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# USTRANSCOM planning to OUTSOURCE

Late in 2018, the United States Transportation Command (USTRANSCOM) began deliberate efforts to outsource the entire DOD Household Goods (HHG) Relocation Program. The outsource of the program encompasses an estimated 400,000 HHG shipments annually to a single source contractor to oversee cradle to grave management of all DOD HHG shipments. For agents, this will mean all military business will come from one TSP, the sole source contractor. The changes being proposed to the program are vast and USTRANCOM is moving forward at an extremely rapid pace with the outsourcing effort.

Earlier this week, USTRANSCOM checked the next box in their effort to outsource by hosting an Industry Day outside of Scott Airforce Base, in Fairview Heights, IL. The meeting was well attended by familiar industry representatives as well as interested DOD Contractors, Relocation Companies and IT Solution Companies. USTRANSCOM J5/J4 Acquisitions staff were also present with familiar USTRANSCOM staff. Below is a summary of the meeting.

The morning began with introductory comments from Rick Marsh, USTRANSCOM, Deputy Director Strategic Plans, Policy and Logistics. Mr. Marsh first explained the objective of the outsource initiative and how we arrived at where we are today. The objective of the outsource is to provide better at the curb service for the service member and stated that we have gotten here due to 40 years of DOD families being concerned with quality of service, poor claims process, and lack of accountability actions that DoD can take with carriers to improve performance. He said while the industry has offered solutions in the past, the government staff has been resistant to change, wanting to hold to past requirements leading to where we are today. Mr. Marsh went on to say because of the government lacking business intelligence and the fractured value chain currently in the program, it's time to outsource and let industry experts make real change.

Lt Col Lisa Ryan followed Mr. Marsh by addressing the Performance of Work Statement (PWS) that was released in draft form on 13 February 2019. The PWS draws a lot of similarities to the recently released changed HHG Tender of Service, however, also provides specific performance objectives (below) USTRANSCOM will be seeking from the single source contractor. Several questions were fielded regarding the draft PWS including comments drawn regarding who will play the government’s role since the PPSO function is part of the planned outsource. Details were unfortunately not available. One item that was reinforced was the DOD’s intention not to move shipments out of Peak Season when capacity is a problem. Per LTC Ryan, “Amazon doesn’t ask UPS and FedEx to push back Christmas and we aren’t going to move our requirements away from peak season”.

PERFORMANCE OBJECTIVE	PWS PARA	PERFORMANCE THRESHOLD (AQL)
On-Time Pickup		>= 98% per month, No state/territory or country < 80%
On-Time Delivery		>= 98% per month, No state/territory or country < 80%
Overall Customer Satisfaction Rating of Satisfactory (Shipments)		>= 95% per month, No state/territory or country < 80%
Overall NTS Rating of Satisfactory (Pickup & Delivery)		>= 95% per month
US Flag Compliance		100%
Quick Claims (< \$1,000): % Settled Within 30 Days		>= 95%
All Claims: % Settled within 60 days		>= 95%

The above Performance Objective was taken from the Performance Statement of Work as the criteria USTRANSCOM is seeking from the single source provider. Current Overall Customer Satisfaction within the DP3 Program is between 90-91% per resent USTRANSCOM provided data.

Following LTC Ryan, Mr. Jeff Clark, Defense Digital Services, Ms. Suzanne Mudd-Yarber, USTRANSCOM Small Business Advisor and Ms. Amy Miller, USTRANSCOM Contracting Officer, Acquisitions Team, all presented their portion of the morning program. Below are bullet points highlighting their presentations.

- MilMove, the once promising DPS replacement, will have a role if the program is outsourced. It will serve as a platform for the servicemember to initiate their move by uploading their move and pushing the details of their move to the contractor.
- USTRANSCOM’s small business involvement was an apparent critical component to awarding this contract. However, it appears government small business requirements are not a concern with regard to awarding of the contact because the contractor will be in a subcontracting position to meet small business requirements.
- Ms. Miller reminded the audience that USTRANSCOM is doing market research in their process to determine whether the outsourcing of the program will work. According to Ms. Miller, USTRANSCOM and her staff “genuinely do not know” many of the answers to the questions being asked, however, they will continue to research and make necessary changes to the PWS to provide necessary clarification.

- They are currently working on a very aggressive timeline toward awarding the contract on 2 January 2020, and with shipments being serviced by the single source contractor by 1 October 2020.

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### PROJECT SCHEDULE – WAY FORWARD

CONTRACT ACTION	ESTIMATED TIMELINES
Industry Day	19 and 20 Feb 19
Issue Draft Request for Proposal	15 Mar 19
Finalize Acquisition Plan	1 Apr 19
Issue Solicitation	21 Jun 19
Pre-Proposal Conference	2 Jul 19
Receive Proposals--Source Selection Process--Open Discussions	5 Aug 19
Begin Proposal Evaluations	9 Aug 19
Enter Discussions	19 Oct 19
Source Selection Process—Close Discussions—Select Awardee(s)	1 Nov 19
Request Final Proposal Revisions	26 Nov 19
Award Contract	2 Jan 20
Transition	Jan – Oct 20
Performance Start	1 Oct 20

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National Forwarding Co., Inc. is **not supportive** of USTRANSCOM’s effort to outsource the HHG Program to a single source provider. Aligned with both Industry Associations: American Moving and Storage Association and International Movers Association, we feel USTRANSCOM is embarking on a radical change that will cause irreversible damage to the infrastructure within the current program and to our industry as a whole.

The social media complaints received this summer shed light on the challenges the industry faces when dramatic shifts occur in the volume of moves channeled through the program during peak season. These challenges were exasperated by several economic factors making it one of the hardest summers for the industry in recent memory. Despite all of this, the quality of service within the industry as measured by CSS performance continues to go up. The fact of the matter is we are where we are today due to anecdotal unsupported evidence that the current program is broken.

As it stands, this issue could have a major impact on your current business. We are strongly advocating for the agents and haulers we partner with to join in the effort to convince USTRANSCOM to slow their process. We feel it is necessary that USTRANSCOM further support of their desire for radical change through validating data and statistics, not anecdotal evidence. We are asking agents and haulers to contact their Representatives and your Senators to share their company’s story. The remaining portion of this newsletter contains two joint documents from AMSA and IAM for your use if you choose to engage your elected officials.

Finally, no matter the size of your business, it’s important that you let your elected officials know your thoughts on this topic. If you are unable to make a visit, please take time to write to them.



## **DP3 Working Group –** **Improve Quality to Servicemembers**

### **Problem-**

The Defense Personal Property Program (DP3) has come under fire from a variety of stakeholders for challenges faced during the summer “peak season” (May-August), when almost half of all servicemember shipments (150,000 of 350,000) occur. TSPs can struggle to provide superior service to military customers when DoD moves more personnel from May-August than current industry capacity can manage; from a typical 5,000 non-peak season moves per week, to over 12,000 per week. This challenge grows as the number of service agents providing this service has declined by nearly 30% since 2010.

Despite these and many more challenges, industry currently delivers an average 91% customer satisfaction rating. However, we know that problems can spike during peak season and we take any reported negative experience by servicemembers extremely seriously. Industry has attempted to collaborate with USTC to identify and implement solutions. Our suggestions to USTC on how to improve DP3 capacity and efficiency have included: providing automated shipment refusal capability; removing price controls to allow the market to drive pricing; smoothing demand over peak season; increasing allowable transit times to aid servicemember move planning; standardizing base access; reducing burdensome or outdated regulations that don’t add value to the customer; and others.

To date, most of these suggestions have not been implemented. Existing communication from USTC to industry has been unstructured and inefficient. TSPs are often only given seven to ten days to give feedback on a proposed initiative, often receiving no response to follow up questions before another initiative is rolled out. In order to improve service for the servicemember, collaboration and communication between USTC and industry must improve.

In response to calls for reform by certain stakeholders (“change.org” petition, “Hold DoD Moving Companies Accountable”) and Congress, USTC’s proposed solution is to award a sole source contract to manage the entire DP3. However, we fear that moving towards this model without first addressing how it would solve existing capacity problems and other business challenges will ultimately fail to deliver the improved level of service military families deserve. The following questions must be answered:

- **What hard data is being used to determine whether DP3 is broken and how best to fix it?**
- **How would a new sole source contractor specifically improve on areas where data shows needed improvement?**
- **How will a sole source contracting model create more capacity (trucks, warehouses, labor) when the contractor would have to rely on the same underlying network?**

**Solution –**

To answer these and other program-related questions, AMSA and IAM propose that Congress establish a standing DP3 Working Group consisting of USTC, military service headquarters' representatives, industry, and military family advocates.

The Working Group's mission will be to identify, discuss, and recommend to Congress ways to improve the move experience for servicemembers and provide stability that will allow moving companies to invest and grow their businesses to provide more capacity for DoD for years to come.

AMSA and IAM ask that the Working Group formulate recommendations on outsourcing and other program improvements BEFORE the DoD moves forward with any sole source contract for the DP3.

The standing Working Group will provide a structured and transparent process for federal stakeholders and industry to communicate and produce effective solutions, grounded in industry capacity and achievability, that can deliver real improvements to servicemembers and their families. The Working Group would regularly report back to Congress on its progress.

AMSA and IAM have identified several reoccurring topics of discussion that the Working Group could be tasked with tackling, including:

**1) Shipment Distribution and Deliveries**

- Review shipment distribution, allowable transit times, and shipment refusal mechanisms to better provide realistic delivery windows and improve capacity

**2) Pricing**

- Review competitiveness of 400NG Tariff and International Tender

**3) Outsourcing**

- Work with DP3 Working Group to examine outsource/sole source proposals prior to DoD moving forward with any outsourcing efforts

**4) Regulations/ Systems –**

- Working group will review DTR, TOS, and Move.mil to identify and update outdated procedures/content

**5) Demand Smoothing**

- Assess current demand patterns to identify ways to improve capacity

**6) Communication**

- Examine ways to improve communication between industry and DoD, to include methods to provide carriers more time to provide feedback and comment on proposed changes

**7) Operational Control**

- Examine current operational control system across all branches and between USTC, JPPSOs, PPSOs, and PPPOs to identify ways to improve efficiency





### Talking Points for Congressional Staff Visits

- DP3 is a \$2.5 billion program moving approximately 350,000 military shipments each year through 902 approved Transportation Service Providers (TSPs) and thousands of local agents and warehousemen. Nearly half of those shipments, 150,000, are completed from May – August (peak season).
- TSPs face a tall task in providing superior service to military families when the DoD moves 12,000 shipments per week during peak season, compared to a typical 5,000 per week during nonpeak.
- It is a challenge for many businesses to maintain a quality workforce necessary for peak volume during the remaining eight months. Since 2010, there has been a nearly 30% reduction in industry capacity.
- Despite these challenges, the industry currently delivers a 91% customer satisfaction rate, up significantly from the old DOD program that did not have a quality focus.
- However, we take any reported negative experience by the servicemember extremely seriously and have attempted to use it as an opportunity to collaborate with USTC to identify and implement solutions.
- Some suggestions include: allowing TSPs to refuse shipments they can't handle with quality service; removing price controls to allow market-driven pricing; smoothing demand throughout the year; increasing transit times to help servicemembers plan their moves; standardizing base access; fairly compensate movers for the services required to provide the customer a good move; reducing burdensome or outdated regulations that don't add value for the customer.
- However, USTC has not implemented these proposals. Instead, in reaction to anecdotal complaints by certain groups and understandable inquiries from Congress, USTC has proposed to give up and offer a sole source award for management of the program.
- Industry offered to help improve IT systems governing the program. DoD largely ignored this feedback and launched a \$400 million software system, DPS, in 2009, only to begin phasing this system out in favor of MilMove, which is already over 12 months behind and lacks total functionality. Moving forward with yet another IT system without structured industry feedback risks wasting hundreds of millions of taxpayer dollars while further weakening service to members.
- Proposing to outsource the program without meaningful and structured consultation with industry fails to address a host of challenges that will remain including: maintaining workforce and equipment investment during non-peak volume periods, lagging pricing compared to adjacent commercial market, uncertainty of traffic distribution, worsening commercial driving shortage, historic unemployment rates making quality loading and packing personnel hard to find during the peak surge, and more.
- Adding another layer of contracting on top of the current service providers can only lead to higher costs, or lower revenue for those currently in the program. The former fails to address capacity, the latter will hurt it as even more providers leave. Once the current program is dismantled, it can't be put back together.



**In light of anecdotal complaints and USTC's sole source award proposal, Congress needs to know:**

- What hard data is being used to determine whether DP3 is broken and how best to fix it?
- How would a new sole source contractor specifically improve on areas where the data shows improvement is needed?
- How will a sole source contracting model create more capacity (trucks, warehouses, labor) when the contractor would have to rely on the same underlying network?

**Ask your Representative or Senator(s) to:**

Establish a standing DP3 Working Group consisting of USTC, military service headquarters' representatives, industry, and military family advocates.

The Working Group's mission will be to identify, discuss, and recommend to Congress ways to improve the move experience for servicemembers and provide stability that will allow moving companies to invest.

AMSA and IAM ask that the Working Group formulate recommendations on outsourcing and other program improvements *BEFORE the DoD awards any sole source contract for the DP3 program.*

The Working Group could be tasked with tackling:

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