

DOCUMENT RESUME

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[Evaluation of Constituent's Rebuttal to GAO Report on DOD's Carrier Evaluation and Reporting System]. LCD-78-216; B-152283. August 9, 1978. 3 pp.

Report to Sen. Strom Thurmond; by Richard W. Gutmann, Director, Logistics and Communications Div.

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

Contact: Logistics and Communications Div.

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

Organization Concerned: Department of Defense.

Congressional Relevance: Sen. Strom Thurmond.

Clarification was offered in response to a constituent's rebuttal to a GAO report on the Department of Defense's (DOD's) Carrier Evaluation and Reporting System. The constituent's main concern was that GAO had erred in stating that the financial information for determining whether or not rates are compensatory is not available at the Interstate Commerce Commission (ICC). Officials at ICC's Cost and Valuation Branch confirmed that there is no way at present to make such determinations. A formula is being established to accomplish this. Other concerns and arguments expressed by the constituent were that: GAO had spent more time with the military than with the household goods industry; agents, not carriers, should be rated; and GAO's suggestion that economic conditions may have triggered rates to drop below a compensatory level was questionable. In response to each of these points, GAO had given the industry ample opportunity to offer its views; DOD's contractual relationship is with the carrier, not the agent; and factors other than economic were cited in GAO's report. (HTW)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-152283

August 9, 1978

The Honorable Strom Thurmond
United States Senate

Dear Senator Thurmond:

Your letter of November 30, 1977, asked us to comment on a constituent's rebuttal to our report on the Carrier Evaluation and Reporting System of the Department of Defense (LCD-78-203, Oct. 31, 1977).

Your constituent's main concern was that GAO had erred in stating that the financial information for determining whether or not rates are compensatory is not available at the Interstate Commerce Commission. Although documents in our workpapers showed very clearly that such information was not available, we discussed the matter again with officials of the Commission's Cost and Valuation Branch. These officials confirmed that there is no way at present for Commission staff or anyone else to determine, from the information currently on file, whether a rate is compensatory. The Commission is establishing a formula for household goods carriers similar to the one used to evaluate motor and rail carrier rates. If approved, the formula will enable the Commission to determine whether rates are compensatory. Establishment and approval of the formula are expected within a year.

Your constituent was concerned that we had spent much more time with the military than with him in trying to understand the complex household goods industry. He did not know that we had also visited 11 other household goods carriers located near the system's test sites in San Diego and San Antonio. In addition, we discussed the program with officials of the American Movers Conference, the Household Goods Carriers' Bureau, and the Movers' and Warehousemen's Association of America, Inc. We believe that we covered a cross-section of industry and that industry was given ample opportunity to offer its views.

LCD-78-216
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Another point raised by the constituent was his belief that agents--not carriers--should be rated. However, the Department of Defense has a contractual relationship with the carrier only; the carrier is responsible for performing the contracted service, and punitive action can only be taken against the carrier. Also, the Department has approximately 1,800 approved carriers, which means that many thousands of agents are involved. Rating all these agents would be administratively formidable, and the cost would be prohibitive.

Your constituent also challenged our suggestion that economic conditions may have triggered rates to drop below a compensatory level. However, we had cited several other factors which could have caused lower rates. These included locality, carriers' workload, and time of year (peak or slack season). For example, during the peak season, rates of all carriers, except one, at military installations in South Carolina--the constituent's State--were at the higher military tariff level. But, during the slack season, many of these same carriers reduce their rates to attract business.

We visited your constituent to discuss these matters and to see if he had additional comments. He was most helpful in describing the problems local agents are having, not only with the Carrier Evaluation and Reporting System but also with Defense's new competitive rate system for overseas shipments of household goods.

During our discussion we explained that, so far, our work on the reporting system has been limited to evaluating the results of tests of the system done prior to full implementation on November 1, 1977. On the basis of the test results, we saw no reason why the system should not be expanded.

As with most new programs, the reporting system must operate for some time before an indepth review can be made. We told the gentleman that we plan to make such a review, but not before a joint military/industry committee presently reviewing the system can solve initial problems.

Any further comments your constituent has for improving the reporting system should be submitted to the various carrier associations or the Department of Defense. Since system improvement is constantly sought, we are sure such input will be most welcome.

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As arranged with your office, copies of this report are being sent to the Secretary of Defense and will be provided to other interested parties upon request.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. W. Gutmann".

R. W. Gutmann
Director