

about June of 1961, by Secretary McNamara, as a device for accelerating breakthroughs in our management techniques on almost every subject that I've talked about here this morning. The interest was to form a small but highly professional analytical group who would have nothing else to do but gather facts and make analyses; make pilot tests; and come up with workable practices and solutions to problems of very long standing. The problem is that while we've got - I estimate about 2,600 people - military and civilian, in the upper echelons of the three departments in OSD, working on logistic management matters everyday, these people have only fractional time available for the most part, to undertake continuous, consistent studies of these problems.

Hence, we wanted one group that would have no other impingement - Congressional, public, industry or otherwise - on its time. The alternatives were either to arrange for such service to commercial consulting firms - and we've been doing this for years and will continue, in a measure, to do it - or to have one group that was pretty much sponsored by Defense, that specialized in this area and in this area only.

Secretary McNamara, hence, decided to recommend to the President the creation of a non-profit organization. He did, and President Kennedy approved it. That group has existed, now, for about 2 1/2 years. It has been kept deliberately at a fairly small size - only 20 professional people. Its annual budget is reserved, so that only 80% is spent in-house; 20% is reserved for the retention of special consultants on a limited time basis