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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

TRANSPORTATION DIVISION  
IN REPLY PLEASE QUOTE

B-114807

Dear Mr. Kunzig:



We have reviewed the use of local freight companies by the General Services Administration (GSA), Region 5, Chicago, Illinois, to pick up shipments at the Federal Supply Service (FSS) depot and transfer them to common carriers for eventual delivery. We found that the pickup of shipments at origin generally was included in the rates of common carriers and that GSA in contracting for the local pickup service was paying additional charges for a service it was entitled to receive from the common carriers.

The tariffs of the common carriers provided an allowance to the shipper when pickup service was not rendered; but we found that the allowance was insignificant in relation to the amount paid by GSA to the freight companies for local drayage service. We found also that the amount of these allowances, insignificant as it was in comparison with the amount of the overall cost, had not been collected from the common carriers.

We were told that no other GSA depot used this type of service to deliver freight to common carriers.

HOW THE DRAYAGE SERVICE STARTED

During the latter part of 1967, FSS studied shipping data at the Chicago depot and found that on an average day about 23 shipments under 1,000 pounds each were being processed. It found also that common carriers occasionally failed to pick up these small shipments. This reportedly caused congestion at the shipping platform. As a result of its study, FSS requested the Transportation and Communications Service (TCS) to negotiate a contract with a local carrier to pick up these small shipments at the FSS depot and deliver them to the terminals of common carriers.

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The first contract was awarded in January 1968 and was intended to assist in clearing the depot dock area of numerous small shipments. Under the local drayage arrangement, each day's shipments were to be cleared from the shipping platform when common carriers failed to report to the depot to pick up small shipments.

The following table shows the cost of the local drayage service for the 3-year period ended December 1970.

<u>Contract number</u>	<u>From</u>	<u>To</u>	<u>Contractor</u>	<u>Cost</u>	
				<u>Total</u>	<u>Monthly average</u>
GS-05TT-303	Jan. 1968	Dec. 1968	Lasham Cartage Co.	\$ 62,850	\$ 5,237
GS-05TT-323	Jan. 1969	Dec. 1969	W.O.D., Inc.	128,037	10,670
GS-05TT-354	Jan. 1970	Mar. 1970	Tripp Motor Service)	53,707	4,476
GS-05TT-358	Apr. 1970	Dec. 1970	W.O.D., Inc. )		

COMMON CARRIERS REQUIRED TO  
PROVIDE PICKUP SERVICE

Under the provisions of the Interstate Commerce Act, common carriers are required to furnish service at published tariff rates to shippers to the limit of their capacity to do so upon reasonable demand. The service includes pickup, delivery, and unloading. The Interstate Commerce Commission has the authority to suspend, change, or revoke the certificate of a carrier that fails to provide adequate service. The certificate is the operating authority for a carrier.

Also, the Regional Director of TCS may temporarily discontinue the use of a carrier's service when it is determined that the carrier's performance does not meet the GSA operating requirements. We found, however, no cases in which GSA discontinued the use of a carrier's services because of the carrier's failure to perform pickup service. We questioned GSA employees about this and they told us that, although it was true that no carriers had been suspended, they did

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attempt to penalize carriers for poor service by reducing the amount of freight tendered to them.

DRAYAGE SERVICE USED TO  
DELIVER LARGER SHIPMENTS

We found that, although the primary purpose of the local drayage contract was to clear the depot of numerous small shipments, the contract was being used to effect delivery of shipments of considerable weight to common carriers. For example, we reviewed the records of deliveries to carriers during the period July through December 1970 and found that more than 43 percent of the deliveries were over 1,000 pounds. (See enclosure.) The drayage costs to GSA for deliveries of shipments over 1,000 pounds exceeded \$25,000.

We reviewed also the FSS carrier call sheets for the months of July, August, and September 1970, which listed the carriers called and the pickups made each day. We found only 12 instances in which the common carriers had been called to pick up shipments of less than 5,000 pounds.

In a memorandum dated November 20, 1970, the Chief, Supply Distribution Division, FSS, instructed the depot to call all carriers scheduled to receive 1,000 pounds or more. A review of GSA shipments made in December 1970 showed some improvement; but about 34 percent of the December deliveries to the carriers still exceeded 1,000 pounds.

We found also that contract deliveries were being made to some carriers on the same day that these same carriers were at the depot picking up other shipments. During the 6-month period reviewed, we found 208 instances of same-day delivery and pickup. These instances involved 1,087 Government bills of lading for which GSA paid about \$5,800 in drayage charges. A schedule summarizing these same-day deliveries and pickups is included in the enclosure.

We believe that these practices show clearly that the contract drayage service is being used in the routine

shipping activities of the depot and that it is not limited to small shipments as originally intended.

ALLOWANCES FOR PICKUP AND DELIVERY  
NOT COLLECTED

Because carriers' tariff rates include pickup services, most tariffs provide that, when a shipper delivers a shipment to a carrier's dock, an allowance be made to the shipper.

For the 6-month period reviewed, we noted that approximately \$2,225 in allowances was due FSS for delivery of shipments to carriers' terminals, none of which was billed or collected. When we called this to the attention of FSS employees, they stated that the administrative costs of collecting allowances would offset any savings derived from the collection of such allowances. Further the administrative costs would decrease the FSS operating funds since any collections would be credited to the general supply fund rather than to the operating funds.

We found that, even if allowance claims of less than \$5 were ignored, GSA still would be able to collect \$2,020, or 90 percent of the total amount due. We therefore believe that GSA should collect the allowances as provided by applicable tariffs.

WEAKNESSES POINTED OUT IN EARLIER REVIEW  
BY THE TRANSPORTATION AND  
COMMUNICATIONS SERVICE

The Transportation Management Division of TCS reviewed the transportation activities of GSA's supply distribution facilities at Chicago and at Shelby, Ohio, during the latter part of 1969 and issued a report on its findings in July 1970. A part of the review was directed to the local drayage contract and included a review of contract activities in September 1969. The report pointed out that (1) about 50 percent of the warehouse shipments were delivered to common carriers, (2) deliveries were made to carriers on the same day on which

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they picked up shipments at the depot, (3) carriers were not being called to pick up all shipments, and (4) allowances due GSA for delivery of shipments were not being collected.

We found that, although improvement was noted in some of the above areas after release of the TCS report, the local drayage service continued to be used extensively during the last month covered by our review--December 1970.

#### COMMENTS OF COMMON CARRIERS

We visited five carriers in the Chicago area to obtain their comments relating to picking up small shipments from GSA. None of the carriers presented arguments against picking up small shipments; however, they advised us that they would lose money if all the pickups were small shipments. They stated that picking up some small shipments was part of their normal business operation; their opinions as to what weight would comprise an economical pickup varied from 500 to 1,500 pounds.

Three of the carriers said that they had a contract with the local drayage contractor to load their dropped trailers at the GSA depot. The contracts were for loading only and not for delivery or pickup. The three carriers felt that the availability of a contractor to load their trailers at the GSA facility was a satisfactory arrangement since they did not have to detain a tractor or driver.

#### COMMENTS OF GSA OFFICIALS

Region 5 GSA employees agreed, in general, with our findings; however, they cited the following factors which they considered relevant to their management of the drayage contract.

--The Chicago facility was the only GSA facility located in a major industrial city where the majority of motor freight was outbound. Carriers serving the city were selective in the type of traffic handled because there

was no opportunity to earn revenue on inbound shipments.

--Recognizing that the use of the drayage contract had exceeded its intended use, the FSS issued new instructions in November 1970 to provide better information relating to service provided by carriers and to permit better management control over the drayage contract. A new instruction is yet to be issued prohibiting deliveries to carriers who have contracts with a local drayage company to load their trailers that have been dropped off at the GSA facility.

--Starting in December 1970, FSS began a concerted effort to contact carriers that repeatedly missed pickups in an effort to improve the carriers' service to the GSA depot.

#### CONCLUSIONS AND RECOMMENDATIONS

We believe that the drayage contract covers services which should be performed by the common carriers as part of their normal operations. We believe also that this contract service was used, for the most part, by the depot as a part of its routine shipping operation rather than as a method of clearing the shipping dock of missed pickups and small shipments.

The weaknesses found during our review, coupled with the fact that the same or similar weaknesses were pointed out in the TCS review, indicated the need for improvement in the management of depot shipping operations.

Since the Chicago depot apparently is the only depot using a drayage contract to deliver freight to the common carriers, it appears that other GSA depots are requesting and receiving adequate pickup service.

We recommend therefore that you direct FSS and/or TCS to review the shipping operations with a view to terminating

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the current drayage contract as soon as possible. We recommend also that FSS be required to call the carriers for pickup on all shipments and to establish adequate management controls to ensure that (1) a record of carrier performance is maintained, (2) action is taken against carriers not providing adequate service, (3) the local delivery contract is used only when a called carrier misses a pickup, and (4) allowances due the Government for providing delivery services are collected from the carriers.

Your attention is invited to section 236 of the Legislative Reorganization Act of 1970 which requires that you submit statements of the action taken with respect to these recommendations. The statements are to be sent to the House and Senate Committees on Government Operations not later than 60 days after the date of this report and to the House and Senate Committees on Appropriations in connection with the first request for appropriations submitted by your agency more than 60 days after the date of this report. We shall appreciate receiving copies of the statements that you furnish to the specified committees in accordance with this provision.

Sincerely yours,



Director, Transportation Division

Enclosure

The Honorable Robert L. Kunzig  
Administrator, General Services  
Administration

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SCHEDULE OF DELIVERIES TO COMMON CARRIERSBY GSA DRAYAGE CONTRACTORJULY 1970 THROUGH DECEMBER 1970

<u>Month</u>	<u>Number of deliveries by weight</u>				<u>Total deliveries</u>	<u>Percentage of deliveries over 1,000 pounds</u>
	<u>0 to 1,000 pounds</u>	<u>1,001 to 5,000 pounds</u>	<u>5,001 to 10,000 pounds</u>	<u>10,001 to 30,000 pounds</u>		
July	94	55	9	4	162	42.0
August	159	105	22	9	295	46.1
September	144	87	24	2	257	44.0
October	133	120	20	4	277	52.0
November	173	96	23	2	294	41.2
December	158	61	16	4	239	33.9
Total	<u>861</u>	<u>524</u>	<u>114</u>	<u>25</u>	<u>1,524</u>	<u>43.5</u>

SCHEDULE OF DELIVERIES TO COMMON CARRIERSON SAME DAY THE CARRIERS WERE MAKING PICKUPS ATTHE GSA DEPOTJULY 1970 THROUGH DECEMBER 1970

<u>Month</u>	<u>Number of instances in which deliveries and pickup were made on same day</u>	<u>Number of Government bills of lading</u>	<u>Drayage costs</u>
July	16	92	\$ 474
August	30	197	1,015
September	41	173	891
October	23	150	817
November	29	175	954
December	<u>69</u>	<u>300</u>	<u>1,635</u>
Total	<u>208</u>	<u>1,087</u>	<u>\$5,786</u>