

SPEECH DELIVERED BY SENATOR HUBERT H. HUMPHREY
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There has never been a greater challenge to scientific management than that which exists today. The world is beset with crumbling and decadent institutions. The unprecedented changes in the fields of government, economics, and science during the past half century have literally strained the established institutions of society to the breaking point. Every year change and the need for change is evident. Fantastic advances are being made in the realm of scientific achievement. This within itself presents a whole new series of problems in the sociological and economic areas of human conduct.

A world that has been beset with two world wars in a period of 25 years inevitably finds itself confronted with the need of rebuilding a society that literally has crumbled under the impact of economic and political pressure. No matter where we look, there is a crying need for effective and scientific utilization of our human and physical resources. In a world rich with people and natural resources we find approximately 75% of that world afflicted with poverty, disease and turmoil. In Europe, Asia and Africa the issue of the proper utilization of our human and natural resources is the basic problem of our time.

People everywhere look to the United States for guidance, help and experience. Our country is the cornerstone of freedom. It is the beacon light in a storm filled world. Fortunately for mankind we are blessed with tremendous reserves of scientific knowledge, practical experience in government and an essentially sound economic system. We have the resources to back our commitments but like all nations and all people these resources are not unlimited. The efficient management of these resources becomes ever more important when we view our great responsibilities in a world that looks to us for help.

Our problem is not only one of being able to help others. It is also one of so directing our own energies and using our own resources as to be able to maintain an economy that is capable of giving an ever-rising standard of living to the American people while extending the helpful hand of charity and rehabilitation to others.

Yes, in our own economy we are forced by necessity, if not by humanity to do more - much more for our own people. We are compelled by the obligations of our leadership and our own responsibility to strengthen our own economy. The basic threat to our political and economic institutions does not lie outside our own borders but rather lies within. We are now facing the issue as to whether or not our government has the strength and the integrity to properly direct its efforts in such a way as not to deplete the strength of our national economy.

We must provide for our own citizens but the cost of our government is running perilously high. Our task is to obtain the maximum use and production use of every budget dollar. Economy in government does not necessarily mean spending less. It basically means obtaining the most that is humanly possible out of every dollar committed to public service. The question of economy in government could well be stated not in terms of dollar appropriations but in the use of those appropriations. The effective use of public revenues is directly concerned with proper organization of administration. Modern tools of government are no longer matters of academic theory. They are absolute essentials if we are to continue our program of social welfare, public improvement, and international leadership.

The biggest business in the world - the government of the United States - can no longer be managed with the political instruments of the 18th and 19th centuries. Government in the United States is no longer a simple thing that can be left to political chance and mediocre administration. A 20th century economy propelled by the boundless energy of mass production industry and constantly accelerated with new advances in the field of science cannot be managed or regulated with the mechanism of a hodge-podge, unplanned, unrelated administrative establishment. The need for governmental reform and organization is imperative. It is a matter of sound economics and literally life or death for American political and economic survival. When 20% of the national income is utilized by the federal government, it is time to take stock of the means and methods which are employed in the use and expenditure of such a vast sum.

It is for these reasons that I strongly support the basic recommendations of the Commission on Reorganization commonly known as the Hoover Commission. This is not a partisan issue. It is not one of mere dollars or of the number of governmental employees. It is an issue that runs deep into the very survival of free government and a free economy. Either we learn how to manage government or the bigness of government will overwhelm us. Either we learn how to properly utilize the vast sums of public revenues and how to appropriately control and manage their use or we will bleed our economy into an impoverished condition. This is the issue that the Society for the Advancement of Management faces in its consideration of the legislation which is now before Congress and I refer in particular to S. 1809 and H.R. 4754 which would create a new agency entitled the Office of General Services. It is this agency which affords a real opportunity for those in government service to make a significant saving for the American taxpayer.

The Director of the Budget recently estimated that the annual cost of the national government is about 20% of our national income. It is around \$42 billion a year! It only reached the billion mark during World War I except for the Civil War year 1864. Our national debt as of May 24 was about \$252 billion. And yet, despite our gloomy fiscal picture, we need to do more essential things in the way of health, schools, homes, conservation of resources and recreation for our people. How can it be done?

Obviously, we must do more at less cost! We must practice better management in government and in industry. We must get more from our resources and from our tax dollars. It is fine that institutions such as the Society for the Advancement of Management are organized to consider ways and means to accomplish these objectives. I congratulate its officers and its members.

If tax money is to be saved, we should examine to see how it is being expended. I have been surprised to learn that, except for the cost of personnel, - the cost of supplies, equipment, transportation of things, and related objects constitute the greatest element of cost in our Federal budget.

I would like for you to consider with me some figures derived from analyses made by the Bureau of the Budget.

Summary of Obligations by Object (Estimate FY 1949)

<u>Object Classification</u>	<u>Millions of Dollars</u>
01 Personal services	8,869
03 Transportation of things	853
04 Communication services	58
05 Rents and utility services	184
06 Printing and binding	45
08 Supplies and materials	4,380
09 Equipment	2,299
Total	<u>7,819</u>
Total supplies and equipment only	6,679

The personnel cost of administering objects 03-09 is included in object 01. The Hoover Commission Task Force on "Supply" reported an estimate of 150,000 persons on this work with annual salaries of \$440 million. But salaries of part-time workers are not included in this total.

To know the object of our costs is revealing but let's consider for a moment who does the spending with respect to these objects. In this connection we learn that the NHE will spend in FY 1949, 83% of the supply money, 90% of the equipment money and 60% of the transportation money.

Where is the money spent? This is a difficult question. However, in the continental United States there were as of December 1946, 46,865 offices operated by government agencies in the 3,050 counties of the United States according to the Committee on Non-essential Federal Expenditures. This means that on the average there were 15 government offices in each and every county of the United States. We know that each office uses paper, pencils, typewriters, space, cars, files, telephones, electricity and many other things. Just think of the size of the Federal organization! Here is a chart which shows the organizational set-up. These individual lines represent agencies - not individuals. This one has _____ employees, this

one _____ employees.

Before attempting any solutions, I would like to give you some more figures showing the scope of our supply, space, records management and related problems.

The Hoover Commission Task Force Report on Federal Supply (p. 2) indicated that the agencies had an inventory of approximately \$27 billion about a year ago. This is a minimum figure since some agencies consider inventory as expended when it is issued to various kinds of sub-units. As a matter of fact, property accounting is such that we don't know the extent of our inventories.

No-one has the slightest idea as to the value of personal property that is in use in the government. And as to the value of real property, we know much less.

As to one class of equipment, i.e., motor vehicles, the Budget Bureau report for the FY ending June 30, 1948 shows:

<u>Civilian Vehicles in Continental U.S. on Hand June 30, 1948</u>			
	<u>Number</u>	<u>Miles Run*</u>	<u>Cost of Operation, Maint.</u>
Automobiles	20,888	241,248,415	\$ 8,675,240
Trucks, ambulances, etc.	59,374	282,469,047	31,134,080

* Does not include vehicles reported on hourly basis.

Information as to military vehicles is sketchy. However, it is estimated that the Government has approximately 1,000,000 vehicles of all types in all agencies. They probably cost \$2 billion. This does not include aircraft and ships and other floating equipment. Not counting the combat vehicles, but including the non-combat (administrative) vehicles, of the military agencies, more than 237,000 motor vehicles were operated by the Federal Government as of June 30, 1948, approximately 180,000 of them within the Continental United States. You can estimate that each vehicle ran 6,000 miles so the 237,000 administrative type vehicles ran about 1.4 billion miles. Remember this does not include the much greater number of combat vehicles. You may do your own computing of gas consumed at 9.8 miles per gallon for automobiles and considerably less for trucks on the average. You may also be interested to learn that the civilian agencies as of January 1947 had 391 Federally-owned and operated automotive repair facilities in the continental United States. From the tax-payers point of view, can we justify the situation where several agencies have repair shops in the same town? Isn't it fair to expect that the agencies can "get along" and not duplicate staff, space and equipment?

The semi-annual report of the Public Buildings Administration as of December 31, 1948 shows that the Government owned or rented almost 31 million square feet of space in the Washington area. The uses of the space were as follows:

Office	13,849,074
Files	5,162,287
Storage	3,297,570
Special equipment	1,963,790
Concessions	978,470
Libraries, exhibits, conference rooms, auditoriums	1,161,400
Building maintenance	986,373
Garages	547,696
Assigned vacant space	417,128
All other space	<u>2,469,688</u>
Total	30,833,476

Please note that some 14 million feet of space were used for office purposes and some 10 million feet for files, storage and special equipment. Over 5 million feet for files alone! The net space in the Pentagon is only 3,689,065 feet. 134 of the 199 buildings, with an area of 28 million feet, were government-owned and 65, with 2.6 million feet, were leased.

At this point, I would like to raise a question - Does the Government really need all this space?

What about the space situation in the field where approximately 9/10 of the employees work? Accurate figures are not available but we know that there are government-owned or occupied buildings in the 46,865 offices throughout the country that use millions of feet of space. In this connection, the Senate Committee on Expenditures in Report No. 1617, 80th Congress, 2nd Session, reported that as of December 31, 1947, the Government leased over 28 million square feet of space in the 48 states and District of Columbia. Of this, 17½ million square feet were in 20 cities. The Senate Report makes this pertinent comment:

"The United States Government is the largest single user of space in the Nation. Offices for its departments, agencies, and field branches; storage space for files, war surplus and strategic materials, and equipment; conference, training, and examination rooms to consider and process the many Federal activities initiated by Congress in the public interest; and numerous other activities have necessitated the establishment of a widespread policy of Government ownership of property extending into all the States and practically every city in the United States. The Public Buildings Administration estimates that the Federal Government hold by lease or title, as of December 31, 1947, a total of 340,500,000 square feet of space, of which approximately 31,300,000 square feet are located in Washington, D.C., the seat of the Government. The remainder is spread over the entire Nation."

It has not been possible to obtain data as to warehouse space in use in the United States but recent figures from the National Military Establishment alone show that in 130 locations in the United States, the gross storage space is about 530 million square feet. Of this amount, about 240 million square feet, or 45%, is open storage most of which is improved hard-standing space. 290 million feet or 55% is covered space. That is roughly the equivalent of 80 Pentagon buildings.

The cataloging experts have estimated that there are some 12.7 million items listed in the Federal agency supply catalogues. When duplications are eliminated, the number may be around 3 million.

The picture of general statistics would not be complete without some mention of forms. I have already stated that our printing and binding cost for this fiscal year will be around \$45 million. Much of that is for forms. The space statistics show that over 8 million feet are used for files and storage. A great deal of this is for forms both new and used.

It is estimated that an average agency uses 1,000 different forms. Of these only 5 - 20% are standard forms. Using a conservative figure of 100 agencies, we find that at least 100,000 different forms are in use. A few years ago, it was estimated that the Government uses several billion envelopes per year.

It is not my intention to overwhelm and confuse this audience by quoting a great mass of statistical data. However, it is my intention to convey to you an idea of the enormity and complexity of the supply and related general services problems in the Federal Government at the present time. It should be abundantly clear to everyone that the time for constructive action is past due.

- It seems to me that a short historical review of action that has been taken with respect to this important subject will be of help in orienting our thinking at the present time.

The Constitution in Article IV gave to the Congress:

"Power to dispose of and make all needful rules and regulations respecting the Territory or other property belonging to the United States."

That is the fundamental property management charter. What has been done under it?

In 1789 Congress passed an Act (now R.S. 161) providing that each

"Department head was authorized to prescribe regulations, not inconsistent with law, for the Government of his department - and the custody, use and preservation of the records, papers, and property appertaining to it."

It should be remembered that in Washington's administration there were only three departments in our Government. The population of our country in 1790 was 3,929,214. The average annual expenditures from 1789-1800 were \$5,776,000. For the present fiscal year it is estimated that 12 agencies will spend in excess of $\frac{1}{2}$ billion dollars each. Puny and undernourished, indeed, is the agency that will not spend as much as the entire Government did during the period 1789-1800! In fact, there are many agencies that today spend more than the entire Government did before the World War I period.

When the Government was small and the agencies few, there was no need for comprehensive property legislation and R.S. 161 which left the departments independent to buy, use and dispose and manage without regard to other agencies, was adequate.

But as the agencies grew in size and number common problems arose in Government and with respect to vendors who asked for uniformity in forms and procedures. Common problems call for common solutions. So functional concepts that cross agency boundaries emerged to challenge the peace of mind of the heretofore autonomous agency heads. The situation is comparable to "states rights" versus interstate commerce. Common problems require common solution through central control.

In 1861, R.S. 3709 with respect to competitive bidding was enacted. This was required since several agencies were buying in unrelated ways. So the Government and the vendors needed the protection of a simple law to provide for common practices.

By 1877 the Congress was aware of the lack of adequate property accounting so the Act now known as R.S. 197 provided that the Secretaries of the Departments

"shall keep, in proper books, a complete inventory of all the property belonging to the United States in the buildings, rooms, offices, and grounds occupied by them, respectively, and under their charge, adding thereto, from time to time, an account of such property as may be procured subsequently to the taking of such inventory, as well as an account of the sale or other disposition of any such property, except supplies of stationery and fuel in the public offices and books, pamphlets, and papers in the Library of Congress."

In 1910 a General Supply Committee was established to eliminate duplications in specifications and to buy common items for all agencies.

Strangely enough no-one seemed to anticipate the surplus problem of World War I so it was not until December 3, 1918, that President Wilson issued E.O. 3019 to deal with surpluses in the District of Columbia. Prior to this time, the surplus property problem had been very small and each agency took care of its own needs - there were no common areas.

E.O. 3019 directed that surplus materials, supplies and equipment should be transferred to the Secretary of the Treasury for reissue to other Government establishments through the General Supply Committee. The Committee thus claimed all surplus material and endeavored to classify, warehouse, repair and reissue it. It was estimated that by June 1921 there existed an inventory of surplus stocks of approximately \$5 billion. Incidentally, I ask the general public to note that a much bigger job has been done much better in connection with World War II surplus property. General Charles G. Dawes, assuming the post of first Director of the Bureau of the Budget, set about disposing of this surplus before deterioration. On July 27, 1921, he issued Budget Circular No. 15 approved by the President. The basic provisions of Budget Circular No. 15 which created the Coordinating Service were:

1. To provide for the prompt location, inspection, and inventorying of supplies and to determine whether they had been reported as surplus.
2. To supervise the purchase functions of all departments and establishments coordinating purchasing with the transfer, sale, or disposal of Government property.
3. To fix the fair market price in transfers of surplus property between departments, and to determine whether public surplus property sales

should be held, and are in the interest of the Government.

The Coordinating Service was established to take action with respect to certain weaknesses which were found in Government service during World War I. It was dedicated to

"enabling the President, in matters of routine business, to so coordinate the activities of the different departments and establishments as will insure the most economical and efficient expenditure of monies appropriated by Congress."

Under the Coordinating Service, 12 boards composed of representatives of departments and establishments in Washington were created. They were:

- The Federal Purchasing Board
- The Federal Traffic Board
- The Coordinator for Motor Transport of the District of Columbia
- The Federal Specifications Board
- The Interdepartmental Board of Contracts and Adjustments
- The Federal Real Estate Board
- The Interdepartmental Board on Simplified Office Procedure
- The Coordinator for Purchases
- The Interdepartmental Patents Board
- The Forest Protection Board
- The Federal Standard Stock Catalog Board
- The Permanent Conference on Printing (an activity already in existence at the time, it was also announced as an agency for coordination.)"

Most of these board remained in operation for several years. While some worthwhile work was accomplished by the boards, none had legal authority to enforce action and in the final analysis was merely an advisory agency dependent upon participating agencies for staff and funds. They did, however, highlight certain common practices which required attention and subsequently when the Procurement Division of the Treasury Department was created many of the functions of the Coordinating Service were transferred to the new agency.

It is significant to note that the supply and related problems which arose during the stress and strain of World War I have been repeated and re-emphasized during World War II.

E.O. 6166 of June 10, 1933, pursuant to the Economy Act of 1932, established the Procurement Division in the Treasury Department and it was presumably given broad authority with respect to procurement functions in the Federal Government. While E.O. 6166 provided a theoretical charter for all types of supply activities, emphasis in operation has been placed upon purchasing, specifications, and special emergency programs and very little has been accomplished in the way of traffic management, warehousing and the broader phases of supply management.

During the thirties, the liquidation of emergency agencies, such as C.C.C., N.Y.A., and W.P.A., created certain property disposal problems since large quantities of property became available for use in the Government establishments generally. The concept of a property utilization program began to develop in the Bureau of the Budget and in the Bureau of Federal Supply. This concept may be expressed as a combined procurement-use-surplus property program. In other words, use well what is available before going to the open market for more. Don't buy what you have. This concept has as a corollary the idea of inventory control, positive item identification, and a central clearance agency.

As stated in "A Federal Inventory Control System" prepared by representatives of the G.A.O., Budget Bureau, and Treasury,

"Property cannot be managed if its identity, classification, location, quantity, and physical characteristics are not known. What is it? Where is it? How much is there of it? These are some of the questions to which management needs the answers. In most Federal agencies studied management does not appear to have adequate answers to these questions."

With the advent of World War II and the critical need for many types of property, the Bureau of the Budget was instrumental in obtaining the issuance of E.O. 9235 which had provisions for the survey, identification, and declaration of property which was actually surplus to the needs of Government agencies and the provision that the Procurement Division of the Treasury Department should undertake certain warehousing, rehabilitation, and distribution of supplies and equipment, including the consolidation of facilities of other agencies, as might be necessary in furthering the property utilization program of the Federal Government.

Under this executive order there has been a stimulation of property management in the Federal Government. Since the order was predicated on the First War Powers Act primarily, it was a temporary directive. By 1942 it became apparent that the time had come to develop comprehensive property management legislation dealing with all phases of a complicated subject instead of treating the closely related parts piecemeal as had been the approach in the past. Bills were introduced by the 77th and 78th Congress to develop permanent property legislation. But in 1943 and 1944 Congress became deluged with surplus property legislation which culminated in the Surplus Property Act of 1944, so the development of permanent legislation was temporarily set aside. It is noteworthy that the Surplus Property Subcommittee of the Committee on Military Affairs, pursuant to S. Res. 129 in Subcommittee Print No. 14, December 30, 1946, urged

"the appropriate committees of Congress to carry on with respect to permanent property management legislation where the Seventy-eighth Congress left off."

E.O. 9425 of February 19, 1944, established the Surplus War Property Administration which superseded the surplus property phases of E.O. 9235. The section relative to consolidation of warehouses remains effective and during the period 1942 to 1945 the Procurement Division, with the approval of the Director of the Bureau of the Budget, consolidated many agency warehouses into a national system of 12 common service centers located at Boston, New York, Washington, Atlanta, Cleveland, Chicago, Kansas City, Denver, Ft. Worth, Seattle, San Francisco, and Los Angeles.

As the volume of war surplus material diminished and the administrative expenses of the War Assets Administration correspondingly increased, the President, in a special message dated March 5, 1948, recommended that the Congress renew consideration of comprehensive property management legislation and directed the Federal Works Administrator to submit a draft bill. Following the general pattern of that draft, this committee unanimously reported out a bill termed the Federal Property Act of 1948 (S. 2754, 80th Congress) which would have provided a uniform system for property management. Due to the press of other work, the Senate did not take up this bill before adjournment.

As everyone in this audience is aware, the Congress passed P.L. 162 which was approved July 7, 1947, and established the Commission on Reorganization of the Executive Branch of the Government. The Task Force did a great amount of work with respect to the Federal Supply System of the Government and also with respect to a related subject, Records Management. Accordingly, the Commission on Reorganization in February 1949, issued a report recommending the establishment of an Office of General Services. This office would include the Bureau of Federal Supply, the National Archives, part of the Public Buildings Administration, War Assets Administration, and it also provides that certain other institutions such as the District of Columbia, the Smithsonian Institution, the National Park and Planning Commission, the National Capitol Housing Authority and the Commission on Fine Arts report directly to the head of the General Services Agency rather than to the overburdened President of the United States. It is significant to note that the recommendations of the Commission on Reorganization closely relate to the Administration Bill S. 2754, 80th Congress, which has now become S. 1809 and upon which hearings have been held before the Expenditures Committees in both Houses. However, the bills now before Congress, i.e., S. 1809 (H.R. 4754) would create a new agency, the Office of General Services and transfer thereto

- (1) Bureau of Federal Supply
- (2) War Assets Administration
- (3) Federal Works Agency
- (4) National Archives Establishment

I want to repeat that the time is at hand to take some definite action toward better management and it should begin with a basic reorganization of our property and records system. At the beginning of my remarks I said that the United States must remain strong from within if we are to maintain a strong foreign policy.

It is crystal clear that we cannot do this if we are to waste our national wealth. Conservation of our national wealth, of course, encompasses many factors in our economy. I am directing my remarks today only to that of proper management in government - management in particular in the fields of equipment, materials and supplies and the use and disposition of such property. S. 1809 or better known as "The General Services Agency Bill" deals directly with the problems of inventory, procurement, maintenance, transportation, records, management, and the operation and maintenance of public buildings. This bill provides an efficient business-like system of property management. It is the result of long study and has the full support of the Hoover Commission. The passage of this bill is essential if the executive branch of government is to be properly reorganized.



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