United States General Accounting Office

GAO

Report to Congressional Committees

November 1996

DEFENSE TRANSPORTATION

Reengineering the DOD Personal Property Program

GAO/NSIAD-97-49

GAO

United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-275016

November 27, 1996

Congressional Committees

The Military Traffic Management Command (MTMC) is reengineering the Department of Defense (DOD) personal property program. The Congress, while expressing support for DOD's plan to reengineer the process, is concerned that the reengineered program could adversely affect the moving industry, particularly small business. Therefore, the Congress directed DOD to report on small business concerns prior to implementing a pilot test. Since this report did not satisfactorily address congressional concerns about the impact this might have on small business, the Congress directed DOD to convene a DOD/industry working group to develop a mutually agreeable program to pilot test.

Although the working group came to a consensus on many issues, including a set of program goals, it could not reach agreement on the approach to take for the pilot test. Consequently, the two sides presented separate proposals. We are directed to review the proposals by the House and Senate reports accompanying the National Defense Authorization Act for Fiscal Year 1997. This report provides the results of reviewing the two proposals. Specifically, we provide an analysis of the extent to which each proposal met the DOD/industry goals for a reengineered personal property program.

Background

DOD has long been concerned about the quality of its nearly billion and half dollar annual program to transport, store, and manage the household goods and unaccompanied baggage of its servicemembers and employees with permanent change of station and other type orders. Some of the concerns related to poor service from its movers, excessive incidence of loss or damage to service members' property, and high claims costs to the government. All these problems contributed to a poor quality of service for persons using the system.

Consequently, DOD proposed reengineering the personal property program as a quality-of-life initiative. Its primary goals were to substantially improve and put on par with corporate customer standards, the quality its military personnel and their families received from DOD's contracted movers; simplify the total process—from arranging the moves to settling the claims; and base the program on business processes characteristic of world-class customers and suppliers.

Generally, DOD must acquire the goods and services it needs through the competitive acquisition system consisting of the statutes in chapter 137 of title 10 of the United States Code and the primary implementing regulations contained in the Federal Acquisition Regulation (FAR). However, pursuant to 49 U.S.C. 13712, the acquisition of transportation services of a common carrier through the use of a government bill of lading[1] is not subject to the acquisition laws.[2] Instead, these services have been acquired based upon published rates in accordance with procedures contained in DOD transportation regulations.

A key feature of MTMC's proposal to reengineer the personal property program is to simplify the process of acquiring transportation services and to bring it in line with the government's acquisition of most other services by using multiple award, fixed-price, indefinite delivery/indefinite quantity-type contracts awarded under the competitive acquisition system. MTMC's proposed contracts would cover statewide services and provide for a base and several option years. The solicitations for the contracts would be open to all responsible offerors, including carriers, forwarders, and relocation companies. Awardees would be selected in accordance with solicitation evaluation factors, which will include such elements as technical or operational requirements, past performance, subcontract plan, and price.

To achieve these goals and to comply with congressional direction, MTMC is proposing to begin a pilot test. The plan is to begin the test in early 1997 and run it for at least a year. Fifty percent of the DOD household goods and unaccompanied baggage moving from the test area—North Carolina, South Carolina, and Florida—to all other states, except Alaska and Hawaii, and to Europe, would be included in the test. The other 50 percent would continue moving in the existing program.

Industry objected to MTMC's proposal, particularly because of what it perceived as the negative impact that MTMC's proposal would have on small business moving companies. It offered for consideration an alternative plan having two distinct programs, one for handling domestic shipments and another for handling international shipments. The industry proposal would not be based on the competitive acquisition system but would use a

[1]A "government bill of lading" is the basic acquisition document used by the government for procuring transportation services from common carriers pursuant to 49 U.S.C. 13712, which authorizes the acquisition of transportation services at published rates from any carrier lawfully operating in the territory where such services are to be performed.

[2]See Sam Trucking, B-229890, March 3, 1988, 88-1 CPD 425.

government bill of lading to acquire the services in accordance with procedures contained in DOD and the General Services Administration transportation regulations.

Reengineering Goals and Our Evaluation Approach

As a result of the initial joint DOD/industry working group session, DOD and industry agreed to the following goals for the reengineered personal property program. These were to

1. Provide quality service
2. Improve on-time pickup
3. Improve on-time delivery
4. Achieve high customer satisfaction in relationship to the entire move process
5. Adopt corporate business processes that lead to world-class customer service
6. Lower loss/damage and lower claims frequency and claims averages
7. Simplify the system, including reducing administrative workload
8. Ensure capacity to meet DOD's needs for quality moves
9. Provide opportunity for small businesses offering quality service to compete for DOD business as a prime contractor and
10. Provide best value moving services to the government.

Our assessment of the extent to which each proposal met the goals was necessarily limited by the lack of precise definitions of each goal and the way to achieve it. Moreover, the proposals were written in such a way that did not specifically address how each would achieve the stated goals. We necessarily had to interpret the goals based on our observations and review of available material and assess each proposal's ability to meet those goals using our knowledge of the existing personal property program, our understanding of the proposals, associated documents, attendance at all of the working group meetings, a review of the transcripts of the meetings, and our prior studies.

Results in Brief

Our assessment shows that MTMC's proposal meets the goals for reengineering the personal property program to a greater extent than the industry plan. Both proposals are likely to equally achieve several of the 10 goals of the program. For example, for achieving high customer satisfaction, both proposals provide for more communication between servicemember and contractor, increased contractor liability, streamlined claims settlement, and use of a customer survey for obtaining feedback.

However, overall, MTMC's proposal appears more likely to achieve the program goals to a greater extent.

- MTMC's approach to providing quality service would give DOD the opportunity to assess a prospective contractor's plan to improve the quality of the service prior to contract awards. This would enable MTMC to determine best value to the government by assessing the trade-off between price and technical factors. That is, award would be made only to responsible offerors whose proposals represent the best overall value to the government in terms of (1) the offeror's proposed approach to performing the work, (2) past performance, (3) subcontracting plan, and (4) price. Price would be one evaluation criterion and would not provide the primary basis for award. We believe determining best value is an essential element of providing higher quality service to servicemembers. The industry's proposal provides for selecting contractors initially on price, then quality after the carrier or forwarder has already handled DOD traffic. This does not provide for assessment of quality up front using the criteria MTMC has proposed to use under its proposal.
- MTMC's approach to simplifying the system and adopting corporate business practices would enable DOD to dramatically reduce the number of contractors it must use. This would simplify contractor selection and could lead to more stability and provide leverage leading to cost efficiencies for both contractors and DOD. Industry's proposal, though it changes the existing program to some extent, still retains a process in which DOD has to distribute traffic to many different carriers and forwarders.

Overall, we believe that MTMC's proposal provides a greater opportunity than the industry proposal to achieve the program goals. Therefore, we support moving forward with the pilot without further delay. The conduct of a pilot test is essential to gathering the necessary data to ultimately design the reengineered personal property program. In addition, it is important that performance standards be developed and data gathered in such a way to ensure measurable results of the pilot, particularly as it relates to quality of service and small business participation. If the Congress still has concerns about the impact on small business, piloting both proposals is an option. However, doing this would likely place an additional administrative and costly burden on MTMC and could delay implementation of the program.

DOD's Personal Property Program

DOD's nearly billion and a half dollar annual personal property program—household goods and unaccompanied baggage—is run centrally by the headquarters office of MTMC but administered locally by about 200 military and DOD transportation offices around the world. DOD relies almost exclusively on commercial movers, both directly with more than 1,100 moving van companies (carriers) and forwarders and indirectly with thousands more agents and owner-operator truckers working for the carriers and forwarders.

The program consists of three major processes: carrier/forwarder approval, rate solicitation, and traffic distribution. To participate in the program, a carrier or forwarder must first be approved by MTMC. This requires proof, or certification, that the carrier or forwarder has the requisite state or federal transportation operating authority and agrees to abide by the terms and conditions in MTMC's tender of service. The carrier or forwarder must also be approved by the local military and DOD transportation office at which the company is planning to serve. This requires proof, or certification, in the form of a letter of intent that the company has local agents ready and able to meet the local installation's needs.

MTMC solicits rates every 6 months. Each carrier and forwarder must file rates individually for the particular traffic channel it intends to serve. For the domestic part of the household goods program, rates are submitted as a percentage discount, or premium of a baseline schedule of rates by origin installation and destination state channel.[3] For the international part of the program, rates are filed as a fixed dollar and cents per hundredweight basis by state and overseas area, or other subdivision channel.[4] Carriers and forwarders have two chances to file rates before the beginning of each rate cycle—an initial rate filing and a "me-too" rate filing in which a carrier or forwarder can lower its initially filed rate to that of any other carrier or forwarder. Rates cannot be changed during the 6-month rate cycle, except for special cause, but they can be canceled at various times during the rate cycle.

Each local military installation must distribute its traffic using a traffic distribution roster. Carriers and forwarders are placed on the rosters for

[3]Separate rates must be filed for different types of domestic shipments—motor van (loose pack in a moving van) and containerized (crated in plywood containers).

[4]Separate rates have to be filed for three different types of international shipments (dependent on whether the forwarder has to arrange the entire "through" movement or just parts of the "through" move).

each channel by order of rate level and quality score. In the domestic program, traffic is distributed on the basis of low-to-high rate, with highest quality scored carriers given the first 20,000 pounds. In the international program, the forwarder or forwarders initially offering the low rate for the particular channel are given a pre-specified percentage of the traffic on that channel.

The Proposals: MTMC and Industry

MTMC's Proposal

Overall, MTMC's proposal would result in a program that would operate in much the same way other DOD programs operate for acquiring goods and services. Emphasis is placed on assessing quality of service in the contractor selection process and obtaining military member satisfaction with the services received.

At the first meeting of the DOD/industry working group, MTMC provided a briefing on its proposal.[5] Following that meeting, on June 24, 1996, MTMC provided the working group with a draft request for proposals summary. The summary described a standardized program for handling both domestic and international shipments. It laid out MTMC's proposed acquisition strategy and the major events that MTMC expected to occur in the proposed acquisition process. The MTMC proposal is the result of the DOD/industry working group process and includes a number of features put forward by industry.

Under its plan, MTMC would make major changes to the existing carrier/forwarder approval, rate solicitation, and traffic distribution processes. The existing approval process would be eliminated and replaced by a contract award process. Prices would be fixed for 1 year, with no provision for increases during the contract period. Rate solicitation would be based on competitive acquisition procedures used by government in procuring other types of goods and services and eliminate the twice yearly re-solicitation of rates under the current system. Traffic distribution would be limited to the number of contractors receiving awards.

[5]A description of the events leading up to the working group meetings and the meetings is contained in appendix I.

Key points in MTMC's acquisition strategy were that offerors would be required to submit proposals addressing technical factors (i.e., how the offeror proposed to perform specified technical or operational requirements), past performance, subcontracting plan, and price. MTMC said that it anticipated that price would be less important than the other factors combined. Award would be made only to responsible offerors whose offers conformed to the solicitation and represented the best overall value to the government—price and other evaluation criteria considered. There were no restrictions on the type of company that could compete for the contracts. Therefore, companies other than licensed carriers and forwarders—the only type of companies now allowed to compete for DOD traffic—would be allowed to make an offer for the DOD business.

MTMC's proposal also detailed DOD's movement and storage requirements, shipment origins (all areas of North Carolina, South Carolina, and Florida) and destinations (13 regions in the contiguous 48 states and 5 regions in Europe), categories of shipments (household goods and unaccompanied baggage) that would and would not be handled under the pilot test, minimum contractor personnel requirements, specific tasks that were to be performed, length of the contract (1 year plus an unspecified number of option years), the way offerors should specify price for each traffic channel (expressed as a discount percentage using the commercial rate tariff for domestic shipments and a fixed dollar and cents per hundredweight rate for international shipments), the accessorial services DOD would be requiring, contractor's liability and loss and damage claims procedures (full value protection based on certain minimum declared valuations subject to an overall cap), contractor's required quality assurance procedures (use of a customer survey), certain performance standards for shipment pickup and delivery, and the invoicing and payment process.

MTMC also indicated that it would establish and specify in the solicitation a total contract minimum guaranteed tonnage amount from each origin pilot state to each destination region included in the pilot program. It will request that offerors furnish by traffic channel a maximum daily capacity that they are willing to commit to the contract, stated in pounds, from each installation in the pilot test to any or all destination pilot regions that they may wish to serve.

MTMC's proposal, as amended, was endorsed and supported by one of the five industry associations attending the meetings—the Military Mobility

Coalition, an industry group with members from relocation companies; move management companies; independent and van line-affiliated carriers and forwarders; and industry specialty firms, such as cargo insurance companies.

Industry Proposal

The household goods carrier/forwarder industry associations prepared and submitted for comment an alternative plan (referred to in this report as the industry proposal) on June 24, 1996. Industry restated its proposal on October 25, 1996, in a letter to us. The industry proposal also represents the results of the DOD/industry working group process and includes certain features favored by DOD.

The summary described a plan that consists of two distinct programs, one for handling domestic shipments and another for handling international shipments. Under its plan, industry would build on the existing DOD program. It would not be based on the government competitive acquisition system but would use a government bill of lading to acquire the services in accordance with procedures contained in DOD and the General Services Administration transportation regulations.[6] The industry proposal would limit the type of company that could participate to only those types—licensed carriers and forwarders—currently in the program.

Industry's proposal for handling both domestic and international shipments is like MTMC's proposal to the extent that it would be based on the same pricing system for each traffic channel (expressed as a discount percentage using the commercial rate tariff for domestic shipments and a fixed dollar and cents per hundredweight rate for international shipments), provide for the same level of contractor liability (full value protection based on certain minimum declared valuations subject to an overall cap), provide for certain performance standards for shipment pickup and delivery, and provide for the use of a customer survey.

Industry's proposal differed in (1) who could participate in the DOD program (only licensed carriers and forwarders), (2) lengthened the rate cycle period from a current 6-month cycle to a yearly cycle, (3) indicated that rates could be adjusted at stated times during the rate cycle to account for underlying cost increases, and (4) explained how traffic would be distributed among firms using a combination of price and customer survey feedback data. Its proposal also indicated that carriers and

[6]This would include the General Services Administration's Federal Property Management Regulations (41 CFR 101-41).

forwarders in the domestic program could submit a "best and final" rate 3 months into the rate cycle to improve their competitive position and that forwarders in the international program could lower their originally filed rates 60 days prior to the start of the rate cycle. Accompanying the proposal was some discussion on how the industry would provide for program simplification and eliminate "paper companies." That is, paper companies are companies in the domestic program that lack actual operating assets but are affiliates of companies that have assets. These paper companies do not increase DOD's capacity.

The industry proposal was signed by the presidents of the four carrier associations—American Movers Conference, the Household Goods Forwarders Association of America, the National Moving and Storage Association, and the Independent Movers Conference. The associations' members represented virtually every facet of the moving industry, including van lines with agent networks, independent carriers, agents, and forwarders. As previously mentioned, the Military Mobility Coalition supported the MTMC proposal.

Our Assessment of the Proposals

The DOD/industry working group did not define the individual elements that made up each of the agreed-to 10 goals for reengineering DOD's personal property program. The goals are qualitative and not easily measured. Nor were the proposals written in such a way that specifically addressed how DOD and industry would meet each goal. Consequently, our assessment of the extent to which each proposal met the goals was necessarily limited by the lack of precise definitions of each goal and the way to achieve it.

Every goal was debated at length by DOD and industry officials without complete agreement. For example, there were varying interpretations of the goals to improve quality service and to achieve best value. We assessed each proposal's ability to meet those goals using our knowledge of the existing personal property program, our understanding of the proposals, associated documents, information gathered from our attendance at all of the working group meetings, review of the transcripts of the meetings, and our prior studies.

In table 1, we list the goals and provide a general comment about the extent to which each proposal is likely to meet the goals. Following the table, we then discuss the goals and the basis for our assessment of the extent to which the proposals are likely to meet each goal. In discussing

the industry proposal, our comments are directed at both the domestic and international programs, unless otherwise noted.

Table 1: Our Assessment of the Extent to Which DOD and Industry Proposals Met the Agreed Upon Goals for Reengineering the Personal Property Program

	Extent to which the proposals are likely to meet each goal	
Goal	**DOD proposal**	**Industry proposal**
1. Provide quality service	Greater extent	Lesser extent
2. Improve on-time pickup	Equal extent	Equal extent
3. Improve on-time delivery	Equal extent	Equal extent
4. Achieve high customer satisfaction in relationship to the entire move process	Equal extent	Equal extent
5. Adopt corporate business processes that lead to world-class customer service	Greater extent	Lesser extent
6. Lower loss/damage and lower claims frequency and claims averages	Equal extent	Equal extent
7. Simplify the system, including reducing administrative workload	Greater extent	Lesser extent
8. Ensure capacity to meet DOD's needs for quality moves	Greater extent	Lesser extent
9. Provide opportunity for small businesses offering quality service to compete for DOD business as a prime contractor	Unknown extent	Unknown extent
10. Provide best value moving services to the government	Greater extent	Lesser extent

Assessment of Proposals: Equal Extent

Both proposals are likely to equally achieve 4 of the 10 goals of the program. These include the goals for improving on-time shipment pick-up (goal 2), improving on-time shipment delivery (goal 3), achieving high customer satisfaction (goal 4), and reducing claims and improving claims handling (goal 6).

Both MTMC and industry agreed on the need for performance standards to achieve the above goals. For example, to achieve high customer satisfaction, each proposal provides for more direct communication between servicemember and contractor (matters such as the pre-move survey, movement counseling, phone numbers to check with the contractors, and intransit visibility) and use of a customer survey as a tool for obtaining feedback on contractor performance. Included would be such questions as the timeliness of pickup, timeliness of delivery, loss and damage occurrence, evaluation of origin and destination agent service, and the customer's decision on whether to use the particular contractor again.

To reduce claims and the problems associated with them, each proposal provides for increased contractor liability (full value protection) and more streamlined claims settlement, including direct settlement (servicemember with contractor).

Assessment of Proposals: Greater and Lesser Extent

MTMC's proposal meets 5 of the 10 goals for reengineering the personal property program to a greater extent than the industry plan. The goals are providing quality service (goal 1), providing best value (goal 10), simplifying the system (goal 7), adopting corporate business practices (goal 5), and ensuring capacity to meet DOD's needs (goal 8).

Quality Service (Goal 1) and Best Value (Goal 10)

MTMC has said it wants its reengineering effort to produce a dramatic improvement in the quality of personal property shipment and storage services provided to military servicemembers or civilian employees and their families when they are relocating on U.S. government orders. This means providing a service to DOD personnel on par with corporate customer standards.

MTMC's proposal would fundamentally change the existing system by using multiple award, fixed-price, indefinite delivery/indefinite quantity-type contracts awarded under the competitive acquisition system. It would require prospective contractors to address before contract award how they would perform MTMC-specified technical or operational requirements. This would provide DOD the opportunity to assess a prospective contractor's plan to improve the quality of the service DOD receives prior to contract award. It would give MTMC an opportunity to assess "best value," that is, the ability to assess the trade-offs between price and technical factors. Awards would not have to be made on price alone. Therefore, we believe MTMC's proposal would achieve the goal of quality service and best value to a greater extent than the industry proposal.

MTMC had indicated that before any company is awarded DOD business, it wants to ensure that company has submitted a proposal indicating its "best value," that is addressing the technical factors (e.g., how the offeror proposed to perform specified technical or operational requirements), identifying its past performance, subcontracting plan, and price. MTMC said that it anticipated that price would be less important than the other factors combined. Award would be made only to responsible offerors whose offers conformed to the solicitation and represented the best overall value to the government, price and other evaluation criteria considered.

Both MTMC and industry agreed that in order to obtain quality service, there would be a need for longer term binding arrangements. In the current system, rates are re-bid every 6 months, and there are periods within each rate cycle when rates can be canceled. However, there was no agreement on the exact length of the longer term, nor on the type of binding arrangement. MTMC originally proposed establishing fixed prices for 1 year, with option years. Industry proposed 1 year with no options, plus the opportunity to cancel rates or meet other contractors' rates at the 3-month point of the year-long price cycle. MTMC wanted multiple award, fixed-price, indefinite delivery/indefinite quantity-type contracts with a base and several option years awarded under the FAR, whereas industry wanted continuation of the current non-FAR arrangements with modifications.

Industry's proposal defines "best value" in terms of ranking carriers and forwarders on the basis of price and performance. It would require MTMC to develop a best value score for each carrier wanting to participate in the program. The contractor's "best value" score would be based 30 percent on price and 70 percent on customer survey. Traffic would be distributed to the top-rated 30 to 50 carriers and forwarders. The industry proposal would not be based on the competitive acquisition system but would use a government bill of lading to acquire the services in accordance with procedures contained in DOD and the General Services Administration transportation regulations. It would not require prospective contractors to address how they would perform MTMC-specified technical or operational requirements before contract award. Consequently, MTMC would not have opportunity to assess a prospective contractor's plan to improve the quality prior to contract award and would limit MTMC's ability to assess the trade-offs between price and technical factors.

Simplification (Goal 7)

MTMC has stated that it is looking for administrative simplification of the program. This relates to simplifying the total process from arranging the movement to settling the claim.

Elements of both proposals offer some simplification. For example, both proposals price services on the basis of most corporate move contracts (percentage discount off industry's Domestic Commercial Tariff for domestic household goods shipments and single factor rates for international household goods and unaccompanied baggage shipments). They agreed to simplify the pricing of certain accessorial services.

For reasons described below, MTMC's proposal meets this goal to a greater extent than the industry's proposal. MTMC's program is a standardized, domestic and international program. Industry's proposal is composed of separate domestic and international programs. MTMC proposed to have offerors submit prices and fix them for at least 1 year. Industry proposed offering prices that could be changed or canceled. In industry's domestic program, prices would be established for 1 year, effective January 1 of each year, with specific escalation provisions to account for significant increases, such as fuel costs, insurance, containers, and labor costs. The proposal also included allowing prices to be re-submitted as "best and final" on April 1 of each year. In industry's international program, industry proposed to allow for increases 6 months into the contract period to compensate for currency exchange adjustments.

We have previously urged DOD to take the actions it is proposing here, such as eliminating the frequent rate re-solicitations. In a previous report, we recommended that MTMC replace or modify the two-phase (me-too) domestic household goods bidding system so that all carriers have incentive to initially bid the lowest possible rates.[7] We also noted that as a result of the current acquisition process, the domestic segment of the industry had created many paper companies that significantly added to DOD's workload but did not increase industry operating asset capacity. The MTMC proposal would implement our recommendation and limit the participation of paper companies through the use of the competitive acquisition system and provide for simplification. The carrier industry acknowledges that nearly half of the currently approved interstate carriers may be paper companies. Its proposal states that it will eliminate from the domestic program the many paper companies that do not provide "legitimate capacity," but would still require MTMC to determine what is "legitimate capacity."

MTMC anticipates making awards to fewer contractors and basing the system on fewer, more consolidated traffic channels. Currently, in the domestic program, each of the roughly 170 U.S.-located shipping offices has to maintain a traffic distribution roster for every traffic channel, or destination state. Each channel can involve several hundred carriers or forwarders. Industry suggests a distribution system that involves fewer companies on each channel, but the numbers would still involve 30 to 50 companies.

[7]Household Goods: Competition Among Commercial Movers Serving DOD Can Be Improved (GAO/NSIAD-90-50, Feb. 12, 1990).

Neither proposal specifically addresses the numbers of staff and other resources needed to implement them. There is no way to tell from the proposal specifically how many people would be involved in reviewing the proposal, how many people or resources are needed to handle the rate solicitation process or any specific traffic distribution roster system. Accordingly, our analysis is necessarily limited. However, we believe that MTMC's proposal offers the greater opportunity to provide for administrative simplification because it (1) is a consolidated domestic and international proposal; (2) changes the rate solicitation process by eliminating re-solicitation; (3) provides for use of fewer companies to handle the traffic, necessitating less administrative effort for military installation traffic management personnel; and (4) relies on traffic channels that cover entire states. The industry proposal, though it improves on the current program somewhat, retains the rate re-solicitation process in both the domestic and international programs; continues the need to administer a large, complex traffic distribution roster process for every channel; and continues to base traffic channels on each individual military shipping office.

Adopting Corporate Business Practices (Goal 5)

MTMC has said that it is attempting to capitalize on the best applicable commercial business practices. This relates to adopting business practices characteristic of world-class customers and suppliers, such as using contractual arrangements to simplify contractor selection.

For the following reasons, MTMC's proposal meets this goal to a greater extent than industry. It would eliminate DOD-unique transportation regulations for the acquisition of services. As we noted earlier, the industry proposal, similar to the existing MTMC program, would not be based on the competitive acquisition system but would use a government bill of lading to acquire the services in accordance with procedures contained in DOD and the General Services Administration transportation regulations.

In addition, in the past, we have recommended that DOD adopt commercial practices, such as using a smaller number of carriers to achieve quality and cost benefits.[8] In the personal property program, we note that MTMC has approved more than 1,100 motor van carriers and regulated forwarders to handle its domestic moving needs. It has more than 150 forwarders at its disposal for its international traffic. All military shipping

[8]See, for example, Defense Transportation: Commercial Practices Offer Improvement Opportunities (GAO/NSIAD-94-26, Nov. 26, 1993).

offices have to spend considerable time and effort to allocate a relatively small number of shipments to an enormous number of carriers. Fort Bragg, North Carolina, a typical example of the roughly 170 shipping offices in the contiguous 48 states, is serviced by more than 200 different domestic movers, more than 160 international forwarders, and 50 local carrier/forwarder agents. It has on average about 100 domestic and 40 international household goods shipments a week, moving in roughly 50 domestic and 30 international traffic channels, each requiring a separate shipment distribution roster. Some carriers and forwarders get but one shipment a week, if that. Many of the companies that get a shipment are "paper companies" that provide DOD no new operating asset capacity but were formed by their parent company to increase the parent company's market share of the DOD business. The administrative effort does little to improve the quality of life for the servicemember and his or her family.

In the same report, we recommended greater use of corporate practices that promote use of contractual arrangements to simplify the carrier selection. This could lead to more stability and provide leverage leading to cost efficiencies for both the carriers and DOD.

Ensure Capacity (Goal 8)

MTMC has long been concerned about having the necessary capacity to meet DOD's moving needs. There was no consensus, however, as to how to achieve the goal. MTMC is looking for commitment from the contractors to meet their needs, particularly during peak shipping periods. Over the years, there have been many examples of carriers and forwarders not being able to provide services when needed.

MTMC's proposal, we believe, provides the greater opportunity to meet this goal than does the industry proposal because it (1) would involve the award of contracts that would obligate the contractors to provide specific minimum capacity and (2) would not limit participation in the program to only licensed carriers or forwarders. MTMC's proposal would allow any company, whether carrier, forwarder, relocation company, or anyone else, to participate. Relocation companies stated that they are prepared to make capacity available to DOD as needed. Industry's proposal specifically excludes relocation company participation unless such companies are licensed carriers or forwarders.

Carrier/forwarder industry officials state that MTMC's proposal with regard to noncarrier/forwarder relocation company participation sets bad public

policy and raises serious legal questions. Under such a system, a relocation company, with legal status as a broker, could be awarded a prime contract to effect the moves from a given base or locality. It would be the responsibility of that company to secure the services of carriers to perform the actual packing and moving services under the contract. Industry believes that a federal agency purchasing goods or services should contract only with entities actually providing those goods or services. Allowing relocation companies to compete for prime contracts, industry argues, would create logistical problems and raise questions concerning possible violations of the Anti-Kickback Act of 1986, 41 U.S.C. 51-58 and antitrust laws.

As previously discussed, we believe MTMC's proposal to meet its goals has the potential for eliminating paper companies and opens the way for more competition among companies having or bringing to DOD actual capacity. It does not appear that MTMC wishes to restrict competition. The competitive acquisition system that MTMC proposes to use requires, as a general rule, that DOD obtain full and open competition in its acquisitions (10 U.S.C. 2304). Concerning the potential for legal problems, the propriety of the relationship between firms participating in an acquisition as prime contractor and/or subcontractor is governed by the particular facts and circumstances in the context of the applicable laws.

Assessment of Proposals: Unknown Extent

We are unable to determine the extent that either proposal provides or does not provide opportunity for small business to participate in the personal property program (goal 9). As was pointed out during the DOD/industry working group meetings, opportunities for small business and the impact on small business is difficult to assess or measure. The moving industry is made up of both large and small businesses, with many different types of organizational structures. The majority of moves are handled by the large business, van lines, but the work itself—packing and unpacking of the household goods, the loading and unloading of the trucks, and the actual truck driving—is done by small businesses, some independent and some part of the van line.

In addition, our data indicate that there are about 25 major, nationwide van lines; a thousand independent van lines; several hundred freight forwarder moving companies; about 4,500 agents; and thousands of owner-operator truckers. In some instances, the agents actually own the major van lines. In other instances, the agents are independent companies working for the van lines. More recently, the industry has expanded to

include relocation companies that handle the moves as part of a total package relocation service.

On April 17, 1996, as directed by the Fiscal Year 1996 Defense Appropriations Bill Conference Report (House Conference Report Number 104-344), MTMC reported on the impact of the reengineering program on small business. It said that it believed small businesses can reasonably be expected to fare as well or better than they do in the existing program. The reason, it said, was that MTMC's program would provide small businesses additional protection and opportunities, based on the establishment of subcontracting goals. However, the extent that small business is impacted remains a concern to the Congress and the industry because of the many uncertainties involved in implementing a new program.

The two sides agreed, however, to reduce the size of traffic channels for the test, at least in part, to allow for greater participation of small business as prime contractors. MTMC had originally wanted contractors to submit offers by regions (4 in the contiguous 48 states). For the pilot test, MTMC significantly decreased the size of the contract area, from regions to states. The pilot test includes three states—North Carolina, South Carolina, and Florida—and although contractors will be required to serve all points within a state, they can offer on any or all of the other 13 regions into which MTMC has divided the country. Furthermore, the test includes only 50 percent of the shipments from those states and only certain types of shipments. Intrastate and local shipments, for example, are not in any test plans. Industry preference is for traffic channels much as the current system exists, where traffic channels are based on personal property shipping offices (presently, more than 150 in the contiguous 48 states).

MTMC officials state that if a small business is intimidated by the size of the contracts, it can participate as a subcontractor of a large company or of another small business. MTMC indicated that for purposes of its proposal, small business would be defined as any company with annual receipts less than $18.5 million. The carrier association officials, however, do not believe that subcontracting counts toward this goal. Accordingly, the association officials believe that the MTMC proposal, by relegating small business to a subcontractor role, would reduce the number of small business prime contractors, resulting in the goal not being met. DOD's position is based on the opportunity to compete, not numbers. We based our assessment on the opportunity to compete.

Under MTMC's proposal, contracts for transportation services will be awarded under the competitive acquisition system. The requirements of the Small Business Act, 15 U.S.C. 631, et seq.; FAR part 19; and the applicable part of the Defense Federal Acquisition Regulations Supplement will apply to these acquisitions. These provisions include such matters as subcontracting plans for the utilization of small, small disadvantaged, and women-owned small business, and set-asides for small business. Therefore, the protection for small business appear to reside in the proposed MTMC plan as it would in any other contract awarded under the government's competitive acquisition system.

Matter for Congressional Consideration

We support moving forward with the pilot test of a reengineered personal property program because it will provide the necessary data to ultimately design an improved system. MTMC's proposal represents a collaborative effort to a large degree between DOD and industry and, as such, provides the better opportunity to achieve the program goals. In addition, it is important that performance standards be developed and data gathered in a way that enables measurable results of the program, particularly as they relate to quality of service and small business participation. We recognize that our assessment of the extent to which the proposals met the program goals required judgments about likely outcomes and that only actual data can determine with greater certainty the impact of the proposals. If the Congress still has concerns about the impact on small business, piloting both proposals is an option. However, doing this would likely place an additional administrative and costly burden on MTMC and could delay implementation of the program.

Agency Comments and Our Evaluation

We asked DOD, the four carrier associations—the American Movers Conference, the Household Goods Forwarders Association of America, the National Moving and Storage Association, and the Independent Movers Conference—and the Military Mobility Coalition to comment on a draft of this report. Our reporting time frames necessitated that we meet with each group and obtain only their informal oral comments prior to the issuance of the report. All expressed concern about the short time frame provided for preparing their comments. We acknowledged that this was the case and agreed to include their informal comments in this report and encouraged them to provide any additional comments as appropriate.

DOD Comments

DOD officials agreed with our analysis of the proposals and the facts in the report. However, they strongly disagreed with our interpretation of what MTMC's proposal represents and the option we suggested to pilot both proposals. According to DOD officials, the proposal submitted for review to us from the DOD/industry working group represents the collaborative product of the working group as indicated by a consensus list signed by the industry representatives. Thus, they believe that MTMC's proposal represents a joint DOD/industry proposal. DOD officials stated that testing the independent industry proposal would be a disservice to the collaborative process and would obviate the instructions of the congressional defense committees to reach agreement on a single plan. Moreover, DOD officials stated that if directed to pilot test the industry proposal in addition to the industry/DOD proposal, DOD would want to test it against MTMC's original proposal. Furthermore, they expressed concern that testing of the industry proposal would further delay their effort to improve the quality of service and reduce the $100 million annual claims for loss and damage now being experienced by military members and their families.

DOD officials also stated that they do not have enough detail on the industry proposal to go forward without significant delay. They said that the industry proposal was not debated during the working group meetings; consequently, a number of areas are unclear, vague, and ambiguous from their point of view. Further, they were concerned that the industry proposal would be technically and operationally difficult to implement, costly to administer, and cumbersome for installation transportation officials to handle simultaneously with the other pilot. Moreover, DOD officials stated the industry proposal would not provide the opportunity to improve quality of service, which is one of the primary goals of the reengineering effort.

We recognize DOD's concerns about the administrative burden and the delay that might be caused by dual testing the pilots. Consequently, we modified the matter for congressional consideration, noting that the dual pilot could be an administrative and costly burden for MTMC and could delay implementation. Regarding DOD's comments on what MTMC's proposal represents, we believe MTMC's proposal represents the DOD approach. Our view is based primarily on the letter we received on October 1, 1996, from the Commander, MTMC, which stated

"The Working Group has agreed to disagree on one major area: our plan to use Part 12 of the Federal Acquisition Regulation (FAR) as the basis for our projected contracts. . . . MTMC

respectfully disagrees with industry and proposes to use the FAR to obtain the benefits of free and open competition for the government and our military service members. . . . The House/Senate Conference Committee on National Defense included language in the 1996 Defense Appropriations Bill Conference Report (House Report 104-450) directing MTMC to test its concept for improved service by conducting a Pilot Program. We are incorporating ideas from the industry/DOD consensus, and propose to begin the test in the immediate future."

Industry Comments

The four carrier associations and the Military Mobility Coalition had differing opinions on our report. The American Movers Conference, the Household Goods Forwarders Association of America, the Independent Movers Conference, and the National Moving and Storage Association disagreed with our analysis of the proposals in each area where we stated that MTMC's proposal would likely achieve the goals to an unknown extent (goal 9) or to a greater extent (goals 1, 5, 7, 8, and 10) than the industry proposal. The Military Mobility Coalition, however, agreed with our analysis of the proposals.

In addition, the carrier associations strongly supported the option we presented as a matter for congressional consideration to pilot both proposals. They said that an advantage to piloting both proposals would be to obtain with certainty the impact of the proposals on small business participation. They added that to pilot their proposal should not be difficult to implement and stated that they would be willing to work with DOD to help implement a dual pilot. However, the Military Mobility Coalition officials expressed concern about the time it would take to set up and run two pilots, the significant administrative effort that would be required, and the limited value such a test would yield. The Coalition believes that the carrier association's proposal is so similar to the structure of the current program that it negates the need for a pilot program.

The following are key points provided by the four carrier associations where they disagreed with our analysis of the proposals. Most of the concerns raised by the four carrier associations were regarding MTMC's proposal, our characterization of the industry proposal, and our assessment of the proposals. We have revised the report to reflect their concerns, provided additional information to support our position, or clarified the position of DOD and industry, as appropriate.

Regarding our analysis of the goal to provide opportunity to small business to participate as prime contractors (goal 9), the carrier associations stated that they believed we had sufficient information to conclude that small business would be negatively impacted under MTMC's proposal. They took issue with MTMC's conclusion that the small business goal would be met through small business competing as either subcontractors or prime contractors. The carrier associations point out that the stated goal relates to participation of small business concerns as prime contractors. Accordingly, the associations state that MTMC's proposal, by relegating small business to a subcontractor role, would substantially reduce the number of small business prime contractors and therefore, would not meet the stated goal. As we stated, there was insufficient data for us to assess this area. However, we revised the report to more fully discuss the carrier associations' concerns.

Regarding our analysis of the goal to ensure capacity to meet DOD's needs (goal 8), the carrier associations stated that the industry proposal would not limit new capacity, it would only limit companies not properly licensed as carriers or forwarders from participating in the program. They also argue that MTMC's proposal would be too complicated to successfully guarantee adequate capacity and would reduce capacity by reducing the number of service providers with assets. The Military Mobility Coalition countered that many in the moving industry do not now participate because of the current cumbersome methods, but would enter the program under the MTMC proposal. Our overall basis for favoring MTMC's proposal in this area was based on the fact that contractors would be required to commit minimum capacity and participation of contractors would not be limited to licensed carriers and forwarders. The four carrier associations provided us no new information to change our view in this area.

Regarding our analysis of the goal to simplify the system (goal 7), the carrier associations stated that we limited our analysis only to certain aspects of simplification and did not consider, in their opinion, the complicated systems and processes that would be added under MTMC's proposal. These included the complex method MTMC proposed to allocate traffic, bid on channels, and use the FAR. The associations stated that the MTMC-proposed program would become administratively cumbersome if expanded worldwide. The Military Mobility Coalition, having operated under competitive FAR procedures, believes the FAR is less cumbersome than contracting with thousands of individual carriers, which occurs under MTMC's current operating system and the carrier associations' proposal.

Regarding the carrier associations' concerns, we added information on why we believed MTMC's proposal better met this goal, particularly as it relates to simplifying the rate solicitation and traffic distribution processes. In addition, we explained that the proposals do not specifically address the numbers of staff and other resources needed to implement them, limiting our analysis. Thus, we focused on the extent that the proposed process changes would simplify traffic management processes. Finally, we pointed out that industry's proposal represents two separate programs, as opposed to MTMC's single program, for handling both domestic and international traffic.

Regarding the goal to adopt corporate business processes (goal 5), the carrier associations stated that using the government competitive acquisition system, the FAR, and other practices proposed by MTMC does not represent corporate business practices. We agree that the FAR is not used in the corporate world. However, we believe MTMC's proposal moves closer toward adopting corporate business practices, such as using contractual arrangements to simplify the carrier selection process.

Regarding the goals to provide quality service and best value (goals 1 and 10), the carrier associations noted that awarding contracts for these services pursuant to the FAR would involve the evaluation of complex proposals that must be prepared by the competing firms. According to the association officials, such proposals are best prepared by large companies, and there is not always a direct relationship between well-written proposals and actual quality service. The Military Mobility Coalition pointed out that small businesses in this carrier field can have annual receipts up to $18.5 million and should be able to handle preparing proposals. Given the conflicting views, we have no basis for judging the extent to which proposal preparation would or would not be a problem. This type of issue illustrates why we strongly support a pilot program.

The carrier associations pointed out that our report in many places referred specifically to the domestic program and was silent about issues surrounding the international program and the impact of the MTMC pilot program on international service providers. We have revised the report to more fully discuss the international aspect of the industry proposal.

Other comments were provided to us that clarified or corrected our characterization of the industry proposal. We incorporated, as appropriate, these comments into the report. For example, we added that the industry proposal actually is composed of two programs—one for handling

domestic traffic and another for international traffic. In addition, we clarified that the industry proposal modifies the current system, provides for selecting carriers on quality as well as price, and has features that address the problem of paper companies.

According to the four carrier associations, the specific reasons relied on for their position is contained in the Industry Critique of MTMC's Proposed Pilot Program for Domestic and International, signed by American Movers Conference and the Household Goods Forwarders Association of America and agreed to by the Independent Movers Conference and the National Moving and Storage Association. At their request, the document provided by the carrier associations giving more detail on their position is included as appendix II.

Overall Evaluation

The diverse nature of the comments illustrates the difficulty of assessing the two proposals and making the judgments when precise data is absent. We believe that our assessment of the extent to which each proposal meets the program's reengineering goals is appropriate. We have revised the report to better reflect the content of both proposals and specific points made by the commenting officials. Overall, we continue to believe that MTMC's proposal provides a greater opportunity than the industry proposal to achieve the program goals and that the pilot should not be delayed any further.

Scope and Methodology

The source proposals for our analysis were

1. MTMC's "Draft Request for Proposal Summary, Reengineering the DOD Personal Property Program," dated June 24, 1996, as clarified in DOD correspondence, position papers, and white papers distributed to the working group members over the period of the working group meetings held through September 16, 1996.

2. The "Joint Industry Proposed Alternative Plan to MTMC's Re-Engineering of the Domestic and International Personal Property Programs," dated June 24, 1996, and signed by the presidents of the four moving industry carrier associations—American Movers Conference, the Household Goods Forwarders Association of America, the National Moving and Storage Association, and the Independent Movers Conference—as revised in an American Movers Conference and Household Goods Forwarders Association of America document entitled "Industry Alternative Pilot Plan

for MTMC's Domestic and International Personal Property Program," dated October 25, 1996.

Since MTMC and industry could not agree on a single approach to the pilot test, we analyzed the two approaches. As discussed with your office, we agreed to use the source proposals described above as the basis for analyzing the pilot test approach.

The program goals were those developed at the June 10, 1996, working group meeting and agreed to by a September 16, 1996, DOD and association-signed document entitled TRANSCOM/MTMC/Industry Reengineering Personal Property Working Group Consensus List.

Our analysis was based on the review of the proposals; examination of the transcribed record of the working group meetings; review of correspondence of both sides relative to the two proposals, points of clarification, and statements of disagreement; reference to our prior reports and findings on the subject area; research and analysis of the applicable procurement statutes and DOD and the General Services Administration transportation procurement and traffic management regulations; analysis of data related to the moving industry and small business affairs, not necessarily discussed at the working group meetings; and follow-up discussions with officials in DOD and the moving industry who attended the working group sessions.

Our analysis of the reengineering initiative was conducted between June and November 1996. Since agreement could not be reached on a mutually acceptable proposal to pilot test, we began assessing in October 1996, the separate DOD and industry proposals. Our assessment of the specific proposals was conducted during a 30-day period as specified in the House and Senate reports accompanying the National Defense Authorization Act for Fiscal Year 1997. Our review was performed in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Secretary of Defense; the Commander-in-Chief, U.S. Transportation Command; the Commander, MTMC; the American Movers Conference; the Household Goods Forwarders Association of America; the National Moving and Storage Association; the Independent Movers Conference; and the Military Mobility Coalition. We will also make copies available to others upon request.

Please contact me on (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix III.

David R. Warren, Director
Defense Management Issues

List of Congressional Committees

The Honorable Strom Thurmond
Chairman
The Honorable Sam Nunn
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Ted Stevens
Chairman
The Honorable Daniel K. Inouye
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Floyd D. Spence
Chairman
The Honorable Ronald V. Dellums
Ranking Minority Member
Committee on National Security
House of Representatives

The Honorable C. W. Bill Young
Chairman
The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on National Security
Committee on Appropriations
House of Representatives

Contents

Abbreviations

DOD	Department of Defense
FAR	Federal Acquisition Regulation
MTMC	Military Traffic Management Command
TRANSCOM	Transportation Command

Background on the Military Traffic Management Command's Pilot Test Initiative to Reengineer DOD's Personal Property Program

Department of Defense's Reengineering Initiative

On June 21, 1994, the Deputy Commander-in-Chief, U.S. Transportation Command, directed the Military Traffic Management Command (MTMC), the Army component of the U.S. Transportation Command and program manager for the Department of Defense (DOD) Personal Property Shipment and Storage Program, to reengineer the personal property program. On March 13, 1995, MTMC formally published a notice in the Federal Register of its plans to consider employment of full-service contracts to improve DOD's personal property program. The notice highlighted the fact that the evolving defense environment encompasses a smaller uniformed force, less overseas basing, reduced funding, and diminished staffing of support activities. It indicated that these changes will directly affect quality-of-life issues. In light of these changes, the notice said MTMC is engaged in an effort to simplify current processes, control program costs, and ensure quality of service by reengineering the existing personal property program. It further indicated that the reengineering effort will adopt, to the fullest extent possible, commercial business processes characteristic of world-class customers and suppliers and relieve carriers of DOD-unique terms and conditions. It said it will also focus on the customer, reward results, foster competition, and seek excellence of vendor performance. The notice indicated that members of industry would be afforded an opportunity to comment on the draft solicitation and to attend the presolicitation and preproposal conferences.

On June 30, 1995, MTMC released a written proposal to reengineer the personal property program. A notice of proposal was published in the July 13, 1995, Federal Register. A further statement of acquisition strategy was released to industry on July 31, 1995.

Congressional Concern

On June 15, 1995, the House Committee on National Security reported that it, too, was convinced that DOD must pursue a higher level of service that moves toward greater reliance on commercial business practices, including simplified procedures. It directed that DOD undertake a pilot program to implement commercial business practices and standards of service. It asked for a report from DOD on this by March 1, 1996.

On October 11, 1995, MTMC testified on the reengineering effort before the House Committee on Small Business. MTMC discussed the impact on small business and its rationale for planning to award contracts for the new program under the Federal Acquisition Regulation (FAR). Carrier and forwarder industry officials also testified at this hearing.

In September 25, 1995, and November 15, 1995, reports accompanying the conference report on the Fiscal Year 1996 Defense Appropriations Bill, congressional managers directed that prior to implementing any pilot test, DOD report on the program's impact on small business resulting from the application of the FAR and any requirements that were not standard commercial business practices. DOD responded with reports dated January 1996 and April 1996.

In a May 7, 1996, report accompanying the National Defense Authorization Act for Fiscal Year 1997, the House Committee on National Security stated that after reviewing the reports, it was still concerned that MTMC's pilot program did not satisfactorily address issues raised by the small moving companies comprising a majority of the industry. The Committee, therefore, directed the Secretary of Defense to establish a working group of military and industry representatives from all facets of the industry to develop an alternative pilot proposal.

The instructions were that the working group would be chaired by the Commander, MTMC; include those DOD representatives the Chairman deemed necessary (not to exceed six in number); and include an industry delegation to be represented by no more than six people, including one each from the American Movers Conference and the Household Goods Forwarders Association of America. The Committee asked that the working group submit the alternative proposal, along with the current pilot proposed by MTMC, to us for review. The Committee further directed that we report to the congressional defense committees the results of our review. The report said that DOD may not proceed with the formal solicitation for, or implementation of, any pilot program prior to August 1, 1996. Similar instructions were contained in the May 13, 1996, Senate report accompanying the National Defense Authorization Act for Fiscal Year 1997.

MTMC/Industry Attempt to Reach Agreement on a Single Plan to Pilot Test

The congressionally directed working group of DOD and industry officials met over a period of 3 months beginning in June 1996 and ending in September 1996. In six sessions—9 days (June 10, July 1-2, July 18-19, August 14, September 5-6, and September 16)—representatives of MTMC, the U.S. Transportation Command, DOD, and various segments of the moving industry, including the American Movers Conference, the Household Goods Forwarders Association of America, the National Moving and Storage Association, the Independent Movers Conference, the Military Mobility Coalition, and a DOD-invited group of auxiliary members

from the moving industry met in a formal group setting to forge a plan for a pilot test. We and the Army Audit Agency attended as observers. The meetings were chaired by the Commander, MTMC, and led by a DOD-provided facilitator. All meetings were transcribed and made available to anyone in the industry or the interested public through MTMC's Internet Web page. All written correspondence and position papers were also made available on the MTMC Internet Web page.

At the first meeting, the Chairman reported that the objectives were to meet the intent of the Congress for developing an alternative program that could be reported to the Congress and to establish a forum for industry and DOD to forge agreement on a single program for the pilot test. MTMC explained its proposed pilot plan; laid out the program goals, which were to dramatically improve the quality of personal property shipment and storage services provided to military servicemembers or civilian employees and their families when they are relocating on U.S. government orders and to simplify the administration of the program, capitalizing on the best applicable commercial business practices characteristic of world-class customers and suppliers; and asked for industry comment.

After the first meeting, goals for the program were announced. These goals and various issues were discussed and refined throughout the meetings. Also, at the initial meeting, MTMC announced that it was not going to release a formal request for proposals but instead have industry submit for discussion any alternative plan they might wish to offer. MTMC also agreed to provide for clarification its previously proposed plan.

Industry and MTMC offered proposals on June 24, 1996. Both, and others, as desired, offered comments on the proposals on June 27. These two proposals served as a framework, or center of discussion, for reaching or attempting to reach, a single, mutually acceptable plan for testing.

In the end, on September 16, 1996, DOD and industry could not reach agreement on any single plan. At the final meeting, representatives of DOD and industry signed a document called a consensus list, on which the goals and points of agreement reached by the working group were stipulated.

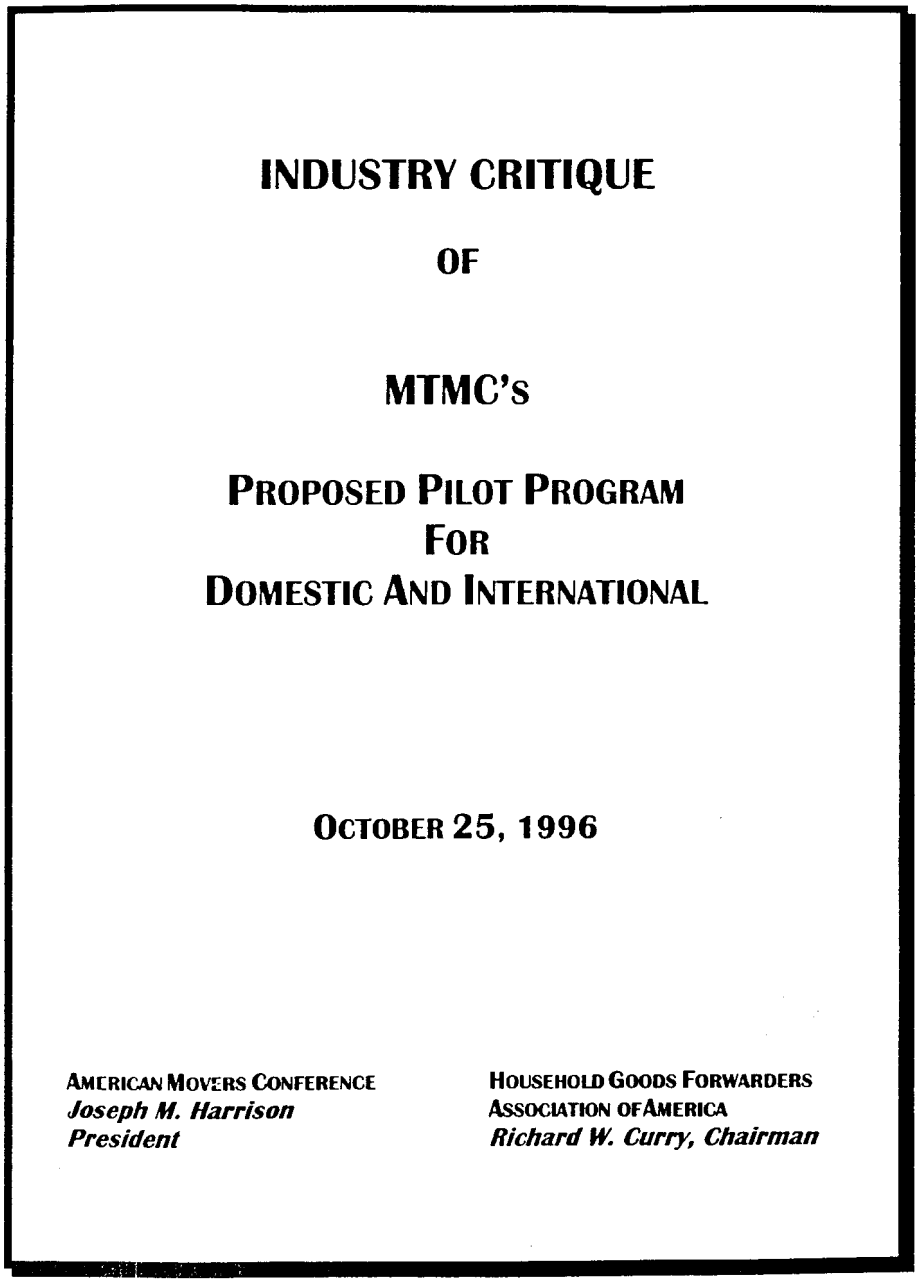
On October 1, 1996, the Commander of MTMC and the joint working group chairman wrote us on the status of reengineering effort and work of the group. The Chairman indicated that the group had come to a consensus of many issues but had agreed to disagree on one major area: MTMC's plan to use part 12 of the FAR as the basis for its projected contracts. The

Commander indicated that MTMC planned to move forward with a test by releasing a request for proposals in November 1996 and making contract awards in January 1997.

On October 10, 1996, the American Movers Conference wrote us expressing its concerns about the adequacy of MTMC's October 1 letter in providing us information to use in evaluating MTMC's proposed plan. The Conference indicated that there were other areas of disagreement than the FAR and that it believed that MTMC had tried to cover up these areas of disagreement and emphasize instead the minor points of agreement. These other areas included MTMC's guaranteeing capacity (minimums and maximums), distributing shipments to contractors, impact of MTMC's decision to permit relocation companies to participate in the program, rules governing payment for storage-in-transit, and the number of contracts that ultimately would be awarded. The Conference indicated that it was planning to submit a more detailed industry plan for our review.

On October 25, 1996, the American Movers Conference and the Household Goods Forwarders Association, in a joint letter, submitted their views of MTMC's reengineering proposal to date. They provided an industry critique of the MTMC proposal and the industry alternative plan. The proposal provides for small business participation, program simplification, best value, and the elimination of paper companies. The associations said that while they are supportive of any effort to improve the existing program, they believe that there are legitimate concerns that must be adequately addressed before this program can proceed.

Document Provided by the Carrier Associations Giving More Detail on Their Position



INDUSTRY CRITIQUE

OF

MTMC'S

PROPOSED PILOT PROGRAM
FOR
DOMESTIC AND INTERNATIONAL

OCTOBER 25, 1996

AMERICAN MOVERS CONFERENCE
Joseph M. Harrison
President

HOUSEHOLD GOODS FORWARDERS
ASSOCIATION OF AMERICA
Richard W. Curry, Chairman

EXECUTIVE SUMMARY

- MTMC has clearly admitted that awarding contracts under the FAR by State, as proposed in the pilot program, would be labor intensive, administratively burdensome and costly, if applied nationwide and worldwide. To put this in perspective, the pilot confines the awards to three states - outbound only. On the basis of a minimum of two awards per state to each of the 13 domestic regions and to the 5 overseas areas, proposed in the pilot program, there would be required awards and administration of a minimum of 78 contracts domestically (3 x 2 x 13) and 40 contracts internationally (4 x 2 x 5).[1] If the MTMC pilot approach is applied worldwide, 1,248 contracts outbound from all states (except Alaska and Hawaii) would have to be awarded and administered by MTMC (48 x 2 x 13). To this would have to be added the additional contracts involved in the worldwide application of the international program since the pilot limits consideration to three states and six countries (five regions).

- The administration of the DOD pilot program is itself administratively burdensome, labor intensive and prima facie costly and raises significant questions as to whether the pilot program should be implemented prior to DOD's issuance of an appropriate cost study and a review of that study by GAO and Congress.[2]

- Although MTMC earlier recognized the need to apply the FAR contract awards based on regions, rather than states or traffic channels (See DOD Small Business Impact Statement II, dated April 16, 1996), it reversed itself and amended its pilot program to provide for award by state in order to obviate the draconian impact of regional contract awards on small business concerns, upon which the DOD personal property program is admittedly dependent.

- In light of the above, and in recognition of the fact that MTMC, after the pilot has terminated, has no intention of operating two programs, GAO should consider the administrative feasibility, cost, as well as the impact on small business concerns, resulting from the worldwide application of the proposed pilot program. Clearly, the administrative burdens and cost of operating a three-state program in one direction only cannot be compared with the cost and effect of operating the program between all states, in both directions and throughout the world. For this reason, the GAO review should evaluate the application of the test to the DOD Personal Property Programs, not the test itself.

[1] In the international program, Florida is separated into two traffic channels.

[2] DOD has directed Systems Research and Applications (SRA) to make such a study. Although it was furnished MTMC on December 28, 1995, DOD/MTMC has refused all requests for a complete copy of this study.

- MTMC's plans to use the Federal Acquisition Regulations (FAR) are inappropriate for the re-engineered personal property program. MTMC believes that it must use the FAR in order to obtain "best value", but the GSA program obtains best value without the FAR. The household goods moving industry is unique, as recognized by Congress in granting it an exemption from the FAR, and this exemption should be continued. Moving companies that presently are unfamiliar with the numerous FAR provisions should not have to comply with these unneeded regulations when a simpler, commercially-based alternative is available.

- The DOD Personal Property Program is subject to recurring peak seasons (April - October) when all of industry's capacity is required to meet DOD's needs. DOD's pilot program limits contract awards to a favored few on each traffic channel and thereby eliminates the capacity of high-quality carriers and their respective agency networks and facilities. MTMC recognizes this but relies on the myth that an unsuccessful van line bidder will make its agency network and facilities available to its competitor to permit it to fulfill its contract obligations with DOD. A review of the transcript of the hearings of the Working Committee will show that industry clearly established that these agency networks and facilities are not interchangeable and would not be available from one competitor to another.[3]

- MTMC's current program requires its participants to be either licensed motor carriers or licensed freight forwarders. The licensing requirements mandate that the carrier/forwarder be legally liable for loss and damage. In addition, moving personal property is the primary business of carriers and forwarders. MTMC should continue to use only legally licensed carriers and forwarders for transporting military shipments.

- Instead, MTMC proposes to permit third party relocation brokers to participate in its re-engineered program. These companies engage in a number of services related to relocations, such as real estate transactions, job finding assistance, and other services that military members may not require, that Congress has not authorized MTMC to purchase, and that bear only indirectly on the ability to transport household effects in a safe and efficient manner.

- The participation by brokers in MTMC's program creates the potential for serious improprieties, including the illegal payment of kickbacks (commissions) to a government prime contractor and potential antitrust problems associated with pricing discussions prior to the bid between competitors. In addition, permitting brokers to bid will cause logistical problems with the double counting of capacity and the reduction in carrier accountability. For these reasons, we believe that MTMC should continue to use only licensed carriers and freight forwarders.

[3] As stated, such an arrangement would violate the specific terms of agency contracts which require agent loyalty and service exclusively for the van line principal.

- The proposed three-year contract awards (1 year plus 2 one-year options) will not only restrict competition during the contract period but will reduce competition in future procurements by eliminating high-quality carriers which service exclusively, or almost exclusively, military shipments. Many of these companies and almost all of their agents are small business concerns.

- The industry proposals, both domestic and international, encourage competition, preserve the needed infra-structure, furnish all of the hallmarks of good service which MTMC has established, eliminate poor-quality carriers from the program, permit participation by high-quality small business concerns and reward carriers for furnishing quality service based on the very standards established by MTMC itself in the form of the customer survey, e.g., customer satisfaction, loss and damage, on-time pickup and deliver, etc.

- The administration of the industry programs is simpler, less labor intensive and costly and uses the DOD TOPS program for the computerized distribution of shipments in lieu of the manual distribution required under the MTMC proposal.

- A comparison of the proposed industry reengineered plan with that proposed by MTMC shows that the industry's plan more completely meets the objectives agreed to by DOD and industry as the standard for measuring the relative merits of both proposals.

- The proposed MTMC program is administratively and cost burdensome because of the requirement to submit detailed proposals which reward the proposal writer, while substituting almost unlimited discretion in contract awards for the objective standards contained in industry's proposals.

- A number of substantial features of the MTMC pilot program have not been put in place thereby shielding them from GAO review.

    - Distribution of shipments
    - Authorization and compensation for storage-in-transit
    - Use of non-FAR contract, etc.
    - International accessorials
    - Ocean rate, currency, fuel adjustment procedure

- All efforts to obtain a draft of the solicitation for review and comment prior to evaluation by GAO and, in fact, prior to issuance have been denied. As they say, "the devil is in the details". The GAO review should not be finalized until the draft proposal has been furnished to Industry for comment, and those comments have been submitted to GAO for evaluation.

INTRODUCTION

The Moving Industry approaches the re-engineering of the DOD Personal Property Program with an intense desire to see the program succeed. The Industry is not interested in obstructing implementation of a well conceived program. We have consistently supported making improvements to the current program and have attempted to work with the Military Traffic Management Command (MTMC) throughout the re-engineering process in an effort to ensure that it too leads to a better program. Our fear, however, is that MTMC's plan will not improve quality, will not simplify the program, and will not provide adequate capacity during the peak summer moving season.

The Moving Industry wants to work with DOD to fix these problems, which is why we sought this opportunity from Congress to develop an alternative to the re-engineering plan. Unfortunately, we believe that the working group's efforts to find a successful alternative were doomed by MTMC's unwillingness to compromise on the FAR and third party broker issues, and by their insistence on retaining a bureaucratic fixation on unnecessary rules. Our specific comments follow.

THE MTMC PILOT PROGRAM IS UNNECESSARILY COMPLEX AND DIFFICULT TO ADMINISTER

The referenced procedures required by the MTMC Pilot Program are complex, extremely difficult to administer, labor intensive, costly, and raise substantial questions as to their effective implementation.

In its previous action of scrapping the award of contracts by state and going to contract awards by region, MTMC stated:

> "MTMC agrees that awarding a best value FAR contract under the Area of Responsibility (AOR) to rate area/ channel concept would be labor intensive and difficult to administer because of the large number of potential offers and awards to be evaluated and administered.... Consequently, MTMC is considering an approach which encompasses six origin regions, which include four CONUS and two OCONUS regions." (MTMC's Comments Regarding the Acquisition Strategy, dated March 20, 1996, p. 3).

In supporting its change from contract awards by state to regional contract awards, MTMC further stated:

> "MTMC's own continuing analysis showed that the proposed channel-based [state award] program would be extremely complex to administer." (MTMC's Small Business Impact Report II, dated April 17, 1996, p. 18).

We concur with MTMC's analysis, except to add that the procedures which MTMC now contemplates (the award of contracts by origin states), when taken together with the requirements of the MTMC pilot governing contract award and traffic distribution, are so complex that they defy achievement. Even if they could properly be carried out, their implementation would be so costly as to warrant their non-adoption.

As MTMC previously recognized, the MTMC proposal needs to be evaluated by its application to the DOD Personal Property Program, which is both nationwide and worldwide. The evaluation of the proposed MTMC procedures cannot reasonably be limited to consideration of the limited geographical areas covered by the pilot. Clearly, it is not the intent of DOD to have two different procurement procedures apply to its personal property program. A program which is reasonable for the award of traffic originating in three states may, as we suggest is the case here, be completely unreasonable when applied to a program which awards are made nationwide and throughout the world. In other words, the pilot test is only valid if it is representative of the procedure to be applied to the entire DOD Personal Property Program.

Quantifying this, the domestic program would require the evaluation of offers resulting in awards and administration of 1,248 contracts. As stated in its submission to GAO of October 1, 1996, the MTMC procedure contemplates awards by origin state to thirteen regions for domestic traffic. MTMC has said on many occasions that there would be "multiple awards" at each origin. Assuming that there are only two contracts awarded at each origin (a conservative estimate), there would be 1,248 contracts administered in the program for the domestic procurement alone. To this, would have to be added minimum of two contracts for each of the states to each overseas area. According to the MTMC book listing carrier approvals in the international program for the traffic cycle beginning April 1, 1996, there are 33 foreign areas.[1] On this basis, MTMC would have to award and administer in the international program a minimum of 3,168 contracts outbound and an equal number of contracts inbound, for a total of 6,336 contracts. Even if we were to assume that some of the overseas countries could be grouped into regions, the number of contracts to be handled under this procurement is so mind-boggling as to be incapable of achievement.

Although the cost of administering the procedures embedded in the MTMC pilot program was repeatedly raised during the course of the meetings of the MTMC/Industry Working Group, as an important factor warranting consideration, General Thompson, who acted as Chairman and was the then Commander of MTMC, steadfastly refused to discuss this matter. Unfortunately, that does not obviate the need to make a cost analysis before the procedures of the pilot program are implemented. In this connection, MTMC apparently recognized the need for such a determination since it directed Systems Research and Applications (SRA) to evaluate MTMC's proposed re-engineering of the DOD Personal Property Program from both an operational and cost standpoint. The Study was issued on December 28, 1995, but all efforts of Industry to obtain a complete copy of the Study, including the cost conclusions there contained, have been met with refusals.

In addition to the administrative burdens created by application of the FAR requirements due to the large number of contracts involved, the requirements of the MTMC plan substantially add to the complexity of contract award and administration. As established in the transcript of the MTMC/Industry Working Group meetings, MTMC proposes the award of indefinite quantity contracts, with a minimum guarantee of traffic over the life of the contract. Each carrier is to submit an offer from one or more states to one or more regions domestically and, if desired, from one or more states to one or more overseas countries. In its offer, the carrier is to declare its committed capacity at each AOR. MTMC then proposes to award contracts by state in sufficient numbers to meet its anticipated requirements. Due to the fact that the MTMC guarantee is by AOR for the contract year, while the carrier's committed capacity is to be stated by each AOR on a daily basis, with contract awards being made by state of origin, the problems involved in marrying committed capacities of various offerors with government requirements at each AOR, underscore the difficulties involved in an appropriate contract award process.

Further, as set forth in its summary solicitation furnished Industry consideration in connection with the meetings of the MTMC/Industry Working Committee, shipments are to be distributed on the basis of factors set forth in the solicitation, i.e., past performance, cost, etc. (MTMC Summary of Solicitation, dated June 24, 1996). See FAR 16.505(b).

[1] This excludes the countries handled under MTMC's OTO (one-time-only) program.

Lastly, although initially, MTMC stated that one of the advantages of its proposed re-engineering plan was the elimination of the Traffic Distribution Roster (TDR), it is clear that, considering the government's obligation in the form of tonnage guarantees, the carrier's obligation in the form of daily committed capacity and the provision for optional tonnage over and above the carrier's committed capacity, a TDR, more complex than now in place, is required to be maintained at each AOR. Further, although TOPS is operational and the award of shipments under present TDRs is handled by computer, the unique requirements of the MTMC plan mandate the manual administration of the TDRs, with the attendant need for additional manpower and resultant cost.

It is our position that upon analysis, the procedures involved in the MTMC plan raise substantial questions as to whether they can be properly implemented.[2]

Even if, and we say by some stretch of the imagination, MTMC pilot procedures could be applied to the DOD Personal Property Program, the serious question is raised: "At what cost?" In a recent report, the Controller General stated:

> "In recent years, an understanding has emerged that the federal government needs to be run in a more businesslike manner than in the past. As companies are accountable to shareholders, the federal government is accountable to taxpayers, and taxpayers are demanding as never before that the dollars they invest in their government be managed and spent responsibly." (GAO/GGD-96-118 Government Performance and Results Act, dated June 1996, p. 1).

In light of the foregoing, we respectfully ask that the Comptroller General determine the feasibility of applying the procedures involved in the MTMC pilot program to the DOD Personal Property Program and whether those procedures can effectively produce the desired results. Should GAO determine that the procedures can be implemented and will produce the desired results, we ask that the cost of such implementation be determined so that Congress will be advised up front as to the additional budgetary burden that will result.

THE MTMC PILOT PROGRAM WILL NOT ACHIEVE THE DESIRED RESULTS

MTMC's Pilot Program is itself administratively burdensome, labor intensive and costly and raises significant questions as to whether it can achieve the desired result.

The problems involved in the administration of the proposed MTMC pilot program are discussed fully in Section 1, above, which treats the application of the MTMC concepts to the DOD Personal Property Program, nationwide and worldwide. These same problems exist with respect to the implementation of the pilot program, the only difference being that the number of contracts to be awarded and administered are less. Under the pilot program, a minimum of 78 contracts are contemplated for award and administration in the domestic program (3 x 2 x 13), and 40 contracts are contemplated in connection with the international program (4 x 2 x 5).[3] The MTMC pilot has all the problems discussed above in connection with its application to the DOD Personal Property Program, the only

[2] In this connection, MTMC has now determined that its Total Quality Assurance Program (TQAP) which it imposed in Industry, against its will, is now unworkable and must be scrapped. The procedures contained in MTMC's pilot program are even more incapable of proper implementation.

[3] In the international program, Florida is separated into two traffic channels.

difference being the number of contracts involved. As a result, not only would MTMC have to review, make a determination leading to the award of at least 118 contracts, but would have to match up the declared capacities of the different offerors at each AOR so that the DOD requirements were met and then marry those requirements with contract awards by origin state. This is further complicated by the fact that MTMC recognized that carriers might commit different capacities during the peak season than during the off-peak season and stated that that was contemplated in the offers to be submitted pursuant to the solicitation. Once the contracts have been awarded, the burdens on the establishment of manual TDRs covering guaranteed tonnage, committed capacity, voluntary shipments, as well as offering shipments pursuant to the requirements of FAR 16.505(b), which is incorporated in the MTMC draft solicitation, raise serious questions as to whether this complex program can be implemented in a way which will achieve the service desires of MTMC or, even if it can, whether the cost of implementing this program warrants its adoption, rather than the program advanced by Industry.

THE MTMC PILOT PROGRAM WILL HAVE A SUBSTANTIAL ADVERSE IMPACT ON SMALL BUSINESS

In an effort to counter the unanimous opposition of Industry to the regional FAR contract awards which MTMC then proposed to implement in the DOD Personal Property Program, and in response to the interest of Congress, MTMC reversed itself and proposed contract award by origin state, for the pilot program.[4] In the House Report, accompanying the 1997 Defense Authorization Bill, the following is stated:

> "After reviewing the Congressionally-mandated report on this matter, the committee is concerned that the Military Traffic Management Command's (MTMC) Re-engineering Personal Property Initiative Pilot Program does not satisfactorily address concerns raised by the small moving companies which comprise much of this industry. The committee understands the Department's desire to proceed with its pilot program and remains committed to the Re-engineering effort. However, the committee also believes that the concerns of small business need to be addressed."[5]

In light of the extreme complexity of administration and the burdens on manpower and cost which previously caused MTMC to change from FAR contract awards by traffic channel to awards by region, the award by traffic channels provided for in the pilot program in no way addresses Industry's concern that high-quality small businesses will be excluded from participation in the worldwide DOD Personal Property Program. Since MTMC has only applied state-based contract awards for the Pilot Program and MTMC is unwilling to state unequivocally that the new program after the test will not go back to the regional approach, the adverse impact on small business remains unabated. Frankly, in light of MTMC's clear statements made in support of its change to regional contract awards, a reasonable person would be hard-put to believe that MTMC has no intention of

[4] The transcript will confirm that General Thompson was specifically asked whether Industry could be assured that the award of contracts by origin state, provided for in the MTMC pilot, would be carried forward through the DOD Personal Property Program, if the test is a success. He declined to give this assurance.

[5] Although couched in terms of the MTMC pilot, for the pilot program to be meaningful, it must be representative of what MTMC will apply to its worldwide personal property program.

applying the regional award concept to the worldwide DOD Personal Property Program. Once this is recognized, it becomes clear that the MTMC re-engineering plan is in direct conflict with an important goal established by the MTMC/Industry Working Group:

> "I. Provide opportunity for small businesses offering quality service to compete for DOD business as a prime contractor".

As the transcript of the meetings of the Working Group clearly establishes, small business concerns, presently competing as prime contractors in the DOD Personal Property Program would be frozen out of the program under the MTMC regional contract award concept. We submit that unless and until MTMC disavows any intention of reverting to its plan for regional contract awards, the impact on small business concerns of MTMC's re-engineering plan must be viewed on that basis. Further, absent such a firm commitment, the MTMC pilot program, which departs from the regional concept award, becomes non-representative of the re-engineered DOD Personal Property Program, irrelevant and a waste of the taxpayers' money.

THE FAR IS AN INAPPROPRIATE FRAMEWORK FOR THE MTMC PERSONAL PROPERTY PROGRAM

From the earliest stages of the MTMC proposal, the Moving Industry has argued that amending the Personal Property Program to include only those FAR clauses MTMC wants is far superior to converting to the FAR and ensuring that no unwanted and inappropriate standard FAR clauses are made part of MTMC contracts. The MTMC response, set forth in its September 6 one page position paper, is that "[u]pon making the decision to use a comprehensive contract for household goods transportation services, the Department of Defense is required by law to use the FAR." We are not aware of any such requirement. Pursuant to FAR § 1.103, "[t]he FAR applies to all acquisitions . . . except where expressly excluded." FAR § 47.200(d)(3) expressly provides that the FAR will not apply to the acquisition of services for the transportation of household goods at government expense when such services are required "[b]y DOD under the Personal Property Management Regulation." Thus, the existing program can certainly be amended to include any FAR requirements that MTMC believes to be necessary without adopting the entire FAR. This is admitted by MTMC in its response to the non-FAR contract submitted by industry at the request of General Thompson. Further, non-FAR contracts are used in MTMC's procurement of transportation services for general commodities in the form of Guaranteed Traffic Contracts.

The MTMC position paper contends, however, that a FAR based contract is necessary in order to obtain "Best Value" because, according to MTMC:

1. The FAR mandates full and open competition . . .
2. The FAR allows, and encourages, the use of a wide variety of quality and performance evaluation considerations . . .
3. The FAR requires that all competitors for a contract be judged against a fixed, pre-established source selection and evaluation scheme.

To achieve these objectives, however, MTMC need not adopt the entire FAR. The general goal of "best value" competition, as well as the three specific components of "best value" identified above by MTMC can be achieved by simply adopting those requirements as part of the program. There is no reason why MTMC cannot mandate full and open competition,

quality and performance criteria, and objective source selection criteria without adopting the FAR in its entirety. MTMC can custom tailor its Pilot Program by incorporating only those FAR clauses that MTMC believes it needs or wants. MTMC, however, appears to miss this point by characterizing the Industry's concern as being "the remote possibility that some required clauses may be inadvertently excluded." (emphasis added). (See MTMC September 6 paper). As Industry has made clear, the concern is that the inadvertent inclusion of standard FAR clauses that are inappropriate to a contract for the packing and transportation of household goods will unduly complicate MTMC's relationships with its service providers. This type of potential problem can be effectively eliminated by MTMC picking and choosing only those clauses it needs or wants.

MTMC also contends that because other types of contractors do business with the government under FAR-based contracts, there is no reason household movers cannot do likewise. This ignores the fact that the domestic household moving industry is unique in many ways. It is a three tier system consisting of van lines and their agents, carriers that are authorized in their own right to transport DOD traffic or as agents of van lines and independent owner-operators (drivers). Each component of the industry must meet established standards, either regulatory or contractual, before they qualify to transport DOD shipments. In the international program, the prime contractors are forwarders, having approved agency networks which perform origin and destination services, as well as arrangements with port agents, underlying van lines, general commodity carriers and ocean and air carriers, all of which are necessary to properly perform the required transportation functions. The interdependence of each segment requires a high degree of industry acceptance of the contractual relationships contracting carriers enter into with shippers, whether they are military or commercial. If any component of the industry is unduly burdened by a regulatory morass such as FAR that hampers its ability to operate, the entire system will not function effectively. This is no doubt partly the reason why contracts for household goods moving have been exempted under FAR § 47.200(d)(3). The fact that the General Services Administration does not use a FAR-based contract for its acquisition of household moving services for civilian employees of the federal government is further testimony to the viability of a non-FAR based procurement system. (GSA utilizes the Centralized Household Goods Traffic Management (CHGTM) Program, 41 C.F.R. § 101-40.200 et seq. See PHH Homequity Corporation, B-240145, B-241988, B-240145.3 91-1-CPDP 100 (1991)).

Finally, the Report of the Panel[6] that preceded adoption of the "commercial item" acquisition approach by the DOD issued a telling criticism of the DOD procurement practices that were employed prior to enactment of 41 U.S.C. § 403(12). Admittedly, the "commercial item" acquisition approach may be less cumbersome than a full fledged FAR system, but, from the perspective of the moving industry, it is a giant step in a direction that entails compliance with significantly more regulatory requirements. The Panel aptly observed:

> Recent studies of DOD acquisition practices have uniformly concluded that the myriad of Federal Laws and regulations applicable only to Federal - and particularly DOD - contractors has created a significant barrier to the entry of commercial firms into Federal contracting. A 1990 report on 20 case studies of how commercial companies sell to the Federal Government reached the following conclusions:

[6] Streamlining the Defense Acquisition Laws, Report of the Panel, 1993.

> In general, the greater the commercial sales base [a company has], the more likely [a company] will either separate [its] commercial and military operations or abstain from military business. [emphasis theirs] * * * For these firms, overall corporate compliance with Government procurement regulations for what constitutes only a small portion of their total sales bases could force them to:
>
> - implement extremely elaborate and expensive cost accounting systems and staff,
> - make radical revisions to commercial procurement practices and long-term supplier relationships,
> - release highly confidential information to competitors,
> - make changes in the transportation of goods and materials,
> - overturn existing compensation and fringe benefit practices,
> - revise production techniques to accommodate specialized process specifications and/or quality assurance and inspection provisions . . . ,
> - risk closure of the entire facility in the event of reporting errors or other perceived legal or regulatory abuses.[7]

These are precisely some of the results that can be expected from the direction in which MTMC is pushing its acquisition of personal property transportation services. Ironically, the primary thrust of recent legislative action and executive proposals have been to allow government procurement to proceed without being hampered by the numerous legal and technical requirements of FAR. MTMC's insistence on unnecessarily placing acquisition of household goods transportation under the strictures of FAR is inexplicable, particularly since use of FAR is not needed to achieve changes in existing household goods transportation procurement practices.

THE MTMC PILOT PROGRAM FAILS TO PROVIDE CARRIER CAPACITY TO MEET DOD'S NEEDS

Agreed as one of the goals of the proposed re-engineering is:

"H. Assure capacity to meet DOD's needs for quality moves."

Three facts are immutable. First, the MTMC plan reduces the number of carriers and agents participating in the personal property program by limiting the number of carriers whose offers to provide service are accepted. The complexities and burdens of preparing the detailed, written proposals required under a FAR best value procurement will further reduce the number of carriers presently providing service to DOD. Second, the movement of DOD personal property shipments is highly seasonal, with approximately 50 percent of the shipments occurring in the peak period of May through September. Third, during this peak period, the entire capacity of the moving industry available for DOD shipments is required.

[7] Id., pp. 8-6,7.

7

MTMC does not challenge the accuracy of these facts. However, it attempts to overcome this glaring deficiency in its plan by adopting a myth that the agency networks and facilities of the unsuccessful bidders will be available to DOD because the unsuccessful bidders will enter into subcontracts with their successful competitors. Not only does this fly in the face of present commercial practice, but as clearly stated by van line representatives during the course of the sessions of the MTMC/Industry Working Group, it just will not happen. Specifically, Mr. Mike Greenblatt, Chairman of UniGroup (the holding company of United Van Lines and Mayflower Transit) stated unequivocally that his van lines' agency networks and facilities would under no circumstances be made available to a competitor, under subcontract or otherwise, to enable it to meet the requirements of the MTMC contract award. He further explained that a vital element of the agency/van line relationship is that the agent is to perform services exclusively for its principal under standards of service laid down by the principal carrier, and that existing agency contracts foreclose agents from performing services for a competitor.[8]

By way of contrast, the Industry re-engineered programs make available to meet DOD's personal property requirements the capacities of all carriers and their agents which provide high-quality service, as defined by MTMC, at competitive rates. When consideration is given to the fact that MTMC's underlying assumption, viz., that the facilities of unsuccessful bidders will be available through subcontracts with successful bidders is in direct conflict with the unequivocal statements made on behalf of Industry, it is irresponsible for MTMC to rely on this assumption to support its conclusion that reduction in carrier capacity inherent in the MTMC plan can be overcome with the capacities of the unsuccessful carriers and their agents. As a result, the only carrier capacity that MTMC can fairly rely on is those committed capacities declared by the successful bidders.

Since, at least during the recurring peak seasons, all available moving capacity is required to meet DOD's needs, it conclusively follows that the MTMC plan contravenes the important goal of assuring that there is sufficient capacity to meet DOD's needs.

ONLY CARRIERS[9] SHOULD BE ELIGIBLE TO BID ON MTMC HOUSEHOLD MOVING SOLICITATIONS

As part of its proposed re-engineering, MTMC proposes to permit non-carriers -- primarily brokers -- to compete for MTMC contracts. Under such a system, a broker would be awarded a contract to service the moves from a given base or locality. It would be the responsibility of the broker to secure the services of those who perform the physical operations that are required to actually move the service member. For the following reasons, such a contractual arrangement would be bad policy in that it would create incentives for serious improprieties, or at the very least the appearance of impropriety, and would exacerbate the very problems MTMC seeks to cure.

---

[8] Since MTMC is directed to observe commercial practices in its re-engineered program, we ask how can this assumption by MTMC be deemed consistent with that requirement? (House Report No. 104-131 on National Defense Authorization Act for FY 1996, dated June 1, 1995).

[9] "Carriers" includes both motor carriers and freight forwarders as defined by the ICC Termination Act of 1995 and by MTMC in its current program.

MTMC'S PROPOSAL CREATES INCENTIVES FOR SERIOUS IMPROPRIETIES

Part 3 of the FAR deals with improper business practices and conflicts of interest. Significantly, the FAR requirements are concerned with "apparent or actual" improper practices. FAR § 3.000 (emphasis added). "The general rule is to avoid strictly any conflict of interest or even the appearance of a conflict of interest in Government-contractor relationships." FAR § 3.101-1 (emphasis added). This overriding principle has been recognized on numerous occasions by the GAO, most significantly in a bid protest that raised issues very similar to those raised by MTMC's proposed procurement system.

Kickbacks

In PHH Homequity Corporation, B-240145, B-241988, B-240145.3, 91-CPD P 100 (1991), the GSA and the Farm Credit Administration ("the agencies") issued a solicitation for employee relocation services under which relocation service contractors were prohibited from receiving commissions from household goods carriers they engaged to perform individual employee moves. A relocation service contractor protested on the ground that the solicitation was too restrictive. The agencies argued because the contractor is not a broker, but simply performs services for the government in return for a fixed fee, any payment from the carriers to the contractor would constitute an illegal kickback. The GAO agreed with the agencies, ruling:

> As the contractor thus will be partially administering the established selection procedures rather than acting on behalf of any specific carriers, the agencies are correct that commissions paid by carriers would serve no legitimate compensatory purpose. This being the case, we think the agencies reasonably concluded that such payments could serve only to improperly influence carrier selection (notwithstanding CHGTM carrier selection procedures), or, absent any actual impropriety, create an appearance of impropriety. (emphasis added).

The very same potential for impropriety, or the appearance of impropriety, will be created by the MTMC proposal to allow non-carriers, such as brokers, to compete for contracts. Clearly, if a broker/contractor obtains linehaul service from a carrier/subcontractor at a charge less than the linehaul charge assessed for the service performed under the contract, the difference between the two charges can be considered a kickback if the government allows the contractor to pocket the difference. Stated differently, the contention would be that the contractor received a kickback, namely the difference between the two charges, for hiring the subcontractor.[10] Also, FAR, 48 C.F.R. § 202-6, would require that, as a general proposition, the linehaul charges for linehaul service negotiated with a subcontractor should be the same or very close to the same as the linehaul charges assessed under the contract for linehaul service. This, coupled with the prohibitions contained in the Anti-Kickback Act, means that discussions with subcontractors can also be seen as tantamount to, if not actual, disclosure of future prices.

[10] Contractors in such situations are also exposed to civil and criminal penalties under the False Claims Act, 31 U.S.C. § 372A, et seq. if the amount of the kickback is included in charges against the government. U.S. v. General Dynamics Corp., 19 F.3d 770 (2nd Cir. 1994).

9

The Anti-Kickback Act defines a kickback as, inter alia, anything of value provided to a prime contractor for the purpose of improperly obtaining favorable treatment in connection with a government subcontract. While carriers may not offer direct "commissions" to brokers in exchange for their selection as the broker's subcontractor, it is a virtual certainty that carriers will compete for subcontracts by offering deep discounts. The effect is exactly the same as paying a "commission." Brokers will be awarded MTMC contracts to move the household goods of military personnel for a specified price. The less the broker must pay a carrier for moving services, the greater the profit for the broker. Whether the broker's "profit" is derived from receiving a "commission" or from receiving the benefit of a deep discount, the effect is the same--the carrier will have paid something of value in order to obtain a subcontract while the carrier chosen to perform for MTMC will have been chosen on a basis other than suitability for the job. Even if this is not technically a kickback, it certainly has the appearance of impropriety, which is sufficient to make it a prohibited practice. As the Farm Credit Administration noted in its response to the referenced PHH Homequity bid protest:

> . . . this opportunity for discretion [in the selection of carrier service providers] coupled with the receipt of commissions presents a situation in which the contractor's discretion could be improperly influenced. It is the intent of the Anti-Kickback Act to prohibit the receipt of commissions in connection with a prime contract from having an improper influence on procurement decisions. Therefore, the prohibition against commissions ensures that the contractor will make a carrier selection based on the carrier's ability to provide the services, without being influenced by the receipt of commissions from certain carriers. (FCA Response dated November 28, 1990, p. 4).

Consideration of the Anti-Kickback statute also requires that the role of small businesses be kept in mind since, under the MTMC proposal, they will be involved in making payments to brokers that are, or appear to be, payments necessary to acquire government business. More than likely, small businesses will, for all practical purposes, be excluded as prime contractors and relegated to being subcontractors to the brokers for the purpose of providing such services as packing, crating, local storage, and possibly linehaul motor services. At present, these small businesses participate in the transportation of DOD shipments either directly or as agents of van lines in an open competitive bidding process. Under the MTMC re-engineering proposal, their participation will depend upon secret negotiations with the broker which will undoubtedly be influenced by the amount of profit the broker will achieve by exacting the highest commissions (or the lowest discount) from the competing local small businesses. Clearly, it is bad enough that the proposed re-engineering program will effectively exclude small businesses from becoming prime contractors, it will also put them at a severe disadvantage as subcontractors when dealing with brokers. At the very least, if brokers are viewed as qualified bidders, the proposed re-engineering program should require that brokers cannot charge DOD any more or any less for services performed by subcontractors than the amount the broker pays the subcontractor for the service.

MTMC has argued that brokers are entitled to collect a commission or retain a portion of the revenue because they provide "added value" to the service provided by the subcontractor. In fact, all of the services provided by brokers can be provided by moving companies, and will be provided by the moving companies that bid on this Pilot Program in competition to the brokers. The Veterans Administration recently bid a contract for relocations and move management services. The carriers bidding on this contract were permitted to offer two different types of bids: the carrier would provide the move management services in-house, or the carrier would only provide the moving services and

would contract out the relocation services to a broker (MSI). When the bids came in, VA determined that all five winning bidders were able to provide the relocation services themselves for a better price and more effectively than by using a separate broker. These carriers have demonstrated that a carrier can perform these service as well as a broker. Therefore, there is no added value.

Some of the brokers who have participated in the working group meetings have argued that they provide a service to the moving company, through marketing or additional business. This may be true in the corporate sector, but no marketing is required for military moves, and the same amount of business is available from MTMC regardless of whether it is filtered through a broker or distributed directly. The only service a broker provides to the carrier is to collect a fee out of the already small revenue being paid by DOD.

Antitrust

The MTMC proposed re-engineering is grounded on the receipt of bids from offerors that have the capacity to move the freight and provide all required accessorial services[11] inherent in providing a complete household goods transportation service. However, brokers have no physical capabilities in their own right. Instead, they must engage carrier subcontractors to provide the transportation capacity and they must obtain capacity commitments from these subcontractors before the brokers can legitimately bid. In these circumstances, serious potential antitrust violations arise by allowing brokers to bid because they must deal with actual or potential competitors that can or would offer the same capacity to the government if the brokers' horizontal competitors bid. In short, if brokers are allowed to bid it will force horizontal competitors to deal with each other, and dealings between horizontal competitors always raise serious antitrust issues. This is particularly true in the context of the re-engineering program because price and capacity considerations must be part of discussions and agreements between competitors. Under the circumstances, it is difficult to understand how competitors who are putative contractors can execute Certificates of Independent Price Determination, 48 C.F.R. § 103.1, given the necessity to discuss and agree upon these sensitive price and operational factors.

Even if brokers choose not to deal with horizontal competitors, there are still antitrust issues presented by the re-engineering program. Under the Sherman Act, agreements between contractors and suppliers are known as "vertical agreements." See generally Eger, Contractor Team Arrangements Under the Antitrust Laws, 17 Pub. Cont. L.J. 595 (1988). "One primary threat to competition of a vertical combination . . . is the tactic of restricting competitors' access to a particular requirement in order to increase their costs." Eger at 611. In analyzing this type of restriction, one must "determine if a vertical combination has an anticompetitive purpose by examining the effect of excluding rivals from the source of supply or resources such that the rivals' costs are increased." Id. Thus, it has been recognized that "in carefully defined circumstances certain firms can attain monopoly power by making arrangements with their suppliers that place their competitors at a cost disadvantage." Krattenmaker & Salop, Anticompetitive Exclusion: Raising Rivals' Costs to Achieve Power Over Price, 96 Yale L.J. 209, 214 (1986). Using this analysis, courts have found violations of Section 2 of the Sherman Act where there has been control of an "essential facility" by a monopolist who denies use of the facility to

[11] Packing, appliance service, storage-in-transit, unpacking, etc.

a competitor. See e.g., Aspen Highlands Skiing Corp. v. Aspen Skiing Co., 738 F.2d 1509, 1520 (10th Cir. 1984), aff'd on other grounds, 472 U.S. 585 (1985); MCI Communications v. AT&T, 708 F.2d 108, 1132 (7th Cir.), cert denied, 464 U.S. 891 (1983); City of Malden, MO v. Union Electric Co., 887 F.2d 157, 160 (8th Cir. 1989).[12]

More to the point, in a case that raises the problem that could arise from MTMC's proposal, the Seventh Circuit found that the facts, if proven, would constitute a Sherman Act violation. In Premier Electrical Construction Co. v. Miller-Davis Co., 422 F.2d 1132 (7th Cir.), cert denied, 400 U.S. 828 (1970), the compliant alleged that Miller-Davis, a bidder for a prime contract induced Premier, a potential subcontractor to submit higher bids to the other bidders for the prime contract in return for being assured of receiving the subcontract. According to the Seventh Circuit:

> On the basis of these pleadings the agreement between Miller-Davis and Premier constitutes a per se violation of the Sherman Act. By preventing Premier from submitting bids to other general contractors at the same prices made available to Miller-Davis, the agreement constitutes a concerted refusal to deal . . . . The general contractors were thereby denied meaningful access to the market for the . . . contract.

422 F.2d at 1137. See also American Business Interiors v. Haworth, Inc., 798 F.2d 1135, 1145 (11th Cir. 1986) (citing Premier Electrical for the proposition that "conspiracy preventing some bidders from receiving supplies at lower price violates Sherman Act").

The MTMC response to these serious concerns has been that bidders should consult their antitrust counsel. This is not satisfactory. The antitrust issues we have raised present no clear answers and, at best, only predictions of how the antitrust laws may be applied in the future can be given. Movers who have served DOD in the past and are intent upon transporting their traffic in the future should not be put in the position of facing antitrust litigation when a solution is readily apparent, namely, excluding brokers from bidding or requiring that brokers cannot charge the government a price that is different than the price the broker pays its subcontractors.

Permitting Brokers to Compete Will Cause Logistical Problems

Allowing brokers to compete for prime contracts will also create logistical and legal problems that simply do not exist under the present system or a system that is designed specifically for DOD personal effects traffic. For example, carriers have a finite capacity to serve an area. If a carrier is a subcontractor to a broker, the broker and MTMC will be relying on that carrier's capacity for service. That means that if the carrier is also awarded a prime contract, that same capacity will be relied upon by MTMC. Moreover, bidders for a prime contract must commit to having a certain capacity available prior to submitting a

[12] The appropriate test for judging arrangements between prime contractors and subcontractors was set forth in a recent consent decree that resulted from an antitrust action brought by the Justice Department against the participants in a "teaming arrangement" formed for the purpose of participating in a procurement. Under the terms of the consent decree, the two teaming partners may enter into prime/subcontractor relationships "so long as the purpose or effect is not to eliminate or suppress . . . competition." Adler and Metzger, Government Contractor Teaming Arrangements and the Antitrust Laws - A Brief Comment on U.S. v. Alliant Techsystems and Aerojet-General Corp., 61 BNA Fed. Contr. Rep. 416 (March 28, 1994).

bid. Similarly, bidders must commit to a small business subcontracting plan prior to submitting a bid. If a carrier does not know if it will be awarded a prime contract or a subcontract, it is impossible to make any such commitment. The only solution would be to force carriers to choose whether to bid as a prime contractor, or as a subcontractor to a broker, but not both. This not only limits opportunity for carriers, but it is also anticompetitive.

It is no answer to say, as MTMC has, that brokers are routinely awarded contracts of this type by companies in the private sector. Such commercial brokerage contracts are awarded to a single broker, who is then responsible for administering the distribution of shipments among the several carriers who have also been selected. As a result, carriers and brokers do not compete against each other for traffic on a shipment by shipment basis. Moreover, there is no competitive bidding requirement in the commercial market nor are there prohibitions against arrangements that could be construed as kickbacks.

Awarding Contracts to Brokers Will Provide Less Carrier Accountability

The physical capacity to serve the DOD lies with those that are now and have in the past performed transportation services - motor carriers and freight forwarders.[13] In proposing to permit non-carriers to compete for contracts, MTMC apparently believes that awarding contracts to brokers will somehow provide for greater accountability. Exactly the opposite, however, is true. If a broker is awarded a household goods moving contract, that broker is the prime contractor. Carriers that perform packing and transportation services under such a contract will be subcontractors. As such, there will be no privity between the carriers and MTMC. In practical terms, this means that MTMC would have absolutely no recourse against any carrier that failed to perform in a satisfactory manner. The broker might be able to terminate the subcontract, but MTMC's only legal remedy would be contractual remedies against the broker. In an extreme case, if the broker failed to remedy a situation, MTMC could only terminate the broker, notwithstanding the fact that one carrier out of five that might perform work for the broker failed to perform satisfactorily. Such a sanction is unlikely to be invoked because it is so drastic. If, however, only carriers were contractors, MTMC would have full authority to terminate a non-performing carrier, while retaining the services of those carriers that perform. This would obviously provide much greater accountability and, as a result, better service to the military.

These are the reasons why we suggest that MTMC should continue its current restrictions limiting participation to licensed motor carriers or freight forwarders. If DOD

[13] MTMC has argued that brokers and freight forwarders perform the same service for shippers and, therefore, no distinction exists between the two. This is not true. Forwarders are subject to legal liability for loss and damage. 49 U.S.C. § 14706. Brokers are not. Forwarders are subject to tariff publication and rate reasonableness requirements. 49 U.S.C. §§ 13701(a), 13702(c). Brokers are not. Forwarders are subject to insurance requirements for personal injury, death, property damage and cargo loss or damage. 49 U.S.C. § 13906(c). Brokers are subject only to bonding or insurance requirements for the performance of the transportation they have contracted to arrange. 49 U.S.C. § 139906(b). Forwarders and brokers are subject to separate federal registration requirements. 49 U.S.C. §§ 13903, 13904. Brokers are required to keep records for each transaction they arrange; prohibiting misrepresentation and rebating, imposing obligations with respect to billing and payment and certain accounting requirements. 49 C.F.R. § 1045.1, et seq.. Forwarders are not. Forwarders are subject to dispute resolution requirements. 49 U.S.C. § 14708. Brokers are not.

As the agreed goals establish, quality service is judged by on-time pickup and delivery, low loss and damage, experience and high customer satisfaction. (Goals A, B, C, D and F). To achieve these goals, MTMC established various hallmarks of quality service. These elements were listed by MTMC on a chart entitled "WHAT WE WANT" and by 14 items, starting with "MOVEMENT COUNSELING" and ending with "MANAGEMENT INFORMATION". (See Attachment A).[14]

Both the Industry domestic plan and its plan for the international program substantially meet the mutually established goals, while we submit that the MTMC plan contravenes the opportunity for small business contractors and imposes such an additional administrative workload that the desired objectives are incapable of achievement and results in unquantified additional costs to the DOD Personal Property Program. A detailed comparison of the achievement of the agreed objectives by the Industry plans and the MTMC plan is contained later in this presentation.

Further, Industry's requests for a copy of the MTMC solicitation to be used in its pilot plan have steadfastly been rejected. As they say, "The devil is in the details". MTMC advised Industry that the solicitation would be implemented without opportunity for comment. Although we fully understand the desire to put the re-engineering plan in motion, it is ill-advised to make a change of this significance without according Industry any opportunity for specific comment.

Further, there are a number of items which remain open, which significantly impact the program and which, as a result, have been shielded from the GAO review contemplated by Congress, as follows:

a. Distribution of shipments
b. Authorization and compensation for storage-in-transit
c. Use of a non-FAR contract
d. International accessorials
e. Ocean rate currency and fuel adjustment procedures

All of these items have been the subject of discussions between MTMC and Industry but no conclusions have been reached. As stated in the Conference Report accompanying the FY 1997 Defense Appropriations Bill:

> "The conferees believe there are still several significant concerns that should be addressed in the final pilot proposal, and encourage the Department to continue their work with industry representatives to resolve these outstanding issues concerning the structure of the pilot program."

In light of this language and prior comments made to the Chairman of the Household Goods Forwarders Association by General Thompson advising that further meetings with Industry were contemplated, we were most surprised to learn that MTMC, without notice to Industry, had presented its plan to GAO for review by its two-page letter of October 1, 1996.

We submit that before the GAO review has been completed, MTMC should resolve the outstanding items with Industry pursuant to the direction of the conferees.

[14] We have placed opposite each item the agreement of Industry to provide these services in Industry's re-engineered programs.

The agency misnumbered their pages 14 and 15. The text is in the correct order, just the page numbers are wrong.

needs to eliminate staff positions through outsourcing, it can either continue the program used at many Army bases of hiring outside contractors to serve as the PPSO staff, or it can hire third party relocation brokers to perform much the same duties. In this manner, the contract between the broker and DOD would mimic the way brokers are used in the commercial marketplace and would not interfere with the established methods of determining quality carriers. Outsourcing positions and re-engineering the program are separate issues and should not be confused.

MTMC'S PROPOSED THREE-YEAR CONTRACT AWARDS IS UNDULY RESTRICTIVE OF COMPETITION

MTMC's re-engineered personal property program provides for a FAR contract award of one basic year, with two one-year options. As a result, an unsuccessful bidder and its supporting agency network can be out of business for as long as three years. As made clear to MTMC on numerous occasions, a significant number of companies presently participating in the DOD Personal Property Program were formed specifically for the purpose of responding to DOD's needs for the movement of military household goods shipments and handle exclusively, or almost exclusively, military business. Further, a number of agents have their facilities at locations where the only substantial, recurring business is that involved in the servicing of military shipments. Many of these companies are small business concerns.

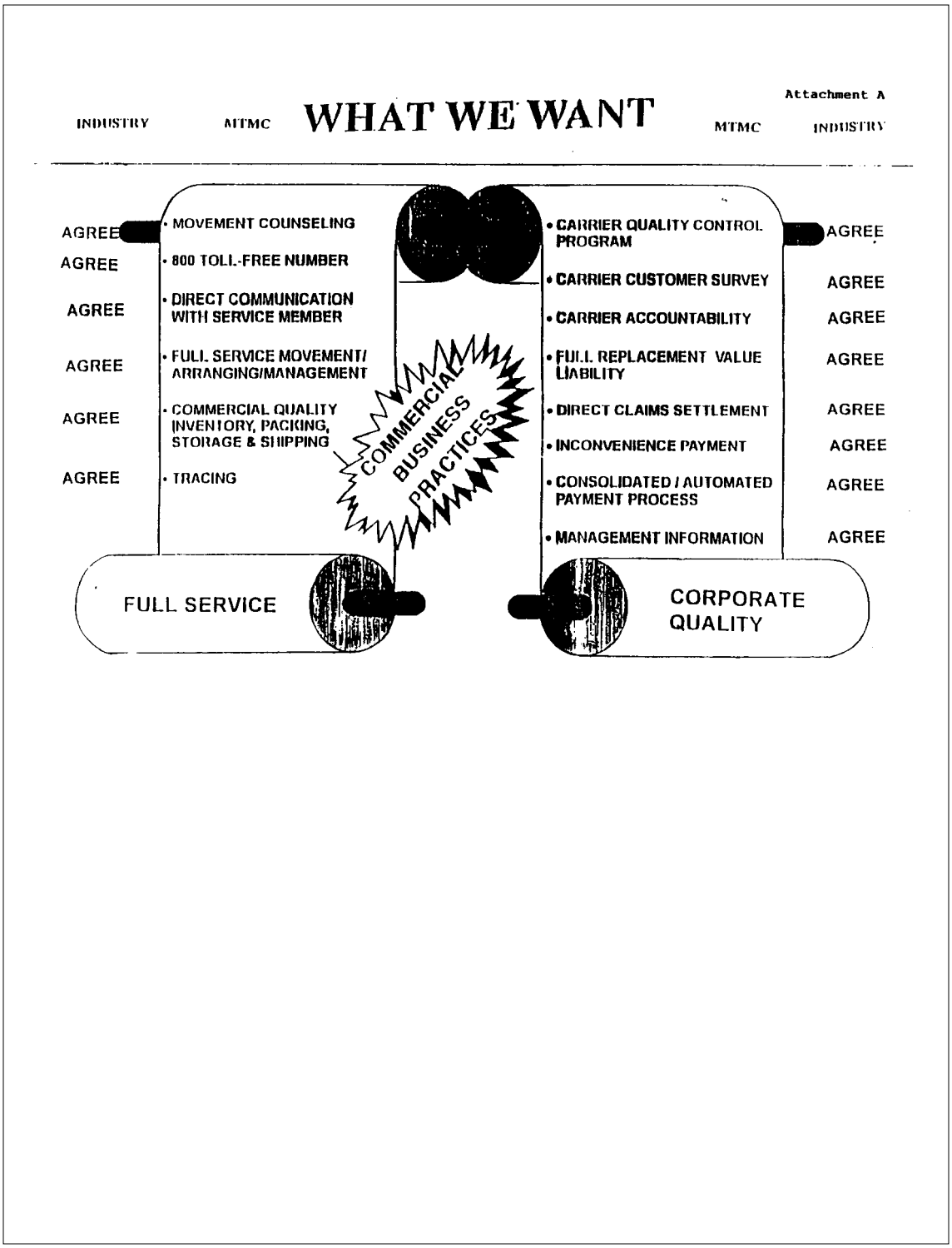
As a result, if these military-oriented carriers and their agents are excluded from participation in the military household goods program for a three-year period, they will have no choice but to go out of business, which in turn, will reduce the number of carriers bidding for military business in future procurements. Further, with the restricted number of carriers participating in the military traffic as a result of the award of a limited number of long-term contracts contemplated under the MTMC re-engineering plan, the competition among carriers to furnish high-quality service and thereby obtain additional shipments over and above the contract guarantee would be limited. On the other hand, MTMC would be faced with the Hobson's Choice of retaining on line a contractor which is not providing the high-quality service contemplated under the contract or of terminating that contract, thereby depriving MTMC of that committed capacity upon which MTMC intends to rely to meet its needs. In contrast, the Industry proposal permits MTMC to eliminate the carrier providing poor service and to rely on the balance of the carriers serving the base which do meet MTMC's service requirements. As a result, the policing of the service requirements of the contemplated long-term contracts involved in the MTMC plan undercuts the goal of assurance of sufficient capacity to perform quality moves. (Statement of Goals, H).

CONCLUSION

The Industry proposal meets the agreed goals of the MTMC/Industry Working Group while preserving the required infrastructure. In addition it encourages the continued participation of high-quality carriers, small business and others alike, avoids the substantial increase in administrative workload inherent in the MTMC plan, and adopts all the standards established by MTMC which evaluate quality of service.

14

The agency misnumbered their pages 14 and 15. The text is in the correct order, just the page numbers are wrong.


Attachment A
INDUSTRY
MTMC
WHAT WE WANT
MTMC
INDUSTRY
AGREE
• MOVEMENT COUNSELING
AGREE
AGREE
• 800 TOLL-FREE NUMBER
AGREE
AGREE
• DIRECT COMMUNICATION WITH SERVICE MEMBER
AGREE
AGREE
• FULL SERVICE MOVEMENT/ ARRANGING/MANAGEMENT
AGREE
AGREE
• COMMERCIAL QUALITY INVENTORY, PACKING, STORAGE & SHIPPING
AGREE
AGREE
• TRACING
AGREE
COMMERCIAL BUSINESS PRACTICES
• CARRIER QUALITY CONTROL PROGRAM
AGREE
• CARRIER CUSTOMER SURVEY
AGREE
• CARRIER ACCOUNTABILITY
AGREE
• FULL REPLACEMENT VALUE LIABILITY
AGREE
• DIRECT CLAIMS SETTLEMENT
AGREE
• INCONVENIENCE PAYMENT
AGREE
• CONSOLIDATED / AUTOMATED PAYMENT PROCESS
AGREE
• MANAGEMENT INFORMATION
AGREE
FULL SERVICE
CORPORATE QUALITY

Major Contributors to This Report

National Security and International Affairs Division, Washington, D.C.	Charles I. Patton, Jr., Associate Director Nomi R. Taslitt, Assistant Director J. Kenneth Brubaker, Evaluator-in-Charge Barbara L. Wooten, Evaluator Leo G. Clarke, III, Evaluator
Office of the General Counsel, Washington, D.C.	John G. Brosnan, Assistant General Counsel

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested