



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

APR 14 1977

LOGISTICS AND COMMUNICATIONS
DIVISION

B-161831

The Honorable Sam Nunn
United States Senate

Dear Senator Nunn:

Your letter of June 21, 1976, asked us to look into the cost to the Government for moving household goods of its civilian employees. You mentioned that this cost could be reduced if all agencies followed the moving procedures employed by the Department of Defense (DOD). One of your constituents has suggested that savings could be achieved by having the agency, rather than employees, contract for moving services.

A limited test by our agency showed that employee-arranged moves generally result in lower overall costs to the Government compared to costs computed using the Standard Government Rate Tenders applicable on agency-arranged moves. However, DOD and civilian agencies are sometimes able to negotiate for lower than standard rates. The possibility of and conditions influencing lower rates depend on locality, time of year, carriers' workload, and other variables that make general conclusions about the most cost favorable method impossible.

We have found existing procedures to be sufficiently flexible to permit use of the method which is in the best financial interest of the Government.

DESCRIPTION OF MOVING METHODS

There are generally two methods of shipping the household goods of Federal employees within the continental United States--the actual-expense method and the commuted-rate system.

Under the actual-expense method the Government assumes responsibility for awarding contracts and negotiating with carriers. Household goods are shipped on a Government bill

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of lading. The Government selects the carrier, arranges for carrier services, prepares the bills of lading, pays for transportation and related charges, and processes any claims resulting from loss or damage to the employees' property. The Government, not the employee, is the shipper.

Employees make their own arrangements under the commuted-rate system. They select and pay carriers, or transport their own household goods and are reimbursed by the Government in accordance with rate schedules compiled and distributed by the General Services Administration (GSA). These reimbursements are made on the basis of weight and distance involved. Reimbursement claims under this system are supported by copies of the commercial bills of lading, which must include weight certificates.

If no bills of lading are involved (i.e. employees move themselves), other evidence showing points of origin, destination, and weight must be submitted. Employees transporting their household goods themselves are cautioned to obtain proper weight certificates showing gross weight (weight of vehicle and goods) and tare weight (weight of vehicle only).

The Government is relieved of the responsibility and administrative expense of dealing with the carriers when the commuted-rate system is used, but employees, operating on their own, cannot take advantage of special discounts which carriers may offer to the Government. When the actual-expense method is used, the Government incurs the additional administrative expense of selecting carriers, preparing bills of lading, auditing and paying transportation vouchers, supervising packing, handling employee loss and damage claims, and incidentals.

POLICY FOR MILITARY MOVEMENTS

Most shipments for military personnel are under the actual-expense method. The transportation officer at origin handles all arrangements except on volume movements of 200,000 pounds or more (in which case DOD's single manager for household goods arranges the move).

DOD has hundreds of military transportation offices worldwide whose primary function is to move military supplies. These offices also arrange household goods moves under the actual-expense method. These offices would probably operate whether or not they handled household moving arrangements, so added administrative costs using the actual-expense method are minimized.

Presently, DOD is experimenting with a do-it-yourself program which is similar to the commuted-rate system in that it allows the member to make his own moving arrangements. Under this program, the member shares in any savings achieved using this method as opposed to the actual-expense method.

POLICY FOR EMPLOYEES OF CIVIL AGENCIES

GSA establishes policy for moving civilian agency employees' household goods. Current policy is that the commuted-rate method will be used when individual transfers are involved. However, the actual-expense method may be used if the cost to the Government for packing and other accessorial services can be predetermined and expected to save the Government \$100 or more; \$100 represents the estimated administrative agency expense for assuming responsibility for the moves. Thus, unless the difference is more than \$100, the presumption is that agency contracting would not result in savings to the Government.

GSA has overall responsibility for volume moves--10 or more shipments between the same points at approximately the same time. The agency involved notifies GSA, and GSA attempts to negotiate for reduced rates. This is essentially the same procedure used for DOD moves and would seem to be the type of procurement procedure suggested by your constituent.

GSA is presently studying the possibility of centralizing traffic management with initial emphasis on household goods management. This would provide further assurance that the most cost-effective method is employed to move the household goods of civilian employees.

TEST INDICATES COMMUTED-RATE METHOD COST FAVORABLE

We made a limited test of hypothetical shipments of various weights over varying distances. This test showed that the commuted-rate shipping method was generally cost favorable compared to costs computed using the Standard Government Rate Tenders applicable under the actual-expense method. For example, the standard Government rate per 100 pounds on a 3,200-pound shipment moving 1,125 miles under the actual-expense method would be \$28.75; the same shipment under the commuted-rate method is only \$25.80.

The following table shows the rates applicable as of June 1976 on 100 pounds of household goods under each method.

<u>Miles</u>	<u>Actual-expense method</u>					<u>Commuted-rate system</u>				
	<u>(pounds)</u>					<u>(pounds)</u>				
	<u>625</u>	<u>1,475</u>	<u>3,200</u>	<u>6,500</u>	<u>11,000</u>	<u>625</u>	<u>1,475</u>	<u>3,200</u>	<u>6,500</u>	<u>11,000</u>
625	40.75	29.60	23.55	19.55	18.40	35.10	24.95	19.80	17.15	15.80
725	41.75	30.40	24.25	20.25	19.05	36.30	25.90	20.60	17.90	16.55
825	42.75	31.40	25.15	21.10	19.90	37.30	27.00	21.65	18.90	17.50
925	43.50	32.15	26.30	22.20	20.65	38.25	27.90	22.95	20.10	18.35
1,025	44.55	33.25	27.65	23.50	21.60	39.40	29.15	24.50	21.65	19.40
1,125	45.60	34.15	28.75	24.45	22.30	40.60	30.10	25.80	22.70	20.20
1,225	46.65	35.10	29.75	25.35	23.15	41.80	31.25	26.85	23.80	21.20
1,325	47.65	36.20	30.75	26.20	23.90	43.00	32.50	28.00	24.70	22.10
1,425	48.65	37.20	31.95	27.30	24.75	44.10	33.65	29.40	25.95	23.10
1,525	49.45	38.05	33.00	28.25	25.55	45.05	34.60	30.65	27.05	24.00
1,625	50.05	38.70	33.90	29.15	26.40	45.70	35.30	31.65	28.05	24.95
1,725	50.60	39.35	34.80	30.05	27.20	46.35	36.10	32.70	29.15	25.90
1,825	51.10	39.95	35.60	30.95	28.20	46.95	36.75	33.50	30.10	27.00
1,925	51.70	40.60	36.25	31.90	29.20	47.60	37.60	34.35	31.25	28.10
2,025	52.30	41.25	36.90	32.60	30.15	48.35	38.30	35.10	32.00	29.25
2,125	52.90	41.95	37.50	33.30	30.95	49.00	39.05	35.80	32.80	30.10
2,225	53.50	42.60	38.15	33.95	31.55	49.70	39.80	36.50	33.50	30.80
2,325	54.20	43.20	38.80	34.55	32.15	50.45	40.50	37.25	34.30	31.50
2,425	54.70	43.80	39.40	35.15	32.70	51.05	41.20	37.95	34.95	32.10
2,525	55.20	44.45	39.95	35.65	33.15	51.65	41.90	38.55	35.55	32.70
2,625	55.70	45.05	40.50	36.20	33.65	52.15	42.65	39.20	36.15	33.20
2,725	56.05	45.55	41.00	36.70	34.10	52.55	43.20	39.75	36.70	33.75
2,825	56.40	45.90	41.40	37.15	34.60	53.00	43.60	40.25	37.25	34.35
2,925	56.70	46.20	41.80	37.60	35.00	53.30	43.90	40.65	37.80	34.80

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The rates used in the table for the actual-expense method are those in rate tenders applicable to military and civilian moves when a Government bill of lading is used and no other special rates are offered by the carriers. Table rates for the commuted-rate system were established by the General Services Administration and published in its Federal Procurement Management Regulation A-2. Estimated packing cost is included under both methods. Agencies frequently negotiate for lower rates than those in the Standard Government Rate Tenders; the required cost comparison in those situations may result in the actual-expense method being less costly than the commuted-rate system.

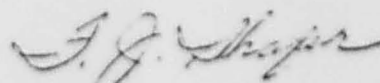
CONCLUSIONS

Based on our limited analysis, existing procedures appear sufficiently flexible to permit the use of the cost-favorable shipping method.

GSA is also studying the possibility of centralized management of civilian household goods movements. This study should explore in greater depth the relative merits of the two systems. We plan to monitor this study to insure that civilian movements are handled as economically as possible.

We trust this information will be sufficient for your needs. We will be glad to discuss this matter in greater detail with you or with members of your staff.

Sincerely yours,



F. J. Shafer
Director