



Report to the IAM Executive Committee

Joint Report of Director of Government & Military Relations And Government & Congressional Affairs Committee

**August 11 & 12, 2011
Denver, Colorado (Hyatt Regency)**

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I) MILITARY

- (A) – OSD Business Case Analysis (BCA) for the Possible Outsourcing of the DOD Personal Property Program**

IAM has been following very closely, for some time now, the possibility that DOD would at some point choose to outsource their personal property program. Through our contacts in the Office of the Secretary of Defense (OSD) we heard in early spring that the possibility of outsourcing had resurfaced in the form of an edict coming from the Joint Logistics Board (JLB) to perform a Business

Case Analysis (BCA) to look at what, if any, efficiencies and/or cost saving could be gained by outsourcing the personal property program.

The Secretary of Defense has mandated that billions of dollars must be cut from the DOD budget in the next 10 years and every program is under scrutiny. DOD household goods are no exception. With the perceived success of the Defense Transportation Coordination Initiative (DTCI), the outsourced movement of freight from the DOD storage depots, it seemed logical to the JLB to look at the possibility of overlaying a similar model onto the movement of personal property.

The awarding of a contract to conduct the BCA is imminent. By the time you read this document we may know who has been awarded the contract to conduct the BCA. We have speculated for some time that Logistic Management Institute (LMI) would handle the contract but there was some pushback from SDDC. They were not in full support of LMI handling the BCA. We have learned that the contract value will be slightly in excess of \$400,000 and we still believe that LMI is the front runner to win the award.

This has been discussed at length in a previous Executive Committee conference call but some IAM direction still remains in question:

- What level of involvement should IAM try to have in the BCA process?
- How should we try to influence the decisions coming out of the BCA?
- What should be the level of our congressional involvement?
- How far along should we develop the “P5” concept? When should we start this development?
- If a decision is made to outsource.....at what level do we take the fight?

(B) Peak Season 2011

It has been a very interesting 2011 peak Season. We have not seen the level of service failures that were seen in 2010 but a different dynamic has developed that has been problematic for the government.

The expanded use of Blackouts in 2011 has been the common thread that has been pervasive across the industry. Most TSPs fearing the feast or famine phenomenon that they faced in 2010 chose to take a more conservative approach to their shipment volumes. In order to implement this approach most TSPs chose to Blackout “early and often”. This approach further reduced the already diminished capacity that was available to DOD this summer.

SDDC, the military services and the PPSOs realized very early on that booking shipments during the Peak Season was going to be difficult at best and next to impossible for much of the “Peak of the Peak”. For that reason SDDC chose to implement some of the recommendations that IAM and the industry presented to them months before the Peak Season ever began.

The elimination of the 70% rule, a limited and then eventually an unlimited shipment refusal policy, pushing for SIT at origin and reinstating Code 2 in the Domestic Market were just some of our suggestions that were implemented after the beginning of the Peak Season. Some would say that

these policy changes were “too little too late”. But it did show that DOD recognized the need to change the status quo in order to find ways to locate at least some of the capacity they needed to move their personnel during the Peak Season.

Unfortunately the enhanced Blackout granularity that had been discussed, developed and tested was never implemented during the 2011 Peak Season. It appears it was ready to move into the DPS Production environment in early June. But fears from both industry and DOD that forcing the new functionality into the fragile DPS would cause a disruption in system performance that, at that time, would have disastrous for all of the stakeholders. Many felt that had this enhancement been added to the system in advance of the Peak Season, DOD would have been able to tap into even more capacity due to TSPs being able to fully focus their Blackouts.

The elimination of the 70% rule and the unlimited shipment refusal policy were scheduled to end at the end of the May 15 – July 31 Performance Period. But they were extended until August 15 in order to squeeze out as much of the capacity available to DOD during the high volume period. We tried to convince SDDC and the Services that cutting out these policy changes in mid-August was premature but our arguments fell on deaf ears. The other problem that we identified was that the original policy called for the refusals to be based on award dates while the extension focused on pickup dates. We thought that might bring forth a great deal of confusion and unnecessary QA actions due to that confusion. That request also fell on deaf ears.

A Peak Season “Hotwash” has been scheduled for August 16 & 17 in the DC area. This meeting will mirror the “After Action Review” that took place following the 2010 Peak Season. Representatives from SDDC, Transcom, all of the Military Service HQ, the logistics arm of the Joint Chiefs of Staff, AMSA, IAM and possibly some PPSOs will be present. The goal of this meeting is to review the negative and positive takeaways from the 2011 Peak Season and to decide what actions should be taken in advance of the 2012 Peak Season.

This group and its perspectives on the 2011 Peak Season will not be new to the participants since that entire group has met on weekly SDDC sponsored teleconferences. They have been used to help the stakeholders stay updated on the Peak Season trends. I believe that some of the general DOD “thoughts” going into the meeting will be:

- The implementation of the unlimited refusal policy was generally considered a success. It appears from the increased data mining that SDDC was able to do in DPS that... when the rule was implemented some Blackouts were lifted and thus more shipment awards were able to be accepted.
- Though some anecdotal problems were identified with the lifting of the 70% rule, overall it appears that this tool also brought forth extra capacity to DOD.
- Even though SIT at origin was a tool whose use was pushed by SDDC it appears that it was not as widely used by the PPSOs as many had hoped. SDDC has said that from May 1 – July 31 only 2655 shipments received SIT at origin approvals.
- Code 2 was underutilized! Less than 2% of domestic shipments moved via Code 2. Some of this had to do with when Code 2 was finally made available which was well after the start of the Peak Season. The other reason had to do with many of the “limiters” each of the Services placed on the use of code 2.

What should IAM be advocating for at the Hotwash??????

- Greater use of Code 2?
- Either a repeat of the “unlimited refusal” policy next Peak Season or a call to continue this policy year round.
- 70% rule - repeat of the policy next Peak Season or a call to continue this policy year round.
- Continue to push for the use of SIT at origin in times of heavy volumes?
- When should the enhanced Blackout granularity be added to the system?
- What other changes/enhancements should we push for that will add capacity to the DOD program during peak Season?

(C) **SDDC Program Management Review**

SDDC’s much ballyhooed Program Management Review (formerly the Program Efficiency Review) is on its “front burner” right now. It appears that John Johnson will spearhead the effort for the Command and that he has the ability to hand pick any of his staff to work on the initiative. SDDC realizes that if they wish to push forward with any of the items they have previously identified they are under serious time constraints if they hope to have any of them in place before the next Annual Cycle.

SDDC will need to present any changes to the industry, possible at the PPF which is tentatively scheduled for November 1 if not before. If any of the changes are substantive then SDDC may need to work the process through the Federal Register. That can take months and leaves very little, if any, time to put the changes into new Solicitations (400NG & International Tender) and have them out in time to file rates for the new Annual Cycle in the Feb/March 2012 timeframe.

At this point I do not feel SDDC has enough time to make major changes in the program for the 2012 Annual Cycle. They have many other conflicting actions that will stand in the way of making progress with the Program Management Review. They must still finish up the current Peak season, they must prepare for the Hotwash taking place later this month, key SDDC staff will be attending the NDTA Forum and IAM Annual Meeting in September and the PPF takes place in November. Time will tell!

The major issues still on the table for the Program Management Review are:

- Reduction in the number of TSPs approved to operate in the program with an emphasis on the domestic Market.....Bring CFAC to the domestic Market?
- Redefining what is meant by a TSP – hard assets vs. “capability”!
- Traffic Distribution – this may take care of itself somewhat if SDDC finds a way to make major reductions in the number of TSPs filing rates in each channel.
- Agent – TSP relationship – could this “filter” be used as a way to reduce the number of TSPs filing rates?
- Open Season – SDDC is still under pressure to have an Open Season in the near term (fall 2012?). How can they have one without exacerbating the problem surrounding the huge

number of TSPs already in the program? They must also be aware of the proliferation of TSPs in the International Markets.

- Management of TSPs and Management Companies – As SDDC has stated....do they fit into the new DP3 paradigm?
- Require a minimum number of CSS to be considered statistically valid – this is one issue that I do believe may be changed before the next Annual Cycle. IAM is on record supporting this initiative.

What role does the Program Management Review play in light of the BCA? Does this force SDDC to speed up the process in order to have their anticipated changes ready when the BCA process is in motion OR does it push the “Review” onto the back burner until the BCA is complete and the personal property program direction is fully determined?

IAM has already submitted comments/”suggestions” to SDDC regarding the Program Management Review. In light of the BCA have our thoughts changed in any way?

(D) Digital Certificates

In early January a SDDC issued a Federal Register Notice mandating the use of Commercial Public Key Information (PKI) Certificates, also known as "Digital Certificates", by ALL industry partners requiring access to any SDDC information system, e.g. DPS. The mandate becomes effective October 1, 2011.

At the last Executive Committee we discuss the possibility of entering into a cooperative buying agreement/preferred vendor arrangement with one of three approved Digital Certificate service providers? The EXCOM encouraged the staff to look into the possibility of doing so.

We met on at least three occasions with staff from IdenTrust (one of the approved digital certificate providers) and reached a tentative agreement with them to provide Digital Certificates to IAM members at a discounted rate. They also agreed to set up a website solely for IAM members to use when purchasing their certificates as well as to produce webinars to help educate the membership on the use of the Digital Certificates.

The day after we reached an agreement with IdenTrust on the pricing structure for IAM members they met with Enterprise Database Corporation (EasyDPS) and reached a separate volume buying agreement with EDC for their customers. The EDC agreement was more favorable than the one we reached by about 10%. So rather than try to compete with one of our own members we decided to terminate our agreement with IdenTrust.

The last big question regarding Digital Certificates that remains unanswered is the process foreign company employees must use in order to obtain access to the Certificates. A foreign national's identity cannot be vetted by a notary like a U.S. citizen. They must show their identification to an approved U. S. government employee called an Authorized DOD Employee (ADE) which will in turn verify their identity. They are then allowed to apply for a Digital Certificate through one of the three approved companies.

At this point SDDC/ETA has determined that they are not going to be able to use the ADE's that are already in place at overseas military installations and will have to put a process in place, on their own, to set up ADE's.

We are concerned that this process is taking some time to put in place and that the October 1 mandate will be difficult to meet if they don't have a process in place very shortly.

(E) DPS

After a rough start this summer DPS' performance has been better than expected. Other than a few slowdowns and some billing issues the performance has been above average. This has been mainly due to the fact that very little has been added to the system after some initial problems at the beginning of the summer.

IAM has asked SDDC and Transcom on many occasions during the Peak Season to hold off on adding new functionality to DPS during the Peak Season. This was due to the fact that on almost every occasion where functionality has been added to the system either unforeseen problems resulted or system performance was negatively impacted. We felt that any benefits gained would not be worth the problems that may have resulted from "tampering" with the system during that critical period.

Vice-Admiral Harnitchek, Deputy Commander at Transcom has been intimately involved in the oversight of DPS. He has called Terry on numerous occasions to discuss DPS and the personal property program in general. He goes into DPS daily to gauge its performance. It was VADM that mandated that no major additions to DPS be made until August at the earliest.

The key system update, still pending, affecting industry is the new enhanced Blackout functionality. This functionality is much anticipated and will among other things add great granularity to the Blackout capability. Another "enhancement" affecting TSPs will be the ability to furnish agent information without having to "tie"/associate the agent to the shipment. It is not well known at this point when those functionalities will be added to DPS. There is some conjecture that it will occur in September.

I'm sure that the Technology Committee report will have a more detailed update on DPS.

(F) Other Important Discussion Topics

- Phase III - SDDC issued their full set of responses to the comments submitted by industry. They are now in the early stage of writing the requirements to present to the contractor for development in DPS. There is still a great deal of question as to whether DPM will or will not be a part of the Phase III functionality.
- Regionalization – OSD is spearheading a major program on Joint Regionalization of all PPSO in CONUS and OCONUS. The process is well underway with a goal of 7 CONUS JPPSOs and a total of 17 worldwide booking offices by 2015.
- Increased elements required for ISF including DOB - DOD was issued a temporary waiver by CBP but that waiver is set to expire. We have been told by the Transcom customs people that

a new functionality is being added to DPS that will furnish the DOB to TSPs so that they can then add that element to their ISFs. We have been told that the new functionality will be added to DPS in August. Based on my earlier comments in the DPS section of the report it will be interesting to see if that August date is “fluid”.

- Possibility of the FMCSA CSA 2010 (Compliance Safety Accountability) requirements being added to SDDC personal property Qualifications – It appears that as of June 1, 2011 the freight side of SDDC has adopted some minimum CSA standards that their TSPs must meet: *Motor carriers must achieve scores of the 65th percentile or lower in the areas of Unsafe Driving, Crash Indicator, and Fatigued Driving; while 80th percentile or lower is required for Driver Fitness, Controlled Substances/Alcohol, Vehicle Maintenance, and Cargo Related.* It may not be long before personal property TSPs are forced to comply with these same standards
- New DPS development/sustainment contract – contract should be hitting the street soon; possibly as early as this month!
- New Third Party Payment Systems (TPPS) contract – formerly the “PowerTrack” contract.....Is currently “on the street” and should be awarded in the Oct/Nov timeframe.

(G) Recent & Future Personnel Changes

- Gen Duncan McNabb, Commander USTRANSCOM, will soon be replaced by General William Fraser III. Gen Fraser is currently the Commander of the Air Combat Command at Langley AFB, VA.
- VADM Mark Harnitck is being replaced as Deputy Commander USTRANSCOM by LTG Kathleen Gainey. LTG Gainey is a former SDDC Commander and is currently the Director of Logistics for the Joint Chiefs of Staff.
- Mr. Donald Stanton is the new Deputy Assistant Secretary of Defense for Transportation Policy at OSD. He is officially Earl Boyanton’s replacement but that position has been filled for the last two years on an interim basis by Ms Lisa Roberts.
- Ms. Lisa Roberts returns to her position as Deputy to Mr Stanton. She will still be the go to person at OSD for issues dealing with personal property. She is spearheading the BCA process.
- Tim Vandagriff has moved from the Air force HQ staff to handle the day to day personal property activities at OSD Transportation Policy. He will work under Mr. Stanton and Ms Roberts. Tim is leading the OSD Regionalization initiative.
- Col. Mike Miller retired from the Air Force (now with Northrup Gruman) and from his current position as the Program Manager (PM) position at JPMO HHGS in May. An interim PM, Col James Patterson, was named for two months. The permanent replacement came on the job in mid-July – Col Mark Hiryak. We have been told that Col Hiryak may be splitting his time between JPMO HHGS and another project. Another PM (co-PM) is on board at JPMO HHGS as of the first week in August – Ms Mary Campbell. No background as of yet.
- Mr Shannon Switts – new Deputy PM at JPMO HHGS
- Col Rose Ramirez retired from the Air Force and stepped down as the Commander at the Air Force Personal Property Activity Headquarters (PPA HQ) on July 15. I attended her retirement ceremony and the Change of Command ceremony for the PPA HQ. The new Commander is Col Michael R. Holmes. Col Holmes has a great deal of transportation experience but no personal property background. He has worked previously at OSD in the

Transportation Policy arena where Mr. Stanton, Lisa Roberts and Tim Vandagriff currently work. He knows them all very well.

- Kevin Kennedy moved from his duties as Deputy Director at JPPSO-SAT to become Deputy Director at the PPA HQ. No replacement has yet been named for the Deputy Director position at JPPSO-SAT
- George Thomas, well known to many of us from his days at SDDC HQ, has begun working at the General Services Administration (GSA) as the, Chief of the Resolution Branch, Transportation Audits Division. He will work with Donna Jack and will be a key “player” in any TSP disputes raised to GSA regarding NOC.
- Lt Col Jeffrey Moore replaces Lt Col Cliff Altizer as the Commander at JPPSO-SAT.
- Jill Smith has moved from the Navy’s COMFISC to become the new SDDC Rates Team Lead at Scott AFB. The move became effect August 1.
- Jill replaces Danny Martinez who has recently been promoted to SDDC’s Chief of the Personal Property Information & Business Integration Branch. This makes Danny one of Col Oliver’s top “lieutenants” (Branch Chief) on par with John Johnson and Craig McKinley.
- Randy Teske retired from civil service (U.S. Transportation Command – J5/4) this month.
- Betty Wells – retired from civil service (SDDC - Quality Assurance Team Lead) rather unexpectedly with only a week’s notice. No replacement has been name. There is an assumption that Karlene Bader may return to personal property to take over her Betty’s duties.

II) GSA

(A) Recent GSA Mandate regarding:

Household Goods Service Provider Lean 6 Sigma Data Call

Greetings Household Goods Service Providers,

The GSA Employee Relocation Resource Center (ERRC) is conducting a Lean Six Sigma assessment of the policies and protocol related to household goods shipment reporting, data analysis, and IFF reconciliation. For this analysis, please re-submit all shipment reports for FY2009 and FY2010 as well as IFF calculations for each quarter within those fiscal years. Your submission should encompass shipments occurring between July 1, 2008 through September 30, 2010.

Your shipment report should include all HHG, POV, and UAB shipments (including One-Time-Only) and be formatted preferably in Excel. However, GSA will accept legible copies not formatted in Excel. Reports may be consolidated, as long as each quarter is separated and evident, as indicated in the 653-7 SOW for all shipments completed under SIN 653-7 and the TMSS format for all CHAMP completed shipments.

The SIN 653-7 Statement of Work states:

Provide Government agencies with standard commercial and custom reports as requested. This includes, but is not limited to, the number of passengers and packages transported by day and time; passenger lists; mileage; etc. The Contractor shall identify commercial reports that are available to enhance an agency’s ability to manage its employee relocation program. Reports should be available on a monthly, quarterly and yearly

basis, and have the ability to roll up data at an aggregate level for the agency.

The CHAMP HTOS states:

11.3.1.1 Failure to Submit Reports or Correct Deficiencies

Failure to submit shipment reports or to correct identified deficiencies in submitted shipment reports in two consecutive quarters and/or three of four quarters will result in the placement of a TSP in temporary non-use status in CHAMP, withdrawal of a TSP's rates in the Transportation Management Services Solution (TMSS) database and possible subsequent revocation of its approval to participate in CHAMP. Failure to submit a shipment report or to correct deficiencies in a submitted shipment report in one of the four quarters will result in an incomplete report submission status and will affect a TSP's Customer Satisfaction Index (CSI) score.

*Please send formatted reports to relocation.programs@gsa.gov by **August 31, 2011**. Thank you for your involvement in this household goods analysis as the ERRC team continues to grow and improve our Household Goods Programs.*

IAM responded to GSA by indicating that it was unfair to ask TSPs to resubmit documentation they had already provided and that the timing for the request, during Peak Season, was unreasonable! No response has GSA has been received as of yet.

(B) GSA contract for Electronic Billing & Payment...follow up

The following item was included in the last report to the EXCOM. Since that time the final U.S. Bank protest was overturned and CitiBank has been awarded the contract for electronic billing and payment through GSA. There has been no indication at this point when the contract will begin.

GSA put out an Electronic Billing and Payment RFP late last year. Everyone thought that U.S. Bank had the inside track on the contract since they were the ones that had originally lobbied GSA to move into the electronic billing arena.

When the award came out CitiBank was the award winner. U.S. Bank protested the award and GSA pulled the award back to review the protest.

After the review was completed by GSA CitiBank was once again awarded the contract and U.S. Bank protested once again.

The second protest went to GAO and they are currently reviewing the protest. It is assumed that GSA will rule on the protest in short order.