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Priorities
and DEFENSE

Division of Priorities

Office of Production Management

Washington, D. C.

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Priorities *and* Defense ★ A HANDBOOK ON THE OPERATION OF THE PRIORITIES SYSTEM

Division of Priorities
Office of Production Management

Prepared by the Information Division, Office for Emergency Management, Washington, D. C.

April 1941

U. S. GOVERNMENT PRINTING OFFICE, WASHINGTON, D. C.

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Points on Priorities

1. Before asking for priority aid, a manufacturer should try other reasonable and customary means to solve his problems.

2. All producers should give attention to the need for proper scheduling, one of the most important factors in the defense program.

3. Any application for priority aid should be accompanied by full supporting data on the problem involved.

4. Although priority aid may be given to important civilian projects, it is not the policy of the Priorities Division to give such aid to nondefense contracts or projects which have no connection with the defense effort, unless unusual circumstances are involved.

5. Broadly speaking, priority problems which arise in the strictly military sphere may be brought first to the attention of the Army or Navy service involved; problems which are not military, or in which the connection with primary defense contracts is not clear, may be brought before the Priorities Division.

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What Are Priorities?

THE THEORY

THE PRIORITIES SYSTEM, in fundamental theory, is very simple. Put as briefly as possible, it is a method of putting first things first, a technique for making sure that machines and wheels and gears and guns and radios and thermometers and range finders—and all the other things needed for national defense—are produced promptly, on schedule, without delay.

Primarily this system is designed to implement the production and acquisition of defense material which goes to the armed forces, the Army and the Navy. Such aid is given by priority action, which may take a number of different forms, requiring certain manufacturers or producers to give preferential treatment to specified defense orders or contracts.

When a manufacturer has an order which has been given a preference rating, by means of priority certificate or some other action, he is required to make every effort to fill this order on the stipulated delivery date. If this means delaying other orders, with lower preference ratings or no preference ratings at all, then the delay must be made. But, of course, it should not involve the delay of other orders which hold equal or higher ratings.

The point is that preference ratings, or priority ratings (they are the same thing), are graded in a ladderlike structure, ranging from high to low. A producer who is working on a number of rated contracts must handle these contracts in the order of their importance, just as a busy man with a number of different things to do will make sure that he does the most important things before turning his attention to less pressing matters.

In actual practice, this often requires the greatest skill in scheduling and production techniques on the part of the producer. When he has two or more defense jobs, with different ratings, he cannot put all his effort on the top job and finish that before he begins to think about the next one. What he really does is to put his facilities to work on different jobs, with different ratings, at the same time. But in doing so he must always make sure that the contracts are executed in the order of their importance.

Now it may be that the manufacturer, without experiencing any trouble, will be able to meet all his delivery dates, producing his orders in exact accordance with the preference ratings they bear. But if he gets into difficulties, if he cannot possibly produce them

all according to schedule, then he must give preference, or priority, to those contracts with the higher ratings, delaying those with lower ratings. He should delay orders, if necessary, in *inverse order of importance*—first delaying those without ratings, then those with the lowest ratings, and so on.

The reasons for these requirements are obvious. A vast defense program is a delicately adjusted mechanism, and it must be fitted together like clockwork. This makes it necessary that the hundreds and thousands of products which are to fit into predetermined places in the program must be ready on time. It is something like the assembly line in a modern automobile plant, where each component part must be ready at the exact moment, and at the exact place, when it is needed.

It should be emphasized that the priorities system is not only intended to get things done quickly: it is also intended to get them done in proper sequence. Bernard M. Baruch, chairman of the War Industries Board during the World War, emphasizes this scheduling problem clearly in his article on Priorities: The Synchronizing Force which appeared in the spring (1941) issue of the Harvard Business Review. In this article Mr. Baruch said:

> There is a . . . delicate timing problem after the priorities system has been launched, which must be dealt with carefully to attain the maximum possible synchronization of all elements of the Nation's industry. Perhaps this may be made clearer by a specific example. An airplane ready for fighting is made up of a number of component parts, wings, body, motor, gasoline tanks, radio equipment, guns, ammunition, bombs or torpedoes, armor plate, and so forth. It is useless to accelerate the production of these parts unless all are expedited in the same fashion, so that all are ready for assembly at one time. If the wings, fuselage, and gasoline tanks are rushed through the factories only to have to wait until engines can be attached, the whole system in this case has been useless in speeding up the completion of the finished instrument of war. The priorities administration, therefore, must make special efforts to attain synchronization of the manufacture of all the parts of each essential armament.

A consideration of these factors shows what an exacting mechanism the priorities system is. For the job is not only a matter of producing a few planes, but thousands of planes, and thousands and hundreds of thousands of other things, some of them as small as nuts and bolts, some as big as battleships, some as tough as structural steel shapes, some as delicate as service watches, and some instruments like machine tools that can work to tolerances as small as one-tenth the thickness of a human hair.

As big as the job is, it would be somewhat simplified if it were merely a matter of sheer production. But the additional task of getting all the things out in proper sequence means that every resource of the nation for production and for proper scheduling must be called

into play if the defense program is to work smoothly and the continuing needs of the civilian economy are to be fulfilled.

This latter point, the need of the civilian economy, is of great importance. And it should be made clear that, while the priorities system is designed primarily to implement the production and acquisition of material for the Army and the Navy, and is also used to aid the defense needs of Great Britain, priority help can be and is given to important civilian projects. It would be quite erroneous to assume that *all* defense needs come ahead of *all* civilian needs. Obviously the most important civilian need is more important than the least essential military need. And this is a matter of delicate adjustment which the priorities system must make.

Take the case of a great power plant. It may be difficult to trace the construction of such a plant directly to the defense program. And yet no one would debate the fact that power is an essential part of our economy and that the over-all defense program will be aided by adequate power resources. In such a case, it is desirable to encourage the production of power facilities, by priority action of some sort if need be.

Or consider the case of a large factory, employing thousands of men engaged in the production of purely civilian commodities. This plant may have little or no direct connection with defense, and yet it is still desirable that such a factory not be closed down, or the men thrown out of work, through the unwise application of the priorities system in such a way as to unnecessarily cut off raw materials or other supplies.

In short, the Nation is faced with the task of carrying on a general, over-all, total defense program in which military and civilian needs are closely integrated and carefully balanced. And the priorities system, which can be used to give aid where aid is essential, in either the military or nonmilitary sphere, is a valuable instrument in achieving this balance.

HOW THE SYSTEM WORKS

The President of the United States was given authority to set up a priorities system in section 2–A of Public 671, which declares in part that under certain circumstances of emergency, defense orders shall "take priority over all deliveries for private account or for export . . ." This authority of the President is now vested in the Priorities Division of the Office of Production Management and the Director of Priorities.

In putting this authority into effect, the Priorities Division has developed two phases of the system which are designed to assure

efficiency, centralized control, and decentralized administration for the military program. The task of handling priorities in the strictly military sphere is given to the Army and Navy Munitions Board and the appropriate representatives of the Army and Navy; the task of over-all supervision, administration of priorities in the nonmilitary sphere, balancing military and nonmilitary needs equitably, and imposing industry-wide controls when necessary, is administered directly by the Priorities Division. These two aspects of the program are best described separately.

A. The Army and Navy Munitions Board

In accordance with directions of the Army and Navy joint board, the Army and Navy Munitions Board and other appropriate agencies have been in charge of determining the relative importance, from the point of view of national defense, of all military items, such as airplanes, tanks, submarines, ammunition, shells, uniforms, machine guns, radios, steel lockers, gas masks, trucks, and all the other things the armed services must have. The job of deciding what the nation needs for defense is primarily a military problem, decided by the military and naval experts.

As a result of the work done on these problems, the Military Establishment has information on (a) what it wants, (b) how much it wants, (c) when it wants these things, and (d) which items are more important than other items. All these factors are of major importance to the economic fabric of the nation. The first point—what is wanted—determines the points of economic emphasis which must emerge during the defense program. The second factor—how much is needed—determines both qualitatively and quantitatively the actual production problems which the Nation's industry, in collaboration with Government, must solve. The third point—the time factor—affects the whole complex problem of scheduling, and the last point—relative importance of military items—is closely interrelated and integrated with the broad problem of how priorities are to be applied to put "first things first."

Now in putting all these aspects of the problem together in an intelligible pattern, the military and other defense agencies concerned use two very important instruments. One of these is the Priorities Critical List, an alphabetical listing of over 200 primary military items which are needed for defense and on orders for which priority certificates can be issued automatically, to speed up production, by the contracting officers of the Army and Navy, coordinated by the Army and Navy Munitions Board. The other instrument, the official directive, fixes the order of importance of these items or

categories of these items. It is by the directive that the broad objectives of the defense program, and the purposes for which material is needed, are correlated in such a way as to show orders for items on the Priorities Critical List can be given ratings of A–1–a, which items get ratings of A–1–b, and which items come farther down the line.

Assume, in order to illustrate how this works, that an Army procurement officer in St. Louis wants to know whether a contract which he is going to place with a manufacturer is eligible to receive a preference rating.

He can look on the Priorities Critical List and see at once whether the product covered by the contract is there. If it is, then he can look on the directive and see how it is listed—that is, what preference rating it takes.

Suppose further that the item in question is an airplane machine gun. The procurement officer looks on the critical list and finds that airplane machine guns are included; then he looks on the directive and sees that such machine guns ordinarily take a preference rating of A–1–b. The officer thereupon goes ahead, places the contract and with the contract assigns the manufacturer a preference rating certificate with an A–1–b status.

To carry this illustration a step farther, assume that the manufacturer of the machine guns has a subcontractor working for him, turning out, say, an electrical mechanism which goes into the gun. It may be that the gun maker is able to do his part of the job readily but that he is having trouble getting delivery of these mechanisms from the subcontractor.

In such a case the contractor will probably want his rating for machine guns extended to the subcontractor, so as to require this subcontractor to speed up production and deliver the parts on time.

If the part in question—in this case an electrical device—is itself on the critical list, then the field procurement officer may issue an extension of the A–1–b rating to the subcontractor. Even if the part is not specifically listed, it may be "on the list" indirectly, since all the items on the Priorities Critical List are deemed to include all necessary parts or accessories which are of a military character not ordinarily found in the usual civilian channels.

In the event that all this takes place, then we have the following picture:

The prime contractor, making the machine guns, must give that contract preferential treatment in his plant. At the same time the subcontractor must give the same kind of preferential treatment to his order for the electrical mechanisms, since his subcontract for these parts is now also affected by an A–1–b rating.

This part of the priorities system, the assignment of ratings by the Army and Navy contracting officers, is often called the "automatic" phase. This means that the Army and Navy representatives may automatically issue ratings on prime contracts for items which appear on the critical list (the kind of rating being set by the directive), and may extend such ratings to a subcontractor or a sub-sub-subcontractor who is producing items on the list. So far as the automatic phase of the program is concerned, the Priorities Critical List is the control. If an item is on the list, either because it is specifically listed or because it is an especially designed part of some item that is listed, then it can be rated automatically by the Army and Navy Munitions Board and its agents in the field, if all other routine requirements are met.

There are many refinements of this system. One of them may be cited here by way of illustration. For example, one of the controlling factors in the working out of the priorities system is the purpose for which the item is intended. A machine gun need not always take the same rating. If the gun is needed very soon to fulfill one of the immediate objectives in the defense program, it may take a high rating. If it is needed later, for a less important or a less pressing purpose, then it may take a low rating. Thus it is theoretically possible for a manufacturer to have two orders for the same kind of machine guns on his books, with a different rating for each contract. This is not as complicated in practice as it sounds; again, it is merely a matter of first things first; and, in any event, the manufacturer has only to abide by the preference rating actually assigned. So long as he gives his contracts the preferential treatment indicated, grading his production in the indicated order of importance, and so long as he meets delivery dates, he will be living up to his part of the arrangement.

It should be added here that the Army and Navy Munitions Board, in addition to coordinating the assignment of priority ratings for prime Army and Navy contracts and for appropriate subcontracts, also assigns preference ratings to prime contracts of certain foreign governments, including Great Britain, and to prime contracts for some other governmental agencies, including the Maritime Commission, the Coast and Geodetic Survey, the Coast Guard, and the National Advisory Commission for Aeronautics. Suitable provision is made for the extension of ratings for these contracts and subcontracts.

B. The Priorities Division

It can be seen at once that in addition to the strictly military sphere limited by the Priorities Critical List there are many other areas in

which priority questions may and do arise. Such problems are administered directly by the Priorities Division.

The Priorities Division of the Office of Production Management administers all requests for preference ratings on civilian contracts. It determines preference ratings for those items, including civilian items and military items, which do not appear on the critical list. It handles the allocation of all materials—for example, aluminum—which have been subjected to industry-wide priority control. Such industry-wide allocations modify and take precedence over any individual priority certificates which may have otherwise been issued against such materials.

And any new, broad problems which may arise in either the field of policy or practice will involve a decision on the part of the Priorities Division, often in consultation with representatives of the Army and Navy to make sure that all aspects of the situation have been properly considered and integrated.

In administering its phase of the system, the Priorities Division has available a number of instruments. The system is designed to be flexible, and it is more important to fit the treatment to the problem than to try to fit the problem into a rigid pattern of treatment. But it may be said that, in general, there are three broad steps that the Division can take to give priority aid. These are: (1) blanket ratings of a limited type, designed to help certain companies or projects in urgent situations to obtain needed materials quickly; (2) individual preference rating certificates, issued to manufacturers for specific orders, to meet specific problems; and (3) industry-wide priority control, usually involving the allocation of available supplies.

1. Blanket Ratings

A blanket rating is a technique adopted to avoid the necessity for dealing with a large number of closely allied problems, in the same field, through an unwieldy number of individual preference rating certificates. Speed and efficiency are both important factors here.

Suppose, to take an example, that 10 companies engaged in making product X are all having difficulties getting certain well-defined materials. Suppose that the finished product X is a defense item and that these companies are all engaged in defense work. Suppose that prompt completion of the contracts is urgent and that it is therefore in the interest of national defense to aid these companies by priority action.

It would be possible, of course, to take up each order of each company separately, to investigate each difficulty separately, and to issue individual priority ratings for each individual order. This might involve

a hundred or so certificates and, with possible extension of ratings to sub-subcontractors, might grow to several hundred separate and distinct actions.

But in such a situation it is far more satisfactory to use a restricted type of blanket rating which accomplishes the same end and saves time and trouble.

What is done is this: a general preference order, assigning a limited blanket rating, is carefully drawn up. It is decided to give all 10 producers a rating of, say, A–1–c for the acquisition of the supplies with which they are having the most trouble. These items are specifically listed. A time limit is included so that the preferential treatment does not run on indefinitely, and other specific restrictions are imposed.

When this has all been done, each manufacturer knows that he is entitled to be given preferential treatment by his suppliers on orders he places for the items listed. He photostats his preference order, which shows both his rating and the items on which he can apply that rating, and serves it on his suppliers. The suppliers then give preferential treatment, as indicated, to the producer's orders.

The reason why this type of action is faster than the use of separate certificates is that each manufacturer may deal with a dozen or so suppliers and, with these suppliers, may have placed a comparatively large number of different orders. Thus, it would take a different preference rating certificate for each contract if the separate certificate system were used. It is much easier to use the limited blanket rating system—but only if the manufacturers involved form a homogeneous group, producing the same kinds of products, and are working practically entirely on defense. In such a situation, the number of companies involved is not the controlling factor. A blanket rating of this type can be issued to one company or to a number of companies.

2. Individual Certificates

Naturally there are many cases in which blanket ratings are not appropriate; for example, in the case of a manufacturer working half on defense and half on civilian projects, who may also be doing some prime contracting for the Government and some subcontracting. In such a case, action cannot be taken on a broad, categorical basis, but the system of individual certificates may be used.

Assume, for example, that a manufacturer of voice-recording apparatus, who is producing both for defense and nondefense channels, is having trouble getting some essential part. It is important that he get the parts for the apparatus intended for defense, and it is de-

sirable, though less imperative, that he get the parts for civilian work. This manufacturer may be selling his devices to a jobber or wholesaler who himself is selling to both defense and nondefense users, so that it is difficult to trace the completed product directly to a defense use.

To solve his difficulties, this manufacturer may apply for priority aid to the Priorities Division. (He does not apply to the Army and Navy Munitions Board, because the apparatus cannot be directly traced to a prime contract for defense purposes and because, in addition, the part he needs is not on the critical list.) In making application, the manufacturer sets forth in detail the difficulties he is having and gives specific and detailed data about his case.

If the Priorities Division feels that the plea is justified, it can issue a preference rating certificate. This certificate is given to the manufacturer who is having difficulties and he serves it on his supplier. The supplier then gives the order for the needed part preferential treatment. In the typical case, such priority aid would be given to the producer for those orders he had placed which were going into defense contracts.

It should be added, here, however, that the Priorities Division tries whenever possible to avoid issuing priority certificates in cases where the connection with the defense program is not clear. Priority certificates cannot be scattered widely, because the more widely they are used, the less efficient each certificate becomes. If all manufacturers were supplied with priority certificates, then the entire system would break down and no one would benefit.

In the usual case, the Priorities Division issues priority certificates only when such action is necessary to aid the defense program—and the connection with defense is clear—or to aid some obviously vital civilian project.

Another illustration can be given. Suppose that a power plant, in process of construction, needs some structural supplies. And, in addition, suppose the same plant is having trouble getting delivery on small motors. The power plant cannot go to the Army and Navy Munitions Board for relief for two reasons: first, it is not doing any prime contracting, is not handling any Army and Navy work; second, the supplies are not on the critical list.

Therefore the company applies to the Priorities Division for relief. If the Priorities Division decides to, it can issue the power plant preference ratings for its contracts for both the structural materials and for the small motors.

Through steps of this type, the Priorities Division can and does take action to help expedite deliveries and production, largely on de-

fense work but sometimes, if necessary, on important civilian projects. But it must be emphasized that it is not the policy of the Division to take priority action to solve some purely civilian problem which has no connection whatever with defense needs, unless unusual factors are involved.

3. Industry-Wide Control

In some vital areas, when shortages exist, it becomes necessary for industry-wide, mandatory priority control to be imposed, so that available supplies may be conserved and allocated wisely for both defense and nondefense purposes. Control of this kind is imposed by the Priorities Division.

Take the case of aluminum. In early 1941, it became obvious that there was a shortage of aluminum, and it became clear that there would not be enough aluminum for all defense needs and all civilian needs as well. And because aluminum is a metal vital in defense, and widely used in civilian channels, it was decided to place aluminum under industry-wide control. At the same time, aluminum was placed on the Priorities Critical List.

Putting aluminum on the critical list meant that the Army and Navy Munitions Board and agents of the services could issue preference ratings against it. But, since the metal was also put under industry-wide control, this meant that the allocations made by the Priorities Division would take precedence over individual certificates in case of any conflict.

The allocation of aluminum for defense purposes has been handled in part by specifically allotting to certain defense needs certain amounts of aluminum. For example, as soon as the scheme was started, officials of the Priorities Division began to instruct aluminum producers, month by month, to ship specific amounts of the metal to specific companies. A little later, a general, over-all formula governing the allocation of aluminum for both defense and nondefense purposes was announced. Under this formula, all defense orders were given an automatic rating of A–10, unless higher ratings were assigned for specific orders, and civilian needs were graded in their order of importance, those of lesser importance being allotted lesser amounts of aluminum.

The effect of the automatic A–10 rating was merely to set up a line of demarcation between defense and nondefense. Any order with a rating of A–10 or more automatically came ahead of any civilan order with no rating. But the Priorities Division, on the theory that the most important civilian need came ahead of the least important military need, reserved the right to issue higher ratings for civilian needs if necessary.

A GENERAL VIEW

In the light of all that has gone before it can be seen at once that the priorities system can be operated in many ways to meet many different problems. It is hardly possible to describe the system in such detail or to produce a formula so complex that each and every problem can be fitted neatly into its required niche. But there are several broad underlying principles which are of great help in understanding the system and which throw much light on how the basic theories are applied.

These basic principles are as follows:

(1) The priorities system is designed primarily to aid the defense program. It can be used to aid important civilian projects, but it is not the policy of the Division to use priority actions indiscriminately, and an effort is always made to find solution through other means.

(2) The assignment of preference ratings for strictly military contracts is handled by Army and Navy representatives, coordinated by the Army and Navy Munitions Board, and in this "automatic" field the Priorities Critical List is the control—that is, the automatic assignment of ratings is not carried on outside the framework of the list.

(3) Problems which lie outside the strictly military sphere, as limited by the Priorities Critical List, are administered directly by the Priorities Division of the Office of Production Management.

(4) The automatic phase of the program as handled by the Army and Navy representatives, is operated largely by means of individual preference rating certificates, assigned to prime contracts or extended to subcontracts for items on the critical list. The preference rating certificate at the present time is the principal administrative mechanism in the system.

(5) The Priorities Division, in handling its part of the job, can operate by means of individual preference rating certificates; by using industry-wide control, usually involving the technique of allocation; by issuing limited blanket ratings for the acquisition of materials, or by other steps which can be developed to meet special problems.

These two phases of the program, the military part of the job and that part administered directly by the Priorities Division, are closely geared together in an effort to make sure that the economic system, in picking up its new load, continues to function smoothly. Everyone can help in reaching this goal, the ultimate civilian consumer as well as the manufacturer. For, while priority actions based on statutory authority can be enforced, the whole defense program will be facilitated if the cooperation of all concerned is given freely and voluntarily.

Questions and Answers

Some questions often asked about the operations of the Priorities System—and their answers.

GENERAL THEORY

Q. *What is the Priorities System?*

A. A plan designed primarily to implement the purchasing and production of defense material. By means of this system, contracts can be graded in the order of their importance, and preferential treatment can be insured for orders which require it.

Q. *What is a preference rating certificate?*

A. A notice to a supplier that an order for certain specified material is to be given preferential treatment so that the delivery date can be met.

Q. *Is the preference rating certificate the only method of indicating priority?*

A. No. While the armed services operate largely by means of such certificates, issued on orders for items on the Priorities Critical List, the Priorities Division of the Office of Production Management also uses other methods—for example, limited blanket ratings and industry-wide control.

Q. *What is meant by industry-wide control?*

A. In cases when there is a serious shortage of material, it is often more efficient to direct the over-all distribution of such material than to use individual preference rating certificates. The Priorities Division can exercise such control and, either by specifically allocating supplies or by other means, can make sure that defense needs are filled and that other needs are graded in the order of their importance.

Q. *What is meant by a limited blanket rating?*

A. A limited blanket rating is sometimes used by the Priorities Division, in cases of special urgency, to give a company or companies or a project the right to acquire needed materials rapidly, without getting a separate certificate for each order.

Q. *Can any company get a blanket rating?*

A. No. Such ratings are used very infrequently, only when the companies involved are engaged almost wholly in defense work of an important character. These ratings are limited by rigid restrictions and always name specifically the items to which the ratings can be applied.

Q. *What materials are under the Priorities System?*

A. All the items on the Priorities Critical List are under the Priorities System in the sense that the armed services may issue preference ratings for orders for such items. In addition, priority control also extends to those materials under industry-wide control and to any items specified in limited blanket ratings.

Q. *What is the Priorities Critical List?*

A. A list of more than 200 items and classes of items which the armed services need and on orders for which they can issue preference rating certificates automatically, without having to make a special case of each order.

Q. *Does this list show the ratings that the listed items take?*

A. No. The list names the items. It is on the War and Navy Departments' official "directive" that the needs and purposes of the defense program are correlated in such a way as to show what kinds of ratings the items take.

Q. *Does the Priorities System apply only to defense orders?*

A. No. Important civilian projects and contracts can be given priority aid.

Q. *How are preference ratings graded?*

A. The highest rating is AA. This can be used only by the Director of Priorities, and then only in cases of urgency. After this, they run in the order: A–1–a, A–1–b, A–1–c . . . A–1–j; A–2, A–3 . . . A–10. Ratings in the B class are also used in some cases.

Q. *Is the system intended only to get material turned out rapidly?*

A. No. One of the most important factors in the whole system is the matter of proper scheduling. It is just as important to have material turned out on time, and in the proper sequence, as to have it turned out quickly. The Priorities Division attaches great importance to proper scheduling. The need for close attention to scheduling is emphasized in the official instructions to Army and Navy representatives, and the preference rating forms also provide for the scheduling of deliveries.

PRIME CONTRACTS AND SUBCONTRACTS

Q. *A manufacturer has subcontracts which flow into Army and Navy contracts, but he furnishes material to wholesalers who in turn sell to the Army and the Navy and others. Thus it is difficult for him to show that supplies he needs will go eventually into prime contracts or defense contracts. How can he proceed to show that some materials he needs, and for which he wants preference ratings, will actually go into defense channels?*

A. Such cases should be brought to the attention of the Priorities Division, along with all the necessary data on contracts, records of past sales, percentages of production flowing into known defense channels, and any other supporting facts. The Priorities Division can take action in such cases to expedite the delivery of materials which can be traced to defense work.

Q. *If a prime contractor for the Army or Navy is having trouble getting deliveries from a subcontractor, what can he do?*

A. Bring the matter to the attention of the contracting officer or inspector. If the prime contract bears a rating, and the material on subcontract is on the Priorities Critical List, the rating can be extended to the subcontractor. If the items involved are not on the list, or special circumstances are involved, the contracting officer will know how to proceed to obtain necessary priority aid. (A discussion of special cases may be found in the official instructions issued to Army and Navy services and officers.)

Q. *Suppose a subcontractor for a prime contractor is having trouble getting deliveries from a subcontractor of his own?*

A. As in the case above, the subcontractor should bring the matter to the attention of the nearest contracting officer or inspector of the service for which the prime contract is intended.

Q. *Suppose a manufacturer has a prime contract which does not have a preference rating?*

A. This is probably because the contract is for material not on the Priorities Critical List. Contracting officers can assign ratings (on critical list items) whenever a prime contract is awarded. If the contractor in such a case feels that he needs a preference rating, he should apply to the contracting agency.

Q. *If a manufacturer with a contract has been able to get a preference rating which will help him get deliveries from a subcontractor, does the rating apply only to the material to be used in that contract?*

A. Yes.

COMPLIANCE

Q. *How does a supplier comply with a preference rating on an order?*

A. By giving that contract preferential treatment, as needed, so that he can meet the delivery date. If the supplier has a number of orders with different ratings, he should grade them in the order of their importance, as indicated by the ratings they bear. If conflicts arise, orders with higher ratings must be given preferential treatment over orders with lower ratings or no ratings.

This may require considerable exercise of skill in production and scheduling techniques.

Q. *Why is so much emphasis placed on the delivery date?*

A. Because the necessity of meeting delivery dates is one of the most important factors in the priorities system. Priority action is designed to see to it that contracts for defense are turned out *when they are needed.*

Q. *Suppose that two orders bear the same rating and the same delivery date. Which comes first if a conflict arises?*

A. In such a case, priority would be determined by the dates when the orders were placed, the order with the prior placement date taking priority.

Q. *What if the delivery date on a rated order is so close that it is impossible to meet it, whatever efforts are made?*

A. In such a case, the producer who is required to comply with the preference rating should bring the problem to the attention of the contracting officer or agency which issued the rating.

Q. *Should a manufacturer upset his production schedule for goods in process in order to comply with a preference rating suddenly imposed on an order?*

A. Preference ratings should be complied with. A problem of this kind, however, calls for the exercise of sound judgment and skill in scheduling. In cases of special difficulty, the matter should be brought to the attention of the military service involved or the Priorities Division, whichever agency assigned the rating.

Q. *If a manufacturer has a contract with a Government agency, containing a liquidated damage or penalty clause, and the contract is delayed because of an Army or Navy contract with a preference rating, will the manufacturer be liable for damages?*

A. In accordance with instructions from the President, Government agencies may, under certain circumstances, refrain from enforcing such damage clauses if the delay has been caused by Army or Navy orders bearing preference ratings. For detailed advice on this, consult the contracting officers of the Government agency involved.

OBTAINING RATINGS

Q. *Who makes the request for extension of a prime contract rating to a sub-contract?*

A. In the typical case, a prime contractor who is experiencing difficulties in getting prompt deliveries from a subcontractor may ask that his rating be extended to the subcontractor. The subcontractor, in turn, may ask that the rating be re-extended to a subcontractor of his own.

Q. *Can anyone obtain a preference rating by asking for it?*

A. No. Priority aid of every kind is purposely kept to a minimum The more widely priority aid is used, the less efficient such aid becomes. Manufacturers must use all other reasonable means of solving their difficulties before applying for preference ratings. When a manufacturer asks for priority aid, he will be required to set forth the other steps he has taken to solve his problems.

Q. *If a manufacturer needs a preference rating but is not sure how to get it, how can he proceed to find out what he should do in order to bring his problem before the proper authorities?*

A. A manufacturer working on what is obviously strictly military work—a prime contract or a subcontract for a prime contract—can get helpful advice by going to the nearest contracting officer of the service involved; if he is engaged almost wholly in the civilian sphere, or if the connection between his work and defense is not clear, he may make application to the Priorities Division.

Q. *When are application blanks to be filled out?*

A. Whether a formal application for a preference rating is necessary or not depends on the circumstances involved. A prime contractor for the Army or Navy, producing items on the critical list, can have a contracting officer fill out a preference rating form without filing an application. A subcontractor in the same position can also ask appropriate military officers for priority aid without filling out an application. The application forms are to be filled out, however, when the material involved is not on the critical list, or when a contract cannot be directly traced to a prime contract for defense, or when the manufacturer is engaged in nondefense work. Application forms are used when aid is being asked of the Priorities Division; they are not generally used when the matter is being handled by contracting officers of the services.

Q. *If a manufacturer has an Army or Navy contract, but does not have an inspector at his plant, who can extend a preference rating for him?*

A. The manufacturer should find the nearest contracting officer of the service for which the prime contract is intended.

Q. *Some of a manufacturer's suppliers have asked him to obtain a preference rating before they will accept an order. What does this mean?*

A. Some manufacturers have made such stipulations in order to make sure that their supplies are flowing into defense channels. Except when the Priorities Division has imposed regulations to the

contrary, however, a manufacturer may accept orders with or without preference ratings. If a producer has experienced difficulties of this kind, he should refer the matter to the Priorities Division. If ratings are not being issued on the kinds of supplies involved, however, this fact should be brought, with special emphasis, to the attention of the supplier.

INFORMATION

Q. *Where can a manufacturer obtain information about all aspects of the priorities system?*

A. Manufacturers may obtain information about the priorities system from their trade associations or from the Information Division, Office for Emergency Management, new Social Security Building, Washington, D. C.

Q. *Where can a manufacturer obtain a copy of the Priorities Critical List?*

A. All field representatives of the Army and Navy have such lists. Copies may also be obtained through trade associations or from the Information Division, Office for Emergency Management, new Social Security Building, Washington, D. C. A copy is included in this booklet.

Q. *Are there any regular sources of information through which a manufacturer can be kept informed as to developments in the priorities system?*

A. The weekly magazine Defense includes a complete record of all important actions taken by defense agencies. A subscription to Defense may be placed by writing the Superintendent of Documents, Government Printing Office, Washington, D. C. The subscription price is $0.75 per year for 52 copies.

OTHER PROBLEMS

Q. *If a manufacturer is engaged in nondefense production, and he is unable to get preference ratings on material needed, what can he do to keep his plant in operation?*

A. Manufacturers in such situations may make efforts to obtain subcontracts from prime contractors and they may be aided in this through consultation with the nearest representative of the Defense Contract Service, who may be located through Federal Reserve Banks. Such manufacturers may also try to develop substitute processes. In cases of special urgency, manufacturers may bring such problems to the attention of the Priorities Division.

Q. *Suppose a manufacturer is engaged in many different kinds of work—prime contracting for defense, subcontracting and civilian production—and is having difficulty getting supplies in each class. What can he do?*

A. Each category should be treated separately. So far as such prime contracting is concerned, a manufacturer should go to the contracting officer for the service involved. Problems in subcontracting for defense should be taken up with either the armed services or the Priorities Division, whichever is appropriate. Purely civilian matters, or cases in which the connection with defense work is not clear, should be brought to the attention of the Priorities Division. In making applications for preference ratings, a separate form should be filled out for each order or contract on which difficulty is being experienced. It is important to remember that different precedures are provided for different kinds of problems and that difficulties in various spheres of activity must be settled separately.

Q. *If a manufacturer needs a small quantity of material for defense work but his supplier refuses to accept an order for a quantity so small, can the manufacturer place the minimum order stipulated by the supplier, using a preference rating to obtain prompt delivery, and then direct the excess part of the order to nondefense purposes?*

A. No. But in such a case, the manufacturer should bring his need to his supplier as a special problem and should make it clear that defense orders are involved. If this fails, help may be obtained either from the contracting officers of the services involved or from the Priorities Division.

Q. *If an inspector or a contracting officer at a plant declines to sign an extension of preference rating because it relates to a contract for another branch of the service, how should the manufacturer proceed?*

A. Find the nearest contracting officer for the branch of the service concerned. If necessary, the manufacturer may ask advice of the Priorities Committee, Army and Navy Munitions Board, or the Priorities Division.

Q. *A certain manufacturer is required to stock many items which are sold either directly or indirectly to the Army or Navy, immediate delivery being required. Since the manufacturer cannot wait until an order is placed before acquiring materials, how can he assure himself of adequate stocks?*

A. Special cases such as this should be brought to the attention of the Priorities Divisions, accompanied by full and complete data, setting forth in as much detail as possible the extent to which the products involved enter into defense channels.

Priorities Critical List

As Revised to March 15, 1941

1. *Parts and Accessories.*—The items that appear on this list shall be deemed to include all fabricated parts and accessories necessary for the completion, maintenance or mechanical operation thereof, which are designed to meet military specifications, and as designed are not commercially useful for civilian purposes.

2. *Supervision.*—It should be carefully noted that all copies of preference rating certificates authenticated by the two services are reviewed by the Priorities Division and erroneous use of this list will result in cancellations of certificates by the Priorities Division.

3. *Allocation.*—Material which has been subjected to industry-wide control and allocation by the Priorities Division will be governed by specific orders from the Priorities Division which may to some extent modify the effect of preference ratings previously issued. Items indicated by an asterisk are those which to the date of this edition have been subjected to allocation by the Priorities Division.

4. *New items.*—Italicized items on this list are those which appear for the first time with this edition.

5. *Revision.*—This list is subject to revision once each month. In order to receive consideration at the time of making any monthly revision, requests for additions, subtractions or modifications must be received by the Priorities Committee of the Army and Navy Munitions Board or the Director of Priorities of the Office of Production Management on or before the fifteenth day of the preceding month.

NOTE.—The Priorities Critical List is a list of items, largely military in character, on which the appropriate Army and Navy representatives, in placing their orders or contracts, may issue preference rating certificates. The appropriate representatives may also assign preference rating certificates on subcontracts for these items, subject to regulations as set forth in the War and Navy Department instructions.

ITEMS FOR WHICH PREFERENCE RATINGS ARE AUTHORIZED

A

Aiming circles.
Aircraft: all types including lighter-than-air, complete.
Altimeters: all types.
**Aluminum and aluminum alloys: pig or fabricated.*
Ambulances: service specifications.
Ambulance boats.

Ammonia, anhydrous.
Anti-aircraft equipment.
Ammunition (small arm and large caliber): all types.
Angledozers.
Auger: earth (power).
Autoclaves (laboratory): field and hospital.
Armor plate.
Aircraft detection equipment.

B

Bags: barracks; *sea;* cantel; powder; sterilizing water.
Balloon: observation or barrage.
Barges.
Barometers.
Batteries: radio; *ship; fire control.*
Bearings: roller and ball.
Belt: *ammunition* link; cartridge.
Binaural trainers.
Binoculars; monoculars; spy glasses; field glasses; spotting glasses.
Boards: deflection; fire adjustment; plotting (all types); range correction; spotting; chart.
Boats: aircraft rescue; picket; crane; assault; ambulance; Eagle; landing; motor torpedo; utility, subchaser; target (armored); motor launch; radio control; lighters; *D. B.* (*distribution box*).
Boilers: power plant; heating.
Bombs.
Booms.
Box: ammunition.
Brass: pig and fabricated.
Bridges: foot (all types); steel (portable); ponton (all types).
Bronze: pig or fabricated.
Battery chargers portable.
Bulldozers.

C

Cables, electric: under water; *fire control;* lead sheath or lead and armor; *degaussing; including assemblies.*
Calibration sets, bomb sight: optical elements for.
Calipers, micrometer.
Cameras: aeronautical; gun; triangulation, *motion picture and still.*
Camera control: gun.
Candles: chemical.
Canisters: service; diaphragm; optical.

Caps: field and winter; watch.
Carts: hand drawn; reel; chemical mortar; ammunition; *weapon.*
Castings: steel, heavy; brass; aluminum.
Catapult: aircraft.
Charger: gun (hydraulic).
Chest: service types.
Chemicals: chemical warfare; explosives.
Chlorine.
Chromium alloy steel.
Cipher devices and machines.
Clothing: flying; chemical protective.
Combat vehicles.
Containers: galvanized; portable refrigerated.
Coils: service specifications.
Cordage: hemp; jute; oakum.
Compressors (air): power driven.
Computers: intermediate and major calibers; time and distance; line of position.
Condensers, steam.
Cone assembly 6-inch metrogon lens.
Control equipment for electric motors, automatic.
Cooking outfit: mess and field.
Corrector: percentage; fire control.
Cotton: canvas duck; webbing.
Cotton linters.
Cranes.
Cutters: wire, and carriers (special service types).
Cylinders: chemical (portable); compressed gas or air.

D

Demustardizing equipment: chemical warfare.
Diamond point tools.
Dies: forging; *diamond.*
Distribution boxes.
Diving apparatus.
Drydocks: floating.

E

Electric generators, motors and motor generators, dynameters: all except N. E. M. A. standard types, meeting A. I. E. E. specifications and rules.
Energizers: aircraft electric.
Explosives, including chemical components.

F

Extinguishers (fire): foam, *carbon dioxide;* tetrachloride.
Finders: radio direction *height; depression position;* vertical view; range.
Fire control instruments and equipment.
Flares.
Flashlights (service types).
Flash ranging set.
Flying equipment.
Forgings: brass; steel; aluminum.
Frequency meter set, radio.
Fuel: aviation; Diesel, 50 cetene number and up.
Fuzes and primers.
Fuze-setters.
Floodlighting equipment.

G

Gas: decontamination apparatus and equipment; masks.
Gases: chemical warfare.
Gastight doors and frames.
Generating units; service types.
Generators: electric, except N. E. M. A. standard types of A. I. E. E. specifications.
Glasses: field, spotting; binoculars; spy; monoculars.
Grenades.
Gages, inspection.
Goggles (service types).
Grader, road; self-propelled.
Guns: all types and calibers (including carriages and mounts), *Limbers*, and *caissons.*

H

Hammers, power driven.
Head and chest set: communication.
Height finders.
Helmets (service types).
Hoist, ammunition.
Hoists, power or hand.
Howitzers: all types and calibers, with limbers, caissons, carriages and mounts.

I

Impregnite (I and S).
Insignia, uniform.

Instruments: battery commander; electro-diagnostic; observation; optical (all types complete); stereoscopic training; surgical; surveying; azimuth and azimuth mil; self-synchronous.
Interphone equipment: (aircraft; *vehicular*).
Isolantite.

J

Jigs and fixtures.

K

Kits: first aid; repair; toilet.

L

Laboratory, field.
Lamp equipment, signal.
Leggings, canvas.
Lenses requiring grinding except eyeglasses.
Lighters and barges.
Lighting equipment: electric (portable), *service types.*
Locators, sound; antiaircraft.
Lockers: steel; foot.
Locomotives: diesel, gasoline, electric.
Lubricant: diesel engine, special "RPM—Delo" or equivalent.

M

Machine, blasting.
Machine guns: all types and calibers with mounts, sights, and tripods.
Machine* and metal working tools.
Machinery: forging; power-driven, for casting, cutting, grinding, hoisting, melting, metal pressing, welding, refrigerating.
Magazines: small arm ammunition.
Mapping equipment, service types.
Marker beacon receiving equipment.
Masks: gas; oxygen.
Meggers, insulation testing.
Mess outfits: field; barrack; ship.
Meters: electric; drift.
Meter set, frequency (seacoast).
Mines: antitank; drifting or anchored.
Mine equipment, submarine.
Mine planters and yawls.
Mirrors, Magnifying.
**Magnesium and alloys, pig or fabricated.*
Monel metal.

Mortars: all types and calibers with carriages, mounts.
Motors for pontons.
Motorcycles, solo or side car (service types).

N

Nets: antisubmarine; *camouflage.*
Nets, camouflage.
**Neoprene.*
**Nickel*, pig or fabricated.
**Nickel, alloy steel.*

O

Octant, bubble type.
Oil: castor; fuel (diesel 50 cetene and up).
Optical elements and instruments.

P

Paper, chart.
Parachutes, service types.
Ponton equipment.
Potassium perchlorate.
Projectors, signal (ground).
Pumping sets, all types.
Purification unit, water.
Pyrotechnics, service types.

R

Radio apparatus (sending and receiving), all types.
Radio direction finders.
Range, field, complete with equipment.
Rangefinders.
Ranging equipment: sound.
Reels, firing.
Remote control equipment, for guns and searchlights.
Reproduction equipment: map (all types).
Repurification plant, helim (portable).
Rifles: magazine; machine; automatic; semiautomatic.
Rubber, synthetic; rubberlike synthetic materials.

S

Saddle: pack; cargo; riding.
Scabbard: small arms.
Scale: prediction.
Ship plates.

Searchlights.
Searchlight control instruments.
Ships: all types, complete.
Small arms: all types and calibers.
Smoke: toxic, and equipment for use.
Smoke screen apparatus.
Sound equipment: underwater.
Sound locators: antiaircraft.
Sphygmomanometers.
Spotting sets.
Steel, electric furnace: bullet: armorplate: special treatment: tungsten: nickel: chrome: vanadium.
Stereoscopes: all types.
Stereoscopic testers.
Stoves: tent.
Submarine mine cable: steel.
Submarine safety and escape devices.
Switchboards, power complete assembly.

T

Table (plotting).
Tags: identification.
Tanks: cartridge; combat, all types and models; powder.
Telephones: all special service types; radio, and equipment.
Telegraph sets (service specifications).
Testing outfits, boiler water.
Theodolites.
Thermometers, air-standard, mercurial.
Time interval apparatus.
Tin.
Tools, precision; hand.
Torpedoes.
Tractors: military.
Trailers: 2, 4, and 6 wheel, assorted; bomb.
Trainer: binaural; stereoscopic; instrument flying and landing (ground).
Transformers, electric.
Trucks: motor (all special service types).
**Tungsten; ferro tungsten and tungsten ore.*
Tungsten alloy steel.

V

Vanadium and vanadium alloys.
Vehicles (service types).

W

Watches, service types.
Whetlerite.
Wire: service types (see conduction); field.

Z

Zinc.

NOTE.—Zinc is subject to a special form of priority control. Producers are required to set aside a percentage of their production each month, thus creating a pool out of which the Priorities Division allocates to meet urgent needs.

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Priorities Instructions

ARMY AND NAVY MUNITIONS BOARD,
Washington, D. C., March 15, 1941.

Subject: Priorities Instructions.

To Supply Arms and Services of the Army and Bureaus and Offices of the Navy Department:

1. These Priorities Instructions, issued to the War and Navy Departments under the authority of the Office of Production Management, are effective upon receipt, at which time all priorities instructions previously issued by the Army and Navy Munitions Board are revoked.

2. Properly executed preference rating certificates and their extensions previously issued will, however, remain valid.

3. Supply Arms and Services of the Army and Bureaus and Offices of the Navy shall make appropriate distribution of these instructions to their agencies. Promulgating letters or instructions previously issued by such branches which conflict with these instructions shall be revoked. Promulgating letters or instructions which hereafter may be issued shall conform to these priorities instructions and copies of all such letters or instructions shall be supplied the Army and Navy Munitions Board.

ROBERT P. PATTERSON,
Under Secretary of War.
JAMES V. FORRESTAL,
Under Secretary of the Navy.

SECTION A. INFORMATION

1. AUTHORITY.—Precedence in delivery of Army and Navy orders over those for foreign or private account is authorized by Section 2 (a), Public 671. Section 9, Public 783 provides for possible additional enforcement measures. The authority to apply priorities is vested in the President, who has by Executive order dated January 7, 1941, delegated his powers to the Office of Production Management, which acts through its Director of Priorities, and with advice of the Priorities Board, as hereinafter described.

2. DEFINITIONS.—Priority in the sense intended by these instructions is the required precedence which must be given a contract or order to permit completion or delivery on a particular date at the expense of competing contracts or orders. At the present time, it

applies only to material, and not directly to services such as power, labor, transportation.

Priorities Critical List (Appendix A) is a list of items for which preference ratings may be assigned to contracts or orders therefore by Army and Navy contracting officers and other authorized Government representatives. It includes items which are generally limited in their usefulness to the armed services or those affording general procurement difficulty.

Priorities Directive.—This directive stipulates the preference rating to be assigned to the contracts or orders for the various procurement projects in the Defense Program. In certain cases specific items are stipulated. The appropriate stipulated ratings may be assigned *only* to contracts or orders *for items on the Priorities Critical List.* The rating to be assigned is to be determined by the use to which such items will be put. The Priorities Directive lists such uses in the form of projects or group procurement objectives together with the accompanying ratings.

Prime Contract is a direct Government contract or order as distinguished from a subcontract.

Original Rating is a rating given to a prime contract in favor of the Government.

Extended Rating is a rating given to the first subcontract in favor of a prime contractor.

Reextended Rating is a rating given to subordinate subcontracts in favor of a higher subcontractor.

3. Function of Priorities.—Priorities has the function of giving preferential treatment to implement the purchasing and production of munitions. It accomplishes its function by assisting:

(a) To increase productive capacity by preferential completion of facilities.

(b) To attain a balanced production of military components, insuring the supply of the more urgent and important munitions at the expense of those of a lesser degree of urgency and importance, or at the expense of civilian products.

4. Means by Which Priorities Are Made Effective.—Priority action may on occasion be made effective by the following means:

(a) By the interchange of delivery dates of orders before the article is completed.

(b) By diverting the delivery of completed items from one order to another.

(c) By accelerating the manufacturing process of certain items at the expense of other items with competing delivery dates.

(d) By allocating the output of a supplier on a pro rata basis

among customers in accordance with their relative importance. (This can only be ordered by the Office of Production Management.)

5. Priorities Agencies:

(a) *The Priorities Division* of the Office of Production Management is the senior agency responsible for the administration of priorities. It is headed by the *Director of Priorities.*

(b) The Priorities Board, appointed by the President, is an Advisory Board to the Office of Production Management.

(c) The Priorities Committee of the Army and Navy Munitions Board is continued as the agency to coordinate the strictly Army and Navy priorities. In addition, the needs of certain other Government agencies will be coordinated by that committee. At present, this includes the Coast Guard, Maritime Commission, Coast and Geodetic Survey, the Panama Canal, and the National Advisory Committee on Aeronautics.

(d) There are also *other agencies*, boards, or committees composed of members of the Army, Navy, and/or Office of Production Management which will investigate particular phases of the defense programs and recommend priority decisions within specifically defined limits. These agencies, such as Machine Tool Committee, Tank Planning Committee, the Joint Aircraft Committee, do not as a rule confine their activities to priorities matters.

(e) Within the War and Navy Departments it is expected that officers will be designated to handle priorities' matters within their bureaus or branches. The names of officers so designated should be reported to the Priorities Committee, Army and Navy Munitions Board.

6. Duties of Agencies.—The fields of activity of each of the priorities agencies cannot always be rigidly defined, but in general a conflict requiring priority action will be settled within existing authority in the lowest echelon possible:

(a) Within a supply arm or bureau when the means are available within that agency to resolve an internal conflict.

(b) By the Priorities Committee, Army and Navy Munitions Board, where priorities involve direct defense contracts or subcontracts thereunder of more than one branch of the Army or one bureau of the Navy for items on the Priorities Critical List.

(c) By the Priorities Division, Office of Production Management, when cases involve items which are not on the Priorities Critical List, or in cases pertaining to nondefense domestic orders and foreign orders.

7. Administrative Methods:

(a) *Automatic Method.*—The principal administrative method by

which priorities will be effected is the system of preference ratings. This is the system described herein under which preference ratings are applied by Army and Navy officials to defense contracts or orders covering material on the Priorities Critical List to assure automatically such degree of preferential treatment in the fulfilling of the contract as may be necessary in accordance with the Priorities Directive, to meet the required delivery dates.

(b) *Individual Applications.*—Within certain limitations, priority actions may also from time to time be implemented by direct instructions from the Army and Navy Munitions Board, or the Priorities Division, in writing to a supplier directing the latter to take definite action in a specific case.

8. Preference Ratings:

(a) Preference ratings in order of precedence are: AA, A–1–a, A–1–b, A–1–c . . . A–1–j, A2, A3 . . . A10, B1, B2, B3 . . . etc.

(b) An order carrying a preference rating shall be given precedence over any other orders bearing lower or no preference ratings, if necessary in order to assure completion and delivery under that order on the required date.

(c) Material which has been subjected to industry-wide priority control and allocation by the Priorities Division of the Office of Production Management will be governed by specific orders from the Priorities Division which may to some extent modify the effect of preference ratings previously issued.

9. Certificates:

(a) Preference Rating Certificate forms are issued by the Priorities Division of the Office of Production Management, bearing the signature of the Director of Priorities. Ratings thus given and relating to deliveries under contracts and orders of the United States Army or Navy or under subcontracts and suborders for items entering into their fulfillment, are the only ratings which are legally enforceable. To be authentic, ratings shall be issued only upon the approved forms, bearing such signature and duly authenticated by an Army or Navy or other official authorized to do so under certain conditions set forth hereinafter. Care shall be used by such officials to insure that these certificates are properly filled out, all blank spaces being filled as required. Only the original certificate need be signed by the authenticating official; carbon copies, however, shall bear the printed name, rank or title, and station of the authenticating official.

(b) Only a duly signed and authenticated preference rating certificate should be considered binding, but contracting officers should encourage manufacturers to indicate to their subcontractors and suppliers what rating may be extended to their work if a preference

rating certificate is requested and issued. This will enable the subcontractors to plan their work in such a way as to ease the readjustment which might come if and when a preference rating certificate is issued.

(c) An initial supply of certificates will be issued to major procuring and inspection offices and redistributed therefrom to each contracting officer and inspection or procurement officer. Requests for additional supplies may be addressed direct to the Priorities Division, Office of Production Management, New Social Security Building, Washington, D. C., by the party desiring same.

(d) Attention is directed to the printed instructions on the several copies of each form. Care shall be exercised to see that the specified distribution of the original and carbons is accomplished.

(e) It will be noted that, in effect, paragraph one of the form will be used to assign ratings to direct government contracts, and that paragraph two will be used for the purpose of extending or re-extending a rating to subcontracts, subject to certain restrictions described in the following paragraphs.

10. Liquidated Damages.—Attention is invited to the fact that separate instructions have been issued providing that extensions in time of delivery may be authorized, upon request by the contractor to the contracting officer, when delivery under one Government contract carrying a penalty clause is delayed in execution by reason of the application of priorities in favor of another contract.

SECTION B. PROCEDURE

11. Assignment of Original Preference Ratings—Automatic Procedure:

(a) The rating AA will be assigned only by the Director of Priorities, in emergencies.

(b) Preference ratings selected as in (c) below may be applied by contracting officers to individual contracts, orders, awards, or letters of intent. Ratings shall not be given merely for the purpose of enabling a contractor to enter a bid. (See paragraph 21.)

(c) The proper rating shall be selected from the current Priorities Directives approved by the Chief of Staff, U. S. Army, and the Chief of Naval Operations, U. S. Navy, *but only for items* specifically authorized by or appearing *on the Priorities Critical List.*

12. Assignment of Preference Ratings—Special Cases.—When the requirements of paragraph 11 cannot be met, contracting officers will apply for preference ratings as follows:

(a) *For rating AA*, to the Priorities Division of the Office of Pro-

duction Management through the Priorities Committee of the Army and Navy Munitions Board; however, for emergency items when time does not permit, application may be made by the Bureau or Supply Arm concerned direct to the Priorities Division, Office of Production Management, copy to Priorities Committee ANMB. For these emergency items this procedure may be used whether they be military or commercial or whether on critical list or not.

(b) *For items the use of which is not listed in the current Priorities Directive*, to the Priorities Committee, Army and Navy Munitions Board.

(c) *For military items having no direct civilian counterpart not listed in the Priorities Critical List*, to the Priorities Committee, Army and Navy Munitions Board.

(d) *For commercial items not listed on the critical list*, application should be made by the bureau or supply arm concerned direct to the Priorities Division, Office of Production Management, with an information copy to the Priorities Committee, Army and Navy Munitions Board. (See paragraph 20.)

13. Extension or Reextension of Preference Ratings.—Automatic Procedure:

(a) Ratings may be extended or reextended by contracting officers, procurement district officials of Army procurement districts and officials of the Naval Inspection Service.

(b) In extending or reextending ratings in accordance with this authorization, the following conditions must be fulfilled:

(1) The material being ordered from the subcontractor must be included in the Priorities Critical List or must be a fabricated part or accessory thereof as therein specified.

(2) The rating must be supported by an existing authentic rating given to the prime contract, except as provided for in paragraph 18.

(3) Ratings shall be in accordance with the current Priorities Directive.

(4) The items being ordered must be clearly necessary to the timely completion of the related prime contract.

(5) The items being ordered are not larger in quantities or for earlier delivery than required by the approved production schedule of the user. The contracting officer or inspector, before authenticating any preference rating certificate, must examine carefully the statement which he is certifying, particularly clause (c) of "(3): Authentication." "*That the specified required Delivery Dates are not earlier than absolutely necessary for the completion on schedule of said contract* (*s*)." (See Paragraph 22.)

(6) The user of the material covered by the certificate must read and sign as correct the authenticating paragraph.

14. Extension or Reextension of Preference Ratings—Special Cases:

(a) When any of the conditions under paragraph 13 are not met, but the inspecting or procurement officer nevertheless deems it necessary to grant an extension or reextension of a rating, applications shall be made as directed in paragraph 12 for original ratings.

(b) If the extension or reextension is not authorized by reason of the items on subcontract being not included in the Priorities Critical List, application must be made in accordance with paragraph 12b. This application may also be made by the subcontractor without the necessity of going through official channels. In any event, the information desired by the Office of Production Management on these cases is similar to that requested on the attached application blank.

(c) In cases of the kind referred to in subparagraph (b) above, the Priorities Division of the Office of Production Management may issue directly to the suppliers a rating certificate, or it may release for automatic use to the services a low rating, such as A–10, which would serve to place procurement of the particular items ahead of civilian orders. Such releases for automatic use will be published by the Priorities Committee from time to time.

15. Extension or Reextension of Preference Ratings—Foreign Governments.—The Army and Navy Munitions Board will assign ratings to prime contracts of certain foreign governments. A special preference rating certificate form will be provided for the extension and reextension of these ratings. To be valid, these extensions will require the countersignature of an Army district procurement official, a naval inspector, the Priorities Committee, Army and Navy Munitions Board, or the Priorities Division, Office of Production Management. Procurement officials and naval inspectors will certify to the extension of these ratings if conditions are met as are required in the extension of Army or Navy ratings (see paragraph 13).

16. Ratings Higher Than Those Authorized by the current Priorities Directive may *not* be applied by contracting and purchasing officers of the Service except by specific authority of the Priorities Committee, Army and Navy Munitions Board.

17. Precedence Among Orders Carrying Identical Ratings Will Be Decided, when necessary, as follows:

(a) By respective dates of completion or delivery required.

(b) When delivery dates conflict, the date of placing the order will govern; i. e., orders placed at an early date will automatically take precedence over later orders.

(c) When it appears that the method described in (b) is not a satisfactory solution, the decision will be made by the supply arm or bureau concerned if the conflict is wholly within such supply arm or bureau; otherwise, these questions will be referred to the Priorities Committee, Army and Navy Munitions Board, which will be guided in its decisions by appropriate consultations with the agencies involved.

(d) When cases described in the latter part of (c) become numerous, the Priorities Committee may compile precedence lists of companies within a single priority classification, which lists will be released to interested agencies and used by them automatically to resolve conflicts of this type.

18. Assigning a Rating to a Subcontract When a Prime Contract May Not Carry a Rating.—In cases involving noncritical items on prime contract, no original rating may be granted, and therefore no extension of rating can be made. When subcontracts involve the need of critical material in such cases, the Priorities Committee, Army and Navy Munitions Board, or the original contracting officer is authorized to issue certificates filling in both paragraphs 1 and 2 thereof, specifying in paragraph 2 the critical material on subcontract.

19. Confidential or Secret Contracts.—Care shall be exercised to stamp Preference Rating Certificates with the appropriate classification whenever necessary. If confidential or secret features of a contract are to be made known only to the prime contractor and not released to the subcontractor, entries under paragraph 1, when extending the rating, may be replaced by the word "Special" or by the appropriate classification.

20. Channels of Communication:

(a) In order to expedite the handling of special cases which must be referred either to the Priorities Committee, Army and Navy Munitions Board, or the Priorities Division, Office of Production Management, it is desired that the number of offices through which communications must be routed to reach their destination be reduced to a minimum.

(b) Chiefs of Supply Arms or Bureaus are therefore requested to permit their field agencies to apply direct to the agency responsible for the ultimate decision, with information copies to other agencies interested.

(c) Applications made in this way must contain ample data on which to base assignment of ratings; viz., identification of the contract, description of material, the suppliers thereof, brief explanation of the difficulties encountered, justification of required delivery dates as related to the production schedule of the customer, and a definite request for the action desired.

21. Invitations To Bid.—It is recommended that invitations to bid invariably contain a brief statement that contracts will carry a designated preference rating which may be applied to items on the critical list. This list should be made available to interested bidders upon call at the office issuing bids.

22. Proper Scheduling:

(a) In making contracts, it is imperative that care be exercised to specify delivery or completion dates in accordance with proper scheduling, i. e., no earlier than actually required. A careful adherence to this rule will greatly facilitate timely deliveries of urgent orders and prevent needless interferences.

(b) Delivery schedules must be broken down into at least monthly installments where this is appropriate to the material. Delivery dates must be the latest possible dates needed to complete the order on schedule.

(c) Authenticating officers shall carefully examine the schedules of users, contractors, and subcontractors to assure themselves that the intent of subparagraphs (a) and (b) is carried out in all cases prior to approval of extensions or reextension of preference ratings (see paragraph 13 e). The importance of this provision cannot be overemphasized because only in this way can the accumulation of parts and materials beyond current requirements be avoided and all military needs be supplied.

23. Where There Is No Shortage in the Available Supply.—Nothing in these instructions shall be construed to discourage deliveries earlier than those asked for by the purchaser.

24. Additions to Priorities Critical List:

(a) Contracting officers and others concerned are urged to refer all cases of threatened or actual delay in completion of contracts by reason of difficulty in obtaining items not on the Priorities Critical List promptly to the Priorities Division, Office of Production Management, through channels prescribed within their organization. Information copies of such requests shall be furnished the Priorities Committee, Army and Navy Munitions Board.

(b) Such cases will be given either prompt individual attention, or if experience indicates too much delay or too much volume of detail, the items may be released for automatic action by addition to

the Priorities Critical List, which will be revised at periodic intervals. Requests for additions to that List should be made only where accompanying evidence is submitted showing that satisfactory procurement of the item without a preference rated order has failed or is impracticable.

25. Blanket or Company Ratings:

(a) In special situations such as the case of a company engaged almost completely in defense work or in the case of a peak demand in connection with a particular defense project including construction, it may be desirable that a number of items not mentioned on the Priorities Critical List should be covered by a rating. In such cases the Priorities Division of the Office of Production Management is prepared to grant authority for the automatic use of an appropriate blanket rating which will be valid for a limited period only. A list of items to which the rating is applicable will be attached to the authorization, but it will not be necessary to identify each specific order for those materials.

(b) If the service personnel believes that a particular *Government project* merits this type of consideration, the Priorities Committee of the Army and Navy Munitions Board should be so advised. If it is desired that this type of rating be made available to a *specific company* or department of a company, the service personnel should verify the need and advise the company to make application to the Priorities Division of the Office of Production Management.

26. Reproduction of Forms Not Authorized.—No reproduction of certificate forms will be permitted in the field or elsewhere. All forms will be supplied by the Priorities Division of the Office of Production Management (paragraph 9 a, b) and are not valid without the signature of the Director of Priorities.

27. Inasmuch as it will be necessary occasionally to trace the disposition of certain certificates, or even to require a complete accounting of the receipt and distribution of all certificates, all offices receiving, issuing, or executing these forms shall maintain the following records;

(a) The quantity and serial numbers of forms received in blank and date of receipt.

(b) The quantity and serial numbers of forms issued in blank and date of issuance and name of each recipient.

(c) The quantity of executed forms and date of execution.

(d) Blank forms on hand on the last day of each month.

Preference Rating Certificates and Forms

The following section includes reproductions of all the preference rating certificates now being used, together with the regular application form and a form for "Supplier's Statement."

Form PD–1, which covers four pages, is the application form.

Form PD–1–A is the form on which the supplier who would be affected by issuance of a certificate may make statements as to the effect on him of the granting of such certificate.

Form PD–2 provides for the assignment of preference ratings by the Priorities Division, Office of Production Management, to material on civilian orders.

Form PD–3 provides for the assignment of preference ratings on prime Army or Navy contracts and subcontracts, within limits as otherwise set forth.

Form PD–4 provides for the assignment of preference ratings to contracts of Government agencies other than the Army and Navy.

Form PD–5 provides for the assignment of preference ratings on foreign government contracts.

FONDREN LIBRARY
Southern Methodist University
DALLAS, TEXAS

NOTICE TO APPLICANT FOR PREFERENCE RATING

Attached are two forms:

1. Application for Preference Rating (Form PD-1).
2. Form of Supplier's Statement (Form PD-1A).

The Application for Preference Rating consists of two sheets, pages 1 and 2 on the first sheet, pages 3 and 4 on the second sheet. The Form of Supplier's Statement consists of a third sheet printed front and back. Sheets are arranged in the following order:

Sheet One—Original, duplicate, triplicate, quadruplicate, and quintuplicate copies in sequence.
(Pages 1 and 2 of Application form.)

Sheet Two—Original, duplicate, triplicate, quadruplicate, and quintuplicate copies in sequence.
(Pages 3 and 4 of Application form.)

Sheet Three—Original, duplicate, triplicate, quadruplicate, quintuplicate, and sextuplicate copies in sequence.
(Form of Supplier's Statement.)

Applicant should fill out *all* copies of forms and distribute in accordance with instructions printed thereon.

FOR FURTHER INFORMATION COMMUNICATE WITH

DIRECTOR OF PRIORITIES
OFFICE OF PRODUCTION MANAGEMENT
WASHINGTON, D. C.

PD-1

ORIGINAL

OFFICE OF PRODUCTION MANAGEMENT
PRIORITIES DIVISION
WASHINGTON, D. C.

No. .....
PRIORITIES DIVISION

APPLICATION FOR PREFERENCE RATING

Sheet One (page 1 of 4)

Instructions.—Applicant must be *the user* of the material, equipment, or service, excluding labor, hereinafter called "material." A separate application must be filed for each case presented. "Each case" means each need for specific material which can be filled by a *single* Supplier and which is for use in completing a specific contract (except as may be set forth in Par. 4 *b*). Thus, separate orders with a Supplier may be covered by a single application, if the material on each order is similar and for use in completing the *same* covering contract(s). If orders for identical material are placed with *several* Suppliers, a separate application must be filed for *each* Supplier. All information deemed relevant by the Applicant should be included in the application form; if space does not so permit, a supplemental typewritten statement may be attached. APPLICANT WILL RETAIN QUINTUPLICATE, AND SUBMIT COMPLETED APPLICATION IN QUADRUPLICATE TO DIRECTOR OF PRIORITIES, OFFICE OF PRODUCTION MANAGEMENT, WASHINGTON, D. C. PLEASE USE TYPEWRITER.

Date .....

1. .....
LEGAL NAME OF APPLICANT

.....
ADDRESS

.....
ADDRESS OF PLANT(S) IN WHICH MATERIAL IS TO BE USED

hereby requests issuance of a Preference Rating on the following material valued at $.....

Item No.	Name and Description of Material	Promised Delivery Date(s)
1		
2		
3		
4		
5		
6		

*REQUIRED DELIVERY SCHEDULE	1st Delivery *Date	2d Delivery *Date	3d Delivery *Date	4th Delivery *Date	5th Delivery *Date	6th Delivery *Date	7th Delivery *Date	8th Delivery *Date
ITEM 1.....								
Unit Quantities.....								
ITEM 2.....								
Unit Quantities.....								
ITEM 3.....								
Unit Quantities.....								
ITEM 4.....								
Unit Quantities.....								
ITEM 5.....								
Unit Quantities.....								
ITEM 6.....								
Unit Quantities.....								

order for which has been placed by Applicant with: (If order not placed, check here ☐ *and explain why under Par. 6 a.)*

2. .....
NAME OF SUPPLIER ON WHOM PREFERENCE RATING IS REQUESTED

Supplier's address .....

Applicant's Order No. ..... Dated .....

***Delivery Dates are arrival dates of material at Purchaser's Plant. Installment deliveries must be scheduled when partial deliveries will meet requirements. If necessary, delivery schedules may be attached as a part hereof.**

16—20164

3. If Applicant has pending, or intends to file application for other material for the same product on use for which the material specified in Par. 1 is required, list for each such application:

Name of Supplier	Name and Description of Material	Date of Application

4. *a.* Supply the following information with respect to *the product* in which the material specified in Par. 1 will be used:

Name and Description of Product	Unit Quantities	Approx. Value	Delivery Date(s) scheduled in Contract(s) or Order(s)	% of Completion of Contract(s) or Order(s) specified in 4 b

If Preference Rating has been assigned to the product specified in 4 *a*, state Preference Rating ..... Certificate No.(s) ..... Unit quantities .....

*b.** Identify contract(s) or order(s) for the product specified in 4 *a;*

(1) If Applicant's customer is a governmental agency, state:

Supply Arm or Bureau ..... Contract No. .....
COMPLETE NUMBER

(2) If Applicant's customer is not a government agency, state:

Name .....

Address .....

Customer's Order No. ..... Date of order .....

*If numerous contracts or orders are involved, a Summary, making distinction between government and civilian orders, will suffice in lieu of answers to 4 *b* (1) and 4 *b* (2).

*SUMMARY:

c. Explain how the material specified in Par. 1 (or its ultimate use) is deemed essential to the National Defense Program. If not essential to the National Defense Program, state why application is being made:

16—30164

ORIGINAL

Paragraph 5 is not to be answered if material specified in Par. 1 is a machine tool (or other capital equipment)

5. *a.* State unit quantities of material specified in Par. 1 which are
   (1) Available from stock .....
   (2) In transit .....
   (3) Promised for delivery *excluding quantities specified in Par. 1* .....

   b. Will *all* the material specified in 5 *a* be used in completing the contract(s) or order(s) specified in 4 *b*? Yes ☐ No ☐ (Check one.)

   c. If answer to 5 *b* is "No," state:
   (1) Unit quantities of material specified in 5 *a* which will not be so used:
   (2) The use which will be made of material specified in (1):

   (3) Relationship of such use to National Defense Program:

Applicant should detail fully in paragraphs 6, 7, and 8 what efforts preceding the filing of this application, he has made to satisfy his requirements without a Preference Rating.

6. *a.* State sources of supply contacted:

Name and Address	Results or Replies and Other Details

   b. State efforts to "farm out" parts of contract(s) or order(s) specified in 4 *b*:

Name and Address of Companies Contacted	Results or Replies and Other Details

7. What alternatives or substitutes could be used in lieu of material specified in Par. 1:
   a. Identify alternatives or substitutes .....
   b. State extent of possible use .....
   c. State unit quantities: In stock ..... Available .....
   d. State effect in terms of price, quantity, etc.

16—20164

Paragraph 8 to be answered only if material specified in Par. 1 is a machine tool (or other capital equipment).

8. State basis of operations in plant(s) or department(s) of plant where material in Par. 1 is to be used:

Name and Address of Plant(s)	Hours of Operation per Week	No. of Men on Each 8-hour Shift First	Second	Third

9. Are there any conditions or circumstances, other than delivery of the material on the *Delivery Date(s)* specified in Par. 1, which would interfere with completion on schedule of the contract(s) or order(s) specified in 4 *b*? Yes ☐ No ☐ (Check one.) If "Yes," explain:

10. Additional relevant information which applicant may wish to present:

---

11. Read carefully and strike out each subdivision of the following to which you are unable to certify and attach a statement of the reason or reasons why such certification is impossible in each instance.

We hereby certify that, to the best of our knowledge and belief, (1) the material specified in Par. 1 is to be used in connection with the production of the contract(s) or order(s) specified in Par. 4 *b*; (2) the inventory of and orders for such material referred to in Par. 5 are and will be used exclusively in connection with the production of the contract(s) or order(s) specified in Par. 4 *b* except as may be set forth in Par. 5 *c*; (3) the material in Par. 1 is essential to the completion of the contract(s) or order(s) specified in Par. 4 *b*; (4) the quantities specified are not greater than needed for the contract(s) or order(s) specified in 4 *b*; (5) the indicated *Required Delivery Date(s)* is not earlier than the actual need for the material specified in Par. 1; and (6) delivery of the material specified in Par. 1 on the specified *Required Delivery Date(s)* will permit completion according to schedule of the contract(s) or order(s) specified in Par. 4 *b*, except as may be set forth in Par. 9.

Subscribed and sworn to before me this .....

.....
LEGAL NAME OF APPLICANT

day of ....., *1941.*

By .....
SIGNATURE OF OFFICIAL AND TITLE

.....
Notary Public.

U. S. GOVERNMENT PRINTING OFFICE 16—20164

PD-1-A

ORIGINAL

OFFICE OF PRODUCTION MANAGEMENT
PRIORITIES DIVISION
WASHINGTON, D. C.

No. .....
PRIORITIES DIVISION

FORM OF SUPPLIER'S STATEMENT RELATING TO APPLICATION FOR PREFERENCE RATING

(Sheet Three)

Instructions—Applicant for Preference Rating will fill in information requested in Paragraph 1. Supplier will make his typewritten statement on the reverse side of this form, conforming to information requested in Paragraph 2.

See Reverse Side for Instructions Regarding Distribution of Copies of This Form.

1. INFORMATION TO BE FILLED IN BY APPLICANT:

Legal name of Applicant .....

Address .....

Applicant's Order No. ..... Dated .....

Material for which Preference Rating is requested valued at $.....

Item No.	Name and Description of Material	Promised Delivery Date(s)
1		
2		
3		
4		
5		
6		

*REQUIRED DELIVERY SCHEDULE	1st Delivery * Date	2d Delivery * Date	3d Delivery * Date	4th Delivery * Date	5th Delivery * Date	6th Delivery * Date	7th Delivery * Date	8th Delivery * Date
ITEM 1								
Unit Quantities								
ITEM 2								
Unit Quantities								
ITEM 3								
Unit Quantities								
ITEM 4								
Unit Quantities								
ITEM 5								
Unit Quantities								
ITEM 6								
Unit Quantities								

Delivery Dates are* ***arrival* *dates of material at Purchaser's Plant.* ***Installment*** *deliveries* ***must*** *be scheduled when* ***partial*** *deliveries will meet requirements. If necessary, delivery schedules may be attached as a part hereof.*

Supplier on whom Preference Rating is requested:

Legal name of Supplier .....

Address .....

2. INFORMATION TO BE FURNISHED BY SUPPLIER:

The Supplier's Statement is the basis for consideration of the effect on the Supplier of the granting of Preference Rating. If any part of the form of Statement set forth in 2 (a) is inapplicable, Supplier need not attempt to answer, but the type of information called for therein is nevertheless essential in connection with the granting of a Preference Rating.

(*a*) Supplier's Statement as to possibility of (1) subcontracting this or similar orders, (2) rearranging schedules, (3) increasing hours of operation of productive facilities, (4) using substitute or alternative material, (5) any suggestions for adjusting the situation otherwise than by granting of a Preference Rating.

(*b*) Should Supplier be requested by the Director of Priorities to meet the *Required Delivery Date(s)* specified in Paragraph 1, and should it be impossible to do so through the means suggested in 2 (*a*), Supplier will state the general effect, giving special consideration to the following:

On what civilian, government or export orders, if any, would it be necessary to defer delivery, indicating (1) the character of and urgency of such orders, (2) the extent of delay, and (3) the ultimate use of the product being supplied under such orders. *A complete listing of such orders is not necessary where a concise summary will serve.*

16—20164a

SUPPLIER'S STATEMENT

Subscribed and sworn to before me this .....

day of ....., *194*....

.....
LEGAL NAME OF SUPPLIER

.....
Notary Public.

By .....
SIGNATURE OF OFFICIAL AND TITLE

INSTRUCTIONS FOR DISTRIBUTION OF COPIES: Applicant for Preference Rating will fill in Paragraph 1, retain the sextuplicate copy, and forward the form in quintuplicate to the Supplier. Supplier will type statement requested in Paragraph 2, retain the quintuplicate copy and forward form in quadruplicate directly to DIRECTOR OF PRIORITIES, OFFICE OF PRODUCTION MANAGEMENT, Washington, D. C.

GPO 16—30164a

Form PD-2

ORIGINAL

OFFICE OF PRODUCTION MANAGEMENT
PRIORITIES DIVISION
WASHINGTON, D. C.

PREFERENCE RATING CERTIFICATE

To .....
NAME OF SUPPLIER

.....
ADDRESS

Preference Rating ..... is hereby assigned to the material described below valued at $..... covered by Order No. (s) ..... placed with the Supplier by
Name .....
Address .....
in behalf of .....
Address .....

Item No.	Name and Description of Material
1	
2	
3	
4	
5	
6	

*DELIVERY SCHEDULE	1st Delivery * Date	2d Delivery * Date	3d Delivery * Date	4th Delivery * Date	5th Delivery * Date	6th Delivery * Date	7th Delivery * Date	8th Delivery * Date
ITEM 1								
Unit Quantities								
ITEM 2								
Unit Quantities								
ITEM 3								
Unit Quantities								
ITEM 4								
Unit Quantities								
ITEM 5								
Unit Quantities								
ITEM 6								
Unit Quantities								

**Delivery Dates are arrival dates of material at Purchaser's Plant.*

† Countersignature of U. S. Government official:

Name/s/ .....
Title .....
Date ..... Group .....

† This Certificate not valid unless countersigned by the appropriate United States Government official

By Authority of

E. R. STETTINIUS, JR.,
Director of Priorities.

16—20148

[SEE REVERSE SIDE]

FOR USE OF PRIORITIES DIVISION

The material specified on the face of this Certificate is on a subcontract related to Prime Contract No. ..... placed by

Name .....

Address .....

with .....

NAME OF PRIME CONTRACTOR

Address .....

Name and Description of Material on Prime Contract	Unit Quantities	Approx. Value	Required Delivery Date(s)

Preference Rating (if any) assigned to the above described material: .....

PREFERENCE RATING APPLIES ONLY TO MATERIAL SPECIFIED ON THE FACE OF THIS CERTIFICATE

THIS CERTIFICATE IS NON-TRANSFERABLE

NOTICE TO SUPPLIER

1. The purpose of this Preference Rating is to insure delivery on the *Specified Delivery Date(s)* without prejudice to contracts and orders bearing equal or superior Preference Ratings. Preference Ratings, in order of precedence, are AA, A-1-a, A-1-b. . . . . .A-1-j, A-2. . . . . .A-10, etc.

2. If, in order to meet the *Specified Delivery Date(s)*, it is necessary to subordinate contracts and orders bearing no Preference Ratings or inferior Preference Ratings, the voluntary cooperation of all persons affected should be secured.

3. If the Supplier is, or anticipates that he may be, unable to meet the *Specified Delivery Date(s)*, the reasons therefor, together with attendant facts and circumstances, and the extent of the delay anticipated, should be reported *immediately* to the government official countersigning this Certificate.

16—20143 U. S. GOVERNMENT PRINTING OFFICE

Distribute copies of this Certificate in accordance with instructions printed on each copy

PD-3

ORIGINAL

OFFICE OF PRODUCTION MANAGEMENT
PRIORITIES DIVISION
WASHINGTON, D. C.

PREFERENCE RATING CERTIFICATE

To .....
NAME OF SUPPLIER

.....
ADDRESS

1. In accordance with Section 2 (*a*) of the Act of June 28, 1940 (Pub. 671, 76th Cong. 3d. Sess.), Preference Rating ..... is hereby assigned to the item(s) described below covered by U. S. Army or Navy Contract No. ..... placed with:
COMPLETE DEPARTMENT NO.

Name .....
Address .....
By .....
U. S. ARMY OR NAVY SUPPLY ARM OR BUREAU

Name and description of item(s)	Unit Quantities	Approx. Value	Required Delivery Date(s)

WHEN PREFERENCE RATING IS ASSIGNED TO MATERIAL ON A SUBCONTRACT RELATED TO THE PRIME CONTRACT NAMED IN PARAGRAPH 1, PARAGRAPH 2 MUST ALSO BE COMPLETED.

If this Certificate is **not** *to be extended to a subcontractor, the counter-signing U. S. Government official will rubber stamp Paragraph 2 "VOID."*

2. In accordance with Section 2 (*a*) of the Act of June 28, 1940, Preference Rating ..... is hereby assigned to the material described below valued at $, ordered from the Supplier by ....., for delivery in accordance with the following Delivery Schedule.

Item No.	Name and description of item(s)	Purchaser's Order No.	Date of Order
1			
2			
3			
4			

*DELIVERY SCHEDULE	1st Delivery *Date	2d Delivery *Date	3d Delivery *Date	4th Delivery *Date	5th Delivery *Date	6th Delivery *Date	7th Delivery *Date	8th Delivery *Date
ITEM 1								
Unit Quantities								
ITEM 2								
Unit Quantities								
ITEM 3								
Unit Quantities								
ITEM 4								
Unit Quantities								

Delivery Dates are* ***arrival* *dates of material at Purchaser's Plant.* ***Installment*** *deliveries* ***must*** *be scheduled when* ***partial*** *deliveries will meet requirements. If necessary, delivery schedules may be attached as a part hereof.*

16—20020

[SEE REVERSE SIDE]

3. AUTHENTICATION:

I hereby certify (*a*) that the material specified in this Certificate is essential for completion of the contract(s) cited herein, (*b*) that the specified quantities are not greater than required for said contract(s), and (*c*) that the specified *Delivery Date(s)* in the installment Delivery Schedule on the face of this Certificate (or appended hereto) are not earlier than actually necessary for completion on time of said contract(s).

**Signature of Purchaser:*	**Countersignature of U. S. Government official:*
..... CORPORATE NAME	/s/ ..... NAME
By ..... SIGNATURE OF OFFICIAL	..... TITLE
..... TITLE	..... STATION
Date	Date .....

**This Certificate is not valid unless this Authentication is countersigned by the appropriate U. S. Government official and (if extended as provided in Paragraph 2) signed by the Purchaser.*

THIS CERTIFICATE IS NON-TRANSFERABLE

By Authority of

E. R. STETTINIUS, JR.,
Director of Priorities.

NOTICE TO SUPPLIER

1. The purpose of this Preference Rating is to insure delivery on the *Required Delivery Date(s)* insofar as such delivery can be effected without prejudice to contracts and orders bearing equal or superior Preference Ratings but, if necessary, subordinating other contracts or orders placed with you for private account or for export. Preference Ratings, in order of precedence, are AA, A-1-a, A-1-b . . . A-1-j, A-2 . . . A-10, etc.

2. If the Supplier is, or anticipates that he may be, unable to meet the *Required Delivery Date(s)*, the reasons therefor, together with attendant facts and circumstances, and the extent of the delay anticipated should be reported immediately to the U. S. Government official countersigning this Certificate.

16—30020 GPO

Distribute copies of this Certificate in accordance with instructions printed on each copy

Form PD-4

ORIGINAL

OFFICE OF PRODUCTION MANAGEMENT
PRIORITIES DIVISION
WASHINGTON, D. C.

PREFERENCE RATING CERTIFICATE

To .....
NAME OF SUPPLIER

.....
ADDRESS

1. Preference Rating ..... is hereby assigned to the item(s) described below covered by U. S. Government Contract No. ..... placed with:
COMPLETE DEPARTMENT NUMBER

Name .....
Address .....
By .....
U. S. GOVERNMENT AGENCY OTHER THAN ARMY OR NAVY

Name and description of item(s)	Unit Quantities	Approx. Value	Required Delivery Date(s)

WHEN PREFERENCE RATING IS ASSIGNED TO MATERIAL ON A SUBCONTRACT RELATED TO THE PRIME CONTRACT NAMED IN PARAGRAPH 1, PARAGRAPH 2 MUST ALSO BE COMPLETED.

If this Certificate is not to be extended to a subcontractor, the countersigning government official will rubber stamp Paragraph 2 "VOID."

2. Preference Rating ..... is hereby assigned to the material described below valued at $....., ordered from the Supplier by ..... for delivery in accordance with the following Delivery Schedule.

Item No.	Name and description of item(s)	Purchaser's Order No.	Date of Order
1			
2			
3			
4			

*DELIVERY SCHEDULE	1st Delivery *Date	2d Delivery *Date	3d Delivery *Date	4th Delivery *Date	5th Delivery *Date	6th Delivery *Date	7th Delivery *Date	8th Delivery *Date
ITEM 1								
Unit Quantities								
ITEM 2								
Unit Quantities								
ITEM 3								
Unit Quantities								
ITEM 4								
Unit Quantities								

**Delivery Dates are arrival dates of material at Purchaser's Plant. Installment deliveries must be scheduled when partial deliveries will meet requirements. If necessary, delivery schedules may be attached as a part hereof.*

[SEE REVERSE SIDE]

16—90155

3. AUTHENTICATION:

I hereby certify (*a*) that the material specified in this Certificate is essential for completion of the contract(s) cited herein, (*b*) that the specified quantities are not greater than required for said contract(s), and (*c*) that the specified *Delivery Date(s)* in the installment Delivery Schedule on the face of this Certificate (or appended hereto) are not earlier than actually necessary for completion on time of said contract(s).

**Signature of Purchaser:*	**Countersignature of U. S. government official:*
..... CORPORATE NAME	/s/ ..... NAME
By ..... SIGNATURE OF OFFICIAL	..... TITLE
..... TITLE	..... STATION
Date	Date .....

**This Certificate is not valid unless this Authentication is countersigned by the appropriate U. S. government official and (if extended as provided in Paragraph 2) signed by the Purchaser.*

THIS CERTIFICATE IS NON-TRANSFERABLE

By Authority of

E. R. STETTINIUS, JR.,
Director of Priorities.

NOTICE TO SUPPLIER

1. The purpose of this Preference Rating is to insure delivery on the *Required Delivery Date(s)*, without prejudice to contracts and orders bearing equal or superior Preference Ratings. Preference Ratings, in order of precedence, are AA, A–1–a, A–1–b . . . A–1–j, A–2 . . . A–10, etc.

2. If, in order to meet the *Required Delivery Date(s)*, it is necessary to subordinate contracts and orders bearing no Preference Ratings or inferior Preference Ratings, the voluntary cooperation of all persons affected should be secured.

3. If the Supplier is, or anticipates that he may be, unable to meet the *Required Delivery Date(s)*, the reasons therefor, together with attendant facts and circumstances, and the extent of the delay anticipated, should be reported *immediately* to the government official countersigning this Certificate.

16—30150 U. S. GOVERNMENT PRINTING OFFICE

Distribute copies of this Certificate in accordance with instructions printed on each copy

Form PD-5

ORIGINAL

OFFICE OF PRODUCTION MANAGEMENT
PRIORITIES DIVISION
WASHINGTON, D. C.

PREFERENCE RATING CERTIFICATE

To .....
NAME OF SUPPLIER

.....
ADDRESS

1. Preference Rating ..... is hereby assigned to the item(s) described below covered by foreign government Contract No. .....
COMPLETE DEPARTMENT NUMBER
placed with:

Name .....
Address .....
By .....
FOREIGN GOVERNMENT AGENCY

Name and description of item(s)	Unit Quantities	Approx. Value	Required Delivery Date(s)

WHEN PREFERENCE RATING IS ASSIGNED TO MATERIAL ON A SUBCONTRACT RELATED TO THE PRIME CONTRACT NAMED IN PARAGRAPH 1, PARAGRAPH 2 MUST ALSO BE COMPLETED

*If this Certificate is **not** to be extended to a subcontractor, the counter-signing U. S. government official will rubber stamp Paragraph 2 "VOID."*

2. Preference Rating ..... is hereby assigned to the material described below valued at $, ordered from the Supplier by .....
for delivery in accordance with the following Delivery Schedule.

Item No.	Name and description of item(s)	Purchaser's Order No.	Date of Order
1			
2			
3			
4			

*DELIVERY SCHEDULE	1st Delivery *Date	2d Delivery * Date	3d Delivery * Date	4th Delivery * Date	5th Delivery * Date	6th Delivery * Date	7th Delivery * Date	8th Delivery * Date
ITEM 1.....								
Unit Quantities.....								
ITEM 2.....								
Unit Quantities.....								
ITEM 3.....								
Unit Quantities.....								
ITEM 4.....								
Unit Quantities.....								

Delivery Dates are **arrival dates of material at Purchaser's Plant. **Installment** deliveries **must** be scheduled when **partial** deliveries will meet requirements. If necessary, delivery schedules may be attached as a part hereof.*

16—20149

[SEE REVERSE SIDE]

3. AUTHENTICATION:

I hereby certify (*a*) that the material specified in this Certificate is essential for completion of the contract(s) cited herein, (*b*) that the specified quantities are not greater than required for said contract(s), and (*c*) that the specified *Delivery Date(s)* in the installment Delivery Schedule on the face of this Certificate (or appended hereto) are not earlier than actually necessary for completion on time of said contract(s).

* *Signature of Purchaser:*	* *Countersignature of foreign government official:*	* *Countersignature of U. S. government official:*
..... CORPORATE NAME	/s/..... NAME	/s/..... NAME
By..... SIGNATURE OF OFFICIAL	..... TITLE	..... TITLE
..... TITLE	..... STATION	..... STATION
Date	Date	Date .....

**This Certificate is not valid unless this Authentication is countersigned by the appropriate government officials and (if extended as provided in Paragraph 2) signed by the Purchaser.*

THIS CERTIFICATE IS NON-TRANSFERABLE

By Authority of

E. R. STETTINIUS, JR.

NOTICE TO SUPPLIER

1. The purpose of this Preference Rating is to insure delivery on the *Required Delivery Date(s)*, without prejudice to contracts and orders bearing equal or superior Preference Ratings. Preference Ratings, in order of precedence, are AA, A–1–a, A–1–b . . . A–1–j, A–2 . . . A–10, etc.

2. If, in order to meet the *Required Delivery Date(s)*, it is necessary to subordinate contracts and orders bearing no Preference Ratings or inferior Preference Ratings, the voluntary cooperation of all persons affected should be secured.

3. If the Supplier is, or anticipates that he may be, unable to meet the *Required Delivery Date(s)*, the reasons therefor, together with attendant facts and circumstances, and the extent of the delay anticipated should be reported *immediately* to the foreign government official countersigning this Certificate.

16—20149 U. S. GOVERNMENT PRINTING OFFICE

Distribute copies of this Certificate in accordance with instructions printed on each copy

President's Letter on Liquidated Damages

THE WHITE HOUSE,
Washington, October 8, 1940.

MY DEAR MR. SECRETARY:

At the suggestion of the Advisory Commission to the Council of National Defense and of the War and Navy Departments, a voluntary system has recently been instituted for the assignment of preference ratings to contracts placed by the War and Navy Departments for items listed as critical in the defense program. The preference rating requests that the contractor give to the contract, insofar as necessary to assure delivery on the dates specified, the indicated degree of preference over other contracts which have an inferior or no preference rating and over contracts for private account or for export.

Instances have arisen where potential contractors have been hesitant to accept Army and Navy preference rated contracts because such contractors are already working on other Government contracts which contain liquidated damage clauses. Unless industry is assured that delays caused by the acceptance of and compliance with preference rated contracts will not result in attempts by the Government to collect penalties, the procurement of materials necessary to the defense program may be unduly retarded.

Accordingly, you are requested to instruct the appropriate members of your staff, including any contracting officers subject to your jurisdiction, to cooperate fully with the War and Navy Departments with reference to the operation of the preference system. They should be specifically instructed to refrain from taking any action pursuant to the liquidated damage clause of any contract over which they have supervision whenever they find that delay in delivery by the contractor became necessary in order to meet delivery dates on Army and Navy contracts bearing preference ratings. Likewise, the Secretaries of War and Navy are requested to inform their respective staffs that they are to be guided by this general principle with respect to delays which result from the operation of the preference system.

Identical letters are being transmitted to the heads of appropriate executive departments, independent establishments, and other agencies and instrumentalities of the United States. I am also requesting the Attorney General and the Comptroller General to take appropriate steps to comply with this policy.

Sincerely,

(Signed) FRANKLIN D. ROOSEVELT.

The Honorable,
THE SECRETARY OF WAR.
THE SECRETARY OF NAVY.

War Department Instructions on Liquidated Damages

WAR DEPARTMENT,
Washington, October 23, 1940.

Procurement Circular No. 36

	Section
Changes in AR 5–140	I
Changes in AR 5–200	II

I—Changes in AR 5–140.—Pending the printing of changes in AR 5–140, May 22, 1940, paragraph 5*g* of those regulations is redesignated 5*g* (1) and subparagraph (2) is added as follows:

(2) The inclusion of liquidated damage clauses in supply contracts under existing emergency conditions may frequently lead to conflicts in delivery or performance schedules with deliveries on other contracts under the system of priorities established by the Army and Navy Munitions Board on August 12, 1940. Accordingly, liquidated damage clauses will, during the existing emergency conditions, be included in supply contracts only in exceptional cases or in cases where such conflict with the system of priorities is not anticipated.

II—Changes in AR 5–200.—Pending the printing of changes in AR 5–200, January 2, 1940, paragraph 27 of those regulations is changed by adding *c* as follows:

c. Delays due to priorities.—Under the standard form of construction contract, and under the liquidated damage article of the standard form supply contract, where delivery is delayed through the observance by the contractor of a voluntary preference obligation assumed at the instance of the Government under the system of priorities established by the Army and Navy Munitions Board on August 12, 1940, contracting officers will, in accordance with paragraph 26, grant such extension of time of performance or delivery as may be warranted by the facts in each case.

(A. G. 400.13 (10–14–40).)

By order of the Secretary of War:

G. C. MARSHALL,
Chief of Staff.

Official:
E. S. ADAMS,
Major General,
The Adjutant General.

Navy Department Instructions on Liquidated Damages

File A16-1/L4-3(401008-1)P

DEPARTMENT OF THE NAVY,
Washington, D. C., October 15, 1940.

From the Secretary of the Navy:

To All Bureaus and Offices of the Navy Department:

Subject: Preference Ratings Assigned to Contracts for Items of Critical Material and Equipment.

Enclosure: (A) Photostatic Copy of the President's letter to SecNav dated October 8, 1940.

1. It is hereby directed that necessary action be taken to insure compliance with the instructions of the President, contained in enclosure (A), in connection with the execution and supervision of all Navy contracts to which these instructions are applicable.

(s) FORRESTAL.
Acting.

Bureau of Ships.
Bureau of Aeronautics.
Bureau of Ordnance.
Chief of Naval Operations.
Bureau of Supplies and Accounts.
Bureau of Yards and Docks.
Medicine and Surgery.
Shore Establishments Division.
Marine Corps.
Compensation Board.

Creation of Office of Production Management

EXECUTIVE ORDER

Establishing The Office of Production Management in the Executive Office of the President and Defining Its Functions and Duties

By virtue of the authority vested in me by the Constitution and the statutes, and in order to define further the functions and duties of the Office for Emergency Management with respect to the national emergency as declared by the President to exist on September 8, 1939, and to increase production for the national defense through mobilization of material resources and the industrial facilities of the Nation, it is hereby ordered:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Production Management which shall consist of (1) a Director General, and (2) an Associate Director General, each to be appointed by the President, (3) The Secretary of War, and (4) the Secretary of the Navy. The members shall serve as such without compensation but shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of their duties.

2. With such advice and assistance as it may require from other departments and agencies of the Federal Government, and subject to such regulations or directions as the President may from time to time prescribe, and subject further to the general policy that the Departments of War and Navy and other departments and agencies of the Government will be utilized to the maximum extent compatible with efficiency, the Office of Production Management shall:

(a) Formulate and execute in the public interest all measures needful and appropriate in order (1) to increase, accelerate, and regulate the production and supply of materials, articles, and equipment and for the provision of emergency plant facilities and services required for the national defense, and (2) to insure effective coordination of those activities of the several departments, corporations, and other agencies of the Government which are directly concerned therewith.

(b) Survey, analyze, and summarize for purposes of coordination the stated requirements of the War and Navy and other departments and agencies of the Government, and of foreign governments for materials, articles, and equipment needed for defense.

(c) Advise with respect to the plans and schedules of the various departments and agencies for the purchase of materials, articles, and equipment required for defense, to coordinate the placement of major defense orders and contracts and to keep informed of the progress of the various programs of production and supply.

(d) Plan and take all lawful steps necessary to assure the provision of an adequate supply of raw materials essential to the production of finished products needed for defense.

(e) Formulate plans for the mobilization for defense of the production facilities of the Nation, and to take all lawful action necessary to carry out such plans.

(f) Determine the adequacy of existing production facilities and to assure their maximum use; and, when necessary, to stimulate and plan the creation of such additional facilities and sources of production and supply as may be essential to increase and expedite defense production.

(g) Determine when, to what extent, and in what manner priorities shall be accorded to deliveries of material as provided in Section 2 (a) of the act entitled "An Act to Expedite National Defense and for other Purposes," approved June 28, 1940. Deliveries of material shall take priority, as provided in said act, in accordance with such determinations and the orders issued in pursuance thereof by the Office of Production Management.

(h) Perform the functions and exercise the authorities vested in the President by Section 9 of the Selective Training and Service Act of 1940.

(i) Serve as the liaison and channel of communication between the Advisory Commission to the Council of National Defense and the Departments of War and Navy with respect to the duties imposed upon the Commission by the following named acts, and with respect to all other matters pertaining to defense purchasing and production: Public, Nos. 667, 781, 800, and 801 and Public Resolution No. 95, 76th Congress.

(j) Perform such other functions as the President may from time to time assign or delegate to it.

3. The Director General, in association with the Associate Director General, and serving under the direction and supervision of the President, shall discharge and perform the administrative responsibilities and duties required to carry out the functions specified in paragraph 2, subject to and in conformity with the policies and regulations (not inconsistent with such regulations as may be issued by the President) prescribed by the Office of Production Management.

4. There shall be within the Office of Production Management the following and such other operating divisions as the President may from time to time determine:

(a) A Division of Production.

(b) A Division of Purchases.

(c) A Division of Priorities.

Each division of the Office of Production Management shall be in charge of a director appointed by the Office of Production Management with the approval of the President

5. There shall be within the Office of Production Management a Priorities Board composed of six members. A chairman and three other members shall be appointed or designated by the President; the Director General and Associate Director General shall be members, ex officio. The Priorities Board shall serve as an advisory body and, from time to time as may be required by the Office of Production Management, shall make findings and submit recommendations with respect to the establishment of priorities, the placing of mandatory orders, the assignment of preference ratings, the allocation of deliveries, and other related matters. In making its findings and recommendations, the Priorities Board shall take into account general social and economic considerations and the effect the proposed actions would have upon the civilian population.

6. Within the limits of such funds as may be allocated to it by the President on the recommendation of the Bureau of the Budget, the Office of Production Management may employ necessary personnel and make provision for the necessary supplies, facilities, and services. However, the Office of Production Management shall use insofar as practicable such statistical, informational, fiscal, personnel, and other general business services and facilities as may be made available through the Office for Emergency Management or other agencies of the Government.

7. Executive Order No. 8572 [1] of October 21, 1940, as amended by Executive Order No. 8612 [2] of December 15, 1940, is revoked.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
January 7, 1941.

(No. 8629)

(F. R. Doc. 410157; Filed, January 8, 1941; 10:03 a. m.)

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[1] 5 F. R. 4199.
[2] 5 F. R. 5143.

O. P. M. Regulation No. 3

Defining the Status of the Division of Priorities in the Office of Production Management and Prescribing Its Duties and Functions

WHEREAS Executive Order No. 8629, dated January 7, 1941, created the Office of Production Management and charged it with the duties, among others, to determine when, to what extent, and in what manner priorities shall be accorded to deliveries of material pursuant to the authority of Section 2 (a) of the act entitled, "An Act to Expedite National Defense and for Other Purposes," approved June 28, 1940, and to perform the functions and exercise the authorities vested in the President by Section 9 of the Selective Training and Service Act of 1940; and

WHEREAS said Executive order established within the Office of Production Management a Division of Priorities in charge of a Director appointed by the Office of Production Management with the approval of the President, and a Priorities Board to act as an advisory body on priorities; and

WHEREAS the Office of Production Management with the approval of the President has appointed Edward R. Stettinius, Jr., as Director of the Division of Priorities; and

WHEREAS the public interest requires that provision be made to insure the prompt delivery of material essential to the national defense;

NOW, THEREFORE, by virtue of the authority vested in the Office of Production Management by said Executive order, it is hereby ordered that:

1. The Director of the Division of Priorities, who shall be known as the Director of Priorities, shall execute and administer the authorities, duties, and responsibilities of the Office of Production Management pertaining to Section 2 (a) of the act entitled, "An Act to Expedite National Defense and for Other Purposes," approved June 28, 1940, and otherwise pertaining to priorities, mandatory orders, and allocations.

2. The Director of Priorities shall have authority to propose action under Section 9 of the Selective Training and Service Act of 1940, and all proposals for such action, whether originating with him or with the directors of other divisions or with other officers of the

Government, shall be submitted by the Director of Priorities, with his recommendation, to the Director General, the Associate Director General, the Secretary of War, and the Secretary of the Navy, constituting the Council of the Office of Production Management, for such directions as they may give.

3. To effectuate and carry out the authorities, duties, and responsibilities assigned to him herein, the Director of Priorities is hereby authorized:

(a) To establish such organization as the Director of Priorities may deem necessary to the adequate execution of the functions of the Priorities Division, including the employment of personnel and the creation and appointment of priority groups and priority committees for material or groups of material; and to make provision for administrative services to the Priorities Board when it is carrying out its functions under said Executive order.

(b) To assign or provide for the assignment of preference ratings to all contracts and subcontracts and material directly or indirectly necessary to the defense program; on ultimate military items, the Director of Priorities shall be guided by categories of military preferences, including the modification of existing categories, as set forth from time to time by the Army and Navy Munitions Board.

(c) To issue or provide for the issuance of all preference or priority certificates or orders to contractors, subcontractors, and others supplying material directly or indirectly necessary to the defense program.

(d) To utilize and supervise, in accordance with procedures devised with the concurrence of the Army and Navy Munitions Board, the services of the contracting and procurement officers and inspectors of the War and Navy Departments, in connection with priorities and related matters.

(e) To validate and extend, to such extent as he may define, action with respect to priorities and related matters heretofore taken by the former Administrator of Priorities and Priorities Board, pursuant to authority of Executive Order No. 8572, dated October 21, 1940, and amended by Executive Order No. 8612, dated December 15, 1940, and revoked by Executive Order No. 8629, dated January 7, 1941, or by the Director of Priorities or by the Army and Navy Munitions Board or by contracting and procurement officers and inspectors of the War and Navy Departments.

(f) To issue, modify and amend, with the advice of the Priorities Board and with the approval of the Director General acting in association with the Associate Director General of the Office of Production Management, such rules and regulations as may to the Director

of Priorities seem necessary or desirable in the execution of the functions of the Division of Priorities, and subject to all Executive and Administrative orders of the President and all regulations of the Office of Production Management.

(g) To establish preferences with respect to indirect defense material, and domestic and foreign material, pursuant to such agreement and cooperation as may be necessary.

(h) To make allocations, establish procedures, adopt devices, measures and plans, and generally to take all lawful steps necessary or appropriate to bring about prompt delivery of direct and indirect defense material, and other domestic and foreign material where deemed important to the defense program.

4. The Director of Priorities shall exercise the authorities, duties, and responsibilities assigned to him herein subject to the jurisdiction and control of the Director General acting in association with the Associate Director General; and he shall obtain their approval of the creation of the principal administrative subdivisions and priority groups within the Division of Priorites.

5. The Drector of Priorities shall formulate plans, and shall negotiate, and with the approval of the Director General acting in association with the Associate Director General shall establish procedures to insure the effective coordination of activities of the several departments, agencies, and offices of the Government which relate to priorities.

6. The Director of Priorities shall have authority to designate an Assistant or Deputy Director to serve as Acting Director of Priorities in his absence or inability to act, subject to the approval of the Director General acting in association with the Associate Director General.

7. The Director of Priorities shall be entitled, in cooperation with or through the Bureau of Research and Statistics, to obtain from the Departments of War and Navy, information necessary or appropriate to enable him to exercise his authorities, duties, and responsibilities hereunder.

8. The Director of Priorities shall make such regular and special reports of his actions pursuant to this Regulation as may be required by the Office of Production Management.

9. The Priorities Board shall serve as an advisory body to the Director of Priorities and shall render advice to him and make findings and recommendations whenever he deems it necessary or advisable to request it to do so. The Director of Priorities shall consult with and request the advise of the Priorities Board with respect to all proposals for action under Section 9 of the Selective Training and

Service Act of 1940 and with respect to any proposed mandatory order covering an entire industry.

Approved:

JOHN LORD O'BRIAN,
General Counsel.

Attest:

HERBERT EMMERICH,
Secretary.

Approved:

THE WHITE HOUSE,
March 8, 1941.

WILLIAM S. KNUDSEN,
Director General.

SIDNEY HILLMAN,
Associate Director General.

HENRY L. STIMSON,
Secretary of War.

JAMES V. FORRESTAL,
Under Secretary of the Navy.

Priorities Duties and Functions

Division Administrative Order No. 1

Validating and Extending Previous Priorities Actions and Orders and Prescribing the Duties and Functions of the Priorities Committee of the Army and Navy Munitions Board in Assigning Preference Ratings to Army and Navy and United States and Foreign Government Orders

WHEREAS Executive Order 8629, dated January 7, 1941, established the Office of Production Management, and therein the Division of Priorities in charge of a Director appointed by the Office of Production Management with the approval of the President and vested therein authority to determine when, to what extent and in what manner priorities shall be accorded to deliveries of material pursuant to Section 2 (a) of the act entitled "An Act to Expedite National Defense and for other Purposes," approved June 28, 1940, and to exercise the authorities vested in the President by Section 9 of the Selective Training and Service Act of 1940; and

WHEREAS the Office of Production Management, with the approval of the President appointed Edward R. Stettinius, Jr., as Director of the Division of Priorities, and by Regulation No. 3, dated March 7, 1941, approved by the President March 8, 1941, formally confirmed the authority of said Edward R. Stettinius, Jr., as Director of Priorities pursuant to Executive Order No. 8629 dated January 7, 1941, to exercise the authority of the Office of Production Management to establish priorities and otherwise relating to priorities as specified in said Regulation No. 3, including specific authority—

(1) To validate and extend to such extent as said Director may define, action with respect to priorities and related matters heretofore taken by the former Administrator of Priorities and the former Priorities Board pursuant to authority of Executive Order No. 8572 dated October 21, 1940, and amended by Executive Order No. 8612 dated December 15, 1940, and revoked by said Executive Order No. 8629, or by said Director of Priorities or by the Army and Navy Munitions Board or by contracting and procurement officers and inspectors of the War and Navy Departments, and

(2) To assign or provide for the assignment of preference ratings to all contracts and subcontracts and material directly or indirectly necessary to the defense program; on ultimate military items, the Director of Priorities shall be guided by categories of military preferences including the modification of existing categories, as set forth from time to time by the Army and Navy Munitions Board.

To issue or provide for the issuance of all preference or priority certificates or orders to contractors, subcontractors, and others supplying material directly or indirectly necessary to the defense program.

To utilize and supervise, in accordance with procedures devised with the concurrence of the Army and Navy Munitions Board, the services of the contracting and procurement officers and inspectors of the War and Navy Departments, in connection with priorities and related matters.

To establish preferences with respect to indirect defense material, and domestic and foreign material, pursuant to such agreement and cooperation as may be necessary.

Now, Therefore, by virtue of the authority vested in the aforesaid Director of Priorities, it is hereby ordered that:

I. Validation and Extension of Previous Priorities Actions and Orders

All preference rating certificates, blanket preference rating orders, and other orders and directions establishing priorities and all other actions with respect to preference ratings and priorities, and with respect to related matters, heretofore issued, signed, ordered, directed or taken by the Priorities Committee of the Army and Navy Munitions Board, by the Army and Navy Munitions Board, by said former Administrator of Priorities and said former Priorities Board, and by said Director of Priorities, and by their authority, are hereby validated and continue valid in effect until termination or expiration by the terms thereof or by circumstances or conditions of their application, or until hereafter terminated, cancelled, modified, changed or amended by action by the said Director of Priorities.

II. Duties and Functions of the Priorities Committee of the Army and Navy Munitions Board

1. *Establishment of Schedules of Preference Ratings*

(a) *For Army and Navy orders.*—The Priorities Committee of the Army and Navy Munitions Board shall, with the concurrence of the Director of Priorities, by Priorities Directives, establish schedules of preference ratings to be assigned to categories of contracts and orders of the Army and Navy and extensions to subcontracts and suborders thereunder, according to the relative importance of the various Procurement projects of the Army and Navy in the Defense program.

(b) *For other United States Government agency orders.*—The Priorities Committee of the Army and Navy Munitions Board shall establish, subject to the approval of the Director of Priorities, schedules of preference ratings to be assigned to categories of contracts and orders of the other agencies of the United States Government, which shall include, until further order, the Coast Guard, Maritime Commission,

Coast and Geodetic Survey, Panama Canal, and National Advisory Committee on Aeronautics.

(c) *For foreign government orders.*—The Priorities Committee of the Army and Navy Munitions Board shall, subject to the approval of the Director of Priorities, establish schedules of preference ratings to be assigned to categories of contracts and orders of certain foreign governments including, until further order, Great Britain and Canada.

2. *Assignment of Preference Ratings*

The assignment of all such preference ratings to deliveries of material under all contracts and orders hereinbefore specified in paragraph 1, and the extension of such preference ratings to deliveries of material which enter directly or indirectly into the manufacture of any material for delivery under such preference ratings to deliveries of material Priorities Committee of the Army and Navy Munitions Board and the contract and procurement officers and inspectors of the Army and Navy, in accordance with the Army and Navy Priorities Instructions (copy of which is hereto attached) ; Provided,

(a) Such preference ratings shall apply only to items which appear upon the Priorities Critical List as revised to March 15, 1941, of the Priorities Committee of the Army and Navy Munitions Board (copy of which is attached hereto), as the same may be supplemented, modified or changed from time to time by said committee with the approval of the Director of Priorities.

(b) That ratings higher than those authorized by the then current Priorities Directives referred to in paragraph 1 above may be assigned by the Priorities Committee of the Army and Navy Munitions Board with the concurrence of the Director of Priorities.

(Signed) E. R. Stettinius, Jr.,
Director of Priorities.

March 17, 1941.

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