ablest leaders in the country have attempted to organize and manage the national defense along the same successful and economical lines that our Nation is accustomed to in business and industry. These efforts have resulted in the establishment of the Department of Defense. (Appendices B and C indicate steps in the development of the Department of Defense and its present organization.)

The committee wishes to give full recognition to important accomplishments since World War II, and to pay tribute to the civilian and military executives who are continuing to

[2] "Secretariat(s)," as used in this report, refers to the top group of civilian administrators in the Office of the Secretary of Defense and in the 3 military departments, consisting of the Secretary, Deputy Secretary, and Assistant Secretaries of Defense; the Secretaries, Under Secretaries, and Assistant Secretaries of the military departments; and comparable officials.

Digitized by Google

Exhibit I



Digitized by Google

struggle with the most difficult management responsibilities imposed on any group of men in our society.

The Importance of Support Activities

Exhibit 1 illustrates and defines the basic tasks involved in the National Defense effort. They are as follows:

Planning for national defense involves laying down broad guidelines within which the Department of Defense will work. This planning must consider the national policy established by the Congress, the President and the National Security Council, and determine the mission, forces and weapons of the military services.

Organizing and directing combat forces. After the national defense plans have been established, it is necessary to organize for military readiness and to direct combat forces in the defense of the country. This task includes recruiting, training, military exercises and other military operational activities.

Providing support to the combat forces. The remaining task is that of providing the materiel and services required to support the combat forces. The support activities are those concerned with procurement, production, distribution, facilities, research and development, and personnel and finance related to these activities. These activities are further divided into two types:

> Combat-related support, which includes activities closely related to the fighting man, and which are physically a part of the tactical or combat forces. These activities require individuals who can interchange with the fighting forces, can accompany combat forces into forward combat areas, have the fighting man's point of view, and are highly mobile.
>
> Supplier-related support, which includes activities closely related to the facilities of production service and supply. These activities require personnel who possess skills normally found in the civilian economy; are oriented toward business, industry, science and the professions; do not need to accompany the fighting forces into forward combat areas; and are reasonably stable as to location.

Digitized by Google

It is with the management of the supplier-related support activities that the studies of this committee chiefly are concerned. Studies show that the structure of the military departments has not kept pace with the vastly increased importance of support activities which has resulted from fundamental changes in the concept of military operations. It appears that the organization of the departments has given inadequate recognition to the impact of the new military support demands on—

The available natural resources
The industrial resources of the Nation
The national labor force
The public purse.

The Secretary of the Army's 1954 plan for reorganization had this to say about the insufficient recognition of logistics, or support, in the actual test of war.

> For both major wars fought in this century, the Army has had to change its organizational structure radically in order to perform under wartime conditions. Each time the primary weakness was in the logistics area. * * *[3]

These statements contained in the Riehlman and Davies reports attest to the growing realization of the importance of supply:

The Riehlman Report. "In recent years the entire art of warfare has been completely transformed. This has come about through the application of science and technology to weapons and their uses. * * * This means that the Nation is faced with keeping underway a mobil-

[3] *Secretary of the Army's Plan for Army Organization,* June 14, 1954.

Digitized by Google

ized research and development program which goes all out to maintain our military superiority." [4]

The Davies Report. "Continuing technological change, the persistent development of firepower, and the prospect that this country's Army will be faced by an enemy with vastly superior manpower make the development of the best possible weapons and equipment a matter of transcending importance. Hence, a large proportion of the Army's manpower—military and civilian—is engaged in the essential tasks of developing, procuring, producing, and distributing munitions and supplies and providing essential services for the combat forces." [5]

President Eisenhower, in proposing Reorganization Plan No. 6 of 1953, said that: "Immediate attention will * * * be given to studying improvements of those parts of the military departments directly concerned with the procurement and distribution of munitions and supplies and the inventory and accounting systems within each military department."

In this message the President directed that an organization study be conducted in each military department. These studies, together with action for their implementation, represent steps toward making an organizational distinction between the military operations and the support activities.

The new organization plan for the Army moves toward a distinction between tactical and support activities in that the logistical services have been placed under the direct command jurisdiction of a Deputy Chief of Staff for Logistics. This official is responsible concurrently to the Assistant Secretary of the Army for Logistics and to the Chief of Staff.

---

[4] Riehlman Report: *Organization and Administration of the Military Research and Development Programs;* 24th Intermediate Report of the House Committee on Government Operations; Aug. 4, 1954.

[5] Davies Report: *Organization of the Army;* Report of the Advisory Committee on Army Organization; Dec. 18, 1953.

Digitized by Google

The Navy's organization plan places the active responsibility for the business and production activities with the Under Secretary. The distinction between tactical and support activities in the Navy, therefore, is made at the secretarial level.

In the Air Force, organization for support is found in major air commands, which represent a mission type of organization. For example, the Air Materiel Command is responsible for all matters of supply, and the Air Research and Development Command has responsibility for research and development. These support activities are part of the line organization, responsible to the Chief of Staff.

This description of current organization for support activities in the three departments serves also to illustrate basic differences in their overall organization.

One theme is implicit in the Hoover Commission task force and subcommittee reports:

> The management of the Defense establishment is no longer principally one of managing tactical operations. Of equal importance today is the development and production of implements, supplies and services of war—and this aspect of Defense management has come to require as much specialized knowledge and expert direction as is traditional in the command of tactical operations.

The objective of this report is to improve management in the Defense establishment, with particular reference to the support activities. Programs for achieving this objective are presented in the succeeding four parts of this report.

Digitized by Google

Part I

PROGRAM FOR IMPROVING BUSINESS MANAGEMENT ORGANIZATION

- The Role of Principal Members of the Defense Management Organization
- Primary Obstacles to More Effective Management Coordination
- Proposed Revisions in Management Organization

347790—55——3

Digitized by Google

Digitized by Google

Program for Improving Business Management Organization

The conclusions of Hoover Commission task forces and subcommittees underscore the need for continuing improvements in the organization of the Department of Defense to accomplish three objectives:

First, clear and unchallenged direction of the entire defense establishment by the Secretary of Defense, the Secretaries of the three military departments and their Secretariats.

Second, logical delegation of responsibilities to the members of the Secretariats so that each has a manageable set of duties and adequate authority to carry them out.

Third, close teamwork among all members of the top executive organization, including the members of the Secretariats and those responsible for the military command of the operating forces.

The committee has evaluated the organization of the Department of Defense in the light of these objectives, and proposes the changes outlined in this chapter.

The Role of Principal Members of the Defense Management Organization

The management structure of the Department of Defense is illustrated in exhibit 2, annotated to show the present prescribed role of its principal members. Most of these definitions are drawn from President Eisenhower's message accompanying Reorganization Plan No. 6.

Digitized by Google

The Secretary of Defense and the three Department Secretaries have unquestioned responsibility, and full authority, in all matters relating to the Defense establishment. All other members of the Secretariats, as well as the principal military executives (the military Chiefs of Staff), are responsible to 1 of these 4 top managers. While the committee presents a number of recommendations in this report on organization, it desires to emphasize at the outset that accountability for final results is lodged in the four Secretaries, and that all improvements suggested are designed to assist them in the discharge of their responsibility.

Within the Office of the Secretary of Defense, those who assist the Secretary are (1) the Joint Chiefs of Staff who are responsible for military planning, and (2) the Deputy and Assistant Secretaries who are responsible for planning, coordination and direction as assigned by the Secretary. The committee endorses and supports President Eisenhower's statement that the role of the Assistant Secretaries is to provide a continuing review of the programs of the Defense establishment and to assist in instituting major improvements "without imposing themselves in direct line of responsibility and authority between the Secretary of Defense and the Secretaries of the Departments."

Within each military department, those who assist each Secretary are (1) the military Chief of Staff who has command of the operating forces, and (2) the Under and Assistant Secretaries who assist the Secretary in the overall administration of the department and in the management of support activities.

The Committee confirms the soundness of these roles.

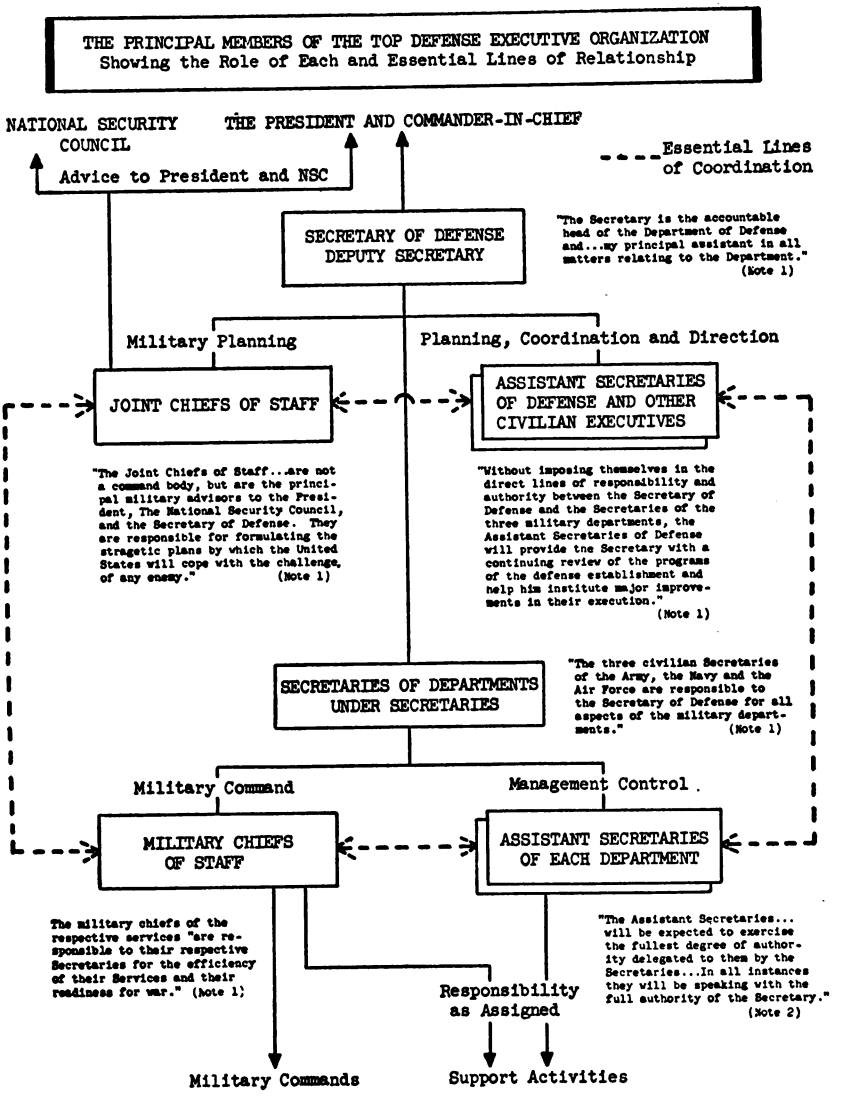
Primary Obstacles to More Effective Management Coordination

Four obstacles are impeding close and productive working relationships among top defense executives. These obstacles are as follows:

First, decisions and information do not flow freely from the Joint Chiefs of Staff to the Assistant Secretaries of Defense. Thus, a weakness exists in top defense management which deprives our Na-

Digitized by Google

EXHIBIT 2



Note 1 - President Eisenhower's message transmitting Reorganization Plan No. 6, April 30, 1953.

Note 2 - "Secretary of Army's Plan for Army Organization" dated June 14, 1954.

Digitized by Google

tion of the intended benefits of full civilian participation in the formulation and execution of national defense plans and programs.

Second, the assignment of responsibilities among members of the Secretariat in the Office of the Secretary of Defense impedes effective coordination. This is due to the numerous interrelationships among the functions for which these executives are responsible. Further, there is a lack of similarity in assignments to the Assistant Secretaries in the Office of the Secretary of Defense and in the military departments.

Third, the responsibilities of the Assistant Secretaries in the military departments differ significantly in nature and scope—a condition which complicates coordination and understanding between each department and the Office of the Secretary of Defense and among the departments themselves.

Fourth, responsibility for the management of support activities is not clearly defined between the principal military and the principal civilian executives.

These obstacles are shown graphically in exhibit 3.

Proposed Revisions in Management Organization

To remove these obstacles the committee recommends the organizational revisions described in the following paragraphs.

Planning for National Defense

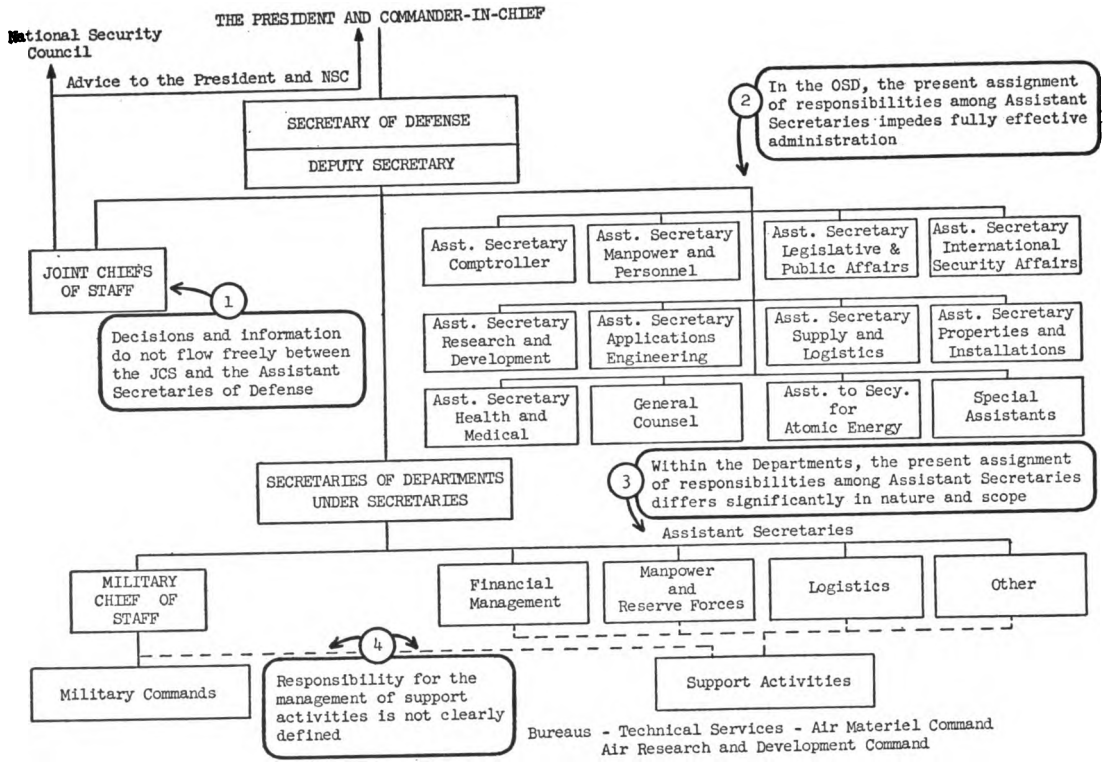
The studies of the task force on procurement reveal important deficiencies in defense planning:

Guidance furnished the military departments for basic procurement planning is inadequate because of weaknesses in unified military planning. The primary causes for these weaknesses are the sheer difficulty of the task; the inevitable partisanship of the Joint Chiefs of Staff; their lack of time for planning; their reluctance to share the planning task with the Assistant Secretaries of Defense and others; and the reluctance of civilian Secretaries to assume responsibilities on military planning.

Digitized by Google

Exhibit 3

FOUR OBSTACLES TO FULLY EFFECTIVE ADMINISTRATION IN DEPARTMENT OF DEFENSE



Digitized by Google

Insufficient consideration has been given to the industrial feasibility of military plans.

While fiscal controls have been vigorously employed, such controls though important are not an effective substitute for orderly planning.

Requirements computation practices in the departments suffer from excessive detail, inadequate knowledge of usage, and insufficient coordination with research and development activities.

The Secretary of Defense and the three departmental Secretaries are not conducting a sufficiently penetrating analysis and review of defense requirements.

President Eisenhower, in his message transmitting Reorganization Plan No. 6, emphasized that one of its major aims was to improve "our machinery for strategic planning for national security." It was the hope that the Chairman of the Joint Chiefs of Staff, through the assumption of greater responsibility, would bring about "the fullest cooperation of the Joint Staff and the subcommittees of the Joint Chiefs of Staff with other parts of the Office of the Secretary of Defense. * * *" This same objective was incorporated in Department of Defense Directive 5158.1, July 26, 1954, which reads in part as follows:

The Joint Chiefs of Staff, including its entire substructure, subordinate elements, staffs, committees and subcommittees shall effectively, fully and completely collaborate with all parts of the Office of the Secretary of Defense to insure broadened participation in strategic and logistic planning, at the early stages of staff work, on any major problem being considered. Thus, at the initial, developmental and succeeding progressive stages of important staff studies by all subordinate elements of the Joint Chiefs of Staff, there will be a proper integration of the views and special skills of the other staff agencies of the Department of Defense, such as those responsible for budget, supply, research, engineering and intelligence.

The committee feels that this directive, if complied with,

Digitized by Google

will improve the operations of the Joint Chiefs of Staff, but that these steps alone cannot be expected to achieve a full solution to the problems described. The committee has concluded that the desired relationship between the Joint Chiefs of Staff and the Assistant Secretaries of Defense can be brought about only by the direct exercise of the Secretary's authority. No other member of his present executive group, including the Chairman of the Joint Chiefs of Staff, is in a position to achieve adequate coordination.

To assist the Secretary of Defense in meeting these problems, the following recommendation is made:

Recommendation No. 1

The Secretary of Defense should create in his office a civilian position invested with sufficient stature and authority to insure the establishment and maintenance of effective planning and review of military requirements. The official occupying this position would, on behalf of the Secretary:

(*a*) Maintain active liaison with National Security Council, Joint Chiefs of Staff and their staffs;

(*b*) Coordinate all guidance provided at the Office of the Secretary of Defense level to the military departments covering the preparation of requirements programs; and

(*c*) Provide for a system of effective review and analysis of defense plans and requirements computations.

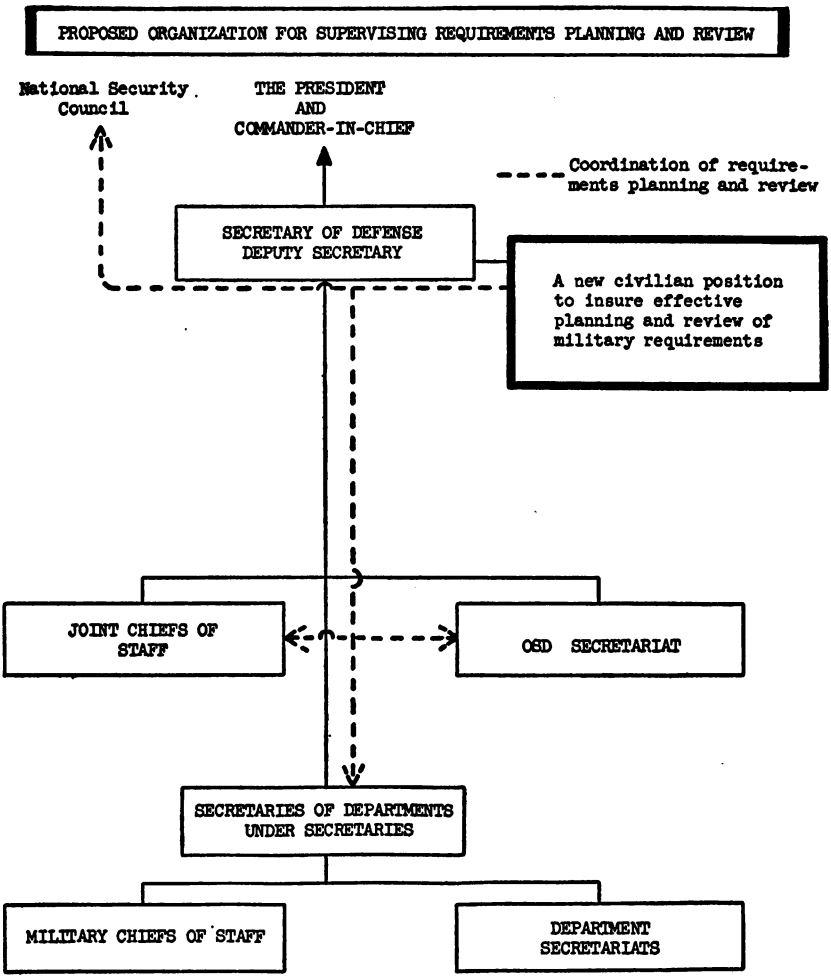
This proposal is illustrated in exhibit 4.

Management Responsibilities of the Assistant Secretaries of Defense

The total management job in the Office of the Secretary of Defense has been subdivided in a manner which creates

Digitized by Google

Exhibit 4



Digitized by Google

problems of coordination among some of the Assistant Secretaries (particularly in the areas of supply, facilities, research, and applications engineering). Furthermore, the present organization results in awkward working relationships with the military departments, since it is more elaborate than the Secretariats within the three departments where actual operations are performed.

The studies of the commission, including those of this committee, called attention to the need for better integration and stronger administration in the Office of the Secretary of Defense. To meet this need, the committee recommends that the present structure be modified as follows:

Recommendation No. 2

The Secretary of Defense should emphasize the management areas of logistics, research and development, personnel and finance, and should regroup certain functions under Assistant Secretaries to strengthen coordination of these four principal management areas.

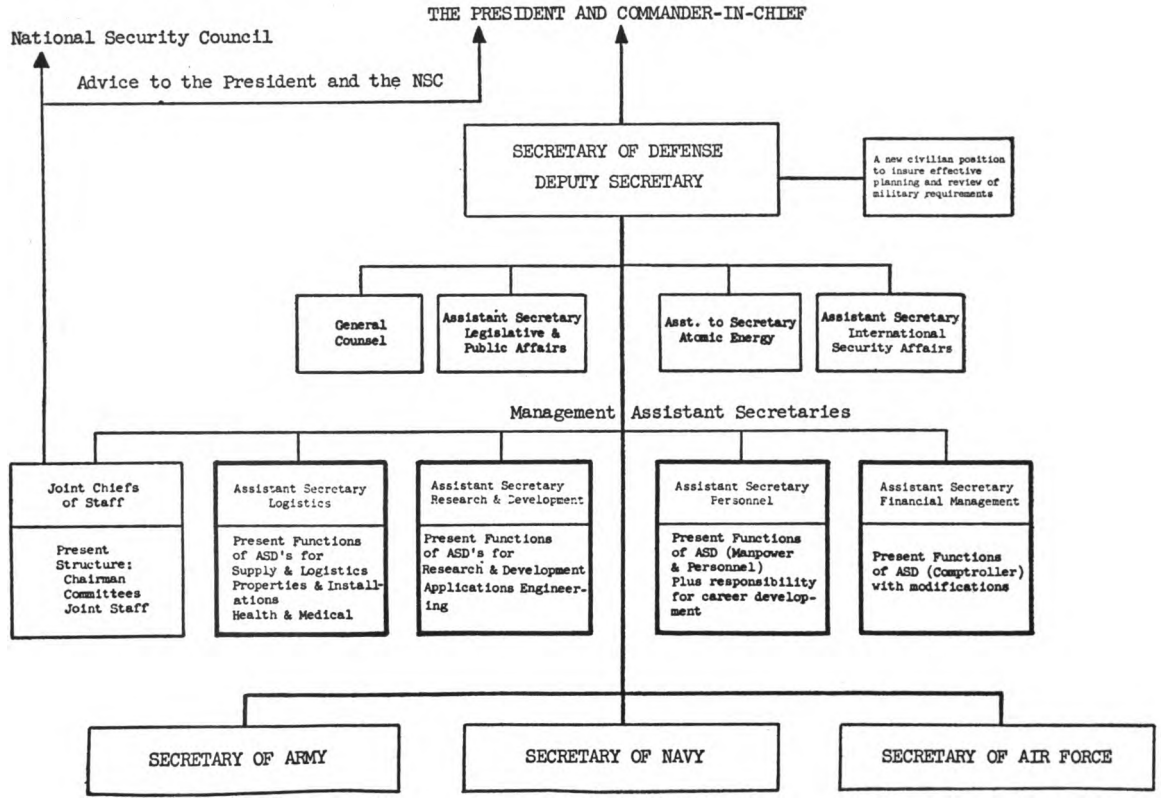
Exhibit 5 illustrates the four major management responsibilities of the Office of the Secretary of Defense. These involve policy formulation and management coordination in the areas of logistics, research and development, personnel, and finance. While there are other important policy functions such as legal, legislative, and public affairs, etc., it is through these four management areas that the Secretary must exercise his responsibility for the effective and economic utilization of defense assets—human, physical, and financial.

It is therefore proposed that the Secretary make the follow-

Digitized by Google

Exhibit 5

PROPOSED REALIGNMENT OF EXECUTIVE POSITIONS IN THE OFFICE OF SECRETARY OF DEFENSE



Digitized by Google

ing assignment of responsibilities to four "management Assistant Secretaries":

1. *Assistant Secretary for Logistics.*—Responsibility covering materiel and services, including functions now assigned to the Assistant Secretary (Supply and Logistics), the Assistant Secretary (Properties and Installations), and the Assistant Secretary (Health and Medical).

2. *Assistant Secretary for Research and Development.*—Responsibilities of the present Assistant Secretary (Research and Development) and the present Assistant Secretary (Applications Engineering).

3. *Assistant Secretary for Personnel.*—Responsibilities now assigned to the Assistant Secretary (Manpower and Personnel), but with increased attention to career development.

4. *Assistant Secretary for Financial Management.*—Responsibilities now assigned to the Assistant Secretary (Comptroller), but with increased attention to accounting policies and practices.

Each of the management Assistant Secretaries should be responsible for, but not limited to—

Formulating the policies that shall prevail throughout the functional area for which he is responsible;

Screening requirements and participating in the formulation, and continuing review of budgets for activities under his jurisdiction as outlined in part IV of this report;

Prescribing the data required to evaluate the effectiveness of operations and establishing reporting processes that will insure a regular flow of needed information;

Appraising the effectiveness of the organization and operations of subordinate organizational units; and

Approving the selection and appointment of key officials and participating in the development of career support managers as outlined in part III of this report.

In addition to the improvements which will result from a more logical grouping of management responsibilities, the committee urges recognition of the importance of providing capable career assistants to each member of the Secretariat.

Digitized by Google

Recommendation No. 3

The Secretary of Defense should appoint a principal career assistant to each Assistant Secretary of Defense of such stature and competence that continuity of administration will be improved.

Furthermore, it is believed that continuity will be improved by having staff positions in the Office of the Secretary of Defense increasingly filled by trained career specialists.

Management Responsibilities of the Departmental Assistant Secretaries

The responsibilities proposed for the management Assistant Secretaries of Defense establish logical assignments for the administration of logistics, research and development, personnel and finance. Corresponding assignments of management responsibility in the Secretariats of the three military departments will facilitate communication and working relationships between the departments and the Office of the Secretary of Defense.

The duties of the departmental Assistant Secretaries are far from uniform today, as shown in exhibit 6.

It is recommended, therefore, that the Secretary of Defense take the following action:

Recommendation No. 4

The Secretary of Defense should revise the assignments of departmental Assistant Secretaries to secure a uniform grouping of management responsibilities similar to that proposed for the four management Assistant Secretaries of Defense.

Digitized by Google

EXHIBIT 6

PRESENT ASSIGNMENT OF RESPONSIBILITIES FOR MANAGEMENT FUNCTIONS AMONG ASSISTANT SECRETARIES

MANAGEMENT FUNCTION		DEPARTMENT OF THE ARMY	DEPARTMENT OF THE NAVY	DEPARTMENT OF THE AIR FORCE
Logistics	Assignment	Assistant Secretary (Logistics and Research and Development)	Assistant Secretary (Material)	Assistant Secretary (Materiel)
	Comment	Responsibility for logistics and research assigned to one Asst. Secretary who has concurrent supervision with Chief of Staff over Deputy Chief of Staff for Logistics. Dep Log directs the Technical Services.	Assistant Secretary (Material) supervises Office of Naval Material. Navy bureaus report to Under Secretary.	Assistant Secretary (Materiel) has general oversight of logistics. Air Materiel Command reports direct to Chief of Staff.
Research	Assignment	Assistant Secretary (Logistics and Research and Development)	Assistant Secretary (Air)	Assistant Secretary (Research and Development)
	Comment	Responsibility for research and logistics assigned to one Assistant Secretary, but a Deputy Chief of Staff coordinates research carried out in Technical Services.	Responsibility for research and aeronautical matters assigned to one Assistant Secretary, who supervises Office of Naval Research. ONR coordinates projects carried out in bureaus.	A separate Assistant Secretary is responsible for research and development. Research is conducted by Air Research and Development Command which reports to Chief of Staff.
Financial Management	Assignment	Assistant Secretary (Financial Management)	Assistant Secretary (Financial Management-Comptroller)	Assistant Secretary (Financial Management)
	Comment	Assistant Secretary has concurrent supervision with Chief of Staff over Department Comptroller.	Assistant Secretary is also Comptroller and has exclusive jurisdiction over Office of Comptroller.	Assistant Secretary has general oversight of financial management, but Comptroller is a Deputy Chief of Staff reporting direct to Chief of Staff.
Personnel	Assignment	Assistant Secretary (Manpower and Reserve Forces)	Assistant Secretary (Personnel and Reserve Forces)	Assistant Secretary (Manpower and Personnel)
	Comment	Assistant Secretary responsible for department-wide policies, but the Assistant Chief of Staff for Personnel (G-1) supervises the major civilian personnel organization.	Assistant Secretary responsible for department-wide policies and has exclusive jurisdiction over Office of Industrial Relations (the major civilian personnel organization).	Assistant Secretary responsible for department-wide policies, but the Deputy Chief of Staff for Personnel supervises the major civilian personnel organization.
Other	Assignment	Assistant Secretary (Civil Military Affairs)	Assistant Secretary (Air)	No other Assistant Secretaries
	Comment	Foreign relations functions. Civil functions of Army, including civil works program of Corps of Engineers.	Aeronautical matters, research and development, atomic energy. Supervises Office of Naval Research.	

Digitized by Google

The principles of the proposed plan are as follows:

With respect to logistics, it is recommended that the Assistant Secretary assigned to this function concentrate his full attention on materiel, facilities, and services, and that, in addition, his authority over support activities be strengthened (as outlined later).

With respect to research and development, it is recommended that a separate Assistant Secretary be appointed in each department, with strong coordination over research and development programs within his department (as outlined later).

With respect to financial management, the Assistant Secretary responsible for this function should have exclusive supervision over (or be) the departmental Comptroller (as outlined in part IV).

With respect to personnel, it is proposed that present assignments be continued and strengthened (as outlined in part III).

The management responsibilities of the above department Assistant Secretaries should parallel those of the Assistant Secretaries of Defense, including appropriate participation by each in personnel management, financial management, and in developing improvements in organization and major procedures.

Career assistants. Each Assistant Secretary should be aided by a principal career assistant, as proposed earlier for the Assistant Secretaries of Defense.

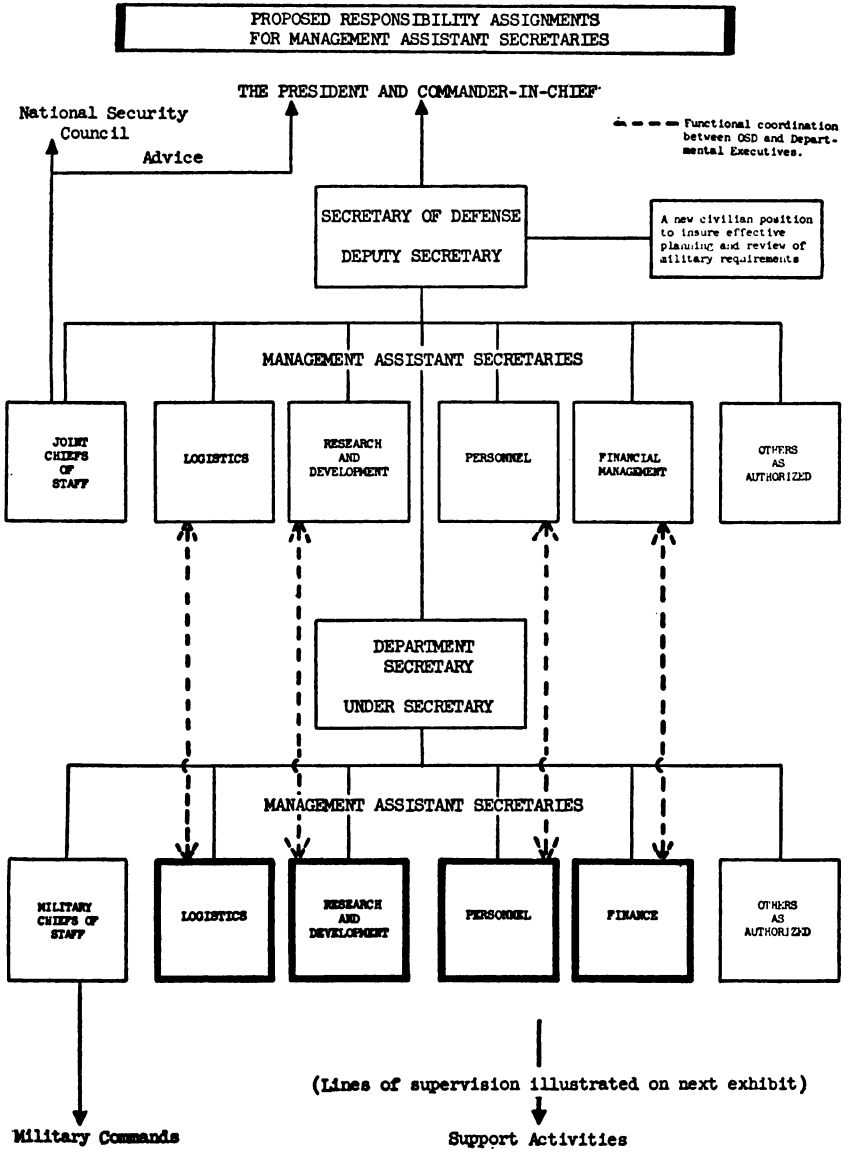
It is recognized that in order to accomplish the foregoing assignments, additional departmental Assistant Secretaries may be needed. If so, the Secretary of Defense should seek the necessary legislative authority. (See exhibit 7.)

Clearer Definition of Responsibility for Support Activities

A major finding of the committee is the pressing importance of securing greater recognition of the support activities. The history of the military departments reveals that the management of support activities has been one of the most controversial and difficult aspects of military organization:

Digitized by Google

EXHIBIT 7



347790—55——4

Digitized by Google

Traditionally, the bureaus of the Navy and the technical services of the Army have enjoyed a high degree of autonomy, brought about by such factors as legally established corps and separate appropriations. In the Army, the pendulum has swung widely during and following two world wars, from the imposition of strong integration and direction of the technical services during wartime, to their return to autonomy during peacetime. In the Navy, the bureaus have been relatively autonomous, but strong Secretaries have exercised direct supervision, and the Chief of Naval Operations has had a military command relationship.

As a result of organizational revisions following Reorganization Plan No. 6, the three departments are beginning to establish stronger management over support activities. This is represented in the Army by the recent appointment of a Deputy Chief of Staff for Logistics with full control over the technical services. In the Navy, the Under Secretary has been given full supervision of the bureaus. The Air Force has a single command (the Air Materiel Command) responsible for supply activities and another command (the Air Research and Development Command) responsible for research and development.

Despite this progress there is still vagueness in the assignment of responsibility for support activities between the military Chiefs of Staff and the civilian executives. The committee has concluded that a much clearer blueprint is desirable to clarify and strengthen the role of the Assistant Secretaries in each military department.

Exhibit 8 presents the committee's proposals covering the roles of (1) the military Chief of Staff, (2) the Assistant Secretary for Logistics, and (3) the Assistant Secretary for Research and Development.

Role of the Military Chief of Staff

Regardless of organization structure, it must be recognized that the ultimate purpose of the military departments is to

Digitized by Google

keep our Nation in a state of preparedness for war and to conduct military operations in the event of war. This principle means that the top military executives plan and request the materiel, services, facilities, and specialist personnel they consider necessary to support the operating forces. However, military requirements must be evaluated and given final approval by the departmental Secretaries and the Secretary of Defense (with the assistance of their Secretariats), the President, and the Congress. Furthermore, the military Chiefs of Staff must have direct authority over tactical and combat-related support activities performed by the logistics organization such as training of personnel for tactical operations.

The line of authority and responsibility which runs from the military Chief of Staff to the bureaus, technical services and the Air Materiel Command is shown in exhibit 8.

Recommendation No. 5

The Secretary of Defense should define the relationship of the military Chief of Staff to the support activities as that of: (1) planning and requesting the materiel, services, facilities and specialized personnel required to support the operating forces subject to the review and approval of the Secretariat; and (2) exercising direct authority over tactical and combat-related support activities performed by the logistics organization.

Role of the Assistant Secretary for Logistics

Whereas the military Chief of Staff, under the proposed definition, is responsible for stating *what* he needs, *how much, when* and *where,* the Assistant Secretary for Logistics should be responsible for review of *how much* and for execu-

Digitized by Google

tion, which means *how* and *how well* the operations of the support activities are conducted. It is in this phase of Department of Defense work that civilian executives with business and industrial experience can make their most important contribution. It is here, also, that defense programs must be closely geared with the Nation's industrial capacity.

Thus, as shown in exhibit 8, the committee proposes that:

Recommendation No. 6

The Secretary of Defense should assign to the Assistant Secretary for Logistics in each department direct management control over supply and service activities.

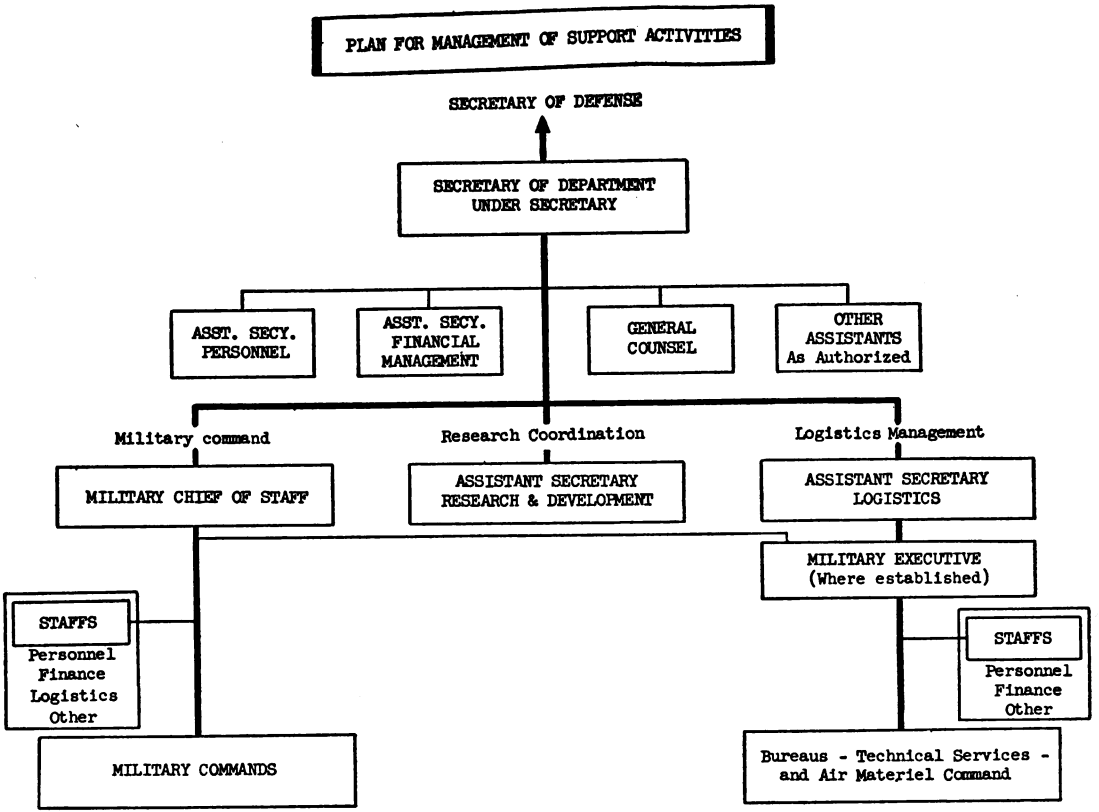
Role of Assistant Secretary for Research and Development

In addition to large-scale supply and service activities, the support organization also is responsible for research and development, a function of vital importance in this era of technological warfare. Thus, the Assistant Secretary for Research and Development must have a clearly established role in coordinating this phase of support work. This means that he must have a comprehensive knowledge of, and strong influence over, both research and development and applications engineering within his department. He also must take the leadership in reviewing research and development budgets and in approving departmental plans for the obligation of funds (with authority to recommend to his Secretary the withholding of funds for any development project), as well as in personnel management, and in the improvement of organization and procedures within his assigned area.

It should be noted that a "coordinating" role is recom-

Digitized by Google

Exhibit 8



Note: See text for fuller description of functions and relationships illustrated in this chart.

Digitized by Google

mended for the Assistant Secretary for Research and Development, as compared with the "execution" role recommended for the Assistant Secretary for Logistics. This arises from the fact that in the Army and the Navy, research and development are dispersed among the technical services and the bureaus, along with supply and service activities. Only in the Air Force is there a separation of research and development under one command. Thus, at this time, as concluded by the Subcommittee on Research Activities, it is not practicable to assign line authority to the Assistant Secretaries responsible for research and development.

Recommendation No. 7

The Secretary of Defense should assign clear responsibility for the coordination of research and development programs to an Assistant Secretary for Research and Development in each department.

In order to effectuate the blueprint illustrated in exhibit 8, certain steps would be required in each department, either now or in the future, as follows:

The Department of the Army.—The new organization of the Army would meet the proposed blueprint if these steps are taken: clearly establish the differentiation in responsibilities of the Chief of Staff and the Assistant Secretary for Logistics as defined above; reestablish under the Chief of Staff an Assistant Chief of Staff for logistics planning (G–4); and appoint a separate Assistant Secretary for Research and Development.

In addition, the logistics operations commander (the present Deputy Chief of Staff for Logistics) should take appropriate steps to simplify and strengthen the organization of the technical services.

The Department of the Air Force.—Here the present responsibility of the Assistant Secretary for Logistics is reported to be essentially

Digitized by Google

that which is proposed, although the organization chart does not show a direct line to the Air Materiel Command from the Assistant Secretary. Thus to make the Air Force structure conform more closely to what is suggested, delineation of responsibilities between the Assistant Secretary for Logistics and the Chief of Staff would be required. Some augmentation might also be required in the responsibilities of the Commander, Air Materiel Command, for other logistics functions, for logistics personnel, for funds and for the administration of support activities on a worldwide basis. With respect to research and development, the Air Force is the only department which now has a separate Assistant Secretary.

The Department of the Navy.—Navy Department organization conforms in general to the principles stated, but places the Under Secretary in the role of the principal civilian executive over the bureaus, without an intervening military commander. The closest counterpart to a top military executive in the administration of support activities is the Chief of Naval Material, but this officer has only staff responsibilities for procurement and production.

The committee suggests further consideration by the Secretary of the Navy of the advisability of increasing the line authority of the Assistant Secretary for Logistics over the materiel bureaus; and establishing a separate Assistant Secretary for Research and Development.

As an objective the committee believes that the support organizations should be relieved of tactical and combat-related support activities to the extent that such activities can be taken over by the tactical commands.

Summary of Recommendations to Improve the Management Organization of the Department of Defense

The committee has found certain obstacles to more effective management, which are urgently in need of attention; it offers seven recommendations which will assist in removing these obstacles:

The Secretary of Defense should create in his Office a civilian position invested with sufficient stature and authority to insure the

Digitized by Google

establishment and maintenance of effective planning and review of military requirements. The official occupying this position would, on behalf of the Secretary:

(*a*) Maintain active liaison with National Security Council, Joint Chiefs of Staff and their staffs;

(*b*) Coordinate all guidance provided at the Office of the Secretary of Defense level to the military departments covering the preparation of requirements programs; and

(*c*) Provide for a system of effective review and analysis of defense plans and requirements computations.

The Secretary of Defense should emphasize the management areas of logistics, research and development, personnel and finance, and should regroup certain functions under Assistant Secretaries to strengthen coordination of these four principal management areas.

The Secretary of Defense should appoint a principal career assistant to each Assistant Secretary of Defense of such stature and competence that continuity of administration will be improved.

The Secretary of Defense should revise the assignments of departmental Assistant Secretaries to secure a uniform grouping of management responsibilities similar to that proposed for the four management Assistant Secretaries of Defense.

The Secretary of Defense should define the relationship of the military Chief of Staff to the support activities as that of: (1) planning and requesting the materiel, services, facilities, and specialized personnel required to support the operating forces subject to the review and approval of the Secretariat; and (2) exercising direct authority over tactical and combat-related support activities performed by the logistics organization.

The Secretary of Defense should assign to the Assistant Secretary for Logistics in each department direct management control over supply and service activities.

The Secretary of Defense should assign clear responsibility for the coordination of research and development programs to an Assistant Secretary for Research and Development in each department.

Digitized by Google

Part II

PROGRAM FOR IMPROVING THE MANAGEMENT OF COMMON SUPPLY AND SERVICE ACTIVITIES

- Congressional Mandate for Unified Supply System
- Approaches to the Coordination of Common Supply and Service Activities
- Criteria for Selecting Common Supply Items and Services for Transfer to a Separate Agency
- The Proper Form of Organization for a Separate Supply and Service Agency
- Continuing Improvement in the Supply and Logistics System

Digitized by Google

Digitized by Google

Program for Improving Management of Common Supply and Service Activities

Steps to eliminate duplication in the procurement and supply activities of the Army and the Navy were being studied and discussed long before the issue of unification was considered. Prior to and during World War II, varying degrees of coordination existed in the purchase of items such as lumber, subsistence, medical supplies, chemical warfare equipment, tractors, small arms, and small arms ammunition.

In order to preserve and extend the benefits of wartime coordination, Secretaries Forrestal and Patterson sponsored a joint review in 1945 (the Strauss-Draper study) which laid the groundwork for many subsequent developments in the coordination of purchasing. Even then, the need for more complete coordination throughout the whole field of supply—including storage, distribution, transportation and other aspects of supply—was recognized. That report commented: "We believe that closer coordination in these areas would be found entirely possible and highly desirable."

Congressional Mandate for Unified Supply System

Since the passage of the National Security Act in 1947, efforts have been made to find ways to achieve coordination

Digitized by Google

under the existing organization, but without an acceptable degree of success.

The Munitions Board was charged by the Secretary of Defense with developing the most practical supply system which would provide "adequate cross-servicing among the departments with a minimum of overlapping and the maximum of efficiency and economy in the handling of items of supply common to two or more departments * * * and that priority study shall be given to the feasibility of assigning to a single military department the responsibility for procurement, distribution, including depot, storage and issue for classes of common items of supply and equipment, and depot maintenance of such equipment * * *" While headway was made under the Munitions Board in securing coordinated purchasing in some 35 commodity areas, other phases of supply coordination lagged.

Soon after the outbreak of the Korean hostilities, Congress became concerned over how well the Department of Defense was marshaling the Nation's resources, and subjected the military supply system to a series of investigations. During the ensuing 3 years, the record reveals the dissatisfaction growing out of these reviews.

> The Bonner Subcommittee,[1] in its Report of June 27, 1951, stated "* * * unification, from the standpoint of military supply, rests largely on paper."
>
> One year later, after further investigations by four committees, Senator Paul Douglas introduced a bill providing for "integration of supply and service activities within and among the military departments" under the direction of an Under Secretary of Defense for Supply Management. The debate on this proposal ended on a compromise known as the O'Mahoney rider, which required the Secretary to issue regulations aimed at fostering an "integrated supply system designed to meet the needs of the military departments without duplicating or overlapping of either operations or functions * * *"
>
> In May and June of 1953, the Riehlman Subcommittee,[1] after reviewing the situation, found that the "good intentions expressed by the various directives and by the O'Mahoney Amendment have

[1] Subcommitte of House Committee on Government Operations.

Digitized by Google

brought about only a slight degree of progress * * *" This subcommittee concluded its findings by stating, "It is hoped that a bold philosophy of the Administration's Assistant Secretaries of Defense can provide an enlightened and businesslike guidance to assure the Nation that it is getting maximum military security with a minimum of waste due to poor management."

At about the time that the Riehlman hearings were being held, General Brehon Somervell, in a letter to Senator Margaret Chase Smith, expressed himself strongly in favor of unification of supply and service functions:

> Duplicate communications systems * * * are entirely unnecessary, as are duplicate transportation, engineering, ordnance, and quartermaster services * * * Broken legs and disease are mended and cured in the same fashion for men in brown and blue uniforms. An undershirt is an undershirt to a soldier, sailor, or airman. Some progress, notably in transportation, has been made in unification, but this is only the beginning.

In 1954 and early 1955, several Hoover Commission study groups again posed the necessity of stronger action.

> The commission, in its food and clothing report, concluded that a central agency should make all food and clothing purchases for the armed services upon their stated requirements; and that it should store and distribute this material to the armed services.
>
> The task force on medical services concluded that medical supplies should be procured centrally for the entire Federal Government, and that within the Department of Defense there should be established a single military system for integrated storage and distribution of medical supplies.
>
> The subcommittee on depot utilization has advocated the elimination of the concept of ownership of storage facilities by individual military departments, so as to clear the way for ready transfer of such facilities within the Department of Defense.

Finally, in May 1955, the house committee on government operations conducted hearings on the Commission's Report on Food and Clothing. In these hearings, congressional spokesmen strongly restated the desire of Congress, as embodied in law, for the integration

Digitized by Google

of supply support, and the extreme dissatisfaction with the "consistent pattern of resistance by the military departments" to such integration.

In the face of this accumulating evidence, this committee has concluded that a definitive program must be outlined which will eliminate duplicate stocks, facilities, distribution and overhead personnel. In order to devise such a plan, the committee first considered various approaches to achieving coordination of common supply and service activities.

Approaches to the Coordination of Common Supply and Service Activities

Exhibit 9 illustrates four types of coordination for common supply and service activities.

1. Coordinated Purchasing

The task force on procurement has reviewed the single service and joint agency arrangements under which 35 categories of items are now being procured. The value of the purchases under such arrangements was reported to be $5,400,000,000 in the fiscal year 1954, of which $1,900,000,000 represented purchases made by one service for another.

The task force found that while coordinated buying is sound in principle, many of the arrangements were made in haste and without adequate planning, with the result that the potential benefits are not being achieved. Furthermore, this form of coordination has inherent limitations. Planning of requirements is not coordinated, and the purchasing service is not informed of the inventories and usage rates of the requisitioning services. Thus, the purchasing service cannot evaluate procurement requests or take steps to redistribute

Digitized by Google

excess stocks. Also, coordinated buying does not achieve integration of storage and distribution, where glaring instances of duplication have been noted.

2. *Cross-Servicing*

Another form of coordination is known as "cross-servicing"—a plan whereby one department arranges with another to draw on its facilities, stores or services within a specific geographic area. A number of cross-servicing agreements are now in effect at local levels covering a miscellany of supply items and services such as laundries, automotive maintenance, and commissary stores.

However, these arrangements are fragmentary, and, at best cross-servicing is an expedient, dependent on cooperation among three independent supply systems which differ widely in their organization and procedures. The Commission's Report on Food and Clothing summed up its conclusions on cross-servicing as follows:

> The difficulty of securing teamwork among independent systems has already proved the impracticability of this method in time of peace, and the difficulty is much greater in time of war * * * Thus the task force concludes that cross-servicing could not bring about the necessary efficiency and economy in food supply.

3. *Integrated Supply Systems*

A more complete form of coordinated supply would result from assigning to a single department full responsibility for the procurement, distribution, storage, and issue of common commodity classifications.

Three studies having this objective were initiated by the Munitions Board in 1951 (medical and dental, subsistence, and automotive ma-

Digitized by Google

teriel). While these reviews were completed, no further studies were initiated, and this concept was dropped by the Assistant Secretary of Defense (Supply and Logistics), who issued a policy, dated November 13, 1953, stating that "* * * emphasis at this time would be more advantageously directed toward greater efficiency within individual departmental systems and supply management functions, development of fiscal procedural means for effective and economical cross-servicing among the military services, and the closest practical coordination of departmental supply systems."

The adoption of an integrated supply system for major items of common supply would appear, on the surface, to present a practical means of eliminating overlapping supply systems within the existing military departments. The committee has concluded, however, that such arrangements possess the inherent weaknesses of the other types of coordination—namely:

Inertia or strong resistance on the part of the military departments in collaborating on such matters.

The difficulty of assuring equitable treatment, under tight mobilization conditions, when one service tries to meet its own needs and simultaneously furnish the degree of service desired by others.

The difficulty of eliminating duplicate staffs, facilities and distribution systems. Long experience with single service procurement assignments has not produced identifiable economy in the reduction of administrative costs. In fact, one defense official states that total administrative costs have been increased. The purchasing service justifiably expands its staff to handle the increased workload, but the requisitioning service finds little opportunity, or incentive, to decrease its staff.

The period of time which still will be required to develop and install uniform requisitioning, purchasing, accounting and inventory control procedures is a major deterrent. Experience has shown that the services cannot deal with each other efficiently until basic procedures are standardized.

Digitized by Google

4. A Separate Supply and Service Agency

The highest degree of integration would result from the creation of a separate agency, within the framework of the Department of Defense, to serve all departments equally in purchasing, inventory control and distribution to the end of the wholesale pipeline.

The opponents of such a plan argue that each department should have control over a support system which is completely responsive to its own needs. This objection undoubtedly reflects the fear that a separate agency might gradually swallow the entire military support structure and impair the ability of the combat arms to execute their missions with the flexibility essential in time of emergency.

The advantages of such an agency are that it cuts across the barriers of interservice rivalries and nonstandardized procedures, and brings into being an activity staffed by specialists and operated with the efficiency of a commercial enterprise.

The committee has concluded that the objections cited can be readily avoided by carefully defining the role of such an agency. The committee is further impressed by the ample precedents for the centralized administration of common services found both within industry and within Government:

Within major corporate enterprises, it has long been a practice to centralize the administration of common service functions in the interest of securing maximum utilization of manpower and facilities. The primary test applied in industry, just as it must be in the Department of Defense, is that a central service must meet all of the legitimate requirements of the line organization and in no manner interfere with production of a quality product at the lowest unit cost. At the same time it is recognized that firm financial control over decentralized operations is essential to such a system.

Within the Federal Government, one can readily find ample precedents for the centralization of support services. The General Services Administration and the Government Printing Office provide central

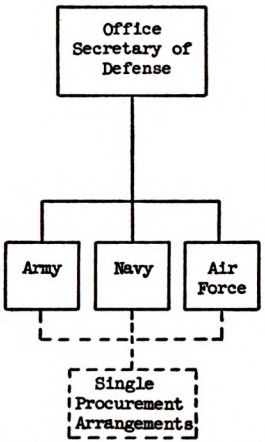
847790—55——5

Digitized by Google

Exhibit 9

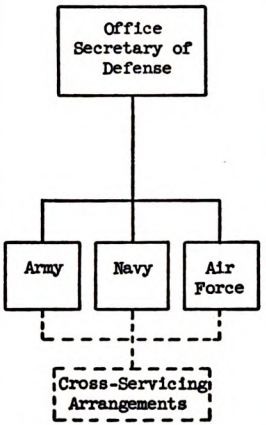
FOUR TYPES OF COORDINATION
COMMON SUPPLY AND SERVICE ACTIVITIES

COORDINATED PURCHASING



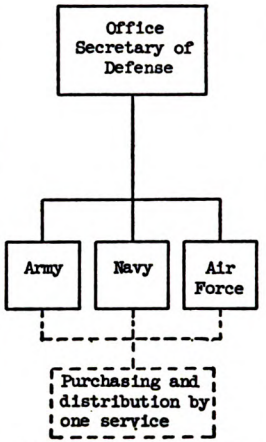
Assignment to one department of purchasing responsibility for all three; in addition there are two joint purchasing agencies which share the personnel and skills of the departments.

CROSS SERVICING OF SUPPLIES AND SERVICES



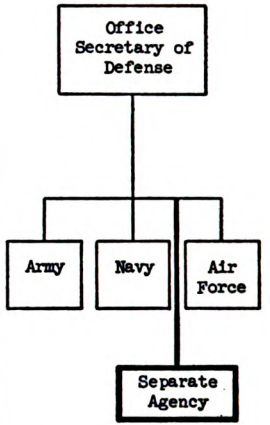
Another type of coordination is the sharing of local supply and service facilities through individual arrangements among the departments.

INTEGRATED SUPPLY SYSTEM



A coordinated purchasing and supply system would assign to one department complete responsibility for purchase and wholesale distribution of a class of items (such as medical supplies) to meet the needs of the three departments.

SEPARATE AGENCY



The highest degree of coordination would result from the creation of a supply agency to provide common supplies and services in the three departments.

Digitized by Google

services to the departments and agencies. Within Federal departments and major units, centralized services are a commonplace device.

Within the Department of Defense itself, there are numerous precedents. The cataloging project being administered as a common service for the entire Department is recognized as a highly successful effort. The Armed Services Petroleum Purchasing Agency and the Armed Services Medical Procurement Agency are notable examples of service activities which would undoubtedly function as effectively if they were detached from any single department. Within the operating forces themselves, the use of centralized support units has long been practiced, particularly during wartime.

In addition to its other advantages a common supply and service agency would provide a supply system more quickly expandable in wartime without need of drastic reorganization, remove commercial-type operations from the military departments and thereby free professional military personnel of unnecessary administrative burdens.

Recommendation No. 8

Congress should enact legislation establishing a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities.

In order to effectuate this recommendation, the committee has considered (1) the "ground rules" which should be followed in selecting common supply items and services for transfer to the separate agency, and (2) the proper form of organization for the agency.

Criteria for Selecting Common Supply Items and Service for Transfer to a Separate Agency

Materiel procured by the military departments is divided into two broad classifications:

Digitized by Google

Military hard goods which comprise the weapons of war: aircraft, ships, tanks, guns, ammunition, spares, components and other military-type items. Expenditures for this classification of items in the fiscal year 1955 are estimated to be $12,500,000,000, or more than 75 percent of total DOD procurement expenditures.

Commercial-type items commonly used among the departments and readily found in the civilian economy. Examples are food, clothing, medical and dental supplies, fuels and lubricants, hardware, household-and-office-type supplies and equipment, commercial automobiles, and vehicular spare parts. Expenditures for this classification of items in the fiscal year 1955 are estimated at $4,000,000,000.

A separate agency would be expected to assume supply responsibilities only for commercial-type items and services.

It is important that well-defined guides be established which will prevent the separate agency from performing any but service functions or assuming responsibilities which would impair the carrying out of each department's combat mission. In fact, it would be desirable for Congress to specify criteria which will preserve the service and supporting role visualized by the committee. The committee, therefore, recommends:

Recommendation No. 9

The legislation establishing the separate supply and service agency should specify criteria which will assure a strict supporting role for the agency.

The following four criteria are recommended:

(*a*) Requirements always must flow from the military departments under policies established and reviews conducted by the Office of the Secretary of Defense. For example, requirements for food stem basically from (1) the number of people to be fed, (2) the deployment of these people, and (3) the standard of feeding. None of these determinations should be made by the service agency, but by the individual departments in accordance with policies of the Office of the Secretary of Defense.

Digitized by Google

(*b*) Specifications for technical items also must flow from the customers to the service agency. For example, professional medical personnel should decide upon specifications for medical supplies and equipment under Office of the Secretary of Defense policy.

(*c*) A buyer-seller relationship should be established. Each buyer department should continue to request and justify the funds required for its total needs so that it actually buys supplies and services from the separate agency, which should be financed through a stock fund.

(*d*) The commodities and services placed in a separate agency should be of a commercial-type commonly used in the civilian economy.

The Proper Form of Organization for a Separate Supply and Service Agency

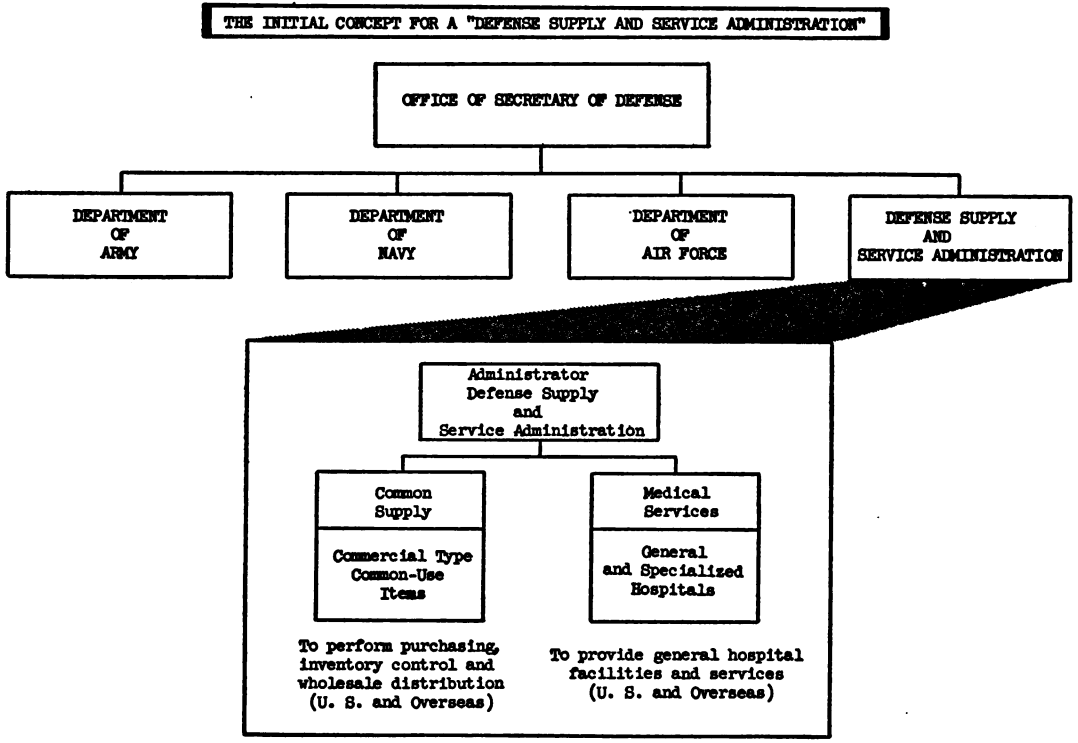
It is recommended that the proposed agency be known as the Defense Supply and Service Administration. As illustrated in exhibit 10, the Administration would have the status of an additional operating arm of the Department of Defense, subject to policy direction and coordination by the Office of the Secretary of Defense in the same manner as the three military departments. Its head should be known as the Administrator, and he should be a presidential appointee. The staff of the Administration should be composed of career trained support specialists, including a principal career assistant, developed through the programs described in part III of this report. However, the initial organization should be formed by transferring necessary personnel and facilities from the military departments.

The initial functions of the Administration might appropriately be the two types suggested in exhibit 10:

Common Supply.—Here it is envisioned that the Administrator would establish a series of commodity divisions, each responsible for a

Digitized by Google

Exhibit 10



Digitized by Google

related group of items which lend themselves to integrated management. In addition, the agency would be responsible for the storage and issue of those commodities throughout the wholesale depot system, both in the United States and overseas. The Administrator should have discretion in utilizing the most efficient distribution system for each commodity category, including the use of commercial facilities.

Medical Services.—Another facet of the agency's mission would be to provide common services which meet the criteria specified. The committee has made a preliminary review of a number of basic services which might be considered and suggests that the first to be incorporated be hospitals.[2] This conclusion is bolstered by the finding of the task force on medical services which (in the absence of a separate agency) recommended that—

> The military medical and hospital services within continental United States be coordinated by assigning to a single military department the responsibility for hospital services in a defined geographc area, and that this concept be furthered wherever practicable in extracontinental areas.

While there are many commercial-type activities administered by the military departments which would qualify for inclusion in the Administration, attention should first be given to reducing or eliminating those which can be handled by private industry, following the principles advocated by the subcommittee on business enterprises.

It must be emphasized that the Administrator of the proposed agency is expected to use the effective management practices now common in the civilian economy. For example, he must be allowed considerable flexibility in determining the extent of centralization or decentralization required to provide economical and effective service. Fur-

[2] As defined in Department of Defense Directive 6015.8, dated Aug. 6, 1953. The committee's recommendation applies to general hospitals and specialized hospitals, and not to dispensaries and infirmaries.

Digitized by Google

ther, the Administrator must have authority to exercise control of costs through financial management measures to prevent oversupply and duplicate services.

In summary, the committee concludes that the proper form of organization for a separate supply and service agency is as follows:

Recommendation No. 10

The separate agency should be named the "Defense Supply and Service Administration," and its Administrator should be a presidential appointee. Initially, the agency should manage selected items of common supply, and operate general and specialized hospitals.

Continuing Improvement in the Supply and Logistics System

Preliminary studies indicate that the proposed Defense Supply and Service Administration ultimately may encompass activities now employing about 150,000 employees with expenditures in the range of $6,000,000,000 to $8,000,000,000 annually (approximately 20 percent of the defense budget). Operations on a selective basis can be initiated within a period of a few months, and Congress should keep the progress of the Administration under continuing scrutiny to prevent it from being retarded.

The fact must also be recognized that the proposed Administration will not cure all of the waste and inefficiency in the defense supply system. The committee wishes to emphasize that this is only one of the vital steps required. Between 50

Digitized by Google

and 75 percent of procurement expenditures probably will always remain in the three military departments. Thus, the many other fundamental improvements which have been proposed in task force reports should be vigorously pursued under the watchful eye of Congress.

Recommendation No. 11

Congress should instruct the Secretary of Defense to report semiannually on progress being made in improving all phases of the supply and logistics system.

Such reports to Congress should deal specifically with the following matters:

Steps taken, and results obtained, in placing common supply items and services under the Defense Supply and Service Administration.

The program planned for the coming year, and the need for any additional legislative authority required to facilitate development of the Administration.

The plans and accomplishments of the Department of Defense with respect to other fundamental improvements in the supply and logistics system, including:

The development of complete, timely and objective procurement plans; and more effective review and analysis of such plans.

The installation of inventory reporting systems to provide current and accurate information regarding stocks on hand.

The simplification of purchasing procedures.

The completion of the defense cataloging project, and progress in the development of standards and specifications.

The adoption of rational stock levels upon which to base replenishment action, and more effective control over spare parts procurement.

Reduction in the quantity and variety of items carried at depots through systematic analysis of the composition and turnover of stocks maintained at every major depot.

Digitized by Google

Reduction in order and shipping time, with a corresponding decrease in pipeline inventory.

Improvement in traffic management and in the utilization of transport facilities.

Improvement in the utilization of warehousing and storage facilities.

Reduction or elimination of facilities and business enterprises which can be handled by private industry.

Summary of Recommendations To Improve the Management of Common Supply and Service Activities

The committee has concluded that a definite program must be outlined which will eliminate unnecessary waste—duplicate stocks, distribution systems, facilities and overhead personnel. To this end, four recommendations are made:

Congress should enact legislation establishing a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities.

The legislation establishing the separate supply and service agency should specify criteria which will assure a strict supporting role for the agency.

The separate agency should be named the "Defense Supply and Service Administration," and its Administrator should be a presidential appointee. Initially, the agency should manage selected items of common supply, and operate general and specialized hospitals.

Congress should instruct the Secretary of Defense to report semi-annually on progress being made in improving all phases of the supply and logistics system.

Digitized by Google

Part III

PROGRAM FOR IMPROVING MANAGEMENT PERSONNEL

- Increasing the Tenure of Presidential Appointees
- Specialization of Personnel in Support Activities
- Delineation of Civilian and Military Roles
- Comparable Personnel Standards for Civilian and Military Managers in Support Activities
- Responsibility for Developing Career Managers

Digitized by Google

Digitized by Google

Program for Improving Management Personnel

The preceding chapters have outlined the first steps advocated by the committee to improve management in the Department of Defense—simpler organization structure, more logical grouping of responsibilities, and clearer lines of authority. This chapter deals with another important step—getting the right man for each management job, improving his skill and keeping him in the job long enough to make a genuine contribution.

The Hoover Commission recognized the importance of competent personnel in improving the management of the Executive Branch of the Government by establishing two groups to study personnel management.

A task force on personnel and civil service was established and reported that, "The greatest weakness is in expert managerial direction. Management needs to be improved at all levels, from the noncareer political appointees and the career administrators down to the first line supervisors."

A subcommittee of this committee was also established to give specific study to the special personnel problems of the Department of Defense. This study concluded that, "the most important management problem confronting the Defense Department [is]: the selection, assignment, development and motivation of management personnel in the support activities."

Other Hoover Commission study groups which reviewed the Defense Department commented in the same vein:

Digitized by Google

The task force on budget and accounting observed, "The most important ingredient required in solving the problems of the Department of Defense is competent people."

The task force on procurement concluded that "long-term accomplishments require logistics executives with specialized competence, developed through training and experience and through rotation and personnel assignment policies which provide proper tenure in key positions. This requirement applies equally to military and civilian career executives."

The task force on surplus property stated that "No operation can succeed without qualified personnel. The normal training of military officers emphasizes rightfully the strategic and tactical responsibilities of modern warfare * * * While some elements of the military are trained in business management, much of such training is far from the experience required in the successful operation of competitive business enterprise."

The committee endorses the report of the subcommittee on special personnel problems, whose principal recommendations are summarized in exhibit 11. Because of the importance of these findings, the committee desires to offer further supporting recommendations.

The following discussion is devoted, first, to ways in which tenure of presidential appointees (the Secretariats of the Department of Defense) can be lengthened; and then, to various steps which will improve the performance of career management personnel, both civilian and military.

Increasing the Tenure of Presidential Appointees

Under our system of government, the Secretaries, with their immediate assistants, are responsible to the President for insuring that defense policies are in consonance with the public interest; that programs for military readiness are kept

Digitized by Google

EXHIBIT II

HIGHLIGHTS OF PROPOSALS
SUBCOMMITTEE ON SPECIAL PERSONNEL PROBLEMS IN THE DEPARTMENT OF DEFENSE

1. Strengthen the Secretariat by:

   - providing higher pay
   - clarifying the conflict of interest statutes
   - encouraging longer tenure
   - providing competent career staffs.

2. Make it possible for civilian and military managers to pursue a full career in support activities by:

   - establishing careers in the support activities
   - establishing definite criteria for military and civilian staffing
   - providing increased pay in the upper grades.

3. Effect changes in personnel policy with respect to military managers by:

   - confining rotation to specialized support areas
   - assigning officers to positions for a longer period of time
   - discontinuing the assignment of tactical officers to support activities for reasons of rotational convenience
   - improving the career outlook for officers in support activities.

4. Effect changes in personnel policies with respect to civilian managers by:

   - providing better opportunities for reaching responsible positions
   - providing training opportunities more nearly equal to training for military managers.

5. Prepare for emergency expansion by:

   - providing a civilian executive reserve
   - providing stand-by legislation for emergeney expansion.

6. Instill a zeal for efficient management by:

   - delegating more authority and responsibility to managers
   - making cost consideration an essential criterion of good management
   - providing decentralized operating budgets
   - providing working standards where they do not exist.

7. Organize more effectively for personnel administration by:

   - associating manpower planning more clearly with personnel administration
   - placing more personnel authority in the operating manager's hands
   - coordinating military and civilian administration more closely.

Digitized by Google

in balance with the capacity of the economy to support such readiness; and that national defense is sufficient but economical. It is imperative that these key posts be made attractive to able administrators and that obstacles to attaining this objective be removed.

The need for such steps is illustrated by the problems of attracting and holding presidential appointees. During the past decade, the average length of service of members of the Defense Secretariats has ranged from 16 months for Under and Assistant Secretaries, to 22 months for Secretaries.

Some of the steps needed to make these positions more attractive can be taken by the Secretary of Defense, while others will require congressional action.

Improvements in the management organization previously proposed will remove some of the present obstacles by securing a more logical grouping of responsibilities and providing principal career assistants.

Another improvement which can be made by the Secretary of Defense is the delegation of clear-cut authority to members of the Secretariats, commensurate with the assigned responsibilities.

But Congress also must assist by removing obstacles presented by inadequate compensation and the "conflict of interest" laws.

These observations lead to the following recommendation:

Recommendation No. 12

Congress should enact legislation to minimize present obstacles to Government service by outstanding citizens, and should provide positive incentives which will attract and hold able administrators. Examples of improvements which should be made are:

(*a*) Increase the level of compensation for Assistant Secretaries, as already recommended by the task force on

Digitized by Google

personnel and civil service, to an amount approximating $25,000. It is further suggested that the pay for other members of the Secretariats be placed at appropriate rates above $25,000.

(*b*) Modify the "conflict of interest" laws so that presidential appointees are not forced to liquidate lifetime business equities in order to accept Federal appointment. Instead, each new appointee should take an oath (as part of his regular oath of office) that he will disqualify himself from participation in any decision which involves his company or financial interests.

Furthermore, the President and the Secretary of Defense should encourage new appointees to accept appointment for much longer periods of time than at present, preferably for the duration of an administration. There is a need for increased public recognition of Government service as a public duty, reflecting credit both on the appointee and on the organization with which he is affiliated in private life.

Specialization of Personnel in Support Activities

The importance of the support activities within each military department clearly requires more specialization of career management and technical personnel than now exists. This need is forcefully stated in many of the task force and other reports, as for example:

The task force on surplus property says that: "In this age of technological warfare, something must be added to the strictly military strategy; that something is the know-how of business and industry in the management of materiel, with due regard to the ability of the economy to carry the load. It would seem that the missing link is in a permanent, experienced business organization."

34779t —55——6

Digitized by Google

And the task force on food and clothing complained that: "The overall personnel management system for food service is inefficient, inadequate, wasteful of manpower, and demoralizing to the competent. It all too often results in truck drivers preparing the food, and food experts driving the trucks."

The Davies report on army organization concluded that: "Concrete steps should be taken to develop greater career opportunities within the army for individuals specializing in the fields of supply management, research and development, and financial management."

In addition, the Secretary of Defense in 1952 recognized this need in a directive (4000.8) which provided that:

1. Within each military department, a definitive program will be established for the recruitment and training of competent military and civilian personnel to serve in the areas of procurement, production, warehousing, and distribution of supplies and equipment, and related supply management functions. Rotation, promotion, and assignment policies within each military department will be adapted to assure the most effective use of trained personnel within these areas.

Despite this strong emphasis on the need for specialized competence in support activities, the committee has found little evidence of steps to overcome such fundamental deterrents as the following:

Despite the urging of Congress, career civilian managers are still being denied adequate opportunities by the practice of filling top positions in support activities with military personnel, many of whom are not trained for such responsibilities. The subcommittee [1] reported: "Most of the responsible jobs in the support activities are filled by military officers * * *"

Furthermore, civilian personnel are not given the same opportunity for training and development. The subcommittee found in a study of 4,500 Defense Department managers that only 16 percent of the civilians had received training at Defense Department expense, as compared with 73 percent of the military personnel.

[1] The reference to "subcommittee" denotes the subcommittee on special personnel problems in the Department of Defense.

Digitized by Google

Despite the expenditures for training of military personnel, the present career management practices of the departments do not utilize this training effectively in recognition of the need for specialized competence in support activities. This is exemplified by the present practices of rotational assignment between military operations and support activities, and in the emphasis on the development of generalists in the military service—the concept that a military officer must be able to assume virtually any responsibility in a military activity. The subcommittee conservatively estimated the cost of this excessive rotation to be $33,000,000 to $50,000,000 each year.

These and related obstacles to making the most productive use of qualified civilian and military personnel in support activities have long existed, and their correction has been advocated by many. It is clear that careers should be planned and developed, selections should be made, training conducted, and assignments and promotions controlled within specialized support areas, consistent with the abilities and interests of the personnel concerned and the needs of the service.

The committee believes that the time for a vigorous legislative mandate has arrived: that strong traditions can be uprooted only by legislation which will accord the same recognition to a career management program in the support activities as has been given by the National Security Act to financial management. Accordingly, the following proposal is made:

Recommendation No. 13

Congress should enact a title V to the National Security Act to provide the legislative basis for specializing management and technical personnel in the support activities. This legislation should establish these basic principles:

Digitized by Google

(*a*) Military personnel will be limited primarily to posts in tactical organizations, and civilian personnel will be utilized increasingly in management and technical positions in support activities.

(*b*) Criteria will be established for use in determining those management and technical positions in support organizations which will be filled by civilian personnel and those which must be filled by military officers.

(*c*) Legal and administrative obstacles which prevent the most productive utilization of both civilian and military personnel in support activities should be promptly removed. The Secretary of Defense should submit to Congress recommendations covering any changes which are needed in existing law.

The remaining sections of this chapter outline further suggestions for an elaboration of the foregoing principles.

Delineation of Civilian and Military Roles

Civilian and military relationships, the delineation of relative military and civilian roles, and the effective utilization of the two groups are problems peculiar to the Department of Defense. The only solution to these unique problems is to spell out clearly the respective roles for civilian and military managers and technical personnel in order to provide opportunity and incentive for both.

A further pressing need for a clear delineation is the unjustifiable waste which results from duplicate military-civilian staffing. The subcommittee estimated that there are 16,000 such duplicated assignments in the support activities today, representing an unnecessary payroll cost of more than

Digitized by Google

$110,000,000 per year. Similar concern has been voiced in recent congressional reports:

It has resulted in legislative authority in the current defense appropriation act to transfer funds to make possible the substitution of civilian personnel for military personnel wherever possible.

The House of Representatives report on the current defense appropriation stated: "Studies and investigations have revealed three principal faults—overstaffing in support activities, utilization of military personnel in civilian-type positions, and the doubling of supervision by military and civilian personnel. While the Secretary of Defense has made admirable progress in this general direction, *it is strongly urged that this aspect of military personnel continue to be reviewed with the view of establishing some overall criteria so that requirements are more closely checked, and positions primarily of a civilian nature be filled by civilians.*"[2] (Emphasis supplied.)

The committee endorses the criteria proposed by the subcommittee (see exhibit 12) and makes the following recommendation:

Recommendation No. 14

Congress should incorporate criteria in title V to the National Security Act which will clearly distinguish the proper roles for civilian and military support managers and technical personnel and should direct immediate application of these criteria by the Secretary of Defense.

The following steps should be taken by the Secretary of Defense to implement these criteria:

Analyze all support positions at the level of lieutenant colonel (Navy commander), GS–13 and above, using the criteria proposed, to identify the number and types of positions which should be filled by civilian and military personnel.

Report to Congress each year, for 5 years, on the number of positions formerly filled by military officers which have been opened to

[2] Department of Defense Appropriation Bill, 1954; H. Rpt. 680.

Digitized by Google

EXHIBIT 12

SUGGESTED CRITERIA FOR DETERMINING MILITARY AND CIVILIAN STAFFING FOR SUPPORT ACTIVITIES

MILITARY PERSONNEL	CIVILIAN PERSONNEL
Should be utilized in: 1. Positions in combat-related support activities and positions in organizations immediately in support of operational forces exposed to potential enemy action. 2. Positions in supplier-related support activities necessary for the training of officers for combat-related support. 3. Positions necessary to provide military experience to supplier-related support.	Should be utilized in: 1. Positions requiring management and technical skills usual to the civilian economy. 2. Positions in which continuity of management and experience can be better provided by civilians. 3. Positions which meet the above criteria and do not require the exercise of military command over tactical forces.

Digitized by Google

civilians, and the number of such positions which have been filled by civilian managers and technicians.

Prepare a study of the management personnel requirements of the Defense Department which might be met by the senior civil service recommended in the Hoover Commission report on personnel and civil service; and report to Congress on the positions which could appropriately be filled from the senior civil service. This same study might also consider, as an immediate step, the need of the Defense Department for additional supergrade positions (GS–16, 17, and 18).

Comparable Personnel Standards for Civilian and Military Managers in Support Activities

The proposed criteria will result in establishing more completely the number and types of positions requiring career-trained support managers and technicians, both military and civilian. Since a large number of both groups will be required, and since the management skills are alike, members of both groups who pursue a career in support management should be governed by comparable personnel standards administered under the authority of the Secretary of Defense. It is therefore recommended that:

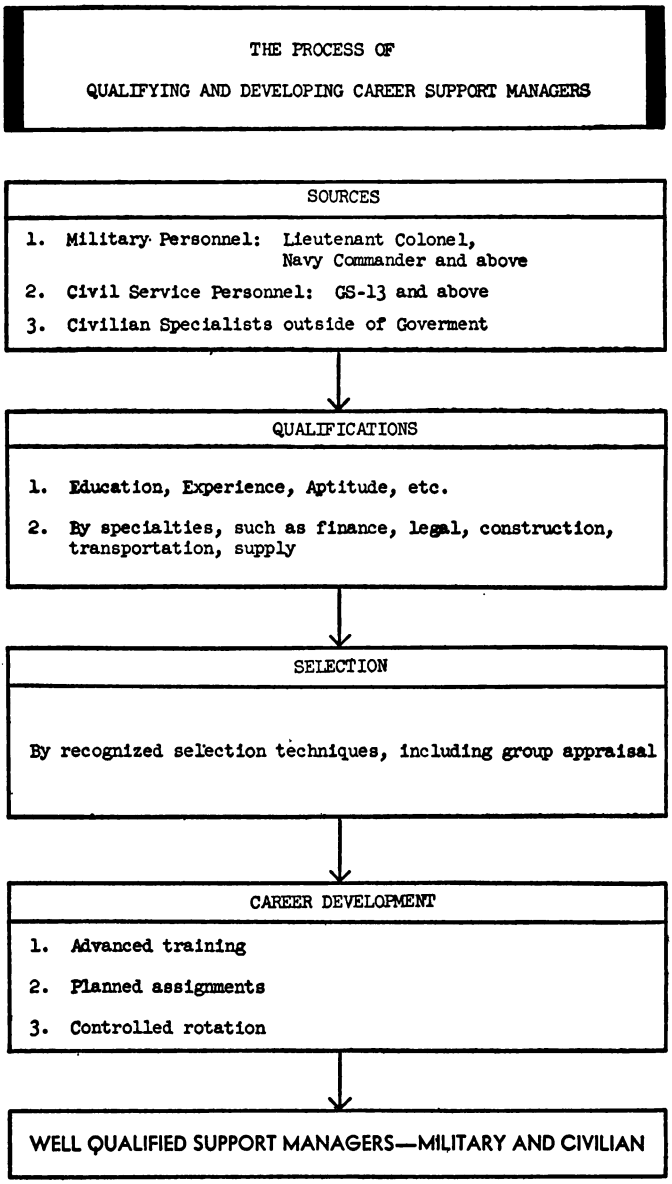
Recommendation No. 15

The Secretary of Defense should establish a personnel system for support activities which provides comparable standards for selection, training, promotion and compensation of both civilian and military managers and technical personnel. Congress should enact necessary legislative changes in order to carry out this objective.

The principles of the proposed plan, illustrated in exhibit 13, are as follows:

Digitized by Google

Exhibit 13



Digitized by Google

The positions covered by the proposed personnel pattern should be divided into the principal specialties in support management (such as finance, construction, transportation and supply).

Specific qualifications should be established for each specialty, and the same standards applied to both civilian and military personnel.

Support managers and technicians should be selected through recognized selection techniques, including group appraisal by boards of experts in the fields of work involved.

The training, development, and assignment of support managers and technicians—military and civilian—should be governed by comparable policies within each department. Development programs should include training in business and industrial organizations and in educational institutions, as well as training within the Department of Defense.

The promotion and compensation of support managers and technicians should be subject to standards which provide adequate and equitable rewards to both civilian and military career managers. (In comparing military and civilian compensation, total military pay should include base pay, allowances and special benefits.) For military personnel, Congress should authorize separate promotion lists for those who specialize in support activities. Statutes governing retirement also should be amended so that *competent* officers serving in appropriate support management positions will not be automatically forced out of service because of being passed over for promotion.

Responsibility for Developing Career Managers

The accomplishment of such far-reaching changes in the personnel programs and procedures of the Department of Defense demands strong leadership by the Secretariats. Each member of the Secretariat who is responsible for a functional area (logistics, research and development, personnel, finance, legal, etc.) should have the following personnel responsibilities:

Determination of qualification standards. For example, in the area of financial management, the Assistant Secretary of Defense for Finan-

Digitized by Google

cial Management and each departmental Assistant Secretary for Financial Management would collaborate in determining the qualificiations of incumbents of key positions.

Development of training, assignment, rotation and promotion practices. This again would be a collaborative effort among the members of the Secretariat concerned.

Participation in the selection and appointment of incumbents to the most important positions in his functional area.

Responsibility for coordinating the development of the career management program should be assigned to the Assistant Secretary of Defense for Personnel who, with the departmental Assistant Secretaries for Personnel, should promulgate uniform policies to be applied in all functional areas, and oversee the administration of selection, training, assignment, and promotion programs. The Assistant Secretary for Logistics within each department should also be supported by a personnel staff to assist him in his capacity as the top manager of supply and service activities.

Recommendation No. 16

The Secretary of Defense should require members of the Secretariats to participate in developing and applying the career management program in activities under their jurisdiction.

Summary of Recommendations To Improve Management Personnel

The committee supports the report of the subcommittee on special personnel problems and suggests the following measures for implementation of its proposals:

Congress should enact legislation to minimize present obstacles to Government service by outstanding citizens, and should provide posi-

Digitized by Google

tive incentives which will attract and hold able administrators. Examples of improvements which should be made are:

(*a*) Increase the level of compensation for Assistant Secretaries, as already recommended by the task force on personnel and civil service, to an amount approximating $25,000. It is further suggested that the pay for other members of the Secretariats be placed at appropriate rates above $25,000.

(*b*) Modify the "conflict of interest" laws so that presidential appointees are not forced to liquidate lifetime business equities in order to accept Federal appointment. Instead, each new appointee should take an oath (as part of his regular oath of office) that he will disqualify himself from participation in any decision which involves his company or financial interests.

Congress should enact a title V to the National Security Act to provide the legislative basis for specializing management and technical personnel in the support activities. This legislation should establish these basic principles:

(*a*) Military personnel will be limited primarily to posts in tactical organizations, and civilian personnel will be utilized increasingly in management and technical positions in support activities.

(*b*) Criteria will be established for use in determining those management and technical positions in support organizations which will be filled by civilian personnel and those which must be filled by military officers.

(*c*) Legal and administrative obstacles which prevent the most productive utilization of both civilian and military personnel in support activities should be promptly removed. The Secretary of Defense should submit to Congress recommendations covering any changes which are needed in existing law.

Congress should incorporate criteria in title V to the National Security Act which will clearly distinguish the proper roles for civilian and military support managers and technical personnel and should direct immediate application of these criteria by the Secretary of Defense.

Digitized by Google

The Secretary of Defense should establish a personnel system for support activities which provides comparable standards for selection, training, promotion and compensation of both civilian and military managers and technical personnel. Congress should enact necessary legislative changes in order to carry out this objective.

The Secretary of Defense should require members of the Secretariats to participate in developing and applying the career management program in activities under their jurisdiction.

Digitized by Google

Part IV

PROGRAM FOR IMPROVING FINANCIAL MANAGEMENT

- **Perfecting the Financial Tools of Management**
- **Fixing Responsibility for Managing Defense Dollars**

Digitized by Google

Digitized by Google

Program for Improving Financial Management

Adequate controls over defense expenditures are imperative. The Department of Defense spends more than 60 cents out of each tax dollar. Its annual purchases are almost twice as large as total United States expenditures for public education. Its assets now on hand represent 10 percent of our national wealth.

It is not unreasonable to expect our military leaders to desire sufficient manpower and materiel at any place and at any time to minimize potential military risks. But the public interest demands that the civilian leaders of the Defense Department counterbalance these natural tendencies which, if not checked, lead to great waste in overbuilding, overbuying and overstaffing. Thus, the Defense Secretariats have no more important task than that of being the guardian of this large segment of our Nation's resources.

The Congress has been fully alert to the great importance of financial management in national defense. This is revealed by the attention given to defense budgets and the investigations of defense expenditures. In addition, Congress has seen fit to accord this aspect of the defense business organization special attention. The National Security Act was amended in 1949 by addition of title IV which established and defined the functions of the Assistant Secretary of De-

Digitized by Google

fense (Comptroller), and of the comptrollers of the three military departments. Title IV also prescribed the performance-type budget; provided for working capital funds to control and account for programs and work performed in the Department of Defense (more specifically, for financing inventories and commercial- and industrial-type activities); provided for the common use of disbursing facilities; and directed the maintenance of property records on both a quantitative and monetary basis.

More recently, Congress has enacted legislation [1] which expanded the Secretariats of the three military departments and specified that one Assistant Secretary in each should be responsible for financial management.

Title IV is the financial charter of the Defense Department; it envisions a great transformation in the Department's business management. The tremendous magnitude of the task has been generally recognized. If the task has, perhaps, been inadequately performed, efforts should be redoubled for its completion.

Task force studies have found a number of efforts now in process in various parts of the Department of Defense to effect improvements in budgeting, accounting, funding, reporting and auditing. While these efforts are individually worthwhile, they have been found to be but partial approaches to the correction of fundamental problems.

The Commission's task force on budget and accounting found that there is a need for improving financial controls as an aid to better management. The task force commented: "In common with the

[1] Public Law 562; August 1954.

Digitized by Google

usual Government pattern there are plans for accounting and budgeting improvement in varying stages of evolution and completion but more effective action is required."

The task force on procurement found that planning for procurement which requires about one-half of all defense dollars, is greatly weakened by lack of knowledge of inventories on hand and on order, and that inventory "data are not uniformly useful in terms of completeness, timeliness and comparability."

Other studies, also, stress that Congress is attempting to assess annual budget requests without full knowledge of defense assets, and that the justification data accompanying budget requests is often of doubtful reliability since final plans cannot be prepared as far in advance as the present budget cycle requires.

Furthermore, managers of support activities are dependent upon allotments of funds from dozens of sources—a procedure which prevents the orderly process of planning operating budgets. Instead, they must work with a large number of allotments, each restricted and without flexibility of transfer.

The committee is impressed with the need for correcting two fundamental causes of the foregoing problems:

First, the financial tools of management have not been perfected.

Second, responsibility for screening and managing defense programs and recommending the financial requirements are not fully and properly shared among members of defense management.

The committee has drawn conclusions regarding these matters which are discussed in this chapter.

Perfecting the Financial Tools of Management

The report of the task force on budget and accounting provides a program for the development of more modern financial tools. The committee endorses steps which will strengthen congressional control over defense expenditures and produce more current and complete accounting facts for the use of defense managers.

Digitized by Google

1. *Budgeting*

The defense budget, in common with all other Government department budgets, and as required by law, is a request for authority to incur obligations for goods and services, many of which will not be delivered during the year concerned. This system of budgeting is defective as presently practiced in that it does not adequately reveal either available resources or cost of performance. Furthermore, this system has resulted in granting authority well in excess of total annual needs. At the beginning of the fiscal year 1955, the Department of Defense had obligation authority of $50,000,000,000,[2] whereas estimated obligations for the year are $36,000,000,000. Such an excess accumulation of obligation authority reduces the effectiveness of congressional control over Defense appropriations.

The Commission's task force on budget and accounting recommends that obligation-type budgeting be discontinued and that, in its place, Congress be asked to authorize an "accrued expenditure budget," which would be based upon the value of goods and services estimated to be received during each year. In the case of long lead-time programs, such as weapons procurement and major construction, Congress would also provide contracting authority beyond the budget year, but would retain full control by the process of approving only the funds to be spent each year. This means that Congress would review the program annually from the standpoint of costs and accomplishment, both completed and projected.

Among other important steps necessary to improve budgeting, the committee is impressed with the importance of reducing the time required in budget preparation (the task force on budget and accounting suggests a maximum period of 1 year for the complete budget

[2] OSD-Comptroller, *Monthly Report on Status of Funds;* Feb. 28, 1955, p. 23; *The Budget of the U. S. Government for Fiscal Year* 1956; p. 504.

Digitized by Google

planning cycle); and of simplifying the overly detailed justification data, the sheer volume of which prevents clear understanding and analysis of budget requests.

2. *Accounting*

Expenditure control in the Federal Government is largely based upon subdividing congressional appropriations into a series of allotments to individual organizations which, in turn, make suballotments to their subordinate units and to service activities. This method of control results in an accounting system a primary purpose of which is to assure that allotments and suballotments are not overexpended. The task force on budget and accounting characterizes this as "the primitive cash system of control which was relied upon in the early days of industry." Allotments become so dispersed (several hundred thousand in the Department of Defense) that no rational picture of expenditures in relation to performance can be obtained by top management. Furthermore, managers of large installations such as some general depots and other multiple-purpose stations are unable to measure their cost of performance, and one of the most potent incentives to economical operations is lacking.

To overcome these defects, the task force on budget and accounting proposes the adoption of business-tested systems of accrual accounting throughout the Government. The committee endorses the application of this proposal to the Department of Defense in order to provide management at all levels with comprehensive data on:

What is owned—that is, the value of resources including capital assets, real property, inventories, and other assets.

Digitized by Google

What is owed—that is, liabilities for goods and services received, but not yet paid for.

Cost of operations on an accrued basis—that is, the value of goods and services consumed in operating an activity or carrying out a work project (depreciation on capital assets would be provided in cost accounts only in some areas, as in industrial- and commercial-type activities).

The development of sound and useful accounting facts will lay the groundwork for other long-overdue improvements. The allotment system can be simplified. A further important benefit would be the development of cost-based operating budgets by installation managers which would become the basis for review by higher management. Improvements in the form, content and utility of financial reports also would be greatly facilitated.

3. *Working Capital Funds (Revolving Funds)*

Title IV of the National Security Act provided for the use of revolving-type funds throughout the Department of Defense to facilitate managing and controlling industrial activities and stock inventories, and getting the cost of materiel consumed charged against programs. This device has been found particularly valuable in financing activities when a buyer-seller relationship exists or can be created. Revolving funds, buttressed by accounting systems which disclose full costs of operations, contribute to improved management control.

When the capital in a stock fund exceeds the amount required to support the required inventory, the excess is readily highlighted, and Congress and the Secretary of Defense can take prompt action to reduce the size of the fund. The Department of the Army's budget

Digitized by Google

for the fiscal year of 1956, for example, provides for a $700,000,000 reduction in its stock fund.

The committee, therefore, endorses the installation of proper accounting, costing, and reporting systems throughout the department and the continued and extended use of working capital and stock funds where they are suitable.

In summary, the committee believes that the adoption of the "accrued expenditure budget" and "accrual and cost accounting" are essential steps to providing tools through which Congress and Defense executives can keep costs at the lowest practicable level. It is therefore recommended:

Recommendation No. 17

To improve the financial tools of management: (1) Congress should enact legislation to enable the Department of Defense to prepare and administer budgets on an accrued expenditure basis; (2) the Department of Defense should continue and extend the use of systems of accrual and cost accounting and, wherever it will add to efficient management, the use of working capital funds; (3) the Department of Defense should intensify its efforts to establish complete inventory records, and to develop continuing and effective inventory controls.

Fixing Responsibility for Managing Defense Dollars

Better financial tools are essential to effective control of defense expenditures. There is an equally important need to recognize the part which every member of top management should play in managing defense assets and fiscal resources.

Digitized by Google

In the absence of budgeting and accounting tools of the type described, primary reliance has been placed upon securing control through the budget justification and allotment processes. This, in turn, has concentrated an undue burden on the comptroller organization, particularly in the Office of the Secretary of Defense. In this Office, the Assistant Secretary (Comptroller) has been placed in the position of exercising the principal review of operating and procurement plans revealed in budget justification data. Some of the problems that have arisen from this unbalanced distribution of control in one part of the management organization are:

> Other members of the Defense Secretariat have not generally shared in the evaluation of requirements which generate defense budgets and expenditure plans. The task force on budget and accounting observes that "at the OSD level * * * the vacuum created by the lack of a civilian screen on military requirements has resulted in reliance upon financial controls exercised by the Comptroller as a substitute." The task force states that if other Assistant Secretaries made a more searching review of the requirements under their jurisdiction "the Comptroller can be relieved of a heavy responsibility in a field which is not logically his."

To correct the inadequately shared responsibility for the management of defense dollars, the committee recommends:

Recommendation No. 18

To fix responsibility for managing defense dollars: (1) each Assistant Secretary of Defense should be responsible for screening the requirements programs of each department for his area of functional jurisdiction and for advising the Assistant Secretary of Defense for Financial Management as to the financial needs for such activities; (2) each departmental Assistant Secretary

Digitized by Google

should be held responsible for screening requirements and for participating in the formulation and continuing review of the budget for those activities and programs under his jurisdiction.

Under this recommendation, all Assistant Secretaries would take an active part in the review and control of programs and budgets in their functional jurisdictions. This would be supplementary to the work of the Assistant Secretaries for Financial Management who will continue, as in the past, to be responsible for the supervision and direction of budgeting.

An interesting precedent for the suggested assignment of responsibilities already exists in the Office of the Secretary of Defense. The subcommittee on research activities found that the Assistant Secretary (Research and Development), in cooperation with the Assistant Secretary (Comptroller) takes an active part in the budget process.

Hoover Commission studies have found that in the departments of the Army and Air Force, budget and accounting responsibility is not clearcut, because the departmental Comptroller is responsible concurrently to a Chief of Staff and an Assistant Secretary for Financial Management. Such an arrangement tends to dissipate essential civilian control, and to give a military executive partial responsibility for a highly technical business function which is not essentially military in character.

The committee therefore recommends that the organization for financial management be further strengthened by the following:

Digitized by Google

Recommendation No. 19

Congress should amend existing legislation to assign each Assistant Secretary for Financial Management exclusive supervision of the departmental comptroller organization; pending such legislative action, the Secretary of Defense should accomplish this objective by directive.

In the exercise of their responsibilities, the Assistant Secretaries for Financial Management should:

Select executives for key comptroller positions on the basis of broad business and accounting experience, and make competence the criterion for comptrollership.

Take immediate steps to further strengthen accounting staffs in all subordinate comptroller organizations.

Summary of Recommendations To Improve Financial Management

The committee has found that the inadequacies of financial management in the Department of Defense are due to two conditions: (1) the financial tools of management have not been perfected, and (2) responsibility for managing defense dollars is not adequately shared by members of the Secretariats. The committee believes that adoption of the proposals of the task force on budgeting and accounting will overcome these problems, and wishes to stress three recommendations:

To improve the financial tools of management: (1) Congress should enact legislation to enable the Department of Defense to prepare and administer budgets on an accrued expenditure basis; (2) the Department of Defense should continue and extend the use of systems of accrual and cost accounting and, wherever it will add to efficient management, the use of working capital funds; (3) the Department of Defense should intensify its efforts to establish complete inventory records, and to develop continuing and effective inventory controls.

Digitized by Google

To fix responsibility for managing defense dollars: (1) each Assistant Secretary of Defense should be responsible for screening the requirements programs of each department for his area of functional jurisdiction and for advising the Assistant Secretary of Defense for Financial Management as to the financial needs for such activities; (2) each departmental Assistant Secretary should be held responsible for screening requirements and for participating in the formulation and continuing review of the budget for those activities and programs under his jurisdiction.

Congress should amend existing legislation to assign each Assistant Secretary for Financial Management exclusive supervision of the departmental comptroller organization; pending such legislative action, the Secretary of Defense should accomplish this objective by directive.

Digitized by Google

Digitized by Google

SUMMARY OF RECOMMENDATIONS

Digitized by Google

Digitized by Google

Summary of Recommendations

The foregoing chapters have outlined four programs for improving the management of the Department of Defense, with particular reference to the Secretariats and the support activities. Nineteen major recommendations are offered. A consolidated check list of these recommendations is presented below, with reference to the page on which each is discussed. Exhibit 14 is a summary chart of organizational recommendations.

Program for Improving Business Management Organization

1. The Secretary of Defense should create in his Office a civilian position invested with sufficient stature and authority to insure the establishment and maintenance of effective planning and review of military requirements. The official occupying this position would, on behalf of the Secretary:

(*a*) Maintain active liaison with National Security Council, Joint Chiefs of Staff and their staffs;

(*b*) Coordinate all guidance provided at the Office of the Secretary of Defense level to the military departments covering the preparation of requirements programs; and

(*c*) Provide for a system of effective review and analysis of defense plans and requirements computations.

Digitized by Google

2. The Secretary of Defense should emphasize the management areas of logistics, research and development, personnel and finance, and should regroup certain functions under Assistant Secretaries to strengthen coordination of these four principal management areas.

3. The Secretary of Defense should appoint a principal career assistant to each Assistant Secretary of Defense of such stature and competence that continuity of administration will be improved.

4. The Secretary of Defense should revise the assignments of departmental Assistant Secretaries to secure a uniform grouping of management responsibilities similar to that proposed for the four management Assistant Secretaries of Defense.

5. The Secretary of Defense should define the relationship of the military Chief of Staff to the support activities as that of: (1) planning and requesting the materiel, services, facilities and specialized personnel required to support the operating forces subject to the review and approval of the Secretariat; and (2) exercising direct authority over tactical and combat-related support activities performed by the logistics organization.

6. The Secretary of Defense should assign to the Assistant Secretary for Logistics in each department direct management control over supply and service activities.

7. The Secretary of Defense should assign clear responsibility for the coordination of research and development programs to an Assistant Secretary for Research and Development in each department.

Digitized by Google

Program for Improving the Management of Common Supply and Service Activities

8. Congress should enact legislation establishing a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities.

9. The legislation establishing the separate supply and service agency should specify criteria which will assure a strict supporting role for the agency.

10. The separate agency should be named the "Defense Supply and Service Administration," and its Administrator should be a Presidential appointee. Initially, the agency should manage selected items of common supply, and operate general and specialized hospitals.

11. Congress should instruct the Secretary of Defense to report semiannually on progress being made in improving all phases of the supply and logistics system.

Program for Improving Management Personnel

12. Congress should enact legislation to minimize present obstacles to Government service by outstanding citizens, and should provide positive incentives which will attract and hold able administrators. Examples of improvements which should be made are:

(*a*) Increase the level of compensation for Assistant Secretaries, as already recommended by the task force on personnel and civil service, to an amount approximating $25,000. It is further suggested that the pay for other

Digitized by Google

members of the Secretariats be placed at appropriate rates above $25,000.

(*b*) Modify the "conflict of interest" laws so that Presidential appointees are not forced to liquidate lifetime business equities in order to accept Federal appointment. Instead, each new appointee should take an oath (as part of his regular oath of office) that he will disqualify himself from participation in any decision which involves his company or financial interests.

13. Congress should enact a title V to the National Security Act to provide the legislative basis for specializing management and technical personnel in the support activities. This legislation should establish these basic principles:

(*a*) Military personnel will be limited primarily to posts in tactical organizations, and civilian personnel will be utilized increasingly in management and technical positions in support activities.

(*b*) Criteria will be established for use in determining those management and technical positions in support organizations which will be filled by civilian personnel and those which must be filled by military officers.

(*c*) Legal and administrative obstacles which prevent the most productive utilization of both civilian and military personnel in support activities should be promptly removed. The Secretary of Defense should submit to Congress recommendations covering any changes which are needed in existing law.

14. Congress should incorporate criteria in title V to the National Security Act which will clearly distinguish the proper roles for civilian and military support managers and

Digitized by Google

technical personnel and should direct immediate application of these criteria by the Secretary of Defense.

15. The Secretary of Defense should establish a personnel system for support activities which provides comparable standards for selection, training, promotion and compensation of both civilian and military managers and technical personnel. Congress should enact necessary legislative changes in order to carry out this objective.

16. The Secretary of Defense should require members of the Secretariats to participate in developing and applying the career management program in activities under their jurisdiction.

Program for Improving Financial Management

17. To improve the financial tools of management: (1) Congress should enact legislation to enable the Department of Defense to prepare and administer budgets on an accrued expenditure basis; (2) the Department of Defense should continue and extend the use of systems of accrual and cost accounting and, wherever it will add to efficient management, the use of working capital funds; (3) the Department of Defense should intensify its efforts to establish complete inventory records, and to develop continuing and effective inventory controls.

18. To fix responsibility for managing defense dollars: (1) each Assistant Secretary of Defense should be responsible for screening the requirements programs of each department for his area of functional jurisdiction and for advising the

347790—55——8

Digitized by Google

Assistant Secretary of Defense for Financial Management as to the financial needs for such activities; (2) each departmental Assistant Secretary should be held responsible for screening requirements and for participating in the formulation and continuing review of the budget for those activities and programs under his jurisdiction.

19. Congress should amend existing legislation to assign each Assistant Secretary for Financial Management exclusive supervision of the departmental comptroller organization; pending such legislative action, the Secretary of Defense should accomplish this objective by directive.

Digitized by Google

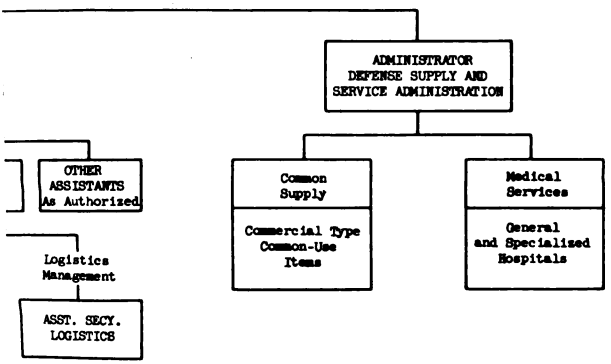
EXHIBIT 14

an position
fective
review of
uirements

cretary
onal
ffairs

t Secretary
l Management

Functions
(Comptroller)
lifications



347790 O - 55 (Face p. 92)

Digitized by Google

Digitized by Google

RESERVATIONS OR DISSENTS

Digitized by Google

Digitized by Google

Reservations or Dissents

There are one Commission recommendation and 19 task force recommendations in this volume.

Commissioner Bridges has reservations on recommendations 8 through 11.

Commissioner Brown dissents on recommendations 8 through 11.

Commissioner Farley approves the report with qualifications.

Commissioner Holifield approves the report with qualifications.

Commissioner McClellan has reservations on recommendations 8 through 11.

Digitized by Google

Digitized by Google

Separate Statements of Commissioners

Separate Statement of Commissioner Bridges

I think the work of the Commission's Committee on Business Organization of the Department of Defense and its recommendations are constructive and have definite merit. However, I have some reservations as to recommendations 8 through 11. Inasmuch as I will be required to pass on these recommendations again as a member of the United States Senate, I shall want to reexamine them in the light of further information.

STYLES BRIDGES,
Commissioner.

Separate Statement of Commissioner Brown

I cannot accept the recommendations of the Committee on Business Organization of the Department of Defense to create a Supply and Service Administration in the Department of Defense for (1) the supply of common use items and (2) the operation of general and specialized military hospitals. To me, this means adding a military General Services Administration and a "United Medical Administration" to the already excessive number of agencies and administrations in the executive branch of the Government.

Digitized by Google

Last January, I became concerned with the recommendations of some of our task force reports and issued the following memorandum to the other members of the Commission, the Executive Director and members of the Commission's staff:

In recent weeks I have read several task force and Pro Forma Commission Reports and, as we approach final decisions on them, I would like to suggest one or two basic considerations for the Commission.

As author and cosponsor of Public Law 108 I am struck with the number of recommendations suggesting greater appropriations, increased staff and new organizations to be added to the already sprawling bureaucracy. As you well know the underlying philosophy of this legislation calls for efficiency and economy by streamlining and consolidating services, eliminating overlapping and duplicating functions and "reducing expenditures to the lowest amount consistent with the efficient performance of essential services, activities and functions."

I recognize the occasional temporary expedient to raise expenditures to accomplish greater ultimate economies. In these instances, however, the realization of long-term savings hinges upon one or more assumptions and the quality of administration to be applied to the task. I therefore emphasize that it is incumbent upon the Commission to carefully point out the manner in which future economies can be obtained so that the Congress and the people may be certain of our objectives.

I further suggest that we examine the recommendations of the task force and develop our own reports with due regard to the above stated objectives. It is my wish that this comment shall apply to each of the reports in turn.

Neither one of the Committee's recommendations conform to the intent and purpose of Public Law 108 in "eliminating duplication and overlapping of services, activities and functions and consolidating services, activities and functions of a similar nature." Instead, they would create two addi-

Digitized by Google

tional, unrelated administrative devices under the guise of unification but in violation of repeated expressions of Congressional intent. It must be remembered that when the Congress created the Department of Defense it was given the mission of "authoritative coordination and unified direction" of the military departments and agencies. It was not intended to perform operational and administrative duties.

Supply

The first Hoover Commission recommended the creation of the General Services Administration and the Congress subsequently enacted the Federal Property and Administrative Services Act of 1949 (Public Law 152, 81st Cong.) to meet this need. Its purpose is to provide for the Government an economical and efficient system for (*a*) the procurement and supply of personal property and non-personal services, and performance of related functions, (*b*) the utilization of available property, (*c*) the disposal of surplus property, and (*d*) records management. However, the act also contains a provision permitting the Secretary of Defense to exempt the Department of Defense from actions taken by the Administrator of General Services whenever the Secretary of Defense, with the President's concurrence, determines that such exemption is in the interest of national security.

In June of 1954 the President issued a memorandum exempting the military departments from actions of the Administrator of General Services. Despite this policy directive, the Department of the Air Force, and to a lesser extent, the

Digitized by Google

Army and Navy Departments acquire an increasing volume of their requirements for common use, civilian-type items voluntarily by means of Federal supply schedules or other services provided by the General Services Administration. The acceptance of the supply recommendation of the Committee on Business Organization of the Department of Defense would set up another organization to provide this service and terminate the extension of what, to me at least, is a very sensible and desirable trend.

The Committee Report states,

> That the proposed Defense Supply and Service Administration ultimately may encompass activities now employing about 150,000 employees with expenditures in the range of $6,000,000,000 to $8,000,000,000 annually (approximately 20 percent of the Defense budget). * * * Between 50 and 75 percent of procurement expenditures probably will always remain in the three military departments * * * The separate agency would be expected to assume supply responsibilities only for commercial type items and services * * * The initial organization should be formed by transferring necessary personnel and facilities from the military departments.

Our Task Force on Food and Clothing pointed out that there are now 16 logistics systems operating within the Department of Defense. Is it necessary to add still another one for the exclusive handling of common-use items? Can we assume that the staff, facilities, and expenditures of these separate systems will be reduced in accordance with the estimated 20 to 25 percent of the total job that might be assumed by the new Defense Supply and Service Administration?

The Committee suggests the new agency handle "food, clothing, medical and dental supplies, fuels and lubricants,

Digitized by Google

hardware, household and office type supplies and equipment, commercial automobiles and vehicular spare parts." Our task force pointed out most of these commodities are already handled under coordinated procurement arrangements. They were generous in their praise of existing unified military systems which buy food, medical supplies and equipment. Fuels and lubricants for the Armed Forces have been bought on a centralized basis for many years. Household- and office-type supplies and equipment and vehicular spare parts are bought for the military services by the General Services Administration. Except for food and clothing, the General Services Administration is already engaged in handling all of the common use, commercial type commodities mentioned above plus a wide variety of other items commonly used by both military and civilian agencies.

It is apparent the Committee did not undertake a study of common use items in the Department of Defense. The Task Force on Military Procurement sponsored, but did not use, a study of "Department of Defense—General Services Administration Supply Relationships" conducted by personnel representing the task force and the agencies concerned. Significantly, this group recommended

that section 201 (*a*), Public Law 152, as amended, and such other portions as may be pertinent, be reviewed to determine basically the validity of the original concepts of that section. After such has been determined, it is recommended that section 201 (*a*) Public Law 152, as amended, be amended further to unequivocally:

1. Define common use, commercial-type items and designate specifically the categories and classes of supplies and services commonly used by both civilian and military activities or by two or more civilian

Digitized by Google

activities not requiring substantial alteration for adaption to military use.

2. Assign responsibility for procurement and supply of common use, commercial-type items to a single agency, service or department to be exercised for Federal civilian agencies and the Department of Defense.

3. Direct the elimination of duplication in procurement and supply of those common use, commercial type items assigned to a single agency, service or department.

In commenting on efforts at coordination between the military and civilian agencies the first Hoover Commission stated,

It is believed that, in the area of common-use items, and in those fields where uniform policies are practicable and in the public interest, the supply problems of the military and civilian agencies of the Government can be successfully integrated and that simplification and economy will thereby replace the present complex and wasteful situation in the field of supply.

I believe this observation is just as sound today as it was in 1949, particularly after the Congress has recognized its validity and established the General Services Administration to meet this specific need.

In my opinion the military departments should acquire selected groups of common use, commercial-type items through the facilities of the General Services Administration thereby precluding the establishment of another supply system in the Department of Defense for this same purpose. I simply do not believe that it adds to the efficiency and economy of Government to have two agencies, one civilian and one military, dealing in and competing with each other for the same kind of common-use, commercial-type supply items.

Digitized by Google

Medical Services

The Department of Defense was established to provide policy direction, authority and control of the military departments and agencies. In Public Law 253, the Eightieth Congress provided,

> Three military departments for the operation and administration of the Army, the Navy (including naval aviation and the U. S. Marine Corps), and the Air Force, with their assigned combat and service components; to provide for their authoritative coordination and unified direction under civilian control *but not to merge them* * * * (emphasis supplied).

In connection with Plan No. 6 of 1953, providing for reorganization within the Department of Defense, the President stated:

> In an organization the size of the Department of Defense, true effectiveness with economy can be attained only by decentralization of operations, under flexible and effective direction and control from the center. I am impressed with the determination of the Secretary of Defense to administer the Department on this basis and to look to the Secretaries of the three military departments as his principal agents for the management and direction of the entire defense enterprise.

In the light of these policies I must also reject the Committee's recommendation to place the operation of general and specialized hospitals of the military forces in a proposed "Defense Supply and Service Administration." In my judgment, the only common denominator in the "supply and service" aspects of this suggestion lies in the area of common use medical supplies and equipment.

Having served on the Committee of Commissioners that

Digitized by Google

developed the Commission's Report on Federal Medical Services I am sure the Medical Services Task Force never intended to combine the administration of military hospitals with a supply agency handling common use items. On the contrary, the Medical group specifically recommended that:

(*a*) The military medical and hospital services within continental United States be coordinated by assigning to a single military department the responsibility for hospital service in a defined geographic area and that this concept be furthered, wherever practicable, in extracontinental areas;

(*b*) Patients of all military departments requiring highly specialized medical care be concentrated into special hospitals, each of which will serve the three departments;

(*c*) Each of the three military departments maintain a medical center, the components of which should be a hospital, a center for postgraduate education in military medicine, and a research institute occupied with medical problems identified with the primary mission of the department; and

(*d*) The Assistant Secretary of Defense (Health and Medical) be given authority to modify and reallocate medical care responsibilities of the three departments in line with above.

In summary, the suggestions for establishing a "fourth Service of Supply" and a "United Medical Administration" are not new. They have been proposed and rejected on several previous occasions. In my opinion they should be rejected again.

CLARENCE J. BROWN,
Commissioner.

Digitized by Google

Separate Statement of Commissioner Farley

I voted for the adoption of the Report of the Committee on Business Organization of the Department of Defense because the basic structural changes recommended in that report seem to be pointed in the proper direction. I still believe these principles are sound; however, I share Commissioner Holifield's concern about the operating mechanics of the proposed changes. I trust that appropriate study will be given to the operational details necessary to put into effect the concepts upon which the report is based.

JAMES A. FARLEY,
Commissioner.

Separate Statement of Commissioner Holifield

The Commission has endorsed, without modification, the report of its Committee on Business Organization of the Department of Defense. I voted for the report because I am in general accord with its objectives. However, I am concerned about the lack of clarity in some of the proposed organizational and functional relationships, particularly those regarding the Defense Supply and Service Administration.

Common Supply Agency Proposed Earlier

In recommending the creation of this new agency, the Commission revives a longstanding and controversial proposal for a single or common supply service, sometimes called

Digitized by Google

a "fourth service." This concept figured actively in the deliberations of War Department planners during World War II, when the war experience brought home forcibly the need for unification in the defense organization.[1]

Thus in 1944, when the War Department advocated a single department of armed forces, Gen. Joseph T. McNarney, Deputy Chief of Staff, outlined before a congressional committee a single department organization with a "Director of Common Supplies Service" alongside the three service chiefs and reporting directly to the (proposed) Secretary of the Armed Forces. In General McNarney's words:

I would add to the three armed services which are united in this single department, a fourth element, directly under the Secretary for the Armed Forces, which would consist of the common supply services that can be combined, and which render supply services which are not peculiar to any one service.[2]

Gen. Brehon B. Somervell, drawing upon his experiences as Commanding General of the Army Service Forces, organized in March 1942 as a major supply component of the War Department, emphasized the importance and necessity of unification in a broad range of administrative, service and supply activities. He stated to the Committee:

The real integration would come about through the establishment of a common service force within a single department of war which would supply and service the three combatant forces on equal terms. This would result in one purchasing agent for shoes and one system of distributing and issuing those shoes.[3]

[1] See testimony of Robert A. Lovett, Assistant Secretary of War for Air, Hearings before the Select Committee on Postwar Military Policy (Woodrum Committee), House of Representatives, 78th Cong., 2d sess., pt. I, p. 34.

[2] *Ibid.*, pp. 34, 38.

[3] *Ibid.*, p. 98.

Digitized by Google

Questioned in Joint Chiefs Report

A special committee on Reorganization of National Defense, established by the Joint Chiefs of Staff and reporting in April 1945, made this statement about a single supply agency:

> Various proposals were advanced, both by witnesses before the Woodrum Committee and by officers appearing before the special committee, for the establishment of a single agency to provide supply, administrative, and other services for the Armed Forces as a whole. These proposals ranged from recommendations that this agency should perform all of the supply and administrative services now performed by the Army, Navy and Air Forces for themselves to recommendations that the agency should be strictly limited to the procurement of items used in the same form by two or more components (common items). After careful consideration the special committee concluded that a single agency to provide supply, administrative, and other services for the Armed Forces as a whole should not be established as part of the first step of reorganization.[4]

The special committee of the Joint Chiefs reported further that without immediate and far-reaching changes in existing military organizations, the new agency would simply be an addition to supply and administrative agencies already existing and would "necessarily create a fourth major component in a single system."

It was suggested, however, that following the establishment of a single defense department, and with further study and experience, the development of mutual understanding, and gradual changes in organization, the creation of a single supply and service agency might be advisable. In the event such an agency were established, the special committee be-

[4] Senate Committee on Military Affairs, Hearings on S. 84 and S. 1482, 79th Cong., 1st sess., p. 420.

Digitized by Google

lieved safeguards should be applied to insure that the agency would be a "servant" of the Armed Forces; that the separate forces would control the appropriated funds and have a deciding voice in the kinds and amounts of supplies and equipment required; and that the chain of command would run through "operational echelons" and not through "service or supply commands." [5]

A few months after the report of the special committee of the Joint Chiefs of Staff was completed, Lt. Gen. J. Lawton Collins, as Chief of Staff of the Army Ground Forces, proposed before the Senate Committee on Military Affairs that a Directorate of Common Supply and Hospitalization be created in a single defense department, charged with procurement of all items of common supply under the policy direction of an Assistant Secretary for Procurement.

General Collins anticipated a gradual process of placing items of procurement under the control of the common supply agency while maintaining single service assignments in procurement. His plan contemplated the maintenance of separate service forces in each military department to handle the distribution of supplies, on the ground that distribution was "an integral part of the military fabric." However, he suggested that in the future some of these distribution activities might be transferred to the Director of Common Supply and Hospitalization as well as procurements assigned to single services.[6]

[5] *Ibid.*, p. 421.
[6] *Ibid.*, pp. 156, *et passim.*

Digitized by Google

Gen. Dwight D. Eisenhower, appearing before the Senate Committee, not as a representative of the War Department but as a "soldier in the field," expressed his agreement with the organization outlined by General Collins.[7]

Overshadowed in Unification Debate

When the Congress considered the so-called unification legislation which led to the National Security Act of 1947, problems of military supply management were overshadowed by those concerning the basic organizations and combat missions of the Armed Forces. Little attention was given in the congressional hearings to the possibilities of a common supply service. General Eisenhower, as Army Chief of Staff, did indicate that he regarded a central procurement agency for the military establishment as unworkable and untimely.[8]

The National Security Act Amendments of 1949 strengthened and clarified in some respects the authority of the Secretary of Defense but prescribed no new measures for unified supply organization. In fact, the injunction in section 202 (*a*) of the 1947 act that the Secretary "take appropriate steps to eliminate unnecessary duplication and overlapping in the fields of procurement, supply, transportation, storage, health, and research" was striken by the amendments on the as-

[7] *Ibid.*, p. 365. General Eisenhower took exception only to an item concerning the role of the proposed Chief of Staff.

[8] House Committee on Expenditures in the Executive Departments, Hearings on H. R. 2319, 80th Cong., 1st sess., p. 306. General Eisenhower's comment was made in reply to a question by Representative Carter Manasco who was also a member of the first Hoover Commission.

Digitized by Google

sertion that it was unnecessary in the light of the broadened authority conferred generally upon the Secretary.[9]

Discussed by First Hoover Commission

The Task Force on National Security Organization of the first Hoover Commission, under the chairmanship of Ferdinand B. Eberstadt, whose findings were embodied to a substantial extent in the 1949 amendments, opposed a single supply agency in these words:

> The overwhelming weight of evidence presented to the Committee was against the formation at this time of a single, centralized procurement agency for all three services.[10]

By contrast, the report of the Task Force on the Federal Supply System of the first Hoover Commission, prepared under the direction of Russell Forbes, recommended that the Munitions Board be authorized, not only to integrate military supply organizations and procedures, but to suggest at the proper time a Department of Supply for the military services comparable in function to the Central Supply Organization proposed for the civilian agencies.[11]

Chairman Hoover, in his appearance before the Senate Committee considering the 1949 amendments to the National Security Act, indicated that further experimentation was

---

[9] House Committee on Armed Services, Hearings on S. 1843 (No. 95), 81st Cong., 1st sess., pp. 2812 ff.

[10] Task Force Report on National Security Organization (appendix G), January 1949, p. 50.

[11] Task Force Report on the Federal Supply System (appendix B), January 1949, p. 28.

Digitized by Google

needed along this line. The objective set by Mr. Hoover was this:

That articles of common use of all departments and all phases of the Government ought to be bought in one place and distributed from one organization; that articles involving specialized knowledge and special purposes of the different departments should be procured by those departments.[12]

Opposed by General Eisenhower

In November 1951, General Eisenhower, as Commander in Chief, Supreme Headquarters, Allied Powers in Europe, stated explicitly to the Bonner Subcommittee his opposition to a common supply service.

With reference to my views on a common supply service or similar organization, I will say that at the end of World War I, I was greatly impressed by the philosophy of a man under whom I served who felt that a common supply service was the most satisfactory way of approaching this problem. However, after getting more experience and seeing some of the possible weaknesses in that type of organization, I have come to the conclusion that it would be better to develop what we now have along proper lines, and with proper authorities vested in the Secretary of Defense, than to adopt the idea of a fourth service.[13]

General Eisenhower suggested that the Secretary of Defense "might well have a civilian Assistant Secretary to look after the development and improvement of our military supply system, but I am not in favor of having such an assistant placed by law in direct control of the supply organi-

[12] National Security Act Amendments of 1949, Hearing before the Senate Committee on Armed Services, 81st Cong., 1st sess., p. 138.

[13] Federal Supply Management (Overseas Survey), Conferences held by a Subcommittee of the House Committee on Expenditures in the Executive Departments, 82d Cong., 1st sess., p. 1264.

Digitized by Google

zations in each of the military services, nor should his powers and detailed duties be prescribed by legislation."

He cautioned the subcommittee to go slow on legislation and proposed that the Secretary of Defense and the Assistant Secretary for Supply be allowed to live with their jobs for 3 or 4 years before further legislation in the supply field was considered.[14]

Some months after General Eisenhower's testimony, Secretary of Defense Robert A. Lovett testified before the same subcommittee regarding its report:[15]

> You have pointed out that the supply system in the Department of Defense consists of three separate systems which have not been successfully integrated under the Munitions Board. You do not recommend establishment of a "fourth service or department of supply." In that I wholly concur. Not only does it coincide with General Eisenhower's judgment but it is supported by civilian experts, including the Eberstadt committee. That committee advocated strong central control by the Secretary of Defense in the policy field, but opposed as unworkable further extension of his operational and administrative responsibilities.[16]

Reorganization Plan No. 6 of 1953, submitted to the Congress by President Eisenhower, was presented as a means of strengthening further the authority of the Secretary of Defense for the purpose of achieving unification. The plan abolished the Munitions Board and several other statutory

---

[14] *Ibid.*, p. 1265.

[15] Federal Supply Management (Overseas Survey), 16th Intermediate Report of the House Committee on Expenditures in the Executive Departments, 82d Cong., 2d sess., H. Rept. No. 1994.

[16] Federal Supply Management (Air Force Supply—Munitions Board), Hearings before a Subcommittee of the House Committee on Expenditures in the Executive Departments, 82d Cong., 2d sess., p. 4.

Digitized by Google

agencies in the Department of Defense, and vested their functions directly in the Secretary. At the same time a corps of assistant secretaries was established to act in a staff capacity to the Secretary "without imposing themselves in direct line of responsibility and authority between the Secretary of Defense and the Secretaries of the departments." [17]

Supply Improvements Retarded by Reorganization Plan No. 6

In theory, Reorganization Plan No. 6 was designed to, among other things, overcome the difficulties encountered by the Munitions Board in directing the military departments to improve their supply operations and procedures. In fact, under the pretext of giving the Secretary of Defense greater authority, it has surrounded him with a cumbersome and impotent organizational structure which prevents him from effectively exercising his authority over the military services.

There are now 9 Assistant Secretaries of Defense and a General Counsel of the same rank, all of them staff officers with no line authority, all of them subordinate to the three service Secretaries. The Secretary of Defense can only depend on his assistants to get action through unanimous agreement with the services rather than through executive direction.

It has been manifestly impossible for the Assistant Secretaries to achieve any noteworthy accomplishments, for they have no authority to act when they cannot get consent from

[17] H. Doc. 136, 83d Cong., 1st sess.

Digitized by Google

the military services. The inability to direct and the natural reluctance of assorted Assistant Secretaries to keep running to the Secretary of Defense with their troubles makes the much-advertised "teamwork" arrangement a farce. The assistants grind out meaningless documents while the military departments go their own separate ways.[18] Even the chairman of the Munitions Board had acquired greater authority by law and agency charter to direct the military services in supply matters[19] than is now evident in his successor, the Assistant Secretary for Supply and Logistics.

The Commission report scores the confused assignment of responsibilities among the Assistant Secretaries and other deficiencies in administration which add up, in my opinion, to a severe indictment of the lack of progress in Department of Defense management since Reorganization Plan No. 6 of 1953 went into effect.

Unfortunately, the Commission report gives general approval to the advisory role of the Assistant Secretaries. The Task Force on Food and Clothing regarded this lack of authority as a serious defect and proposed that it be remedied by a modification of Reorganization Plan No. 6.[20]

---

[18] See the Hearings on the Hoover Commission Food and Clothing Report before a Subcommittee of the House Committee on Government Operations (Dawson Subcommittee), 84th Cong., 1st sess.

[19] Federal Supply Management (Air Force—Munitions Board) Hearings before a Subcommittee of the House Committee on Expenditures in the Executive Departments, 82d Cong., 2d sess. Exhibits 1 and 2 (pp. 175 ff.) contain the explanation and text of the latest Munitions Board charter affirming the "power of decision" in the chairman.

[20] Hoover Commission Task Force Report on Food and Clothing, April 1955, p. 135.

Digitized by Google

Other Backward Steps Since 1953

The Commission report might well have noted other retrogressions since 1953 from the concept of unified supply operations. These include the discontinuance of studies initiated by the Munitions Board in 1951 for determining the feasibility of procurement, distribution, storage and issue of common supplies by a single department;[21] the renewed emphasis on separate department supply systems in place of efforts to achieve defense-wide integration;[22] the repudiation of the successful results of the Alameda Supply Support Test;[23] the abandonment of the Joint Textile and Apparel Procurement Agency;[24] and the withdrawal of the Department of Defense

[21] The studies were initiated by DOD Directive 4100.1, 17 July 1951 and canceled by DOD Directive 4100.3, December 3, 1953.

[22] Memorandum of November 13, 1953 by C. S. Thomas, Assistant Secretary of Defense for Supply and Logistics, reprinted as appendix E of section I, Hoover Commission Task Force Report on Food and Clothing, April 1955, p. 114. The task force report (p. 87) refers to the Thomas memorandum as being "in complete disregard" of a Department of Defense Directive issued in accordance with appropriation law requirements. At the hearings of the Dawson Subcommittee, Thomas P. Pike, Assistant Secretary of Defense for Supply and Logistics, took a contrary position. At the same hearings Mr. Thomas could not recall any previous directives bearing on the subject of his memorandum.

[23] The Alameda Test was initiated by DOD Directive 4100.5, December 29, 1951 and disestablished by DOD Directive Transmittal 54–128, November 19, 1954. The Navy regarded the test as "one step nearer a single-supply service" and strongly opposed it as a "backdoor route" to such a service. Military Supply Management Program, Hearings before a Subcommittee of the House Committee on Government Operations (Riehlman Subcommittee) 83d Cong., 1st sess., p. 33. The Hoover Commission Task Force Report on Federal Medical Services (p. 65) stated that: "Our study of the entire Alameda test leads us to the conclusion that this unified operation has been abundantly successful, efficient and economical."

[24] The Joint Textile and Apparel Procurement Agency was esablished by DOD Directive 5154.4, June 18, 1952. The Congress in section 648 of the Defense Appropriation Act of 1954 (Public Law 179, 83d Cong.) cut off the funds of the joint agency after the Navy maintained that participation in the agency would

Digitized by Google

from overall General Services Administration jurisdiction in certain supply areas.[25]

The Commission's recommendation for a new Defense Supply and Service Administration is based on the premise that all past or present efforts to "coordinate" common supply and service activities (single service or joint agency procurement, cross-servicing, etc.) have been inadequate; that "the highest degree of integration would result from the creation of a separate agency, within the framework of the Department of Defense, to serve all departments equally in purchasing, inventory control and distribution to the end of the wholesale pipeline."

This proposal not only cuts squarely across interservice rivalries and well-entrenched concepts of departmental autonomy and self-sufficiency, but it challenges the stated Department of Defense policy. Thus, Charles S. Thomas, as Assistant Secretary of Defense for Supply and Logistics, issued a memorandum of 13 November 1953 which recites, among

---

double its administrative cost for that particular procurement activity. Opposition to a fourth service of supply was again registered by the Navy. House Committee on Appropriations, Hearings on the National Defense Appropriation Bill (Navy) for fiscal 1954, 83d Cong., 1st sess., pp. 552, 561.

[25] Under section 201 (a) of the Federal Property and Administrative Services Act of 1949 (Public Law 152, 81st Cong.), as amended, the Administrator of General Services is authorized to prescribe policies and methods of procurement and supply, to operate warehouses and other facilities and to procure and supply property for other executive agencies. The proviso is entered that the Secretary of Defense may from time to time exempt the military establishment from GSA authority in this field, unless the President otherwise directs. In a memorandum of July 1, 1949, President Truman ordered the Secretary of Defense not to exempt the military establishment from the aforesaid provision of Public Law 152. That memorandum was revoked by President Eisenhower in a memorandum dated June 8, 1954.

Digitized by Google

other things: "There is no present, or intended, or desired, plan for the establishment by direction or indirection of a fourth Department of Supply or to divide commodity segments among departments."

Whether the new agency, if established, would be able to meet in significant measure long-sought objectives for unified supply administration depends largely upon the definition of its authority and the backing of the Secretary of Defense in the exercise of that authority. The Commission report leaves much to be desired in describing the duties and responsibilities of the proposed new agency.

Definitions of Common-Use Items Should Be Broadened

It is stated, for example, that "the commodities and services placed in a separate agency should be of a commercial type commonly used in the civilian economy." This designation, in my opinion, is altogether too restrictive. Supplies and equipment, including spare parts, in many categories have common use within the three military departments but are not necessarily used in the civilian economy. To exclude these from the control of the common supply service would limit the effectiveness of the new agency and indeed, as Commissioner Brown indicates, make it little more than a service unit to perform functions which could be easily performed by the General Services Administration.

By showing a reasonable degree of cooperation, the military departments could have arranged with the General Services Administration to meet their requirements for numerous

Digitized by Google

services and for supplies and equipment readily procured from commercial sources.[26] Such cooperation has been noticeable by its absence, except for the willingness of the Air Force, as the newest of the military departments, to call upon the General Services Administration to an increasing extent in this field.

Under a narrow and limiting concept of the role of the proposed new Defense Supply and Service Administration, it could easily become a device by which the Department of Defense cuts loose completely from the General Services Administration.

Under a broad and expanding concept of the proposed new agency's role, I can envisage that the procurement and distribution of ordinary commercial supplies could be progressively turned over to the General Services Administration,[27] while the Defense Supply and Service Administration could become the focal agency within the Department of Defense for centralizing the supply of goods and services having common military application and now dispersed among three departments and a multitude of technical bureaus and agencies.

The organization charts in the Committee report place the new agency on a level with the three military departments as

[26] See Field Conferences on Federal Supply Management, part III, Hearings before a Subcommittee of the House Committee on Expenditures in the Executive Department (Bonner Subcommittee), 82d Cong., 2d sess., pp. 548, ff.

[27] The first Hoover Commission reported that many items of common use, if purchased and stored by military or civilian agencies (but not both) would result in major savings. Report on Office of General Services: Supply Activities, February 1949, p. 43.

Digitized by Google

a "fourth service." It is described in the text as having "the status of an additional operating arm of the Department of Defense subject to policy direction and coordination by the Office of the Secretary of Defense in the same manner as the three military departments." The agency would be headed by an Administrator appointed by the President.

According to the report, "the Administrator would establish a series of commodity divisions, each responsible for a related group of items which lend themselves to integrated management." Also the agency would store and issue supplies in designated classes "throughout the wholesale depot system both in the United States and overseas." This brief description in the committee report leaves unanswered a host of important questions.

Status of New Agency Should Be Clarified

As an agency ostensibly coordinate with the three military departments, would the new supply service simply buy and store at their request or would it be empowered to prevent these departments from setting stock levels that are too high and from ordering excessive quantities of goods? Further, would the agency be empowered to direct the redistribution of excessive stocks?

These questions are pertinent because the Commission report, in justifying the new agency, cites as deficiencies of existing joint or single service procurement arrangements the inability of the purchasing service "to evaluate procurement requests or to take steps to redistribute excess stocks."

Digitized by Google

If the new agency is to share in supply management responsibilities, how would they be allocated as between the Administrator of the Defense Supply and Service Administration, the Assistant Secretary for Logistics in the Department of Defense, and the Assistant Secretary for Logistics in each of the three military departments?

To what extent would the new agency control the depot system of the three military departments in exercising its storage and inventory control functions? Is it contemplated that parallel depot systems would be maintained with common supplies under the control of the new agency and technical supplies under the control of the respective military departments?

Furthermore, would the new agency be empowered to take control of common supplies and services now handled by the various technical services and bureaus of the three military departments? What supply functions would the technical services and bureaus continue to perform? Would they maintain the same supply installations even if some common items were removed from their jurisdiction?

Since the supply responsibilities of the new agency are to stop at the "wholesale pipeline," what mechanisms would be required to control inventories and redistribute excess supplies accumulated at the "retail level," namely posts, camps and stations?

To what extent would supply accounting and reporting procedures have to be standardized throughout the military establishment to enable the new agency to do its work? The

Digitized by Google

lack of standardization in basic procedures is cited in the Commission report as a reason for the inadequacy of single service assignments.

In the event of conflicts between the new Administrator and the Secretaries of departments, what mechanisms would be required for expeditious resolution of disputes?

Finally, in the event the Congress does not accept the Commission's recommendation to enact legislation establishing the new agency, does the Secretary of Defense have sufficient authority to establish the agency by virtue of his authority "to transfer, reassign, abolish, or consolidate functions" within the Department of Defense?

Had the Committee on Business Organization analyzed in detail the role of the proposed new agency and more carefully defined its place in the military establishment, I believe that it would have a better chance of acceptance. It is well to understand that the proposal will encounter active opposition in some quarters and, if adopted, could be reduced to ineffectiveness by hard core military resistance and failure of the Secretary of Defense to give the agency strong support.

CHET HOLIFIELD,
Commissioner.

Separate Statement by Commissioner McClellan

I recognize fully the need for better coordination of the supply systems of the military services—particularly for the purchasing of common-use items. However, I am not convinced that the creation of a Supply Service in the Depart-

Digitized by Google

ment of Defense of the magnitude the Commission proposes—on a level with the Departments of the Army, Air Force and Navy—is either necessary or warranted, particularly since the General Services Administration was established by the Congress to accomplish the same purpose. Nor do I see the justification for giving this proposed Supply Service the responsibility for the operation of general and specialized hospitals of the military services. I believe, therefore, that these recommendations (Nos. 8 through 11 of the Commission Report) should be reexamined most carefully before any action is taken upon them.

JOHN L. MCCLELLAN,
Commissioner.

Digitized by Google

APPENDICES

347790—55——10

Digitized by Google

Digitized by Google

Appendix A

Summary of Recommendations on Business Organization of the Department of Defense Contained in Task Force and Subcommittee Reports

This appendix consists of brief summaries of 13 Hoover Commission task force and subcommittee recommendations as they relate to the business organization of the Defense Department. These summaries are intended to provide an outline of principal conclusions, and do not indicate that this committee necessarily endorses all of their recommendations. Many recommendations, particularly those affecting procedures and methods, have not been included.

The commission divided its studies among 18 working groups—the 13 reports reviewed here are those which were of major significance to this committee. Not included in this appendix are reports on Overseas Economic Operations, Water Resources and Power, Lending Agencies, Paperwork Management, and Intelligence Activities.

Task Force on Budget and Accounting

The comptrollers should be responsible only to the Secretary, or a designated Assistant Secretary. Concurrent re-

Digitized by Google

sponsibility to the Chief of Staff should be discontinued. Comptrollership is essentially a business function, and control of finances is an essential part of the concept of civilian control of the military establishment.

In selection of individuals—whether military or civilian—for comptrollership positions, broad accounting experience and competence should be the requirements. The most important ingredient in solving Department of Defense problems is competent people. There should be greater career incentives for civilian personnel. There has been a failure to recognize the need for military career specialists. The present policies governing rotation of duty and promotion systems must be revised if properly qualified officers are to be available.

Other recommendations relate to cost-based budgeting, appropriations based on estimated annual accrued expenditures, simplified allotment accounting, improved accounting and financial reporting systems, and other measures for more effective financial management. These proposals affect all agencies, but their greatest usefulness is in the Department of Defense where the lack of financial information has the most far reaching consequences.

Task Force on Legal Services and Procedure

Supervisory authority over all legal staffs and services within the Department of Defense should be vested in a General Counsel with rank as Assistant Secretary. Legal services to the Office of the Secretary of Defense should be furnished by a legal staff directed by the General Counsel.

Digitized by Google

The General Counsel of each military department should rank as Assistant Secretary and, under professional supervision of the General Counsel of the Department of Defense, should have responsibility for, and direction of, all legal services within such department. The assignment of attorneys to corps, commands, posts or offices (other than within the several Judge Advocate General's Corps), should be subject to his approval.

Each Judge Advocate General should be responsible to the General Counsel of his department for (1) the administration of military justice, (2) legal work performed by uniformed lawyers, in connection with military matters, and (3) other legal work assigned by the General Counsel.

The General Counsel of the Department of Defense, as Chairman, and the General Counsels and Judge Advocates General of the military departments should constitute a Legal Coordinating Committee to coordinate legal services, including the assignment, transfer, and grouping of lawyers, throughout the Department of Defense.

The legal career service for civilian attorneys in the Department of Defense should be developed and supervised by a Civilian Legal Personnel Committee having tenure and continuity. Each military department should have a Judge Advocate General's Corps and develop a program for career military legal service.

Task Force on Federal Medical Services

The Office of the Assistant Secretary of Defense (Health and Medical) should be strengthened by adding a civilian

Digitized by Google

Deputy Assistant Secretary, and augmenting the small technical and analytical staff.

Hospital service responsibility for a regional area should be assigned to a single military department in the continental United States, and overseas where practicable. Specialized hospitals should serve all three departments. Each military department should maintain a medical center, to include a hospital, a center for postgraduate education in military medicine, and a research institute. The Assistant Secretary of Defense (Health and Medical) should be given authority to reallocate medical care responsibilities of the military departments in these respects.

Each of the departmental Surgeons General should be given comparable authority to include (1) technical and management control of all medical activities, (2) assignment control of all medical service personnel, and (3) funds control.

The training programs for interns and residents, for other physicians and dentists on active duty, and for reserve officers not on active duty should be strengthened, and be planned and directed from the medical center of each service, using selected military and civilian hospitals for special training.

Joint procurement of medical supplies for the entire Federal Government should be assigned to a single agency. Two systems should be established within the Federal Government for integrated storage and distribution of medical supplies: (1) a military system for the Army, Navy, Air Force, Coast Guard, and Federal Civil Defense Administration; and (2) a civilian system for all other agencies, to be administered by the Veterans Administration.

Digitized by Google

Political executives represent the policy of the President. Career administrators have knowledge based upon understanding of Government and competence to give Government operations continuity. As a general rule, the line of distinction between these two roles can be drawn between the departmental management and bureau management, with political executives above the line. Heads of departments, deputy heads and Assistant Secretaries are clearly political executives. The number of political executives should be increased. There is a definite shortage of individuals with the right sort of ability for these positions. Employers should make it easier for their executives to serve. Larger salaries should be paid to offset discrepancies between Government compensation and industry. The salary level for Assistant Secretaries should be increased from $15,000 to $25,000 a year and the compensation of other political executives raised correspondingly.

There should be established a senior civil service with a strength of about 1,500 initially and 3,000 eventually. Rank would follow the man rather than the job. Members would be under obligation to serve where needed, and could be shifted without loss of pay or status. Compensation would run from the GS–15 level to the rate for Under Secretaries. The system would be administered by a Senior Civil Service Board which would make selections, review individual progress and make promotions.

A program for training and executive development goes

Digitized by Google

hand in hand with the senior civil service. Each agency should have a definite program. Each bureau should have a panel to review progress of trainees. Outside assignments in industry and other governmental systems should be used. Executive development must be governmentwide to supply managerial talent for the Government as a whole. Agency programs should have common features.

Other improvements in large scale personnel practice were proposed such as in performance rating, position classification, and veterans' preference.

Task Force on Procurement

The Secretary of Defense should create in his Office a civilian position with sufficient stature and authority to insure the establishment and maintenance of effective planning and review of military requirements. This official would, on behalf of the Secretary: maintain active liaison with the National Security Council, the Joint Chiefs of Staff, and their staffs; coordinate all guidance provided at the Office of the Secretary of Defense level to the military departments covering the preparation of requirements programs; and, provide for a system of effective review and analysis of defense plans and requirements computations.

The Assistant Secretary of Defense (Supply and Logistics) should direct a thorough evaluation of all existing coordinated purchase assignments and effect improvements in operations under such assignments.

The Secretary of Defense should designate the Assistant Secretary of Defense (Supply and Logistics) as the official of

Digitized by Google

primary interest in establishing Department of Defense policies for the reporting and managing of inventories. The Assistant Secretary should initiate departmentwide projects, and should establish policies to assure that the distribution policies and systems within each military department are followed uniformly on a worldwide basis within mission limitations.

The Secretary of Defense should formally establish a top procurement policy council with the Assistant Secretary of Defense (Supply and Logistics) as its authoritative and responsible chairman and with the other members being the Procurement Secretaries of the military departments.

The Secretary of Defense should establish a policy requiring each military department to develop and assign career-trained personnel to technical and executive posts throughout the field of procurement management.

Task Force on Real Property

There should be established a uniform system of Federal real property management in the executive branch of the Government. Within the Executive Office of the President there should be created the necessary organization to formulate policies, procedures and standards for the control of Federal real property management, including systems of reporting, accounting, and inventory records, fiscal procedures and agency coordination. There should also be created in the Executive Office of the President an Office of Public Works Coordinator which would be responsible for establishing policies, procedures, and standards for the engineer-

Digitized by Google

ing design and construction phases of Federal real property management, and for coordinating and evaluating plans for public and civil works programs prior to their submission to the Congress for authorization.

The responsibility and authority for real property management in the Department of Defense should be vested by law in the Secretary of Defense, and the Secretary should be authorized to redelegate to the military department Secretaries responsibility for management of operations of real property. The National Industrial Reserve Act of 1948 should be amended to provide that the management responsibility for all Government-owned or -leased industrial properties now classified in the National Industrial Reserve, and for all the machine tools and equipment classified in the National Industrial Equipment Reserve, be returned to the Department of Defense by the General Services Administration; and that the responsibility for supervising the management of industrial properties be vested in the Secretary of Defense, with responsibility for the management of the operation of industrial properties delegated by the Secretary of Defense to the Secretaries of the military departments.

There should be established by the Secretary of Defense a Joint Board for Real Property Management. This Board would be composed of the Assistant Secretary of Defense (Properties and Installations) as Chairman, and three members appointed by the Secretaries of the military departments with delegated authority for action in their behalf. The Chairman should have the power of final decision, subject to appeal by the members to the Secretary of Defense in case

Digitized by Google

of dissent. The Board would be vested with responsibility and authority for developing policies and regulations to govern real property management. The Board should study the organization, personnel, legal, and financial problems of real property management in the military departments and formulate recommendations for action.

The Assistant Secretary (Properties and Installations) should have a staff to act as a Secretariat for the Joint Board for Real Property Management; and, in behalf of the Board, to make inspections of operations in the military departments to determine compliance with real property management regulations of the Department of Defense.

Task Force on Food and Clothing (Food)

The Army Quartermaster General, or a food subsistence agency patterned after that organization, should be assigned responsibility for performing all major functions necessary for the acquisition and distribution of food for the Armed Services. Food subsistence inventories should be financed through a single stock fund managed by the food subsistence agency. Storage depots should be given an area distribution mission and be operated and maintained by the custodian military service, but under management control of the subsistence agency. Procedures for storage, accounting, inventory control, and other mechanics of operation, should be standardized. The Secretary of Defense, through the Assistant Secretary of Defense (Supply and Logistics), should develop a definitive charter within the framework of these principles, to delineate authority and responsibility, and to establish a

Digitized by Google

committee consisting of representatives of all the services, to advise the Assistant Secretary on food matters but without delegating the power of decision by the Assistant Secretary.

A uniform ration law should be enacted to authorize the Secretary of Defense to prescribe uniform rations and special rations for the military services. The preparation and service of food should be integrated with other food supply functions under one responsible authority in each military service.

A military career service in food supply and preparation should be established in each of the Armed Services. The authority and responsibilities of civilian personnel should be broadened and unnecessary military counterparts eliminated.

Task Force on Food and Clothing (Clothing)

Reorganization Plan No. 6 should be modified to have the Assistant Secretaries of Defense operate direct with the military departments, making them responsible for directing implementation, and enforcing uniform administration, of Department of Defense directives.

The Department of Defense should effect within its central organization supervision and control of the clothing "pipelines" as far as the depot level. A director of clothing should be established, reporting to the Assistant Secretary of Defense (Supply and Logistics), with responsibility for all aspects of clothing supply. The director of clothing should have on his staff an inventory controller.

A counterpart of the director of clothing should be established in each military department. There should also be counterpart inventory controllers in each service and at distri-

Digitized by Google

bution points. The department clothing directors should act as an advisory board to the director of clothing, who will have authority of decision. The director of clothing should monitor research activities.

The Quartermaster Corps of the Army, or an agency closely patterned after that organization, should procure all clothing, textiles, footwear and related items, for all services. A single working fund should be established, and the administrative costs of the purchasing office met out of the working fund through surcharges. Cross-servicing should be established at depot level for common clothing items, retaining the present separate depot systems.

Career development plans for both military and civilian personnel should provide for assignments in either general supply management or a particular specialty. Training should be developed for all levels in the clothing supply system. The duration of assignments should be lengthened. Military personnel specializing in logistics should have career promotional opportunities equal to those for the combat arms.

Task Force on Use and Disposal of Surplus Property

The Department of Defense should provide an adequate staff for the inspection, condition coding, and condemnation of personal property and establish clearly defined policies and uniform procedures to coordinate these functions. A group of merchandising experts should be established in the Office of the Assistant Secretary of Defense (Supply and Logistics) to assist the various disposal staffs throughout the Depart-

Digitized by Google

ment in the analysis of disposal inventories, in market analyses, in the selection of methods of sale, and in the coordination of disposal policies and procedures.

Responsibility should be placed in the Office of the Assistant Secretary of Defense (Supply and Logistics) for the inventory of machine tools and production equipment in the Industrial Equipment Reserves of the military departments, and for the coordination of such reserves with those held in Government-owned or -leased industrial plants which, as a production entity, are considered real property.

Subcommittee on Business Enterprises

All air transportation of a logistical nature should be centralized under one command. This would require merger of the Military Air Transportation Service (MATS—Air Force), the Fleet Logistics Air Wings (FLOGWINGS—Navy), the Air Materiel Command's Airlines Service (LOGAIR), the Navy's Transcontinental Charter Air Service (QUICKTRANS) and all other military airline operations not having direct tactical responsibility. This centralized command should furnish air transport service only over routes that cannot be serviced by United States private airlines.

The Military Sea Transportation Service should operate in its nucleus fleet only those vessels needed to carry the minimum supplies needed by the armed forces abroad which cannot be carried by United States commercial vessels.

The Panama Railroad and the Panama Steamship Lines should be discontinued.

Digitized by Google

Subcommittee on Depot Utilization

The Secretary of Defense should exercise positive control over the location, construction, assignment, and utilization of all Armed Service storage facilities. The Secretary of Defense and the Secretary of each military department should maintain a current inventory of all space under his jurisdiction, used or usable for storage.

An inspection force, skilled in supply operations, should be established in the Office of the Secretary of Defense to inspect storage installations periodically and report on compliance with Department of Defense directives. Procedures must also be provided for prompt corrective action.

Interdepartmental cross-servicing of facilities should be encouraged. Establishment of uniform methods, operating procedures and reporting systems should be accelerated.

A uniform system of accounting for storage operations should be established for comparison of costs and efficiency of individual operations. The system should provide for realistic comparison with commercial charges for like services.

The law governing transfers of storage facilities between the military departments should be amended to clear the way for ready transfer.

Subcommittee on Research Activities

The present organization plan in the Office of the Secretary of Defense for 2 Assistant Secretaries, 1 for Research and Development and 1 for Applications Engineering, should be studied for possible merger into one office.

Digitized by Google

The authority of the Secretary to withhold funds should be fully used to promote integration and effectiveness in departmental programs. Unwarranted duplication should be prevented at time of standardization for production. The Weapons Systems Evaluation Group should be shifted to contract operation and expanded by the Assistant Secretary to adequate size. The level of identified basic research is too low and should be significantly increased.

A separate Assistant Secretary is needed in each department, restricted to research functions, trained in science and technology, and experienced in the operations and administration of research and development. Each Assistant Secretary should have a small staff, similarly trained and experienced.

The military departments should make a realistic examination of their growing needs for technical officers, and expand their programs as necessary to provide officers trained in research and development. Rotation of officers should be limited to technical assignments and the length of assignment increased. Higher levels of compensation for civil service professional employees should be established, with a material increase in the number of higher level positions.

Subcommittee on Special Personnel Problems in the Department of Defense

There are circumstances that discourage able executives from serving as secretaries, deputy secretaries, and assistant secretaries. As recommended by the task force on personnel and civil service, compensation for Assistant Secretaries

Digitized by Google

should be about $25,000 a year, with salaries for other secretarial positions fixed accordingly. Conflict of interest laws should be reviewed for the purpose of simplification and clarification; having an appointee take an oath not to participate in decisions involving his company or financial interest should make the divestment of ownership in companies unnecessary. Efforts should be made to develop executives for the secretarial level, through planned use of schedule C positions, and promotion from one secretarial level to another. Competent career staffs must be provided for support and continuity.

Criteria should be developed for staffing support activities so as to delineate clearly the management and technical jobs to be filled in general with military officers and those to be filled with civilians. Military personnel would be assigned to positions in (1) combat-related support activities and in organizations essential to the functioning of operational forces exposed to potential enemy action, (2) supplier-related activities necessary for training for combat-related support, and (3) to provide user experience for supplier-related support activities. Civilians could function (1) where skills usual to the civilian economy are required, (2) where civilians can better provide continuity of management and experience, and (3) at fixed support activities.

A planned military career service should be established in specific support areas, and assignment and rotation made within those areas. The 2-year average tenure of officer personnel in support activities is too short for either efficient management or effective training. More equitable promo-

Digitized by Google

tional opportunities should be available in support activities, and compensation in the upper grades should be more comparable with private life.

Career civilian management personnel should have greater promotional and training opportunities in support activities. Compensation in the upper grades should be more nearly comparable with private life. The present civilian personnel system has not developed the management personnel needed. The proposed senior civil service would provide a top career group for the management of support activities.

Determination of numbers and types of manpower at every organization level should be associated with the responsibility for personnel administration. More adequate plans should be developed for rapid staffing in time of war.

Subcommittee on Transportation

The management of traffic and transportation in the Department of Defense should be administered by an official at the Assistant Secretary level. This official should have necessary authority to direct all traffic management activities—passenger and freight—in the military services, including the development of organizational combinations, issuance of policy directives, supervision of placement and training of key civilian personnel, rate negotiations and routing policy, and controlling policy for use of military commercial-type transportation. This official should have enlarged budgetary power, and closer liaison with the Assistant Secretary (Comptroller) in development and approval of the transportation section of the defense budget.

Digitized by Google

The officer rotation policies of the individual services should be carefully examined by the Department of Defense from the standpoint of their effect upon traffic management.

A central auditing organization for transportation billing for all the military services should be established. The present program of the Military Air Transportation Service to install a new system of accounting should be completed, and more accurate cost data developed before applying an industrial fund plan.

The Military Air Transportation Service should be made the real logistics air arm of the Department of Defense by consolidating under it all the separate transport-type activities of the other services. Peacetime operations should be limited to the level necessary to maintain minimum war readiness.

The effect of the nucleus fleet concept of operations for the Military Sea Transportation Service should be reevaluated under the established national maritime policy. There cannot be 2 American merchant marines, 1 military and 1 civilian, operating independently and, at times, toward divergent ends.

Operation of the Panama Railroad should be discontinued, on the basis primarily of Department of Defense conclusions that it is not justified by defense considerations, and since its remaining traffic can be absorbed by canal and highway. The Panama Steamship Line also should be discontinued.

Digitized by Google

Digitized by Google

Appendix B

Steps in the Development of Department of Defense Organization[1]

There have been five important milestones in the evolution of the Department of Defense as it is known today. These milestones are:

1. Establishment of civilian supervision by the Constitution and in President Washington's first Cabinet.

2. The steps leading up to unification.

3. Passage of the National Security Act of 1947, unifying the three military services into a Federal National Military Establishment.

4. The changes made in the National Security Act in 1949, strengthening the position of the Secretary of Defense.

5. Reorganization Plan No. 6 of 1953, which further strengthened the position of the Secretary of Defense and started a trend toward functional "vice presidents" in the Office of the Secretary of Defense and the three departments.

Constitutional Provisions

The Constitution provided that "The President shall be Commander in Chief of the Army and Navy of the United States, and of the Militia of the several states, when called into the actual service of the United States; * * *" It has

[1] Exhibit B–1 charts this development.

Digitized by Google

been clear from the beginning that the President is the military head, as well as policy head, of our national defense forces. The principle of civilian leadership was extended to the Cabinet level when President Washington formed his first Cabinet and appointed a civilian Secretary of War. In forming the Department of Defense, a civilian executive structure was placed at its head and at the head of the three component military departments, continuing the history of civilian leadership.

Beginnings of Unification

During World War II, President Roosevelt appointed Admiral William D. Leahy as his personal Chief of Staff. Admiral Leahy assisted the President in coordinating the military efforts of the two separate departments, War and Navy. While he had no command functions, the creation of his position was the first step toward unification. Toward the end of the war, there was much talk of the need for unification, encouraged by the success of unified commands of ground, air, and naval forces.

After the war, attention continued to be focused on unification and there was much public debate on the subject. Secretary of the Navy James Forrestal appointed Mr. Ferdinand Eberstadt in June 1945 to make a study addressed principally to the question, "Would unification of the War and Navy Departments under a single head improve our national security; and, what should be the form of postwar organization for Defense?" The recommendations of the

Digitized by Google

Eberstadt Report actually became the foundation on which the National Security Act of 1947 was built.

Secretary Forrestal proposed a federation of the two existing military departments and a third, a Department of the Air Force. He felt that the military organization was so huge and diverse that it could operate effectively only on a decentralized basis, held loosely together in a federation of military departments, with the Secretary of Defense serving principally as a coordinator. His reasoning followed these lines:

> Even a single one of the armed services, like the Navy, is so big and sprawling, especially during war, that it becomes unresponsive and unwieldy under highly centralized direction. This defect would treble, at least, if the Army, Navy, and Air Force were rolled together. No single head of such an agglomeration could assemble, assimilate, and assess the data he would need to make a multitude of administrative decisions. Nor could he build a staff numerous enough to police his decisions once they were made.
>
> A Secretary of Defense who tried to administer the three services together would become so swamped that he could not make his proper, well-thought-out contribution to the policy-forming deliberations described earlier.
>
> The civilian head of a military service already has more responsibility and authority than he usually knows what to do with. Civilians step into a secretaryship only vaguely acquainted with the matters of strategy, tactics, weapons, and logistics that come before them. They must acquire what Churchill referred to as "much practice as a Minister in handling things I did not understand." Until they have that practice, they may fall easily into 1 of 2 pitfalls: (*a*) become the unwitting captives of their military advisers or (*b*) become isolated, ill informed, and imprudent.[2]

[2] Eugene S. Duffield, "Organizing for Defense"; *Harvard Business Review;* September–October 1953.

Digitized by Google

The Army, under the leadership of Secretary Patterson, was pressing for a merger of the services into a much stronger and more authoritarian department. According to the plan, the Secretary of Defense would be clearly in command of the entire military effort. Under him would be 1 military chief of staff who would issue orders direct to the 3 departments. There would be no Secretaries of the subordinate departments.

The National Security Act of 1947

The National Security Act of 1947 largely followed the Forrestal plan. It set up the National Military Establishment, a new concept in Government. The three Departments of Army, Navy, and Air were Cabinet departments; their Secretaries were members of the Cabinet with direct access to the President. The Secretary of Defense was primarily a coordinator and, in effect, was dependent mainly on persuasion.

The act embraced the concept of decentralization of authority to the three military departments, and provided for professional military advice to the Secretary of Defense and the President by a tripartite Joint Chief of Staff representing the three service departments. It provided that the departments * * * "shall be administered as individual executive departments by their respective Secretaries and all powers and duties relating to such department not specifically conferred upon the Secretary of Defense by this act shall be retained by each of the respective Secretaries."

The staff of the Secretary of Defense was very small. He

Digitized by Google

was given only 3 special assistants and 3 coordinating boards: the War Council for nonstrategic planning, the Munitions Board for materiel planning, and the Research and Development Board for coordinating research programs.

Changes Growing Out of the First Hoover Commission

The amendments to the National Security Act of 1949 resulted from the first Hoover Commission report on national security. These amendments had the effect of strengthening the position of the Secretary of Defense and moved toward the original Patterson plan of organization. The amendments brought about these important changes:

The Secretary of Defense was made the principal assistant of the President in matters of national defense.

A full-time, nonvoting chairman was provided for the Joint Chiefs of Staff.

The National Military Establishment was replaced by an executive department, the Department of Defense. The Secretaries of the three service departments were removed from the Cabinet and from direct access to the President.

Whereas the 1947 reorganization had reserved to the three military departments all authority not specifically granted to the Secretary of Defense, the 1949 legislation placed the military departments under the "authority, direction, and control" of the Secretary of Defense.

More executive staff was given to the Secretary of Defense in the form of a Deputy Secretary and three Assistant Secretaries.

Following a proposal of the Hoover Commission that the Secretary of Defense be given responsibility for the development of the defense budget and for the control of funds, title IV was added to the National Security Act, establishing a statutory position of Comptroller for the Defense Department and for each service department.

Digitized by Google

Changes Resulting From the Rockefeller Report

Reorganization Plan No. 6 grew out of the Rockefeller committee report [3] and moved the Department of Defense further from the Forrestal idea of a decentralized federation. It attempted to strengthen further the position of the Secretary of Defense by tripling the number of Assistant Secretaries and by increasing the power of the Chairman of the Joint Chiefs of Staff. These were the main changes under this reorganization plan:

The President asked each of the military services to study and to report on its organization problems. This resulted in the Gates report in the Navy, the White report in the Air Force, and the Davies report in the Army, followed later by the Secretary of the Army's plan.[4] The general effect of these departmental organizational studies was to recognize and give increased organizational status to the defense support activities. Also, they moved toward more civilian control by proposing the addition in each department of two more Assistant Secretaries to be responsible for particular functional areas.

Six new Assistant Secretaries of Defense and a General Counsel were added, making a total of 10 functional "vice presidents." The Munitions Board, the Research and Development Board and the Defense Supply Management Agency were abolished and their functions were assigned to the Assistant Secretary for Supply and Logistics and an Assistant Secretary for Research and Development.

The Assistant Secretaries were clearly established as staff officers to the Secretary of Defense, with no command relationship to the military departments.

---

[3] Rockefeller report: *Committee on Department of Defense Organization,* April 11, 1953.

[4] Gates report: *Report of the Committee on Organization of the Department of the Navy,* April 16, 1954; White report: A report to the Secretary of the Air Force from Assistant Secretary H. Lee White; Davies report: *Organization of the Army,* Report of the Advisory Committee on Army Organization, December 18, 1953; *Secretary of the Army's Plan for Army Organization,* June 14, 1954.

Digitized by Google

Digitized by Google

The primary plann
in the *National Secu*
moving the Joint Chi
revision of the *Key*
mission of the Joint C
duty.

The Chairman of t
select the members of
manage their work.

Digitized by Google

The primary planning role of the Joint Chiefs of Staff as expressed in the National Security Act was reaffirmed and emphasized by removing the Joint Chiefs of Staff from unified command authority (a revision of the Key West agreement). The planning and advisory mission of the Joint Chiefs of Staff was declared to be their primary duty.

The Chairman of the Joint Chiefs of Staff was given the power to select the members of the Joint Staff, to determine the tenure, and to manage their work.

Digitized by Google

Digitized by Google

Appendix C

Present Organization of the Department of Defense

- Office of the Secretary of Defense
- Department of the Army
- Department of the Navy
- Department of the Air Force

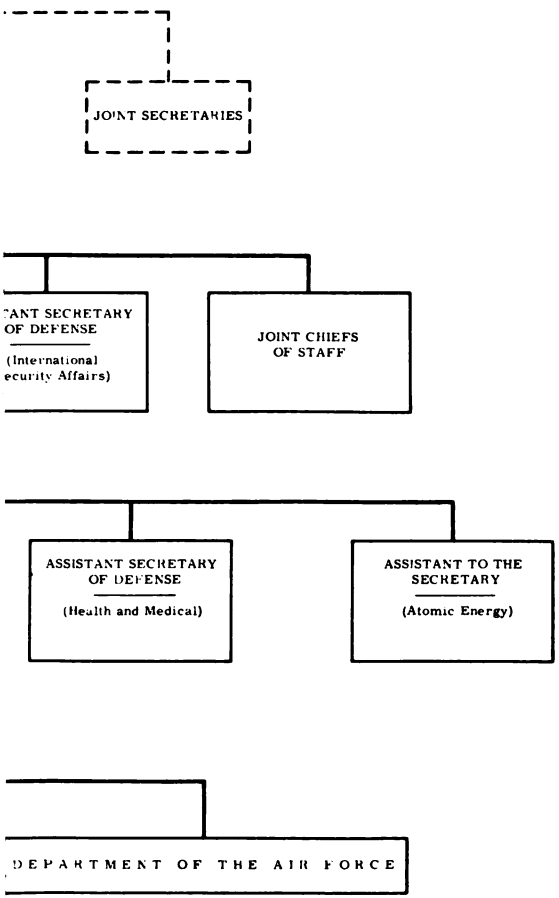
UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1955

For sale by the Superintendent of Documents, U. S. Government Printing Office
Washington 25, D. C. - Price $1

Digitized by Google

Digitized by Google

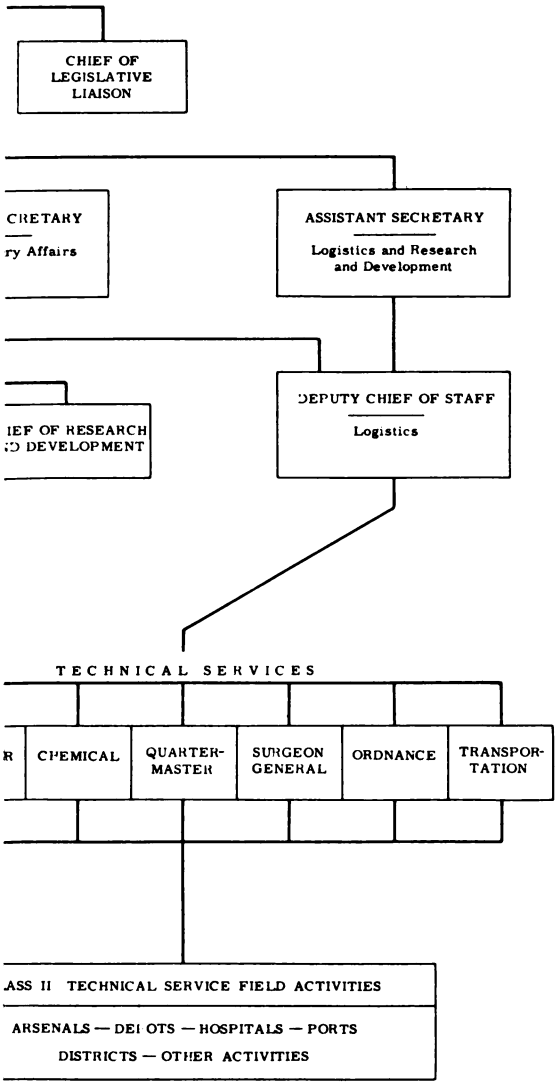
SE



347790 O - 55 (Face p. 152) No. 1

Digitized by Google

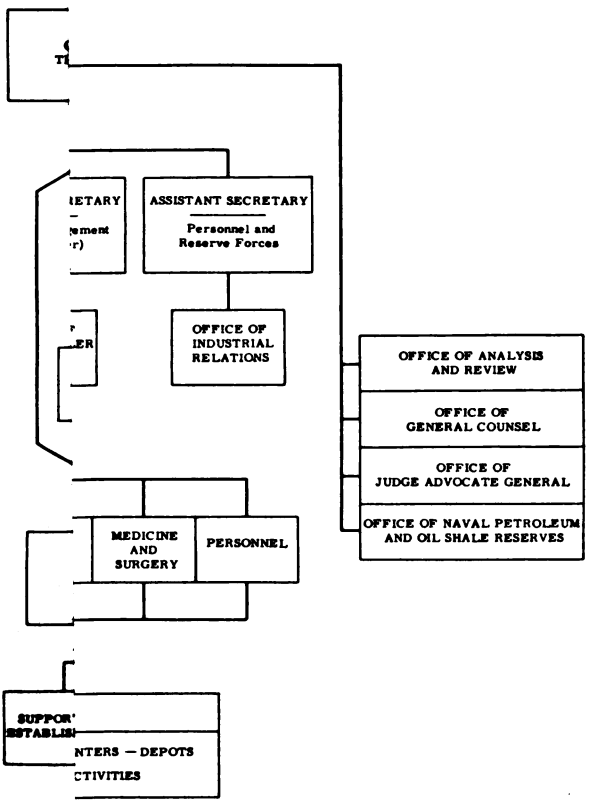
Digitized by Google



347790 O - 55 (Face p. 152) No. 2

Digitized by Google

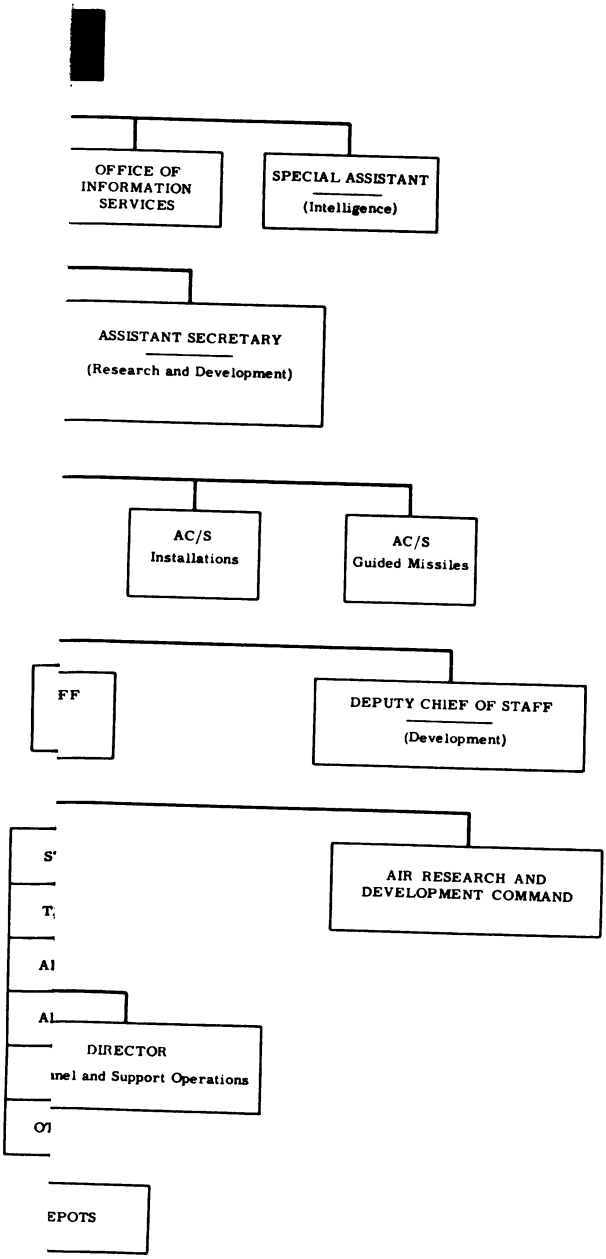
Digitized by Google



347790 O - 55 (Face p. 152) No. 3

Digitized by Google

Digitized by Google



347790 O - 55 (Face p. 152) No. 4

Digitized by Google

Digitized by Google

Digitized by Google

Digitized by Google

UNIVERSITY OF MICHIGAN
3 9015 02245 1044

Digitized by Google

JAN 10

Digitized by Google