

A WHITE PAPER

On The

Re-engineering Initiatives of the United States Department of Defense (DoD) Relative to the Personal Property Management Program (PPMP)

Since August of 1996, the DoD has implemented an agenda aimed at re-engineering their Personal Property Management Program (PPMP) in an effort to improve the level of service provided to military personnel and their families when participating in a Permanent Change of Station (PCS) or relocation.

The United States Transportation Command (USTRANSCOM) was tasked as overseer of three new initiatives known as Pilot Programs. These programs were launched in an attempt to find alternatives to the current PPMP which requires significant modification. The various programs are known as: the Military Traffic Management Command's (MTMC) Re-engineered Personal Property Program Pilot, the DoD Full Service Moving Project (FSMP) which was a follow-on to the Hunter Army Airfield Test, and the Navy Service Member Arranged Move (SAM) Pilot. The objective of each pilot program has been to examine alternatives to the existing move system and to determine best practices that can be incorporated into a future program.

The Household Goods Forwarders Association of America (HHGFAA) Role in the Re-engineering Initiatives

The HHGFAA¹ has been a committed partner to the DoD, MTMC and the USTRANSCOM since its inception in 1962. In recent years, the HHGFAA has directed extensive energy and resources towards oversight of the various re-engineering efforts. Recent attention has been focused on analyzing the impact of the various pilot programs, their costs versus benefits, and potential system optimization for the future. The HHGFAA serves in this purpose for the benefit of both Industry and Government.

The objective of this document is to provide Industry and Government with the Association's appraisal of the various pilot programs "as experienced by Industry." An examination of current commercial sector best practices will be offered as well as discussion on recommendations for future PPMP alternatives or modifications.

Methodology

For long term benefit to both the Industry and the DoD, it is important to identify and implement a go-forward program that features processes and policies that have been judged successful and beneficial. The HHGFAA, through independent survey assistance has conducted telephone interviews with a variety of industry and association member companies engaged in transportation

¹As stated in the ARTICLE IV of the Association By-Laws, "the HHGFAA ("the Association") is an organization that is open to any person, firm or corporation that is engaged as a carrier or forwarder in the movement of household goods via door-to-door through container method, for, but not limited to, as well as any person, firm or corporation not

engaged as a carrier or forwarder for the Department of Defense but who has an interest in the door-to-door through container movement of household goods or commodities (“Industry”).

of military shipments under the various pilots to determine specific lessons learned. Survey participants were interviewed using a standardized questioning format. Any feedback that was unique to any one participant was discounted, while common themes and feedback were weighted heavily in determining the document’s content. The evaluators synthesized the feedback and have presented it in a format that closely mirrors the USTRANSCOM Evaluation Plan.

Background

All business sectors are being driven with rapid momentum from long-established processes thanks to the explosion in technological advancement. Technology is the primary force driving today’s companies to move more rapidly as customers are demanding higher quality, more competitive pricing and instantaneous access to information. Yet technology can only enable business process improvement when well-defined and documented systems are in place. Both Government and Industry must now partner to bring about improvements in processes that will change outdated systems and enable new methodologies and practices to be adapted that will promote streamlining and cost containment while ultimately increasing customer satisfaction.

The moving industry and the MTMC have agreed that military personnel deserve a move experience comparable to their commercial counterparts and both agree that any system driven by lowest cost bidder cannot achieve the desired level of quality. Both parties agreed in advance of the MTMC Pilot (1996) to 10 program goals identified as follows: *1) Provide Quality Service, 2&3) Improve On-Time Pick-up and 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 Needs for Quality Moves, 9) Provide Opportunity for Small Businesses Offering Quality Service to Compete for Business as Prime Contractors, and 10) Provide Best Value Moving Services to the Government.*

The pending USTRANSCOM Evaluation is measuring the different pilot programs against the current “as-is” program using the following criteria: *1) Quality of Life, 2) Total Cost, 3) Small Business Participation, and 4) Process Improvements.*

As these improvements seek out “Best Practices” of the commercial sector as “the” vehicle to provide enhanced service (with an eye toward fiscal responsibility), it is imperative for both Industry and DoD to fully understand the implications of “Best Practices” relocation programs.

Best Practices in Employee Relocation

“Commercial Practice Does Not Necessarily Equal Best Practice”

“Best Practices” are not standardized in the commercial sector and vary considerably. What is common to both military and corporate relocations is the objective of mobility programs: getting the right human capital to the right place at the right time within the most productive and cost effective manner possible. Even this objective is driven by factors that can be unique to the

organization. Any “*best practice*” should be based on the individual mobility objectives and available resources of the organization. What then is this commercial practice, best practice, or

world-class practice? It need not be the most generous, but best suited to organizational culture, business model, economic environment, budget and workforce of the Services. It should balance Member needs with reasonable cost containment.

There are three major elements of any “Best Practice” Relocation Policy or Program:

Entitlements: While tiered employee entitlement policies often meet the organizational objectives to provide the correct level of benefits to transferees, there is sometimes a tendency to create so many tiers as to make administration of the program cumbersome. There should be the fewest number of tiers practical to be consistent in meeting objectives of the organization and needs of the Service Members. Generally, efficiency is found when the program is administered as centrally as possible while acknowledging the need for flexibility in certain geographic regions or within different business units. If the program administration is outsourced, then outsourcing objectives must be clearly stated and able to be measured.

Providers/Partners: Most often neglected in program development is the role of strategic partners. Often viewed as *suppliers*, their role in creating the Member experience cannot be underrated. That being the case, a “Best Practices” Program recognizes the role of partners and includes Strategic Partner/Supplier Management as an important element of overall program design. This “Best Practice” element should be an integral part of any go-forward program. DoD should:

- Publish and measure selection and retention criteria
- Apply work-distribution systems based on performance and cost factors
- Allow for partner profitability and reinvestment in partnership
- Demand cost containment disciplines and efficient practices
- Demand mature business processes to ensure capacity and performance

Quality: A “Best Practice” Program (no matter how high or low the cost) strives for quality of service and continuous improvement. It solicits and achieves a high rate of user feedback and uses that feedback to plan and implement program improvements. In pursuit of quality the DoD:

- Must have effective/accessible survey systems in place
- Must state and achieve an acceptable response rate
- Institute evaluation/scoring systems that allow for appeal and dispute resolution
- Act on feedback and suggestions to drive improvement

Best Practices are in the eye of the beholder. The Service Member may perceive them to mean more of everything: services, benefits and money. However, the DoD Relocation Program should be aligned with and support the organizational objectives and must reflect the current business and competitive environment as they relate to and affect recruiting and retention efforts. Major trends in “Best Practice” include: *Shared responsibility (not entitlement); tiered programs and lump sums; increased administrative centralization and a more cautious eye*

on costs (smarter spending vs. lower spending); use of technology to enable and enhance the service members' experience and expanded family assistance programs.

With these considerations in mind, it is easy to see how program objectives, development and administration determine successful outcomes of both pilot and permanent programs. It is the opinion of the Association's membership that policy elements of commercial/best practices have been adopted by DoD without regard to designing an integrated commercial approach. In effect, "cherry picking" is largely responsible for a lack of success in the four major areas of evaluation: Quality of Life, Process Improvements, Total Costs and to a lesser degree - Small Business Participation.

Quality of Life

"Quality of Life" has been defined by USTRANSCOM as the level of service that military personnel and their families receive during relocations and specifically cited improvement in movement of household goods as a key element in satisfying quality of life issues for Service Members. Long term employee retention can be impacted by disappointments during the relocation process. Both commercial and government sectors invest heavily in recruitment of personnel and must meet organizational challenges by reducing employee/family stress during transfers to new assignments. Greater support to relocating personnel has been identified by the USTRANSCOM as occurring through service enhancements to the current personal property shipment process. To varying degrees, the pilot programs embraced several initiatives aimed at enhancing the Service Member's relocation experience:

- **Full Replacement Value for Lost or Damaged Goods**: This is a desirable benefit and is accepted as an integral quality of life component in a commercial relocation program. Adoption of this program feature should mirror customary commercial policy if it is to be utilized by DoD as a cost effective initiative in the future PPMP.
- **Single Point of Contact to Coordinate Moves (Move Manager)**: Industry agrees that this concept, while having merit, was not effective in the FSMP Pilot with the addition of "third party" relocation companies. The addition of extra layering did not reduce cycle time, program costs or improve communication for service members. In most cases, "carrier-related" companies who participated as Move Managers received higher satisfaction scores than outside contractors under the FSMP.
- **Direct Claims Settlements**: There is consensus that a feature where service members settle claims directly with the carriers is far more beneficial as claims are able to be processed more efficiently and quality of life issues are supported through continuous communication between carrier and customer. This process quickly identifies and resolves inherent challenges. Industry acknowledges that a provision for quick claim settlements on amounts \$500 and below would further benefit quality of life program features, however, parameters for this additional feature must be clearly defined.

- **Toll-free Number to Provide 24-hour Information on Moves:** While generally agreed to have been effective in domestic moves, this initiative was unsuccessful with international business. Integrated web-based visibility would be consistent with commercial practice.
- **Relocation Services:** There is little evidence that Service Members availed themselves of added relocation services such as home sale, management or purchase, over and above what was paid for by the military during the FSMP in either the domestic or international segments.
- **One-on-One Counseling about Entitlements and the Move Process:** It is certainly preferable to have one point of coordination between the customer and the carrier for all moving related counseling. Industry participants have agreed to assume responsibility for this counseling in a properly constructed go-forward program in conjunction with the web-based entitlement counseling programs that are being developed and tested by several DoD Branches of Service.
- **Selection of Carriers Based on Performance:** While intended to add to the service member's "quality of life", this initiative was unwittingly sidetracked as move managers and transportation providers routinely made business decisions based on the scoring that a transferee would apply to the shipment.

Process Improvements

Process Improvements were defined by USTRANSCOM as reduction in cycle (delivery) time, reduction in costs and/or increase in quality of life. Association members agree that insufficient time was allocated to the pilots to derive the significant process improvements in either the domestic or international moving segments. However, there was sufficient time to identify several areas that would benefit from improvement before proceeding with any future pilots, tests, or programs. To delay these basic improvements would be a disservice to the Services, Industry and DoD. Adoption of any of these improvements or other practices must be done with a full understanding of associated elements to avoid the "cherry picking" situation mentioned earlier.

- **Acquisition Process:** The use of Federal Acquisition Regulations (FAR) is judged to be one of form over substance and does not ensure a high level of quality or service. The process in fact reduces the selection of carriers to a commodity-purchasing exercise and increases the administrative burden on the part of DoD while making supplier changes (when necessary) more difficult. However, if FAR is not used in the selection cycle it is imperative that balanced and objective criteria are used to select and manage suppliers. Whichever method is utilized, Industry wishes to retain its' contractual rights and responsibilities with the government.
- **Carrier Approval:** Standardize the requirements for Program participation, and adhere strictly to the criteria. The Letter of Intent, (LOI - *a method by which the carrier identifies his partner agents*) is a double edged sword, and should consider allowances for exceptions when a deviation from "process" will allow for better business distribution and service performance.

- **Best Value Carrier Selection Process:** This system is perceived as preferable if administered fairly and uniformly. For instance, there must be sufficient response rate from users to provide valid data, and all results must be subject to review by the supplier with a right of appeal for extraordinary circumstances. It is preferable for a third party to administer the survey process using best available technology tools for data collection, collation and reporting. The Total Quality Assurance Program (TQAP) should be replaced with a Best Value Distribution System which in turn, can drive a quality conscious system. TQAP is agreed to be a barrier to effective service improvements.
- **Forms and Terminology:** With the multitude of participants in the moving process, it is necessary to standardize forms. Whether or not the Government Bill of Lading (GBL), or another form is used, all participants must use the form in the same manner, with standard terminology for each event and item. Introduction of additional and government unique forms would not be cost effective or meet the current desire to streamline existing procedures.
- **Binding Estimates:** Binding estimates as a way of helping to recognize and deal with excess costs was judged to be unsuccessful by industry. Fluid situations and constantly changing shipment configurations could not be adequately managed, and often resulted in poor perception of service on the part of the Member. Input from Industry on future use of this feature would improve the situation.
- **Technology:** Use of toll-free phone numbers is an adequate program element domestically (USA), but adds little value in international relocation. An integrated web-based system for tracking and visibility would be appropriate for use with Service Members, Service Branches and Industry.
- **Electronic Payment - EDI:** Electronic payment is preferred, but the use of PowerTrack in the FSMP is widely judged to have been ineffective, cumbersome and expensive. Continued use of the (matching model) PowerTrack System will only increase costs to both DoD and Industry as data entry involves duplicity and requires increases in administrative personnel.
- **Workload Reduction and Infrastructure:** While the pilots sought to identify process improvements and assess their benefits and applicability to future Move Programs, very little time was available to make those identifications. In any go-forward program, it would be advisable to publish the desired efficiency results with timelines in advance, and involve all stakeholders in ensuring a successful outcome. There is much efficiency that could be realized by intense, and possibly painful, examination of current redundancies. Before embarking on such an exploration, DoD must first determine if such changes would be embraced, or even tolerated. Industry would be inclined to offer commercial practice suggestions in this regard in an appropriate forum.

Costs

The USTRANSCOM Evaluation Plan proposed evaluation of the total cost of shipments in the pilots by examining seven distinct cost categories: *total costs, direct costs, indirect costs, fees paid to move managers, cost of claims, cost of claims processing, and cost of specific features*. It is as yet unknown what the final data will yield, though it is widely believed that pure total costs will have increased significantly over the existing shipment program. This should not have been unexpected based on significant program modifications that were built into pilot programming such as move managers, independent survey and financial analysis organizations. Furthermore, costs were affected by pricing requests and requirements by the military that sometimes inflated “guesstimate” and worst case scenario pricing.

- **Full Replacement Valuation**: While generally used in the commercial sector, this type of coverage can increase program costs significantly if not administered correctly and consistently. Industry would prefer that any go-forward program include a separate calculation charge for FRV and the use of valued inventories. It is further agreed that a reduction in the “claims filing period” should occur to meet the industry standard of nine months from date of delivery.
- **Direct Claims Settlements**: An established commercial practice that would contribute towards streamlining existing military claims adjudication procedures and reduction in administrative program expense. Instituting a provision for quick claims settlement directly by the carriers on amounts below \$500 is preferable “at the carrier’s discretion” in order to achieve desired cost savings.
- **Move Managers**: Additional program layering through the introduction of relocation companies presented a significant increase in total costs to DoD under the FSMP pilot. The utilization of third party relocation companies brought very little to the program in the way of enhancements. However, there is consensus in opinion that the relocation companies that had transportation capability and experience provided the greatest additional value to the FSMP pilot through better knowledge of military procedures as well as the household goods industry.
- **Tariffs and Exceptions**: Regardless of what Tariff is used, it is agreed that the shipment costs to the DoD will increase as the current Baseline is almost twenty years old and needs to reflect realistic compensation rates for packing and transportation. Use of the Commercial Tariff (400N) for domestic shipments would standardize processes for Industry and would contribute to greater efficiencies as the format is electronic and can enable better comparisons of the industry’s pricing mix. International participants are in support of the continued use of Single Factor Rates. For administrative efficiencies, it is advisable to explore establishment of an international tariff or “baseline” from which carriers would quote via percentages as is done for the DoD domestic and General Services Administration (GSA) programs. Industry agrees that fair compensation to packers, loaders and drivers will provide additional capacity along with increases in quality of service.
- **Deviation from Commercial Practice**: Many cost increases and discrepancies can be traced to unique military pricing requests and/or requirements. These unique pricing features make it impossible for Industry companies to benchmark program elements

against known program costs in the commercial sector. Non-commercial pricing requests and requirements cause industry participants to protect unknown or suspect margins with curved pricing that may not always result in the cost reductions that the military was expecting. Furthermore, these unique pricing requests and requirements do not ensure the military (as the largest user of moving services) the service levels desired. Commodity based pricing strategies where price/cost considerations supercede service consideration will continue to erode both quality of service and the relationship between the parties.

- **Rate Filings:** Whether rates are filed at six month or one year intervals, it is beneficial to choose any filing period that will allow for greater pricing stability while maximizing participant commitment and capacity. If rates are to be filed annually, it requires increased planning and projections to select competitive rates that reflect unknown variables which could occur during longer cycle duration and contracts should contain provisions for economic price adjustments. International pricing procedures should evaluate further streamlining as it applies to compensatory pricing objectives and best methods of transportation.

Small Business Participation *“As Prime Contractors”*

It was the intention of the pilot programs to award significant business to “small business” participants in compliance with the Small Business Act, Public Law 85-536. The effects of competition systems and non-commercial practices on small business were areas that were hoped to be examined in the pilot programs. It is widely believed by Industry that the percentage objectives of business awards were met in the various test programs. It is also believed that using a Best Value Distribution System will preclude the dictation of percentages in the future, and that small businesses will receive their fair share based on performance, assuming they are not contractually required to accept a volume of work beyond reasonable capabilities.

Recommendations

- There are many useful lessons from the pilots that could be incorporated into a go-forward program. It would be advisable for the Services, Industry and perhaps facilitators from the commercial sector to quickly rework program elements that are unanimously viewed as “broken” and design a long-term plan to provide quality service at competitive prices. To exclude Industry from these deliberations would limit Industry’s enthusiasm to participate in future pilots or support contemplated changes. As Industry members have made and continue to make significant investments in the on-going partnership with DoD, their input is extremely valuable.
- Industry recognizes that theirs is a complex business full of cost and operational nuances. Without a full understanding of these nuances, DoD is at a disadvantage in fully evaluating the success of past, present and future programs. Industry would be inclined to provide education for DoD that fully explores the various business segments that make up Industry. An understanding of the variances between domestic and international providers would greatly assist DoD in its ongoing relationship with and evaluation of Industry.

- DoD may wish to engage a neutral Relocation/Human Resources policy consultant to assist DoD in exploring relocation best practices and program design. It is suggested that this will help DoD in designing and developing an integrated program to address stated objectives of the future PCS relocation program.
- It is often commercial practice to form user focus groups when significant program overhaul is underway. While survey tactics often elicit standardized feedback, focus groups can provide a wealth of anecdotal and spontaneous information that can drive improvements. These user groups can be credited to the user population as part of the program design team which can deflect user dissatisfaction with program changes and perceived take-aways. Focus groups can help program administrators and suppliers think like users to improve service and program elements.
- Industry through its trade associations must seek ways to neutralize inherent conflicts between various Industry segments. The interviewers discovered that opinions vary between international v. domestic; van lines v. forwarders, and big companies v. small companies. While these discrepancies are natural in any industry “space”, conflicts or program inhibitors that arise from this situation serve only to make the improvement process difficult, if not impossible. Trying to accommodate the business issues of each industry segment has added to “program fragmentation” and has allowed non-Industry participants to provide (good or bad) program design guidance to DoD to the detriment of Industry.
- As go-forward decisions are made, it is imperative to identify the length and breadth of the initiative and ensure that sufficient time and appropriate budgets are allocated to future programs.