

HHGFAA MEMBER UPDATE

February 14, 2003

Progress Report on the Future - Department of Defense (DoD) “Families First Personal Property Program”

This important communication is to provide both Active and Associate Members with current program developments following 7 months of weekly meetings between the Military Traffic Management Command, Industry Representatives and the Military Services. The HHGFAA has been an active participant in the construction of an essential and cost effective Future Personal Property Program for the DoD. Numerous changes are being made to the current business rules and many requirements for the future program will be implemented as early as this year.

In our Summer '02 update, we advised that the USTRANSCOM Evaluation Report had recommended three target areas for improvement in a future DoD program: *1) Improve the liability/claims process to include use of valuation protection with simplification of claims filing and direct settlements with carriers, 2) Change the acquisition to performance based contracts, and 3) Improve information technology.*

To date, the MTMC Business Process Working Group has proposed significant improvements both within and beyond the 3 recommended areas which has renewed the HHGFAA's concern over ultimate program cost and the affordability for government. The Services themselves have not achieved consensus on participation in a future program that would involve any increase above 13%. Industry's participants have suggested that the improvements already identified by the working group will drive numbers beyond a 20% increase and have openly encouraged MTMC to seek immediate independent cost analysis.

Technology will be key in the future military program. Carriers will have to incur significant improvements to their own technological bases as they will be required to communicate electronically with the government once accepted for program participation.

Outlined below are the individual team progress reports:

FUTURE RATES PROVISIONS

DOMESTIC:

- The Commercial 400N Tariff will be used but is being customized to meet the military requirements (*requirements will be posted when finalized*) * *There will be no continuation of two codes of service...*
- Minimum shipment weight will be 1,000 lbs for HHGs with \$5,000 minimum liability. INCLUDES SIT and TRANSPORTATION

- SIT will no longer be an incremental charge but is going to a DAILY BASIS charge with warehouse handling included with the first day SIT charge.
- The following items have been deleted from the 400N for lack of application: ITEM 11, Classification of Parts / ITEM 12, Cancellation of Terms or Portions / ITEM 15, Insurance against “Marine Risk” / ITEM 20, Collection of Charges, Prepayment / ITEM 24, Individual Carriers Exceptions to application to tariff (STB HGB104F) / ITEM 29, Tariff Naming Rates for Specific Commodities / ITEM 200, Claims, Loss and Damage / ITEM 207, Climate Control / BINDING ESTIMATES
- The following items have been incorporated into a modified ITEM 3: ITEM 19 / Claims, Loss & Damage / ITEM 42, Bill of Lading (Info to be included on face of Uniform Household Goods Bill of Lading) / ITEM 43, BILL of LADING (Contract Terms and Conditions of Uniform Household Goods Bill of Lading) / ITEM 46, Collection of Freight Charges on HHG shipments involving Loss or Destruction in transit and on shipments transported on more than one vehicle / ITEM 47, Depreciation Factor on Claims for Lost or Damaged Items / ITEM 62, Inventory of Items Valued in excess of \$100.00 per lb per article.
- Rates will be filed from an origin rate area, usually a state, but with a North/South divided CA, TX, and FL as in the current International program, to a region which may be as small as one state (FL,AK), or a group of up to 9 states.
- TP’s will submit two discounts for each channel they wish to serve (see next bulleted item).
- Domestic pricing shall consist of a one-year rate filing effective 15 May which includes submission of two discounts off the tariff baseline. One discount submitted for transportation services and a second for SIT and related charges. PEAK and NON-PEAK will not be submitted separately, as it is built into the 400 tariff.

CURRENT Open Issues:

1. Language for Mitigation of Loss is being rewritten. (in conjunction with Claims Team)
2. Establishment of a per hundred weight dollar amount will be paid to TP’s for re-inspection on NTS shipments. (working in conjunction with Claims Team) Industry has asked for \$3.50/cwt and has preliminary agreement.
3. Determine if members can purchase additional liability protection.
4. New verbiage to incorporate into modified ITEM 3 (ITEM 62, Inventory of Items with values in Excess of \$100 per lb per article)
5. INTRASTATE use of 400N. Can it be done? What about states that are regulated by their own intrastate tariff?
6. MTMC recommended deletion of the Short Haul Surcharge (less than 800 miles)
7. MTMC recommended deletion of ITEM 60, Insurance Surcharge; however, based on discussion with industry, they are considering a charge that would handle unexpected price increases of all types of costs, except fuel. The fuel price adjustments will continue as it is today.
8. MTMC recommends use of the DTOD Mileage Guide.
9. Mitigation of Loss requirements / Language is drafted in the Claims Strawman / will be handled under “Labor Charges” in the new tariff

10. Codes of Service / Alaska (Alaska will be a separate region/destination so it is recommended by MTMC that exceptions be filed to the tariff to take containerization into account.
11. CRATING: charges will be the same for international and domestic but will be segregated according to the two categories, slatted & solid.

INTERNATIONAL:

- Minimum shipment weight is 500 lbs with minimum liability of \$2500 for HHGs, and 300 lbs for UAB with a minimum liability of \$2500
- ITEMS 508, Crates & Containers / 510, Attempted delivery to Residence from SIT / 518, SIT and Warehouse Handling Charge for HHG / 519 SIT and Warehouse Handling Charge for UB / 520, Pickup or Delivery Transportation rate to Apply on SIT-HHG / 521, Pickup or Delivery Transportation rate to Apply on SIT-UB, 534, Excessive Distance Carry Charges to/from Residence or Mini Storage Warehouse WILL ALL BE CONTAINED IN THE FUTURE UNDER “ONE” ITEM CLASSIFICATION WITH SEPARATE CHARGES FOR EACH SERVICE.
- International pricing shall consist of a one year rate filing effective 15 May and include two Single Factor Rate submissions: 1) peak, 2) non-peak, provided at the same time.
- Rates will be submitted by code of service from an origin rate area to a destination rate area, as in the current program.
- Single Factor Rates will be broken down by code of service, i.e., International HHG's including Codes 3, 4, 5 & T and International UAB including Codes 7, 8, & J.
- “Me-Too” rate filings will be eliminated as well as incentive tonnage. Class 1, 2, & 3 rate channels will be deleted.
- Currently, the OTO and Special Solicitations will continue to operate as in the current program.

CURRENT Open Issues:

1. The number of Rate Schedules (Accessorial, SIT & Overseas Linehaul) used for International is recommended to be reduced but there is currently no consensus on “what” the right number needs to be.
2. Need to rationalize the unaccompanied baggage tariff to reflect the cost and revenue. Recommendation by Industry to give baggage handlers more shipments per quality band to optimize government pricing.

FUTURE QUALITY ASSURANCE PROVISIONS

- MTMC is adopting a Best Value Distribution Methodology that will distribute shipments to carriers based on a quality score comprised 70% performance scoring and 30% pricing.

- CFAC enforcement will not change. CFAC will be enforced in the international market and will not be enforced in the domestic markets.
- Performance Scores will be calculated using the results of the Customer Satisfaction Survey. The Best Value Score, the weighted combination of the Performance Score and the Rate Score, will be used to determine how much traffic a carrier is offered relative to other carriers in that market.
- Carrier qualification criteria will carry over from the current system.
- Shipments will be distributed via 4 Cascading Quality Bands with each carrier receiving the same number of shipments per band in a round robin fashion.
- Carriers in the top Quality Band will receive 5 shipments followed by the next bands at 3, 2, and 1.
- MTMC is considering a different distribution methodology for UAB shipments to allow better consolidation/pricing.
- Bands will contain 25% representation of all approved active carriers.
- When carriers become inactive, they can still be used by other active participants for origin and destination services.
- Carriers will be considered “non-responsive” if they don’t meet the MTMC established competitive ranges for rates.
- Domestic scores will use the original 13 regions from the FSMP and Pilot Programs.
- If offered a shipment on a black out date, the carrier will be charged an administrative tonnage. However, the use of penalty point deductions remains an open issue pending further review.
- International scores will be handled slightly differently though the method for establishing ‘acceptable’ SFR rates is still unresolved.
- Service Members/spouses or significant others are acceptable parties to complete the web based customer satisfaction survey that will score the carrier.
- No appeals will be allowed on survey results.
- “Short Fuse” shipments, (those requiring p/u in five business days or less) will be considered “bonus” tonnage and will incur no penalty for refusal.
- Black Out dates will have the ability to be updated on a daily basis.
- MTMC wants to survey all shipments including NTS but will not include NTS in Phase I performance scoring.
- MTMC will not publish the methodology used to establish the “minimum bar levels” for scoring. Quality Scores will be publicized prior to each rate cycle.

- The LOI is being eliminated.
- MTMC will reserve the right to warehouse inspections but will not require it as part of the qualification process.
- The survey process may begin as early as July 1, 2003. The commencement date for customer satisfaction surveys that will be used towards the initial TP performance score and ranking is October 1, 2003.
- Surveys will be completed on all shipments that have been delivered to customers. Partial deliveries may be surveyed prior to final portion delivery depending on circumstances.
- New entrants will be required to submit third party survey data for use in determining a performance score.

CURRENT Open Issues:

1. Will additional measures such as claims-related metrics and PowerTrack data be included with Performance Score?
2. Final verbiage needed for allowance of Black Out dates.
3. New Applicant entry criteria into the distribution system.
4. Final determination on elimination of point penalties for shipments offered during Black Out dates.
5. Determination on shipments being blacked out at the origin PPSO level and not states.

FUTURE CLAIMS PROVISIONS

- Industry and the Services Claims Representatives have drafted a 24 page draft “Strawman” document that will serve as “THE CLAIMS AND LIABILITY PROVISIONS FOR THE FUTURE PROGRAM” ([copy available on the HHGFAA website](#)) *This document is the current working draft guide.
- Military claims will be encouraged to be filed online in the future program though paper copies will still be accepted.
- Members will be encouraged to file directly with the carriers to take advantage of full valuation protection.
- The 1840 and 1840R will be replaced by a “Notification of Loss or Damage At Delivery” and “Notification of Loss or Damage After Delivery.” These forms are not designed for use as claims forms.
- SIT will not terminate until the government provides a written notification through the DPS. (Defense Personal Property System) No reinstatements will be allowed on the original bill of lading.
- Claims Data will be tracked as a measurement of Transportation Provider

Performance. The specifics have not been formalized as to whether this will be included in the scoring metrics.

- Military members will be offered Full Replacement Valuation Protection yet still maintain the ability to file with the government at depreciated value. FRVP = \$4.00/lb x net weight up to \$50,000 maximum with a minimum of \$5,000 liability on the bill of lading for domestic shipments and a maximum up to \$50,000 with \$2,500 liability on international HHGs and unaccompanied baggage.
- The Claims Offices for the Services will still take recovery action where warranted through offsets in DPS. (note that PowerTrack doesn't have the ability to accept blanket offsets without prior carrier approval)

CURRENT Open Issues:

1. Language for termination of SIT is being rewritten. (resolved by the Claims Team on 2/11/03 and being forwarded for approval by the Rates Team)
2. Language for Mitigation of Loss is being rewritten. (Claims language is written; other particulars are in conjunction with the Rates Team)
3. "Notification Forms" will replace the 1840/1840R.
4. Minimum liabilities will vary depending on type of shipment. DOMESTIC HHG: \$5,000 minimum liability and 1,000# weight per tariff. INTERNATIONAL HHG: \$2500 minimum liability has been agreed to for both international HHGs and unaccompanied baggage.
5. Establishment of a per hundred weight dollar amount that will be paid to TP's for re-inspection on NTS (non-temp storage) shipments. (working this issue in conjunction with Rates Team) \$3.50/cwt has been recommended.

UNRESOLVED Issues (that will go to an Executive Committee at MTMC for decision)

1. Unearned Freight Language
2. Exceptions to FVP, no depreciation concept / i.e. Guitars and keyboards
3. Payment of estimate fees if not requested by the Transportation Provider
4. Exclusion from liability based on inherent vice
5. Salvage: need rules for TP's notice of intent to salvage & reduction if claimant retains the property
6. Timely notice: limiting liability to notice at delivery if no evidence of tender
7. Identification on estimate of firm or person doing the work
8. A position needs to be made on including claims metrics in the Carrier Performance Scores. If carrier metrics will be included in the DPS, who will enter the data.

FUTURE ELECTRONIC BILLING / PAYMENT PROVISIONS

- A complete CONOPS has been proposed for PHASE I implementation along with development of PowerTrack and a Centralized Web Application. (*CONOPS available on the HHGFAA website*) This is a lengthy document that outlines the current formulated process for billing and payment. The Centralized Web Application is being developed by MTMC and will be used for accessorial

authorization and for costing shipments. It will be built based on a portion of existing TOPS functionality as the baseline.

- IMPLEMENTATION is currently proposed for July 1, 2003 for both the PPSO's and the Carriers in both the domestic and international markets. Any procedures implemented now will be used in future phases of the program.
- Authorization for PPSO-approved accessorial services (those not member authorized) will continue to be submitted to PPSO's for approval in advance of performing the work.
- The CWA will grab information from TOPS (Phase I) at creation of the BOL.
- PowerTrack will match Buyer and Seller invoices using an invoice line item tolerance amount, as opposed to matching using the invoice total amount.

CURRENT Open Issues:

1. Tracking cities, states & counties where services are performed in order to determine correct labor rates.
2. Need to cross reference the EDI 859 transaction data sets used during the FSMP and those used by DFAS-Indianapolis.
3. Determine the best method for retaining imaged documents using the CWA or TP websites. (documents used for pre-audit, post-audit and claims)
4. Determine a reasonable timeframe for accessorial invoice line item approvals by the PPSO.
5. Need standard procedures for dispute resolution.
6. Will carriers be able to download reports from PowerTrack that provide them with financial status on all invoices during Phase I?
7. Industry and the Services have asked for new target date for implementation to allow sufficient time for all TP's to make necessary software changes to feed data to both the CWA and PowerTrack.
8. How will data feeds be tested prior to rollout?
9. How the application trigger dates will accommodate the Prompt Payment Act.

FUTURE SYSTEMS/AUTOMATION PROVISIONS

- IBM Consulting is spearheading the effort to implement payment by PowerTrack using a target date of 7/1/03. The small working group is committed to having the specs ready by the middle of March for industry. The working mentality is to avoid all the previous problems of FSMP, while still turning invoice approval over to the PPSO.

Here are the basic concepts:

1. The authorizing PPSO, either at origin or destination, will provide approval functions of a TP's invoice on a line item basis, using a web-based approval process.
2. Approved line items are rated and sent to PowerTrack ready to be paid.
3. The PowerTrack 'Matching Model' will be on a line item basis, with a tolerance amount applied to each line item. The tolerance amount is not yet specified, but will definitely be higher than the FSMP amount of \$1.00.

4. A TP's invoice containing only line items that have been approved, and meeting the line item tolerance test of all items, can be paid immediately.

Here are the details:

1. The TOPS program will continue in use as it is today.
2. Pre-Authorization for some services will be still needed.
3. A new, Centralized Web Application (CWA) will be created for the PPSO to approve invoice line items. This will replace submitting DD619s and DD619-1s to the PPSO for signatures
4. When the GBL/BOL is cut in TOPS, there will be a record entered in the CWA.
5. All data entry is done by the TP, with the PPSO having only to either approve or deny an item. The TP sends the same 859 EDI invoice we use today for DFAS-IN to enter line items in the CWA. They can also be entered manually.
6. There will be no rates shown in the CWA - only quantities. No rating knowledge by PPSO staff will be necessary.
7. After approval in the CWA of TP submitted line items, each approved line item is rated by the CWA, and sent to PowerTrack ready to be paid.
8. The TP will be given a daily update of all of its pending invoices and the approval status of each individual line item.
9. When most or all of the line items have been approved, the TP then uses the same 859 to send his invoice to PowerTrack. He can adjust his invoice to only bill for approved items, eliminating having a non-approved \$10.00 line item hold up a \$10,000 invoice.
10. We will use 859 EDI Invoice Transaction Set we use today for DFAS-IN, with as few changes as possible. Some changes will be necessary to supply rating information that does not exist today in the 859, primarily location information.
11. We want to keep the TP's invoices from reaching the 'Audit Exception' status in PowerTrack by using the CWA to work out approval problems. Certain accessories will be automatically approved.
12. If a TP invoices for only CWA approved line items, Audit Exception should only occur on rating engine mismatches. MTMC will be the contact point for those types of problems.
13. PowerTrack will provide a daily status report to the TP for his use in tracking his submitted invoices.
14. PowerTrack will provide the 820 EDI Remittance Advice TS used by DFAS-IN and Navy today for payment info.
15. PowerTrack's fee will be just 1% for EDI invoices submitted by automation.