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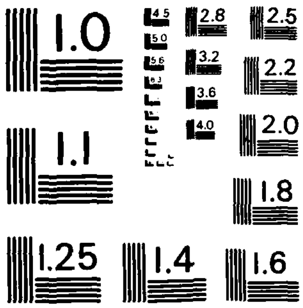
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PERSONAL PROPERTY MOVEMENT AND STORAGE PROGRAM

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Executive Summary

PERSONAL PROPERTY MOVEMENT AND STORAGE PROGRAM

The Department of Defense (DoD) Personal Property Movement and Storage (PPMS) program provides for the movement and storage of the household goods, baggage, privately-owned vehicles, and mobile homes belonging to members of the Armed Forces and civilian employees of DoD moving under goverment orders. The PPMS program is administered by the Personal Property Directorate of the Military Traffic Management Command (MTMC). During FY1983, approximately 800 thousand shipments were made under the program at a total cost of nearly $1.4 billion.

Two concerns are associated with the management of the PPMS program. The first springs from the decision to integrate DoD surface transportation and traffic management into a single command and centers on the issue of the most appropriate organizational arrangement for managing the program. The second concern is the unfavorable relationship that MTMC has experienced with the household goods moving industry, frequently manifested by industry appeals to Congress, higher levels of DoD management, and the courts.

In August 1983, the Deputy Secretary of Defense approved a plan for combining MTMC and the Military Sealift Command into a new unified command. The new command, to be known as the Military Transportation Command (MTC), will report to the Secretary of Defense through the Joint Chiefs of Staff (JCS). The Assistant Secretary of Defense (Manpower, Installations and Logistics), (ASD(MI&L), in his recommendation for proceeding with phased implementation, questioned whether the PPMS program should remain in the new unified command or whether other organizational arrangements would be more appropriate. Our investigations show, and JCS, MTMC, and the Services concur, that the PPMS program is not inimical to the functions of MTC and that the program could be effectively managed by MTC. We recommend that the PPMS program remain within the proposed MTC structure.

MTMC's friction with industry is caused by the economic environment in which the industry operates and the management strategies it is pursuing. Key environmental issues include the importance of DoD as a customer to the industry, significant change in the economic and regulatory environment, and strong industry representation through lobbying and trade associations. These environmental considerations focus considerable industry attention on the DoD Personal Property program and foster a climate of persistent strained relations.

MTMC's strategies have featured two programs that form the foundation for poor relations with industry: a competitive rate solicitation program and a quality control program. Those programs, however, are consistent with DoD policies and the stated mission of MTMC, and have resulted in good service at minimum cost. We recommend that the ASD(MI&L) support them, recognizing that they inherently cause tension with the industry.

In addition, we recommend that MTMC ameliorate its relations with industry by instituting a more structured planning process -- one that is sensitive to the impact of PPMS program changes on industry. The planning process should involve key personnel from MTMC, the Office of the Secretary of Defense, and the Military Services. The resultant plan should cover a three- to five-year period and focus on future MTMC strategies and programs, implementation plans, timetables, and the ability of industry to absorb change. MTMC should share appropriate portions of the plan with the household goods industry. The plan of such focus should improve the foundation for future PPMS program management decisions. Derived in such a way, it should eventually result in better relations with the industry.

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1. INTRODUCTION

The Personal Property Directorate of the Military Traffic Management Command (MTMC) is responsible for the traffic management aspects of the Department of Defense (DoD) Personal Property Movement and Storage (PPMS) program. Nearly $1.4 billion was expended under this program in FY1983 to cover the costs of approximately 800 thousand shipments of personal property.

In September 1981, the Deputy Secretary of Defense approved a recommendation by the Joint Chiefs of Staff (JCS) to combine DoD's surface transportation and traffic management functions in a single military command. The primary objective in forming the new command was to enhance the strategic mobility of the Armed Forces.

Following the approval by the Deputy Secretary of Defense, the JCS Special Task Force (STF) on Deployment and Execution was charged with developing an implementation plan. The STF plan advocated combining MTMC and the Military Sealift Command (MSC) in a single command to be called the Military Transportation Command (MTC). MTC would be a unified command reporting to the Secretary of Defense through the JCS. In August 1983, the Deputy Secretary of Defense directed that the STF plan be implemented.

A number of MTMC's functions, including the PPMS program, are not central to the strategic mobility mission of MTC. This raised questions as to whether incorporating these functions in MTC would jeopardize the new command's ability to carry out its mission and whether effective management of these functions would suffer.

Meanwhile, relations between MTMC and the household goods industry have been contentious, and at times acrimonious. In recent years, the industry frequently has turned to Congress, higher levels of DoD management, and the courts in attempts to redress its grievances with MTMC. Resolving disputes with the industry has occupied a disproportionate share of the time and attention of MTMC and other DoD managers.

The Logistics Management Institute (LMI) was requested to examine the problems perceived in retaining the PPMS program in MTC and those associated with poor relations between MTMC and the household goods moving industry. The objective of the study is to recommend appropriate organizational arrangements and management strategies for the PPMS program.

2. ORGANIZATIONAL ISSUES

CURRENT MTMC ORGANIZATION

MTMC serves as DoD's single manager for military traffic, land transportation, and common-user ocean terminal service. The Personal Property Directorate of MTMC provides worldwide traffic management for the PPMS program. Other MTMC operational directorates are concerned with passenger traffic, international traffic, inland traffic, and planning and strategic mobility. MTMC has major subordinate commands in the Eastern and Western Area Offices in the United States, the Transportation Engineering Agency, and the Transportation Terminal Command, Europe.

The Personal Property Directorate has four subordinate divisions with a total of 66 staff members.

The Rate Acquisition Division prescribes processes for soliciting rates for both domestic and international shipments of personal property. It gathers and distributes rate data and maintains surveillance to ensure that traffic is allocated in accordance with established principles.

The Quality Assurance and Storage Division qualifies carriers and monitors the quality of their work. It also supervises the program through which standards are set for personal property storage and warehouses are inspected.

The Operations Analysis Division develops programs in response to the needs of the individual Services, MTMC, Commands, and local personal property offices. This division provides guidance to MTMC area commands and local shipping offices and serves as a coordinator and information channel between MTMC and other organizations.

The Management Support Office carries out a number of functions in support of the PPMS program, including data collection and publication, maintenance and updating of regulations, and supervision of automated data programs. This division is responsible for public affairs for the Personal Property Directorate and is the focal point for responses to inquiries from outside MTMC. It coordinates and conducts internal seminars and training sessions.

The Military Services administer the actual movement and storage of household goods and other personal property, e.g., they counsel members, book shipments, and pay carriers. The Personal Property Directorate of MTMC provides overall policy direction, rule making, and data collection and evaluation for the program. MTMC Area Offices for the eastern and western regions of the United States and Field Offices for Europe and the Pacific participate in the PPMS program largely by performing traffic management and storage functions.

Rate solicitation and quality control are among the most important of the Personal Property Directorate's functions. Centralized management of the PPMS program adds to both the effectiveness and the efficiency with which these functions are performed. Combining the PPMS program with other surface transportation programs in MTMC contributes to better overall traffic management in DoD and permits the sharing of overhead costs. Under full mobilization, the PPMS program probably would be significantly reduced. Centralized management of the personnel and other resources devoted to this program facilitates their reallocation to other uses and permits greater flexibility in responding to emergencies. This applies not only to MTMC's headquarters operations, but to its area and field activities as well.

PROPOSED MTC ORGANIZATION

The STF plan to integrate DoD surface transportation and traffic management recommended that the MTC be established as a unified command reporting to the Secretary of Defense through the JCS. MTC also would be a DoD transportation operating agency responsible to the Secretary of Defense through the Secretary of the Army and Secretary of the Navy. The commander of the MTC would be a three-star officer; the vice commander would be a two-star officer.

The STF plan envisaged three one-star officers of the Army, Navy, and Air Force to serve as deputy commanders for traffic management, sealift operations, and strategic mobility and planning, respectively. All of the current functions of MTMC, including the traffic management aspects of the PPMS program, would be the responsibility of the Deputy for Traffic Management.

ORGANIZATIONAL ALTERNATIVES

We briefly examined several alternatives to retaining administration of the PPMS program in MTC. The alternatives included organizational arrangements both within DoD and and with civil agencies of the Federal Government. The balance of advantages and disadvantages vary somewhat among the alternatives, but they all would seriously reduce or eliminate the efficiencies and flexibility of centralized administration that the PPMS program now enjoys under MTMC. In addition, the non-DoD alternatives would entail loss of control by the military over a program that is of considerable importance to the welfare and morale of members of the Armed Forces.

The representatives of MTMC and the Military Services contacted by LMI were unanimous in the view that military control is essential to maintaining an acceptable quality of service in the movement and storage of personal property. This is a key measure of the success of the PPMS program. The MTMC and Service representatives were equally united in their concern over any program changes that risked jeopardizing their ability to control the quality of service.

The disadvantages of reduced efficiency and flexibility and the threats to the quality of service posed by the alternative organizational forms considered were in no case offset by commensurate advantages.

CONCLUSION

Removing administration of the PPMS program from MTC would result in significant disadvantages without producing compensating gains. Reorganizing MTC for the purpose of removing the PPMS program is not warranted.

The STF report concluded that retaining the PPMS program in MTC would not reduce the ability of MTC to carry out its mission or hinder effective management of the program. The STF report further indicated that certain other management functions of MTMC that are not directly related to its strategic mobility mission, including direction of the Transportation Engineering Agency and the Army International Passenger program, also would be retained. Both JCS and the Services concurred in this conclusion. LMI discussions with JCS staff and with Service representatives indicate that they still support that position. So do we.

3. INDUSTRY RELATIONS

MTMC has experienced strained relations with the household goods moving industry, as evidenced by industry appeals to Congress, higher levels of DoD management, and the courts about MTMC policies and programs. This chapter discusses the primary factors that have contributed to the strained relations and recommends actions DoD can take to improve relations.

THE INDUSTRY

Before discussing the causes of poor relations, it is important to recognize there is no one household goods industry. Instead, an amalgamation of businesses, businessmen, and business interests exist. For example, in a typical long distance household goods movement, as many as four separate business entities provide moving services and share in the movement revenues: the van line or carrier, the origin agent, the destination agent, and the owner-operator or truck driver. Although these business entities share common interests, it is far too simplistic to assume that the industry speaks with one voice on all issues.

Additionally, ease-of-entry provisions in the 1980 Motor Carrier Transportation Act have resulted in an influx of new interstate household goods carriers as well as old carriers with expanded operating authority. That legislation, intended to increase competition and reduce regulation, has served to further diversify the industry. Nonetheless, for the purposes of this report, we will generalize industry perceptions and positions.

THE CAUSES OF POOR RELATIONS

Interviews with MTMC personnel, carriers, and field personnel have led us to conclude that two primary factors have contributed to the friction between

DoD and industry: the general economic or business environment in which the industry operates and the management strategies pursued by MTMC.

BUSINESS AND ECONOMIC ENVIRONMENT

In a typical year, DoD household goods movements account for more than 15 percent of the total domestic industry moves. Furthermore, many carriers or agents of carriers operating in the area of a major military installation rely almost entirely on DoD traffic for a business base. The sheer size and importance of DoD as a customer to the industry tends to focus considerable attention on DoD personal property policies and programs.

In addition, the 1980 Motor Carrier Transportation Act and the Household Goods Transportation Act have resulted in significant changes in the household goods transportation environment. The net effect has been an historically regulated industry learning to cope with and adjust to a more competitive marketplace. LMI believes this changing environment has served to focus additional industry attention on the PPMS program.

Finally, the household goods industry is strongly represented by a handful of lobbying and trade associations. These associations are aggressive and politically astute at voicing industry concerns with the PPMS program.

The general business and economic environment has resulted in a climate in which the PPMS program undergoes close scrutiny by the household goods industry. The very nature of this climate tends to result in strained relations, particularly as MTMC introduces new management programs and strategies.

MTMC MANAGEMENT STRATEGIES

Two key programs for domestic and international household goods movements form the foundation for management strategy to accomplish its designated mission: the rate solicitation program and the quality control program. At their inception, both programs met considerable industry resistance, and they appear to be significant factors causing strained relations between MTMC and the household goods moving industry.

Rate Solicitation Programs

The Personal Property Directorate's stated mission is to "promote reenlistment and retention of military personnel through high quality moving and storage services at the lowest overall cost to the government."

In 1975, to address the issue of transportation costs, MTMC introduced a program for soliciting rates for international movements. The program was designed to reduce transportation costs by stimulating carrier competition for DoD traffic. The international program was successful, and the concept gradually expanded to encompass domestic moves as well.

Under the International Rate Solicitation program, DoD-approved carriers who submit the lowest bid for DoD traffic receive a significant percentage of the available tonnage. The solicitation process has a "me-too" cycle in which other carriers can match the low bid and share equally in the remaining tonnage not designated to the original low bidder. Installation transportation personnel follow prescribed MTMC regulations for tonnage/shipment allocations to carriers, and routine audits are performed to ensure system integrity.

Although the Domestic Rate Solicitation program is similar to the international program, some differences exist. The notable difference is that the carrier submitting the initial low bid does not receive a designated percent of the tonnage. Instead, that carrier shares the traffic equally with other carriers who meet the low bid in the "me-too" cycle.

Today's domestic rate solicitation process uses the rate bureaus or associations' military rate tenders as a baseline against which carriers bid for traffic. Individual carriers, approved by DoD, express bids as a percent of the bureaus or associations' published rates. For example, a carrier may bid to perform moves between a county in North Carolina and one in Georgia at 80 percent of the published line-haul rate and 75 percent of the published packing and unpacking rate.

The rate solicitation process is conducted twice a year. For each cycle, a carrier submits bids or tenders for each of the origin-to-destination moves for which he wishes to compete. MTMC processes the tenders to identify the low bidder and rank other bidders. Carriers are then provided the opportunity to resubmit bids to equalize, or "me-too," the low bidder's rate. When no bids for a particular traffic lane are submitted, the rate as published by the bureau or association applies. In a recent solicitation process, more than 40 percent of the installations received no individual rate tenders or bids, and more than 50 percent of the DoD-approved carriers did not participate in either bidding cycle.

MTMC management is now modifying the current domestic rate solicitation process. The intent of the new process, to be known as the Domestic Independent Solicitation Program, is to further enhance competition for DoD traffic and address anticipated federal transportation deregulatory actions. The primary difference between the new and old solicitation processes is that MTMC will no longer rely on the rate bureaus and associations' rate publications as the baseline against which carriers bid for DoD traffic. Instead, MTMC will publish its own solicitations document that identifies terms and conditions for moving DoD household goods, as well as a baseline rate structure. Carriers will be required to express bids as a percent of the MTMC published rates. In addition, carriers will have to file an individual rate tender or bid to participate in the MTMC solicitation process. Installation personnel will be instructed to use the rates and, therefore, carriers who submitted under the MTMC solicitation whenever possible.

It is important to recognize that this new solicitation process is a significant departure from the earlier system to establish rates and services for DoD household goods movements. The old system for domestic traffic relied on rate bureaus and associations operating under antitrust immunity to collectively set and submit rates for DoD moves. Inherent in the process were negotiations between the bureaus/associations and MTMC regarding the terms and conditions or services provided for the designated rates. Industry perceives the new solicitation process as a unilateral attempt on the part of MTMC to abrogate the traditional business relationship. On the other hand, MTMC perceives the process as being more in line with federal procurement regulations, as well as complying with the letter and spirit of federal transportation deregulation. Furthermore, MTMC believes the new process will provide for ease-of-transition when antitrust immunity for collective rate-making is abolished in July 1984.

We find the manner in which MTMC introduces and implements new strategies and programs often aggravates the state of relations with industry. For example, on 7 October 1983, MTMC management presented a formal briefing to the industry regarding the proposed modification of procedures for the Domestic Rate Solicitation program. In this briefing, MTMC management called for carrier response to this significant program modification by 17 October 1983, a mere five working days. More important, however, the industry was required to respond to the modifications without the benefit of reviewing the proposed MTMC solicitation package, in essence, an impossible task. We believe this lack of sensitivity to the industry is indicative of a poor planning and implementation process for major strategies and programs.

Quality Control Programs

Another source of tension between DoD and the household goods industry is the quality control programs that MTMC has introduced to ensure that DoD members receive high quality moving and storage services. The revised Carrier Evaluation and Reporting System (CERS) and the Required Delivery Date (RDD) Improvement program are two key programs developed by the Personal Property Directorate. The CERS program, developed for domestic traffic, is designed to provide uniform quality control standards and a system for allocating DoD household goods shipments. Under this program, the carrier's performance for each shipment is measured on the basis of three criteria: on-time pickup, on-time delivery, and loss and damage claims. Installation transportation personnel tabulate a numeric score for each criterion according to MTMC rules and regulations and combine the scores into an overall shipment performance score. MTMC headquarters compiles shipment scores by carrier and reports the results to Personal Property Shipping Offices and, on request, to the industry.

This process forms the foundation for actions against carriers who do not meet performance criteria. Three levels of disciplinary action exist: warning, suspension, and disqualification. A review and appeals process is in place to assure system integrity.

The performance evaluation system also is used to allocate DoD shipments. As mentioned earlier, the domestic rate solicitation process calls for transportation personnel to distribute traffic equally to the low-cost bidder and all other "me-too" bidders. The performance scoring system is used to establish the order in which "me-too" carriers receive available shipments. The carrier with the highest average performance score receives the first shipment, the carrier with the second highest score receives the second shipment, and so on.

The revised CERS program was established in May, 1982. The forerunner of that program was considerably more complex and a major source of industry discontent. The revised CERS appears to have met with better industry acceptance, although any system that is punitive in nature necessarily generates complaints.

The RDD Improvement program was implemented in January 1982. Like the CERS program, it is designed to measure carrier performance for International Through Government Bill of Lading (ITGBL) traffic and results in disciplinary actions against carriers that fail to meet MTMC performance standards. Through the first 18 months of the program, more than 400 disqualification actions were initiated against 70 ITGBL carriers. However, on-time deliveries of international household shipments increased from a dismal 59 percent to 82 percent.

CONCLUSIONS AND RECOMMENDATIONS

The primary causes of poor relations between DoD and the household goods moving industry derive from the general business environment and the management strategies pursued by MTMC. Key business environment issues include the importance of DoD as a customer to the industry, the economic and regulatory environment that has undergone significant change, and the strong industry representation through lobbying and trade associations. These environmental considerations focus considerable industry attention on the DoD Personal Property program and tend to foster a climate where strained relations persist.

MTMC has pursued management strategies that have featured two principal programs: a competitive rate solicitation program and a quality control program. These strategies and programs are consistent with DoD policies and the stated mission of MTMC. We recommend DoD support the strategies, recognizing that they inherently cause tension with the industry. We believe relations may improve as industry adjusts to MTMC programs.

We find the manner in which MTMC introduces and implements new strategies and programs often aggravates the state of relations with industry. We believe this is indicative of a poor planning and implementation process. We, therefore, recommend MTMC institute a more structured planning process that involves key personnel from MTMC, the Office of the Secretary of Defense, and the Military Services. We envision a process that results in a management plan covering a three- to five-year period that focuses on new strategies and programs. The formalized plan not only would identify key programs, but also would address implementation plans, timetables, and industry's ability to absorb change. MTMC should share appropriate portions of the plan with the household goods industry. This formalized planning process would serve as the foundation for management decisions and, over time, result in enhanced relations with the household goods moving industry.

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20. ABSTRACT (Continue on reverse side if necessary and identify by block number)

The Personal Property Movement and Storage program (PPMS) provides for the movement and storage of household goods belonging to the members of the Armed Forces and civilian employees of DoD. The program is administered by the Military Traffic Management Command (MTMC).

This report deals with two concerns about the management of the PPMS program; one, whether the existing organizational arrangement is appropriate given integration of DoD surface transportation and traffic management into a

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SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered) single command to be known as the Military Traffic Command (MTC), and two, the state of unfavorable relations between MTMC and the household goods moving industry.

The authors conclude that the PPMS program sould remain within the proposed MTC structure. Alternative organizational arrangements were found to seriously reduce or eliminate the efficiencies of centralized adminis.ration that the PPMS program now enjoys under MTMC.

The authors further conclude that the state of poor relations between the industry and MTMC are the result of the economic and regulatory environment in which the industry operates and the management strategies that MTMC is pursuing. The authors recommend that the Assistant Secretary of Defense (MI&L) support MTMC's strategies recognizing that they inherently cause tension with the industry. They also recommend that MTMC ameliorate its relations with industry by creating a more structured planning process that is sensitive to the impact of PPMS program changes on the industry.

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