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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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Dear Mr. Drinan:

On November 15, 1971, you requested that the General Accounting Office consider a transportation problem directed to you by Mr. Richard S. Cass, President, Bacon Industries, Inc., Watertown, Massachusetts. Our representatives subsequently were informed that you were interested particularly in whether the problem experienced by Bacon Industries was symptomatic of a widespread problem in Government.

In his letter Mr. Cass stated that his company had experienced a problem in billing Newark Air Force Base, Ohio, for transportation charges on perishable commodities which his company had supplied to the base. He was concerned because officials at Newark Air Force Base required that Bacon Industries list prepaid transportation charges separately on its invoices for goods delivered and that it submit proof of payment for such charges. Mr. Cass stated that it took about 6 weeks to produce a receipted freight bill and that the need to hold invoices for that period of time had placed a severe financial burden on Bacon Industries.

Mr. Cass attempted to alleviate this problem by billing immediately for goods delivered and by later submitting documented invoices for transportation charges. The base comptroller, however, informed us that this procedure was unacceptable because the separate transportation invoices did not contain information sufficient to enable him to associate the transportation charges with the purchase orders. He therefore was unable to certify the transportation invoices for payment.

The base comptroller and the base contracting officer then decided that the problems of both parties could be resolved by using Government bills of lading for the subject shipments. The base would prepare a bill of lading for each order and would forward it to Bacon Industries, which no longer would have to be concerned with the transportation charges because the charges would be billed directly to the

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Government by the carriers. Mr. Cass believed, however, that this procedure would prevent him from consolidating shipments to take advantage of the lower transportation rates applicable on larger shipments and would increase unnecessarily the Government's transportation costs.

We discussed this situation with officials at Newark Air Force Base, and they assured us that they would submit complete, consolidated orders well in advance of the time the products were needed. They said that they would prepare a Government bill of lading and would forward it to Bacon Industries for use at the time of shipment. The bill of lading would be prepared in anticipation that the entire order would be shipped after the last item had been manufactured. This would enable Bacon Industries to consolidate the entire shipment. Base officials told us that they could foresee no problems with this procedure because the need for Bacon's products now was very stable and predictable.

We believe that the circumstances and issues encountered by Bacon Industries are not symptomatic of a widespread problem in Government. During a recently completed survey involving consideration of transportation costs in the award and administration of contracts, we found that small shipments usually were made on the basis that the seller would pay the freight costs and that such costs would be included in the price of the commodity. This practice relieves the Government of administrative costs which would be incurred if it had to manage all the small shipments that are made routinely from vendors' plants to Government customers. Our survey covered seven Defense Contract Administration Services regional offices located throughout the country.

In the case of Bacon Industries, we were advised that the Air Force had deviated from normal procurement practices because special transportation problems existed due to the delicate nature of the frozen epoxy involved. We also were told that the suppliers of the epoxy products were unwilling to accept responsibility for damage in transit and that therefore they were reluctant to provide the products on a delivered basis.

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We trust that this information will enable you to reply to Bacon Industries. If we may be of further assistance, please advise us. As you requested the correspondence submitted with your inquiry is returned for your records.

Sincerely yours,



[Deputy] Comptroller General  
of the United States

Enclosure

The Honorable Robert F. Drinan  
House of Representatives