

DOCUMENT RESUME

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[Department of Defense's Carrier Evaluation and Reporting System for Measuring the Performance of Household Goods Carriers].  
LDB-78-203; B-152283. October 31, 1977. 9 pp.

Report to Rep. Melvin Price, Chairman, House Committee on Armed Services; by Robert F. Keller, Acting Comptroller General.

Issue Area: Facilities and Material Management: Federal Transportation of Things (704).

Contact: Logistics and Communications Div.

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).


Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Armed Services.

The Carrier Evaluation and Reporting System of the Department of Defense (DOD) is a quality control program designed to measure the performance of household goods carriers participating in DOD domestic household goods shipments. Carriers providing high quality service at competitive rates are rewarded with a greater volume of traffic than carriers providing lower quality service. Performance factors considered include ontime pickup and delivery, absence of loss or damage, customer satisfaction, and shipment handling and administrative procedures. A composite score is computed for each carrier, indicating its average performance for all shipments handled.

Findings/Conclusions: Although it is too early to measure the full impact of the test of the new system, there are indications of significant improvements in the quality of service under the test program. For example, during May through September 1976, carriers missed the ordered pickup date on less than 0.2% of shipments at the 11 program sites, compared to a nationwide rate of 5%. The effect, if any, of the program on the incidence or extent of loss and damage claims could not be determined due to the lack of data from sites not in the program to compare with test statistics. From DOD's standpoint the quality of service in terms of ontime performance has improved under the program without corresponding increases in carriers' rates. Also, the program gives DOD a uniform basis for evaluating individual carrier performance. The carriers' main argument against the program is that it has resulted in carriers offering noncompensatory rates. Review of the program neither proved nor disproved this allegation. Recommendations: If the carriers submit detailed cost data to show that the rate level is insufficient to cover carriers' costs, the House Committee on Armed Services may wish to consider the matter again. However, based on the evidence available, there is no reason why the Carrier Evaluation and Reporting System program should not be expanded. (SC)

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

B-152283

OCT 31 1977

The Honorable Melvin Price  
Chairman, Committee on  
Armed Services  
House of Representatives

Dear Mr. Chairman:

Your March 23, 1977, letter asked us to look into complaints received by your Committee concerning the Carrier Evaluation and Reporting System of the Department of Defense. You also asked us to evaluate the system's overall effectiveness.

Some of the complaints were valid and accurately described existing conditions. Others were unsubstantiated by the facts and program records we examined. Our detailed analysis of each complaint follows under a separate caption.

Concerning system effectiveness, the Department's test appears to have been successful in achieving the primary objective--obtaining higher quality service at reasonable costs. Significant improvements have been noted in carriers' performance, particularly in meeting desired pickup and delivery dates. Data on the extent of loss and damage experienced is not yet available, so we could not assess the impact of the system on this important aspect of service.

The Defense Department plans to implement the system nationwide on November 1, 1977. A Department/industry panel has been established as a forum for airing and attempting to resolve potential problems.

BACKGROUND

The Carrier Evaluation and Reporting System is a quality control program designed to measure the performance of household goods carriers participating in Defense Department domestic household goods shipments. Carriers providing high-quality service at competitive rates are rewarded with a greater volume of traffic than carriers providing lower quality service.

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Under the program, carrier performance on each shipment is graded from 0 to 100, with 100 representing perfect performance. Performance factors considered are on-time pickup and delivery, absence of loss or damage, customer satisfaction, and shipment handling and administrative procedures. A composite score is computed for each carrier, indicating its average performance for all shipments handled. Any carrier with a composite score below 70 cannot handle Department shipments for at least 60 days.

Composite scores for all carriers serving a given shipping installation are arranged on a scale from high to low. The high 10 percent are considered "superior" carriers; the next 30 percent, "excellent"; and the other 60 percent, "standard."

Superior carriers receive twice the target tonnage and excellent carriers receive 1-1/2 times the target tonnage that standard carriers receive. Target tonnage is based on the volume of shipments expected at each installation.

In making allocations, both cost and performance are considered. Carriers with acceptable program ratings are stratified according to the rates they offered to the Department. At each rate level, the carrier's share depends on whether it is rated superior, excellent, or standard. At a given location, a standard carrier with a low rate would get tonnage after excellent or superior carriers at that rate level, but before higher performing carriers at higher rate levels. So, although performance is a key factor in distribution, rates are the first consideration.

Before the Carrier Evaluation and Reporting System, traffic was distributed solely on the basis of rates, unless a carrier had been suspended. Traffic was shared equally or allocated exclusively to carriers at the lowest competitive rate level, regardless of performance. There was no basis or procedures for quantifying and comparing quality of service. High and low performing carriers with the same rates shared the traffic equally.

A test of the actual operation of the Carrier Evaluation and Reporting System began May 1, 1976, at 11 selected shipping activities. The sites selected represented all the military services. Based on the results of this test, the Department plans to expand the program nationwide effective November 1, 1977.

OUR ANALYSIS OF COMPLAINTS

Inquiries received by the Committee and Members of Congress concerning the Carrier Evaluation and Reporting System outlined various problems perceived by the carriers. Our analysis of the major problems follows.

Complaint - The program was altered to make rates the primary factor and quality of service a secondary factor in allocating shipments.

Our analysis - This is true. The initial draft of the program provided for awarding tonnage based primarily on quality of service. However, under this arrangement carriers would have had little or no incentive to offer competitive rates. High performance carriers would get the tonnage, even though their rates might be excessive and unreasonable. Without some mechanism to control costs the Department would, in effect, be giving high performance carriers a blank check.

Obviously, some combination of quality of service and cost had to be introduced into the program. Now, the pendulum seems to have swung the other way, and rates or costs are now the first consideration, as they were before the program was developed.

Complaint - Points are deducted for damages whether or not the member submits a claim for such damages.

Our analysis - This is true. Penalty points are deducted for damages reported by service members. The extent of damages is estimated by the members and/or the destination transportation office. The Department operates on the premise that it doesn't matter whether a service member submits a claim for reimbursement. The fact remains that damage occurred. Quality control evaluates actual performance. The amount and nature of damages sustained, whether or not a claim is filed, is considered a good indication of the quality of service. The carrier is informed of its

score on each shipment. If it disagrees with a score, it may appeal within 30 days before the score is included in its quality performance score. If the carrier wins the appeal, the penalty points never count toward its overall performance score.

Complaint - Penalty points may be deducted arbitrarily; for example, because a service member didn't like the color of the van.

Our analysis - This should not occur. Penalty points may be deducted only for actual violations of the carriers' service agreement (tender of service). The program spells out the performance factors and establishes specific point values to be used in evaluating each factor. We visited 3 of the 11 test sites and found no instances in which penalty points had been arbitrarily assessed.

Complaint - Consistent high-quality service has no meaning, since a carrier that handles only 1 shipment is graded on the same basis as one that handles 50.

Our analysis - A carrier that handles one shipment is graded the same as one that handles many. Each shipment is scored individually, and the scores are averaged to arrive at the carrier's overall performance score.

However, consistent and sustained quality service is extremely important. It is considered every 6 months, when the carriers' performance scores are updated. The new score is computed on the basis of the old score, plus or minus 40 percent of the difference between old and new scores. In this way the carrier's performance scores (service quality) are based on past, as well as current, performance.

Complaint - The program has caused rate cutting and rate wars and has resulted in carriers offering noncompensatory rates.

Our analysis - Because of the many complaints linking the program with the low rates offered to the Department, we made a limited analysis of rates at three program and five other locations. Our analysis showed that, although the rates were reduced at all locations, the reductions at the test locations were somewhat greater. We could not determine whether these reductions can be attributed solely to the program. Other factors that could cause lower rates include economic conditions, locality, time of year (peak season or slack season), and the carriers' workload.

Although some sharp rate decreases have occurred, there is every indication that the rates are returning to normal. For example, on May 1, 1977, there were 821 individual reduced rate tenders on file at test locations. By August 25, 1977, 583 had been canceled. Of the other 238 reduced rate tenders, 209 were in California. There are no reduced rate tenders in effect at the five test sites in Georgia, Oklahoma, South Carolina, and Alabama.

Quite possibly, after the peak season, when commercial and military moves traditionally decline and the business environment becomes increasingly competitive, rates will again decline greatly.

Concerning the compensatory nature of the rates in effect earlier in the program, we were unable to make any determination. The required financial information is neither available to the Department nor a matter of public record. The Interstate Commerce Commission collects and publishes cost data from railroads and motor carriers, but it does not receive or maintain the type of cost data for household goods carriers necessary to determine whether or not rates are compensatory. Since we are without authority to audit the carriers' records, we could not obtain the data needed to determine the compensatory nature of carriers' rates.

- Complaint - Savings to the Military Traffic Management Command, the Department's program manager, are questionable, considering the volume of paperwork and administrative effort required.
- Our analysis - The Carrier Evaluation and Reporting System is a quality control program designed to improve the quality of service rendered to military members. The Command's position is that any savings realized would be incidental to the program, not a program objective.

At the test sites we visited, officials said that additional administrative costs have been slight since the work is generally being handled by the same staff that handled the work before the program was established. Moreover, the program has been designed for future automation, which may reduce costs. This complaint may have been triggered by the increase in paperwork visible to the carriers. However, the overall volume of paperwork for the military is about the same as it was before the program.

ADVANTAGES OF THE PROGRAM  
OVER THE CURRENT SYSTEM

Under the current quality control system, still in effect at most installations, traffic is distributed equally to qualified carriers offering the lowest rate. This system penalizes poor performance through suspensions based on repetition of the same service violation during the tonnage allocation period. This impairs the shipping office's ability to evaluate overall performance and to penalize a carrier for poor service. For example, one carrier could have two tender of service violations of the same type and be suspended, whereas another carrier with many different types of violations might not be suspended. Under this program accurately comparing carriers' relative performances is difficult.

Under the Carrier Evaluation and Reporting System, penalty points are deducted for each violation noted during each move. The scores are compiled at the end of the scoring period, and the carrier is given a composite score for the next period. Under this program each carrier's overall performance is readily comparable.

Under the current system all carriers are kept within a 20,000-pound range; that is, the difference between the highest and lowest cumulative tonnage awarded to carriers at the same rate level may not vary by more than 20,000 pounds during an allocation period. Theoretically, carriers could use this rule to their advantage by violating some performance aspect of their contract during peak seasons, causing immediate suspension. The suspension (usually 30 to 60 days) would allow the carrier to devote all its resources to higher profit commercial moves rather than the reduced rate military moves. After the suspension period, the Department is required to award catch-up tonnage to the carrier until it comes within the 20,000-pound range. The system does not provide incentives for quality service throughout the peak season.

Under the Carrier Evaluation and Reporting System, the penalties are assessed uniformly and there is no provision for catch-up tonnage if a carrier is suspended. A carrier coming off suspension is considered to have received shipments equal to the highest cumulative tonnage awarded to any carrier at its rate level.

The current system informs a carrier of its performance only if it has a violation during a shipment. This feedback is in the form of a warning letter. Overall performance is not readily ascertainable.

Under the program, the carrier receives a copy of each shipment score with the points lost for each violation during the move. If the carrier feels the penalty points are unjustified, it may appeal the score. If the carrier wins the appeal, the points are restored before its composite score is computed. Each copy of the shipment score represents an appraisal of the carrier's performance. At the end of the scoring period, the carriers are ranked on their overall performances. The composite score considers not only the carrier's most recent performance, but also its historical performance.

#### IMPROVED PERFORMANCE UNDER THE PROGRAM

Although it is too early to measure the full impact of the test, there are indications of significant improvements in the quality of service under the test program. For example, during May through September 1976, carriers missed the ordered pickup date on less than 0.2 percent of shipments at the 11 program sites, compared to a nationwide rate



of 5 percent. During the same period, the required delivery date was missed on only 5 percent of the shipments at the program sites, compared to a nationwide average of 18 percent.

The importance to the Defense Department of on-time pickup and delivery is indicated by the point value assigned these factors under the program. Together they represent a potential of 25 points--one-fourth of the total a carrier can receive. Missed pickup and delivery dates could cause a carrier to be rated standard even if it scored almost perfect in the other rating categories.

#### DATA ON LOSS AND DAMAGE NOT AVAILABLE

The high cost of loss and damage claims was one reason for instituting the program. The Department paid over \$30 million a year to satisfy the claims of military members for damage sustained in moving their household effects.

We could not, however, determine what effect, if any, the program may have on the incidence or extent of such claims. The Department compiled some statistics on loss and damage experienced under the test, but it did not have similar data from other sites to compare it to.

If the program is automated as envisioned by the Department, carriers responsible for a lot of loss and damage can be readily identified. This important aspect of quality service had not been adequately stressed before the program because data was simply not accumulated.

#### CONCLUSION

From the Defense Department's standpoint, the quality of service in terms of on-time performance has improved under the program, without corresponding increases in carriers' rates. Also, the program gives Defense a uniform basis for evaluating individual carrier performance, which it could not do previously.

The carriers' main argument against the program is that it has resulted in carriers offering noncompensatory rates. This we could neither prove nor disprove.

If the carriers submit detailed cost data to show that the rate level is insufficient to cover carriers' costs,

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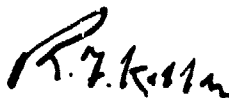
the Committee may wish to again consider this matter. However, based on the evidence we have been able to develop, we see no reason why the Carrier Evaluation and Reporting System program should not be expanded.

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As arranged with your office, we are forwarding copies of this report to the Members of Congress who expressed to the Committee an interest in this matter. We are also providing copies to those Members who contacted us directly and to the Department of Defense. Copies will be available to other interested parties who request them.

We will be glad to discuss our findings with you or members of your Committee.

Sincerely yours,



ACTING

Comptroller General  
of the United States