

SECRET

SECURITY INFORMATION

33 / 3

Operational instructions for
CPD

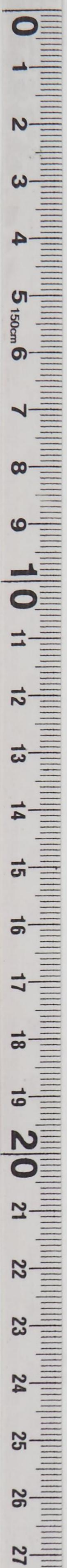
Binder 1

14 JAN 2/8 to 31 Dec 50

G-4 Adm File

SECURITY INFORMATION

SECRET



331.3
CPO Op. Inst.

2

L. F. Murphy 26-7858

AG 331.3 (13 Dec 50) CPO

Revision of Operational Instructions for CPO

CPO

G-4

13 December 1950

1

1. Transmitted herewith as Inclosure No. 1 is a proposed revision of Operational Instructions for the Central Purchasing Office. This proposed revision has been drafted for the purpose of bringing the Operational Instructions in line with current operational conditions. For clarification, the following comments are furnished:

a. Reference Par. 2a of proposed revision - This GHQ Special Services letter establishes the Central Purchasing Office as the sole procurement agency for Special Service supplies and equipment required by Far East Command Special Services activities except as provided therein.

b. Reference Par. 3a(2) of existing OI for CPO and Par. 4a(2) of proposed revision - United States Navy Ships' Store personnel from the Philippines and Guam have made numerous trips to Hongkong and Bangkok purchasing directly from vendors without regard to the fact that CPO has an office in Hongkong to perform the procurement mission of the Far East Command. In Bangkok the experience has been that considerably higher prices have been paid than if the merchandise had been procured through CPO. Army Exchange personnel have expressed concern over the fact that Navy Ships' Stores have the option of either buying directly in the Asiatic market or using CPO facilities. CPO procurement services, including inspection, assay, volume buying, financing, experience, audit etc., are important factors to be taken in consideration for inclusion of Navy Ships' Stores in the subject paragraph revision. A recent staff visit to Philcom and Guam by CPO representatives revealed that Navy Ships' Store officers heartily endorse CPO procurement operations. It is believed the Navy Ships' Stores should be included in the revised provisions of paragraph 4a(2), Operational Instructions for CPO.

c. Reference Par. 3b(1), 3b(2) and 6c of existing OI for CPO - Deleted, since no sales have been made to United Soviet Socialist Republic agencies during the past twelve months and none are anticipated. Reference Par. 4b(1) of proposed revision - Revised to delete United Soviet Socialist Republic and cover other SCAP accredited agencies.

d. Reference Par. 3c of existing OI for CPO and Par. 4c of proposed revision - Military units have been added to provide for the direct purchases from CPO of necessary equipment. This is particularly applicable to Special Services purchases, sports equipment, hobby crafts, etc. See Incl. No. 2, copy of letter, General Headquarters, Far East Command, AG 418 (16 Jun 50)SS, subject: Indigenous Procurement of Special Service Supplies and Equipment, date 23 June 1950.

(E) Sup.
LC-18998

G-4 File

L. F. Murphy 26-7858

AG 331.3 (13 Dec 50)CPO

Revision of Operational Instructions for CPO

CPO

C-4

13 December 1950

1 Cont'd.

e. Reference Par. 5 of proposed revision - The CPO vendor's agreement provides for acknowledgment by the vendor, indicating whether or not he desires a sample to be returned to him. Samples of Japanese merchandise are invariably furnished at no cost. CPO vendor's agreement is used as a basis for establishing property accountability during the period of time that the sample is in possession of CPO. This is considered adequate.

f. Reference Par. 5 of existing OI for CPO and Par. 6 of proposed revision, the following comments are furnished:

- (1) The primary mission of CPO is to procure indigenous merchandise for the Central Exchanges and Ships' Stores in the Far East Command. This responsibility has been carefully administered with the main purpose in mind to procure high quality merchandise at reasonable prices. During the month of November 1950, aggregate sales exceeded \$1,900,000.00 to the various outlets, which represents a substantial increase in CPO business over November 1949 sales. October and November 1950 were the peak months for sales in the entire five years of CPO operation.
- (2) In the latter part of 1949 it was evident that satisfactory notoriety was not being given to the display of samples by CPO which reflected in the downward trend of sales to the various outlets. C-4, in drafting Operational Instructions for CPO in the latter part of 1949, recognized the need for establishing a Display Room in which adequate publicity could be given to souvenir items of merchandise procurable in the Far East Command. C-4 also recognized the need that besides the establishment of a Display Room, that it would be necessary for CPO at the discretion of the Chief, CPO to procure limited quantities of each item on display for the purpose of special order resale. These were incorporated in the approved Operational Instructions for CPO dated 14 November 1949.
- (3) In the implementation of this phase of the procurement mission by CPO it was found that procurement of limited quantities of each sample on display created very productive results due to the fact that items placed in the Sales Room were given immediate notoriety to the public and thus enabled CPO to determine the salability of such items placed in the Sales Room. This is now provided for in the revision of paragraph 5. With the Dis-

L. F. Murphy 26-7858

AG 331.3 (13 Dec 50) GPO

Revision of Operational Instructions for GPO

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13 December 1950

1 Cent'd.

play Room established and the Sales Room effectively operating in conjunction therewith, sales to Central Exchanges began an upward trend with the result that the second quarter of the calendar year 1950, the monthly financial statements of GPO showed increasing profits from operations. Commencing with the beginning of the Korean situation, sales continued to rise at a rapid pace, so that at the present time monthly sales to Central Exchanges and Ships' Stores average approximately \$1,500,000 per month. Concurrently, monthly requisitions from Central Exchanges exceed that average. The Central Exchanges and Ships' Stores are buying more items of an indigenous nature and it is important that the method of publicizing GPO samples to Central Exchanges and Ships' Stores be continued in force and effect.

- (4) The Sales Room of GPO has been advantageously used by GHQ to render personal shopping service to visiting dignitaries and VIPs. In order to accomplish this phase of GPO's responsibilities an inventory of specially desired items must be stocked as it is not practicable to continually sell Display Room samples.
- (5) With respect to the continuation of the Sales Room in GPO, it is imperative that some method be employed by GPO to dispose of inactive samples and in a small degree, distressed merchandise which normally appears in any merchandising activity.
- (6) In the implementation of Operational Instructions dated 14 November 1949, it was found to be unprofitable and costly to GPO to render special order resale privileges to individuals. For example, in many instances, the item requested by the individual was of such small value that the administrative cost of preparation of the purchase order and other incidentals connected therewith, exceeded the cost of the item desired. If individual service is to be continued by GPO without the establishment of a GPO Sales Room, it will be necessary to place a minimum dollar limitation of about \$20.00 on all items which GPO would be authorized to accept.
- (7) A new approach to publicizing samples has recently been adopted by GPO by sending reasonable quantities of each sample placed in the Display Room to the several Central Exchanges and Ships'

L. F. Murphy 26-7858

AG 331.3 (13 Dec 50) CPO

Revision of Operational Instructions for CPO

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G-4

13 December 1950

1 Cont'd.

Stores for determination as to the desirability for resale. This practically replaces the need for purchasing limited quantities of each sample on display for purposes of special order resale. However, it is important that such procurement in limited quantities by CPO be continued in the event services to individuals, visiting dignitaries, etc. are to be continued as a part of CPO's procurement mission in the Far East Command.

- (8) If CPO's mission continues to include the rendering of services to authorized individuals, clubs, messes and similar organizations operating under proper authority in the Far East Command, it is essential that the Sales Room function of CPO be continued. It has never been practicable for this group to procure from Exchange outlets, since the type of merchandise required is generally not available. Sports equipment and similar items have not at any time been maintained in stock in the Central Exchanges to meet military unit requirements. In addition, funds dispersed by these organizations are generated out of welfare funds and it is more economical for such purchases to be effected directly from CPO.

g. Reference Par. 5b(6) of existing OI for CPO and Par. 6b(5) of proposed revision - Occasions arise where a refund to the purchaser is considered appropriate.

h. Reference Par. 5d of existing OI for CPO - In consideration of the fact that CPO is audited by the Comptroller's Office semi-annually and inspected by the IG Office annually, preparation of the required report for the mark down sale of damaged merchandise places an additional administrative reporting responsibility on CPO when disclosures from such reports come within the scope of IG Inspection and Comptroller Audits.

i. Reference Par. 6a of existing OI for CPO and Par. 7a of proposed revision - Occasions arise where it is economically desirable to dispose of merchandise on a sale basis in the Japanese market. This is particularly in evidence when an individual or agency with whom CPO does not otherwise conduct business is interested in the purchase of merchandise which CPO has available for any economical disposition.

j. Reference Par. 7e of proposed revision - This provision has been included in order to establish, in advance, pecuniary responsibility for costs arising from emergency contract termination.

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AG 331.3 (13 Dec 50)GPO

Revision of Operational Instructions for GPO

GPO

G-4

13 December 1950

1 Cent'd.

k. Reference Par. 6f of existing OI for GPO and Par. 7f of proposed revision - This furnishes authority for the sale of distressed merchandise for yen or dollars rather than limiting the means of disposal to price reduction or barter.

l. Reference Par. 7g of proposed revision - This provision has been added as a consolidation of instructions furnished by the Special Services Section, GHQ, to the Central Exchanges and is considered appropriately included in these instructions. Local procurement in the Philippines by Philcom Central Exchange is considered the most practicable.

m. Reference Par. 7a of existing OI for GPO and Par. 8a of proposed revision - Reference is made to GPO G/N to G-4 dated 27 November 1950, subject "GPO Mark-up" (Incl. No. 3), it is believed that the GPO mark-up should be reviewed quarterly rather than annually and that the GPO should submit one month prior to the calendar quarter, an informal report and recommendations for the mark-up for the coming quarter. This method is believed to be the most desirable to Central Exchanges.

n. Reference Par. 7b of existing OI for GPO and Par. 8b of proposed revision - Several instances have arisen where Central Exchanges have attempted to unduly broaden the intent of this provision. Past history of Far East procurement reveals how essential the inspection function is in the procurement of quality merchandise and the prevention of distressed stocks in Central Exchanges and Ships' Stores throughout the Far East. The application of a 2% mark-up is considered, in some instances, to be reasonable.

o. Reference Par. 7c of existing OI for GPO and Par. 8c of proposed revision - Reinstatement of the previously authorized surplus and reserves of \$3,570,500.00 is recommended, allocated as follows:

Surplus.....	\$3,000,000
Reserve for	
Liquidation.....	500,000
Reserve for returning	
civ. to US.....	38,000
Reserve for annual ly.	32,500
Total	\$3,570,500

At the present time, GPO has in excess of \$100,000 above the presently authorized surplus and reserve of \$3,038,000. It is proposed that this amount partially provide for increasing existing surplus and reserve and further provide for accu-

L. F. Murphy 26-7858

AG 331.3 (13 Dec 50) CPO

Revision of Operational Instructions for CPO

CPO

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lation to the point that the \$3,570,500 figure is realized. Existing high volume financing by CPO requires additional capital. See CPO C/M to G-4 thru COM, dated 1 December 1950, subject "Transmittal of Balance Sheet", Incl. No. 4.

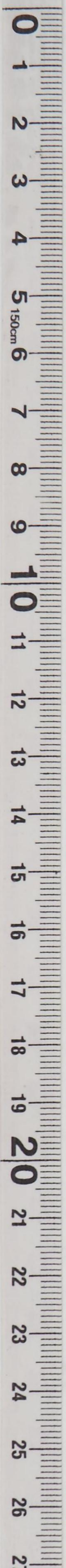
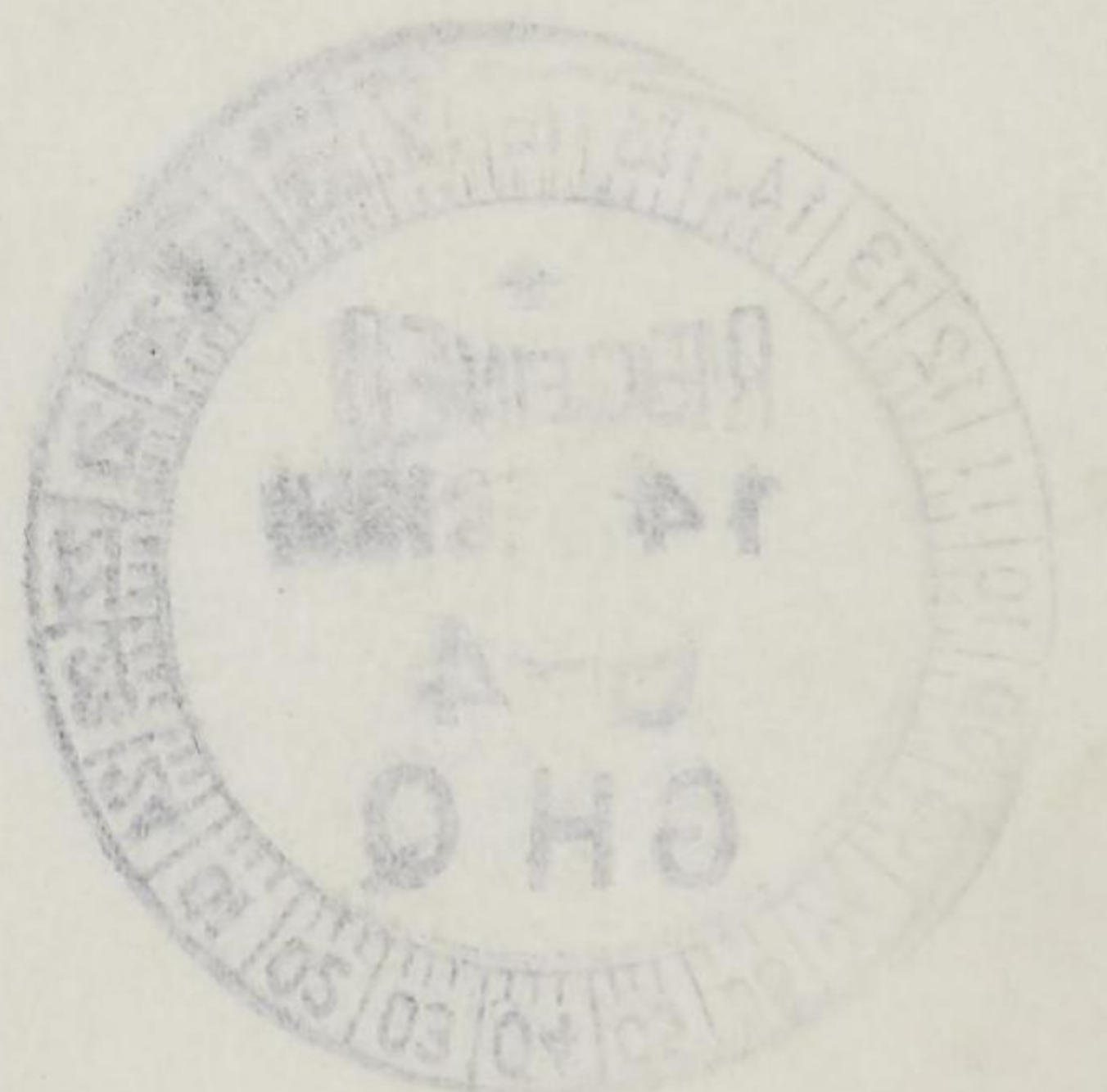
p. Reference Par. 7d of existing OI for CPO and Par. 8d of proposed revision - Previously authorized in revision of OI dated 15 August 1950, being rescinded in this action and incorporated in the latest revision.

4 Incls.

- 1 - Proposed Revision of OI
- 2 - Cy of ltr re SS
- 3 - Cy of C/M subj CPO Make-up
- 4 - Cy of C/M subj Transmittal of Balance Sheet

WFM

----- A. H. N. -----



L. T. Murphy 26-7828

Revision of Operational Instructions for GPO

AG 321.3 (13 Dec 50) GPO

17 December 1950

G-4

GPO

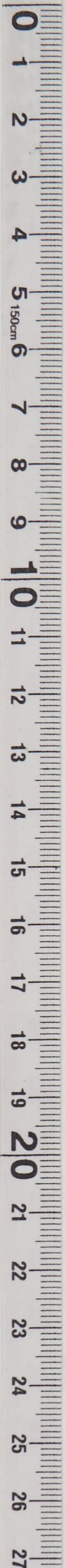
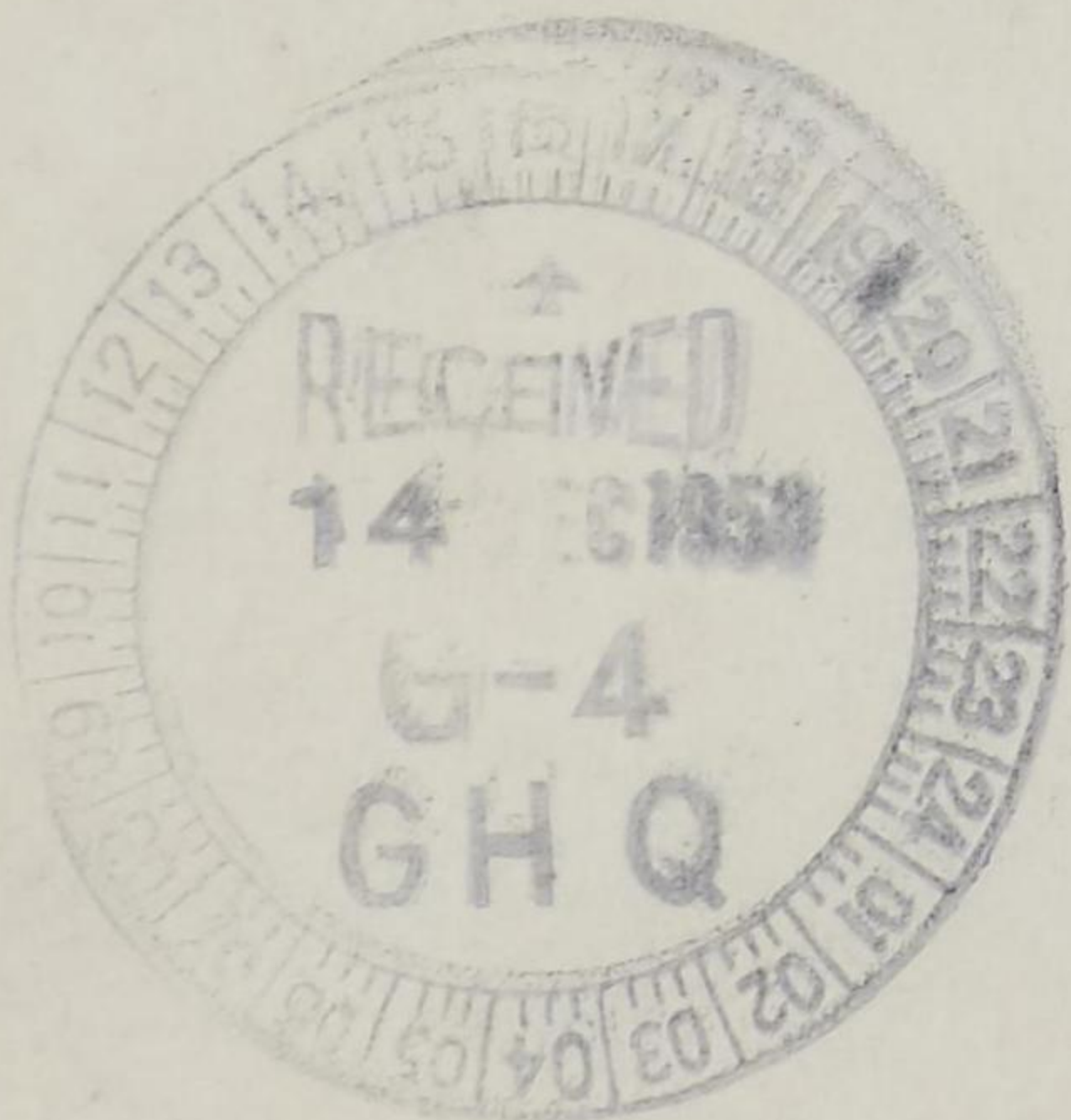
1 December 1950, subject "Transmission of Balance Sheet", leaf # 4.
Revised by GPO Technical Assistant. See GPO O/N to G-4, dated
October 1950. Existing high volume

revision - previously mentioned in revision of OI dated 15 August 1950, being
incorporated in this section and incorporated in the latest revision.

4 Incls.

- 1 - Proposed Revision of OI
 - 2 - Copy of list to SS
 - 3 - Copy of O/N and GPO Mark-up
 - 4 - Copy of O/N and Transmission
- of Balance Sheet

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331.3 CPO op. Just.
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L. F. Murphy 26-7858

AG (27 Nov 50) CPO CPO Mark-up
GPO G-4 27 Nov 1950

1 Cont'd.

	Present Mark-up	Proposed Mark-up
(3) Sales to Special Services	5%	4%
(4) Sales to Individuals	20%	20%

Utilization of the proposed mark-up for the first quarter of 1951 will generate moderate profits during that period.

3. If approval is furnished for the reduction of the CPO mark-up from 5% to 4% for Central Exchanges and Ships Stores, it is anticipated that the Central Exchange Systems and Navy Ships Stores will be notified in advance of the reduction, qualified to the extent that the basis of the reduction in mark-up is on the existing volume of requisitions, and is stable only for the first quarter of 1951, after which it will be subject to revision based on requisitions received during the next three months, or December 1950, January and February 1951, at which time income and expense will be reviewed along with requisitions received for determination of increase or decrease in the CPO mark-up.

4. Approval is requested therefore for the reduction of the CPO mark-up from 5% to 4% during the first quarter of 1951, on items (1) and (3) above.

-A. H. N.-

(2)

From: G-4

To: G-1

Colonel JHF Bittner, 26-6456/lg
Date: 30 Nov 50

For your comments and/or recommendations.

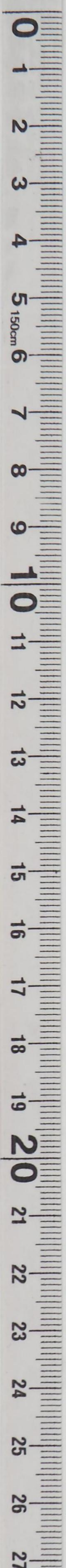
G. L. E.

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DA C 564	<input checked="" type="checkbox"/>
EXECUTIVE	<input type="checkbox"/>
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C + RE	<input checked="" type="checkbox"/>
SUPPLY	<input type="checkbox"/>
PETROLEUM	<input type="checkbox"/>
② IN	<input checked="" type="checkbox"/>

51
1783C
2

G4 File





Handwritten notes:
3/21/53
CPO
2/21/53

L. F. Murphy 26-7528

27 Nov 1950

GPO Mark-up

(27 Nov 50) GPO

AG

GPO

G-1

Present
Mark-up

Present
Mark-up

1 Cont'd.

20%

20%

(3) Sales to Special Services
(4) Sales to Individuals

Utilization of the proposed mark-up for the first quarter of 1951 will generate moderate profits during that period.

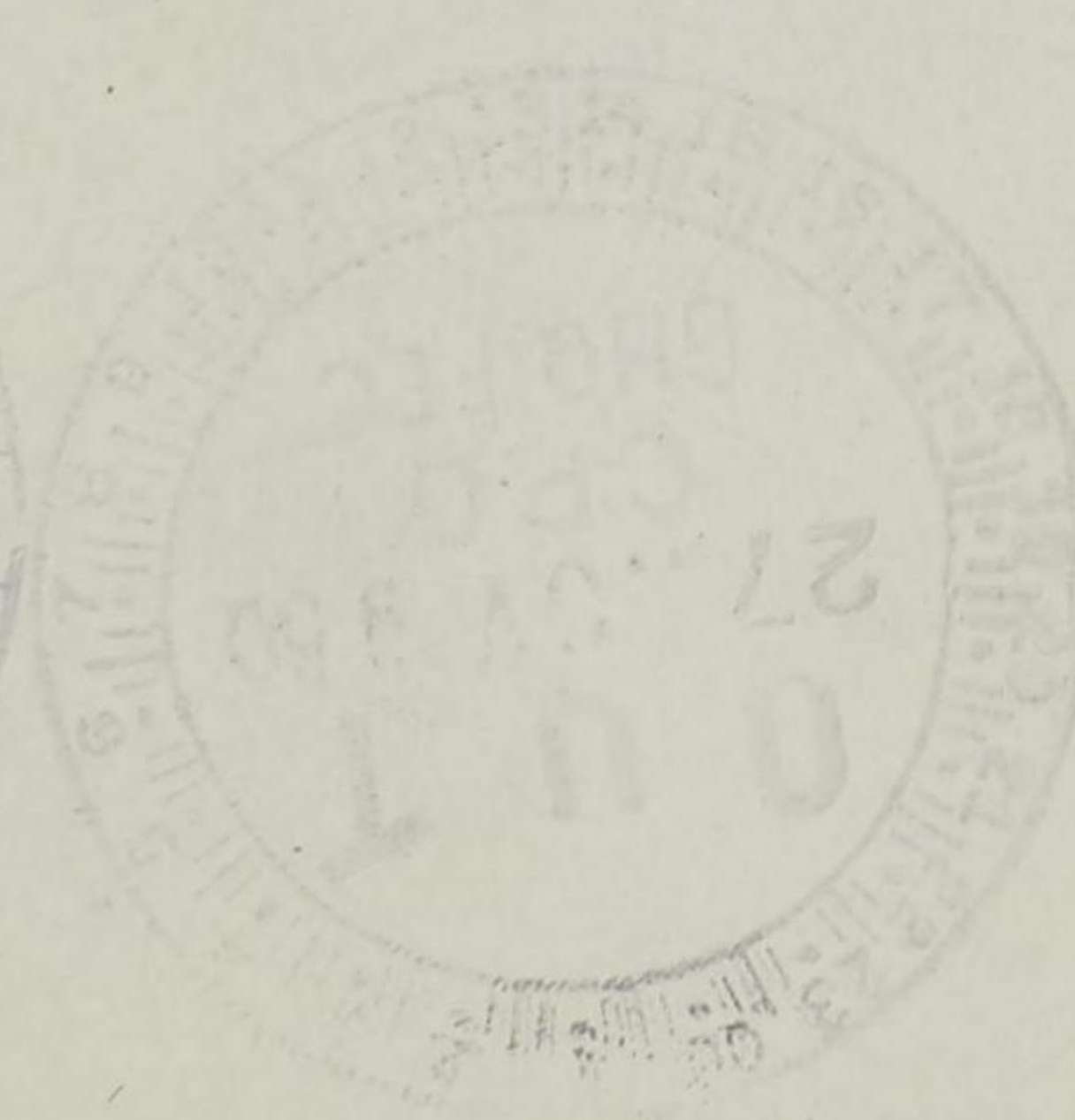
3. If approval is furnished for the reduction of the GPO mark-up from 25% to 20% for Central Exchanges and Ship Stores, it is anticipated that the Central Exchange System and Navy Ship Stores will be notified in advance of the reduction, qualified to the extent that the basis of the reduction in mark-up is on the existing volume of requisitions, and is stable only for the first quarter of 1951, after which it will be subject to revision based on requisitions received during the next three months, or December 1950, January and February 1951, at which time income and expense will be reviewed along with requisitions received for determination of increase or decrease in the GPO mark-up.

4. Approval is requested therefore for the reduction of the GPO mark-up from 25% to 20% during the first quarter of 1951, on items (1) and (3) above.

Colonel J. H. ...
26 Nov 50

From: G-1 For: G-1 (2)

For your comments and/or recommendations.



ROUTING	
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<input checked="" type="checkbox"/>	SUPPLY
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<input checked="" type="checkbox"/>	P+O
<input checked="" type="checkbox"/>	EXECUTIVE
<input checked="" type="checkbox"/>	DA C/SA
<input checked="" type="checkbox"/>	A/SA

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95m

L. F. Murphy 26-7858

AG (27 Nov 50) CPO

CPO Mark-up

CPO

G-4

27 Nov 1950

1

1. Reference is made to Par. 7a, Operational Instructions for CPO, dated 14 November 1949.

2. During the past five years of CPO operating history, the Central Exchanges have indicated a general desire for a reduction in the CPO mark-up, at least to the extent that large profits were not generated as a result of the 5% mark-up. Comparison of CPO procurement costs and services with New York Central Exchange procurement can not be made on a straight line basis due to numerous special problems involved in the timely securing of quality merchandise on Far Eastern markets. These include, but are not limited to, establishment of specifications, technical assistance in styling etc, production line inspection, financing and delivery. Costs of comparable merchandise in the Far East are generally less expensive, but securing such merchandise with quality guarantee through procurement action is more expensive. However, it is felt that with the existing large volume of undelivered requisitions on hand, CPO can reasonably reduce its mark-up on sales to Central Exchanges from 5% to 4% during the first quarter of 1951, subject to possible adjustment in the second quarter of 1951. In this connection, the following comments are furnished in order that appropriate action may be taken on or before 1 January 1951:

a. A study of CPO income and expense has been made, covering the period from January 1950 through October 1950. On total sales of \$7,886,456.00, CPO has realized a net profit of \$80,579.00, or approximately 1%. All of this profit was realized in the past three months. Existing undelivered requisitions as of 31 October 1950 amount to \$5,513,752.20. Requisitions placed in the past three months including November, amount to \$3,900,000.00. Subsequent deliveries on these requisitions plus Air Force Uniform sales, sales to Clubs and Individuals and sales to Special Services, guarantee an average volume of business for CPO in the first quarter of 1951 of at least \$1,000,000.00 per month. Average operating expenses have been less than \$35,000.00 per month for the past three months.

b. Revision of the CPO mark-up as follows at this particular time is feasible and considered desirable:

	Present Mark-up	Proposed Mark-up
(1) Sales to Central Exchanges	5%	4%
(2) Sales to Clubs	20%	20%

G4 File

G 4 File

25m

L. E. Murphy 26-7858

GPO Mark-up

(27 Nov 50) GPO

AG

27 Nov 1950

G-4

GPO

1. Reference is made to Par. 7a, Operational Instructions for GPO, dated 14 November 1949.

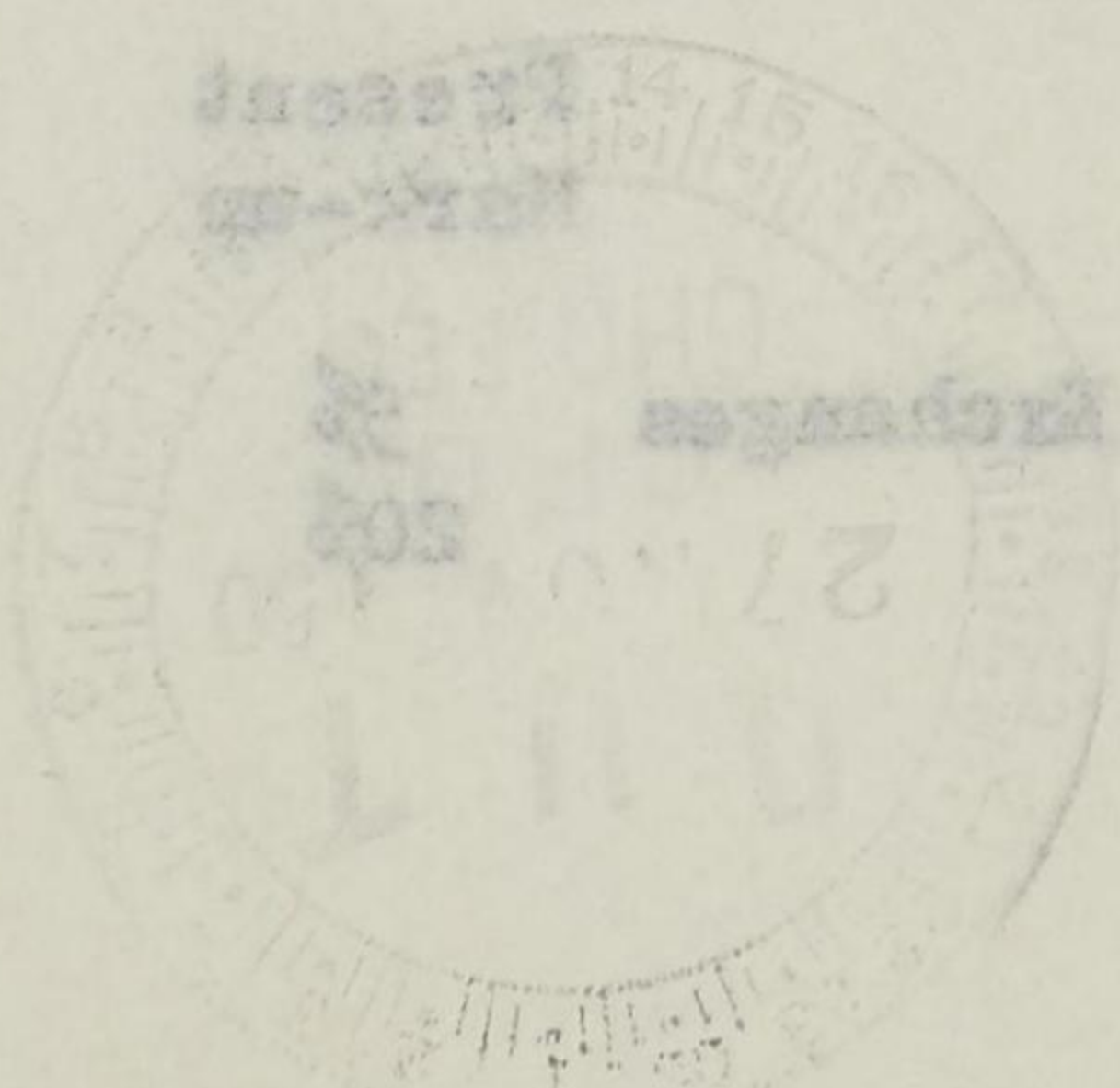
2. During the past five years of GPO operating history, the Central Exchange program has indicated a general desire for a reduction in the GPO mark-up, at least to the extent that large profits were not generated as a result of the mark-up. Comparison of GPO procurement costs and services with New York Central Exchange procurement can not be made on a straight line basis due to numerous special problems involved in the timely securing of quality merchandise on far Eastern markets. These include, but are not limited to, establishment of special locations, technical assistance in styling etc, production line inspection, financing and delivery. Costs of comparable merchandise in the Far East are generally less expensive, but securing such merchandise with quality guarantees through procurement action is more expensive. However, it is felt that with the existing large volume of undelivered requisitions on hand, GPO can reasonably reduce its mark-up on sales to Central Exchanges from 25 to 15 during the first quarter of 1951, subject to possible adjustment in the second quarter of 1951. In this connection, the following comments are furnished in order that appropriate action may be taken on or before 1 January 1951:

a. A study of GPO income and expense has been made, covering the period from January 1950 through October 1950. On total sales of \$7,886,456.00, GPO has realized a net profit of \$60,777.00, or approximately 1%. All of this profit was realized in the past three months. Existing undelivered requisitions as of 31 October 1950 amount to \$2,213,752.20. Requisitions placed in the past three months including November, amount to \$2,900,000.00. Subsequent deliveries on these requisitions plus Air Force Uniform sales, sales to Clubs and individuals and sales to Special Services, guarantee an average volume of business for GPO in the first quarter of 1951 of at least \$1,000,000.00 per month. Average operating expenses have been less than \$25,000.00 per month for the past three months.

4. Revision of the GPO mark-up as follows at this particular time is feasible and considered desirable:

Proposed
Mark-up

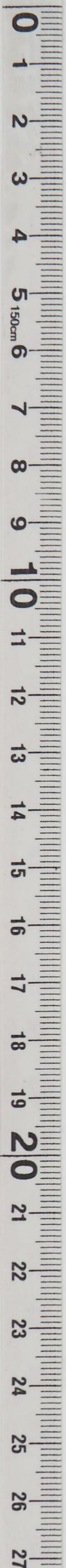
15
20%



(1) Sales to Central Exchanges
(2) Sales to Clubs

G4 File

G4 File



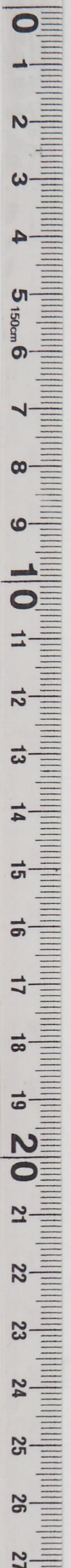
SUBJECT: CPO Mark-Up

1. By C/N 1, CPO has requested permission to reduce mark-ups for 5% to 4% because of large profits being generated.
2. This problem affects G-1 and request should be sent to him for comment and recommendation.
3. Instant C/N 2 accomplishes this mission.
4. Coordination unnecessary.
5. Action complete on G-4 Journal No. 17836.

JHFB 13 26-6056

BH 26-6043 (Div Chief)

G-4 File



331.3 OP Inst CPO

ll

G-4

Major R.B. Kreutzer 26-6456
Date: 11 August 1950

(4) From: G-4 To: CPO

G-4 concurs in the CPO proposed change in the Operational Instructions for CPO as outlined in C/N 1.

1 Incl
n/e



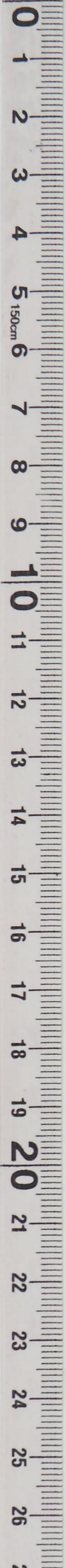
-----G.L.E.-----
MEMO FOR RECORD: GD SP RBK/ELT/BH/cvt 11 Aug 50

SUBJECT: Operational Instructions for CPO

1. By C/N 1 to G-4, subj as above, 1 Aug 50, CPO proposed a change in their operational instructions to permit opening an acct in N.Y., USA for the CPO, Hong Kong Branch.
2. C/N 2 G-4 to Comp requested Comp comments. Comp by C/N 3 stated no objection to the plan.
3. Plan appears to be sound and will result in a flexibility of action by the Hong Kong Branch in case that office is suddenly required to close. Necessary G-4 action is to concur with CPO proposal. Instant C/N accomplishes this purpose.
4. Action complete on G-4 Journal No. 10117; related to G-4 Journal No. 9467.

RBK [Signature] 26-6456
 ELT [Signature] 26-6044
 BH [Signature] (Div Chief)

10117



331.3
of
CFO

G-4

Maj. R.B. Kreutzer 26-6456
Date: 11 August 1950

(A) From: G-4 To: GPO

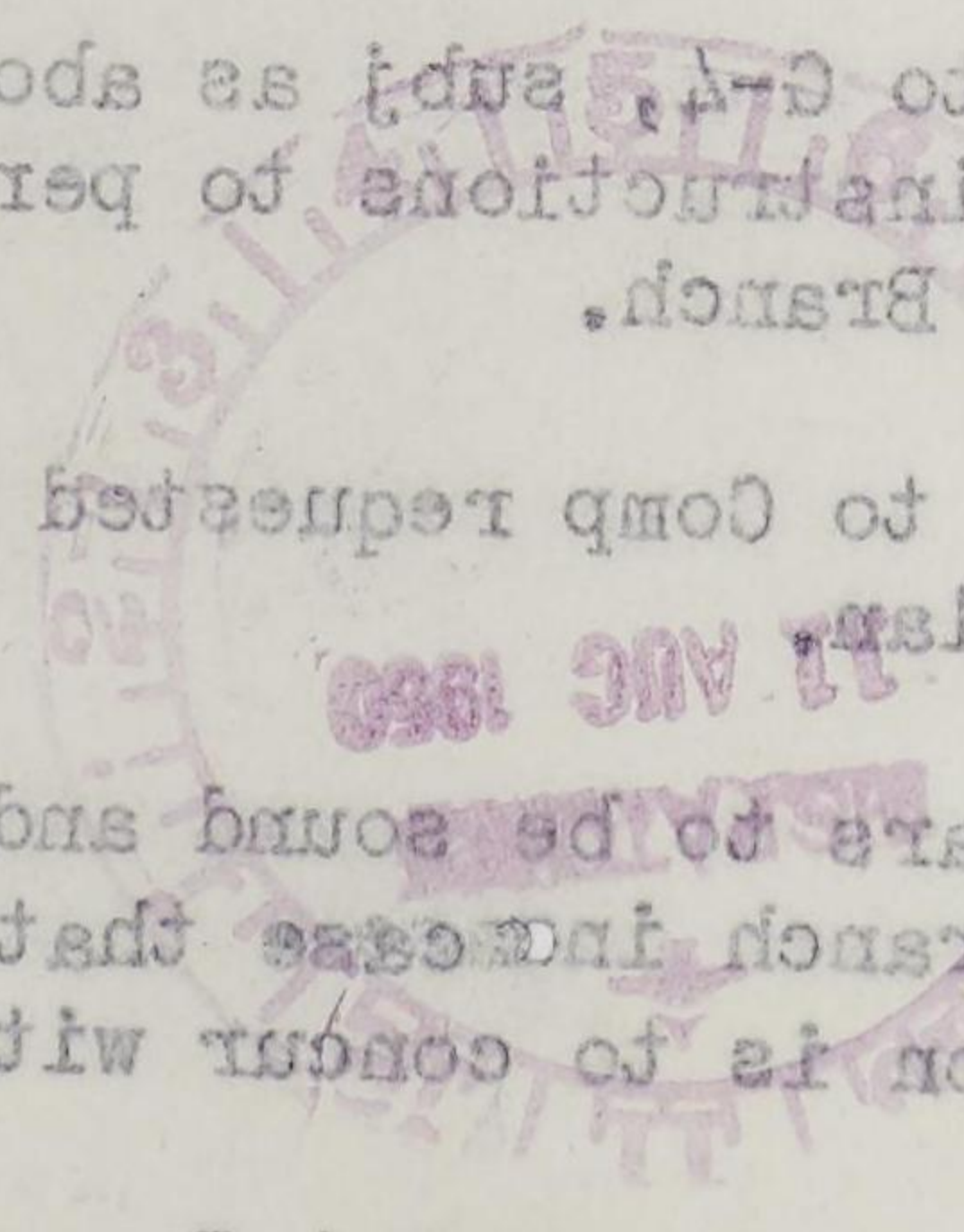
G-4 concurs in the GPO proposed change in the Operational Instructions for GPO as outlined in G/N 1.

1 Incl
s/e

MEMO FOR RECORD: GD SP RBK/ELT/BH/cvt 11 Aug 50

SUBJECT: Operational Instructions for GPO

1. By G/N 1 to G-4, subj as above, 1 Aug 50, GPO proposed a change in their operational instructions to permit opening an acct in N.Y., USA for the GPO, Hong Kong Branch.
2. G/N 2 G-4 to Comp requested Comp comments. Comp by G/N 3 stated no objection to the plan.
3. Plan appears to be sound and will result in a flexibility of action by the Hong Kong Branch in case that office is suddenly required to close. Necessary G-4 action is to concur with GPO proposal. Instant G/N accomplishes this purpose.
4. Action complete on G-4 Journal No. 10117; related to G-4 Journal



No. 2667.
 RBK 26-6456
 ELT 26-6044
 BH (Div Chief)

le

Major R.B.Kreutzer 266456

*331.3 CPO
04*

Operational Instructions for CPO

G-4

Comp

3 Aug 50

(2)

1. Forwarded for comment and/or recommendation and return to G-4.

1 Incl
n/c

BA

-----B.L.F.-----

GD SP RBK/ELT/BH/cvt

3 Aug 50

MEMORANDUM FOR RECORD:

Subject: Operational Instructions for CPO

1. CPO by C/N 1 to G-4, subj as above, 1 Aug 50, proposes a change in CPO Operational Instructions to include the establishment of an additional bank acct in New York for the CPO, Hongkong Branch. C/N states in event of emergency where immediate liquidation and evacuation of Hong Kong becomes necessary a checking acct in New York would prove invaluable.

2. Although from cursory study the CPO action appears logical and sound, it is considered necessary to route it to Comp for Technical clearance prior to approval. Instant C/N accomplishes this purpose.

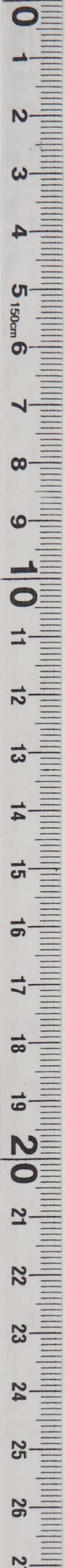
3. Action complete on G-4 Journal 9467.

RBK _____ 266456 ELT _____ 266456 BH *[Signature]* 266-43
(Div Chief)



*9467
Supply*

G-4 FILE



331.3 O.I. CPO

CROSS REFERENCES OTHER THAN RADIO

DATE 13 Apr 50

FROM: GHQ FEC (SS)

TO: Central Exchange Officer, Eighth Army
" " " Ryukyus Command
" " " Marianas-Bonins Command
" " " Philippines Command

SUBJECT: Ltr, AG 331.3 (14 Nov 49) SS, Subj: Clarification
of Procurement Policies

DOCUMENT IN..... 331.3

P&P

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

AG 331.3 (14 Nov 49) GD

7 March 1950

SUBJECT: Operational Instructions for Central Purchasing Office

331.3 CPO OT

TO: Purchasing Officer
Central Purchasing Office
General Headquarters
Far East Command
APO 500

1. Reference is made to letter, General Headquarters, Far East Command, file AG 331.3(14 November 49)GD, subject as above, 14 November 1949.

2. Paragraph 7c of referenced letter is hereby rescinded, and the following substituted therefor:

"7c. All accrued profits, based upon a monthly statement, will be transferred to surplus and the sum of the surplus and reserves will be limited to \$3,038,000.00. Any funds accrued in excess of this sum will be reported through the Assistant Chief of Staff, G-4, and disposal will be made as directed by the Chief of Staff."

BY COMMAND OF GENERAL MacARTHUR:

G-4 File Copy

G-4 ROUTING	
①	AC/S G-4
	AC/S G-4
	EXECUTIVE
	PLANS & POLICY
	OPERATIONS
	CONST & FAC
	SUPPLY
	PETROLEUM
	PERSONNEL
②	ADMINISTRATION

MAILED 1500 MAR 7:50 AG.

K. E. BUSH,
Brigadier General, USA,
Adjutant General.

DISPATCHED
7 MAR 1950
G-4

G-4 File Copy

2621

GD P&P GD/we
6 March 50

MEMORANDUM FOR RECORD:

Subject Withdrawal of CPO Surplus

1. C/W 1, G-4 to C/S, subject as above, 27 Feb 50, recommended that:

a. CPO be authorized to make payment of a cash dividend in the amount of \$500,000.00 on or before 15 March 1950.

b. Distribution of the dividend, cited in sub-paragraph a above, be based on the percentage of total sales to agencies listed below and in the amounts shown opposite each:

FEC Welfare Fund (Based on Sales to FEC Exchanges)	84.45%	\$422,250.00
BCOF Canteen	7.46%	37,300.00
Navy Ships Stores	<u>8.09%</u>	<u>40,450.00</u>
	100.00%	\$500,000.00

c. Should recommendation "a" above be approved, CPO capitalization, which presently coincides with the \$3,538,000 now authorized, be revised as follows:

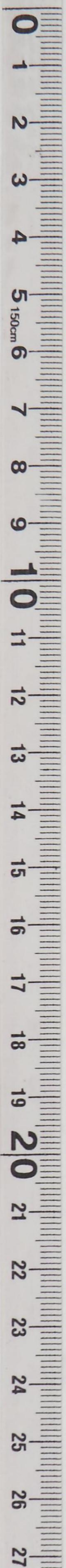
\$ 2,500,000	-	Paid up capital
500,000	-	Reserve for liquidation
<u>38,000</u>	-	Reserve for return of civilian employees to the United States
\$ 3,038,000		

2. Instant action issues necessary change to Operational Instructions for CPO, made necessary by approval of the recommendation contained in paragraph 1c above.

3. Within policy

4. Completes action on G-4 Journal No. 2621.

G.D. [Signature]
F.L.R. FLR mar



Lt Col DeYoung, 26-6041

Withdrawal of CPO Surplus

G-4

C/S

27 FEB 1950

1

1. On 26 September 1949 the C/S authorized the following regarding CPO funds:

- a. Repayment in full of the amount (\$166,946,766.44) advanced by the former Fiscal Director as initial capital.
- b. Declaration of a cash dividend of \$854,066.45, with payments of \$500,000 on 1 November 1949 and the remaining \$354,067.00 on 1 December 1949.
- c. Distribution of dividend, provided in b above, based on a percentage of sales volume to each recipient as follows:

FEC Welfare Fund (Based on Sales to FEC Exchanges)	83.09%	\$ 709,643.81
BCOF Canteen	8.90%	76,011.93
Navy Ships Stores	<u>8.01%</u>	<u>58,410.72</u>
	100.00%	\$ 854,066.45

d. Capital structure established as follows:

\$3,000,000.00	-	Paid up capital
500,000.00	-	Reserve for liquidation
38,000.00	-	Reserve for return of civilian employees to the United States

e. CPO pay to the Eighth Army Exchange System \$1,360.80, and receive \$19,602.00 therefor in settlement of an account resulting from unauthorized use of yen by the USSR in procuring from the exchange.

2. The actions outlined in preceding paragraph were accomplished on schedule.

3. Over the past year, CPO gross sales have averaged approximately \$1,000,000.00 per month. It is estimated that CPO average monthly business during 1950 will be substantially less than the 1949 average, due to changes in recent months which include the following:

Lt Col De Young. 26-6041

Withdrawal of CPO Surplus

G-4

C/S

1 (cont'd) a. Virtual discontinuance of BCOF procurement through CPO due to the devaluation of pound sterling. No new orders have been placed by BCOF since 1 January 1950.

b. Information from Eighth Army Exchange Service indicates reduced procurement of indigenous merchandise during 1950.

c. Eighth Army Exchange Concessionnaire payments are no longer processed through CPO, but are handled directly between the Exchange Service and the Concessionnaire. The establishment of a unitary rate of exchange of 360 to 1, plus the fact that the Eighth Army Exchange has a yen income from scrap and distressed merchandise, has precluded the necessity for processing concessionnaire accounts through CPO.

4. Should anticipated reduction in CPO sales occur, it would further reduce operational requirements for capitalization. On the other hand, CPO has, at the present time, considerably more cash assets than are required to sustain their operation at the 1949 level. The following was extracted from CPO latest financial statements and is expressed in round figures:

<u>Date</u>	<u>Cash on Hand</u>	<u>Accts. Receivable</u>	<u>Accts. Payable</u>	<u>Inventory</u>
Dec '49	\$2,170,000	\$ 972,000	\$ 480,000	\$750,000
Nov '49	2,360,000	1,190,000	550,000	800,000
Oct '49	2,765,000	1,073,000	457,000	863,000

5. With reference to the above extract from CPO's financial statements, it should be noted that the reduction of cash on hand between October and December 1949 is attributable to the payment of the cash dividend of \$854,066.45 referred to in paragraph 1b above. The difference between accounts receivable and accounts payable is due to the fact that accounts payable are paid in approximately one-half the average time required to collect accounts receivable. Even with this latter condition, it is significant that cash on hand at the end of each month shown is in excess of \$2,000,000.00.

6. It is concluded that CPO is financially capable of paying a substantial cash dividend without jeopardizing present or foreseeable future operations. The dividend recommended below is a conservative figure well within CPO capability to pay. Continuous observation and analysis of CPO's future operations may indicate the desirability of further dividend payments or other disposition as desired.

Lt Col DeYoung, 26-6041

Withdrawal of CPO Surplus

G-4

C/S

1
(cont'd)

7. It is recommended that:

a. CPO be authorized to make payment of a cash dividend in the amount of \$500,000.00 on or before 15 March 1950.

b. Distribution of the dividend, cited in sub-paragraph a above, be based on the percentage of total sales to agencies listed below and in the amounts shown opposite each:

FEC Welfare Fund (Based on Sales to FEC Exchanges)	84.45%	\$ 432,250.00
BCOF Canteen	7.46%	37,300.00
Navy Ships Stores	<u>8.09%</u>	<u>40,450.00</u>
	100.00%	\$500,000.00

d. Should recommendation "a" above be approved, CPO capitalization, which presently coincides with the \$3,538,000 now authorized, be revised as follows:

\$ 2,500,000	-	Paid up capital
500,000	-	Reserve for liquidation
<u>38,000</u>	-	Reserve for return of civilian employees to the United States
\$ 3,038,000		

Copies furnished:

G-1
CPO

-----G. L. H.-----
Concurrences:

G-1 _____
CPO _____

G-4

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

331.3 CPO

AG 331.3 (14 Nov 49)GD

7 March 1950

SUBJECT: Operational Instructions for Central Purchasing Office

TO: Commanding General, Eighth Army, APO 343
Commander, United States Naval Forces, Far East, Navy No. 1165
Commanding General, Far East Air Forces, APO 925
Commander, Fleet Activities, United States Naval Forces, Far East, Navy No. 3923
Officer Commanding, British Commonwealth Occupation Force, Sub-Area, Tokyo

Amendment to Operational Instructions for the Central Purchasing Office, General Headquarters, Far East Command, is attached for your information.

BY COMMAND OF GENERAL MacARTHUR:

MAILED 5 00 MAR 7 50 AG. G-4

- 1 Incl
- CPO OI
- (CG, Eighth Army - 30 cys)
- (Eighth Army Cen Ex Off - 20 cys)
- (Other addressees • 10 cys)

K. B. BUSH,
Brigadier General, USA,
Adjutant General.

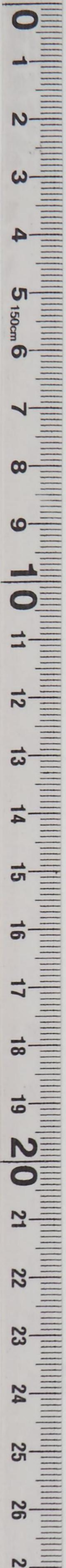
G-4 ROUTING

A C/S G-4	
D AG/S G-4	
EXECUTIVE	
PLANS & POLICY	FHC
OPERATIONS	
CONST & FAC	
SUPPLY	
PETROLEUM	
PERSONNEL	
ADMINISTRATION	K

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GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

AG 331.3 (14 Nov 49)GD

7 March 1950

SUBJECT: Operational Instructions for Central Purchasing Office

TO: Purchasing Officer
Central Purchasing Office
General Headquarters, Far East Command
APO 500

1. Reference is made to letter, General Headquarters, Far East Command, file AG 331.3(14 November 49)GD, subject as above, 14 November 1949.

✓ 2. Paragraph 7c of referenced letter is hereby rescinded, and the following substituted therefor:

"7c. All accrued profits, based upon a monthly statement, will be transferred to surplus and the sum of the surplus and reserves will be limited to \$3,038,000.00. Any funds accrued in excess of this sum will be reported through the Assistant Chief of Staff, G-4, and disposal will be made as directed by the Chief of Staff."

BY COMMAND OF GENERAL MacARTHUR:

/s/ K. B. Bush
K. B. BUSH,
Brigadier General, USA,
Adjutant General.

Incl 1

G-4

331.3
Op. for CPO

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

AG 331.3 (6 Dec 49)CPO

6 December 1949

SUBJECT: Operational Instructions for Central Purchasing Office

TO: Commanding General, Eighth Army, APO 343
Commander, United States Naval Forces, Far East, Navy No. 1165
Commanding General, Far East Air Forces, APO 925
Commander, Fleet Activities, United States Naval Forces, Far East, Navy No. 3923
Officer Commanding, British Commonwealth Occupation Force, Sub-Area, Tokyo

Operational Instructions for the Central Purchasing Office, General Headquarters, Far East Command, are attached for your information.

BY COMMAND OF GENERAL MacARTHUR:

MAILED 1600 DEC 6 '49 AG. - 0102

L. G. Causey

- 1 Incl CPO OI (Hq, Eighth Army - 30 cys)
- (Eighth Army Cen Ex Off - 20 cys)
- (Other addressees - 10 cys)

L. G. CAUSEY
Colonel, AGD
Asst Adj Gen

G-4 ROUTING	
A C/S G-4	_____
D AC/S G-4	_____
EXECUTIVE	_____
① PLANS & POLICY	7LR
OPERATIONS	_____
CONST & FAC	_____
TRANSPORTATION	_____
SUPPLY	_____
PETROLEUM	_____
BUDGET	_____
PERSONNEL	_____
② ADMINISTRATION	_____



GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

AG 331.3 (14 Nov 49)GD

14 November 1949

SUBJECT: Operational Instructions for Central Purchasing Office

TO : Purchasing Officer
Central Purchasing Office
General Headquarters, Far East Command
APO 500

1. Rescissions.

a. Letter, General Headquarters, Far East Command, AG 370.2
(27 Feb 48)GD, subject: Operational Instructions for the Central Purchasing Office, 27 February 1948.

b. Letter, General Headquarters, Far East Command, AG 331.3
(27 Feb 48)GD, subject: Operational Instructions for the Central Purchasing Office, 1 July 1948.

c. Letter, General Headquarters, Far East Command, AG 331.3
(3 Apr 49)GD, subject: Operational Instructions for the Central Purchasing Office, 3 April 1949.

d. Letter, General Headquarters, Far East Command, AG 331.3
(27 Feb 48)GD, subject: Operational Procedure for the Central Purchasing Office, 28 June 1949.

e. Letter, General Headquarters, Far East Command, AG 331.3
(27 Feb 48)GD, subject: Operational Instructions for the Central Purchasing Office, 15 July 1949.

2. The Central Purchasing Office, established by General Orders 290, General Headquarters, United States Army Forces Pacific, 25 October 1945, as amended by General Orders 525, General Headquarters, United States Army Forces Pacific, 25 November 1946, will continue in operation under the authority contained in General Orders 57, General Headquarters, Far East Command, 14 November 1949, supplemented by instructions as set forth herein.

AG 331.3 (14 Nov 49)GD

Subj: Operational Instructions for Central Purchasing Office

3. The Central Purchasing Office is:

a. The sole agency of the Commander-in-Chief, Far East, authorized to procure all merchandise from:

- (1) Japanese sources for distribution to all United States Army, United States Air Force, and United States Navy exchange outlets and ships' stores in the Far East Command, and all British Commonwealth Occupation Forces' canteens in Japan.
- (2) All Far East markets outside the Far East Command for distribution to United States Army and United States Air Force exchange outlets located within the Far East Command.

b. Authorized as an additional source of supply, to procure merchandise from:

- (1) Japanese sources for distribution to United Soviet Socialist Republic retail outlets.
- (2) Far East markets outside the Far East Command for distribution to British Commonwealth Occupation Forces' canteens in Japan and United Soviet Socialist Republic retail outlets.

c. Authorized to procure merchandise from Japanese sources and Far East markets outside the Far East Command for sale to and services for individuals and authorized clubs, messes, and similar organizations, under the restrictions shown in subsequent paragraphs of this instruction.

4. To assist the purchaser in the selection of merchandise, the Central Purchasing Office will establish and maintain a display room containing representative samples of merchandise available from Far East markets. The Central Purchasing Office is authorized to purchase such samples as are necessary, but when furnished without charge, "no cost" invoices must be obtained to prevent future billings. Sample stocks will be reviewed periodically and replaced when necessary.

5. The Central Purchasing Office is authorized to provide facilities for purchases by individuals and clubs of specific items not available from normal exchange service channels. The following provisions will be applicable:

AG 331.3 (14 Nov 49) GD

Subj: Operational Instructions for Central Purchasing Office

a. Eligibility for utilization of this service is limited to:

- (1) Individuals authorized exchange service or canteen or ships' store privileges upon presentation of adequate identification.
- (2) Authorized clubs, messes and similar organizations operating under proper authority.

b. Procurement:

- (1) Procurement will be limited to selections from available samples, descriptions and special items to be manufactured to fill purchasers' specifications. At the discretion of Chief, Central Purchasing Office, limited quantities of each sample on display may be maintained for the purpose of special order resale.
- (2) Procurement will be limited to items not available from stocks of the applicable exchange system as known to the Central Purchasing Office through records of items purchased for the respective exchange system and, when considered advisable, through consultation with the applicable exchange system. Items essentially similar to exchange service stocks will not be represented by samples or offered for sale.
- (3) Requests from individuals for procurement will be submitted in person.
- (4) Requests from clubs, messes and similar organizations may be submitted in person by the club officer or by mail; requests will contain a statement that the items are not available from the applicable resale outlet.
- (5) Each request for procurement will be accompanied by payment in dollars or sterling of the total listed or estimated cost. In the event that the actual cost exceeds the amount paid, the purchaser will be required to pay the balance due upon receipt of the merchandise.
- (6) Purchases are solely an accommodation and, therefore, when an order is accepted by the Central Purchasing

AG 331.3 (14 Nov 49)GD

Subj: Operational Instructions for Central Purchasing Office

Office it will not be subject to cancellation or modification by the purchaser, nor will a refund be made to him.

c. Pricing and Delivery:

- (1) Items will be sold to individuals at the invoice price plus twenty per cent (20%); to clubs at invoice price plus five per cent (5%), except for revenue producing items which will be priced at twenty per cent (20%); and to dependent schools of the Far East Command at invoice price.
- (2) Merchandise not called for within 60 days after notification of arrival has been issued will be subject to a monthly storage charge of 1% effective on the 1st day of the month following the expiration of the sixty days.

d. The Central Purchasing Office will inform the Eighth Army Exchange Officer and the Assistant Chief of Staff, G-4, monthly as to the number and types of items sold in order that the Exchange Service may determine the advisability of stocking such items and that G-4 may control this type of sales.

6. The procedure for procurement, accounting and settlement for merchandise and services purchased by the Central Purchasing Office will be as follows:

a. The Central Purchasing Office will enter into agreements with vendors in Japan for all merchandise and service indigenous to Japan, payable in Japanese yen at the official rate of exchange. Japanese yen for payment of these accounts will be procured by the Central Purchasing Office from the Finance Officer, 240th Finance Disbursing Section or from the Office of Comptroller, General Headquarters, Far East Command.

b. The Central Purchasing Office will enter into procurement agreements with vendors in other areas in the Far East, outside the Far East Command, for all merchandise purchased from such areas as specified in paragraph 3 above. Such purchases will be paid for by the Central Purchasing Office in the currency and in the manner dictated by the best acceptable commercial practice prevailing in the area at time of purchase. The interests of the occupation forces in Japan and of the United States of America will be protected at all times.

AG 331.3 (14 Nov 49)GT

Subj: Operational Instructions for Central Purchasing Office

c. Merchandise procured for Union of Soviet Socialist Republic resale outlets will be sold to such outlets for dollars at prices based on yen costs to the Central Purchasing Office. Services will not be procured for these outlets.

d. Adequate liaison will be maintained with all exchange systems, ships' stores and canteens for which merchandise and services are procured in order that adequate procurement planning can be accomplished by the Central Purchasing Office.

e. All orders placed by resale outlets with the Central Purchasing Office will be by advance requisition only. Requisitions accepted for procurement by the Central Purchasing Office will not be cancelled except upon written authority of the Chief, Central Purchasing Office. In such cases, merchandise on hand or in transit will be sold at the best obtainable price to other resale outlets or through private sale in the manner specified in g below. Any loss by the Central Purchasing Office, to include the 5 per cent mark-up, will be billed to the resale outlet placing the original requisition, unless Central Purchasing Office is at fault.

f. Merchandise procured by the Central Purchasing Office which has been rejected (see e above), or returned by resale outlets with approval of the Chief, Central Purchasing Office, will be offered for sale to other resale outlets dealing with Central Purchasing Office. If rejected by the other resale outlets, merchandise may be offered for sale as in g below or exchanged with Japanese vendors for merchandise of comparable value.

g. Merchandise damaged by the Central Purchasing Office in handling, merchandise received from vendors in a damaged condition where recourse cannot be had from the vendor or carrier, and samples purchased by the Central Purchasing Office which are obsolete or damaged shall be disposed of on a cash and carry basis in the Special Order Department at a fair and reasonable price in consideration of their condition. A special quarterly report will be submitted to the Assistant Chief of Staff, G-4, covering the sale of damaged merchandise and samples sold at less than cost, showing items sold, invoice price, and selling price. Damaged merchandise with no salable value will be presented periodically to a Board of Officers as requested by the Chief, Central Purchasing Office and disposed of in such manner as the Board may recommend.

h. The Central Purchasing Office will be guided in purchases of foreign manufactured items by the current policy of reviving and stimulating Japanese economy through trade. Where similar items of comparable

AG 331.3 (14 Nov)⁴⁹GD

Subj: Operational Instructions for Central Purchasing Office

quality are available in Japan, they will be so procured rather than from sources outside Japan.

7. Financing and Pricing:

a. The Central Purchasing Office will add five (5) per cent to the cost of merchandise purchased to the order of an Exchange. This percentage will be adjusted to the end that the revenue from the mark-up shall be sufficient to cover operating expenses, with a small margin to make a profit or to increase surpluses. The Central Purchasing Office will submit a special report annually, following the close of the calendar year, to the Assistant Chief of Staff, G-4, recommending a "change" or "no change" in the percentage of mark-up together with sufficient analytical data to support its recommendation. This report will include also recommendations for the revision of mark-up of administrative services referred to in b below.

b. In instances where procurement of merchandise or services by the Central Purchasing Office is primarily an administrative action and does not involve the physical receipt and issue of merchandise, a mark-up of two (2) per cent is authorized. The foregoing provision is not applicable to procurement for individuals through the Special Order Department.

*see
Ltr
Ltr
7/11/50*

c. ~~All accrued profits, based upon a monthly statement, will be transferred to surplus and the sum of the surplus and reserves will be limited to \$3,538,000.00. Any funds accrued in excess of this sum will be reported through the Assistant Chief of Staff, G-4, and disposal will be made as directed by the Chief of Staff.~~

d. The Central Purchasing Office is authorized to maintain a bank account, not to exceed \$100,000.00, in the National City Bank of New York, New York, United States of America. In the event this account temporarily exceeds the authorized limit through delays in draft clearances or because of other factors beyond the control of the Central Purchasing Office, this fact will be noted on the monthly financial statement, and immediate corrective action will be taken as necessary to reduce the balance.

8. The Chief, Central Purchasing Office is authorized to negotiate contracts for the services of certain specialists required for technical phases of operation. The expenses incurred by the Central Purchasing Office in this connection will be borne from nonappropriated funds within the control of the Central Purchasing Office and will not be considered a

AG 331.3 (14 Nov 49)GD

Subj: Operational Instructions for Central Purchasing Office

legitimate charge against the cost of occupation. In negotiating such contracts, the Central Purchasing Office will be governed by appropriate regulations of the Supreme Commander for the Allied Powers.

9. Financial Statements and Auditing Procedures:

a. The Central Purchasing Office will furnish the Assistant Chief of Staff, G-4, General Headquarters, Far East Command, with the following financial statements:

- (1) Monthly--Balance Sheet; Profit and Loss Statement; Analysis of Other Income.
- (2) Semi-annually--Comparative Balance Sheet; Comparative Statement of Profit and Loss; Comparative Statement of Analysis of other Income; Reconciliation of Bank Statements, all banks; statement showing balance of all accounts receivable, properly aged; inventory, separated into the major categories of raw material; work-in-process and finished goods; Summary of Accounts Payable Balances.

b. The Central Purchasing Office accounts will be audited semi-annually by the Office of the Comptroller, General Headquarters, Far East Command and Supreme Commander for the Allied Powers, as of June and December and at such other times as directed by the Chief of Staff.

c. Inspector General inspections of the Central Purchasing Office will be conducted annually and concurrently with each June audit of the Central Purchasing Office.

d. A semi-annual physical inventory of the Central Purchasing Office merchandise will be taken in June and December of each year by a disinterested Board of Officers appointed by recommendation of the Assistant Chief of Staff, G-4, one member of this Board to be from the Office of the Comptroller.

10. All Central Purchasing Office personnel who occupy positions involving considerable pecuniary responsibility will be adequately bonded in a reputable surety bonding company, the expense of such bonding to be borne by the Central Purchasing Office.

11. Direct communication between the Central Purchasing Office and various resale outlets on technical matters is authorized.

AG 331.3 (14 Nov 49)GD

Subj: Operational Instructions for Central Purchasing Office

12. The Central Purchasing Office will not establish branch offices or continue any now operating or appoint agencies for any purpose whatsoever without formal written notice and approval by the Assistant Chief of Staff, G-4.

BY COMMAND OF GENERAL MacARTHUR:

/s/T
K. B. BUSH
Brigadier General, AGD
Adjutant General

331.3 OI
for
CPO

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

14 NOV 49

AG 331.3 (20 OCT 49)GD

G-4 ROUTING

SUBJECT: Operational Instructions for Central Purchasing Office

A C/S G-4

D AC/S G-4

EXECUTIVE

PLANS & POLICY

OPERATIONS

CONST & FAC

TRANSPORTATION

SUPPLY

PETROLEUM

BUDGET

TO:

Purchasing Officer
Central Purchasing Office
General Headquarters, Far East Command
APO 500

PERSONNEL

ADMINISTRATION

1. Recissions.

a. Letter, General Headquarters, Far East Command, AG 370.2 (27 Feb 48)GD, subject: Operational Instructions for the Central Purchasing Office, 27 February 1948.

b. Letter, General Headquarters, Far East Command, AG 331.3 (27 Feb 48)GD, subject: Operational Instructions for the Central Purchasing Office, 1 July 1948.

c. Letter, General Headquarters, Far East Command, AG 331.3 (3 Apr 49)GD, subject: Operational Instructions for the Central Purchasing Office, 3 April 1949.

d. Letter, General Headquarters, Far East Command, AG 331.3 (27 Feb 48)GD, subject: Operational Procedure for the Central Purchasing Office, 28 June 1949.

e. Letter, General Headquarters, Far East Command, AG 331.3 (27 Feb 48)GD, subject: Operational Instructions for the Central Purchasing Office, 15 July 1949.

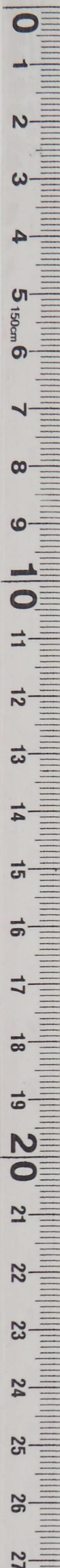
2. The Central Purchasing Office, established by General Orders 290, General Headquarters, United States Army Forces Pacific, 25 October 1945, as amended by General Orders 525, General Headquarters, United States Army Forces Pacific, 25 November 1946, will continue in operation under the authority contained in General Orders 57, General Headquarters, Far East Command, 14 November 1949, supplemented by instructions as set forth herein.



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PIP
924/65

G-4 File Copy



AG 331.3 (20 OCT 49) GD 14 NOV 49
Subj: Operational Instructions for Central Purchasing Office

3. The Central Purchasing Office is:

a. The sole agency of the Commander-in-Chief, Far East, authorized to procure all merchandise from:

- (1) Japanese sources for distribution to all United States Army, United States Air Force, and United States Navy exchange outlets and ships' stores in the Far East Command, and all British Commonwealth Occupation Forces' canteens in Japan.
- (2) All Far East markets outside the Far East Command for distribution to United States Army and United States Air Force exchange outlets located within the Far East Command.

b. Authorized as an additional source of supply, to procure merchandise from:

- (1) Japanese sources for distribution to United Soviet Socialist Republic retail outlets.
- (2) Far East markets outside the Far East Command for distribution to British Commonwealth Occupation Forces' canteens in Japan and United Soviet Socialist Republic retail outlets.

c. Authorized to procure merchandise from Japanese sources and Far East markets outside the Far East Command for sale to and services for individuals and authorized clubs, messes, and similar organizations, under the restrictions shown in subsequent paragraphs of this instruction.

4. To assist the purchaser in the selection of merchandise, the Central Purchasing Office will establish and maintain a display room containing representative samples of merchandise available from Far East markets. The Central Purchasing Office is authorized to purchase such samples as are necessary, but when furnished without charge, "no cost" invoices must be obtained to prevent future billings. Sample stocks will be reviewed periodically and replaced when necessary.

5. The Central Purchasing Office is authorized to provide facilities for purchases by individuals and clubs of specific items not available from normal exchange service channels. The following provisions will be applicable:

AG 331.3 (20 OCT 49) GD 14 NOV 49
Subj: Operational Instructions for Central Purchasing Office

a. Eligibility for utilization of this service is limited to:

- (1) Individuals authorized exchange service or canteen or ships' store privileges upon presentation of adequate identification.
- (2) Authorized clubs, messes and similar organizations operating under proper authority.

b. Procurement:

- (1) Procurement will be limited to selections from available samples, descriptions and special items to be manufactured to fill purchasers' specifications. At the discretion of Chief, Central Purchasing Office, limited quantities of each sample on display may be maintained for the purpose of special order resale.
- (2) Procurement will be limited to items not available from stocks of the applicable exchange system as known to the Central Purchasing Office through records of items purchased for the respective exchange system and, when considered advisable, through consultation with the applicable exchange system. Items essentially similar to exchange service stocks will not be represented by samples or offered for sale.
- (3) Requests from individuals for procurement will be submitted in person.
- (4) Requests from clubs, messes and similar organizations may be submitted in person by the club officer or by mail; requests will contain a statement that the items are not available from the applicable resale outlet.
- (5) Each request for procurement will be accompanied by payment in dollars or sterling of the total listed or estimated cost. In the event that the actual cost exceeds the amount paid, the purchaser will be required to pay the balance due upon receipt of the merchandise.
- (6) Purchases are solely an accommodation and, therefore, when an order is accepted by the Central Purchasing

AG 331.3 (20OCT 49)GD 14NOV 49

Subj: Operational Instructions for Central Purchasing Office

Office it will not be subject to cancellation or modification by the purchaser, nor will a refund be made to him.

c. Pricing and Delivery:

- (1) Items will be sold to individuals at the invoice price plus twenty per cent (20%); to clubs at invoice price plus five per cent (5%), except for revenue producing items which will be priced at twenty per cent (20%); and to dependent schools of the Far East Command at invoice price.
- (2) Merchandise not called for within 60 days after notification of arrival has been issued will be subject to a monthly storage charge of 1% effective on the 1st day of the month following the expiration of the sixty days.

d. The Central Purchasing Office will inform the Eighth Army Exchange Officer and the Assistant Chief of Staff, G-4, monthly as to the number and types of items sold in order that the Exchange Service may determine the advisability of stocking such items and that G-4 may control this type of sales.

6. The procedure for procurement, accounting and settlement for merchandise and services purchased by the Central Purchasing Office will be as follows:

a. The Central Purchasing Office will enter into agreements with vendors in Japan for all merchandise and service indigenous to Japan, payable in Japanese yen at the official rate of exchange. Japanese yen for payment of these accounts will be procured by the Central Purchasing Office from the Finance Officer, 240th Finance Disbursing Section or from the Office of Comptroller, General Headquarters, Far East Command.

b. The Central Purchasing Office will enter into procurement agreements with vendors in other areas in the Far East, outside the Far East Command, for all merchandise purchased from such areas as specified in paragraph 3 above. Such purchases will be paid for by the Central Purchasing Office in the currency and in the manner dictated by the best acceptable commercial practice prevailing in the area at time of purchase. The interests of the occupation forces in Japan and of the United States of America will be protected at all times.

AG 331.3 (20 OCT 49) GD 14 NOV 49
Subj: Operational Instructions for Central Purchasing Office

c. Merchandise procured for Union of Soviet Socialist Republic resale outlets will be sold to such outlets for dollars at prices based on yen costs to the Central Purchasing Office. Services will not be procured for these outlets.

d. Adequate liaison will be maintained with all exchange systems, ships' stores and canteens for which merchandise and services are procured in order that adequate procurement planning can be accomplished by the Central Purchasing Office.

e. All orders placed by resale outlets with the Central Purchasing Office will be by advance requisition only. Requisitions accepted for procurement by the Central Purchasing Office will not be cancelled except upon written authority of the Chief, Central Purchasing Office. In such cases, merchandise on hand or in transit will be sold at the best obtainable price to other resale outlets or through private sale in the manner specified in g below. Any loss by the Central Purchasing Office, to include the 5 per cent mark-up, will be billed to the resale outlet placing the original requisition, unless Central Purchasing Office is at fault.

f. Merchandise procured by the Central Purchasing Office which has been rejected (see e above), or returned by resale outlets with approval of the Chief, Central Purchasing Office, will be offered for sale to other resale outlets dealing with Central Purchasing Office. If rejected by the other resale outlets, merchandise may be offered for sale as in g below or exchanged with Japanese vendors for merchandise of comparable value.

g. Merchandise damaged by the Central Purchasing Office in handling, merchandise received from vendors in a damaged condition where recourse cannot be had from the vendor or carrier, and samples purchased by the Central Purchasing Office which are obsolete or damaged shall be disposed of on a cash and carry basis in the Special Order Department at a fair and reasonable price in consideration of their condition. A special quarterly report will be submitted to the Assistant Chief of Staff, G-4, covering the sale of damaged merchandise and samples sold at less than cost, showing items sold, invoice price, and selling price. Damaged merchandise with no salable value will be presented periodically to a Board of Officers as requested by the Chief, Central Purchasing Office and disposed of in such manner as the Board may recommend.

h. The Central Purchasing Office will be guided in purchases of foreign manufactured items by the current policy of reviving and stimulating Japanese economy through trade. Where similar items of comparable

AG 331.3 (20 OCT 49) GD 14 NOV 49

Subj: Operational Instructions for Central Purchasing Office

quality are available in Japan, they will be so procured rather than from sources outside Japan.

7. Financing and Pricing:

a. The Central Purchasing Office will add five (5) per cent to the cost of merchandise purchased to the order of an Exchange. This percentage will be adjusted to the end that the revenue from the mark-up shall be sufficient to cover operating expenses, with a small margin to make a profit or to increase surpluses. The Central Purchasing Office will submit a special report annually, following the close of the calendar year, to the Assistant Chief of Staff, G-4 recommending a "change" or "no change" in the percentage of mark-up together with sufficient analytical data to support its recommendation. This report will include also recommendations for the revision of mark-up of administrative services referred to in b below.

b. In instances where procurement of merchandise or services by the Central Purchasing Office is primarily an administrative action and does not involve the physical receipt and issue of merchandise, a mark-up of two (2) per cent is authorized. The foregoing provision is not applicable to procurement for individuals through the Special Order Department.

*See attached
14 Nov 49*
c. ~~All accrued profits, based upon a monthly statement, will be transferred to surplus and the sum of the surplus and reserves will be limited to \$3,538,000.00. Any funds accrued in excess of this sum will be reported through the Assistant Chief of Staff, G-4 and disposal will be made as directed by the Chief of Staff.~~

d. The Central Purchasing Office is authorized to maintain a bank account, not to exceed \$100,000.00, in the National City Bank of New York, New York, United States of America. In the event this account temporarily exceeds the authorized limit through delays in draft clearances or because of other factors beyond the control of the Central Purchasing Office, this fact will be noted on the monthly financial statement, and immediate corrective action will be taken as necessary to reduce the balance.

8. The Chief, Central Purchasing Office is authorized to negotiate contracts for the services of certain specialists required for technical phases of operation. The expenses incurred by the Central Purchasing Office in this connection will be borne from nonappropriated funds within the control of the Central Purchasing Office and will not be considered a

14 NOV 49

AG 331.3 (20 OCT 49)GD

Subj: Operational Instructions for Central Purchasing Office

legitimate charge against the cost of occupation. In negotiating such contracts, the Central Purchasing Office will be governed by appropriate regulations of the Supreme Commander for the Allied Powers.

9. Financial Statements and Auditing Procedures:

a. The Central Purchasing Office will furnish the Assistant Chief of Staff, G-4, General Headquarters, Far East Command, with the following financial statements:

- (1) Monthly--Balance Sheet; Profit and Loss Statement; Analysis of Other Income.
- (2) Semi-annually--Comparative Balance Sheet; Comparative Statement of Profit and Loss; Comparative Statement of Analysis of Other Income; Reconciliation of Bank Statements, all banks; statement showing balance of all accounts receivable, properly aged; inventory, separated into the major categories of raw material, work-in-process and finished goods; Summary of Accounts Payable Balances.

b. The Central Purchasing Office accounts will be audited semi-annually by the Office of Comptroller, General Headquarters, Far East Command and Supreme Commander for the Allied Powers, as of June and December and at such other times as directed by the Chief of Staff.

c. Inspector General inspections of the Central Purchasing Office will be conducted annually and concurrently with each June audit of the Central Purchasing Office.

d. A semi-annual physical inventory of the Central Purchasing Office merchandise will be taken in June and December of each year by a disinterested Board of Officers appointed by recommendation of the Assistant Chief of Staff, G-4, one member of this Board to be from the Office of the Comptroller.

10. All Central Purchasing Office personnel who occupy positions involving considerable pecuniary responsibility will be adequately bonded in a reputable surety bonding company, the expense of such bonding to be borne by the Central Purchasing Office.

11. Direct communication between the Central Purchasing Office and various resale outlets on technical matters is authorized.

AG 331.3 (20 OCT 49) GD 14 NOV 49
Subj: Operational Instructions for Central Purchasing Office

12. The Central Purchasing Office will not establish branch offices or continue any now operating or appoint agencies for any purpose whatsoever without formal written notice and approval by the Assistant Chief of Staff, G-4.

BY COMMAND OF GENERAL MacARTHUR:

F.L.R.
FOR *GLE*

Copies furnished:
G-1 (Manning Level Div) - 1
COMPTROLLER - 1

MAILED 1455 NOV 14 '49 AG. GHS.
K. B. BUSH,
Brigadier General, AGD,
Adjutant General.

MEMORANDUM FOR RECORD:

SUBJECT: Operational Instructions for Central Purchasing Office

1. Instant letter to the Central Purchasing Office establishes revised operational procedure for the Central Purchasing Office as approved by Chief of Staff, 12 November 1949.
2. Instant action forwards letter to the Adjutant General for signature and in addition the approved General Orders establish the Central Purchasing Office as a Special Staff Section of General Headquarters (also approved by Chief of Staff 12 November 1949).
3. Within policy.
4. Completes action on Journal No. 92465.

J. E. M. *JEM*
 G. D. *GD*
 F. L. R. *F.L.R.*



Captain McMahan 26-6040

Revision of Operational Instructions for CPO

G-4

C/S

20 OCT 1949

1

1. CPO was established by General Order 290, GHQ, USAFPAC, 25 Oct 1945 (Tab A) as amended by General Orders 525, GHQ, USAFPAC, 25 Nov 1946 (Tab B). There were no detailed operational instructions issued to CPO except as contained in G.O. 290, 1945 (Tab A), and subsequent checknotes exchanged between G-4 and CPO. In late 1947, C/S informally directed G-4 to prepare a set of detailed operating instructions. These instructions, approved by C/S were issued in GHQ, FEC letter to CPO, "Operational Instructions for CPO", 27 February 1948 (Tab C).

2. Revisions to CPO operational instructions have been issued when considered necessary:

a. The first revision was contained in GHQ, FEC letter to CPO, "Operational Instructions for Central Purchasing Office," 1 July 1948 (Tab D) which rescinded previous instructions pertaining to procurement and payment for merchandise manufactured from precious metals, (Para 4, Tab A), and directed that such articles be processed in the same manner as other merchandise procured by CPO.

b. GHQ, FEC letter to CPO, same subject, 3 April 1949 (Tab E), authorized CPO to establish a Special Order Department through which individuals and clubs could purchase specific items not available through normal exchange service channels.

c. GHQ, FEC letter to CPO, same subject, 28 June 1949 (Tab F), changed the procedure for procurement, accounting and settlement to permit CPO to enter into agreements direct with Japanese vendors for merchandise and services payable in yen procured from Finance Office or Fiscal Director.

d. GHQ, FEC letter to CPO, same subject, 15 July 1949 (Tab G), authorized CPO to maintain a bank account not to exceed \$100,000 in National City Bank of New York, New York, U.S.A..

3. In addition to the above revisions, paragraph 5d, G-4, Check Note to C/S, "Revision of CPO Capital Structure and Distribution of Surplus", 23 September 1949, (Tab H) recommended that CPO capital structure be revised to provide for a total capital, surplus and reserve not to exceed \$3,358,000.00. This was approved by C/S on 26 September 49.

4. Paragraph 5, G.O. 290, October 1945 (Tab A) prescribes that any excess funds accruing from CPO operations will be periodically distributed to the

10/20/49

Captain McMahan 26-6040

Revision of Operational Instructions for CPO

G-4

C/S

1
(Cont.)

major exchanges in proportion to their purchases from CPO. However, paragraph 5c, GHQ, FEC letter to CPO 27 February 1948 (Tab C), prescribes that excess funds accruing to CPO will be disposed of as directed by C/S. In view of these conflicting directives, it is considered essential to rescind the G.O. mentioned above. Accordingly, a proposed General Order is attached, rescinding G.O. 290, October 45 and G.O. 525, November 46. Proposed General Order states mission of CPO in general terms only, leaving the detailed instructions to be issued separately.

5. The attached proposed letter to CPO, "Operational Instructions for Central Purchasing Office", incorporates the changes instituted by letters referred to in paragraph 2 above (Tabs D thru G), and the Check Note referred to in paragraph 3 (Tab H), and in addition thereto contains the following major changes:

a. Paragraph 5c(3) authorizes Chief, CPO to dispose of samples no longer required in Special Order Department by sale to resale outlets, and, if rejected by them, by sale to individuals. Samples will be sold at invoice price plus 5%; however, if it becomes apparent that merchandise cannot be disposed of for this price, Chief, CPO is authorized to adjust the price to a reasonable one in order to effect disposition.

b. Paragraph 7 authorizes Chief, CPO to dispose of saleable damaged merchandise by sale through the Special Order Department at a fair and reasonable price, but requires a report of such sales (including samples discussed in paragraph 5a above) to be submitted to G-4.

c. Paragraph 9b authorizes a 2% CPO mark-up in lieu of the customary 5%, when procurement by CPO is primarily administrative and does not involve the physical receipt and issue of merchandise.

d. Paragraph 11e requires a semi-annual physical inventory of all CPO merchandise.

6. It is recommended that the proposed General Order, and the proposed letter to CPO, be approved and returned to G-4 for necessary action.

10 Incls

- 1. Prop G.O.
- 2. Prop Ltr to CPO
- 3 - 10. - Tabs A thru H (a/s)

G. L. E.

10 20
Net



3

From: G-4

To: C/S

Capt. McMahan 26-6040

Date: 9 NOV 1949

G-4 concurs in changes proposed by COM in C/M 2 preceding. It is recommended that the proposed General Order, and the revised proposed letter to CPO be approved and returned to G-4 for necessary action.

11 Incls
n/c

----- G. L. E. -----

GENERAL HEADQUARTERS
FAR EAST COMMAND

GENERAL ORDERS)
NO.....57)

APO 500
14 November 1949

CENTRAL PURCHASING OFFICE

Rescissions of General Orders.....	<u>Section</u> I
Central Purchasing Office.....	II

attached hereto

I. RESCISSIONS OF GENERAL ORDERS. 1. General Orders 290, General Headquarters, United States Army Forces, Pacific, 25 October 1945.

2. Section II, General Orders 525, General Headquarters, United States Army Forces, Pacific, 25 November 1946.

See AFAG G.O. file

II. CENTRAL PURCHASING OFFICE. 1. The Central Purchasing Office is established as a special staff section with the general function of procuring items from markets within Japan and from other Far East markets outside the Far East Command for resale to established Exchange Services, ships' stores, and canteens of the Far East Command. Such procurement is for the purpose of insuring equitable prices and distribution of items between outlets and preventing competition in buying.

2. The Central Purchasing Office will discharge such additional functions as may be later designated.

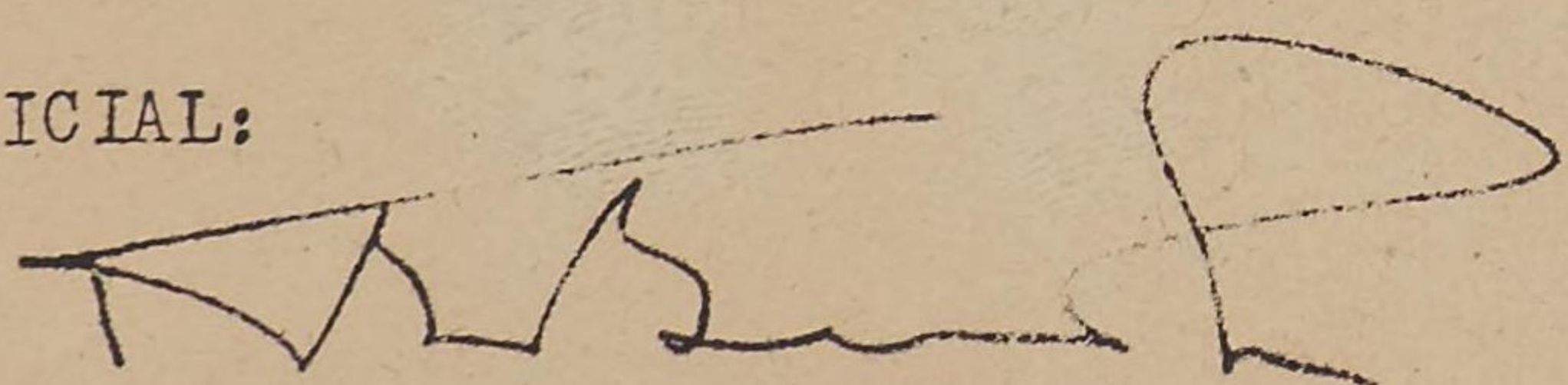
3. The Assistant Chief of Staff, G-4, is designated as the general staff officer exercising primary staff responsibility for the Central Purchasing Office.

AG 323.31 (20 Oct 49)GD

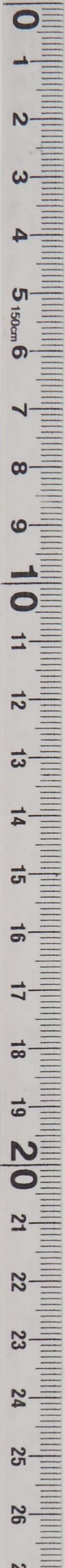
BY COMMAND OF GENERAL MacARTHUR:

EDWARD M. ALMOND,
Major General, General Staff Corps,
Chief of Staff.

OFFICIAL:



K. B. BUSH,
Brigadier General, AGD,
Adjutant General.



R E S T R I C T E D

CORRECTED COPY
DESTROY ALL OTHERS

GENERAL HEADQUARTERS
UNITED STATES ARMY FORCES, PACIFIC

APD 500
25 October 1945

GENERAL ORDERS)
)
NO. 290)

ARMY EXCHANGE CENTRAL PURCHASING OFFICE

1. The Army Exchange Central Purchasing Office is established as a section of this headquarters.

2. The functions of this section are to:

a. Purchase, within Japan, Korea and China, local-source exchange resale items of luxury or souvenir type in wholesale quantities for distribution to established exchange systems in occupational areas.

b. Insure equitable distribution of local-source exchange resale items between exchange systems and prevent competition in purchasing.

c. Make available samples, prices and other significant data, relative to the products available, to exchange systems, with the least practical delay.

d. Process purchase requisitions from exchange systems for available items, as follows:

- (1) Finance such purchases.
- (2) Arrange most expeditious transportation to destination.
- (3) Arrange insurance for goods in transit, where required.
- (4) File and collect claims for damage, short shipment or other factors which are recoverable.

e. Recommend to the Major Exchanges the type of merchandise to be purchased for resale.

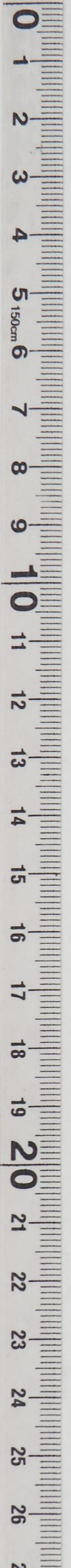
f. Procure merchandise tax free at prices allowing a reasonable profit to manufacturers or jobbers.

g. Have auditors examine the cost figures of the manufacturer to insure compliance with "f", above, as required.

3. The Army Exchange Central Purchasing Office is authorized to hire qualified Japanese buyers and civilians to assist in the execution of its mission.

R E S T R I C T E D

290



R E S T R I C T E D

(G.O. No. 290 - CORRECTED COPY)

4. The Army Exchange Central Purchasing Office is authorized to bill exchanges a carrying charge to defray the cost of its operations.

5. The Army Exchange Central Purchasing Office will be a non-profit organization, and any excess funds accruing from the above carrying charges will periodically be distributed to the Major Exchanges in proportion to their purchases from the Army Exchange Central Purchasing Office.

6. Purchase of exchange resale items in Japan and Korea, except by the Army Exchange Central Purchasing Office, will only be made in limited quantities to meet emergency requirements. Report of all such purchases, showing items, quantity and total cost, will be furnished the Army Exchange Central Purchasing Office monthly by each exchange system.

7. Direct communication between the Army Exchange Central Purchasing Office and the various exchange systems on technical matters is authorized.

8. Colonel Walter A. Metcalf, O-888060, AUS, is designated as Chief of Army Exchange Central Purchasing Office.

By command of General MacARTHUR

R. K. SUTHERLAND,
Lieutenant General, United States Army,
Chief of Staff

OFFICIAL :

/s/ B. M. FITCH,
Brigadier General, U. S. Army,
Adjutant General

6-4 ROUTING

- A C/S G-4 _____
- D AC/S G-4 _____
- EXECUTIVE _____
- PLANS & POLICY A.P.P. 21
- OPERATIONS _____
- CONST & FAC _____
- TRANSPORTATION _____
- SUPPLY _____
- PETROLEUM _____
- BUDGET _____
- PERSONNEL _____
- ADMINISTRATION 12

331.3 OI for CPO
Captain McManhan 26-6040

Revision of Operational Instructions for CPO

20 OCT 1949

c/s

331.3

1. CPO was established by General Order 290, GHQ, USAFPAC, 25 Oct 1945 (Tab A) as amended by General Orders 525, GHQ, USAFPAC, 25 Nov 1946 (Tab B). There were no detailed operational instructions issued to CPO except as contained in G.O. 290, 1945 (Tab A), and subsequent checknotes exchanged between G-4 and CPO. In late 1947, C/S informally directed G-4 to prepare a set of detailed operating instructions. These instructions, approved by C/S were issued in GHQ, FEC letter to CPO, "Operational Instructions for CPO", 27 February 1948 (Tab C).

2. Revisions to CPO operational instructions have been issued when considered necessary:

a. The first revision was contained in GHQ, FEC letter to CPO, "Operational Instructions for Central Purchasing Office," 1 July 1948 (Tab D) which rescinded previous instructions pertaining to procurement and payment for merchandise manufactured from precious metals, (Para 4, Tab A), and directed that such articles be processed in the same manner as other merchandise procured by CPO.

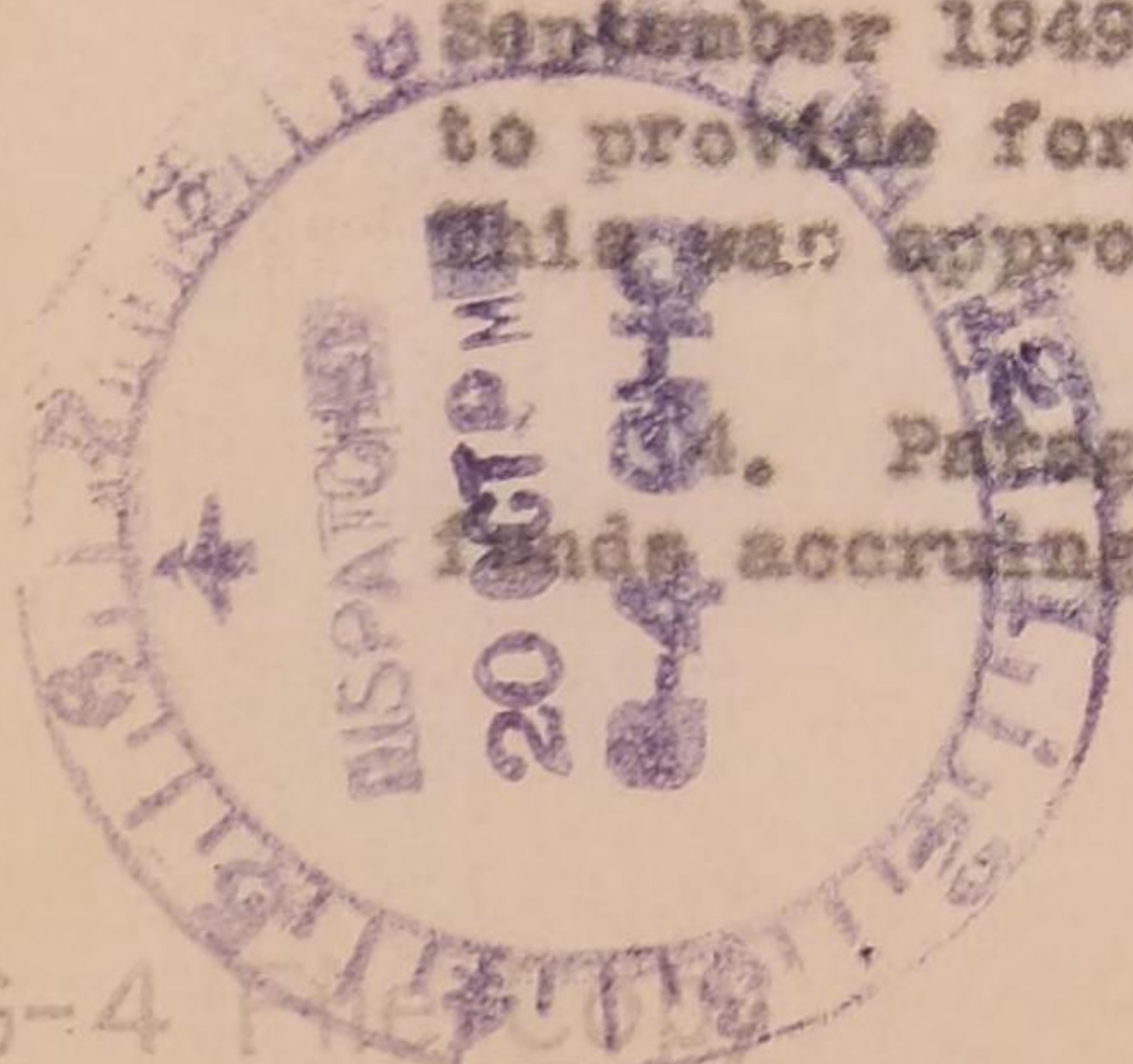
b. GHQ, FEC letter to CPO, same subject, 3 April 1949 (Tab E), authorized CPO to establish a Special Order Department through which individuals and clubs could purchase specific items not available through normal exchange service channels.

c. GHQ, FEC letter to CPO, same subject, 28 June 1949 (Tab F), changed the procedure for procurement, accounting and settlement to permit CPO to enter into agreements direct with Japanese vendors for merchandise and services payable in yen procured from Finance Office or Fiscal Director.

d. GHQ, FEC letter to CPO, same subject, 15 July 1949 (Tab G), authorized CPO to maintain a bank account not to exceed \$100,000 in National City Bank of New York, New York, U.S.A..

3. In addition to the above revisions, paragraph 5d, G-4, Check Note to C/S, "Revision of CPO Capital Structure and Distribution of Surplus", 23 September 1949, (Tab H) recommended that CPO capital structure be revised to provide for a total capital, surplus and reserve not to exceed \$3,358,000.00. This was approved by C/S on 26 September 49.

4. Paragraph 5, G.O. 290, October 1945 (Tab A) prescribes that any excess funds accruing from CPO operations will be periodically distributed to the



PYP
91454

G-4 File Copy



Captain McMahan 26-6040

Revision of Operational Instructions for CPO

G-4

C/S

1
(Cont.)

major exchanges in proportion to their purchases from CPO. However, paragraph 5c, GHQ, FEC letter to CPO 27 February 1948 (Tab C), prescribes that excess funds accruing to CPO will be disposed of as directed by C/S. In view of these conflicting directives, it is considered essential to rescind the G.O. mentioned above. Accordingly, a proposed General Order is attached, rescinding G.O. 290, October 45 and G.O. 525, November 46. Proposed General Order states mission of CPO in general terms only, leaving the detailed instructions to be issued separately.

5. The attached proposed letter to CPO, "Operational Instructions for Central Purchasing Office", incorporates the changes instituted by letters referred to in paragraph 2 above (Tabs D thru G), and the Check Note referred to in paragraph 3 (Tab H), and in addition thereto contains the following major changes:

a. Paragraph 5c(3) authorizes Chief, CPO to dispose of samples no longer required in Special Order Department by sale to resale outlets, and, if rejected by them, by sale to individuals. Samples will be sold at invoice price plus 5%; however, if it becomes apparent that merchandise cannot be disposed of for this price, Chief, CPO is authorized to adjust the price to a reasonable one in order to effect disposition.

b. Paragraph 7 authorizes Chief, CPO to dispose of saleable damaged merchandise by sale through the Special Order Department at a fair and reasonable price, but requires a report of such sales (including samples discussed in paragraph 5a above) to be submitted to G-4.

c. Paragraph 9b authorizes a 2% CPO mark-up in lieu of the customary 5%, when procurement by CPO is primarily administrative and does not involve the physical receipt and issue of merchandise.

d. Paragraph 11e requires a semi-annual physical inventory of all CPO merchandise.

6. It is recommended that the proposed General Order, and the proposed letter to CPO, be approved and returned to G-4 for necessary action.

10 Incls

1. Prop G.O.
2. Prop Ltr to CPO
- 3.-10. - Tabs A thru H (a/e)

G. L. E.

GD P&P JEM/we
18 October 1949

MEMORANDUM FOR RECORD:

Subject: Revision of Operational Instructions for CPO

1. Attached Check Note to C/S self-explanatory.
2. Within policy.
3. Initiated action G-4, Journal No. 91454.
4. Coordinated with CPO. (Lt. Colonel Nordstrom)

J.E.M. JEM

G.D. GD

F.L.R. FLR

331.3
O.I. for CPO

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

AG 331.3 (27 Feb 48) GD

SUBJECT: Operational Instructions for Central Purchasing Office

TO: Central Purchasing Officer
General Headquarters, Far East Command
APO 500

G-4 ROUTING	
A C/S G-4	_____
D AC/S G-4	_____
EXECUTIVE	_____
PERSONNEL	_____
OPERATIONS	_____
TRANSPORTATION	_____
SUPPLY	_____
PETROLEUM	_____
BUDGET	_____
ADMINISTRATION	_____

15 July 1949

1. Reference is made to letter, General Headquarters, Far East Command, to Purchasing Officer, Central Purchasing Office, General Headquarters, Far East Command, AGO 370.2 (27 Feb 48) GD, subject as above, 27 February 1948.

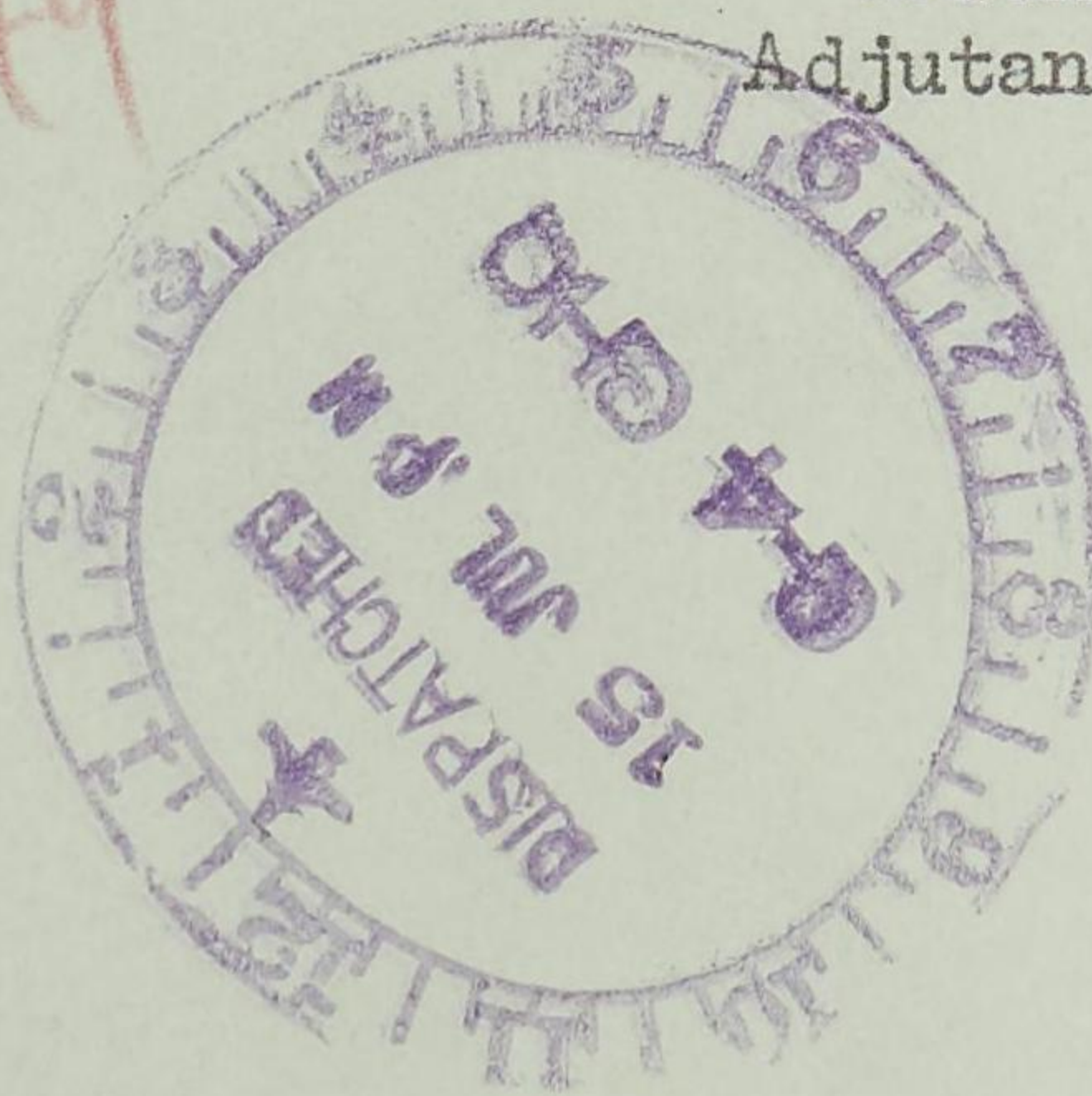
2. Reference letter is amended to authorize the establishment by Central Purchasing Office of a bank account, not to exceed \$100,000, in the National City Bank of New York, New York, U. S. A. In the event this account temporarily exceeds the authorized limit through delays in draft clearances or because of other factors beyond the control of Central Purchasing Office, this fact will be noted separately on the monthly financial statement.

BY COMMAND OF GENERAL MacARTHUR:

MAILED 1645 JUL 15 '49

R. M. LEVY,
Colonel, AGD,
Adjutant General.

*Recommended
See ltr
dtd 14 Nov 49*



*AD
86300
82829*

G-4 File Copy

17/8/49

**GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET**

(Do not remove from attached sheets)

File No: AG (12 May 49) CPO Subject: CPO Bank Account in United States

L.F. Murphy
26-7858

Note
No.

From: Gen Pur Off

To: G-4

Date: 12 May 1949

1

1. Experience indicates the desirability for the opening of a Central Purchasing Office checking account in a United States Bank in the amount of \$100,000.00.

2. Some of the pertinent reasons for the opening of such an account are as follows:

a. A stateside checking account can be established and maintained at no expense to Central Purchasing Office.

b. Increasing requests by Hong Kong and Bangkok vendors, the majority of which have main offices in the states, to have Stateside payments made: These are already being paid by Tokyo Bank Transfer for deliveries of merchandise purchased in Hong Kong and Bangkok for delivery to CPO. It has been CPO policy to comply with such requests at the vendors' expense. By the opening of a stateside checking account, such expense for the vendor can be eliminated. It is believed that improved business relations and better prices can be secured from Far East vendors for whom payments are made in stateside banks. These benefits can be obtained at no expense to CPO by saving them the bank expense to effect payments in the states.

c. The equivalent benefits of Letters of Credit, eg., early payment upon presentation of appropriate shipping documents to CPO or to National City Bank of New York, New York, can be realized through use of a U.S. Bank account without expense of Letters of Credit and the obligation of funds for the duration of such Letters of Credit; this being accomplished at no expense to CPO.

d. Under GHQ Circular 48, 1948, Central Purchasing Office civilian personnel returning to ZI are authorized reimbursement for travel expense incurred in ZI for the movement of household goods and other incidental travel expenses. These are being paid by Money Order or Bank Transfer, the expense of which is assumed by CPO.

e. Payments to supply agencies in ZI who furnish CPO with office supplies and equipment and printed forms which are not available locally; bank and postal expense for such payments are assumed by CPO.

f. It is believed that accounting simplification can be achieved and that several days labor per month can be saved through the use of a stateside checking account.

GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET

(Do not remove from attached sheets)

L. E. Murphy
22-7828

File No: AG (12 May 49) GPO Subject: GPO Bank Account in United States

Date: 12 May 1949 From: Gen Pur Off

1. Experience indicates the desirability for the opening of a Central Purchasing Office checking account in a United States Bank in the amount of \$100,000.00.

2. Some of the pertinent reasons for the opening of such an account are as follows:

a. A stateside checking account can be established and maintained at no expense to Central Purchasing Office.

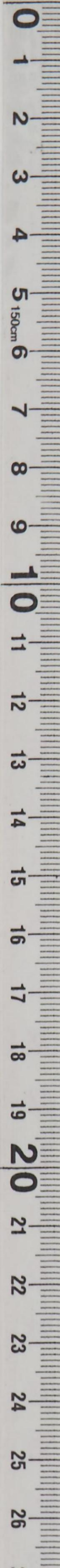
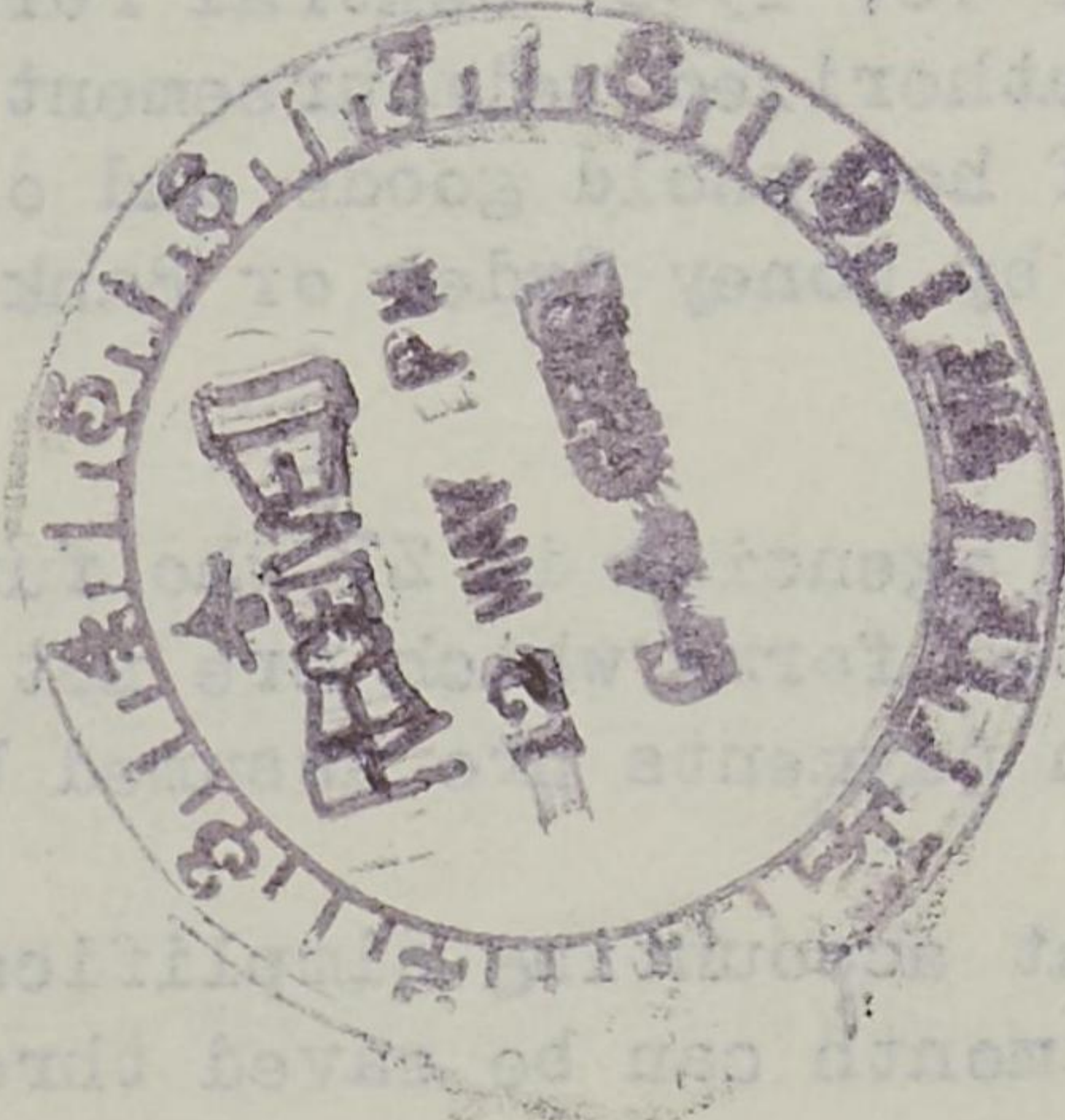
b. Increasing requests by Hong Kong and Bangkok vendors, the majority of which have main offices in the states, to have Stateside payments made: These are already being paid by Tokyo Bank Transfer for delivery of merchandise purchased in Hong Kong and Bangkok for delivery to GPO. It has been GPO policy to comply with such requests at the vendors' expense. By the opening of a stateside checking account, such expense for the vendor can be eliminated. It is believed that improved business relations and better prices can be secured from Far East vendors for whom payments are made in stateside banks. These benefits can be obtained at no expense to GPO by having them the bank expense to effect payments in the states.

c. The equivalent benefits of Letters of Credit, eg., early payment upon presentation of appropriate shipping documents to GPO or to Eastern City Bank of New York, New York, can be realized through use of a U.S. Bank account without expense of Letters of Credit and the obligation of funds for the duration of such Letters of Credit; this being accomplished at no expense to GPO.

d. Under GPO Circular 48, 1948, Central Purchasing Office civilian personnel returning to EI are authorized payment for travel expense incurred in EI for the movement of personal effects and other incidental travel expenses. These are being paid by GPO, the expense of which is assumed by GPO.

e. Payments to suppliers for equipment and printing materials and other supplies and equipment and printing materials available locally; bank and postal expense for such payments by GPO.

f. It is believed that a stateside checking account can be achieved and that several days labor per month can be saved through the use of a stateside checking account.



**GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET**

(Do not remove from attached sheets)

File No: AG (12 May 49) CPO Subject: CPO Bank Account in United States

L.F. Murphy
26-7858

Note
No.

From: Cen Pur Off

To: G-4

Date: 12 May 1949

1
(cont'd)

All payments indicated in par b, c, d, and e above can be expeditiously accomplished by Central Purchasing Office at no bank expense.

3. Your concurrence is requested for the opening in the National City Bank of New York, New York, a dollar checking bank account in the name of Central Purchasing Office, General Headquarters, Far East Command, with an initial deposit of \$100,000.00.

[Handwritten Signature]
K.H.L.

**GENERAL HEADQUARTERS
FAR EAST COMMAND**

DUPLICATE OF CHECK SHEET
PREVIOUSLY SUBMITTED
16 MAY 1949.

CHECK SHEET

Lt. Col. DeYoung, 26-6041

(Do not remove from attached sheets)

File No:

Subject: Establishment of a U. S. Bank Account by CPO

Note
No.

From: G-4

To: C/S

Date:

1

1. Developments over the past several months indicate the desirability for CPO to establish a limited U. S. bank account. Although the establishment of such an account could not be justified on the grounds of absolute necessity, there are cogent reasons why an account of this nature would save the CPO considerable time and expense in their daily operations.

2. A steadily increasing number of requests are being received from Hong Kong and Bangkok vendors for payment to their U. S. accounts. CPO has, in the past, complied with such requests, but since these bills must be met by means of Tokyo bank transfers, the vendors have been required to bear the expense of the transfers. Although transactions of this nature do not result in an expense to CPO, it is believed that better business relations with vendors, along with lower prices, would result if, when requested, payment could be made to the vendor's U. S. account without expense to the vendor. The establishment by CPO of a U. S. bank account would make possible the foregoing.

3. The equivalent benefits of Letters of Credit can be realized through the establishment of a U. S. bank account without the expense of Letters of Credit and the necessity for obligation of CPO funds for the duration of such letters.

4. Under the provisions of FEC Circular 48, 1948, civilian employees of the CPO are authorized reimbursement for travel expense incurred in the Zone of Interior, and for movement of household goods. These bills are now being paid by money orders and bank transfers. Reimbursements of this nature would be greatly facilitated by a U. S. bank account, and the cost of the money orders and bank transfers, now borne by CPO, would be eliminated.

5. In addition to the above, certain benefits would accrue from simplification in accounting for CPO transactions.

6. It is recommended that:

a. CPO be authorized to establish a bank account of not to exceed \$100,000 in the National City Bank of New York, New York, U. S. A.

b. The attached draft of amendment to "Operational Instructions for Central Purchasing Office" be approved for dispatch and returned to G-4 for necessary action.

1 Incl
Draft of amendment to
OI for CPO

CHIEF OF STAFF
APPROVED
[Signature]
INITIALS
[Signature]

G. L. E.

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET Col. R. H. Bradshaw 26 6008

(Do not remove from attached sheets)

File No.:

Subject: Establishment of U. S. Bank Account by CPO

Note No.:

From: COM

To: C/S

Date: 13 June 1949

2.

1. Thru close frequent contact with the financial aspects of the Central Purchasing Office and its operations, the Comptroller feels that he is in a position to concur in the proposal that the CPO establish banking facilities in the United States. The basic reasoning set forth in C/N 1 hereof is sound and emphasizes the need for such action.

2. Recommendation is made that in the event of approval all vouchers for expenditures must be processed through the Tokyo Main Office of the CPO and all checks be issued at that office. Also that in addition to the signature of the custodian of the account, all checks be countersigned by the Chief, CPO, who should be joint custodian for that purpose.

1 Incl
n/c

RHB
R. H. B.

From: COM

To: G-4

Col Bradshaw 26 6008

Date: 13 July 1949

3

Attention is invited to the approval of the Chief of Staff for the establishment of a Stateside bank account for Central Purchasing Office. Since the Chief of Staff had Check Note No. 2 before him at the time of approval, we assume the recommendation contained therein is included in his approval.

1 Incl-n/c

RHB
R. H. B.

712 S
T9

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

Col. H. E. Bradshaw 23 8003

(Do not remove from checked sheet)

Subject: Establishment of U.S. Bank Account by GPO

Date: 13 June 1949

1. This case presents a problem with the financial aspects of the GPO. The processing office and its operations, the transfer of funds, and the location of the bank account are all matters of importance. The bank's processing office is located in the United States. The bank's processing office is located in the United States and requires the need for such action.

2. Recommendations are made in the event of approval of all vouchers for expenditures that be processed through the GPO. All checks be issued by the GPO. Also that in addition to the receipt of the GPO, all checks be countersigned by the GPO. This should be found suitable for that purpose.

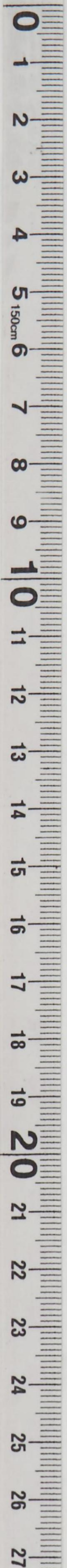
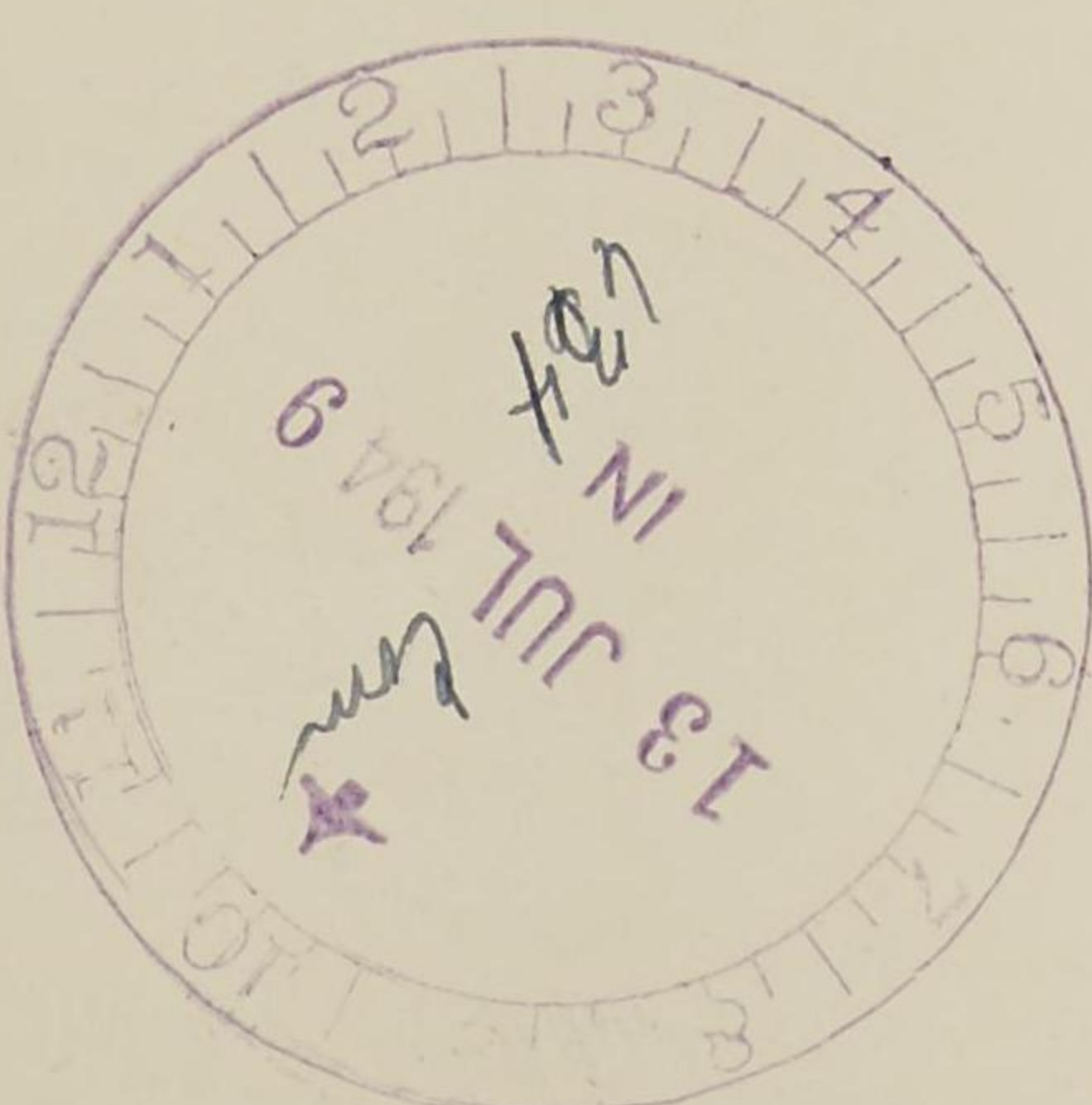
I Incl

Col. Bradshaw 23 8003

Date: 13 June 1949

3. It is noted that the GPO is located in the United States. The GPO is located in the United States and requires the need for such action. The GPO is located in the United States and requires the need for such action.

I Incl

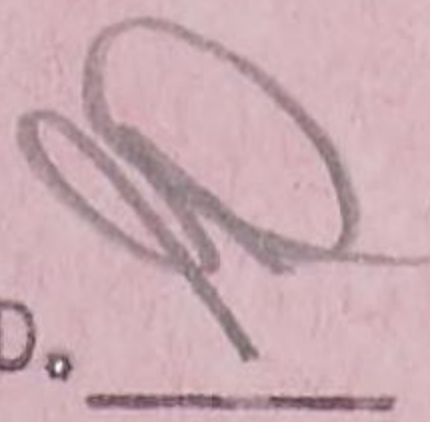


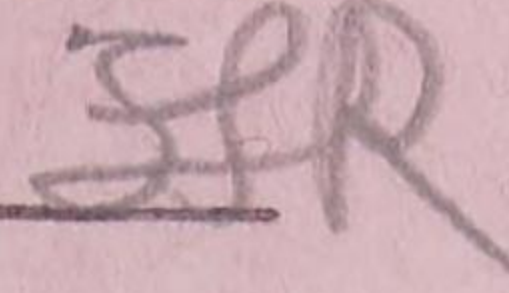
GD P&F GD/mlw
14 July 1949

MEMORANDUM FOR RECORD

SUBJECT: CPO Bank Account in the United States

1. C/N 1, CPO to G-4, subject as above, 12 May 49, recommended that a bank account of \$100,000 be established in the National City Bank of New York, N. Y., U. S. A., setting forth the reasons therein for the establishment of this account.
2. C/N 1, G-4 to CS, 14 May 49, recommended approval of the recommendation made by CPO to establish this account. The CS subsequently referred this C/N to the comptroller for comment.
3. C/N 2, Comptroller to CS, 13 Jun 49, concurred in the establishment of the account as recommended by G-4, and further recommended that vouchers be processed through the Tokyo main office of CPO, prior to payment by check, and that the chief of CPO countersign all checks.
4. CS approved the recommendations of G-4 on 12 Jul 49, and through error the correspondence was forwarded to the comptroller. The comptroller, therefore, returned the correspondence to G-4 by C/N 3, 13 Jul 49, which invited attention to the approval of the CS of establishing a U. S. bank account for CPO, and stated that, since the CS had before him at the time of his approval the recommendations made by the comptroller in C/N 2 referred to above, it was assumed that the recommendations contained in the comptroller's C/N 2 were included in the CS's approval. Since the CS had indicated approval by his stamp on the specific recommendations of G-4, which did not include the recommendations of the comptroller, the CS's office was queried (Lt. Col. McCowan), who stated that the change in operational instructions for CPO should go out exactly as proposed by G-4. Also, in this connection, CPO was queried as to whether the procedure recommended by the comptroller was feasible. Lt. Col. Nordstrom, Chief of CPO, stated that they would follow the recommendations made by the comptroller in his C/N 2 of 13 Jun 49, and further stated that this method of operation had been suggested to the comptroller in the first instance. It is concluded, therefore, that the change to operational instructions should be dispatched exactly as approved by the CS, since G-4 has received the assurance of Lt. Col. Nordstrom that CPO will process all vouchers through the Tokyo office before payment by check, and that the chief of CPO will countersign all checks.
5. Within policy.
6. Completes action on G-4 Journal No. 86300; relates to G-4 Journal No. 82829.

G. D. 

F. L. R. 

331.3
~~370.2~~

GHQ
FEC

G-4 ROUTING	
A C/S G-4	_____
D AC/S G-4	_____
EXECUTIVE	_____
PLANS & 28 June 1949	_____
OPERATIONS	_____
CONST & FAC	_____
TRANSPORTATION	_____
SUPPLY	_____
PETROLEUM	_____
BUDGET	_____
PERSONNEL	_____
ADMINISTRATION	_____

AG 331.3 (27 Feb 48)GD

SUBJECT: Operational Procedure for Central Purchasing Office

TO: Central Purchasing Office
General Headquarters, Far East Command
APO 500

Rescinded
see ltr dtd
14 Nov 49

1. Reference is made to:

- a. Letter, General Headquarters, Far East Command, ~~file~~
AG 370.2 (27 Feb 48)GD, ^{subject:} Operational Instructions for Central Purchasing Office, 27 February 1948. *subject same as la above,*
- b. Letter, General Headquarters, Far East Command, ~~file~~
AG 331.3 (27 Feb 48)GD, ~~dtd~~ 1 July 1948, amending reference la above. *subject same as la above*
- c. Letter, General Headquarters, Far East Command, ~~file~~
AG 331.3 (3 Apr 49)GD, ~~dtd~~ 3 April 1949, amending reference la above. *is*

2. Paragraphs 3a, b, and c, reference la, are rescinded and the following substituted therefor:

"3. The procedure for procurement, accounting and settlement for merchandise and services purchased by the Central Purchasing Office will be as follows:

a. The Central Purchasing Office will enter into agreements with vendors in Japan for all merchandise and services indigenous to Japan, payable in yen at the official rate of exchange; all yen for payment of these accounts to be procured by the Central Purchasing Office from the Finance Officer, 240th Finance Disbursing Section, or from the Fiscal Director, Far East Command."

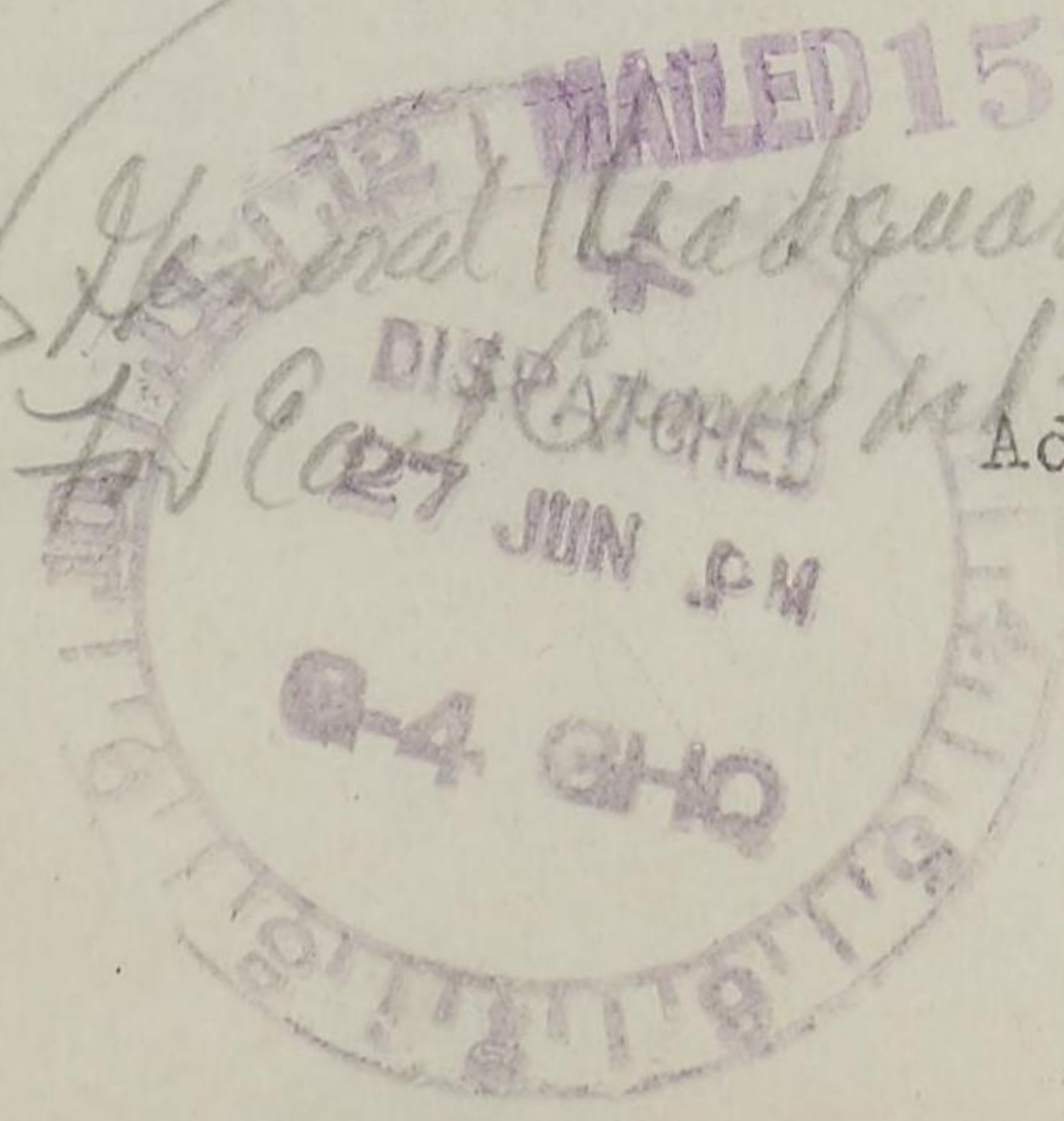
BY COMMAND OF GENERAL MACARTHUR:

m es
JUN 28 '49

cc: ESS

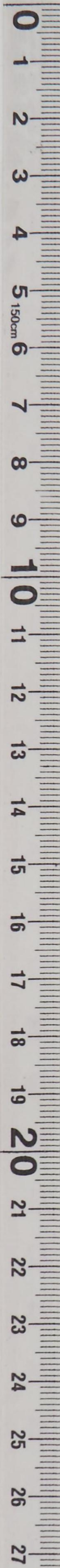
Retyped ag-or

R. M. LEVY,
Colonel, AGD, 85359
Adjutant General.



G-4 File Copy

G-4 File Copy



Capt. McMahan, 26-6040

Change in Operational Procedure for CPO

G-4

C/S

18 JUN 1949

1

1. References:

a. Letter, GHQ-FEC, file AG 370.2 (27 Feb 48) GD, "Operational Instructions for Central Purchasing Office," 27 February 1948 (Tab A).

b. Letter, GHQ-FEC, file 331.3 (27 Feb 48) GD, 1 July 1948, amending reference la above (Tab B).

c. Letter, GHQ-FEC, file 331.3 (3 Apr 49) GD, 3 April 1949, amending reference la above (Tab C).

2. Paragraph 3, reference la, prescribes the procedure for procurement, accounting and settlement for merchandise and services procured by CPO for distribution to established post exchange systems of the Allied Occupation Forces in Japan, and U. S. Army Exchanges, U. S. Navy ships' stores, U. S. Air Force outlets in other areas as ordered through the Eighth Army Exchange System. Reference lc authorizes CPO to operate a system by which individuals or clubs may purchase specific items not available from normal exchange service channels.

3. Under current procedure, CPO enters into agreements with Japanese vendors through Boeki Cho for the purchase of merchandise and/or services payable in dollars or sterling. Dollar prices for merchandise purchased for U. S. forces and sterling prices for merchandise purchased for BCOF are coordinated with ESS Foreign Trade Division. Payments in dollars or sterling are deposited by CPO with such fiscal agents (banks) and to such accounts as directed by ESS.

4. With the establishment of a single dollar-yen exchange rate, this procedure is no longer considered necessary. As a step in the plan to reduce the operations of Boeki Cho, ESS has proposed that CPO negotiate contracts direct with Japanese vendors for merchandise and/or services payable in Japanese yen. CPO contracts will be given the same treatment as export contracts with respect to financing and allocation and priorities for raw materials except that approval by Boeki Cho and validation by SCAP will not be required. Japanese yen used in payment of the above contracts will be obtained by CPO from the fiscal director or finance officer, 240th Finance Disbursing Section, at the official exchange rate. Implementation of the above procedure will serve to reduce the administrative work load of CPO and reduce clerical work now required of the Japanese vendors resulting in more expeditious delivery of merchandise to CPO and prompt payment to the Japanese vendors.

Capt. McMahan, 26-6040

Change in Operational Procedure for CPO

G-4

C/S

28 JUN 1949

1
(Cont'd)

5. It is recommended that the attached proposed letter to CPO (Tab D), implementing the procurement procedure referred to in paragraph 4 above, be approved for dispatch and correspondence returned to G-4 for necessary action.

4 Incls
Tabs A thru D

----- H. E. E. -----



Col Lewis 26 5440

AG (17 June 49) CPO

Present Method of Processing Purchase Orders
thru Boeki-Cho and ESS

CPO

Chief of Staff

17 June 1949

1. In compliance with verbal instructions from Chief of Staff 16 June 1949, the following information is submitted with respect to the processing of Purchase Orders thru Boeki-Cho and ESS.
 2. The Central Purchasing Office receives requisition from Post Exchange representatives; prepares Purchase Memorandum and sends it to Boeki-Cho. Boeki-Cho retains Purchase Memo from 10 to 30 days, depending upon the critical raw materials required and upon the cooperation of the vendor in promptly submitting material calculations list and cost break-down figures, which entail the following:
 - (a) Cost of raw materials
 - (b) Labor Costs
 - (c) Processing Costs
 - (d) Operating Expenses
 - (e) Sales Administration Expenses
 - (f) Transportation
 - (g) Other Incidental Costs
 3. One example of delay in Boeki-Cho, mentioned above, is as follows:

Purchase Memo J-10287 for 320 China Breakfast Sets was retained in Boeki-Cho from 19 May to 16 June, due to lack of coordination on the part of the vendor and Boeki-Cho. Vendor did not furnish price approval sheet until 13 June; Boeki-Cho should have followed thru more closely. No material was required as it had been reported to CPO as Kodan stock. Purchase Order must now be typed and sent to ESS for validation.
 4. All Purchase Memorandums are forwarded to Boeki-Cho for assignment of SCAP Export Number, which is obtained from ESS. At the time of preparing Purchase Memo, the vendor prepares material calculation list and submits it to Boeki-Cho for confirmation as to raw materials required. After Boeki-Cho and vendor have agreed on materials required, the vendor delivers materials calculation list to the Raw Materials Section of Boeki-Cho for further investigation and signature. This Raw Material Section checks to ascertain the availability of raw materials needed. After the investigation is completed, vendor returns material calculation list to Boeki-Cho who then assigns an Export Number to CPO. When Boeki-Cho has completed all processing functions, the Purchase Memorandum is then returned to CPO for preparation of Purchase Order.

Present Method of Processing Purchase Orders
thru Boeki-Che and ESS

AG (17 Jun49) CPO

CPO

Chief of Staff

17 June 1949

1
(Cont'd)

5. Purchase Order and Purchase Memo are then sent by CPO to Boeki-Che, who records and logs out to ESS seven copies of Purchase Order. ESS logs in Purchase Order, delivers to the appropriate Commodity Officer for validation, with whom the Purchase Order generally remains from one to two weeks, with exceptions, of course. After validation of Purchase Order, ESS retains four copies, returning three copies to Boeki-Che. Boeki-Che retains one copy and returns two copies to CPO. CPO sends one copy to the vendor and one copy to the Post Exchange System concerned. Example:

- (a) Purchase Order J-9736 for 60 Doz. Steak Knives has been in ESS since 16 May, awaiting validation.
- (b) Purchase Order J-9217, for Renovation of Eta Jima PX, has been in ESS since 22 March, awaiting validation.

6. With respect to the relaxing of controls over the Japanese, as discussed in the Chief of Staff's Conference on 15 June 1949, it is recommended that the present controls exercised by Boeki-Che and ESS pertaining to the allocation of raw materials required for the fabrication of merchandise purchased by CPO for the Post Exchange outlets be eliminated. In the event such controls are eliminated, it is considered feasible and practicable for the Central Purchasing Office to enter into Purchase Agreements with Japanese manufacturers for merchandise purchased for resale thru Post Exchange outlets; in such cases, CPO would furnish the vendor with two signed copies of Purchase Order, the vendor would retain one and deliver one copy to the Ministry of International Trade and Commerce for allocation of necessary raw materials to complete the order.

7. It is considered that the time saved in the processing of Purchase Orders under the method recommended above would be an incentive for the Post Exchanges to place a large number of requisitions with CPO which are being presently placed with firms in the ZI.

cc: G-4

-----K. H. L.-----

GD P&P JEM/hv
27 June 49

MEMORANDUM FOR RECORD

SUBJECT: Operational Procedure for Central Purchasing Office

1. Under the current procedure, CPO enters into agreements with Japanese vendors through Boeki Cho for the purchase of merchandise and/or services payable in dollars or sterling. With the establishment of a single dollar-yen exchange rate, this procedure is no longer necessary. ESS has proposed that CPO negotiate contracts direct with the Japanese vendors for merchandise and/or services, payable in yen.

2. Implementation of the above procedure requires a change in CPO operational instructions. Proposed change to CPO operational instructions was forwarded to C/S on 18 June 49 and was approved by the C/S 24 June 49 for dispatch.

3. Instant action self-explanatory.

4. ESS concurrence in letter indicated on C/S approved draft in AG file.

5. Within policy.

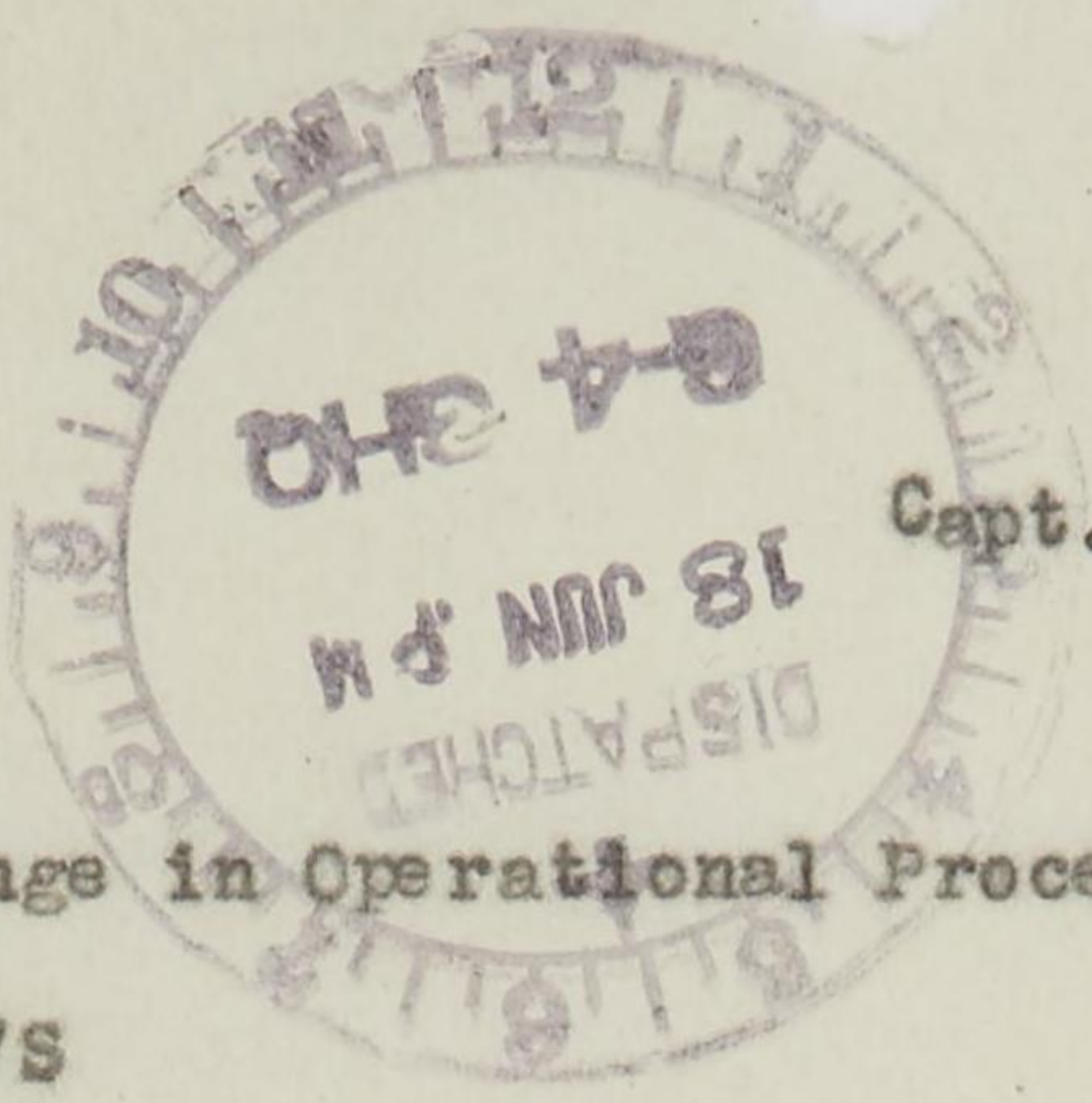
6. Completes action on G-4 Journal #85359.

J.E.M. JEM

J.H.F. JHF

M.N.H. MNH

A C/S G-4	
D AC/S G-4	
EXECUTIVE	
PLANS & POLICY	
OPERATIONS	
CONST & FAC	
TRANSPORTATION	
SUPPLY	
PETROLEUM	
BUDGET	
PERSONNEL	
ADMINISTRATION	



Change in Operational Procedure for CPO

C/S

18 JUN 1949

1

1. References:

- a. Letter, GHQ-FEC, file AG 370.2 (27 Feb 48) GD, "Operational Instructions for Central Purchasing Office," 27 February 1948 (Tab A).
- b. Letter, GHQ-FEC, file 331.3 (27 Feb 48) GD, 1 July 1948, amending reference la above (Tab B).
- c. Letter, GHQ-FEC, file 331.3 (3 Apr 49) GD, 3 April 1949, amending reference la above (Tab C).

2. Paragraph 3, reference la, prescribes the procedure for procurement, accounting and settlement for merchandise and services procured by CPO for distribution to established post exchange systems of the Allied Occupation Forces in Japan, and U. S. Army Exchanges, U. S. Navy ships' stores, U. S. Air Force outlets in other areas as ordered through the Eighth Army Exchange System. Reference lc authorizes CPO to operate a system by which individuals or clubs may purchase specific items not available from normal exchange service channels.

3. Under current procedure, CPO enters into agreements with Japanese vendors through Beeki Cho for the purchase of merchandise and/or services payable in dollars or sterling. Dollar prices for merchandise purchased for U. S. forces and sterling prices for merchandise purchased for BCOF are coordinated with ESS Foreign Trade Division. Payments in dollars or sterling are deposited by CPO with such fiscal agents (banks) and to such accounts as directed by ESS.

4. With the establishment of a single dollar-yen exchange rate, this procedure is no longer considered necessary. As a step in the plan to reduce the operations of Beeki Cho, ESS has proposed that CPO negotiate contracts direct with Japanese vendors for merchandise and/or services payable in Japanese yen. CPO contracts will be given the same treatment as export contracts with respect to financing and allocation and priorities for raw materials except that approval by Beeki Cho and validation by SCAP will not be required. Japanese yen used in payment of the above contracts will be obtained by CPO from the fiscal director or finance officer, 240th Finance Disbursing Section, at the official exchange rate. Implementation of the above procedure will serve to reduce the administrative work load of CPO and reduce clerical work now required of the Japanese vendors resulting in more expeditious delivery of merchandise to CPO and prompt payment to the Japanese vendors.

85015

G-4 File Copy

Capt. McMahan, 26-6040

Change in Operational Procedure for CPO

G-4

C/S

18 JUN 1949

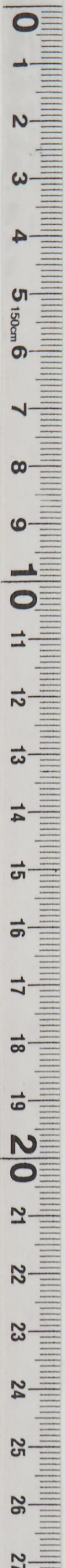
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(Cont'd)

5. It is recommended that the attached proposed letter to CPO (Tab D), implementing the procurement procedure referred to in paragraph 4 above, be approved for dispatch and correspondence returned to G-4 for necessary action.

4 Incls
Tabs A thru D

(E)

----- H. E. E. -----



GD P&P JEM/mlw
18 June 1949

MEMORANDUM FOR RECORD

SUBJECT: Change in Operational Procedure for CPO

1. Under the current procedure CPO enters into agreements with Japanese vendors through Boeki Cho for the purchase of merchandise and/or services payable in dollars or sterling. With the establishment of a single dollar-yen exchange rate, this procedure is no longer necessary. ESS has proposed that CPO negotiate contracts direct with the Japanese vendors for merchandise and/or services payable in yen. Proposed letter to Boeki Cho, prepared by ESS Foreign Trade Division, was hand-carried to G-4 for concurrence.
2. Implementation of the above procedure requests a change in CPO operational instructions.
3. Instant C/N to CS submits for approval proposed change to CPO operational procedure discussed above.
4. Within policy.
5. Initiated case; action complete.

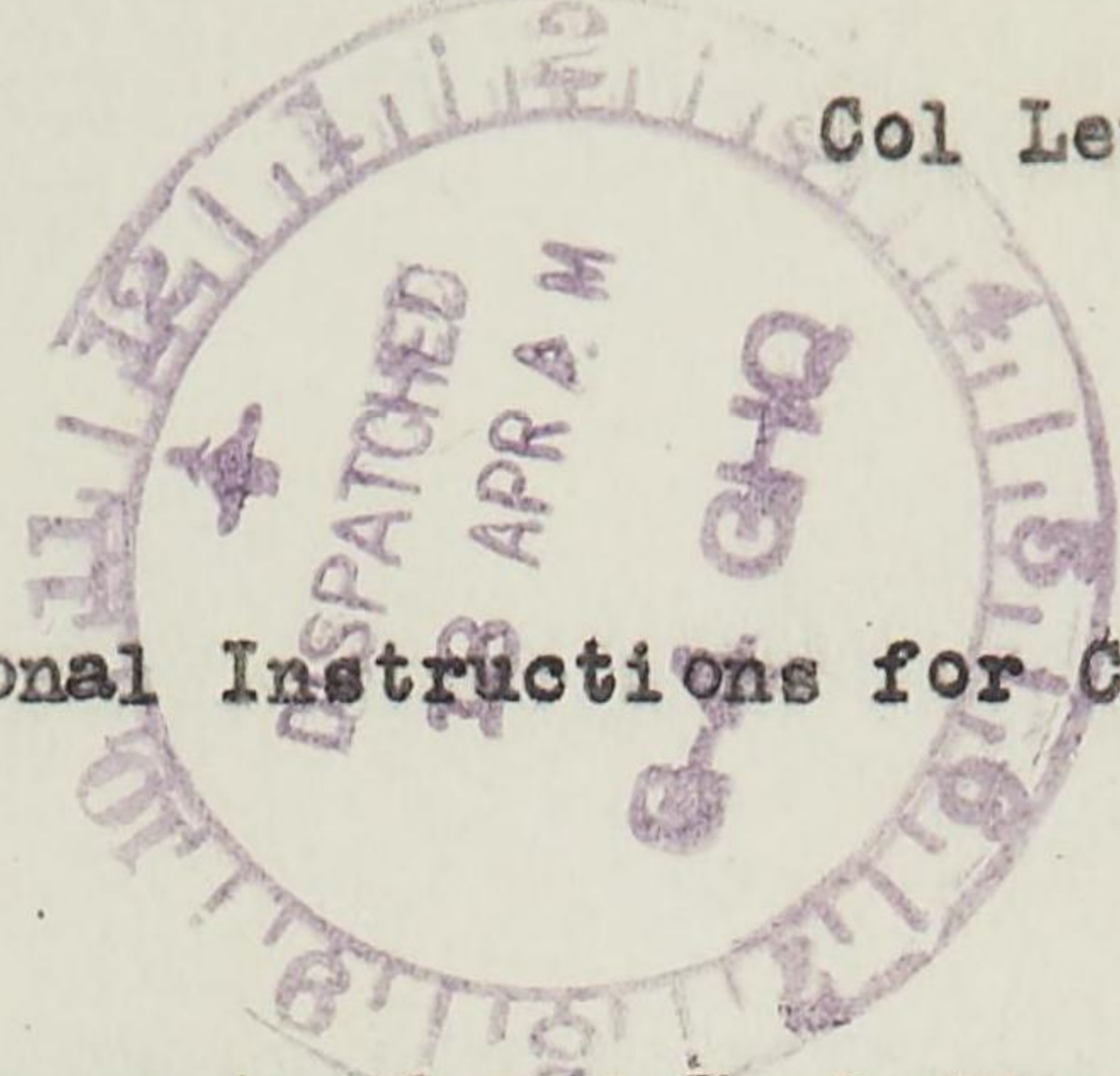
J. E. M.

G. D.

M. N. H.

331.3
 *370.2
 7/13/49
 13 Apr 49

G-4 ROUTING	
A C/S G-4	_____
D AC/S G-4	_____
EXECUTIVE	_____
PLANS & POLICY	<u>Ag</u>
OPERATIONS	_____
CONST & FAC	(5 Apr 49)CPO
TRANSPORTATION	_____
SUPPLY	CPO
PETROLEUM	_____
BUDGET	_____
PERSONNEL	_____
ADMINISTRATION	<u>FP</u>



Col Lewis 26 5440

Operational Instructions for CPO

G-4

5 April 1949

1. Information called for in paragraphs 6 and 7, Letter, GHQ, FEC, A.G. 331.3 (3 Apr 49) GD, 3 April 1949, subject, same as above, follows:

a. Paragraph 6. For all practical purposes, the system set forth in par. 3 of subject letter is now in effect. For the present, individual requests will be handled in the same general manner as they were handled when such requests required the prior approval of the Assistant Chief of Staff, G-4, and without any increase in personnel or facilities. However, the CPO permanent display and showroom to be opened the first week in May will be of considerable assistance to all concerned. At the same time, it is hoped that the new showroom will stimulate greater interest among the Post Exchange buyers inasmuch as they are not now taking full advantage of many attractive and worthwhile offers of indigenous merchandise.

b. Paragraph 7. The practicability of instituting and a method of operating a mail-order system for individual purchasers outside of the Tokyo-Yokohama area have been considered and explored for the past several weeks. In fact, this matter has been under consideration ever since action was started on the subject of a Special Orders department. There is no known practical solution to such a mail-order system. Therefore, it is recommended that no further action be taken at this time in connection therewith.

----- K. H. L. -----

Lt. Col. Fitch, 26-6042

13 APR 1949

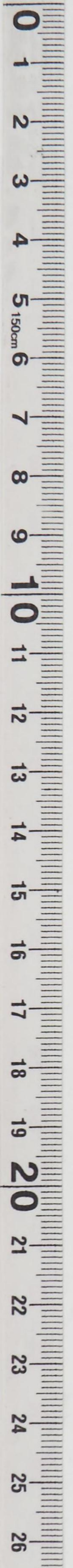
2. From: G-4 To: CPO

1. As a result of the procedure established for purchasing by individuals, CPO will undoubtedly receive mail inquiries from personnel outside the Tokyo-Yokohama area. In the event such inquiries are received from individuals who are authorized to procure from CPO under the provisions of letter, GHQ-FEC, AG 331.3 (3 April 49), dated 3 April 1949, G-4 believes that, in the interests of rendering maximum service, CPO should accept orders resulting from these inquiries.

----- H. E. E. -----

BP
 80627

G-4 FILE COPY



gms

PLANS AND POLICY

7 April 1949

MEMORANDUM FOR: Colonel Eastwood

SUBJECT: Operational Instructions for CPO

1. In the letter dated 3 April 1949 to CPO containing changes in instructions, G-4 requested that CPO investigate the possibility of instituting a mail order system to allow individuals outside the Tokyo-Yokohama area to purchase through CPO. Their reply which indicates that such a system is impracticable is attached.

2. P&P concurs in the opinion of CPO and recommends that the paper be filed for future reference.

3. Approval of this action is requested.

FLR
F. L. R.

P & P

No. Tell them that m/p business will probably develop gradually and will probably consist of inquiries as to possibility of procuring some given item. G-4 feels that as this development takes place - if it does - that CPO should accept it in order to provide service.

FLR

GD P&P JHF/mlw
12 April 1949

MEMORANDUM FOR RECORD

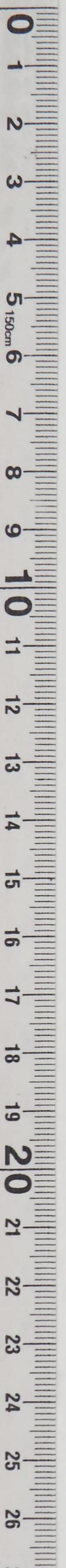
SUBJECT: Operational Instructions for CPO

1. By C/N 1 from CPO to G-4, dated 5 April 1949, CPO indicates that the system for individuals procuring from CPO, covered by G-4 letter, file AG 331.3, dated 3 April 1949, is now in effect. CPO also indicated that the practicability of instituting and operating a mail order system, under the provisions of the above-referenced letter, had been explored to the extent of recommending that such a system will be established at this time.
2. Instant C/N advises CPO to accept such mail orders as they may receive during their normal operations, providing the individuals making inquiries are authorized to procure from CPO under the provisions of the above-referenced letter.
3. Within established policy.
4. Completes action on G-4 Journal No. 80627

J. H. F. *[Signature]*

G. D. *[Signature]*

F. L. R. *[Signature]*



331.3

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

3 Apr 49

331.3
AG 370.2 (3 APR 49) GD

SUBJECT: Operational Instructions for Central Purchasing Office

TO: Central Purchasing Office
General Headquarters, Far East Command
APO 500

G-4 ROUTING	
A C/S G-4	3
D AC/S G-4	
EXECUTIVE	
PLANS & POLICY	
OPERATIONS	
CONST & FAC	
TRANSPORTATION	
SUPPLY	
PETROLEUM	
BUDGET	
PERSONNEL	
ADMINISTRATION	a

1. Reference is made to:

a. Letter, General Headquarters, Far East Command, file AG 370.2 (27 Feb 48) GD, dated 27 February 1948, subject as above.

b. Letter, General Headquarters, Far East Command, file AG 331.3 (27 Feb 48) GD, dated 1 July 1948, amending reference la above.

2. Reference la above is hereby amended to authorize Central Purchasing Office to establish a system by which individuals or clubs may purchase through the Central Purchasing Office specific items not available from normal exchange service channels.

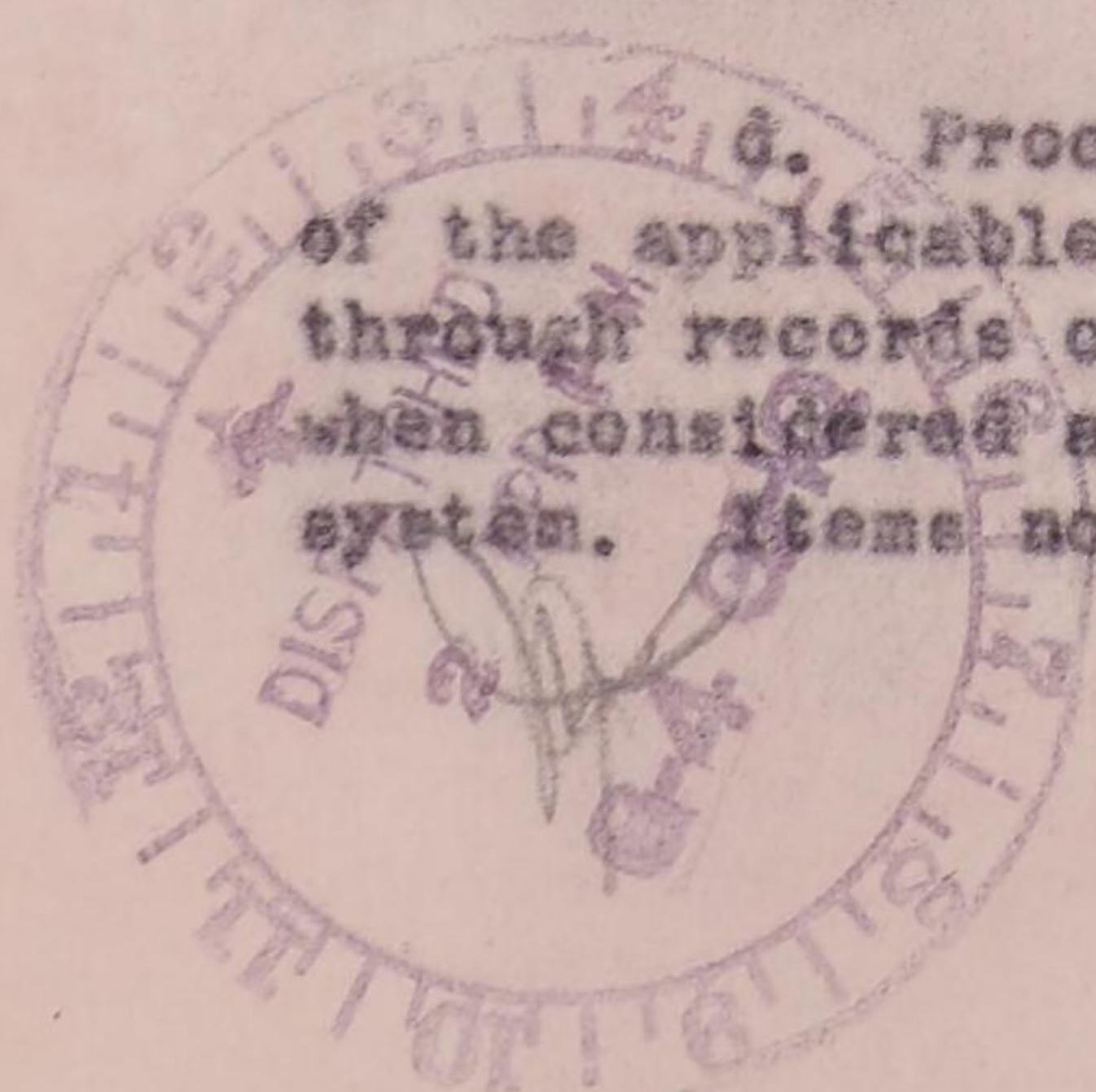
3. The following provisions will be applicable:

a. Only individuals authorized exchange service privileges will be permitted to make purchases through the Central Purchasing Office.

b. Adequate identification of individual must be provided with request for procurement.

c. Procurement will be limited to selections from available samples, descriptions or lists of merchandise in Central Purchasing Office showrooms and to special items to be manufactured to fill purchasers' specifications.

d. Procurement will be limited to items not available from stocks of the applicable exchange system as known to Central Purchasing Office through records of items purchased for the respective exchange systems, and, when considered advisable, through consultation with the applicable exchange system. Items not identical to exchange service stocks, but sufficiently



Rescinded
See ltr dtd
14 Nov 49

80149

G-4 File Copy

all 370.2 (3 Apr 49) GD, 3 Apr 49
3313
Subj: Operational Instructions for Central Purchasing Office

similar to represent a distinction without a difference will not be represented by samples in the Central Purchasing Office Special Order Salesroom or offered for sale. CPO will inform the Eighth Army Central Exchange Officer periodically as to the number and types of items sold in order that the Exchange Service may determine the advisability of stocking such items.

e. Each request for procurement will be accompanied by payment in dollars of the total listed or estimated cost. In the event that the actual cost exceeds the amount paid, the purchaser will be required to pay the balance due when delivery is taken of merchandise. Overpayment by purchaser will be refunded when delivery is taken of merchandise.

f. Items will be sold at the invoice price plus regular Post Exchange mark-up to the end that prices will not vary between merchandise sold through Exchange system outlets and the Central Purchasing Office.

g. Purchases are solely an accommodation and, therefore, when request for procurement is accepted it will not be subject to cancellation, exchange or refund.

h. Merchandise will be required to be picked up promptly when notified of its receipt. If not picked up within 30 days from notification of receipt, storage charges will be imposed.

i. Requests for procurement will be submitted in person, except that clubs, messes and similar associations may submit requests by mail. Such mail requests will be routed through the applicable exchange system for statement of availability.

4. Merchandise procured by the Central Purchasing Office and rejected by an exchange system, except damaged merchandise with no saleable value, will be offered to other exchange systems dealing with the Central Purchasing Office, and, if rejected by them, will be offered for sale in the Central Purchasing Office's Special Order Salesroom on a cash-and-carry basis. Damaged merchandise with no saleable value will be presented periodically to a board of officers, as requested by the chief, Central Purchasing Office, and disposed of as the board may direct.

5. The following changes will be made in reference 1a above:

a. The following sentence from paragraph 2b is rescinded:

"Applications for these purchases require approval of each instance by the Assistant Chief of Staff, G-4."

b. In the future, clubs, messes and associations will include a statement in their requests for procurement by Central Purchasing Office that the items are not available from the applicable exchange system stores.



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SUBJ: Operational Instructions for Central Purchasing Office

Note →

6. It is requested that G-4 be advised when the system mentioned above can be established, at which time the foregoing will become effective.

7. It is requested that the practicability of instituting, and a method of operating, a mail order system for individual purchasers outside of the Tokyo-Yokohama area be investigated and reported to G-4.

BY COMMAND OF GENERAL MacARTHUR:

MAILED 0900 APR 4 '49 AG. - GHS

R.M. Levy
FBR
R. M. LEVY
Colonel, AGD
Adjutant General

GD P&P JEM/mlw
1 April 1949

MEMORANDUM FOR RECORD

SUBJECT: Special Order Department

1. C/N 1, CPO to G-4, subject as above, dated 3 January 1949, submitted for approval a plan whereby individuals authorized Army Post Exchange privileges could purchase specific items of merchandise not available to them through normal Post Exchange channels.
2. C/N 2, G-4 to CS, dated 25 February 1949, concurred in the plan presented by CPO in C/N 1, referred to above, and forwarded for approval a proposed letter to CPO implementing the plan for a Special Order Department.
3. CS apparently sent this plan to Special Service for comment. C/N 3, SSO to G-4, dated 1 March 1949, presented objections of Special Service Officer to the plan and recommended that the plan be given further study before being implemented.
4. C/N 4, G-4 to CS, undated, repudiated the objections stated by SSO, in C/N 3. Subsequent coordination between G-4 and Special Service resulted in addition of a paragraph in the implementing letter to the effect that CPO will inform 8th Army Central Exchange periodically as to the number and types of items sold in order that the Exchange Service may determine the advisability of stocking such items. A change was also made in that the items were to be sold at the invoiced price plus regular Post Exchange mark-up, in order that the price would not vary between merchandise sold to the Exchange System and CPO. The major differences in opinion between G-4 and SSO were thus ironed out.
5. C/S approval was accorded the implementing letter to CPO 28 March 1949.
6. Instant letter to CPO implements the plan for the Special Order Department and amends the operational instructions for CPO to the effect that applications from clubs for purchase through CPO are submitted direct and must include the statement that the items are not available through the Post Exchange. Letter also requests CPO to investigate the practicability of instituting and operating a mail-order system for individual purchasers outside the Tokyo-Yokohama area.
7. Within policy.
8. Completes action on G-4 Journal No. 80144.

J. E. M. JEM

J. H. F. JHF

F. L. R. FLR

G-4 File Copy

GENERAL HEADQUARTERS
FAR EAST COMMAND
Assistant Chief of Staff, G-4

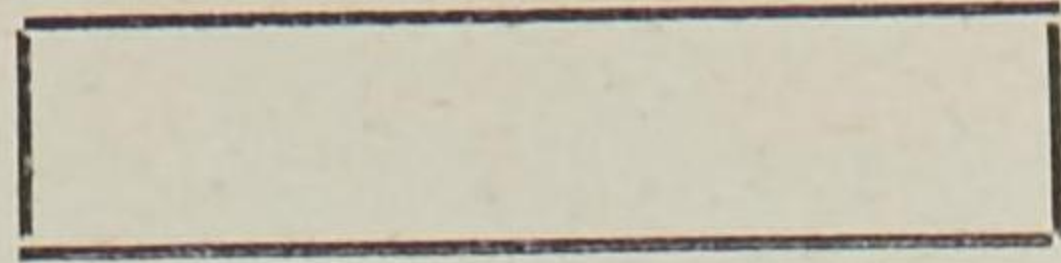
Chief of Staff

28 Mar
(Date)

Change as suggested
has been incorporated as
last sentence of para 3 d.

HEE

H. E. EASTWOOD
Colonel, GSC
Assistant Chief of Staff, G-4



DEPUTY
CHIEF OF STAFF
FEC

Date 3/24 1949

MEMORANDUM FOR: Gen. Almond:

G-1 _____
G-2 _____
G-3 _____
G-4 _____

AG _____
ADC _____
Sec Gen Staff _____
Chief _____ Sec

Information & your file _____
Note & return to _____
Necessary action _____
Process action to C/S (Thru D C/S)
by draft letter _____
by draft radio _____
Comment to C/S or D C/S
by memo _____
orally _____

This refers to _____
CofS file _____
AG file _____
Noted _____
Suspend to _____
Destroy this slip _____

1. G-4 and SSO are now in agreement on Tab "A".
2. Rec. App.

DOYLE O. HICKEY
Major General, GSC
Deputy Chief of Staff, FEC



DECLASSIFIED

Authority NND975029

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

AG 201 - Addressee AGPO

LC

SUBJECT: Temporary Duty Travel Order

TO:

1. You will proceed to places, units, or organizations within Japan as designated, on or about the date shown, on temporary duty for the purpose and the number of days indicated. Upon completion will return to present station.

a. Places, units, etc:

b. Depart on, or about:

c. Temporary duty not to exceed _____ days authorized.

**GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET**

(Do not remove from attached sheets)

File No: PO

Subject: Special Order Department

Col. Lewis 26 5440

Note
No.

From: Gen Pur Off

To: G-4

Date: 3 January 1949

1

1. Among those individuals authorized Army Post Exchange privileges, many desire to purchase a specific item of merchandise not available to them through normal post exchange channels.

2. In order to provide for this requirement, authority is requested to establish a system substantially as follows, effective when approved:

a. Individuals authorized Army Post Exchange privileges file a specific request with the Central Purchasing Office for the particular items desired. Adequate identification of the applicant, as well as a complete description of merchandise desired, to be presented at time of making this request.

b. Each application for purchase would be accompanied by the total estimated dollar cost of the items.

c. All such merchandise sold to individuals would be at the same mark-up price to the purchaser as it would cost him over the counter at any Army Post Exchange— cost plus twenty per cent (20%).

d. Such transactions would be solely to accommodate the individual and, therefore, once the request is accepted it would not be subject to cancellation or exchange; and no refunds.

e. In order to avoid accumulating and holding special order merchandise in storage for long periods of time, the person placing the purchase request would be required to pick-up the merchandise and pay balance due at the Central Purchasing Office promptly after being notified that it is ready for delivery.

3. If the above is approved, it is planned to establish a Special Order Branch in the Procurement Division.

4. a. At the present time there are on hand large quantities of damaged merchandise (estimated book value \$25,000); also many individual odd items on hand, accumulated from samples or lots of damaged shipments. The Post Exchanges have declined to handle any of this merchandise. Action has already been taken to clean up these items, segregate them according to type, quality and condition, and then request assistance from your office to place a reasonable value on all of it. If the above plan for Special Orders is approved, it is suggested that the merchandise mentioned in this paragraph be offered for sale to the public. After it has been on sale for a reasonable period, say sixty days, write off any items then remaining on hand unsold and turn this remainder over to some agency such as the Thrift Shop, without cost.

GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET

(Do not remove from attached sheets)

File No: PO

Subject: Special Order Department

Col. Lewis SB 2440

Date: 3 January 1949

To: G-4

From: Gen Far Off

Note No

1. Among those individuals authorized Army Post Exchange privileges, many desire to purchase a specific item of merchandise not available to them through normal post exchange channels.

2. In order to provide for this requirement, authority is requested to establish a system substantially as follows, effective when approved:

a. Individuals authorized Army Post Exchange privileges file a specific request with the Central Purchasing Office for the particular item desired. Adequate identification of the applicant, as well as a complete description of merchandise desired, to be presented at time of making this request.

b. Each application for purchase would be accompanied by the total estimated dollar cost of the items.

c. All such merchandise sold to individuals would be at the same mark-up price to the purchaser as it would cost him over the counter at any Army Post Exchange - cost plus twenty per cent (20%).

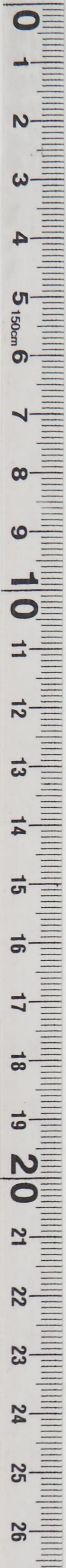
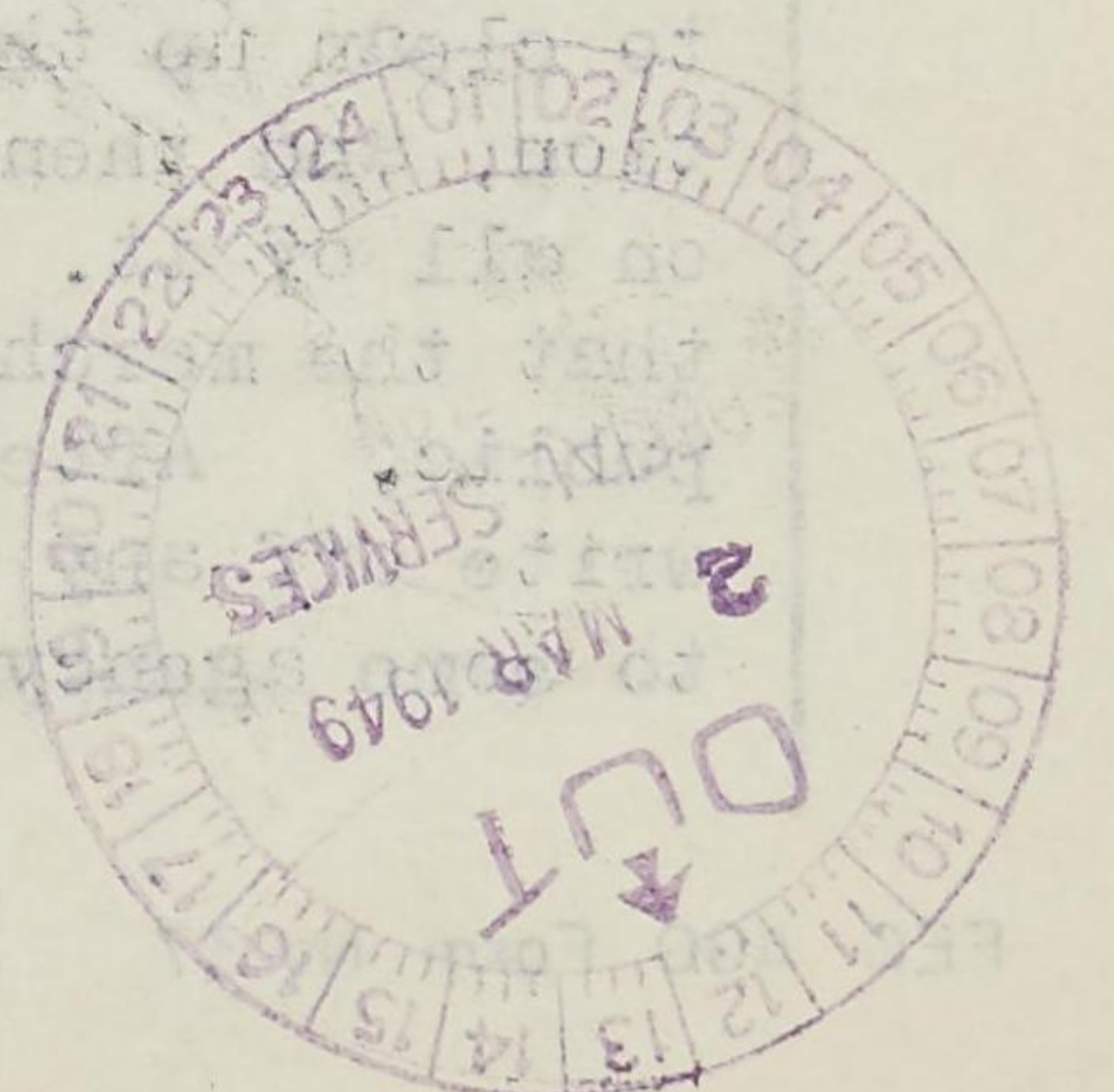
d. Such transactions would be solely to accommodate the individual and therefore, once the request is accepted, it would not be subject to cancellation or exchange; and no returns.

e. In order to avoid accumulating and holding special order merchandise in storage for long periods of time, the person placing the purchase request would be required to pick-up the merchandise and pay balance due at the Central Purchasing Office promptly after being notified that it is ready for delivery.

3. If the above is approved, it is planned to establish a Special Order Branch in the Procurement Division.

4. a. At the present time there are on hand large quantities of damaged merchandise (estimated book value \$25,000); also many individual odd items on hand, accumulated from samples or lots of damaged shipments. The Post Exchanges have declined to handle any of this merchandise. Action has already been taken to place these items, segregate them according to type, quality and condition.

b. If the above plan for Special Orders is approved, it is suggested that the merchandise mentioned in this paragraph be offered for sale to the Post Exchanges for a reasonable period, say sixty days, after which items then remaining on hand would be sold at the Thrift Shop, without cost.



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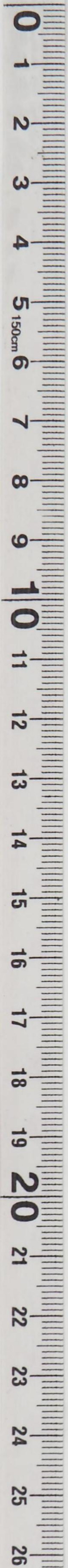
**GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET**

(Do not remove from attached sheets)

File No: PO Subject: Special Order Department Col. Lewis 26 5540

Note No. 1 Cont'd.	From: Gen Pur Off To: G-4 Date: 3 January 1949 b. As an alternative to method of disposition of damaged and odd items of merchandise mentioned in paragraph 4 a above, it is suggested that one of the GHQ Branch Exchanges handle the entire lot on a consignment basis from CPO. <div style="text-align: right;"><i>[Signature]</i> F.H.M.</div>
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Note No. 2	From: G-4 To: C/S Date: <u>25 FEB 1949</u> Lt. Col. Fitch, 26-6042 1. G-4 concurs in the plan set forth in paragraph 2, C/N 1 from CPO to G-4, authorizing individuals or clubs, messes and similar associations, to purchase through CPO specific items not available from normal Post Exchange channels. 2. It is recommended that the attached draft of a proposed letter to CPO (Tab A), implementing the proposed plan, be approved for dispatch and returned to G-4 for necessary action. 3. A board to appraise and determine disposition of damaged and rejected CPO stocks has been orally approved and in operation. The board and CPO will be governed by the following policies: a. Entire and undamaged merchandise will be offered at invoice price to the Army Exchange Service for which initially purchased and, if refused, then to other Exchange Services, including Navy and BCOF. b. Incomplete and/or damaged merchandise will be offered to the Exchange Services at appraised prices and, if not accepted, will be offered for direct sale by the CPO. If not moved at appraised prices within a reasonable time, such merchandise will continue to be de-valued until disposed of. c. Identical lots purchased and invoiced at different lot prices may be appraised and sold as one lot at the average invoice price. d. The appraising board will recommend donation or destruction of worthless merchandise. 1 Incl Prop Ltr fr C/S Appvl w/related papers
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GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET

(Do not remove from attached sheets)

File No: PC
Subject: Special Order Department
From: Gen Per Off
To: G-4
Date: 3 January 1949
Col. Lewis SS 5440

1. As an alternative to method of disposition of damaged and odd items of merchandise mentioned in paragraph 4 above, it is suggested that one of the GHE Branch Exchanges handle the entire lot on a consignment basis from GPO.

2. It is recommended that the attached draft of a proposed letter to GPO (Tab A), implementing the proposed plan, be approved for dispatch and returned to G-4 for necessary action.

3. A board to operate and determine disposition of damaged and rejected GPO stocks has been orally approved and in operation. The board and GPO will be governed by the following policies:

a. Excess and undamaged merchandise will be offered at invoice price to the Army Exchange Service for which initially purchased and, if refused, then to other exchange services, including Navy and SCOP.

b. Incomplete and/or damaged merchandise will be offered to the Exchange Service at appraised prices and, if not accepted, will be offered for sale to the GPO at appraised prices within a reasonable time. Merchandise to be de-valued until disposed of.

DISPATCHED
25 FEB 1949
G-4 GPO

OUT
MAR 1949
SERVICES

A
pap

**GENERAL HEADQUARTERS
FAR EAST COMMAND**

CHECK SHEET

(Do not remove from attached sheets)

Gen. Kelly
26-6316

File No.:

Subject: Special Order Department

Note
No.

From: SSO

To: G-4

Date: 1 March 1949

(3)

1. Special Services sees no objection to the disposal of the damaged merchandise in the manner outlined in paragraph 4, checknote 1.

2. The proposal for the establishment of a Special Order Department in CPO for indigenous merchandise, as outlined in paragraphs 1, 2, and 3 of checknote 1, seems, at first glance, to be an added service for the Occupation and as such, should receive the concurrence of Special Services.

3. I have given the matter careful consideration and I believe that there are several aspects of the question that should be carefully considered before a decision is made.

a. First, as to it's effect upon the overall contentment and welfare of the Far East Command. I have visited nearly every large troop and dependent concentration in the Far East. There is a wide-spread feeling in the other commands that GHQ is prone to be somewhat partial towards Japan in matters concerning welfare. In Japan itself, there is a similar feeling that GHQ is somewhat partial towards Headquarters and Service Group. This feeling apparently increases in direct proportion to the distance from the Tokyo area. There is a real possibility that the increase in the contentment of individuals who could avail themselves of this service would be greatly overbalanced by the discontent of those who could not. With this in mind, it is believed that, should a sales or display room be opened in Tokyo, it would be necessary to provide a similar room in Guam, Clark Field-Stotsenburg, Okinawa, Korea, and in at least two other population centers in Japan and on the Eighth Army PX train; and that a widely advertised mail order service be instituted. From a morale viewpoint, I cannot over-emphasize the necessity to avoid even the appearance of special privilege.

b. From the Eighth Army Exchange viewpoint, there are several aspects that should be given consideration. One of these is the question as to who determines whether or not the desired article is on sale at the post exchange. It might be, for instance, that the Exchange had a large number of happy coats but that an individual wanted a happy coat of a particular design not included in the post exchange stocks. If this is justification for a special order, it will apply to hundreds of other items and will undoubtedly result in a substantial reduction in exchange sales of indigenous merchandise.

c. It is noted that, although checknote 1 provides for a 20% markup, the implementing letter, Tab "B", provides for only a 5% markup to cover operating costs of CPO. This means that the prospective buyer would make a substantial saving by placing a special order with CPO, having only to say that similar

**GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET**

(Do not remove from attached sheets)

Gen. Kelly
26-6316

File No:

Subject: Special Order Department

Note
No.

From: SSO

To: G-4

Date: 1 March 1949

(3)
Cont'd

articles at the post exchange are not exactly as desired. CPO is then not only in competition with the Exchange, but actually underselling the Exchange. It is well known that profit in the post exchange is necessary to support Special Services and TI&E activities in the command and to provide commanders of large and small units with funds that can be spent for the benefit of the troops.

d. It would appear that this proposal circumvents provisions of Army Regulations and FEC Circulars in that it uses government agencies to benefit the few at the eventual expense of the many.

e. I see no workable arrangement for deciding whether an article is or is not on sale at the post exchange. What has been said above in regard to happy coasts applies to practically every article of indigenous merchandise. Consumer has only to say that he wants a particular design, or that he wants to pay a particular amount and the non-availability at the post exchange is established. In only a very few cases would CPO be able to sell an article that is not similar in some way to post exchange stocks. In almost every conceivable case, the yardstick would have to be cost, design, shape, or size and I'm afraid the post exchange would eventually be driven out of the indigenous merchandise business. This, of course, is made on the supposition that the entire Far East have equal opportunity to place special orders with CPO.

f. In the past, conditions surrounding the sale of pearls have been a subject that has caused bitter comment and controversy. This has been eliminated to a certain extent by placing all pearls on sale on a first-come first-served basis. It is my understanding that CPO is now allotted 10% of the pearl output, across the board, as far as value is concerned. The more expensive strings have always been in the greatest demand. If it were possible for an individual to order a particular type of necklace thru CPO, I believe the bitterness caused by the sale of pearls in the past would be revived.

4. While this proposal is based on a sound concept of better service, I believe that in operation it would have a regrettable effect on the morale of the command and I recommend that it be given further study before it's put into effect.

1 Incl
n/c



P. B. K.

cc: G-1

GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET

(Do not remove from attached sheets)

Gen. Kelly
26-6316

Subject: Special Order Department

File No:

Date: 1 March 1949

To: G-4

From: 280

Note No.

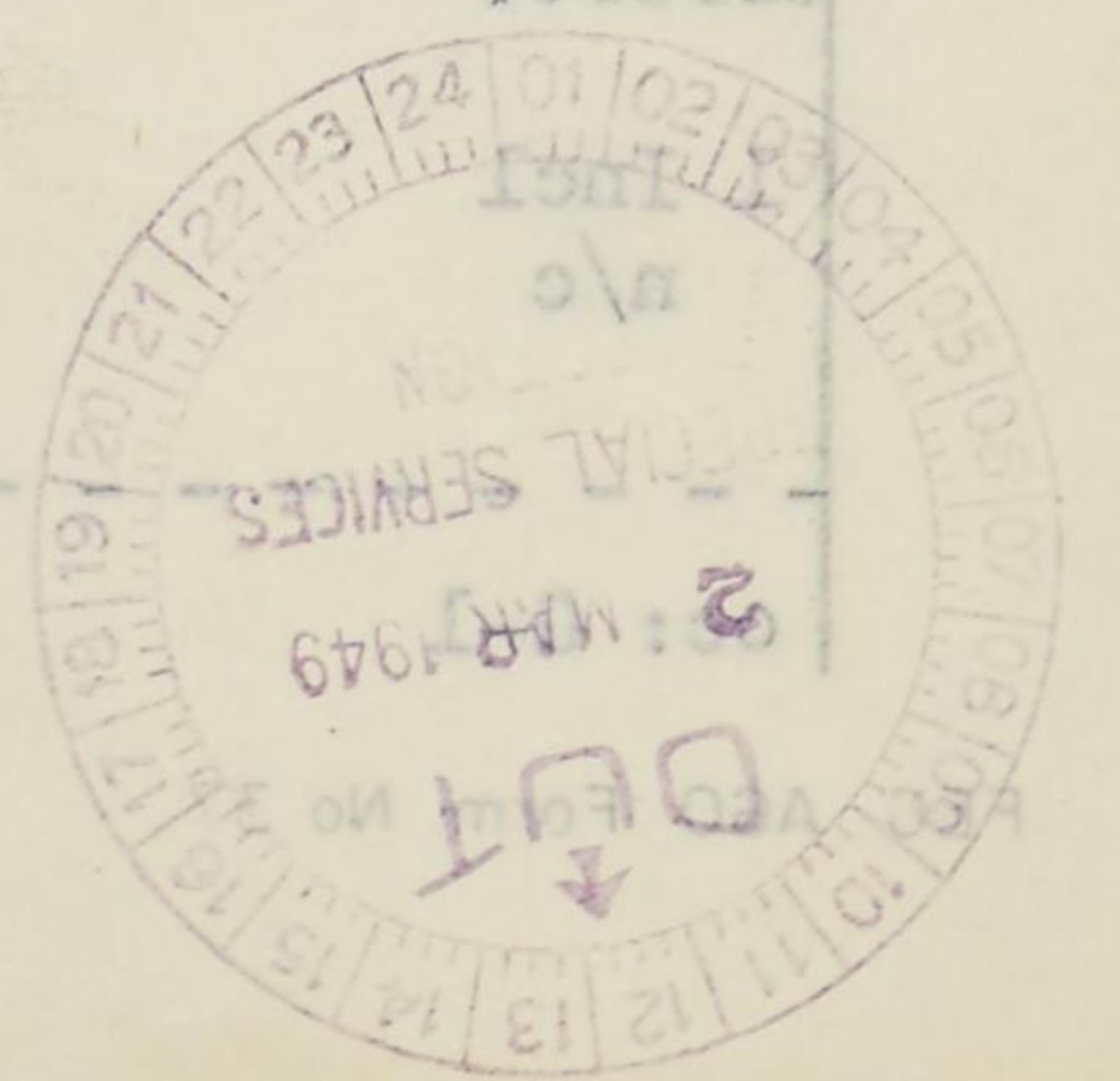
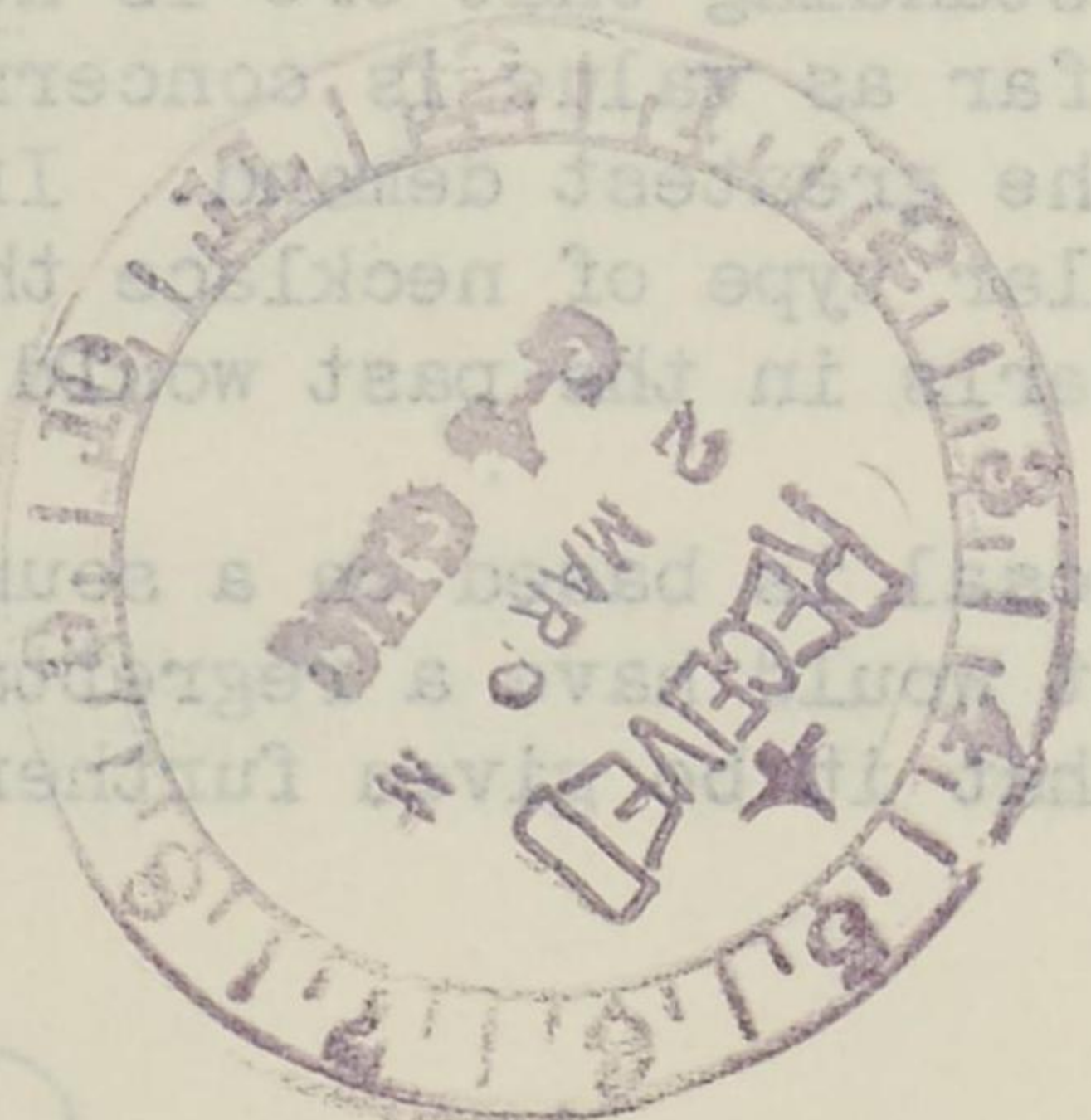
Articles at the post exchange are not exactly as desired. CPO is then not only in competition with the Exchange, but actually underselling the Exchange. It is well known that profit in the post exchange is necessary to support Special Services and like activities in the command and to provide commanders of large and small units with funds that can be spent for the benefit of the troops.

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e. I see no workable arrangement for deciding whether an article is or is not on sale at the post exchange. What has been said above in regard to happy coats applies to practically every article of indigenous merchandise. Consumer has only to say that he wants a particular design, or that he wants to pay a particular amount and the non-availability at the post exchange is established. In only a very few cases would CPO be able to sell an article that is not obtainable in some way to post exchange stocks. In almost every conceivable case, the variation would have to be cost, design, shape, or size and I'm afraid the post exchange would eventually be driven out of the indigenous merchandise business. This, of course, is made on the supposition that the entire Far East have equal opportunity to place special orders with CPO.

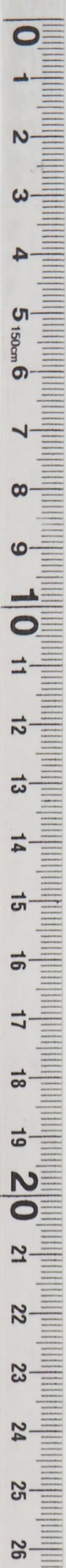
f. In the past, conditions surrounding the sale of pearls have been a subject that has caused bitter comment and controversy. This has been eliminated to a certain extent by placing all pearls on sale on a first-come first-served basis. It is my understanding that CPO is now allotted 10% of the pearl output, across the board, as far as Kelly is concerned. The more expensive strings have always been in the greatest demand. If it were possible for an individual to order a particular type of necklace, I believe the bitter news caused by the sale of pearls in the past would be revived.

g. While this proposal does have a sound concept of better service, I believe that in operation it would have a negative effect on the morale of the command and I recommend that it be further studied before it is put into effect.



[Handwritten signature]

P. B. K.



**GENERAL HEADQUARTERS
FAR EAST COMMAND**

CHECK SHEET

Lt. Col. Fitch, 26-6042

(Do not remove from attached sheets)

File No :

Subject: Special Order Department

Note
No.

From: G-4

To: C/S

Date:

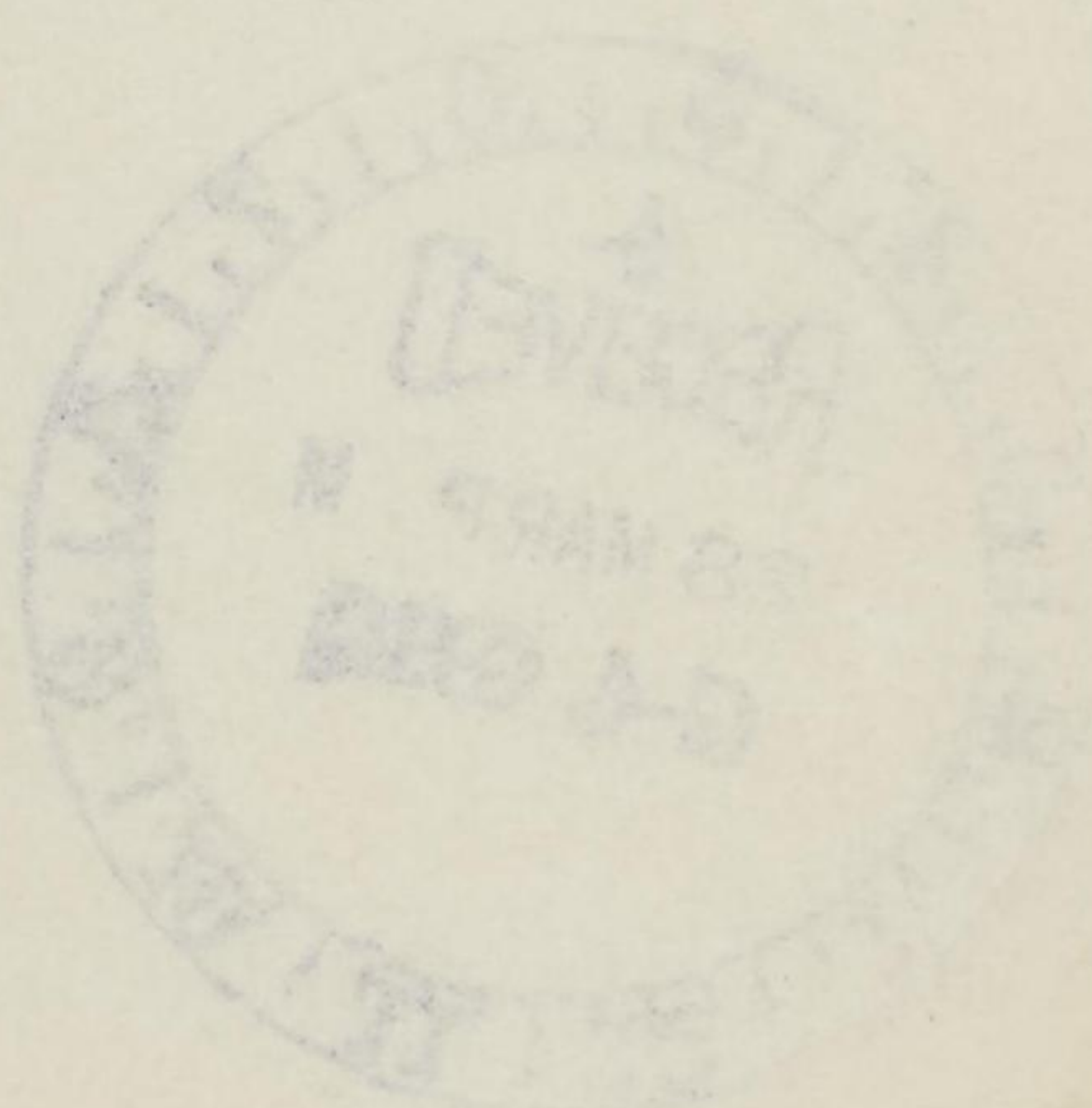
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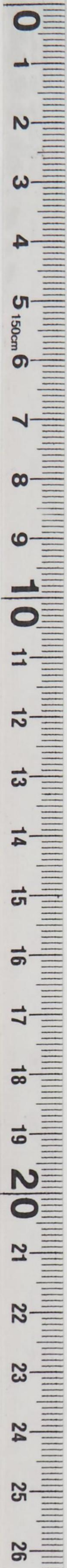
2. It is recommended that the proposed letter to CPO be approved as submitted and returned to G-4 for dispatch and necessary action.

1 Incl
n/c

M. V. P.

M. V. P.





GENERAL HEADQUARTERS
FAR EAST COMMAND
CHECK SHEET

Do not remove from attached sheets
Lt. Col. Mitch, 26-6045

Subject: Special Order Department

File No:

Note No.

(Cont'd)

It is recommended that the proposed letter to CPO be approved as submitted and returned to O-4 for dispatch and necessary action.

I Incl
o/c

M. D.



GENERAL HEADQUARTERS
FAR EAST COMMAND

CHECK SHEET

Lt. Col. Fitch, 26-6042

(Do not remove from attached sheets)

File No:

Subject: Special Order Department

Note No.

From: G-4

To: C/S

Date:

4

1. The following comments are offered relative to the points raised in Check Note No. 3, from SSO to G-4:

a. Paragraph 3a, C/N 3: G-4 recognizes the desirability of providing a service for individuals to procure through CPO for all elements of the FEC. It was the basis for including paragraph 7 in proposed letter to CPO which requests CPO to investigate the practicability of instituting a mail order system. A mail order system will involve such difficulties as processing through customs, preparation of catalog, special packing, etc., and until CPO has had an opportunity to investigate all the problems incident to a mail order system it is G-4's opinion that no action be taken to establish one. It is also believed that before a mail order system can be inaugurated it is necessary for CPO to gain experience through the establishment and operation of a special order department limited to local sales.

b. Paragraph 3b, C/N 3: The responsibility for determining whether an item is available from the Exchange Service is that of CPO. This is set forth in paragraph 3d of the proposed letter to CPO. Paragraph 3d also prevents an individual from ordering through CPO an article of a particular design yet of the same type as that available in the Post Exchange. This is provided for by the sentence, "Items not identical to Exchange Service stocks but sufficiently similar to represent a distinction without a difference will not be - - - - - offered for sale."

c. Paragraph 3c, C/N 3: The fact that prices of items purchased from CPO will only include the normal 5 per cent mark-up does not place CPO in a position of competition or under-selling the Exchange Service as the items obtainable from CPO will be those not available from the Exchange Service. In addition, General Order 290, dated 25 October 1945, requires that excess profits of CPO be distributed to the Exchange Service and, consequently, will become available for the benefit of the troops.

d. Paragraph 3d, C/N 3: Comments offered in paragraph 1a above reply to the comments contained in paragraph 3d, C/N 3.

e. Paragraph 3e, C/N 3: Comments offered in paragraphs 1b above reply to the comments contained in paragraph 3e, C/N 3.

f. Paragraph 3f, C/N 3: This comment does not appear to be pertinent inasmuch as pearls are being handled by the Exchange Service, and, therefore, would not be available through CPO.

324
30

C-4

Restricted

GENERAL HEADQUARTERS
FAR EAST COMMAND

APO 500
27 February 1948

AG 370.2 (27 Feb 48)GD

SUBJECT: Operational Instructions for Central Purchasing Office

TO: Purchasing Officer, Central Purchasing Office, General Headquarters, Far East Command, APO 500

*Amended by
Ctr rescinding para 4.
Procurement of
precious metals
will be made in
same manner as
for other merchandise
as set forth in para 3+5 herein.*

1. Operation of the Central Purchasing Office (CPO) will be continued under authority contained in General Orders 290, General Headquarters, United States Army Forces Pacific, dated 25 October 1945, as amended by General Orders 525, General Headquarters, United States Army Forces Pacific, dated 25 November 1946, supplemented by instructions as set forth herein.

2. The Central Purchasing Office is authorized to make purchases of goods and services from local sources in the Far East for:

a. Distribution to established exchange systems of the Allied Occupation Forces in Japan, U. S. Army Exchange and U. S. Navy Ships' Store outlets in other areas of the Far East Command, and U. S. Army Exchange and U. S. Navy Ships' Store outlets in other areas as ordered through the Eighth Army Exchange System.

b. Clubs in Japan and in other areas of the Far East Command which are specifically authorized to make such purchases by the Commander-in-Chief, Far East. Items so purchased will be limited to those which are not available through the exchange systems and the value of which is such as to warrant the use of Central Purchasing Office channels. Applications for these purchases require approval of each instance by the Assistant Chief of Staff, G-4. Receipts from clubs for merchandise so purchased will include a statement that the items are for the use of the (name of club), and are not intended for the personal use of any person.

3. Procurement procedure: The procedure for procurement, accounting and settlement for merchandise and services procured by the Central Purchasing Office will be as follows:

a. The Central Purchasing Office will enter into agreements with Boeki Cho for the purchase of merchandise and/or services, payable in dollars or sterling. The Central Purchasing Office will obtain the concurrence of the Economic and Scientific Section (Foreign Trade

Restricted

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AG 370.2 (27 Feb 48)GD

Division) as to the pricing in dollars of merchandise purchased through Boeki Cho for United States forces and in sterling for that purchased for British Commonwealth Occupation Force.

b. Services procured through Boeki Cho as indicated in a above will include all concessionaire services (garage, photographic, tailoring, florist, etc.) which can be practicably obtained, accounted and settled for, in accordance with the procedures outlined herein.

c. Dollar and sterling payments for merchandise and services obtained through Boeki Cho as indicated in a and b above will be deposited with such fiscal agents (banks) and to such accounts as requested by the Economic and Scientific Section.

d. Merchandise procured for Union of Soviet Socialist Republics exchange outlets will continue to be purchased with yen at prices based upon yen costs to the Central Purchasing Office. Services will not be procured for these outlets.

e. Adequate liaison will be maintained with the Army exchange services and ships stores for which merchandise and services are procured to facilitate estimates by the Central Purchasing Office of future Army Exchange services and ships stores requirements from Central Purchasing Office sources. Such estimates should be projected as far in advance as practicable to permit adequate procurement planning by the Central Purchasing Office.

f. The Central Purchasing Office will be guided in priorities and quantities of purchases of foreign manufactured items by the current policy of reviving and stimulating Japanese trade, and that where similar items of comparable quality are available from Japan, they will be procured therefrom rather than from China.

g. All merchandise purchased by the Central Purchasing Office will be adequately marked in order that it may be readily identifiable as Central Purchasing Office merchandise, but the manner of marking will be such as not to destroy or lessen the value of the article.

h. A report will be submitted to the Assistant Chief of Staff, G-4, monthly, indicating for each exchange service the number and dollar value of the Central Purchasing Office procured items offered for sale and the number and dollar value of such items purchased or ordered for future delivery.

4. Procurement and processing of precious metals: The procedure for release of precious metals by the Civil Property Custodian to the Central Purchasing Office and for payment therefor will be as follows:

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Restricted

AG 370.2 (27 Feb 48)GD

a. The Central Purchasing Office will, over the signature of the Chief of Section, submit to the Civil Property Custodian through the Assistant Chief of Staff, G-4, prior to the 15th day of each month, a statement of requirements for precious metals, stated in grams, for the following calendar month. The statement will include the names of Japanese manufacturers to whom metals are to be released for processing, a statement of respective amounts which have been released from current allocations, and all uncommitted Central Purchasing Office allocations as of the preceding month.

b. The Civil Property Custodian will, upon receipt of the Central Purchasing Office request, approved by the Assistant Chief of Staff, G-4, take the necessary action to effect the release of precious metals in the authorized amounts to the Central Purchasing Office.

c. The Central Purchasing Office will arrange with the Custodian of the Eighth Army vaults for withdrawal, as required, of the metals, the total withdrawn not to exceed the amounts authorized. The Central Purchasing Office will furnish a receipt to the Custodian, Eighth Army Vaults, for the metals received at the time deliveries are taken.

d. In payment for the metals released by the Central Purchasing Office and turned over by the Custodian, Eighth Army Vaults, to the Central Purchasing Office in accordance with the above, the Central Purchasing Office will deposit dollars into the Supreme Commander for the Allied Powers Custody Account to cover the cost of such metals at prices determined by the Natural Resources Section as the quoted world market price of the metals prevailing for the day on which metals are released. Additionally, the Central Purchasing Office will deposit into a special reserve account to be maintained by that office, an amount in dollars equal to five percent (5%) of the dollar price of the metals delivered to it. (See 5 d below).

e. All precious metals received by the Central Purchasing Office from custody stocks as indicated above will be accurately accounted for by that office both as to quantity and value thereof, and its allocation for processing and ultimate disposition.

5. Financing and pricing:

a. Present yen contracts will be renegotiated and reestablished under the procedures in paragraph 3 above as rapidly as possible provided the savings by renegotiation make such procedure advisable. Yen contracts not renegotiated will be liquidated as they become due and new yen contracts will not be executed except for purchases which can be made at a savings over purchases through Boeki Cho; purchases covering routine operating requirements which can be accomplished more easily by payment with yen;

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AG 370.2 (27 Feb 48)GD

and for merchandise purchased for the Union Soviet Socialist Republic exchange outlets. (see 3d above).

b. In the pricing of merchandise to exchange services a five percent (5%) markup is authorized to allow for operating costs of the Central Purchasing Office. This percentage will be reduced as the volume of procurement increases, to the end that the revenue accruing from the markup shall be sufficient to cover operating expenses, with a small margin only as a safety factor, rather than to make a profit or increase surpluses.

c. All accrued profits, based upon a monthly statement, will be transferred to surplus and the sum of the capital, surplus and reserve, will be limited to \$4,500,000.00. Any funds accrued in excess of this sum will be reported and disposal will be made as directed by the Chief of Staff.

d. An additional special reserve will be maintained in the amount of five percent (5%) of the dollar amounts paid into the Supreme Commander for the Allied Powers Custody Account for precious metals released to the Central Purchasing Office as provided in paragraph 4 d above. This special reserve account will be maintained inviolate and will not be considered, reported or used as an asset of the Central Purchasing Office.

6. Financial Statements and Auditing Procedure:

a. The Central Purchasing Office will prepare a monthly financial statement each month accurately reflecting its financial position.

b. A copy of this financial statement will be forwarded to the Assistant Chief of Staff, G-4.

c. Unless otherwise directed, the Central Purchasing Office accounts will be audited by the General Accounting Section, General Headquarters, Supreme Commander for the Allied Powers, as of 31 December 1947, and once every six (6) months thereafter.

d. Inspector General inspections of the Central Purchasing Office will be conducted annually and concurrently with each 30 June audit of the Central Purchasing Office.

7. All Central Purchasing Office personnel who occupy positions involving considerable pecuniary responsibility will be adequately bonded in a reputable surety bonding company, the expense of such bonding to be borne by the Central Purchasing Office.

8. The foregoing supersedes any previous instructions given the Central Purchasing Office except as indicated in paragraph 1 hereof.

BY COMMAND OF GENERAL MacARTHUR:

MAILED 15 FEB 1948 AG-GHC

R. M. Levy
R. M. LEVY,
Colonel, AGD,
Adjutant General

Restricted

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
APO 500

1 July 1948

AG 331.3 (27 Feb 48)GD

SUBJECT: Operational Instructions for Central Purchasing Office

TO: Purchasing Officer, Central Purchasing Office, General
Headquarters, Far East Command, APO 500

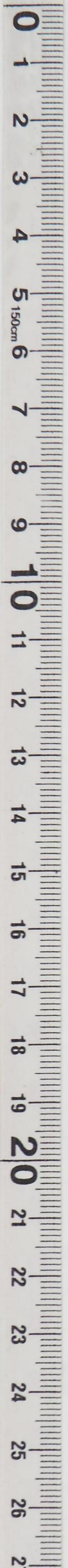
1. Reference is made to letter General Headquarters, Far East Command, file AG 370.2 (27 Feb 47)GD dated 27 February 1948, subject as above.

2. Paragraph 4 of letter referred to above is rescinded. Procurement of and payment for merchandise manufactured from precious metals will be made in the same manner as for other merchandise, as set forth in paragraphs 3 and 5 of above reference.

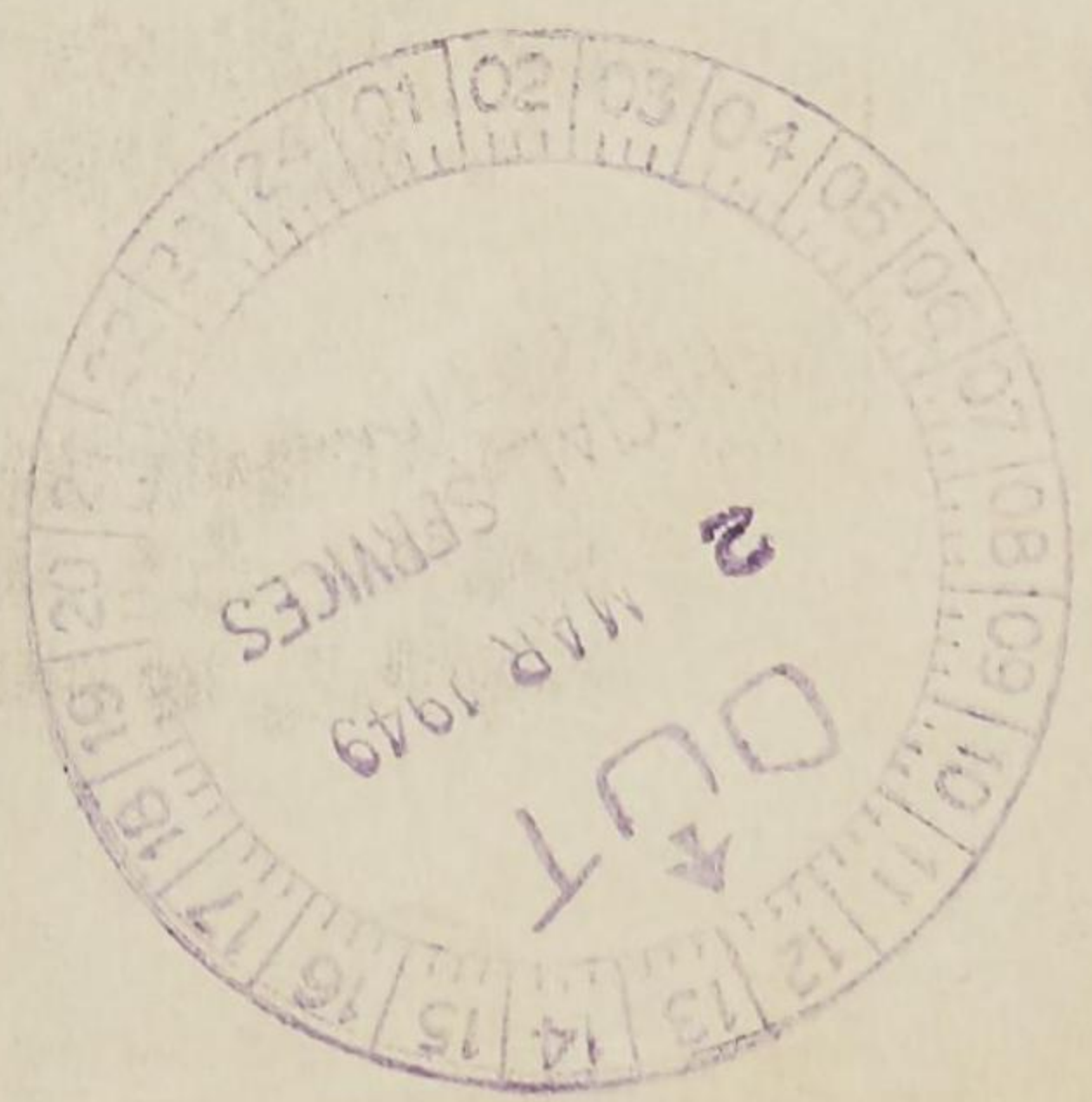
3. The accounting required by paragraph 4c of letter referred to above will be continued until stocks of precious metals obtained by Central Purchasing Office under procedures in effect previous to this amendment are exhausted.

BY COMMAND OF GENERAL MacARTHUR:

COPY



[Faint, mostly illegible text, likely bleed-through from the reverse side of the page. Some words like 'General Headquarters' and 'Command' are faintly visible.]



*Special Order
Dept.*

d. Procurement will be limited to items not available from stocks of the applicable exchange system as known to Central Purchasing Office through records of items purchased for the respective exchange systems, and, when considered advisable, through consultation with the applicable exchange system. Items not identical to exchange service Stocks, but sufficiently similar to represent a distinction without a difference will not be represented by samples in the Central Purchasing Office's Special Order Salesroom or offered for sale.

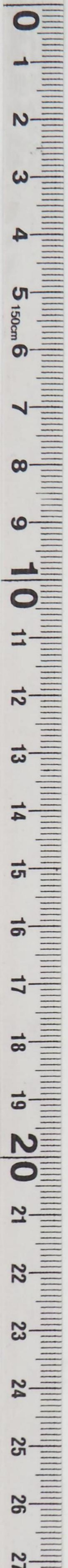
e. Each request for procurement will be accompanied by payment in dollars of the total listed or estimated cost. In the event that the actual cost exceeds the amount paid, the purchaser will be required to pay the balance due when delivery is taken of merchandise. Overpayment by purchaser will be refunded when delivery is taken of merchandise.

f. Items will be sold at the invoice price plus ^{regular post} 5 per cent to cover Central Purchasing Office's overhead costs. *Exchange mark-up to the end that prices will not vary between merchandise sold through exchange system outlets and the Central Purchasing Office.*

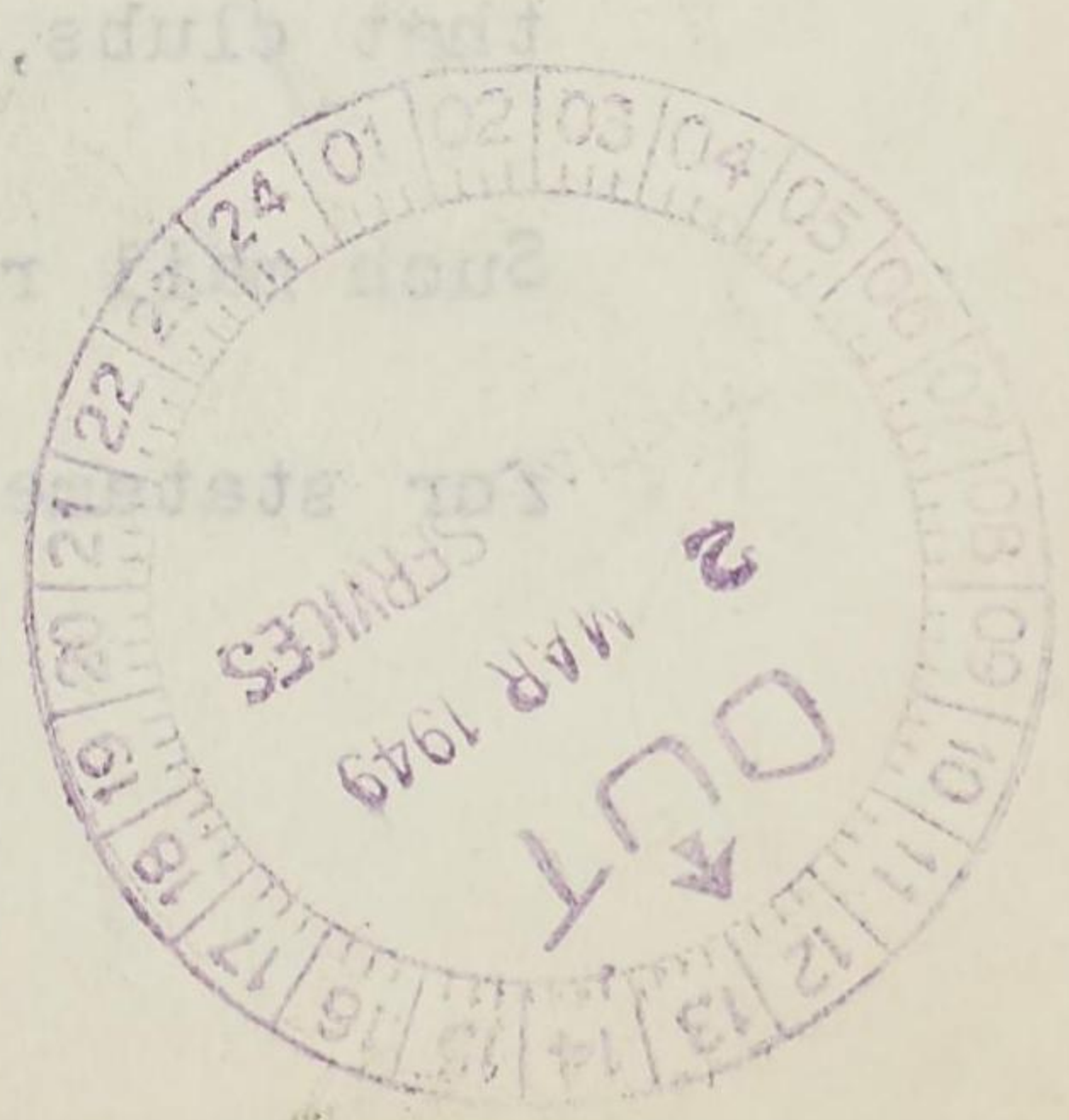
g. Purchases are solely an accommodation and, therefore, when request for procurement is accepted it will not be subject to cancellation, exchange or refund.

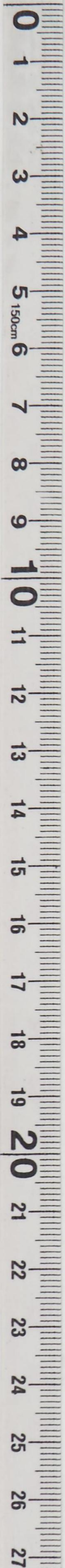
h. Merchandise will be required to be picked up promptly when notified of its receipt. If not picked up within 30 days from notification of receipt, storage charges will be imposed.

i. Requests for procurement will be submitted in person, except that clubs, messes and similar associations may submit requests by mail. Such mail requests will be routed through the applicable exchange system for statement of availability.



Procurement will be limited to items not available from
stocks of the applicable exchange system as known to Central Purchasing
Office through records of items purchased for the respective exchange
systems, and when considered advisable, through consultation with the
applicable exchange system. Items not identical to exchange service
stocks, but sufficiently similar to represent a distinction without a
difference will not be represented by samples in the Central Purchasing
Office's Central Order System or offered for sale.
Each request for procurement will be accompanied by payment
in dollars of the total listed or estimated cost. In the event that the
actual cost exceeds the amount paid, the purchaser will be required to
pay the balance due when delivery is taken of merchandise. Overpayment
by purchaser will be refunded when delivery is taken of merchandise.
Items will be sold at the invoice price plus 5 percent to
cover Central Purchasing Office's overhead costs.
Purchasers are solely responsible and, therefore, when
request for procurement is accepted it will not be subject to cancellation,
exchange or refund.
Merchandise will be required to be picked up promptly when
notified of its receipt. If not picked up within 30 days from notification
of receipt, storage charges will be imposed.
Requests for procurement will be admitted in person, except
that clubs, messes and similar associations may submit requests by mail.
Requests will be routed through the applicable exchange system
for status of availability.





G-4 ROUTING

A C/S G-4	_____
D AC/S G-4	_____
EXECUTIVE	_____
PLANS & POLICY	<i>MA</i>
OPERATIONS	_____
CONST & FAC	_____
TRANSPORTATION	_____
SUPPLY	_____
PETROLEUM	_____
BUDGET	_____
PERSONNEL	_____
ADMINISTRATION	<i>JHK</i>

331.3
~~*410.2*~~

AG 331.3 (27 Feb 48)GD

SUBJECT: Operational Instructions for Central Purchasing Office.

TO: Purchasing Officer, Central Purchasing Office, General Headquarters, Far East Command, APO 500.

1. Reference is made to letter General Headquarters, Far East Command, file AG 370.2 (27 Feb 48)GD dated 27 February 1948, subject as above.

2. Paragraph 4 of letter referred to above is rescinded. Procurement of and payment for merchandise manufactured from precious metals will be made in the same manner as for other merchandise, as set forth in paragraphs 3 and 5 of above reference.

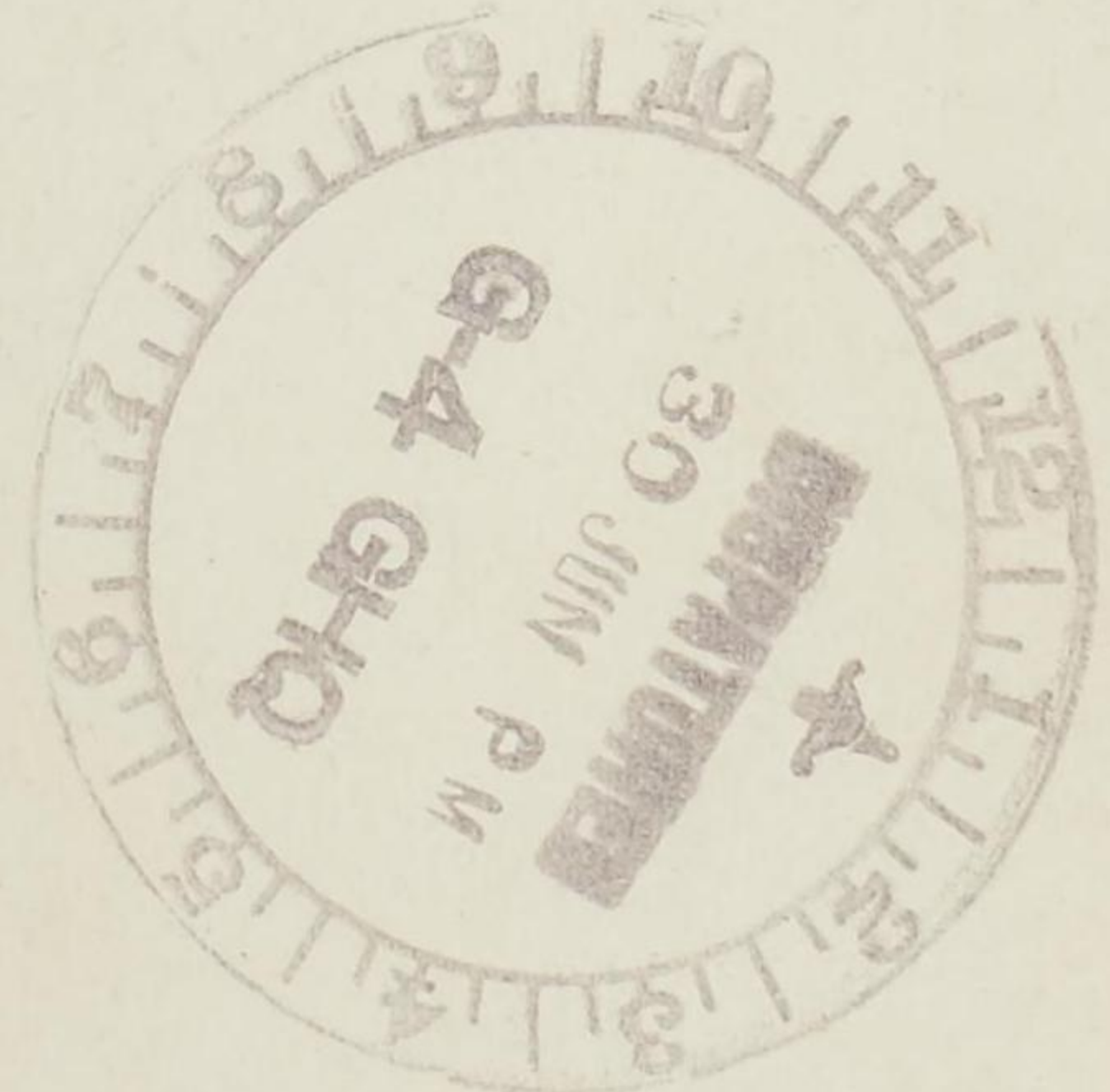
3. The accounting required by paragraph 4e of letter referred to above will be continued until stocks of precious metals obtained by Central Purchasing Office under procedures in effect previous to this amendment, are exhausted.

BY COMMAND OF GENERAL MacARTHUR:

MAILED 1 23 0 48 AG-GHQ

R. M. LEVY,
Colonel, AGD,
Adjutant General.

*Rescinded
see the att
14 Nov 49*



JHP
63617

G-4 FILE

G-4 Comeback Copy

GD R&P WPG/hv
30 June 1948

MEMORANDUM FOR RECORD

SUBJECT: Amendment to Operational Instructions for CPO.

1. A proposed SCAPIN amending SCAPIN 1767 "Procedure for Submitting Applications to Prepare for Export (Form IE-100) which Require the Use of Precious Metals", was approved by the C/S on 23 June 48. This SCAPIN establishes new procedures for the JG in submitting requests for the use of precious metals in cases where the metals will be consumed in producing items licensed or to be licensed for export, and those items produced for CPO. The new procedure permits CPO to purchase the finished product rather than precious metals and its implementation necessitated an amendment to GHQ ltr AG 370.2 (27 Feb 48)GD, subject "Operational Instructions for Central Purchasing Office", dtd 27 February 1948.

2. Proposed amendment to CPO instructions was forwarded to the C/S with the SCAPIN referred to in paragraph 1 above and was also approved by the C/S on 23 June.

3. USAFIK not affected.
4. Within established policies.
5. Completes G-4 action #63617.

W.P.G. [Signature]

J.P.B. [Signature]

G-4 FILE

FHT/GCC/JFT/jy

410.2

Operational Instructions for Central
Purchasing Office.

CPC/CD

G-4

28 JUN 1948

1

The inclosed letter to Purchasing Officer, Central Purchasing Office, General Headquarters, Far East Command, APO 500, file AG 370.2()GD, subject, "Operational Instructions for Central Purchasing Office," returned to CPC with C/S' approval, is forwarded for G-4 action.

1 Incl

Ltr to CPO,
AG 370.2

-----P.H.T.-----

22517

GENERAL HEADQUARTERS
UNITED STATES ARMY, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
OPERATIONS DIVISION
Records Unit

2 July 48
(Date)

TO: GD

File Number 370.2 has been changed
to 331.3 by the AG Records Unit
this date. It is requested that any
copies retained by your office be
changed accordingly.

Communications:

To: Purchasing Officer, Central Purchas-
ing Office GHQ.

Date: 27 Feb 48

Subject: Operational Instructions for
Central Purchasing Office.

Remarks: