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**Paul**

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ADDRESS BY  
THE HONORABLE GERALD R. FORD, JR.  
TO THE AFSC MANAGEMENT CONFERENCE  
MONTEREY, CALIFORNIA  
MAY 4, 1962

A CONGRESSIONAL VIEW OF MANAGEMENT

General Estes, General Schriever, members of the military and representatives of industry. I consider it a great privilege and high honor to have the opportunity of being here and participating in this most worthwhile conference. Unfortunately it has not been my privilege to be here as long as I would have liked and perhaps I can't stay as long as I would prefer. However, the short time here has been very enjoyable and, I am sure, will be educational.

If I could divert from what I originally intended to say at the very outset, I think it is someone's duty here to put certain facts on the line and in perspective. I had no sooner arrived than I heard that there was some feeling on the part of those who are here, and I presume this is indicative of the way many people feel elsewhere, that the military and those engaged in industry related to the military were somewhat suspect. About income tax time every year anybody connected with the federal government or any industry that to a substantial degree depends on the federal government are to a degree under suspicion. And for one reason or another -- I don't know whose fault it is -- most of this suspicion is aimed toward those who spend most of the money for Uncle Sam.

It was my privilege a couple of days ago to speak to the Michigan Chamber of Commerce when their representatives were in Washington. Each of us in the



Michigan delegation was asked to say a few words to this evening meeting. I decided to take a look at how the increase in expenditures for the military had increased for the last ten years and how the increases in expenditures for the non-military agencies of our government had increased. It was surprising to find that if you start with July 1, 1953 as a reference point, and include the projected spending under the 1963 fiscal year budget, the increase in spending for the Department of Defense and all its related agencies will have gone up approximately twelve percent; whereas, the increase in non-defense expenditures, using the same reference point, will be ninety-four percent.

Unfortunately in my judgment the public doesn't appreciate these facts and regrettably most of the adverse comment that you get from taxpayers about this time of the year is, "What can we do about holding down our expenditures in the three military services?" I think it would be well for somebody somehow to cast some suspicion at the increase, the percentage increases, that have taken place in non-defense expenditures in recent years. This, I feel, is an area that needs plenty of public attention and action.

Now I think it's well that your speaker be put in proper perspective. Nothing is more obnoxious to me than a politician who seeks to place a halo over his head. And, I have found in my experiences that there are two wonderful ways to have this remedied, if a person is so disposed: One, your colleagues in the House do a remarkably good job; and Secondly, I am sure all of us would understand that our wives can also do quite well. I have a story to illustrate each, but I'll take only the time to tell you the one that took place on the floor of the House a few years ago. In 1951 I had just become a member of the House Committee on Appropriations during the Korean War. At that time I was



a very junior member of the committee that had jurisdiction over funds for the river, harbor, and flood control projects. During the Korean War we felt that it would be wise to not initiate any new projects and not go beyond the budget in any of those that were underway. And so, the unanimous recommendation of our committee was to be tight-fisted and tough. We took our bill to the floor. We thought we would be acclaimed. The net result, however, was that our colleagues didn't approve of our firm attitude for economy. This is not surprising, I guess, even in those days because river, harbor, and flood control projects have a unique attractiveness to politicians. Anyhow we did our best. We were subjected to criticism and each of us on the committee, five in all, took our respective turns seeking to defend our handiwork. Finally, as the junior member of the minority side I took my books and papers and went to the podium to speak for about a half an hour, doing the best job I could. I concluded with a feeling of satisfaction and pride. It was my feeling that I had done a mighty good job. I picked up my documents and walked up the center aisle. Really I was very self-satisfied. About half way in the center aisle a good friend of mine, a Texas Democrat, grabbed my arm and said, "Jerry that was the best Texas Loughorn speech I ever heard." I was apprehensive but naturally asked him what he intended. He smiled very sweetly.--He had a wonderful personality. He said, "Well Jerry, a loughorn speech is one that has two points, far, far apart with plenty of bull in between."

May I again commend General Schriever and the Air Force for sponsoring this conference. I can assure you that our committee and myself wholeheartedly endorse the stated purpose, which is included in the brochure, to exchange views and gain mutual understanding of the problems we face together in



acquiring systems for the Air Force in the environment which exists today. As a member of the House of Representatives, I am particularly pleased to be here representing the 537 members of the legislative branch of our government and more specifically the 13 members of the sub-committee on the Department of Defense appropriations. Even though we are from the legislative branch, I feel that we are a part, an integral part, of the team that has this awesome responsibility. In the broadest sense, the 537 members of the Congress, among their myriad of other responsibilities, are members of the Board of Directors for the Department of Defense, which, as you know, is an organization that has unbelievable responsibilities in this day and age for the 180 plus million Americans, who are the real stockholders in this massive business operation.

Sometimes it's well to review, if even hurriedly, <sup>the</sup> ~~the~~ major responsibilities of this large board of directors. First, the Congress has the responsibility to enact legislation and to establish policies domestically that will provide an economy now and in the future sufficiently strong to meet any commitments at home or to the free world. Secondly, we have the responsibility to provide adequate funds and necessary legislation to insure fully our national security from any externally or internally threat or challenge.

Now, I know that there are many here, and I, myself, who might disagree from time to time with that the House or the Senate or the Congress as a whole does. Nevertheless, despite my disagreements and perhaps yours, I suspect every American with very few exceptions will have to agree that the methods, the system we have for accomplishing what is for the best interest of all of us is unsurpassed anywhere, anytime in the history of the world. But to



visualize the magnitude of the operation that this Board of Directors of 537 has, it might be well to give you a few figures. We have to somehow collect and somehow disburse almost a hundred billion dollars every twelve months. And this Board of Directors has the direct responsibility as the legislative branch for the employment of approximately 2,500,000 civilians and approximately 2,800,000 men and women in uniform.

More specifically the sub-committee of which I am a member which handles the Department of Defense appropriations has the annual initial, but also I assure you a continuing, responsibility for the funding operations of the Army, the Navy, and the Air Force. Although we deal primarily in dollars, we are of necessity are concerned with policy, with programs, and may I emphasize, most importantly with results. To implement policy, to execute programs and to obtain results, we believe there must be effective management.

As I was trying to put together some remarks for this meeting this morning, I tried to visualize where, on an organization chart, this sub-committee of which I am a member would fit. It seems that the best location would be where you would normally have a finance committee in a corporate structure. Or to some extent we could be labelled as comptrollers. Over the years I've heard from many people in the various military services that it is horrible to have just one comptroller. I suspect this is true in business as well as in the military. I am positive that it is not considered advisable by the operations people to have 13. But, nevertheless, to a degree we do fit in this category.

May I add two footnotes right now. First may I make the observations that finance committees or those with similar responsibilities whether in the





visualize the magnitude of the operation that this Board of Directors of 337 has, it might be well to give you a few figures. We have to somehow collect

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obviously people to make it. But, nevertheless, to a degree we do it in the military. I am positive that it is not considered adequate by the to make that one comparison. I suspect that it is to progress as well as being from what people in the military military services that it is possible to to some extent we don't do anything as comparisons. One of the things I do have a lot more money normally make a finance committee in a comparative approach of either I am a member money etc. It seems that the best position money be money. I think to analyze more: an organization that, this approach

as I am going to be covered some extent for this meeting this to obtain results, we believe that we are effective management. Most important after results. Do management better, to exercise problems and the of necessary we consider after better, after problems, and we I believe that we are the real, and the very best. We should be very important to realize, we should have a committee, responsibilities for the financial obligations of the the development of defense obligations and the various things, and also I

have responsibility for the approach of either I am a member after results 5'000'000 and and money in military. Please for the employment of approximately 2'200'000 citizens and approximately and this would be possible and the direct responsibilities as the responsibility and various things are things a number of things that are really very important. But, it seems to me to have a lot of the things. We have to somehow collect analyze the situation of the obligations that this board of directors of 337



Congress, the military, or in a corporation seldom win popularity contests. Secondly I would be most remiss if I failed to indicate to you that there is another finance committee in the Congress; namely, the Senate Sub-Committee on Defense Appropriations. Now, although we traditionally have our differences, of necessity before we adjourn we must resolve any disagreements.

The sub-committee's judgment has on occasion been challenged and perhaps rightly so, on the basis that we were not qualified to make decisions involving military policy and weapons systems on a 50-million-dollar annual appropriation bill. Superficially one could argue that seven lawyers, one engineer, one accountant, one newspaper publisher and three business men lack the essential qualifications to pass judgment on the vital issues, the technical problems, and the multi-billion dollar measure.

Perhaps I am prejudiced but I feel this view can be refuted and let me give my own arguments. One, the members of this sub-committee have a long tenure in the Congress and have had many years' service on this committee. We have been most fortunate in my judgment to have as our Chairman, George Mahon of Texas, who has been a member of this committee for over 22 years. Most of the members of the committee have service on the group of over ten years. Those of you who have been privileged, and this is a matter of personal opinion perhaps, to come before the committee I'm sure are familiar with one of our most dramatic, unusual, and honestly most knowledgeable and constructive members, Dan Flood. Dan's been a member of the committee about ten years and I'm sure some of you have heard him say, "Admirals and Generals come and go like greyhound busses before this committee, but we've been here ten or more years." I think ten years of continuity in office does make some difference.

In addition, as many of you know, we hold extensive annual hearings plus a number of on-the-spot investigations on a world-wide basis, not only by us



but by our staff. We have a career staff and we are fortunate to be able to draw on some other highly competent and qualified people to make special investigations. I brought along several of these investigative reports just to show you that we have some evidence. Here's one, "Management and Procurement of Aircraft Spares and Spare Parts." I might say that the content of this report was helpful to our committee this year in drawing up the recommendations for the bill that came to the floor in mid-April. And fourthly, this particular group of thirteen, as far as I know, approaches the appropriation bill for the Defense Department on a completely non-partisan and non-political basis whether there is a Democrat in the White House or a Republican.

Could I add this final comment in this area? Certainly if we believe in our form of government where we have the three equal branches, you must agree that our subcommittee in the Congress has the responsibility and even more the obligation to listen to the recommendations of the executive branch of the government primarily and/or others and then make an independent judgment.

I concede the legislative branch is not infallible, but our batting average over the years hasn't been too bad. And, I might just add this, that a month or six weeks ago most of you are familiar with the problem we had on the floor of the House about whether the Committee on Armed Services should direct the Department of Defense or the Air Force to proceed with the procurement of the B-70. The Defense Department, in order to justify its position, did some research work on the question whether the Defense Department and the Chief Executive had been following recommendations of the legislative branch over the years on military matters. We had been trying for years to get some opinion from the executive branch on this point without success. Finally when



it served their purpose, we got the best evidence one could imagine. The Department of Defense in a detailed memorandum showed that over a period of six years (fiscal years 1956 through 1961) the executive Branch of the government followed the recommendations of the Congress 28 times in toto. In nine additional cases during this same period the executive branch followed the recommendations of the Congress more than 50 percent. Now this is not a bad betting average as I indicated earlier.

I imagine there are those who feel that in this day and age of automation in industry, the Air Force and in our individual homes that the Congress itself should update its management tools. However, I am willing to make a substantial wager and give excellent odds that the Congress will be the last stronghold against the onslaughts of automatic data processing. An R&D contract to automate politicians, I feel would be most suspect. As a matter of fact we have and undoubtedly will continue to do most of our job by hand. This brings to mind a story I heard a few months ago about a school superintendent way up in the cold, hard, rugged area of northern Michigan. They had a relatively small school district; they were faced with consolidation; and as they consolidated and acquired more school districts, the school board decided they had to find out about how to run their school system more efficiently. So the school board decided to send their rather young and eager superintendent down to New York to learn about management methods and automatic data processing. He took a plane from the northern part of Michigan and flew to New York. He arrived there late in the evening and went to his hotel. He was a little fearful and apprehensive, this being his first trip to this vast metropolis. The next morning he got up bright and early and went to the building where there was a

convention for school superintendents and others connected with education. In this facility there was a tremendous demonstration on how to improve the management of your school system. He was particularly interested in how all these new electronic devices would be beneficial to his district. So he took the elevator from the first floor to the second floor. He got off and walked in to see a tremendous bank of automatic data processing equipment. To him it was just fantastic. He was so overwhelmed that he just turned around and walked back toward the elevator. One stopped; he got on. He was the only person that was on the elevator going up; the door closed; he went up one floor and for one reason or another a whole mob of people on the third floor surged into the elevator and he was pushed way over in one corner. Among those who had gotten on on the third floor were one or two young ladies and as the elevator door closed and the elevator started up, one of the young ladies said, "Who pinched me?" This poor school superintendent didn't say a word, but simply thought to himself, "Thank God, something's still done by hand."

May I say with emphasis that it would be helpful to all parties in this team operation, if we are to achieve maximum management objectives, if we could increase the communication between all of us. You've heard this many, many times--that a free flow of information and a better use of information would be most helpful. As a member of Congress and particularly as a member of our committee, may I say that we receive the benefit of the excellent brochureship of industry and of the various military services. We feel this information is helpful and we use it. But, may I suggest some reciprocity. Our committee and other committees in the Congress held extensive hearings and publish considerable



testimony. We submit committee reports. We discuss many of your problems on the floor of the House. I sincerely believe it would be beneficial if you gave us on our committee and those on other committees the same treatment that we try to give you. We read your communications; will the responsible military and industry people do us the same favor?

Let me add--and I hope that nobody here in the audience today is one that has had this experience--there is nothing worse as far as our committee is concerned than to have had our committee make a specific recommendation as to policy in its report, and then have a witness come before the committee the following year and show that he has not given the committee the courtesy of having read the report. Unfortunately this happens. On the other hand, it is most flattering and it creates a very desirable environment if any such witness on a point has shown the initiative to read the report of the previous year.

On the other hand, let me make another comment. I believe our committee feels very strongly on the issue of responsibility. Members of the Congress who are a part of this team go before their constituents with their record, good or bad, every two or six years. Depending on what the constituents feel, a member of Congress is either returned or defeated. Now, some theorists contend members of the House for example, should be elected every four rather than every two years. Personally, I disagree. I strongly feel it's wholesome for members of Congress to put their record on the line. This is a part of the peril of the profession.



This ought to be a peril of your profession. In our committee we have many military officers come before us. In instance after instance they have been there in their job one month or four months, or maybe a year. They are testifying on a subject or about a problem on which they didn't make the decision three or four years ago that created the difficulty today. When confronted with this situation our committee cannot condemn the witness who is testifying. We can only feel frustrated that there is something wrong with the system. If the decisions are wrong, there has to be a means of reprimand, perhaps failure of promotion. If we don't get responsibility with success for those who are right and failure for those who are wrong, we aren't going to solve the problems in the future.

And may I say, this also holds true in industry. You have a price, you have a delivery schedule and you have specifications to meet. We must find techniques or procedures so that you in industry also meet that test of responsibility.

From these two observations, and particularly the latter, I would like to address myself to what I and our committee think the government wants. Management can and must achieve this or we are not doing our job in this problem area. We want a product which has reliability, which has maintainability. We want a product that's delivered on schedule. And, we want a product at a price. Unfortunately at times, and perhaps the Congress is a contributing factor to this, there is a tendency to overemphasize or go overboard on price. I firmly believe that it's dubious management for the procurement officer or the supplier to make a judgment on price alone when there is an honest doubt that the de



delivery schedule will be met or that there will be non-conformity with the specifications. Even greater doubt is cast on the contracting parties if there is the expectation that those responsible will be bailed out by the change order technique.

Now what is the remedy, or what is the management tool that can be used to achieve these objectives? You are much more familiar than I with all names and designations used to identify the multitude of contracts types, the myriad of procedures and methods. But there is one in the contracts area that has more or less come along rapidly in the last several years that appeals to us based on our knowledge of its objectives. This is the incentive type contract. We are sympathetic to the incentive type approach with the government and the supplier jointly benefiting from the achievements or the results. I'm not an expert in how this contract can be written nor in the techniques that can be used precisely to achieve it. But, I am sure we will be able to find a contracting technique between industry and the military services that will provide three things: One, a reward for cost reduction; two, a reward for delivery pursuant to the schedule; and three, a reward for performance according to specification with emphasis on reliability, maintainability, and standardization.

Perhaps this is an oversimplification of a very complex problem. But there is certainly ample evidence that for one reason or another the past techniques, procedures, and methods have to a varying degree failed to meet the challenge in this complex industrial age. Previous techniques have created uncertainty at the outset; they have created uncertainty at the end. I strongly



suggest that we should maximize our efforts to come up with a solution to this confounding and perplexing difficulty.

However, the incentive type contract brings up a point, a problem that is not new to our committee and certainly not new to you. And if we go to the incentive type contract on a broad basis, this problem must be licked. Congress itself can't legislate in this area. It is the problem of inadequate, unreliable initial cost estimates. The solution, as we see it, must come from the Air Force, the Army, or the Navy and from industry. I don't think you can have a bonafide incentive type contract that will satisfy the Congress unless you can come up with greatly improved initial cost estimates.

Related to this point it would be the consensus of our committee that program packaging with long-range cost projections are sound. This approach is a very helpful tool to our committee. We have been urging a program of this nature for several years. However, its validity, the validity of the program packaging program with a five-year projection is predicated on the reliability of the initial cost estimates. I can only say that if two or three years from now our committee finds that the projections given to us in '62 on which we made basic decisions are unsound because of invalid original cost estimates, I don't think the committee would be as endeared to program packaging as we may appear to be today.

Now, one final point. I think it is the concensus among us on the committee that the Defense Department should not become either a massive 1962 version of WPA or the headquarters for a new group of sociological rehabilitators. In my judgment the DOD must resist unjustified pressures by members of Congress,





local chambers of commerce, industry, labor, and the partisans in the respective services. Good management obviously cannot condone the production of an obsolete or even an obsolescent weapons system. Furthermore, management, good management of course, cannot condone the further use of bases or facilities that have outlived or are about to outlive their utility.

Under no circumstances should the Department of Defense assume new responsibilities as a department of social welfare. Enough federal agencies, in my opinion, such as the Department of Health, Education, and Welfare, which this year is spending two billion seven hundred million dollars on welfare projects and programs, and the Department of Labor, which is spending in this current fiscal year about five hundred and sixty-eight million dollars on such projects, are assigned the responsibility to administer broad welfare programs and to establish employment and education standards. The Department of Defense has more problems than it can handle to achieve desired management effectiveness without carrying the additional torch for the eradication of all alleged social injustices. I hope and trust that you in the military or in industry concentrate on your weapons systems and let other departments assume these responsibilities.

My final comment is that we in the Congress want to be a part of the team. We hope that you will accept us in good faith. I don't think any of us, whether it's industry, the military services or the Congress, deserve some of the castigation that has been given to us by the press and particularly some of the cartoonists. We are conscientious, and by fair standards, pretty good



citizens. Over the years the team has done a good job. The best evidence is America's strength. Our major problem is convincing the American people that we have managed effectively and economically the vast sums of tax dollars and provided the forces and equipment necessary to protect our beloved America and the Free World. Thank you very much.



HEADQUARTERS  
AIR FORCE SYSTEMS COMMAND  
ANDREWS AIR FORCE BASE  
Washington 25, D. C.

DATE 8 May 1962

MEMORANDUM FOR: Mr. Frank Meyer

Please excuse the rough draft that is attached. It appears exactly as taken from the tape. If you will please edit and then call me, I will see that it is picked up and reproduced. We plan to include the speech in the final report of conference proceedings, but are receiving requests right now for immediate release. So, I plan to reproduce the speech separately and will furnish you the number of copies you desire.

*Leonard W. Lilley*  
LEONARD W. LILLEY  
Lt Colonel, USAF  
Plans Officer  
Office of Information

*185- 4/38  
Called Col Lilley  
he will send some on  
to put up  
this afternoon*



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*Can see  
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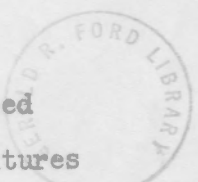
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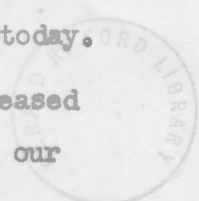
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government and more specifically the 13 members of the subcommittee on the Department of Defense appropriations. Even though we are from the legislative branch, I feel that we are a part, an integral part, of the team that has this awesome responsibility. In the broadest sense, the 537 members of the Congress, among their myriad of other responsibilities, are members of the Board of Directors for the Department of Defense, which, as you know, is an organization that has ~~such~~ unbelievable responsibilities in this day and age for the 180 plus million Americans, who are the real stockholders in this massive business operation.

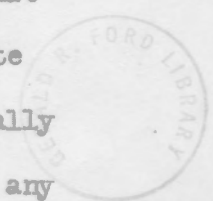
Ⓡ Sometimes its well to review, if even hurriedly, ~~what our sum of the~~ <sup>our</sup> major ~~or other~~ major responsibilities of this <sup>large</sup> ~~substantial~~ board of directors. First, the Congress has the responsibility to enact legislation and to establish policies domestically that will provide an economy now and in the future sufficiently strong to meet any commitments at home or to the free world. Secondly, we have the responsibility to provide adequate funds and necessary legislation to insure fully our national security from any externally or internally threat or challenge. Ⓡ Now, I know that there are many here, and I, myself, who might disagree from time to time with what the House or the Senate or the Congress as a whole does. Nevertheless, despite my disagreements and perhaps yours, I suspect every American with very few exceptions will have to agree that the methods, the system we have for accomplishing what is for the best interest of all of us, is unsurpassed anyplace, anytime in the history of the world. But to visualize the magnitude of this operation ~~xx~~ that this board of <sup>directors</sup> 537 has, it might be well to give you a few figures. We have to somehow collect and somehow disburse almost a hundred billion dollars every twelve months. And, this board of directors has the direct responsibility



as the legislative branch for the employment of approximately ~~two million~~ 2,500,000 civilians and approximately 2,800,000 men and women in uniform.

*P* More specifically, the sub-committee of which I am a member, <sup>which</sup> ~~that~~ handles the Department of Defense appropriations has the <sup>annual</sup> ~~initial~~, but, I assure you <sup>also</sup> ~~the~~ continuing responsibility for <sup>the</sup> ~~the~~ operations of the Army, the Navy and the Air Force. Although we deal primarily in dollars, we, of necessity, are concerned with policy, with programs and, may I emphasize, most importantly with results. To implement policy, to execute programs and to obtain results, we believe there must be effective management. *P* As I was trying to put together some remarks for this meeting this morning, I tried to visualize where, on an organization chart, this sub-committee, of which I am a member, would fit. ~~And,~~ *P* It seems ~~to me~~ that the best location would be where you would normally have a finance committee. Or, to some extent we could be <sup>labelled</sup> ~~indicated~~ as comptrollers. <sup>Over the years</sup> ~~Now,~~ I've heard from many people in the various military services that it is <sup>horrible</sup> ~~usual~~ to have just one comptroller. I suspect this is true in business as well as in the military. I am <sup>that</sup> ~~positive~~/it is not considered advisable <sup>by the operations people</sup> to have 13. But, nevertheless, to a degree we do ~~not~~ fit in this category. *P* May I add two footnotes right now. <sup>First</sup> May I make the observation that finance committees <sup>or</sup> ~~are~~ those with similar responsibilities whether in the ~~congress~~, the military or in a corporation seldom win popularity contests. ~~The second footnote at this point.~~ <sup>Secondly</sup> I would be most remiss if I failed to indicate to you that there is another finance committee in the congress, ~~namely~~, the Senate Sub-Committee on Defense Appropriations. Now, although we traditionally have our differences, of necessity before we adjourn we must resolve any disagreements. *P* The sub-committee's judgment <sup>on occasion</sup> ~~has~~ been challenged, and perhaps rightly so, on the basis that we were not qualified to make

*Went*





decisions involving military policy and ~~x~~ weapons systems on a 50 billion dollar annual appropriation bill. Superficially one could argue that seven lawyers, one engineer, one accountant, one newspaper publisher and three business men lack the essential qualifications to pass judgment on the vital issues, ~~and~~ the technical problems and the multi-billion dollar measure. <sup>P</sup> Perhaps I am prejudiced, but I feel this view can be refuted and let me give my own arguments. One, the members of this sub-committee have a long tenure in the congress and have had <sup>many years</sup> ~~long~~ service on this committee. We have been most fortunate, in my judgment, to have <sup>as</sup> our chairman, George Mahon of Texas, who has been a member of this committee for over 22 years. Most of the members of the committee have service on the group of over ten years. Those of you who have been privileged, and this is a matter of personal opinion perhaps, to come before the committee <sup>I'm sure</sup> ~~are~~ familiar <sup>one of</sup> ~~with~~ our most dramatic, <sup>& honestly most knowledgeable & constructive</sup> and unusual members, Dan Flood. ~~Well~~, Dan's been a member of the committee about ten years and I'm sure some of you have heard him say, "Admirals and Generals come and go like greyhound busses before this committee, but we've been here ten or more years." <sup>P</sup> I think ten year in continuity in office does make some difference. In addition, as many of you know, we hold extensive annual hearings plus a number of on-the-spot investigations on a world wide basis, not only by us <sup>staff</sup> ~~but~~ by our <sup>staff</sup> ~~members~~. We have a career staff and we are fortunate to be able to draw on some highly competent and qualified people to make special investigations. I brought along several of these <sup>investigative reports</sup> just to show you that we have some evidence. Here's one, "Management and Procurement of Aircraft Spares and Spare Parts." I might say that the content of this report was helpful to our committee this year in drawing up the recommendations for the bill that came to the floor in mid April. And fourthly, this particular group of thirteen, as far as I know, approaches the appropriation bill for the Defense Department on



a completely non-partisan and non-political basis, whether there is a Democrat in the White House or a Republican. <sup>R</sup> Could I add this final comment in this area? Certainly if we believe in our form of government where we have the three equal branches, you must agree that our subcommittee in the Congress has the responsibility and even more the obligation to listen to the recommendations of the executive branch <sup>primarily</sup> of the government/and/or others and then make an independent judgment.

R

I concede the legislative branch is not infallible, but our batting average over the years hasn't been too bad. And, I might just add this, that a month or six weeks ago most of you~~x~~ are familiar with <sup>the</sup> problem we had on the floor of the House about whether <sup>the</sup> Committee on Armed Services should direct the Department of Defense or the Air Force to proceed with the procurement of the RS-70. The Defense Department, in order to justify its position, did some research work on the question whether the

Defense Department and the <sup>Chief</sup> Executive had been following recommendations <sup>on military matters</sup> over the years <sup>of the Legislative Branch.</sup>

*of the Congress in military matters*

We had been trying for years to get some opinion from the Executive Branch on this, <sup>point without success.</sup> and finally when <sup>we call emergency</sup> it served their purpose, we got the best evidence <sup>they</sup> I ever saw. They came

~~up and showed that over a period of, I think, <sup>R</sup> ~~about~~ about eight years~~

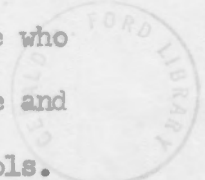
~~based on their analysis that the Executive Branch of the government had followed about 70 per cent of the major recommendations of the Legislative Branch as far as the military were concerned.~~ <sup>beam</sup> Now, this is not a bad

~~batting average as I indicated earlier.~~ <sup>R</sup> Now I <sup>suspect</sup> there are those who feel that in this day and age of automation in industry, the Air Force and individual in our/homes that the Congress itself should update its management tools.

However, I am willing to make a substantial wager and give <sup>excellent</sup> the best of odds that the Congress will be the last stronghold against the onslaughts of automatic

*The Dept. of Defense via detailed memorandum*

SUB  
INTER  
*airline*



data processing. An R&D contract to automate politicians, I feel, would be most suspect. As a matter of fact we have, and undoubtedly will continue to do most of our job by hand. ~~And~~ <sup>this</sup> brings to mind a story I heard a few months ago about a school superintendent way up in the cold, hard, rugged area of northern Michigan. They had a relatively small school district; they were faced with consolidation; and as they consolidated and acquired more school districts, the school board decided they had to find <sup>about</sup> out/how to run their system more efficiently. ~~And~~ <sup>So,</sup> ~~they~~ <sup>the school board</sup> decided to ~~send~~ <sup>send</sup> ~~their~~ <sup>young & eager</sup> ~~rather~~ <sup>methods</sup> ~~superintendent~~ ~~and~~ ~~send~~ ~~him~~ ~~down~~ ~~to~~ ~~New~~ ~~York~~ ~~to~~ learn about management ~~tools~~ <sup>tools</sup> and automatic data processing. ~~XXXXXX~~ ~~And~~ ~~so~~ ~~he~~ ~~took~~ ~~the~~ ~~plane~~ ~~from~~ ~~XXXXXX~~ ~~northern~~ ~~part~~ ~~of~~ ~~Michigan,~~ ~~and~~ ~~flew~~ ~~to~~ ~~New~~ ~~York~~. He arrived there late in the evening, went to his hotel. He was a little fearful. <sup>+ apprehensive, this being his first try to the west metropolis.</sup> The next morning he got up bright and early and went to <sup>the building</sup> ~~this~~ ~~place~~ ~~where~~ ~~was~~ ~~a~~ ~~convention~~ ~~for~~ ~~school~~ ~~superintendents~~ ~~and~~ ~~school~~ ~~people~~ ~~and~~ ~~where~~ ~~they~~ ~~had~~ ~~this~~ ~~tremendous~~ ~~demonstration~~ ~~on~~ ~~how~~ ~~to~~ ~~improve~~ ~~the~~ ~~management~~ ~~of~~ ~~your~~ ~~school~~ ~~system~~. He was particularly interested on how all these new electronic devices would be beneficial to his district. ~~And~~ ~~so~~ ~~he~~ ~~went~~ ~~from~~ ~~the~~ ~~first~~ ~~floor~~ ~~to~~ ~~the~~ ~~second~~ ~~floor~~ ~~on~~ ~~the~~ ~~elevator~~. He got off and ~~he~~ ~~walked~~ ~~in~~ ~~and~~ ~~he~~ ~~saw~~ ~~this~~ ~~tremendous~~ ~~bank~~ ~~of~~ ~~automatic~~ ~~data~~ ~~processing~~ ~~equipment~~. <sup>To him</sup> It was just fantastic. He was <sup>so</sup> ~~overwhelmed~~. ~~He~~ ~~was~~ ~~so~~ ~~fearful~~ that he just turned around and walked back toward the elevator. One stopped; he got on. He was the only person that was on the elevator going up; the door closed; ~~they~~ <sup>he</sup> went up one floor and for one reason or another a whole mob of people on the third floor surged onto the elevator and he was pushed way over in one corner. Among those who had gotten on on the third floor ~~was~~ <sup>he</sup> were one or two young ladies and as the elevator door closed and ~~as~~ the elevator started up, one of the young



ladies said, "Who pinched me?" This poor school superintendent didn't say a word, but simply thought to himself, "Thank God, something's still done by hand." ~~Now, may I say~~ <sup>with emphasis</sup> ~~at the outset again~~ that it would be helpful to all parties in this team operation, if we are to <sup>achieve</sup> ~~get~~ maximum management objectives, if we could increase the communication between all of us. You've heard <sup>many, many times</sup> this, that a ~~free~~ <sup>most</sup> free flow/and a better use of information would be helpful. Well, ~~may I say that~~ <sup>as a member of</sup> ~~As~~ a member of Congress and particularly, ~~those of us on~~ <sup>as a member of</sup> our committee, we receive the benefit of the excellent brochurmanship of industry and of the various military services, ~~and~~ <sup>information</sup> ~~We~~ feel this, ~~is~~ <sup>is</sup> helpful and ~~to~~ <sup>we</sup> use it.

But, may I suggest some reciprocity. Our committee and other committees in the Congress hold hearings and publish <sup>extensive</sup> ~~testimony~~ <sup>considerable</sup> testimony. We ~~get out~~ <sup>submit</sup> committee reports. We discuss <sup>many</sup> your problems <sup>on</sup> the floor of the House, ~~and~~ <sup>sincerely believe</sup> I ~~think~~ <sup>believe</sup>

it would be beneficial if you gave us <sup>on our committee + those on other committees</sup> the same treatment that we try to give you. ~~Let me add,~~ and I hope that nobody ~~has~~ <sup>in the audience</sup> ~~today~~ <sup>today</sup>

is one that had this experience--there is nothing worse <sup>is concerned</sup> ~~before~~ our committee ~~than~~ <sup>is concerned</sup> than to have had our committee ~~in its report~~ <sup>in its report,</sup> ~~make~~ <sup>make</sup> a specific recommendation as to policy, and then ~~to~~ <sup>to</sup> have a witness come before the committee the following year and ~~when the issue~~ <sup>and</sup> ~~or the problem is brought up,~~ <sup>that he has made</sup> not to have had the witness show the committee the courtesy of having read <sup>the</sup> ~~our~~ report. <sup>Unfortunately</sup> This happens.

On the other hand, it is most flattering and it creates a very desirable environment if any such witness on a point has shown the initiative to have read the report of the previous year. <sup>P</sup> On the other hand, let me make another comment. I believe our committee feels very strongly on the issue of responsibility. Members of the Congress, who are a part of this team, ~~have to~~ go before their constituents/ every ~~four~~ <sup>with their record, good or bad,</sup> or six years. ~~with~~ <sup>two</sup>



Depending on what the constituents feel, a member of Congress is either returned or defeated. Now, some theorists contend members of the House, for example, should be elected every four rather than every two years.

Personally, I disagree. I strongly feel its wholesome for members of Congress to put their record on the line. This is <sup>a</sup> part of the peril of <sup>the</sup> your profession. ~~May I say~~ this ought to be <sup>a</sup> part of the peril of

your profession. ~~On occasions~~ <sup>In</sup> our committee we have <sup>many</sup> military officers come before us. <sup>In instances after instances</sup> They have been there in their job one month or four months, or maybe a year. They are testifying on a subject or

<sup>about</sup> a problem <sup>on which</sup> where they didn't make the decision three or four years ago <sup>when</sup> confronted with this situation our committee cannot condemn the witness that created the difficulty today. <sup>Sometimes,</sup> If the decisions are

wrong ~~from the military point of view,~~ I think there has to be a means of reprimand, <sup>perhaps</sup> a ~~lack~~ failure of promotion. If we don't get responsibility,

<sup>with success</sup> ~~we~~ aren't going to be able to solve the problems in the future. <sup>And,</sup>

may I say, this also holds true <sup>in</sup> to industry. You have a price, you have a delivery schedule and you have specifications to meet. ~~And I think you~~ <sup>We</sup>

must find <sup>or procedure</sup> a techniques, so that you in industry also meet that test of responsibility. <sup>P</sup> From these two observations, and particularly the latter,

I would like to address myself to what I and our committee think the government wants. Management can and must achieve this or we are not

doing our job <sup>area</sup> in this problem. We want a product which has reliability, which has maintainability. We want a product that's delivered on schedule.

And, we want a product at a price. Unfortunately at times, and perhaps the Congress is a contributing factor to this, there is a tendency to overemphasize or go ~~short~~ overboard on price. I firmly believe that

it's dubious management for the procurement officer or the supplier

*who is testifying - we can only feel frustrated that there is something wrong with the system.*

*with success*



doubt  
 to make a judgment on price alone when there is an honest/that  
 the delivery schedule will be met or ~~that~~ there will be  
 non-conformity with the specifications. ~~And may I say this,~~ <sup>Even</sup> ~~then~~  
 greater doubt is cast on the contracting parties if there is the  
 responsible  
 expectation that those ~~responsibilities~~ will be bailed out by the  
 change order technique. <sup>P</sup> Now what is the remedy, or what is the  
 management tool that can be used to achieve these objectives?

<sup>than I</sup>  
 You are much more familiar with all the ~~titles of the kinds of~~ <sup>names & designations used to identify the</sup>  
~~contracts and the procedures and the techniques than I.~~ <sup>contracts types, the myriad of procedures & methods</sup> But there

<sup>in the contracts area</sup>  
 is one that has more or less come along in the last several years <sup>rapidly</sup>

<sup>stand in our knowledge of its objectives</sup>  
 I think ~~it's growing in interest~~ that appeals to us. <sup>and</sup> This is the

incentive type contract. ~~I believe~~ <sup>we</sup> are sympathetic to the incentive  
 type approach with the government and the supplier jointly benefiting  
 from the achievements or the results. I'm not an expert in how this  
 contract can be written nor in the techniques that can be used

precisely to achieve it. But, I am <sup>I dare we will</sup> ~~an optimist when I say that we~~

<sup>a contracting technique</sup> ~~will~~ be able to find ~~an agreement~~ <sup>meeting</sup> between industry and the services

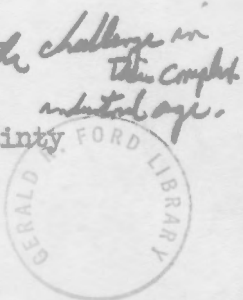
that will provide three things: One, a reward for cost reduction;  
 two, a reward for delivery ~~provision~~ pursuant to the schedule; and  
 three, a reward for performance according to specification with emphasis  
 on reliability, maintainability and standardization. <sup>P</sup> Perhaps this is

an oversimplification of a very complex problem. But there is certainly  
 ample evidence that for one reason or another the past techniques,

<sup>methods</sup> procedures and devices have, to a <sup>very</sup> ~~substantial~~ degree, failed <sup>to meet the challenge in</sup>

<sup>They</sup> have created uncertainty at the outset; they have created uncertainty  
 at the end. <sup>strongly</sup> ~~And,~~ I suggest that we <sup>should</sup> maximize our efforts to come up

*multitude*



*to this confounding + perplexing difficulty.*  
 with a solution. However, the incentive type contract brings up a point, a problem that is not new to our committee and certainly not new to you.

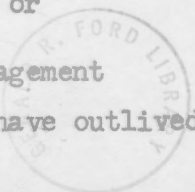
And if we go to the incentive type contract on a broad basis, this problem must be ~~solved~~ <sup>beheld</sup>. Congress itself can't legislate <sup>on</sup> this <sup>area,</sup> problem and <sup>The problem of</sup> it is ~~precisely~~ <sup>precisely</sup> inadequate, unreliable initial cost estimates. The solution, as we see it, must come from the Air Force, the Army, or the Navy and from industry. I don't think you can have a bonafide incentive type contract that will satisfy the Congress unless you can come up with <sup>quality improved</sup> sound initial cost estimates. <sup>P</sup> Related to this point

it would be the consensus of our committee that program packaging with long range cost projections are sound. <sup>approach</sup> And this is a very helpful tool to our committee. <sup>We have been using a program of this nature for several years.</sup> However its validity, the validity of the program packaging program with a five-year projection is predicated on the

reliability of the initial cost estimates. ~~and~~ I can only say that if ~~our committee~~ <sup>our committee</sup> two or three years from now finds that the projections given to us in '62, on which we made basic decisions, are unsound because of invalid original cost estimates, I don't think the committee would be as endeared to program packaging as we may appear to be today.

<sup>P</sup> Now, one final point. I think it is the concensus among us <sup>on</sup> and the committee that the Defense Department should not become either a massive 1962 version of WPA or the headquarters for a new group of sociological rehabilitators. In my judgment the DOD must resist unjustified pressures by members of Congress, local chambers of commerce, industry, labor and the partisans in the respective services. Good management obviously cannot condone the production of an obsolete or

even an obsolescent weapons system. Furthermore, management, good management of course, cannot condone the further use of bases or facilities that have outlived



P

or are about to outlive their utility. Under no circumstances should the Department of Defence assume new responsibilities as a department of social welfare. Enough federal agencies, in my opinion, such as the Department of Health, Education and Welfare, which ~~last year~~ or this year I ~~should say~~ is spending two billion seven hundred million dollars on <sup>welfare</sup> ~~such~~ <sup>+ programs</sup> projects, and the Department of Labor, which is spending in this current fiscal year <sup>about</sup> five hundred and sixty-eight million dollars on such projects, are <sup>assigned the responsibility</sup> ~~sufficiently well~~ qualified to administer ~~such~~ <sup>social</sup> welfare programs and to establish employment and education standards.

I ~~believe~~ the Department of Defense has more problems than it can handle to achieve desired management effectiveness without carrying the additional torch for the eradication of all alleged social injustices.

And I hope and trust that you <sup>in the military + in industry</sup> concentrate on your <sup>weapon systems</sup> problems and let ~~the~~ other departments assume these responsibilities. <sup>P</sup> ~~In saying~~ My final <sup>is that</sup> comment ~~x~~ we in the Congress want to be a part of <sup>the</sup> your team, ~~and~~ We hope

~~that~~ you will accept us in good faith. I don't think any of us, ~~with~~ whether it's industry, the <sup>military</sup> services or the Congress, deserve some of the <sup>castigation</sup> ~~treatment~~ that has been given to us by the press and particularly

some of the cartoonists. I ~~think~~ <sup>conventions + by fair standards and</sup> we are pretty good citizens. ~~and I~~ <sup>Over the years the team has done a good job. The best evidence is America's strength.</sup> ~~think we have pretty well done a job over the years.~~ I think our major <sup>have managed effectively +</sup> problem is convincing the American people that we do ~~as well as we do.~~

~~Thank you very much.~~ <sup>economically the most sums of the dollars and provided the forces + equipment necessary to protect our beloved America + the Free World.</sup>  
Thank you very much.

