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Dear Mr. Yates:

In your letter of August 9, 1972, you requested that we investigate the handling of Lieutenant Colonel Edwin J. Hatzenbuehler's claim for loss and damage to his household goods and whether it is a common practice for carriers to shift their liability to the Government.

We reviewed the colonel's transportation records and claim file and discussed the case with Mrs. Hatzenbuehler; officials of the Joint Personal Property Shipping Office (JPPSO); Headquarters, Military Traffic Management and Terminal Service (MTMTS); and the U.S. Army Finance Support Agency. JPPSO made the arrangements for the shipment, MTMTS has overall responsibility for transporting household goods of Department of Defense (DOD) military personnel, and the Finance Agency pays the carriers' bills and charges back to the military service member any charges for which he is liable.

BACKGROUND

Domestic shipments of household goods for DOD personnel move under the provisions of military rate tenders filed with MTMTS by the carriers of the household goods. Under these tenders the carriers' liability for loss or damage is limited to 60 cents a pound for the net weight of any article lost or damaged. This provision is the basis for North American Van Lines' offer to pay the colonel \$143 for loss and damage. The tenders also provide that a member may value the shipment at more than 60 cents a pound by paying an additional valuation charge of 50 cents for each \$100 of declared value.

The Military Personnel and Civilian Employees Claims Act of 1964 (31 U.S.C. 240) established procedures for a member to file his claim when loss or damage occurs. He signs a release that subrogates his rights to collection from the carrier to his military department. The military department pays the member the actual value of the loss or damage to a maximum of \$10,000 and proceeds against the carrier for the amount covered by the carrier's liability, including that covered by any additional valuation paid for by the member.

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FINDINGS AND CONCLUSIONS

The colonel had requested additional valuation of \$27,000 when he applied to ship his household goods. The transportation officer at JPPSO should have annotated the Government bill of lading to show that the colonel had requested the additional valuation but did not.

When JPPSO contacted North American to arrange to pick up the shipment, it notified North American of the additional valuation and the company annotated its commercial bill of lading. The Finance Agency's records showed that North American did not bill for the additional valuation charge of \$135 and that the colonel was not charged back this amount. Because of JPPSO's failure to properly annotate the Government bill of lading, there is a question of whether or not North American is legally liable for the additional valuation.

The Government arranged for transporting the goods under usual procedures, including selection of the carrier and issuance of the Government bill of lading. The carrier and the Government therefore are the contracting parties, and the colonel, not being in privity to the contract legally, is believed to have recourse against the carrier only through the Government.

We explained to Mrs. Hatzenbuehler the procedures to be followed. The colonel has now filed his claim with the Office of the Staff Judge Advocate at Chanute Air Force Base, Illinois. After settlement is made with the colonel, the case will be forwarded to the Air Force Office of the Judge Advocate General in Washington, D.C., for review of the extent of North American's liability and recovery action against North American. We will advise you of the results when the case has been decided.

To determine whether carriers were making a practice of shifting liability to the Government, as your letter requested, we examined about 9,500 shipments of household goods and found only 25 on which additional valuation had been requested. For two of these, the military service had not collected the full amount due from the carriers. Military officials said they apparently had overlooked the additional valuation annotation of these two shipments and promptly reopened the claims against the carriers for the additional amounts.

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In our opinion, the colonel's case is an unusual one, caused initially by JPPSO's error in preparing the Government bill of lading, and is not indicative of a general practice by carriers to shift their liability to the Government.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Axtell".

Comptroller General  
of the United States

The Honorable Sidney R. Yates  
House of Representatives