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PROPOSED REMARKS OF THE DIRECTOR OF LOGISTICS

BEFORE CONGRESS

FISCAL YEAR 1950 BUDGET

Gentlemen, I will outline some of the major features of the logistical support of the Army as embodied in our estimates for fiscal year 1950. As you know, the detailed estimates are contained in the budgets of the Technical Services and will be justified later to you by the Chiefs of those Services. I would like to give you a somewhat broader picture of the logistical situation than any of the Chiefs will present.

The logistical functions in support of the Army and in partial support of the Air Force are these:

Research and development.

Medical service including hospitalization.

Operation of supply depots and other supply facilities.

Real estate activities.

Transportation and communication services.

Operation of ports of embarkation.

Demilitarization of materiel.

Maintenance and operation of facilities.

Procurement of supplies and materials.

Maintenance of equipment.

Procurement of equipment.

Industrial preparedness.

Construction of facilities and housing.

I will touch on each of these functions briefly, describing our plans for fiscal year 1950 as set forth in the supporting estimates.

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RESEARCH AND DEVELOPMENT

You have heard the excellent presentation by Dr, Karl Compton, Chairman of the Research and Development Board, on the subject of research and development activities in the National Military Establishment. You are well acquainted with the absolute necessity for a comprehensive Army research and development program as the one means of maintaining the technical superiority of our land forces.

For fiscal year 1950 we are requesting about $111.6 million. This is an increase of about $7.8 million over fiscal year 1949 funds of $103.8 million shown in the President's budget. This increase is attributable to several factors, which I should like to discuss off the record.

(OFF THE RECORD REMARKS)

Last year your Committee authorized funds for establishing the Army's General Research Office. This office, now called the Army Operations Research Office, has been established under contract with The Johns Hopkins University. Dr. Ellis Johnson has been installed as Director and a nucleus of his staff recruited. This represents the Army's first opportunity to enter the field of "Operations Research" or "Operational Analysis" and is the Army counterpart of the Navy's Operations Evaluation Group and the Air Force's Project RAND. Five high-priority Army problems have been assigned to this office for solution while two others are being formulated for presentation. Examples of these problems are: determining the optimum weapons system for antiaircraft defense and devising the most suitable materiel and techniques for use in psychological warfare. We feel an excellent start has been made and the Army, and other Departments as well, will profit materially by the scientific analyses of our past ways of doing things in order to find out how to do them better. Included in The Quartermaster General's request for funds is $2.08 million for continuing and expanding the work of the Operations Research Office in fiscal year 1950.

The $111.6 million requested in fiscal year 1950 for research and development amount to 22% of the National Military Establishment research and development budget already discussed

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by Dr. Compton and represents only about 2.4% of the total Army budget for fiscal year 1950. The latter figure should be compared with the 4 to 5% usually allocated to research and development by industry. I am sure that nowhere can so few dollars return such great dividends as in the research and development program.

MEDICAL SERVICE INCLUDING HOSPITALIZATION

Moving on the chart to the next logistical expenditure, there is an increase in the funds requested for medical service because the present shortage of doctors and dentists in the Army compels us to utilize civilian practitioners for some of the care of our personnel. Costs of this were estimated at current civil rates.

OPERATION OF SUPPLY DEPOTS AND OTHER SUPPLY FACILITIES

We plan to continue operation of 75 depots. This number remains relatively fixed for two reasons: first, all are sufficiently full to operate efficiently and to make evacuation of any an unduly expensive procedure; second, it seems unwise in the present international situation to weaken the logistical supporting system by closing any depots. The operation of the depots will be about the same as in 1949.

REAL ESTATE ACTIVITIES

Our real estate activity for the Regular Army will remain about the same. It is interesting to note that whereas funds required for rents and leases, disposal and management of real property amount to about $14 million, the anticipated income to the Government from sales, permits, leases, etc., will amount to about $9 million.

TRANSPORTATION AND COMMUNICATION SERVICES

Communication service for fiscal year 1950 remains at the level of this fiscal year. We are now operating far below commercial standards in that regard. Funds for procurement of commercial communication service are very restricted.

The cost of transportation for the Army results from a mathematical calculation, knowing the tonnage and personnel to be moved and the unit price of movement. In carrying out occupation and its other missions, the Army expects to move a half-million persons to and from overseas points, to supply five million measurement tons of cargo and to move three million short tons of supplies within the United States. To do the job the Army will operate 43 passenger vessels and 44 cargo ships. The bulk of the cargo will move in commercial bottoms the equivalent of the annual operation of 68 more ships.

OPERATION OF PORTS OF EMBARKATION

In connection with our transportation overseas of personnel and cargo, we will continue to operate the port installations at New York, New Orleans, San Francisco and Seattle. The scale of operation is at the 1949 level.

DEMILITARIZATION OF MATERIEL

The sale and salvage of military supplies, equipment and materiel is progressing satisfactorily. As you know, $25 million was made available to the Department of the Army in 1949 to carry out this program and this fund was derived from the sale or salvage of ammunition and equipment which was demilitarized because it no longer had military use or value. In the fiscal year 1950 the Army is asking authority to expend $22.5 million for this purpose, since we anticipate that at least this amount will be derived from the sale of scrap and components resulting from this operation. During fiscal year 1949 the Army is receiving $2 for each dollar expended in carrying out this operation and it is contemplated that this same ratio will be continued in fiscal year 1950.

MAINTENANCE AND OPERATION OF FACILITIES

I wish to present the funds for new construction in connection with those for maintenance and operation of facilities. New construction is budgeted for in the amount of

$12 million, which is within the remaining authorization for construction amounting to $15 million. The Army will request additional authorizing legislation and, upon passage, will ask for further appropriation for new construction. Of the funds now requested, $9 million are for construction of family quarters; these will each have 1,080 square feet, the size authorized by Congress for non-commissioned officers. The remaining $3 million cover a barracks at Camp Lee, Virginia, and seven high-priority non-housing projects, four of which are for research and development and three for port operations in Alaska.

In addition to the construction funds, the Army requests in its maintenance and operation funds, $31 million to convert temporary barracks into family quarters on an austerity basis. Approval of the new construction and of this item will allow the Army to obtain 6,548 more sets of family quarters. This is only a small fraction of its priority needs, but the effect will be very great. The serious effect upon the Army of shortage of family quarters cannot be over-emphasized. Large numbers of Army personnel are being forced to live under deplorable conditions and many of these are at the same time paying exorbitant rents. Others have invested their savings in houses at premium prices and will be forced to sacrifice these homes when they change station. Lack of sufficient housing has created a great morale problem for the Army. The Army is obligated to provide reasonable facilities for keeping together the families of Army personnel, for most of our posts are constructed in locations where the civilian communities are in no position to absorb the numbers involved.

Now with reference to maintenance of our facilities with the limited funds which we have been provided we have been able to perform what we call breakdown maintenance. This means that no repair is effected until the roof leaks and then only the part of the roof which leaks is patched. That is the type of maintenance which we have been able to provide within the limited funds allowed us for our temporary buildings since the war. Such maintenance is costly in both short and long term. Personal inspection indicates that unless we improve the standard of maintenance of our temporary structures, they will soon be beyond repair. Breakdown maintenance also increases operating costs. The water system which leaks

into the ground uses water which must be paid for even though all the water taps on the post are turned off. Eventually one can operate the pumps and buy water without having it reach the consumer. The funds requested in this budget are sufficient only to maintain our facilities at this present standard. The Chief of Engineers will justify these funds to you in greater detail at a later date.

PROCUREMENT OF SUPPLIES AND MATERIALS

The procurement of supplies and materials means the purchase of food, clothing, spare parts, individual equipment for personnel, material for maintenance and repair and generally consumable materials. Included are the spare parts and materials used to maintain both facilities and equipment. In this category of procurement we are at or below the 1949 level except in one field where the situation was so bad that we had to provide additional funds. In our estimates for food we are relying upon a slight decline in prices. In the matter of many spare parts and materials, we are in a precarious position. It is true that after the war we had large stocks of parts. However, each year these stocks become exhausted in respect to more and more items and our need for replacement funds grows. The Chiefs of Technical Services will explain in more detail the extent to which stocks have been exhausted. The stock levels of spare parts are inadequate in several categories of Ordnance, Transportation, Chemical and Engineer supply, but we have been able to make only a partial improvement in the most serious category of Transportation supplies. General Heileman, Chief of Transportation, will discuss with you this particular situation in detail. Much Engineer equipment must be deadlined for a long period when it breaks down because funds have not permitted stocking of necessary spare parts and delivery on spot-purchase cannot be effected quickly.

MAINTENANCE OF EQUIPMENT

Maintenance of equipment falls into two categories, maintenance of that which is in the hands of troops and maintenance of stock in depots. We will continue a reasonable maintenance

of troop equipment and minimum in-storage maintenance of our stocks. In our depots is equipment needing repair which is valued at more than $3 billion. The cost of the repair required is little more than $600 million. Of that equipment, we shall repair in 1950 only that which is needed to issue to troops or to the reserve components, insofar as the latter have appropriations with which to pay. This curtailment of our overhaul and rebuild program, which was launched with fiscal year 1949 funds, is acceptable on the basis that some issues will be made which will require overhaul and rebuild in connection with the contemplated North Atlantic Pact or some similar foreign aid arrangement.

PROCUREMENT OF EQUIPMENT

As you have been told, the Army in fiscal year 1950 will consist of 10 divisions, and part of their supporting troops and services. The equipment in the hands of this force costs about $4 billion new. The average life of this equipment is estimated to be about 8.7 years. On this basis, we should have $460 million a year in procurement of new equipment merely to replace equipment as it wears out. Actually we ask for $366 million in these estimates. That is possible because we are at the same time using up our depot stocks from the war. However, you must note that in this process we are constantly depleting our war reserve. Also we very slowly modernize the armament of our personnel. We are trying to effect modernization in the most economical way; namely, by buying improved materiel when a considerable replacement of a given item is necessary. Thus we intend to buy vastly improved radio sets to fill existing shortages. Economy is served only when our purchase of any given item is in sufficient quantity to secure the benefits of large-scale production. In fiscal year 1950 we plan to procure automatic antiaircraft weapons for about 10 battalions. This is a gun known as the "Skysweeper" - outstanding and far in advance of any known similar weapon. In this fiscal year 1949 we embarked upon a program of modifying our medium M-26 tank to make it the equal or superior of any medium tank in existence. In these estimates we ask about $26.5 million to keep that production line going at the rate of about one tank a day.

The result will be less than our requirements for the active Army, but it will prevent the costly experience of stopping a production line and starting it up at a later date. During this present fiscal year we initiated a program on a small scale to replace worn out tactical vehicles. In this request before you, we are asking for funds to continue this replacement on a somewhat larger scale. With the exception of those on current procurement, the youngest of our military type trucks came off the production line in 1945. By the end of fiscal year 1950 these will be six years old and by the time delivery of the vehicles here programmed is obtained, our youngest vehicle will probably be seven years old. Remember that the rest of our trucks are from one to three years older than these youngsters. Such old trucks are not suitable to ship overseas with troops in emergency - they would break down under arduous service and put our men at a considerable disadvantage. We want therefore to begin buying new trucks for replacement at the same time that we are using up our stocks of World War II vehicles. Included in our procurement are many lesser items in smaller amounts. Especially important is the procurement of service test models in small quantity. By use of these we test out the results of our research and development program.

INDUSTRIAL PREPAREDNESS

You see that because of our small procurement program, we are depleting our war reserve. Also, because we can afford to procure only a few items each year, we are not keeping American industry familiar with the Army's manufacturing needs and the know-how necessary to produce them in quantity by mass production methods in an emergency. In these circumstances, it is advisable and indeed imperative to devote considerable sums to measures of industrial preparedness. The best industrial preparedness is achieved by an orderly, sizeable, annual program of procurement as was so ably brought out in the Finletter Report, "Survival in the Air Age." Since we cannot afford such a program of procurement, we are asking a considerable increase in the funds devoted to industrial mobilization.

Mr. Carpenter, the Chairman of the Munitions Board, and other representatives appeared before you the last of January and explained in detail the position of the National Military Establishment with respect to industrial preparedness. The Army indorses this program and we propose to implement our share.

Part of our industrial preparedness consists of maintaining standby plants and a partial machine tool reserve. The plants are concerned with manufacture of ammunition, explosives and chemicals which are not required or readily manufactured by the civilian economy. The funds requested are to maintain these plants in such condition that they can be restored to operation in a reasonably short time; there is no marked increase of funds in this category of industrial mobilization. The machine tools for the reserve have been hunted down and are being shipped into assembly points for storage. The processing, storage and care of these tools require further funds. A very large increase has been asked in the funds devoted to working with industry. Thus far, our work with industry has consisted chiefly of obtaining rather cheaply preliminary plans as to production of military items. We should now proceed to more detailed and costly studies and, where necessary, to tooling up and even in some cases to a small quantity production to test out the production techniques. Such planning measures are essential if industry is to be ready to convert promptly to military production, as, for example, from an electric appliance plant to a facility producing rocket launchers. The steps begin with planning by management and production engineers and progress to the design of jigs, dies, tools and fixtures. When the item is important and the manufacturing process difficult, the planning may proceed to the physical acquisition of at least some of the special tools and fixtures required. It may be of such importance and complexity as to justify setting up the production line for a short run so that the efficiency of the planning can be tested, and labor and management both given the essential know-how.

The result of such carefully planned measures is that production to arm our forces in the event of war can be expected six months earlier in those fields which have been prepared than in similar fields where there has been no industrial preparedness. We buy time,

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time that would enable our men to face an enemy confidently months sooner than would otherwise be possible. A dollar spent in industrial mobilization will buy many times the manufacturing know-how of the same dollar spent in procurement.

In closing I should like to point out that we have carefully allocated the limited funds in these estimates to provide the best balance we could among the various functions which make up logistic support and to give emphasis to the most imperative needs at the expense of essential but less important requirements.

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