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PRIORITIES INSTRUCTIONS

FEBRUARY 18, 1942

ARMY AND NAVY MUNITIONS BOARD

WASHINGTON, D. C.

ARMY AND NAVY MUNITIONS BOARD PRIORITIES INSTRUCTIONS

FOR CONTRACTING, PROCUREMENT, AND INSPECTING OFFICIALS

1. These Instructions supersede the Priorities Instructions of 15 March 1941.

2. These Instructions are correct as of 16 February 1942, but are subject to change or amendment. Contracting, procurement, and inspecting officials will be promptly advised of such changes or amendments.

3. These Instructions are based on the following documents, appended hereto:

- (A) Priorities Regulation No. 1, as amended.
- (B) Priorities Regulation No. 3.
- (C) Preference Rating Certificate, Form PD-3A.
- (D) Forms PC-20 and PC-20a.

PRIORITIES INSTRUCTIONS

ARMY AND NAVY MUNITIONS BOARD

WASHINGTON, D. C.

18 February 1942

SUBJECT: Revised Priorities Instructions.
To: All Supply Arms and Services of the Army and Bureaus and Offices of the Navy Department.
ENCLOSURE: (A) Revised Priorities Instructions.

1. The enclosed revised Priorities Instructions, issued to the War and Navy Departments under authority of the War Production Board, are effective upon receipt. All Priorities Instructions and interpretations previously issued which are in conflict with these revised Priorities Instructions are hereby revoked.

2. All Chiefs of Supply Arms and Services of the Army and Bureaus and Offices of the Navy Department are hereby made responsible for the enforcement of these Instructions in connection with operations under their jurisdiction. Although all Army and Navy contracting, procurement, and inspecting officials will receive copies of these Instructions, Chiefs of Supply Arms and Services of the Army and Bureaus and Offices of the Navy Department will take such additional steps as are necessary to adequately inform and instruct their personnel.

3. Letters of instruction or interpretation, for general distribution, which may hereafter be issued by the Supply Arms and Services of the Army and Bureaus and Offices of the Navy shall conform to these revised Priorities Instructions and all such letters or instructions must be approved by the Army and Navy Munitions Board before distribution.

4. Wherever these Instructions are violated, the Army and Navy Munitions Board is authorized to take corrective action. This will be done by directing the supplier to cancel the preference rating in question. If the facts in such violations are such as to justify the criminal prosecution of suppliers, the cases will be transmitted by the Army and Navy Munitions Board to the War Production Board for such action.

5. Violations of these Instructions by personnel of the Supply Arms and Services of the Army and Bureaus and Offices of the Navy will subject such personnel to official disciplinary action.

ROBERT P. PATTERSON,
Under Secretary of War.

JAMES FORRESTAL,
Under Secretary of the Navy.

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PRIORITIES INSTRUCTIONS

1. Introduction.

(a) The Instructions contained herein explain in detail the procedures to be used in connection with the Army and Navy Munitions Board Priorities Directive (not appended), Division Administrative Order No. 1 of the Division of Industry Operations (not appended), Priorities Regulation No. 1, as amended, Priorities Regulation No. 3, preference rating certificate, Form PD-3A, and Forms PC-20 and PC-20a. These documents embrace changes in the method of issuing and extending preference ratings from the system that has been in effect since March 1941.

(b) It is to be especially noted that letters of interpretation or instruction concerning priorities procedures, for general distribution, *must* be submitted to the Army and Navy Munitions Board (Priorities Committee) for approval. This is necessary in order to avoid any interpretations or instructions which are not in keeping with basic priorities procedures and which tend to depart from uniformity.

(c) As noted on the cover page, there are several documents appended hereto. A thorough comprehension of these Instructions is predicated on a study and understanding of these documents. While every effort will be made to publicize these Instructions and any subsequent changes, contracting, procurement, and inspecting officials should endeavor to inform the contractors and subcontractors within their respective jurisdictions of these priorities procedures.

(d) The Army and Navy Munitions Board (Priorities Committee) will receive and consider suggested solutions of specific problems, which may arise in operations, presented by contracting, procurement, and inspecting officials, through channels.

2. Authority.

(a) Precedence and delivery of preferred orders over other orders is authorized by Section 2(a), Public Law 671, 76th Congress, as amended by Public Law 89, 77th Congress. The authority to apply priorities is vested in the President of the United States, who, by Executive Orders dated 16 and 24 January 1942, delegated his powers to the Chairman of the War Production Board.

(b) The Army and Navy Munitions Board (Priorities Committee), by the terms of Joint Order of 17 June 1940, issued by the Under Secretary of War and the Under Secretary of the Navy; Executive Order dated 16 January 1942; and, Division Administrative Order No. 1 of the Division of Industry Operations, Priorities Regulation Nos. 1 and 3, as ratified by the Division of Industry Operations, War Production Board, on 26 January 1942, is vested with the authority to establish and maintain schedules of preference ratings and to assign ratings to contracts of the Army, Navy, various U. S. Government agencies, and certain foreign governments.

3. Definitions.

For the purpose of these Instructions, the following definitions are established:

(a) *Priority* is the degree of precedence given to a contract or order to permit completion or delivery on a particular date at the expense, if necessary, of competing contracts or orders of lower priority held by the same supplier.

(b) *Priorities Directive*. The current "Army and Navy Munitions Board Priorities Directive" lists various items, projects, and group procurement objectives. The Directive classifies each such item, project, and objective according to the various preference ratings which may be automatically assigned to contracts, orders, awards, and letters of intent relating thereto. The preference rating classes included in the Directive are A-1-a to A-1-j, inclusive. The general provisions of the 20 August 1941 Priorities Directive are governed by these Instructions where in conflict.

(c) *Preference Rating* is the symbol (A-1-a, A-1-b, etc.) which, when assigned to a contract, order, award, or letter of intent, establishes the degree of priority such contract, order, award, or letter of intent will receive.

(d) *Original Preference Rating* is the rating applied by use of a preference rating certificate or order to delivery of an end item.

(e) *Extended Preference Rating* is the application by a prime contractor or subcontractor of his preference rating to delivery under his subcontracts or orders.

(f) *Code Number* is the reference number appearing opposite each item, project, or group procurement objective in each classified section of the Army and Navy Munitions Board Priorities Directive. It is used for identification and has no urgency or preference significance.

(g) *Preference Rating Certificate (Form PD-3A)* is the instrument by which preference ratings are assigned in the manner set forth in these Instructions.

(h) *Prime Contract* is a contract or order placed by the United States Government, or by an approved foreign government, directly with an individual, firm, or corporation to supply military, naval, or other defense material, equipment, or facilities. It is to be noted that the "prime contracts" referred to in these Instructions are limited to those agencies and governments set forth in Paragraph 7 (d) and (e) hereof.

(i) *Prime Contractor* is the individual, firm, or corporation with whom the United States Government, or an approved foreign government, has placed a prime contract.

(j) *Subcontract* is a contract or order placed with a supplier by an individual, firm, or corporation holding a prime contract or another subcontract.

(k) *Subcontractor* is the individual, firm, or corporation with whom a prime contractor, or another subcontractor, has placed a purchase contract.

(l) *Authentication* is the execution, evidenced by the signature of the duly authorized official of the contractor, of the certificate in Section 6 of Form PD-3A.

(m) *Countersignature* is the validating of a PD-3A preference rating certificate, in Section 6 thereof, by signature of a U. S. Government Official.

(n) *Certification* is a representation by the holder of a preference rating, endorsed upon his purchase order, by means of which he extends the rating to his supplier in accordance with the terms of Priorities Regulation No. 3.

(o) *Purchaser* is any prime contractor or subcontractor who extends a preference rating in connection with the procurement of material.

(p) *Supplier* is any subcontractor to whom a preference rating is extended in connection with the procurement of material.

(q) *Material* means any commodity, equipment, accessory, part, assembly, or product of any kind.

(r) *Material physically incorporated* includes all commodities, accessories, parts or assemblies, or other products which are physically or chemically incorporated in the end item described in Section 5 of the PD-3A. This includes those chemicals used in processing the end item or any part thereof; and, packaging and containers specifically required by terms of the prime contract. Excluded are facilities, machine tools, capital equipment, and repair, maintenance, and operating supplies.

(s) *Machine Tool* is any machine, or accessory thereto, for the cutting, abrasing, shaping, forming and joining of metals, including gages and chucks as provided in General Preference Order No. E-1-a, revised.

(t) *Capital Equipment* is machinery or other equipment except machine tools.

(u) *Maintenance* is the keeping of machine tools or capital equipment in sound working condition.

(v) *Repair* is the restoration of machine tools or capital equipment to a sound working condition after wear and tear, damage, destruction of parts, or the like have made such tools or equipment unfit or unsafe for service.

(w) *Operating Supplies* are any materials not physically incorporated, which are essential to normal operations and which are generally carried in producer's stores and charged to general operating expense accounts. This includes packaging materials or containers even though not specifically required by terms of the prime contract (see [r] above).

Exceptions to the above:

The terms "Repair," "Maintenance," and "Operating Supplies" *do not* include material for:

(i) The improvement of a producer's property or equipment through the replacement of material which is still usable in the existing installations, with material of a better kind, quality, or design.

(ii) Additions to, or expansion of, such property or equipment.

(x) "*Supply Arms and Bureaus*" and "*Army and Navy*" shall be construed to include the various Government agencies and foreign governments set forth in Paragraph 7 (d) and (e) of these Instructions, unless they are specifically excluded.

4. *Priorities Critical List.*

(a) Effective 2 February 1942, the Priorities Critical List no longer restricts assignment of preference ratings by PD-3A certificates. While the only limitations on the items to which preference ratings might properly be assigned on Form PD-3A will be those established by orders, directives, and instructions issued for the purpose of conserving and allocating critical materials, the lifting of this restriction is not to be considered as authorization for indiscriminate assignment of preference ratings for materials which by their nature can be obtained without such certificates and which common sense dictates do not require preference rating assistance.

5. *Priorities Agencies and Their Functions.*

(a) *The Division of Industry Operations of the War Production Board* is the agency primarily responsible for the administration of all priorities, military and civilian.

(b) *The Army and Navy Munitions Board (Priorities Committee)* under delegated authority directs and coordinates the military priorities activities of the Army, Navy, certain Government agencies, and foreign governments. It establishes and assigns preference ratings and authorizes contracting and procurement offices to assign the preference ratings established by the "Army and Navy Munitions Board Priorities Directive."

6. *Preference Ratings.*

(a) Preference ratings in order of precedence are:

AA;	
A-1-a, A-1-b, A-1-c.....	A-1-k;
A-2, A-3, A-4.....	A-10;
BB;	
B-1, B-2, B-3.....	B-8.

(b) Ratings of A-1-a through A-1-j may be automatically assigned by contracting and procurement officials to contracts and orders falling within the respective classifications of the Priorities Directive. Inasmuch as the AA rating is not included in the Priorities Directive, it cannot be automatically assigned to contracts or orders. Rather, the procedure set forth in (f) below must be used.

(c) Ratings higher than authorized by the Priorities Directive may not be assigned by contracting or procurement officers except by specific authority of the Army and Navy Munitions Board (Priorities Committee). The assignment of such ratings without authority is illegal. Authority, if justified, may be secured by a written request to the Army and Navy Munitions Board, or in very urgent cases by teletype or telephone request followed by written confirmation (see [d] and [e] below). Such requests should be originated by the Chief of Supply Arm or Bureau, or should bear his endorsement, and will include, so far as possible, the following information:

- (i) A definite request for the action desired.
- (ii) Concise, but complete, explanation of difficulties encountered.
- (iii) Basic data: Contractor's or subcontractor's name and location; Prime Contract number and order number of contractor or subcontractor; Preference rating assigned; Serial Number of related PD-3A certificate; Description and value of item or project under contract.
- (iv) Required undelivered quantities with required and promised delivery dates, and value.
- (v) Justification of higher rating requested, including military necessity.
- (vi) Justification of required delivery dates.
- (vii) Information as to interfering orders on books of supplier which make the higher rating necessary.
- (viii) Measures already taken to overcome difficulty without resort to a change in existing priority.

As soon as a decision has been made, the Supply Arm or Bureau making the request will be advised, by letter. If the reply authorizes the higher than routine rating, it may then be used by issuing to the purchaser an original PD-3A preference rating certificate, coded in accordance with (g) below. The recipient of the certificate may then extend the rating by certified purchase order issued to the firm or individual from whom he is procuring the needed material.

(d) In extremely urgent cases it may be necessary to request the Army and Navy Munitions Board (Priorities Committee), by teletype, to issue higher-than-routine ratings. In such instances, the same information outlined in (c) above must be included in the request. The office making the request should immediately forward a confirmation copy thereof to the Army and Navy Munitions Board (Priorities Committee), and an information copy to the Chief of the Supply Arm or Bureau concerned. Requests made by teletype will be acted upon as soon as possible, and the office making the request will be advised, by teletype, of the action taken, with an information copy to the Chief of the Supply Arm or Bureau concerned. If the reply authorizes the higher-than-routine rating, it may then be used by issuing to the purchaser an original PD-3A preference rating certificate, coded in accordance with (g) below.

(e) When teletype is not available, requests for the issuance of higher-than-routine ratings in extremely urgent cases may be made by telephone. In a case of this kind, the same information outlined in (c) above must be at hand when the call is made. Inasmuch as the official of the Priorities Committee to whom the request is made will have to consider the matter, clear the request with the other interested Supply Arm or Bureau, and secure concurrence of the other services, it ordinarily will not be possible for him to give authority at the time the call is made. Rather, as soon as he has had an opportunity to clear the matter, he will call back and give the decision. If the decision is favorable, he will at that time furnish the date and file number of the letter confirming authorization of the higher-than-routine rating. With this information at hand,

the authorized rating may be used by issuing to the purchaser an original PD-3A preference rating certificate, coded in accordance with (g) below, without awaiting receipt of the written confirmation. An information copy of the letter of authorization will be sent to the Chief of the Supply Arm or Bureau concerned.

(f) All AA ratings must be specifically and individually authorized by the Division of Industry Operations, War Production Board. The assignment of AA ratings to contracts or orders without such authority is illegal. The procedure for obtaining this rating is to make application, through channels, to the Army and Navy Munitions Board (Priorities Committee), in the same manner as set forth in (c), (d), or (e) above. If the request is concurred in by the Army and Navy Munitions Board (Priorities Committee), it will be endorsed to the Division of Industry Operations, War Production Board, for authorization. If the requested authorization is granted, it will be forwarded by the Army and Navy Munitions Board to the requesting source in the manner set forth in (c), (d), or (e) above. Upon receipt of the authorization by the requesting source, a PD-3A preference rating certificate, bearing the AA rating, and coded in accordance with (g) below, shall be issued to the firm or individual in whose favor the AA rating was requested. A supplier who receives an order bearing an AA rating which he can fill out of inventory on hand or in process may extend only an A-1-a rating for replacement in accordance with the rules laid down in these Instructions.

(g) All PD-3A preference rating certificates issued under the procedure set forth in (c), (d), and (e) or (f) above must bear a notation in the space provided for "ANMB Code No." thereon the date and file number of the confirming letter in lieu of the code number of the routine rating. For example:

"ANMB Ltr., 1/8/42, 12-C-1, JBS/mp."

7. *Preference Rating Certificate, Form PD-3A.*

(a) Preference rating certificate, Form PD-3A, supersedes Forms PD-3, PD-4, and PD-5. The new form *may* be used on and after 2 February 1942, and *must* be used on and after 15 March 1942. All PD-3, PD-4, and PD-5 certificates issued prior to 15 March 1942, and still in effect on that date, are valid.

(b) PD-3A forms are designed to care for items of military procurement and are serially numbered starting from M-1. A complete file of the triplicate copy of every PD-3A form issued will be maintained in the Army and Navy Munitions Board (Priorities Committee). All correspondence dealing with Form PD-3A should contain reference to the serial number of the certificate and preference rating assigned. Contracting, procurement, and inspecting officials should advise suppliers to refer to the serial number of certificates, and preference rating assigned, in all correspondence.

(c) Form PD-3A has basic functions as set forth in Paragraphs 8, 9, 10, and 11 of these Instructions.

(d) Form PD-3A shall be used to assign preference ratings to contracts or orders of the:

Army.	Maritime Commission.
Navy.	Coast and Geodetic Survey.
Coast Guard.	Panama Canal.
Selective Service System.	
Civil Aeronautics Administration.	
National Advisory Committee on Aeronautics.	
Office of Scientific Research and Development.	
Lend-Lease Purchases of the Procurement Division, Department of the Treasury.	
Lend-Lease Purchases of the Surplus Marketing Administration, Department of Agriculture.	

(e) Form PD-3A shall also be used to assign preference ratings to the contracts or orders of any foreign governments, the defense of which the President shall have deemed from time to time to be vital to the defense of the United States.

(f) A supply of preference rating certificates, Form PD-3A, will be furnished each contracting, procurement, and inspecting official as soon as available. Inasmuch as the new preference rating certificate, Form PD-3A, will not be used for extensions, but will be used principally for the assignment of preference ratings to prime contracts; for authorized procurement of machine tools and other capital equipment; for authorized repair, maintenance, and operating supplies; and, for such direct Government construction as provided in Paragraph 9 (a) of these Instructions, it will not be necessary to distribute them on the same large scale as has been the case in the past. Their further distribution will be left to the discretion of the contracting, procurement, or inspecting official involved. If, on the basis of past experience, it is known that certain firms within an area or district frequently require individual certificates to procure quantities of repair, maintenance, and operating supplies, it would seem that the most expeditious method of handling these cases would be to furnish the firms with a reasonable supply of the certificates. The Production Requirements Plan or one of the blanket preference ratings of the War Production Board will, beginning 1 June 1942, be the usual method of obtaining repair, maintenance, and operating supplies, except for prime contractors. (See Paragraph 11 of these instructions.)

(g) A small supply of the certificate, PD-3A will be furnished each field office initially. Requests for replenishment of the supply of Form PD-3A will be made to the Supply Section, Priorities Committee, Army and Navy Munitions Board, War Department Building, Washington, D. C. Requests will be handled as rapidly as possible. However, do not wait until the supply is nearly exhausted before requesting replenishment.

(h) Form PD-3A may not be reproduced.

8. Preparation of Preference Rating Certificate, Form PD-3A, for Prime Supply Contracts.

(a) In filling out a preference rating certificate, Form PD-3a, for a prime supply contract, the following procedure should be followed:

SECTION I. The "contractor" is the "prime contractor" with whom the Army or Navy contract was placed. If the prime contract is placed

with a sales agency, such sales agency's name should appear first and the notation "agent for" should follow on the line to indicate the company which will produce the material ultimately to be delivered to the Army or Navy.

SEC. 2. The address should be that one of the company where the PD-3A form will be filed and where it can be inspected, if necessary.

SEC. 3. The complete number of the contract or purchase order for the items covered by the certificate should be given in this space. Orders placed under Treasury Procurement Schedules must include not only the order number but the number of the TPS contract as well. Sundry Purchase Orders must be designated by the initial SP followed by the complete order number. Requisitions to which contract numbers have not been assigned must be numbered distinctively and should ordinarily bear a schedule number in addition. Where the PD-3A is issued to cover items on a "Letter of Intent," the date of such letter, and adequate identification symbol of such letter, shall be placed in this Section. If the space provided is not sufficient for giving information about the "Letter of Intent," a footnote should be indicated and the complete information added at the bottom of the certificate.

SEC. 4. This Section must show the name and address of the Supply Arm or Bureau of the Army or Navy which issued the related prime contract, purchase order, or "Letter of Intent." In the case of Navy contracts initiated by a Bureau other than Supplies and Accounts which, nevertheless, was awarded by Supplies and Accounts, the initiating or technical Bureau must be shown in parentheses after the name of the issuing Bureau. For example, if a contract is let by the Bureau of Supplies and Accounts for material required by the Bureau of Aeronautics, the proper entry will be "U. S. Navy, Bureau of Supplies and Accounts (Bureau of Aeronautics), Washington, D. C." Analogous procedure will be followed in connection with Navy "Yard" contracts.

SEC. 5. The required delivery date must be shown as indicated by the contract involved. A preference rating certificate which does not show an actual required delivery date is not valid and must not be honored. Such terms as "at once," "as soon as possible," "immediately," etc., are not adequate. A firm must not accept as valid a certificate which does not carry a specific required delivery date.

The quantity and value of each shipment required by the contract should be shown in sufficient detail to provide proper control.

A sufficient description of the items called for in the prime contract should be made to identify the type of material being procured. Whenever the contract involves ships or aircraft, Section 5 shall also contain the hull numbers or names and types of them.

Wherever the contract is a secret or confidential document and the inclusion of such information in the PD-3A certificate can be considered as divulging secret or confidential information, it is requested that the term "Special" be used in the columns calling for quantity, value, and description in lieu of such information. This procedure will make unnecessary marking the certificate "Secret" or "Confidential" and will eliminate special handling and safekeeping. However, it is considered that in most instances the secret or confidential nature of a contract is in the specifications of the items called for and not in the fact that any one

firm is manufacturing any specified quantity of a particular item for any particular delivery. Since the preference rating certificate will be the property only of Government officials and the prime contractor, it is felt that the above procedure is adequate in most cases.

SEC. 6. The authentication in Section 6 is designed to make Form PD-3A applicable to prime contracts and also to authorized purchases of machine tools and productive equipment, and authorized purchases of repair, maintenance, and operating supplies for prime and subcontractors. When used in connection with a prime contract, this certification merely states that the information shown on the PD-3A Form is correct as it relates to the prime contract which it covers. The issuing Government official may countersign the certificate and forward the original to the contractor. The contractor, by making the authentication, will indicate his acceptance of the rating assigned before he commences extension of the certificate. Only the original copy of the certificate need be manually signed. The copies should carry the typed or stamped name and address of the Government official and the date on which the countersignature was made.

The Government officials authorized to countersign PD-3A Forms for prime supply contracts of all foreign governments are officer personnel on duty with the Priorities Committee, Army and Navy Munitions Board, Washington, D. C.

Form PD-3A issued for the various other U. S. Government agencies will be countersigned by representatives of the agencies at the following addresses:

- MARITIME COMMISSION Maritime Unit, Priorities Committee, Army and Navy Munitions Board, Washington, D. C.
- COAST GUARD Purchasing and Contracting Officers of the U. S. Coast Guard; and Coast Guard, U. S. Navy, Washington, D. C.
- COAST AND GEODETIC SURVEY. Commanding Officers of vessels; and Headquarters Coast and Geodetic Survey, Commerce Building, Washington, D. C.
- PANAMA CANAL Panama Canal, 1435 K Street, N. W., Washington, D. C.
- NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS. 1500 New Hampshire Avenue, N.W., Washington, D. C.; and district field agents located at:
 1. Langley Memorial Aeronautical Laboratory, Langley Field, Hampton, Va.
 2. Aircraft Engine Research Laboratory, Grayton and Brookpark Roads, Cleveland, Ohio.
 3. Ames Aeronautical Laboratory, Moffet Field, Calif.

CIVIL AERONAUTICS ADMINISTRATION. Commerce Building, Washington, D. C.; and Regional Offices located at:

1. La Guardia Field, Jackson Heights, Long Island, New York.
2. P. O. Box 4327, Atlanta, Georgia.
3. 1204 New Post Office Bldg., Chicago, Illinois.
4. P. O. Box 1689, Ft. Worth, Texas.
5. City Hall Bldg., Kansas City, Missouri.
6. Broadway at Fourth, Santa Monica, California.
7. King County Airport, Seattle, Washington.
8. Anchorage, Alaska.
9. 47 Young Bldg., Honolulu, Hawaii.

OFFICE OF SCIENTIFIC RESEARCH AND DEVELOPMENT. Priorities Committee, Army and Navy Munitions Board, Washington, D. C.

SELECTIVE SERVICE SYSTEM... Priorities Committee, Army and Navy Munitions Board, Washington, D. C.

PROCUREMENT DIVISION OF THE DEPARTMENT OF THE TREASURY (Lend-Lease). Priorities Committee, Army and Navy Munitions Board, Washington, D. C.

SURPLUS MARKETING DIVISION OF THE DEPARTMENT OF AGRICULTURE (Lend-Lease). Priorities Committee, Army and Navy Munitions Board, Washington, D. C.

SEC. 7. The issuing Government official will indicate herein the preference rating applicable to the contract as determined by the current Priorities Directive.

The issuing Government official will also indicate the code number identifying the subsection of the Directive which authorizes the rating assigned. For example, in the 20 August 1941 Priorities Directive, as amended, 20 mm aircraft guns are rated A-1-a and are coded as "6" under the A-1-a section. A preference rating certificate issued covering a contract for such equipment would accordingly be rated A-1-a and the "ANMB Code No." would be "6". In isolated and urgent instances the Army and Navy Munitions Board (Priorities Committee) authorizes in writing preference ratings not in line with the Priorities Directive (see Paragraph 6 of these Instructions). Prime certificates and all extensions thereof bearing ratings issued under such authority shall show, as "ANMB Code No.", the date and file number of the authorizing letter in lieu of the Directive code number. An example of this would be "ANMB Ltr. 1-7-42, 18-D-10, BDS."

When the contracting or procurement official finds that the highest rating applicable under the Directive is not necessary to secure the ma-

terial by the scheduled delivery date, and therefore assigns a lower rating this will be indicated by placing the lower rating in the space for the preference rating, and the code letter and number of the proper rating in the space for the code number. Example, A-1-j rating applied to an A-1-h, Code 2, contract. A-1-j would be shown as the "Preference Rating", and "h (2)" would be shown as the "ANMB Code No."

It is to be noted that the code numbers in the Directive have no priority or urgency significance. They are used in the above outlined coding procedure for the purpose of identification.

The urgency standing number required in the case of machine tools should be entered, when applicable, as explained in Paragraph 10 (b) (ii) of these Instructions.

If a prime contract calls for a quantity of items, portions of which are for different ultimate uses, a split rating may be necessary. In this case the quantity or portion of the contract falling in each class must be shown opposite the rating; as an example, one-third A-1-b, one-third A-1-c, and one-third A-1-h. Under such circumstances the corresponding code numbers must also be shown.

(b) It is recommended that the issuing officer fill in the spaces in the certification paragraph on the back of Form PD-3A. This includes the preference rating, the Army and Navy Munitions Board code number or authority, the serial number of the certificate, the initiating Government agency, the contract number, and the name of the prime contractor. All of these items appear on the face of the certificate being issued and should be copied accurately. In the space calling for the name of the person to whom extension certificates must be sent, the issuing officer will place the name and address of the contracting or inspecting official who has original jurisdiction over the fulfillment of the prime contract. In the case of Army contracts, this will usually be the contracting officer. In the case of Navy contracts, this will usually be the district inspector's office in whose district the prime contractor is located.

However, if it is not practicable for the issuing officer to follow the foregoing recommended procedure, he must, at the bottom of the face of the PD-3A certificate, note Send copy of purchase order extensions to Inspector

.....
 (Insert Name and Address of Official having original jurisdiction.)

9. Preparation of Preference Rating Certificates and Preference Rating Orders for Construction Projects.

(a) Until 1 June 1942, the procedure set forth below shall be used to assign preference ratings to prime construction contracts of a Supply Arm or Bureau, the specifications and plans of which are prepared by the Supply Arm or Bureau or their duly approved agents, and when such Supply Arm or Bureau has direct supervision over the construction. Prior to that date supplemental Instructions covering the procedure to be followed after 1 June 1942 will be issued.

- (i) Form PD-3A shall be issued to assign the preference rating to such projects. The preference rating shall be in accordance with the rating established by the Priorities Directive.

- (ii) Form PD-3A shall be issued by the Supply Arm or Bureau, or by the contracting or procurement official thereof, having jurisdiction over the construction contract, if only one grade of preference rating is applicable to the project.
- (iii) If a project, when the construction is completed, will be used in such a manner that more than one grade of preference rating is applicable to the various uses of the completed project, the PD-3A certificate shall be issued by the Army and Navy Munitions Board (Priorities Committee). In other words, construction projects cannot be assigned "split ratings" and only the Army and Navy Munitions Board can assign a mean or average rating to construction projects. In these cases the Supply Arm or Bureau, or the contracting or procurement official thereof, having jurisdiction over the construction contract shall forward the request for a preference rating, through channels, to the Army and Navy Munitions Board.
- (iv) The preference rating certificate, Form PD-3A, shall be prepared in accordance with the terms of Paragraph 8 of these Instructions.
- (v) A list of "prohibited items," the use of which will not be permitted in the above described construction projects without special permission from the Army and Navy Munitions Board, will soon be furnished all Supply Arms and Bureaus, and contracting and procurement officials thereof, having jurisdiction over such construction contracts.

(b) Construction projects to expand existing facilities or provide new facilities with which prime contractors or subcontractors may fulfill supply contracts of the Supply Arms or Bureaus will be assigned preference ratings in accordance with the following provisions:

- (i) Construction projects to expand existing facilities or to construct new facilities for *prime contractors* will be assigned ratings on Preference Rating Order P-19-h by the Army and Navy Munitions Board (Priorities Committee). The prime contractor desiring to apply for a preference rating for construction, or expansion, of facilities will do so on Forms PD-200 and PD-200-a. Such application shall be *submitted to the contracting official* having jurisdiction over the contract for which the facilities will be used. Such official will endorse the application, with recommendation, *through channels, to the Army and Navy Munitions Board.*
- (ii) Construction projects to expand existing facilities, or to construct new facilities, of *subcontractors* will be assigned ratings on Preference Rating Order P-19-h by the War Production Board. Requests for assignment of ratings to such projects will be *submitted to the War Production Board* on Forms PD-200 and PD-200a, with the recommendation of the Supply Arm or Bureau most concerned by virtue of the supply contracts involved.

(c) Whenever the prime construction contract has embodied within its terms the installation of machine tools or other capital equipment for use in the completed project, or for Government-owned capital equipment for use in constructing the project, the preference rating applied to the project by the PD-3A certificate may also be extended to such tools or equipment, provided that they are specifically listed in the certificate, using attached sheets if necessary, and showing the urgency number if applicable. The provisions of Paragraph 10 (b) (iii) apply equally to machine tools and equipment procured under this subparagraph. Machine tools or other capital equipment *may* be included in Preference Rating Order P-19-h when used in connection with construction or expansion of facilities pertaining to prime supply contracts.

10. Preparation of Preference Rating Certificate, Form PD-3A, for Machine Tools and Other Capital Equipment.

(a) The Army and Navy Munitions Board (Priorities Committee), by virtue of the authority granted to it in Division Administrative Order No. 1, controls the issuance of preference ratings in connection with the procurement of machine tools and capital equipment by the Army and Navy, or by any prime contractor or subcontractor of an Army or Navy contract. The Army and Navy Munitions Board (Priorities Committee) has delegated this authority in certain instances as set forth herein.

(b) In the case of a direct purchase of machine tools or other capital equipment by the Army or Navy or by the various Government agencies (foreign governments excluded), not included in a construction project (see Paragraph 9 [c] of these Instructions), a preference rating shall be assigned to such purchase by means of an original PD-3A certificate. The contracting or procurement official may issue the certificate as provided in Paragraph 8 of these Instructions, and the following subparagraphs:

- (i) The rating to be applied to such direct Government purchases shall be determined from the Priorities Directive, based upon the use to which the tools or equipment will be put. In the event that the tools or equipment are to be used for two or more purposes, the rating applied shall be the lowest-rated purpose for which they will be used. However, if the higher rating is considered necessary, the contracting or procurement official may apply to the Army and Navy Munitions Board as provided in Paragraph 6 of these Instructions. If the contract contains two or more groups of tools or equipment and each group is to be used exclusively for one purpose only, then the preference ratings applicable to each group shall be so assigned. In such instances the code numbers identifying each rating shall be shown.
- (ii) Whenever such direct purchase of machine tools is accorded an urgency standing and preference rating by the Numerical Master Preference List, the urgency standing and rating shall be shown in Section 7 of the PD-3A certificate.
- (iii) The Supply Arms and Bureaus concerned are charged with the responsibility of assuring that the quotas of tools set forth

in enclosure to ANMB letter of 15 January 1942, as amended from time to time, are not exceeded, and also of keeping proper records to assure the same. These records are to be open for inspection by the Army and Navy Munitions Board as necessary.

(c) Machine tools and capital equipment required by prime and sub-contractors, to fulfill Army and Navy contracts, are divided and sub-divided as follows:

(i) Machine Tools:

- a. Contracts and prime and subcontractors *included* in the Numerical Master Preference List.
- b. Contracts and prime and subcontractors *not included* in the Numerical Master Preference List.

(ii) Capital Equipment:

- a. Prime and subcontractors needing plant productive equipment or construction equipment.
- b. Prime and subcontractors needing administrative productive equipment.
- c. Prime and subcontractors needing nonproductive equipment.

(d) The prime contractor or subcontractor requesting the issuance of preference rating certificate Form PD-3A for any machine tools or capital equipment must, as preliminary steps, follow the procedure set forth below:

- (i) Prepare an original Form PD-3A by placing in Section 1 his name; in Section 2, his address; in Sections 3 and 4, the related contract number(s) and initiating Government agency(ies); and, in Section 5, the quantity, description, value, and delivery dates of the tools or equipment needed. He should then sign the authentication in Section 6 of the original; and submit all five copies, with the additional information set forth in (ii) below, to the contracting, procurement, or inspecting official having jurisdiction of the contract(s) or subcontract(s) for the fulfillment of which he requires the tools. In case such official is not immediately available, the certificate may be sent to the nearest inspector in a position to make an investigation of the statements set forth in Form PC-20, when the latter is authorized to act by the official having jurisdiction.
- (ii) Whenever the contractor and the contracts for which the tools are required are *not in the Numerical Master Preference List*, he will prepare Form PC-20 in quadruplicate (see appendix [D]). All requested information must be furnished. The certification on the original must be signed. The serial number of the related and accompanying PD-3A certificate must be placed in the space provided for it in the upper left-hand section of the first page of the form. The quadruplicate

- copy will be retained by the contractor requiring the tools or equipment and the original, duplicate, and triplicate will be forwarded to the appropriate contracting, procurement, or inspecting official with the PD-3A, as set out in (i) above.
- (iii) The procedure to be used by contractors and subcontractors of various Government agencies and foreign governments is the same as for Army and Navy contractors or subcontractors. Any Army or Navy inspector who is in a position to make an investigation of the statements in Form PC-20 is authorized to do so for the contractors or subcontractors of such Government agencies or foreign governments. If an Army or Navy inspector is not available, the documents required by (i) and (ii) above should be forwarded to the Government agency or to the representative of the foreign government concerned. Representatives of the foreign governments and those Government agencies not empowered to issue PD-3A certificates will endorse the documents to the Army and Navy Munitions Board (Priorities Committee). Those Government agencies empowered to issue PD-3A certificates will dispose of the matter as set forth in (f), (g), or (h) below, executing a PC-20a when required.

(e) Upon receipt of the document(s) required in (d) above, the contracting, procurement, or inspecting official will complete the PD-3A certificate by placing in the certification on the reverse thereof his own name, or name of the proper inspecting official. After carefully studying Form PC-20, when submitted in accordance with (d) (ii) above, and after making, or causing to be made, an investigation of the truth of the statements therein, and having satisfied himself that the request is justified, he will execute Form PC-20 in triplicate (see appendix [D]), and dispose of the matter in one of the procedures set forth in (f), (g), or (h) below.

(f) *For Machine Tools on Numerical Master Preference List.*

- (i) If the request is for machine tools, and the contract or sub-contract and the prime contractor or subcontractor requiring them *are listed in the Numerical Master Preference List*, the contracting, procurement, or inspecting official will endorse all copies of the PD-3A certificate to the Supply Arm or Bureau concerned. If that Supply Arm or Bureau concurs in the endorsement of the contracting, procurement, or inspecting official, it will assign the preference rating and urgency standing provided in the Numerical Master Preference List, countersign the original PD-3A, and distribute the copies thereof.
- (ii) The Supply Arms or Bureaus concerned may, so far as machine tools in this classification are concerned, delegate their authority to issue Form PD-3A to the contracting, procurement, and inspecting officials. If this is done the responsibility for distributing PD-3A must also be delegated to the contracting, procurement, and inspecting official.

- (iii) The Supply Arms or Bureaus concerned are charged with the responsibility of assuring that the quotas of tools set forth in enclosure to Army and Navy Munitions Board letter, 15 January 1942, as amended from time to time, are not exceeded, and also of keeping proper records to assure the same. These records are to be open for inspection by the Army and Navy Munitions Board, as necessary.
 - (iv) Copies of the Numerical Master Preference List, a restricted document issued in connection with Preference Rating Order E-1-a, revised, by the Division of Industry Operations, War Production Board, have been sent to the office of each contracting, procurement, and inspecting official. The Army and Navy Munitions Board has on hand a limited supply of the List and will distribute them, upon request, as long as the supply lasts.
- (g) *For Machine Tools Not on the Numerical Master Preference List.*
- (i) If the request is for machine tools, and the contract or subcontract and the prime contractor or subcontractor *are not listed in the Numerical Master Preference List*, the contracting, procurement, or inspecting official will forward the original and duplicate PC-20 and PC-20a, and the related PD-3A, in quintuplicate, to the Supply Arm or Bureau concerned. The Supply Arm or Bureau concerned, provided that it concurs in the endorsement of the contracting, procurement, or inspecting official, will endorse the original PC-20 and PC-20a and the related PD-3A, in quintuplicate, to the Army and Navy Munitions Board (Priorities Committee).
 - (ii) If the Army and Navy Munitions Board (Priorities Committee) concurs, it will apply the proper rating to the PD-3A certificate, countersign it, and make distribution.
 - (iii) Generally, such requests for machine tools will not be given an urgency standing. However, in the exceptional cases where it can be justified by the Supply Arm or Bureau concerned, the contracts and contractors may be added to the Numerical Master Preference List by the Army and Navy Munitions Board.
 - (iv) Where a machine tool requested by a prime or subcontractor has a cost of less than \$3,000, the Supply Arm or Bureau concerned (or the contracting, procurement, or inspecting official, if authorized by the Supply Arm or Bureau) may issue the certificate, assign the applicable rating as determined as set forth in (b) (i) above, and distribute, with the original PC-20 and PC-20a attached to the triplicate copy of PD-3A being forwarded to the Army and Navy Munitions Board.
 - (v) In those cases where the subcontract and subcontractor are not on the Numerical Master Preference List, but the prime contractor and the prime contract, under which the tool is being requested, are included on the List, the urgency standing of the prime contractor and prime contract may be applied to the PD-3A of the subcontractor by the Army and Navy

Munitions Board. In such instances a request for the urgency standing shall be endorsed, through channels, to the Army and Navy Munitions Board.

(h) *For Capital Equipment.*

- (i) If the request from a prime or subcontractor is for any of the three classes of capital equipment listed under (c) (ii) above, the contracting, procurement, or inspecting official will forward the original and duplicate PC-20 and PC-20a, and the related PD-3A, in quintuplicate, to the Supply Arm or Bureau concerned. If that Supply Arm or Bureau concurs in the endorsement of the contracting, procurement, or inspecting official, it will endorse the original PC-20 and PC-20a, and the related PD-3A, in quintuplicate, to the Army and Navy Munitions Board (Priorities Committee). If the Army and Navy Munitions Board (Priorities Committee) concurs it will apply the proper rating to the PD-3A certificate, countersign it, and make distribution.
- (ii) Whenever the request for capital equipment involves a purchase costing less than \$1,000, the Supply Arm or Bureau concerned (or the contracting, procurement, or inspecting official, if authorized by the Supply Arm or Bureau) may issue the PD-3A certificate and distribute, with the original PC-20 and PC-20a attached to the triplicate copy of PD-3A being forwarded to the Army and Navy Munitions Board. When certificates are issued by the Supply Arms or Bureaus or the contracting, procurement, or inspecting officials as described above, the rating assigned will be as follows:
 - a. Plant productive equipment, as in (c) (ii) a. above, shall be entitled to the rating as determined for direct Government purchase of tools or capital equipment in (b) (i) above. This includes construction equipment.
 - b. Administrative productive equipment and non-productive equipment, as in (c) (ii) b. and c. above, shall be rated A-1-j and the proper "ANMB Code No." shall be "1." If a higher rating is deemed necessary, application therefor shall be made to the Army and Navy Munitions Board as provided in Paragraph 6 of these Instructions.
- (i) All contracting, procurement, and inspecting officials to whom requests are made for preference ratings for machine tools should study the provisions of General Preference Order No. E-1-a, revised, and Army and Navy Munitions Board letters, as follows: November 4, 1941, "Assignment of Urgency Standing to Subcontractors"; December 23, 1941, "Machine Tools—Use of Competing Types"; December 23, 1941, "Preference Rating Certificates for Critical Tools"; January 15, 1942, "Instructions for Assigning Urgency Numbers to Machine Tool Orders"; and such other and further instructions relative to machine tools as may be distributed from time to time by the Division of Industry Operations, War Production Board, by the Army and Navy Munitions Board, and by the Chiefs of Supply Arms and Services and Bureaus and Offices of the Army

and Navy. In any instances where these Instructions conflict with the aforementioned letters the provisions of these Instructions shall prevail.

(j) In making a determination as to the need of the Army or Navy contractor or subcontractor for machine tools, or other capital equipment, the contracting, procurement, or inspecting official should ordinarily rely upon the copy of the preference rating certificate or certified purchase order received by him through the usual channels, for determination that the contractor or subcontractor has, in fact, an Army or Navy contract or subcontract. If for any reason this official fails to receive through the regular channels copies of the necessary documents, such official must by other means satisfy himself *fully* as to this.

11. Preparation of Preference Rating Certificate, Form PD-3A, for Repair, Maintenance, and Operating Supplies

(a) With the exception of direct Government purchases of repair, maintenance, and operating supplies, which will be rated in accordance with paragraph 8 of these Instructions, the intent of Division Administrative Order No. 1 is that Form PD-3A certificates may be applied for such supplies only to the extent that plants or departments are operating on *prime* supply contracts of the Army or Navy. It is desired by the War Production Board that plants or departments working on subcontracts, or having less than 100% prime contracts, secure preference ratings for repair, maintenance, and operating supplies by means of the Production Requirements Plan (Form PD-25A); Form PD-1A, or one of the blanket preference rating orders issued by the War Production Board.

(b) At the same time it is recognized that while it is desirable, it may not be practicable to cover all such contractors under the above mentioned plans at once. Such a procedure would result in confusion and delay to the contractors. It is to be pointed out, however, that effective June 1, 1942, all such contractors will be required to obtain their repair, maintenance, and operating supplies in that manner, except for such supplies needed by the prime contractor to fulfill Army and Navy prime contracts in his plant, which may be rated in PD-3A certificates. All contracting, procurement, and inspecting officials should therefore advise contractors in their respective districts to this effect and suggest that they adopt the repair, maintenance, and operating supplies plan best suited to their needs. Contractors should be referred to the nearest field office of the War Production Board for this information.

(c) Until June 1, 1942, however, contracting, procurement, and inspecting officials are authorized to assign preference ratings on Form PD-3A to repair, maintenance, and operating supplies in accordance with the instructions as set forth in (d), (e), (f), and (g), below. This is limited to repair, maintenance, and operating supplies needed by a supplier whose dollar volume of orders on hand is 50% or more in Army or Navy contracts or subcontracts. Any suppliers with a smaller percentage of Army or Navy business must secure such supplies by use of Form PD-1A or an applicable blanket order of the War Production Board, except for that portion of his orders on hand represented by Army and Navy contracts or subcontracts.

(d) Whenever, in accordance with (c) above, repair, maintenance, and operating supplies are required to produce the end item called for in a prime contract, or to produce material, assemblies, or accessories being supplied by a subcontractor to become part of the end item, and such supplies cannot be procured under the Production Requirements Plan (Form PD-25A), any repair, maintenance, and operating supplies blanket order, or any other preference rating order issued by the Division of Industry Operations, under which the contractor may be operating, an original Form PD-3A may be used in accordance with the provisions set forth below.

(e) The rating may be assigned and the certificate issued by any contracting or inspecting official whenever, in his judgment, the facts presented to him are within the purview of these instructions, and justify such action (see [h] below).

(f) The certificate may be prepared by either the contracting, procurement or inspecting official, or by the individual or firm requesting the repair, maintenance, or operating supplies, as follows:

- (i) The certificate will be issued in the name of the individual or firm requiring the repair, maintenance, or operating supplies and his address shall be shown in Section 2 of the certificate.
- (ii) The related number of the prime contract, its rating, and the corresponding serial number of the prime preference rating certificate shall be shown in Section 3 of the preference rating certificate. If more than one prime contract is involved, as many of the prime contract numbers, ratings, and corresponding serial numbers shall be shown as are necessary to justify the application of the rating to the required repair, maintenance, and operating supplies (see [g] below).
- (iii) In Section 4 of the preference rating certificate shall be shown the name(s) of the Government agencies, the contract number(s) of which are listed under the preceding Section.
- (iv) In Section 5 of the preference rating certificate shall be shown the information requested therein concerning the required repair, maintenance, and operating supplies.
- (v) The authentication in Section 6 of the certificate must be signed and dated by the individual or firm requiring the repair, maintenance, or operating supplies before submitting the certificate to the contracting, procurement, or inspecting official for countersignature.
- (vi) Upon satisfying himself that the facts warrant such action, the contracting, procurement, or inspecting official will then apply the proper preference rating to the certificate, leave the code number blank, countersign it, and return the original to the contractor, making distribution of the copies. In this connection, it is to be noted that if the name of more than one Government agency is set forth in Section 4, the quintuplicate copy of the preference rating certificate is to be referred to the Army and Navy Munitions Board for disposition. The other copies of the certificate will be forwarded in accordance with instructions on the bottom of each copy.

- (vii) The name of the contracting, procurement, or inspecting official to be placed in the certification on the reverse side of the certificate will be the official countersigning the certificate. This procedure is established in order that such official may check the purchase orders extended under the authority granted by him.
 - (viii) Upon receipt of the countersigned certificate by the firm requesting it, the rating assigned may be extended by certified purchase order as provided in Paragraph 14 of these Instructions.
- (g) The ratings applicable are A-1-a, A-1-c, and A-2, and may be assigned in accordance with the following provisions:
- (i) a. *A-1-a* when there has been an actual breakdown or suspension of operations because of damage, wear and tear, destruction or failure of parts, or the like and the supplies are not otherwise available.
 - b. Before this rating is assigned the contracting, procurement, or inspecting official should assure himself that the required supplies are not already available in the plant; that all other similar machinery or equipment which might be used to complete the work is operating to full capacity on rated orders; that the requested supplies are not in excess of those needed to repair the breakdown or eliminate the suspension of operations; and that the machinery and equipment for which the supplies are needed were at the time of the breakdown or suspension engaged upon contracts of the agencies enumerated in (f) (iii) above.
 - c. The only kind of supplies to which this rating can be applied are those needed to repair or put into operation machinery and equipment or parts or accessories thereof.
 - d. Whenever a PD-3 Certificate is issued under this authority, the issuing officer must include additional information on (or attached to) the triplicate copy of the certificate, as follows:
 - (1) The nature and cause of the breakdown or suspension of operations.
 - (2) Whether or not the contractor is operating under the Production Requirements Plan, any repair, maintenance or operating supplies blanket preference rating order of the War Production Board; and, if so, why the material could not be procured thereunder.
- (ii) The preference rating of the related contract(s), but not higher than A-1-c, may be assigned where it is evident that a breakdown or suspension of operations is imminent because of damage, wear and tear, destruction or failure of parts, or the like, and the required supplies are needed to repair the machinery or equipment and thus avert the suspension or breakdown. This does not include the expected replacement of parts because of normal wear and tear, and for which normal inventories can be built in advance. Rather, it is limited to those instances of a near-emergency nature.

Before this rating is assigned, the contracting, procurement, or inspecting official should assure himself of the points raised in (g) (i) (b), and (g) (i) (c) above. However, the information requested in (g) (i) (d) is not required.

- (iii) For the acquisition of supplies up to a minimum working inventory, thereby making provision for normal operations, the rating of A-2 may be assigned.

(h) It is the desire of the Army and Navy Munitions Board that before considering the request of a supplier for a certificate for repair, maintenance, or operating supplies, the procurement, contracting, or inspecting officials have received, through the regular channels, a copy of the preference rating certificate or certified purchase order on which said supplier is basing his request. In the event that such evidence has not been received by such official, he may nevertheless consider requests for repair, maintenance, or operating supplies, but *must determine*, among other things:

- (i) That the preference rating certificate or certified purchase order claimed to be in the possession of the supplier is in his possession.
- (ii) That the materials in question are necessary to the completion of the contract or subcontract.
- (iii) That the quantities requested and the delivery date required are in keeping with the requirements of the contract or subcontract.

12. *Preference Ratings for Contracts of Foreign Governments.*

(a) The Army and Navy Munitions Board (Priorities Committee) will assign ratings to prime contracts of, or for the account of, approved foreign governments on preference rating certificate, Form PD-3A. The procedure for processing and assigning preference ratings for procurement of machine tools, capital equipment, and repair, maintenance, and operating supplies required by prime contractors or subcontractors supplying materials under such contracts, and the extension of preference ratings by certified purchase orders under such contracts shall be the same for such foreign government contracts as for Army and Navy contracts.

(b) Any PD-3A preference rating certificate issued to a prime contractor, or any certified purchase order issued to a subcontractor, located outside of the United States shall bear the following statement on its face:

"This preference rating is applicable only insofar as directly related subcontracts or orders placed in the United States are concerned."

13. *Distribution of Copies of Preference Rating Certificate, Form PD-3A.*

(a) Unless directed otherwise by these Instructions the distribution of the original and all copies of Form PD-3A must be made by the issuing officer on the date of countersignature. Each of the copies is required for special use by the office indicated on the form as follows:

- (i) The original copy should be forwarded to the contractor named in Section 1.

- (ii) The duplicate copy is for the contracting or inspecting official of the Army or the Navy or other Government agency who has original jurisdiction over the completed product described in Section 5 and whose name and address is set forth in the "Certification" on the reverse of the certificate. In cases where the contracting officer, the issuing officer, and the inspecting officer are one and the same, or where one office covers all of these functions, this copy may be disposed of at the discretion of the issuing officer.
- (iii) The triplicate copy must, in all cases, be forwarded to the Priorities Committee, Army and Navy Munitions Board, War Department Building, Washington, D. C.
- (iv) The quadruplicate copy should be retained by the issuing U. S. Government official so that he may, whenever called upon, be able to secure information with regard to any certificate which he has issued.
- (v) The quintuplicate copy is to be forwarded to the Chief of the Supply Arm or Bureau of the Army or Navy which initiated the prime contract. These offices are all in Washington, D. C., and the initiating Supply Arm or Bureau is always as listed in Section 4 of the certificate. In the case of Navy contracts where two bureaus appear in Section 4, the initiating bureau will be the one in parentheses following the issuing bureau. If the contract is under cognizance of any of the other Government agencies or any of the foreign governments, this copy should be sent to the proper office of that agency.

14. Extensions of PD-3A.

(a) Preference rating certificates, PD-1A and PD-3A, are extendible in the same manner, that is, by executing a standardized certification on each purchase order issued in connection with the contract which was assigned the preference rating by the PD-1A or PD-3A. Such extensions may be made by each contractor down to the most remote supplier of materials needed for that contract.

(b) Extensions by means of certified purchase order, as described, may be made only for materials to be physically incorporated in the end product described in Form PD-3A, or for inventory to replace materials so used under conditions described in Paragraph 15 of these Instructions. (Also see Paragraphs 8, 9, 10, and 11 of these Instructions.)

(c) Any prime contractor or subcontractor who receives two or more contracts or purchase orders bearing the same preference rating (originally assigned by preference rating certificate PD-1A or PD-3A) may include materials for all such orders in a single certified purchase order to each of his suppliers. In this case the certified purchase order will carry the same rating as the various contracts for which materials are being purchased.

If the contracts or purchase orders he has received bear different preference ratings, he may also include materials for the fulfillment thereof in single purchase orders to each of his suppliers, provided that each of the different ratings shall be extended to the purchase of such materials in

that ratio which the quantity of materials applicable to each rated order bears to the total quantity of materials so purchased.

Wherever contracts or orders are grouped and extended on a single purchase order, the certification endorsed on such single purchase order must be that on the reverse of the PD-3A form and must show all of the preference rating certificate serial numbers received by him pursuant to which the rating is being extended. In addition the prime contract numbers; the initiating Supply Arm, Service, or Bureau; the prime contractors; and code numbers must also be shown. The certification in such case will carry the name and address of the contracting, procurement, or inspecting official concerned in the space in the second sentence thereof if only one such official is involved. If more than one such official has jurisdiction over the various orders being grouped, the copy of the group purchase order will be forwarded to the official having jurisdiction over the order or orders having the greatest value.

(d) Army and Navy contracting, procurement, and inspecting officials designated to receive copies of PD-3A's, and certified purchase orders issued under such certificates, shall require that the purchaser place on each purchase order issued under each PD-3A a summary by unit quantities and dollar value of the materials listed therein. Such purchase orders shall also, in addition to the information required in the certification, specify a definite delivery date not earlier than necessary to assure deliveries under the prime contract.

(e) In the extension of preference ratings by certification on purchase orders there is a distinction made in Priorities Regulation No. 3, Section 944.23, (e) (2) (3) between the supplier who manufactures, processes, or assembles materials and one who does not, namely a warehouseman, wholesaler, or distributor. See Paragraph 15 of these Instructions for detailed explanation.

(f) The certification on purchase orders extending Preference Rating Certificate, Form PD-3A, may be printed, stamped, or typed on the face or back of a purchase order or may be attached as a rider endorsement, and will be in the following form:

CERTIFICATION

The undersigned represents to the Director of Industry Operations that Preference Rating (ANMB Code No.) is hereby applied pursuant to Certificate PD-3A, Serial No(s). and initiating Government Agency(ies); Contract No(s). placed with Prime Contractor(s), in accordance with Priorities Regulation No. 3, with which I certify I have complied. The person extending this rating must send a certified copy of his purchase order to or, if purchase involves several orders, to the inspector named on the order having the greatest value.

..... (Address) (Name of Purchaser)
..... (Date) (Signature and title of official)

When filling out the above certification for extension of the rating, the blanks in the first sentence must always contain the corresponding information included in the PD-3A certificate from which the extension is being made. This places on the individual or firm holding the certificate the responsibility for properly filling in the first certification, thereby assuring subcontractors under the same certificate of correct information for their extensions. The blank in the second sentence will contain the name and address of the contracting, procurement, or inspecting official having jurisdiction over the contract.

(g) Preference rating certificate Forms PD-3, PD-4, and PD-5 issued prior to March 15, 1942, and not completed by that date will continue in effect, and extensions from such certificates shall thereafter be made in the same manner as those from Form PD-3A. Any firm holding such preference rating certificate Form PD-3, PD-4, or PD-5, whether a prime certificate or extension certificate, must, commencing March 15, 1942, but may not before, extend by means of certified purchase orders. Such extensions by certification on purchase order are limited to items to be physically incorporated in the items called for by the prime contract, or for replacement of minimum working inventory. Copy of the certified purchase order should be sent to the U. S. Government official who countersigned the PD-3, PD-4, or PD-5 certificate being so extended. That official's name and address should be placed in the blank in the second sentence of the certification. Likewise, the number of the PD-3, PD-4, or PD-5 certificate being extended shall be shown as the "Serial number" in the certification. In order to accomplish this the form of certification shall be the same as that used for extending Form PD-3A, except that if the "ANMB Code No. —" is not shown on the certificate being extended, this item may be left blank. When giving the "Serial number" of the certificate being extended the complete number including the letters "AN", "VG", or "F" must be shown. All other information requested in the certification shall be identical to the corresponding items on the PD-3, PD-4, or PD-5 certificate being extended. Beginning March 15, 1942, PD-3, PD-4, and PD-5 certificates may not, under any conditions, be extended for machine tools, capital equipment, repair, maintenance, and operating supplies, or construction or expansion of facilities in connection with a supply contract. (This does not prohibit extension for construction materials entering into a project which is the prime contract as described in Paragraph 1 of the PD-3 or PD-4 being extended.) If machine tools, capital equipment, repair, maintenance, or operating supplies, or construction are necessary to fulfill the supply contract, an original PD-3A certificate, or Project Rating Order, P-19-h, as described in Paragraphs 9, 10, and 11 of these Instructions, must be obtained.

15. Use of Preference Rating to Replace Inventory.

(a) Although preference rating certificate, Form PD-3A, may be extended to the most remote subcontractor, this privilege of extension is not unlimited as to time or conditions. Limitations as to extensions concerning inventories are set forth in Priorities Regulation No. 1, and Priorities Regulation No. 3. In brief, those regulations are as follows:

- (i) Priorities Regulation No. 1 makes a supplier responsible not to deliver any material if he knows that such delivery will increase the purchaser's inventory above a practicable working minimum, and prohibits any producer from accepting delivery of any material in excess of a practicable minimum working inventory. A practicable minimum working inventory is to be based on current method and rate of operation and must be strictly construed.
 - (ii) Priorities Regulation No. 3 provides that a supplier or sub-supplier may extend the preference rating only to materials neither greater in quantity nor to be delivered on dates earlier than required to complete on schedule a rated order or to replace in inventory material delivered in connection with the rated order. It further states that a preference rating may not be used if the rated delivery may be made and a practicable minimum working inventory still retained. If in making a rated delivery the inventory is reduced below such a minimum, a preference rating may be extended only to the extent necessary to restore the inventory to such a minimum.
 - (iii)
 - a. Priorities Regulation No. 3 specifies the time limits within which suppliers may extend preference ratings. Two different time limitations are prescribed, one of which is applicable to a producer, that is, a supplier who delivers material which he has in whole or in part manufactured, processed, assembled, or otherwise physically changed. The other time limitation is applicable to a dealer, that is, a supplier who delivers material which he has not in whole or in part manufactured, processed, assembled, or otherwise physically changed.
 - b. A producer, as described above, may not extend a rating for the purpose of restoring his inventory to a practicable working minimum unless he does so before completing the delivery of the material called for in the rated order.
 - c. A dealer, as described above, may, in restoring his inventory to a practicable working minimum, defer extension of a rating until he has accumulated rated orders covering an amount of materials equal to the minimum quantity thereof procurable on his customary terms. This privilege is subject to the proviso that extensions of a rating may not be deferred for more than three months from the date upon which the dealer became entitled to extend the same.
 - d. The date any rated order is placed with a supplier shall be considered as the date upon which he becomes entitled to extend the rating in connection therewith. It is not permissible to postdate rated orders for the purpose of prolonging the time within which a supplier may extend a rating.
- (b) A prime contractor or subcontractor, who has heretofore depleted his inventory below a practicable working minimum in completing Army

and Navy orders before extending to replace inventory; or, who for any reason is not in possession of a sufficient quantity of materials for a practicable working minimum inventory, may make application to the Division of Industry Operations, War Production Board, for special consideration in replenishing or establishing such an inventory. Such application should be on Form PD-1A and should bear the endorsement of an Army or Navy contracting, procurement, or inspecting official.

16. Responsibility and Authority of Army and Navy Contracting, Procurement, and Inspecting Field Offices.

(a) On and after 15 March 1942, the effective date of Division Administrative Order No. 1, amended, and Priorities Regulation No. 3, under the new priorities procedure, the Army and Navy contracting, procurement, and inspecting officials, previously responsible for authenticating Army and Navy extension certificates, will assume the direct responsibility for the administration of the Army and Navy Preference Rating System under the supervision of the Army and Navy Munitions Board, as exercised through regular military channels. The above is interpreted to mean that the aforementioned field representatives of the Army and Navy, *excluding officials of the various other Government agencies and foreign governments*, are charged with such responsibility and possessed of such authority as may be necessary to:

- (i) Maintain in their offices sufficient priorities information for handling field procurement and expediting.
- (ii) Establish and maintain military preferences as set forth in the current Priorities Directive and the various preference rating certificates, purchase orders, and preference rating orders issued thereunder. This latter shall embrace the responsibility and authority for taking corrective action in the case of error or violation pertaining to orders under the cognizance of the particular field representative.

(b) To this end, each Army and Navy contracting, procurement, and inspecting office shall maintain a suitable organization for receiving, reviewing, and recording priorities information in connection with the various prime and subcontracts and orders under its jurisdiction. Each such office shall, after 15 March 1942, be responsible for the taking of necessary corrective action with respect to all preference rating certificates, preference rating orders, and certified purchase orders coming within its jurisdiction.

(c) The Army contracting, procurement, and inspecting officials in the field, and the various Navy inspection offices now responsible for authenticating extensions, are hereby granted authority commensurate with the responsibilities set forth above.

The above noted field offices of the Army and Navy shall, as they deem necessary, conduct plant inspections and call for such information and reports as may be essential to establish and maintain required military precedence. They shall report, through the proper channels, to the Army and Navy Munitions Board all apparent violations and abuses of these Instructions, and prescribed priorities procedures, encountered by them

and deemed to require corrective action whether or not these cases fall under their respective jurisdictions.

(d) A copy of the PD-3A certificate supporting a prime War Department contract will be furnished to the Army contracting, procurement, or inspecting official having jurisdiction. Likewise, a copy of the PD-3A certificate supporting a prime Navy contract will be furnished to the Navy inspection office in the district of original jurisdiction. In both instances, such contracting, procurement, or inspecting officials will be designated in the certification on the reverse of the prime PD-3A, or at the bottom of the face of the certificate. The contracting, procurement, or inspecting official thus designated will receive one copy of each certified purchase order issued under the contract covered by the prime PD-3A above noted, together with such additional copies as may be provided by procurement practice of the contracting agency.

(e) Copies of certified purchase orders must be mailed by the purchaser to the designated contracting, procurement, or inspecting official at the same time the original is mailed to the supplier. When received, such purchase order shall be immediately reviewed and checked against the PD-3A certificate supporting the prime contract, or, in the case of purchase orders issued by subcontractors, with the purchase order received by that subcontractor. Such review and check shall determine, among other things, the following:

- (i) Whether items called for in the certified purchase order reasonably may be expected to be used on the Army or Navy contract under which issued.
- (ii) Whether the quantities specified are within the limits of the contract requirements.
- (iii) Whether the required delivery dates specified are in line with the delivery dates required by the Army and Navy.
- (iv) Whether rating and "ANMB Code No." are correct.

(f) If the certified purchase order is determined not to be correct by the contracting, procurement, or inspecting official to which copies are sent, the purchaser shall be notified immediately and corrective action directed. Copy of such notification will simultaneously be furnished the supplier. The purchaser must be directed to send a letter indicating the corrective action to his supplier. Two copies of such letter must be sent to the contracting, procurement, or inspecting official instituting corrective action.

(g) In the event that the purchaser fails to take, and to confirm, corrective action with such promptitude as to insure that prior delivery will not be made by the supplier, the contracting, procurement, and inspecting official shall direct that the purchase orders be revoked, demanding from the supplier the original purchase order received by him. Copy of the request for revocation shall be sent to the contracting, procurement, or inspecting official having jurisdiction over the supplier. In the event that either the purchaser or the supplier refuses to comply with action above directed, the Army and Navy Munitions Board should be immediately notified, with all facts, and a copy of such notification shall be sent to the District Office of the War Production Board in which the offending supplier is located. Corrective action, including possible

criminal prosecution, will be instituted by the Army and Navy Munitions Board in cooperation with the War Production Board.

(h) In the case of group purchase orders the officer receiving the certified copy of such purchase order shall make the most adequate check possible and thereafter maintain such records and review as would be appropriate if only the order under his jurisdiction was included on the purchase order. Where practicable he may notify the officials of the Supply Arms or Bureaus involved in the group orders of the action taken.

17. Revokable Errors in Preference Rating Certificate, Form PD-3A.

(a) The success of the preference rating system, as it relates to the Army and Navy procurement programs, is dependent upon a strict adherence to these instructions and the various regulations of the War Production Board. In view of this, certain compliance responsibilities have been given to the Army and Navy contracting, procurement, and inspecting officials with regard to the extension of preference ratings (see Paragraph 16 of these Instructions).

(b) In addition, the Review and Compliance Section of the Priorities Committee, Army and Navy Munitions Board will review the triplicate copy of every PD-3A certificate issued to determine its correctness. Whenever errors are detected, corrective action will be taken, through channels, directing cancellation of the certificate. It is to be noted, in this connection, that the Army and Navy Munitions Board (Priorities Committee) has been authorized by the Under Secretaries of War and Navy to revoke, when necessary, any certificate by so directing the supplier in whose favor the preference rating certificate is issued.

(c) Some of the revokable errors are:

- (i) Unauthorized assignment of higher than routine ratings.
- (ii) Unauthorized omission from, or incorrect statement in, Section 5, as follows:
 - a. Name and description of items being procured.
 - b. Quantities of materials being procured.
 - c. Value of the material being procured.
 - d. Specific delivery date, or delivery date earlier than required.
- (iii) Omission of required information in Sections 1, 2, 3, and 4.
- (iv) Omission of name, address, and date of the countersigning U. S. official.
- (v) Omission of, or use of wrong code number.
- (vi) Omission of name and address of inspector having jurisdiction over the contract.

18. Acceptance of Rated Contracts.

(a) With the exception of the cases set forth in Section 944.2(b) of Priorities Regulation No. 1 (see Appendix A), orders supported by a preference rating certificate, or a certified purchase order, must be accepted even though such acceptance will render impossible or cause delay of deliveries under previously accepted contracts or orders bearing

lower preference ratings or no preference ratings. All contracting, procurement, and inspecting officials are directed to familiarize themselves with the aforementioned provisions of Priorities Regulation No. 1.

19. *Invitation to Bid.*

(a) It is requested that invitations to bid on contracts contain a brief statement that such contracts, when awarded, will be assigned a designated preference rating. Such information is necessary to enable the bidder properly to estimate his ability to comply with the required delivery dates.

20. *Sequence of Deliveries.*

(a) If a company has contracts or orders, some bearing preference ratings and some without, and there is a conflict of scheduled deliveries between them, deliveries *must* be made on the contracts or orders bearing preference ratings at the expense of those which do not have preference ratings.

(b) If a company has contracts or orders with various preference ratings, and if there is a conflict in the scheduled delivery dates, those having the higher preference ratings must be given delivery at the expense of those with the lower ratings, but only to the extent necessary to meet scheduled delivery dates.

(c) If a company has contracts or orders bearing the same preference rating, sequence of deliveries will be determined as follows:

- (i) By specified delivery dates, or,
- (ii) If the delivery dates are the same, by the date on which the preference ratings were *assigned*.

(d) The foregoing criteria are, generally, to be used in determining the sequence of deliveries under contracts or orders within a single plant. However, material on hand that has been completed to fill a specific order rated A-10 or higher may not be diverted and delivered under a subsequently accepted but higher rated contract. Likewise, material in the course of production on a contract or order rated A-10 or higher and scheduled for completion within 15 days after acceptance of a higher rated contract or order may not be diverted to the latter contract. It is to be noted, however, that these provisions are not effective if the subsequently placed contract or order bears an AA rating.

(e) When it appears that the methods set forth in (a), (b), (c), and (d) above do not provide a satisfactory solution, the decision will be made by the Supply Arm or Bureau concerned if the conflict is wholly within such Supply Arm or Bureau. If the conflict is not wholly within one Supply Arm or Bureau, the question must be referred through channels to the Army and Navy Munitions Board (Priorities Committee) for decision. In reaching its decision, the Army and Navy Munitions Board will be guided by appropriate consultation with the agencies involved.

21. *Delivery Before Required Date.*

Nothing in these Instructions shall be construed to discourage deliveries earlier than those requested by the purchaser, provided, however, that such deliveries do not adversely affect required delivery dates on other rated or unrated contracts or orders.

22. *Channels of Communications.*

As pointed out in Paragraphs 6 and 24 of these Instructions, requests from contracting, procurement, and inspecting officials for special help from the Army and Navy Munitions Board (Priorities Committee) must be presented through channels. However, when a contracting, procurement, or inspecting official desires any general information regarding priorities matters, or any ruling or interpretation which, in accordance with these Instructions and existing regulations and orders is to be made by the Army and Navy Munitions Board (Priorities Committee) or by the War Production Board, his request for such information, ruling, or interpretation may be sent direct to the Army and Navy Munitions Board (Priorities Committee). Any officer making such direct request should forward an information copy thereof to the Chief of his Supply Arm or Bureau. When reply is made giving the requested information, ruling, or interpretation, an information copy of the reply will be forwarded by the Army and Navy Munitions Board (Priorities Committee) to the Chief of the Supply Arm or Bureau concerned.

23. *Records, Audit and Inspection, Reports, Violations, and Penalties.*

Both Priorities Regulation No. 1 and Priorities Regulation No. 3 set forth provisions concerning records, audit and inspection, reports, and violations and penalties, all of which relate directly to all prime contractors and subcontractors. Because these provisions are clearly set forth in the above-mentioned documents, which are appended hereto and made a part of these Instructions, no attempt will be made herein to expand on them. Reference is made to them because all contracting, procurement, and inspecting officials should be familiar with these provisions.

24. *Special Help From the Army and Navy Munitions Board.*

It is recognized that there will be situations in which a strict application of these Instructions will work undue hardship on the prime contractor or subcontractor, and may cause unjustified delay in the fulfillment of related contracts or orders. Under such circumstances the Army and Navy Munitions Board (Priorities Committee) invites all contracting, procurement, and inspecting officials to present to it, *through channels*, a written request, giving all facts, for special help. Upon receipt of such a request, a study of the case will be made and the help sought will be accorded, if the facts justify such action.

25. *Field Service, Division of Industry Operations, War Production Board.*

(a) The Division of Industry Operations, War Production Board, has established field service offices in a number of cities. These offices are for the convenience of local industry. The activities of these offices include:

- (i) Supplying information relative to the priority system.
- (ii) Distribution of copies of forms, orders, and rulings, with the exception of Form PD-3A.
- (iii) Checking inventories, work in process, and the use of equipment and machinery, in connection with applications for preference ratings on Form PD-1A.
- (iv) Noncompliance investigations and prosecutions resulting therefrom.
- (v) Special investigations and assignments.

26. *Types of Orders Issued by Division of Industry Operations, War Production Board.*

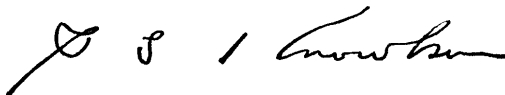
There are set forth below, for the information of contracting, procurement, and inspecting officials, brief descriptions of the principal types of priority orders issued by the Division of Industry Operations, War Production Board:

- "M" "M" Orders provide a mandatory industry-wide control for conserving and distributing basic defense materials. For example, M-1 allocates aluminum produced, and M-21 places the output of steel under control. "M" Orders also serve to determine distribution as between defense and civilian needs, and to regulate the quantities processed.
- "E" "E" Orders have the same fundamental purpose as "M" Orders but pertain to the distribution of machine tools and other productive equipment.
- "L" "L" Orders are limitation orders which restrict the production of items for nondefense uses. These provide priority allocation control by placing a ceiling over the number of units or amount of material that can be produced within a given period. Automobiles and light, medium, and heavy trucks were covered by Orders L-1-a to L-4 in this series. The L-16 Order provided for the curtailment of the consumption of power in the Southeastern Area.
- "P" "P" Orders, known as limited blanket rating or "Preference Rating Orders," give preferential status to the materials entering into a given class of product. They are issued to industries, or segments of industries, and recognize the importance of the final product. For example, each airframe manufacturing plant which received a serial number under Order P-3 was permitted to extend an A-1-d rating for all material entering into airframes produced by the plant for Army and Navy contracts. Through these blanket preference rating orders,

producers are enabled to extend ratings for materials purchased to produce the item covered by such order, without the issuance of the individual preference rating certificates which would otherwise have been required for their extension orders under individual certificates. "P" Orders can be issued to a group of producers in an industry for a specified period of time, as compared with the issuance of individual preference rating certificates having priorities which expire in accordance with delivery dates of the contract. "Project Rating Orders" (P-19) are a specialized type of "Preference Rating Orders" issued to construction projects for all materials entering into the specified construction.

"S" The Suspension, or "S" Order is used for punishing violators of priority orders and regulations. Such violators may have all priority assistance withdrawn for specific periods of time, and may be forbidden to deal in products affected by the orders while such order is in effect. The first "S" Order shut off all the aluminum operations of a metal manufacturer, while Suspension Order S-4 denied priorities to a silk hosiery manufacturer, who was also barred from processing raw silk.

The foregoing Army and Navy Munitions Board Priorities Instructions are hereby approved. They are also hereby made applicable to all procedures involving use of the PD-3A preference rating certificate and extensions of preference ratings therefrom.



J. S. KNOWLSON,
DIRECTOR OF INDUSTRY OPERATIONS,
WAR PRODUCTION BOARD.

FEBRUARY 16, 1942.