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DA 10325

Transfer Of Cargo Operations At The Military Ocean Terminal, Oakland, California, From Civil Service To Contract Labor

B-171695

Department of the Army

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

090496

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JUNE 11, 1974



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

B-171695

cl+ The Honorable Ronald V. Dellums
House of Representatives

R
Dear Mr. Dellums:

2-20
1 This is our evaluation of the cost analysis portion of the implementation plan for retrenchment of break-bulk cargo operations at the Military Ocean Terminal, Bay Area, Oakland, California. Your August 6, 1973, letter requested us to make a full audit of the plan. However, in a later meeting it was agreed that our examination would be directed primarily to evaluating the accuracy of costs used in arriving at the decision to contract for the stevedoring function previously handled by civil service employees. P22A.

During our audit, we received many allegations regarding the implementation plan from union officials representing the terminal and stevedore civil service work force at the Oakland terminal. Some were valid and have been dealt with in our evaluation. Others were not pursued because supporting documentation was inadequate or was not available. Still others were considered beyond the scope of our audit, and we did not include them in our report. However, if you desire we will be pleased to discuss them with you.

We discussed our evaluation with officials of the Military Traffic Management and Terminal Service, and they did not contest the propriety of our cost computations. As directed by your office, we have not asked these officials or officials of the Department of the Army to formally comment on this report.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,


Comptroller General
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
MOTBA	Military Ocean Terminal, Bay Area
MOTBARET	implementation plan for the retrenchment of break- bulk cargo operations at the Military Ocean Terminal, Bay Area
MTMTS	Military Traffic Management and Terminal Service

COMPTROLLER GENERAL'S
REPORT TO CONGRESSMAN
RONALD V. DELLUMS

TRANSFER OF CARGO OPERATIONS
AT THE MILITARY OCEAN TERMINAL,
OAKLAND, CALIFORNIA, FROM
CIVIL SERVICE TO CONTRACT LABOR
Department of the Army
B-171695

D I G E S T

WHY THE AUDIT WAS MADE

Because of sharply declining workloads at the Military Ocean Terminal, Oakland, California, the Military Traffic Management and Terminal Service (MTMTS) prepared a plan for the retrenchment of break-bulk cargo operations at the terminal. (See p. 1.)

On the basis of the cost analysis portion of the plan, a decision was made to use contract labor and to terminate the civil service work force. (See p. 1.)

Faced with inquiries from constituents involved in the resulting reduction in force at the terminal, Congressman Ronald V. Dellums requested GAO to make an audit of the plan. (See app. I.)

FINDINGS AND CONCLUSIONS

The cost analysis showed that savings of about \$3,295,000 could be realized during the 3-year period 1974-76 if all stevedoring and terminal functions were provided by contract.

However, GAO's examination of the calculations in the plan and its analysis of the methodology used indicated that savings resulting from termination of the civil service activity would amount to only about \$1,363,000 if the savings continued for the 3-year period. (See p. 2.)

The difference in projected savings resulted primarily from GAO's

- reducing the required civil service stevedore work force from 140 to 112,
- including actual and anticipated pay increases that should have been foreseen for both the contractor and the civil service personnel,
- reducing future expenses to present value, and
- recomputing premature retirements on a basis consistent with that used in the civil service retirement system. (See p. 2.)

Although GAO found it necessary to make major adjustments to the cost data used in the plan and found some fault with the methodology used in the plan, the contracting of stevedoring service appears to be the most economical of the two alternatives considered. (See p. 2.)

Other alternatives were available and were discussed in the plan. But they were considered unworkable and no formal cost-benefit analyses were made. (See p. 6.)

GAO received numerous allegations regarding the reduction in force from union officials representing the civil service work force. GAO considered many in its evaluation

of the cost analysis portion of the plan, and others are covered in chapter 3.

AGENCY ACTIONS AND UNRESOLVED ISSUES

GAO discussed its evaluation with

MTMTS officials, and they did not contest the propriety of GAO's cost computations. As directed by Congressman Dellums' office, GAO did not ask these officials or officials of the Department of the Army to formally comment on this report. (See p. 2.)

CHAPTER 1

INTRODUCTION

The increased use of containers for shipping military cargo greatly reduced the amount of cargo physically handled by the Military Ocean Terminal, Bay Area (MOTBA) Oakland, California. Shippers pack containers and send them directly to commercial facilities for loading aboard ship. These containers do not pass through MOTBA. Since MOTBA terminals receive only break-bulk (noncontainerized) cargo, the need for port facilities and personnel was reduced.

The MOTBA workload decreased from approximately 2.98 million measurement tons of cargo in fiscal year 1967 to about 0.67 million in fiscal year 1973. Because of this decrease, the MOTBA-South complex, consisting of 11 berths, was closed on May 1, 1972.

Faced with decreasing current and projected workloads, the Military Traffic Management and Terminal Service (MTMTS) prepared an implementation plan for the retrenchment of break-bulk cargo operations at MOTBA. The plan, designated "MOTBARET", included an economic analysis of the advantages or disadvantages of continuing the practice of dividing the stevedoring and terminal functions between civil service and contractor work forces.

Of the MOTBA workload in 1965--before the Southeast Asia buildup--73 percent was done by contract labor and 27 percent by civil service labor. With the accelerated requirements for cargo movement during the Southeast Asia buildup, the contract stevedoring workload increased greatly and the civil service workload remained at a more constant level. In fiscal years 1971 and 1972, with a decrease in supply requirements for Southeast Asia, the workload distribution ratio for contract and civil service work forces returned to about a 70-30 average.

MTMTS officials made the assumption that, to continue the good working relationship with the contract stevedores, the percentage of contracted work should not be decreased below 70 percent. MOTBARET was concerned with the 30-percent workload handled by the civil service work force and, therefore, considered only two alternatives: (1) to have a fixed civil service work force continue to handle this workload or (2) to have contractor stevedores handle the total workload on an as-needed basis.

The MOTBA cargo tonnage projections for the fiscal years 1974-76 were derived from the Sealift Procurement and National Security Study made by the Departments of Defense and Commerce, the Federal Maritime Commission, and the Office of Management and Budget. We did not evaluate the validity of this study in our analysis.

On the basis of the cost analysis portion of the plan, the decision was made to contract for the stevedoring and terminal functions in question and to terminate the civil service work force. The plan was completed and implemented in the latter part of fiscal year 1973.

CHAPTER 2

OVERALL EVALUATION OF MOTBARET

The cost analysis portion of MOTBARET, as validated by the Army Audit Agency and approved by the Department of the Army, showed that savings of about \$3,295,000 could be realized during the 3-year period 1974-76 if MTMTS would contract all MOTBA's stevedoring and terminal functions. However, our examination of the calculations in MOTBARET and our analysis of the methodology used by MTMTS indicated that savings from terminating the civil service activity would amount to only about \$1,363,000 if the savings continued for the 3-year period.

The difference in projected savings resulted primarily from our (1) reducing the required civil service stevedore work force from 140 to 112, (2) including actual and anticipated pay increases that should have been foreseen for both the contractor and the civil service personnel, (3) reducing future expenses to present value, and (4) recomputing premature retirements on a basis consistent with that used in the civil service retirement system.

Although we found it necessary to make major adjustments to the cost data used in MOTBARET and found some fault with the methodology used in the plan, the contracting of stevedoring service appears to be the most economical of the two alternatives considered. Other alternatives were available and were discussed in MOTBARET, but MTMTS made no formal cost-benefit analysis of these alternatives.

The MOTBARET cost analysis was prepared in accordance with chapter 4, "Comparative Cost Analysis Procedures" of Army Regulation 235-5 and, as far as we could ascertain, the general provisions of Office of Management and Budget Circular No. A-76, paragraph 6, "Cost Comparisons" were observed.

We discussed our evaluation with MTMTS officials, and they did not contest the propriety of our cost computations. As directed by Congressman Dellums' office, we did not ask these officials or officials of the Department of the Army to formally comment on this report.

CIVIL SERVICE COST OVERSTATED AND CONTRACTOR COST UNDERSTATED

MOTBARET cost data, as adjusted by the Army Audit Agency, showed that it would cost \$7,931,000 during the 3-year period for civil service stevedores to handle the functions being considered for transfer. MOTBARET also showed that these same functions could be accomplished using contract labor for \$4,636,000, or \$3,295,000 less than using civil service employees.

We examined the MOTBARET cost data and found that numerous adjustments were required. The civil service operation cost had been overstated by \$700,000, and the contract labor cost had been understated by \$902,000. The

net effect was an overstatement of potential savings by \$1,602,000. Instead of \$3,295,000, we estimated the projected savings on a cash-flow basis for the 3-year period would be \$1,693,000.

The calculations in MOTBARET were based on the projected cash flow expected under each alternative considered, and the analysis was limited to a 3-year period. We believe that both the cash-flow approach without recognizing the present value ^{1/} of such flows and the 3-year limitation on costs considered are flaws in MTMTS's criteria for determining whether in-house or contract performance is the most economical.

By reducing the cash-flow figures in MOTBARET and in our computation to present value, we estimated that the savings for the period 1974-76 would be \$1,363,000.

Details concerning the cost factors as presented in MOTBARET, our adjustments to these cost factors with detailed explanations, and our reduction of the 3-year cash-flow figures to present value (all rounded to the nearest \$1,000) are shown in the following table.

Cost factors	Cash flow			Present value discounted at 7 percent	
	MOTBARET as adjusted by Army Audit Agency	GAO adjustments (note a)	Adjusted balances	MOTBARET as adjusted by Army Audit Agency	MOTBARET as adjusted by GAO
Government operations:					
Civilian personnel	\$7,243,000	b\$ -603,000 c-51,000 d-19,000	\$ 6,570,000	\$6,564,000	\$5,952,000
Material, supplies, etc.	639,000	e-32,000	607,000	579,000	550,000
Federal taxes	25,000	f7,000	32,000	23,000	29,000
Insurance	24,000	g-2,000	22,000	22,000	20,000
Total	7,931,000	-700,000	7,231,000	7,188,000	6,551,000
Contract operations:					
Contract costs	3,191,000	h885,000	4,076,000	2,917,000	3,726,000
Severance pay	165,000	i-77,000	88,000	165,000	88,000
Premature retirements	j1,280,000	k94,000	L1,374,000	1,166,000	1,374,000
Total	4,636,000	902,000	5,538,000	4,248,000	5,188,000
Savings over 3-year period	\$3,295,000	\$-1,602,000	\$1,693,000	\$2,940,000	\$1,363,000

^{1/}A sum representing a future amount discounted at compound interest is known as the present value of the given amount; stated differently, it is the sum which, if left at compound interest, will equal the given amount at the stated future time.

Notes to table

a

Made on a cash-flow basis for the 3-year period, except for the premature retirement adjustment discussed in notes j, k, and l below.

b

Net decrease includes a decrease of 28 stevedore personnel from 140 as presented in MOTBARET to the required work force of 112 (see also notes i and k below), and an increase in civil service wages foreseeable at the time MOTBARET was prepared. The following civil service wage increases were foreseeable.

--A wage-rate increase of 5.6 percent, effective November 1972.

--A wage-rate step increase of 3.7 percent for nonsupervisory personnel, effective May 1973.

--A wage-rate increase of 5 percent for November 1973 was considered predictable by the Chairman of the Local Wage Survey Committee.

c

Decrease in fringe benefits is due to the net decrease in civilian personnel costs. The fringe benefits are based upon 8.44 percent of the civilian personnel wages.

d

Deducted because of an error in calculating the wages of the general foreman.

e

Decrease is due to the decreased number of forklifts required to support six working gangs. MOTBARET showed a requirement for 28 forklifts at \$1.30 an hour for seven gangs (four forklifts per gang), although only six working gangs were required. The seventh gang was needed to fill in for employees on annual and sick leave and would not require four forklifts.

f

Increase is due to the increase of contract costs. Federal taxes are estimated at 0.077 percent of contract costs.

g

Decrease is due to the decrease in cost of civilian personnel and material and supplies. Insurance is calculated at a rate of 0.3 percent on cost of civilian personnel and material and supplies.

h

Represents higher costs resulting from the pay increase contract stevedores were awarded on June 30, 1973. At the time the cost analysis was prepared, MTMTS knew that negotiations for wage increases were in process; however, no adjustment was made to show a reasonable estimate of the anticipated increase in contract costs. We could not ascertain what a reasonable estimate of increased contract cost should have been at the time the cost analysis was prepared. Consequently, we computed the average rate per measurement ton billed by the contractor during the period August 13 through October 31, 1973, after the new wage increases were implemented, and applied this rate to the projected tonnage used in MOTBARET. We did not include a contract provision for an additional pay increase included in the negotiated contract which is to be implemented on June 29, 1974. We realize that our application of the average rate billed for the period August 13 to October 31 could not actually be foreseen at the time the cost analysis was prepared; however, MTMTS should have applied some estimated increase.

i

Decrease applies to the cost of 13 civil service stevedores, which cost we eliminated from the cost of Government operations (see note b above). The cost eliminated for the remaining 15 stevedores was deducted from our computation of the cost of premature retirements (see note k below).

j

MTMTS prepared the civil service stevedore and terminal personnel cost on a cash-flow basis. The total cost for 1974 through 1976 was calculated at \$1,279,979. This cost represents the total monthly annuities estimated to be paid to the premature retirees during the 3-year period. A total of 109 personnel were considered in the calculations with approximately one-half estimated to receive reduced annuities because of survivors.

k

Increase resulted from our analysis of the 120 personnel that were eligible. Five were eliminated due to their eligibility for voluntary retirement within 6 months, 15 were eliminated because of our adjustment of needed stevedores to 112 (see notes b and i above) and only 100 were considered in our computations. We determined the net difference between the (1) present value of involuntary retirement benefits resulting from the termination of civil service employees and (2) present value of future benefits to employees if they were to continue employment, using a discount rate of 5-percent interest, compounded annually.

l

The present value resulting from termination of the employees was calculated as follows: (1) the monthly annuities, as taken

from the civil service retirement annuity chart, were multiplied by the number of months in a year, and (2) the annual annuities were then multiplied by the present value factor, as taken from the Annuity Values for Employee Annuitants and Survivor Annuities table as indicated in the Fiftieth Annual Report of the Board of Actuaries of the civil service retirement system, dated January 1, 1973. The present value of future retirement benefits to civil service employees, if they were to continue employment, was determined by the use of the Civil Service Commission's model which considers the projected rates for death, disability, quitting, lay-offs regular retirement, etc.

Our computation of the additional cost of premature retirements follows:

Present value of involuntary retirement benefits resulting from the termination of employees	\$6,600,000
Less present value of future benefits to employees under the civil service retirement system if they continued employment	<u>5,226,000</u>
Present value of additional cost of premature retirements	<u><u>\$ 1,374,000</u></u>

ASSUMPTIONS OF MOTBARET COST ANALYSIS

The MOTBARET cost analysis comparison was prepared on four underlying assumptions.

- The present trend of declining workload would continue for at least fiscal years 1974-76.
- Vessel arrivals would continue to be intermittent.
- The type and mix of vessels calling at MOTBA at that time would continue.
- Continued good labor relations with the contract stevedore union prevented increasing use of civil service stevedores by decreasing the percentage of cargo handled by the contract stevedores.

The assumptions, based on available data, appear reasonable. However, we had no way to positively ascertain the validity of the underlying assumptions.

ALTERNATIVES TO REDUCTION IN FORCE

The Army's decision to terminate the civil service work force was based on the savings shown in MOTBARET; however, the cost analysis considered only two alternatives: (1) to have a fixed civil service work force continue to handle 30 percent of the decreasing

workload or (2) to have contractor stevedores handle the total workload on an as-needed basis.

Other alternative actions to reducing the civil service work force were available to MTMTS. The following three alternatives were discussed in MOTBARET and were considered unworkable solutions to the problems facing MOTBA. However, no formal cost-benefit analyses were made.

1. Use contract and civil service stevedores on the vessels at the same time.
2. Use civil service stevedores on an as-needed basis or when actually employed basis.
3. Provide fill-in work for civil service stevedores when there were no ships to be worked.

The first alternative was considered unworkable by the contract stevedore's union and also by officials of the two unions which represent the civil service employees. Loss of accountability control by mixing the gangs, and possible friction between the two groups of workers were cited as factors for ruling out the alternative.

The second alternative was eliminated because a similar proposal had been tried earlier at Naval Weapons Station, Concord, California, with unsatisfactory results. According to a union official representing the civil service stevedores, no exploratory effort was made to determine if the alternative could have worked at MOTBA and the alternative was not discussed with his union.

The third alternative was disregarded because there was insufficient work to keep a large stevedore work force productively occupied with other duties when there were no ships to be worked. Civil service union officials stated that there was an insufficient amount of fill-in work because functions like CONEX ^{1/} repairing, container stuffing, and carpentry work which civil service workers could do have been gradually contracted out.

Two other possible alternatives were considered unworkable. They were not discussed in MOTBARET, and formal cost-benefit analyses were not made.

1. Perform all shipboard work with contract stevedores and all terminal work with civil service workers.
2. Use only civil service stevedores and terminal workers to handle all cargo tonnage passing through MOTBA and dispense entirely with the services of a contractor.

^{1/}
Reusable metal shipping containers.

The first was proposed by Headquarters, MTMTS, as a possibility to be explored with the union which represents contract stevedores. MTMTS did not discuss the alternative with the union because of the union's past opposition to similar suggestions, and it relied on the results of an informal cost-benefit study to disregard the matter.

The second alternative was discarded on the basis of another informal cost-benefit study. The MTMTS Staff Judge Advocate's Office in 1970 rendered opinions regarding this alternative and its adverse effect on union-management relations.

We were given data sheets purported to be informal cost-benefit studies showing that contract operations were cost favorable for three of the alternatives. We could not accept the data sheets as adequate because they were not (1) supported by adequate documentation, (2) prepared in accordance with the provisions of Army Regulation 235-5, (3) validated by Army Audit Agency, and (4) capable of being audited by us without additional supporting documentation which we were told was not available.

DISPOSITION OF PERSONNEL DIRECTLY OR
INDIRECTLY AFFECTED BY MOTBARET

As of November 12, 1973, 222 MOTBA employees were directly or indirectly affected by the reduction in force. MTMTS civilian personnel records showed the disposition of these employees as follows:

	<u>Number of personnel</u>
Retained:	
Reassigned at same grade classification	24
Changed to lower grade classification	48
Notice of reduction in force canceled	<u>11</u>
Total	<u>83</u>
Not retained:	
Placed at other Government installations	44
Retired--prematurely (involuntary)	<u>a/56</u>
Retired--eligible (voluntary)	31
Reduction in force--entitled to severance pay	7
Died	<u>1</u>
Total	<u>139</u>
Total	<u><u>222</u></u>

a
Thirteen retired on disability and would have qualified for disability retirement regardless of the reduction in force.

POTENTIAL ADDITIONAL SAVINGS MENTIONED
IN MOTBARET QUESTIONABLE

In addition to the savings between contract and civil service labor (\$3,295,000), MOTBARET mentioned additional 3-year savings of \$626,296 in operations and maintenance costs by excessing a 100-ton crane and by closing a pier.

The operations and maintenance cost of the 100-ton crane totaled \$436,416 for the 3-year period and should not be claimed as an additional savings because MTMTS would have been required to furnish the contractor with such equipment when needed. If the crane were not required by the contractor, it would not be required by the civil service workers.

The reduction in pier 6 operating and maintenance cost should not be considered a saving just because the civil service work force was terminated. The decline in MOTBA's workload would probably justify the closing of at least one of the piers regardless of which work force did the work.

CONCLUSIONS

Our examination of the calculations in MOTBARET and our analysis of the methodology used by MTMTS showed that the Army chose the less costly of the two alternatives considered: (1) retaining a fixed civil service work force to handle 30 percent of the decreasing workload or (2) terminating them and increasing the use of contract stevedores on an as-needed basis. However, the Army's decision can be presumed correct only if its underlying assumptions were valid and if exclusion of the alternatives discussed on page 6 was proper.

CHAPTER 3

UNION ALLEGATIONS AND OUR EVALUATION

We received numerous allegations regarding the reduction in force at MOTBA from union officials representing the civil service workers. Many of these pertained to the cost data in MOTBARET and alternatives not considered by MTMTS. We covered these allegations in our evaluation of the MOTBARET cost analysis. (See ch. 2.)

Other allegations and our evaluation follow.

1. We were given a list of 15 former military personnel purportedly employed with companies that benefited from the contracted work. Union officials alleged that some were instrumental in contracting out base functions for personal gain.

We reviewed the list and found that none of the military personnel were employed by the contractor handling the stevedoring or by the union representing the contractor. Because our review was limited to MOTBARET and because union officials had no specific information, we did not try to determine if the 15 involved could have benefited from contracting out other than stevedoring functions at MOTBA.

2. Union officials indicated that civil service employees augment contractor activity, but these costs were not added to contract costs.

We were not given evidence to substantiate this point, and our inquiry did not corroborate the allegation. MTMTS officials told us that certain receiving and staging work was done by civil service personnel in the past and could be construed as augmenting work. However, civil service receiving and staging techniques differ from the techniques used by the contractor, and the contractor often had to restage the cargo before loading.

3. Union officials alleged that MOTBARET, as prepared by MTMTS, was biased in favor of the contractor.

The result of the MOTBARET cost analysis did favor the contractor, but it did not appear biased based on the 70-30 percent worksplit. However, no consideration was given in the cost analysis to certain alternative methods of handling the workload and we have discussed this matter in chapter 2.

4. The union charged that MOTBARET was lacking basic data to support its contentions and findings.

MOTBARET itself did not include all the basic supporting data. However, as far as we can ascertain, all documentation supporting MOTBARET was made available to us. Some of the data was sufficient to support the contentions and findings, some contained errors, and we took exception to the methodology used in applying other data.

5. Union officials said that MOTBARET was made by individuals who were not qualified to conduct cost comparison studies.

Although we did not examine the qualifications and experience of those who prepared MOTBARET, the cost analysis had been validated by the Army Audit Agency. Also, our review showed that, with the exceptions discussed in chapter 2, the cost analysis was adequately prepared.

6. The union contended that civil service stevedore ports of destination were transferred to the contractor to further idle civil service workers. (Cargo was staged by port of destination with certain ports handled by the contractor and others by the civil service stevedores.)

Before the MOTBA-North retrenchment from piers 6, 6 1/2, and 7 to piers 6 1/2 and 7, cargo was staged in two terminals. One terminal was on pier 6 and the other on pier 7. The two terminals were set up on a port-of-destination basis with civil service port cargo staged on pier 6 and contractor cargo staged on pier 7. With a decrease in cargo tonnage moving through MOTBA and cargo for several ports of destination being loaded on a single ship, it became costly to stage cargo on two piers. Therefore more and more cargo was channeled through pier 7, and pier 6 was eventually closed and declared excess. We could find no evidence to show that this was done to further idle the civil service work force.

7. The union said that CONEX repairing could have been done cheaper by civil service workers than by contract workers. It cited a January 1971 Army Audit Agency report which projected savings of \$96,000 a year, if a repair level of 886 CONEXES per month were maintained.

We reviewed the above subject report and found that in August 1972 the Army Audit Agency amended the savings projection downward to \$4,189 a year based on a monthly repair level of 350 CONEXES. In any event, MTMTS procurement officials told us that all CONEXES were being repaired in-house by the Army Material Command, at Sharpe Army Depot, Lathrop, California. The last CONEX repair contract was allowed to expire in January 1973, and the last order against the contract was placed with the contractor in September 1972. We contacted Sharpe Army Depot and verified that it was handling the work in-house.

8. The union alleged that MTMTS should have processed a package of 79 individual reduction-in-force appeals which it refused to accept when presented by the union representing civil service stevedores.

We verified that these appeals were presented to MTMTS but were not processed. However, the Federal Personnel Manual provides that reduction-in-force appeals may be made to the Civil Service Commission by the individuals involved and the union was so advised. Three employees affected by MOTBARET filed such appeals with the Commission. As far as we can ascertain, there is no requirement or procedure for reduction-in-force appeals to be processed by the agency involved.

CHAPTER 4

SCOPE OF REVIEW

Our review included an examination of pertinent records and documents; observations of the activities being reviewed; and discussions with responsible agency officials, representatives of the National Maritime Union, and the American Federation of Government Employees.

We did work at the following locations.

- Military Ocean Terminal, Bay Area, Oakland Army Base, Oakland, California.
- Headquarters, Western Area, MTMTS, Oakland Army Base, Oakland, California.
- Headquarters, MTMTS, Washington, D. C.

Congress of the United States
House of Representatives

RONALD V. DELLUMS, 7TH DISTRICT, CALIFORNIA

DISTRICT OF COLUMBIA COMMITTEE

CHAIRMAN, SUBCOMMITTEE ON EDUCATION

ARMED SERVICES COMMITTEE

August 6, 1973

WASHINGTON OFFICE:
 1417 LONGWORTH BUILDING
 WASHINGTON, D.C. 20515
 (202) 225-2661
 BARBARA J. WILLIAMS
 ADMINISTRATIVE ASSISTANT

DISTRICT OFFICE:
 201 13TH STREET, ROOM 105
 OAKLAND, CALIFORNIA 94604
 (415) 763-0370
 DONALD R. HOPKINS
 DISTRICT ADMINISTRATOR

Please refer to
 CD-93-1106.

Mr. Elmer B. Staats
 Comptroller General of the United States
 441 "G" Street
 Washington, D. C. 20548

Dear Mr. Staats:

I have been in touch with many of my constituents who are faced with a Reduction in Force from the Oakland Army Base because the work previously handled by civil service stevedores is scheduled to be contracted out. I have seen reports prepared by the Army which justify on a cost saving basis the change of work force in favor of contracting out. However, these reports conflict with other information which has been provided by civil servants and others interested in this question. For instance, a recent wage increase obtained in negotiations by the International Longshoremen and Warehousemen's Union has not been taken into account in the cost analysis of private contractors.

I have reviewed a report on the cost of using civil service versus contract labor for loading containers at the Military Ocean Terminal, Bayonne, New Jersey. This report covered circumstances similar to those at Oakland Army Base. The General Accounting Office audit showed serious discrepancies between the civil service costs and contract labor costs and the decision to contract out container loading was reversed and returned to civil service.

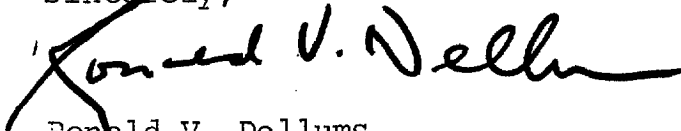
Consequently I am requesting a full audit of the implementation plan for Retrenchment of Break Bulk Cargo Operations at the Military Ocean Terminal, Bay Area, Oakland Army Base.

APPENDIX I

Mr. Elmer B. Staats
August 6, 1973
Page 2

I would be most appreciative of any assistance you could give regarding this matter.

Sincerely,

A handwritten signature in black ink that reads "Ronald V. Dellums". The signature is written in a cursive style with a large, sweeping initial "R".

Ronald V. Dellums
Member of Congress

RVD/djc

cc: The Honorable David N. Henderson
Chairman, Subcommittee on Manpower and Civil Service

Robert E. Hampton
Director, Civil Service Commission