DEPARTMENT OF DEFENSE MOTOR CARRIER QUALIFICATION PROGRAM ANALYSIS

by

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by

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Submitted in partial fulfillment of the requirements for the degree of

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ABSTRACT

This thesis examines the program for qualifying DOD Freight Motor Carriers to identify areas that can be revised to improve the qualification process. It assesses the current program's financial performance and resource requirements. From this assessment, a proposed structure is developed and provided to enrich the qualification program and maximize the quality of transportation services furnished to DOD shippers. Specific recommendations focus on modification of the performance bond requirements, improved reporting and analysis of financial records, more detailed reporting of carrier resources, and upgrading of performance standards.
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I. INTRODUCTION

A. BACKGROUND

The transportation of Department of Defense (DOD) cargo is essential in maintaining optimal military readiness. As the demand for transportation services has increased, the reliable flow of DOD cargo has become more critical. Data collected by the ENO Transportation Foundation and presented in their 1992 report illustrates how important transportation is and how much the government depends on commercial transportation services. The data shows that expenditures by all forms of government for transportation reached an all-time high of $105.4 billion in 1991 and commercial motor freight accounted for $76 billion of that total [Ref. 1:p. 33]. According to the General Accounting Office (GAO), DOD spends approximately $1 billion each year on transportation and almost 90 percent of DOD shipments are made by motor carriers [Ref. 2:p. 8]. Therefore, the effective and efficient use of the commercial carrier industry is paramount in maintaining the transportation base required to respond to DOD demands in peacetime, national emergencies, and in times of war.

The world of transportation and the military has changed dramatically over the last decade. Prior to 1980, there were many laws, regulations, and institutional practices of carriers and their ratemaking organizations that confined traffic management to a tightly regulated set of rate and service options. As a result,
transportation assumed a technical-legal orientation, and much time and effort was spent pursuing regulatory matters. With the passing of the Motor Carrier Act of 1980, motor transportation has undergone dramatic changes as a result of federal regulatory reforms and deregulation. New services, practices and freedoms emerged. Pricing has become flexible, and traffic managers can negotiate easily for special services. These changes, coupled with rapid advances in information processing technology, have created new directions for the conduct of transportation management. With the downsizing of the DOD and the shift away from large operating budgets and toward efficient use of a more competitive commercial transport market, DOD cargo should no longer be hostage to a relatively inflexible array of transportation rates and services. The Military Traffic Management Command (MTMC) must become more aggressive in supporting DOD transportation policy to procure safe, secure, reliable and quality transportation at the lowest cost while supporting DOD's mission [Ref. 3:p. 2].

The Department of Defense, specifically MTMC, has initiated numerous transportation programs to improve services required to support government customers over the years. Generally, this has resulted in more cost effective and efficient use of commercial transportation services. However, there are areas in the utilization of commercial motor carriers that could be improved. It is against this backdrop, that the issue of the Motor Carrier Qualification Program is reviewed.
B. PROBLEM STATEMENT

The purpose of this thesis is to determine if the current Carrier Qualification Program is providing the most effective means of determining a carrier's ability to do business with the government. Specifically, the following primary research question is proposed:

Does the current Carrier Qualification Program accurately evaluate whether the carrier has the equipment, facilities, personnel and finances to provide the carrier's proposed scope of operation?

The following secondary questions are considered pertinent in addressing the above research question:

1. Are the financial records required by the Military Traffic Management Command sufficient to determine if the carrier has the financial capability to provide transportation services to the Department of Defense?

2. Is the performance bond requirement covering default, abandoned shipments, inability to perform, bankruptcy and overcharges adequate and enforceable?

3. Is the approval and revocation process adequate?

4. Are there other financial records, reviews, ratios and analysis that would more accurately estimate a carrier's capabilities?

5. Are there other requirements or initiatives that could be added or deleted that could make it more effective?

C. RESEARCH METHODOLOGY

This thesis will examine the current Department of Defense qualification criteria for qualifying motor freight carriers. An attempt will be made to illustrate how changes to that program will furnish a more effective and efficient means of
qualifying motor carriers, while ultimately providing a better product to the customer, the shipper.

Library research, comprehensive review of transportation literature and regulations, and interviews with Military Traffic Management Command personnel will provide the vast majority of the information contained in this study. Data furnished by the Military Traffic Management Command, the Navy Transportation School, and Naval Postgraduate School professors will be used to make comparisons between the current qualification program and areas where changes could provide an improved program.

D. CONTENTS OF THESIS

The following chapter contains a historical overview of regulations, laws and government agencies that administer the Motor Carrier Qualification Program.

Chapter III describes the current Carrier Qualification Program which will be used to make a qualitative analysis.

Chapter IV will discuss the findings of the qualitative analysis and propose changes for making the Carrier Qualification Program more efficient in the future.

Chapter V presents conclusions and recommendations.
II. HISTORICAL BACKGROUND

A. BACKGROUND

Transportation support is the cornerstone to any military organization's success in wartime and peacetime. This support involves moving men and material quickly and efficiently to meet operational requirements. The key to successful transportation support begins with the traffic management function [Ref. 4:p. 1].

Military traffic management is the direction, control, and supervision of functions relating to the procurement and use of freight and passenger transportation services. These functions include the operation of cargo clearance authorities and commercial travel offices, movement of freight and passengers within the continental United States and Canada, and the worldwide movement of personal property. The military agency tasked by the Secretary of Defense with providing global traffic management is the Military Traffic Management Command (MTMC). MTMC is the worldwide traffic manager for the movement of DOD cargo and passengers through the Defense Transportation System (DTS). This chapter reviews the development, responsibilities, and authorities provided to MTMC [Ref. 4:p. 20].

B. MTMC HISTORY

MTMC traces its organizational lineage to the Department of War's former Office of the Chief of Transportation, established July 31, 1942. However, it was not
until 1956 that a separate agency was established to carry out traffic management functions [Ref. 4:p. 20].

When the Secretary of Defense designated the Secretary of the Army as single manager for traffic management within the United States on May 1, 1956, the traffic management organization began. The Military Traffic Management Agency (MTMA) was established on July 1 by the Secretary of the Army to carry out this single manager concept. Following the establishment of the Defense Supply Agency (DSA), MTMA was transferred to DSA and redesignated the Defense Traffic Management Service (DTMS) on January 1, 1962 [Ref. 4:p. 20].

After a detailed DOD study of the defense transportation system, on November 19, 1964, the Secretary of Defense designated the Secretary of the Army as the single manager for military traffic, land transportation, and common-user ocean terminals. A joint service planning staff was formed and charged with establishing an agency--Military Traffic Management and Terminal Service (MTMTS)--to execute this centralized management concept [Ref. 4:p. 20].

MTMTS was formally activated as a jointly-staffed Army major command on February 15, 1965. MTMTS assumed all responsibilities previously assigned to DTMS plus the terminal operations responsibilities of the U.S. Army Supply and Maintenance Command. With the approval and publication of the MTMTS charter on June 24, 1965, MTMTS joined the Military Airlift Command and Military Sealift Command in providing complete transportation services to the Department of
Defense. In 1974, the Secretary of the Army redesignated MTMTS as MTMC to have the title more readily identifiable with its mission [Ref. 4:p. 20].

Since MTMC's activation, the responsibilities and scope of operations have increased significantly. Major functions that have been transferred to MTMC include: transportation engineering (1966); operation of water terminals in Northern and Central Europe (1976); operation of ocean terminal and common-user land transportation in Okinawa (1977); operation of Army common-user ocean terminal operations in Japan (1978); operation of the ocean terminal in Panama (1980); operation of Army ocean terminals in Korea (1981). At the direction of the Secretary of Defense, in 1981 MTMC assumed the responsibility for sealift cargo and passenger booking and associated contract administration functions from the Military Sealift Command [Ref. 4:p. 21].

In June 1986, the Packard Commission report on defense reorganization recommended that "the Secretary of Defense should recommend a single unified command to integrate global air, land and sea transportation and should have the flexibility to structure the organization as he sees fit" [Ref. 4:p. 21].

The Packard Commission recommendation to create a single transportation command was accepted by the President of the United States and embodied in National Security Decision Directive 219 on December 31, 1986. The United States Transportation Command (USTRANSCOM) was created April 18, 1987 with headquarters activation at Scott Air Force Base, Illinois on October 1, 1987. The
Commander in Chief, Military Airlift Command, now the Air Mobility Command (AMC), was designated to serve as USTRANSCOM [Ref. 4:p. 21].

MTMC, MSC, and AMC became components of USTRANSCOM on October 1, 1988. These component commands remain as major commands of their parent service and continue to perform service-unique missions under the direction of the respective military department. USTRANSCOM is a unified command organized on a functional basis. Consequently, USTRANSCOM is the focal point for the integration of wartime mobility procedures with the capabilities of U.S. national and allied-provided transportation resources [Ref. 4:p. 21].

-based on lessons learned during Desert Shield/Desert Storm, the Secretary of Defense signed a memorandum on February 14, 1993, expanding USTRANSCOM’s control over DOD transportation operated by the services to peacetime operations as well as wartime operations. Subsequently, MTMC reorganized in response to significant changes in their role and responsibilities within the Defense Transportation System. The primary objective of restructuring was to design an organization that provides improved quality service and optimum strategic deployability of the Armed Forces in the future [Ref. 4:p. 22].

C. MTMC RESPONSIBILITIES

MTMC, as the DOD traffic manager, is responsible for the performance of freight traffic management functions within the continental United States (CONUS). These traffic management functions are performed at three levels: MTMC Headquarters, MTMC Area Commands, and DOD shipping activities [Ref. 5:p. 3].
MTMC is responsible for management control over the effective procurement and use of commercial motor freight transportation. This includes overseeing traffic functions and responsibilities of the two subordinate area commands, as well as negotiating with the carrier industry for rates, charges, or specialized carrier services. MTMC is also responsible for developing long-range programs designed to improve areas of military freight movement control. The MTMC area commands perform as military traffic managers within their assigned geographical area of responsibility and are operationally responsible for routing and distributing freight tonnage among qualified carriers. Other responsibilities include the operation of ocean terminals, coordinating the movement of defense cargo into water terminals, and obtaining bookings from ocean carriers for international surface shipments worldwide. MTMC Eastern Area Command operates the Defense Freight Railway Interchange Fleet (DFRIF), while both eastern and western area commands conduct quality control programs for installation traffic activities under their jurisdiction [Ref. 5:p. 3].

As delineated by HQMTMC [Ref. 4:p. 22], MTMC responsibilities with respect to motor freight are divided among headquarters and area commands. The responsibilities for the transportation functions are as follows:

1. **MTMC Headquarters**

1. Approve/disapprove carrier requests for DOD approval from those application approved at the area command level.

2. Process carrier requests for support of operating authority and administer carrier agreements.

3. Negotiate with the commercial carrier industry for freight rates and charges, specialized transportation services, and classification ratings.
4. Negotiate with the commercial carrier industry on all matters pertaining to freight movements in DOD Foreign Military Sales (FMS).

5. Maintain and improve the Freight Classification Guide System.

6. Coordinate actions with other military agencies.

7. Support MTMC area commands.

8. Advise on site selections, depot locations and stock positioning.

9. Manage DOD Loss and Damage Reporting and Analysis System.

10. Develop improved management methods and techniques.

11. Manage the Carrier Performance Program (CPP) and the Freight Minority Carrier Program.

12. Manage the Freight Motor Carrier Qualification Program (CQP).

13. Review and process carrier tenders filed with MTMC.


2. MTMC Area Commands

1. Process carrier requests for DOD approval (new carriers).

2. Route general commodity freight traffic weighing 10,000 pounds or more and truckload traffic.

3. Route air and bus shipments weighing 1,000 pounds or more.

4. Route export and import surface traffic.

5. Route all high-value shipments.

6. Route all class A and B ammunition and explosives.

7. Expedite shipments.

8. Quote freight rates.

10. Exercise their authority under, and monitor Transportation Officers participation in, the CPP.

11. Assist Transportation Officers.

12. Operate DOD Loss and Damage Reporting and Analysis System.


14. Route all shipments classified SECRET.

15. Route all bulk liquids and gases (Eastern Area).

16. Negotiate with commercial carrier industry for rates and services by barge carriers for bulk liquid and gases.

17. Prepayment audit of freight bills (Eastern Area).

D. MTMC AUTHORITY

The Secretary of Defense designated the Secretary of the Army as single manager for military traffic, land transportation, and common-user ocean terminals. The Secretary of the Army established MTMC as the single manager operating agency for military traffic, land transportation, and common-user ocean terminals [Ref. 6:p. 9]. Additionally, the authority for MTMC to act as the DOD Traffic Manager within prescribed limits are found in 49 CFR parts 1801-1813, 2503, 2505, and 2509 [Ref. 7:p. 3].

Additional regulations that empower MTMC to carry out its mission and enforce Federal Regulations are as follows:
1. 32 CFR Part 619; program for qualifying DOD motor freight carriers.

2. 49 CFR Parts 1801-1813, 2503, 2505, 2509; MTMC general scope of authority.

3. 49 CFR Part 387.9; public liability requirements for carriers.

4. 49 CFR Part 5171.8-5172.101; liability insurance requirements for motor carriers.

5. 49 CFR Part 11707; Carmack Amendment to the Interstate Commerce Act.


8. 48 CFR 1; Federal Acquisition Regulations.

These laws and regulations are an overview of the authority provided to MTMC to carry out its assigned mission as the DOD Traffic Manager. Based on the responsibilities assigned to the DOD Traffic Manager, the following chapters will focus on how specific areas of the carrier qualification program can be refined and made more efficient.
III. CURRENT FREIGHT MOTOR CARRIER QUALIFICATION PROGRAM

A. GENERAL DISCUSSION

The Carrier Qualification Program (CQP) is designed to ensure that motor carriers desiring to transport DOD freight are qualified to provide that service and meet DOD standards [Ref. 5:p. 10]. Carriers that wish to do business with DOD must submit applications, in accordance with 32 CFR 619, to the appropriate Military Traffic Management Command (MTMC) area command. The area commands review all applications and determine whether the carrier has the equipment, facilities, personnel, insurance and authority necessary to provide the proposed scope of operations. The area command will then forward the application to Headquarters Military Traffic Management Command (HQMTMC) for financial review and final approval. The following sections present the requirements which must be met by prospective carriers before being approved to transport freight for DOD [Ref. 5:p. 10].

B. INTRODUCTION

Carriers, surface freight forwarders, and shipper agents interested in qualifying or remaining qualified to transport DOD cargo must submit all data as required by 32 CFR Part 619. This required information is to be provided to the appropriate area command (Bayonne, NJ or Oakland, CA) based on the carrier’s headquarters. The area command will schedule a meeting with the prospective carrier (contractor)
if necessary, to clarify any qualification elements and to provide guidance on how to do business with the Department of Defense. The area command will then evaluate the application to determine whether the carrier has the equipment, facilities, personnel and finances necessary to handle the carrier's proposed scope of operations. The area commands then forward the application to HQMTMC for final review and approval. If the carrier is approved and signs the Basic Agreement, as specified in 32 CFR 619 Appendix A, HQMTMC will then accept (or in the case of existing carriers, continue to accept) tenders, tariffs or similar rate submissions. Carriers that are disapproved will be notified of the reasons for disapproval and may reapply for approval once the problems have been corrected [Ref. 7].

C. SAFETY RATINGS

All carriers doing business with the DOD must have a "satisfactory" rating with the Federal Highway Administration, Department of Transportation, and if an intrastate carrier, with the appropriate state agency. Any carrier with an "unsatisfactory" rating will not be considered for use. Carriers with "conditional" or "insufficient information" ratings may be used to transport DOD general commodities provided that such carriers certify in writing that they are in full compliance with Department of Transportation safety requirements. Finally, no carrier will be used for the transport of hazardous or secret materials, sensitive weapons and munitions, or any shipment regardless of commodity which requires Transportation Protective Service (TPS) if the safety rating is less than "satisfactory" [Ref. 7].
D. OPERATING AUTHORITIES

In order to transport DOD cargo, the carrier is required to possess all interstate and intrastate certificates as required by state and federal governments. These certificates must be provided to HQMTMC and kept current at all times [Ref. 7].

E. INSURANCE--PUBLIC LIABILITY AND CARGO

1. Public Liability

As specified in 49 CFR 387.9, all motor carriers, surface freight forwarders, and shipper agents are required to submit proof of their public liability insurance to MTMC (a sample is provided at Appendix A). The proof must be provided on a certificate of insurance form issued by the insurance company. The policy should reflect no expiration date because the policy must be continuous until cancelled. Additionally, the deductible portion must be shown on the certificate and the certificate holder block of the form must indicate that HQMTMC, 5611 Columbia Pike, Falls Church, Virginia 22041, Attn: MT-INFF, will be notified in writing 30 days in advance of any change or cancellation [Ref. 7].

2. Cargo

Motor common carriers, surface freight forwarders and shipper agents are required to have the insurance company provide proof of cargo insurance to HQMTMC on a certificate of insurance form (Appendix A). The deductible portion is to be provided on the certificate. The insurance underwriter must have a policy holder's rating in the Best's Insurance Guide, the Fiscal Service Treasury Department
Circular 570, or specifically approved by HQMTMC. DOD's minimum cargo insurance requirements, as specified in 32 CFR 619.4, are as follows:

1. Motor common carriers are required to carry a minimum of $150,000 per shipment on freight of all kinds (FAK) and class A and B explosives. This excludes perishables and bulk fuels.

2. Motor common carriers that transport automobiles in haul-away/drive-away service are required to carry a minimum of $20,000 per vehicle transported.

3. Perishable carriers are required to carry $80,000 per shipment.

4. Bulk fuel carriers are required to carry $25,000 per shipment.

5. Surface freight forwarders and shipper agents are required to carry $250,000 per shipment.

As previously stated, all insurance underwriter(s) providing this service must be rated in Best's Insurance Guide or listed in the Fiscal Service Treasury Department Circular 570 listing of surety companies [Ref. 7].

F. FINANCIAL RECORDS

Motor carriers that do business with the DOD are required to provide financial statements to MTMC. The financial statements must be certified by the Chief Executive Officer, President, or Owner. The financial statements must include certified balance sheets and income statements for the last 3 taxable years. Carriers in existence less than 3 years, but more than 12 months, must provide certified copies of all balance sheets and income statements from the date business commenced. Carriers in business less than 12 months must provide a certified balance sheet showing all assets and liabilities. Additionally, carriers must furnish financial data
to MTMC at their discretion when considered necessary to assure satisfactory performance and avoidance of motor carrier financial problems [Ref. 7].

The financial data required by MTMC in accordance with 32 CFR 619.5 includes, but is not limited to, the following:

1. Company certified financial statements.
2. CPA review (including footnotes) of financial statements.
3. CPA audit and opinion (including footnotes) of financial statements.
4. Financial statements must reflect a one to one Current Ratio (current assets-current liabilities).

Finally, in accordance with 32 CFR 619.5, all carriers must state the extent of their financial interests in other transportation companies or their affiliation with any person or firm holding interest in other transportation companies to include:

1. Majority or minority ownership.
2. Familiar relationships.
4. Common directors, officers and/or stockholders.
5. Voting of securities.
6. Holding trusts.
7. Associated companies.
8. Contract or department relationships.

The required information will be used to determine if common financial and administrative control exists with other companies, or if individuals or associated
companies are affiliated with companies that have been debarred by the government [Ref. 7].

G. DISCLOSURE REQUIREMENTS

Motor carriers, surface freight forwarders, and shipper agents doing business with DOD are required to disclose company information to HQMTMC as specified in 32 CFR 619.6. The information to be disclosed is as follows:

1. A listing of company officers with titles.

2. A listing of the company's owners and the percentage of ownership of each.

3. Company background and history to include the year the company was formed.

4. A list, by type and quantity, of all owned and/or leased equipment. MTMC will not approve any motor carrier that does not own and/or have permanent leases for equipment.

5. The number of personnel employed, to include company drivers and number of drivers under lease. MTMC will not approve any carrier that does not have a minimal work force in order to operate effectively.

6. A list of all terminal locations to include address, telephone numbers and physical descriptions of facilities.

7. Reference letters from three shippers served during the last 12 months.

8. Description of proposed services by type of service, traffic lane, or geographical area. MTMC will review proposed service with respect to equipment inventories, personnel and permanent lease agreements to determine if the carrier has the capability to provide those services. In a circumstance where a carrier's equipment inventory indicates the proposed services cannot be provided, MTMC will request a meeting with the carrier to review proposed service.

10. Proof of being disadvantaged, minority, or women-owned business if applicable.

11. In addition to the information required in (1)-(10) of this section, exempt surface freight forwarders and shipper agents must furnish a listing of carriers which are contracted to the respective company and will be used in the movement of government shipments. The information must include the complete company names, company officials and their position/title, home office address, telephone numbers, 24 hour emergency point of contact for shipment status, and ICC operating authority number of each carrier.

H. PERFORMANCE BOND

The performance bond secures performance and fulfillment of carrier obligations to deliver DOD freight. The bond will cover any instance where a carrier cannot or will not deliver DOD freight tendered to the carrier to its final destination. This includes default, abandoned shipments, and bankruptcy by the carrier. The bond will not be utilized for operational problems such as late pickup or delivery, excessive transit time, refusals, no shows, improper or inadequate equipment or claims for lost or damaged cargo [Ref. 7]. Appendix B provides a sample performance bond.

Motor carriers, surface freight forwarders and shipper agents doing business with DOD are required to possess and maintain a performance bond in accordance with 32 CFR 619.7. Requirements for each of the respective carriers is as follows:

1. Motor carriers having done business in their own name with DOD for 3 years or more will be required to submit a performance bond in the amount of 2.5% of their total DOD revenue taken from the Freight Information System (FINS) Report for the previous 12 months. This amount will not exceed $100,000 or be less than $25,000.

2. New motor carriers and those carriers having done business in their own name with the DOD for less than 3 years will be required to submit a
performance bond based on areas of service offered (computed as both origins and destinations served), that is, 1 state (including intrastate)-$25,000, 2 to 3 states-$50,000 and 4 or more states-$ 100,000.

3. Once a carrier has done business with DOD for 3 years or more, its bond requirement will change from area of service to percent of revenue per the FINS report.

4. Bulk fuel carriers and perishable carriers are required to submit a $25,000 performance bond.

5. Local drayage and commercial zone carriers are exempt from the bond requirement.

6. Surface freight forwarders and shipper agents are required to submit a $100,000 performance bond.

As a minimum, all carriers must submit a letter of intent to file a bond from a surety company with the initial application to do business with the DOD. Upon HQMTMC approval, carriers will provide HQMTMC with a performance bond. The bond must be issued by a surety listed in the Fiscal Service Treasury Department Circular No. 570. The sum of the bond shall be in accordance with 32 CFR 619.7. The bond must be continuous until canceled, and HQMTMC must be notified in writing 30 days in advance of any change or cancellation [Ref. 7].

I. BASIC AGREEMENT

All motor carriers, surface freight forwarders and shipper agents meeting the qualification requirements of 32 CFR 619.1-619.7 will be required to provide a Basic Agreement between the Military Traffic Management Command and Motor Common Carrier for Approval to Transport General Commodities for the Department of Defense, as set forth in Appendix A to Part 619. The Basic
Agreement is to include, but is not limited to, the information described in the following sections (1-20).

1. **Background**

The undersigned, who is duly authorized and empowered to act on behalf of (Name of Company), hereinafter called the carrier, as a prerequisite for approval to transport general commodities for the account of the Department of Defense (DOD) and the Military Traffic Management Command (MTMC), hereinafter called the government, agree to comply with all additional requirements, terms and conditions as set forth in this Agreement. This Agreement governs the transportation of all DOD general commodity freight administered by the Directorate of Inland Traffic, MTMC (except used household goods). Noncompliance by the carrier with any provision of this Agreement may result in MTMC taking action against the carrier under the Carrier Performance Program, governed by MTMC Regulation 15-1, and revoking approval to participate in this traffic. If the carrier's approval is revoked, the carrier may be disqualified from further participation in any DOD freight traffic.

2. **Approval and Revocation**

1. The carrier understands that its initial approval and retention of approval are contingent upon establishing and maintaining, to MTMC's satisfaction, sufficient resources to support its proposed scope of operations and services. Sufficient resources include equipment, personnel, facilities, and finances to handle traffic anticipated by DOD/MTMC under the carrier's proposed scope of operations in accordance with the service requirements of the shipper.

2. The carrier understands that MTMC may revoke approval at any time upon discovery of grounds for ineligibility or disqualification. The carrier further
understands that it is not authorized to submit tenders for shipments requiring a Transportation Protective Service (TPS) until it has served DOD in an approved status for 12 continuous months. Prior to being allowed to handle shipments which require a TPS or classes A and B explosives, the carrier must first meet any additional requirements in effect at the time.

3. In addition to the initial evaluation, the carrier agrees that it will cooperate with MTMC follow-up evaluations at any time subsequent to signing this Agreement to confirm continued eligibility.

4. The carrier certifies that neither the owners, company, corporate officials, nor any affiliation or subsidiary thereof are currently debarred or suspended, disqualified by a MTMC General Freight Board, or placed in non-use by MTMC from doing business with DOD.

3. Lawful Performance

1. The carrier agrees to comply with all applicable Federal, State, municipal, and other local laws and regulations governing the safe, proper, and lawful operation of motor vehicles, to include Title 49 CFR 386-397. Intrastate carriers are required to comply with all applicable state or federal regulations, whichever are more stringent.

2. No fines, charges, or assessments for overload vehicles or other violations of applicable laws and regulations will be passed to or be paid by any agency of the Federal Government.

4. Operation Authority

The carrier agrees to maintain valid motor common carrier operating certificates for its scope of operations. Any carrier found to be involved in brokerage, as defined by the Interstate Commerce Commission (ICC), of DOD freight will have its approval revoked.

5. Insurance

1. Minimum Public Liability insurance requirements as prescribed in Title 49 CFR 5387.9 will be maintained. The carrier agrees to ensure that the ICC is provided proof of their Public Liability insurance, in the form of a BMC 91 or 91-X, of MCS 90, in accordance with sections 29 and 30 of the Motor Carrier Act of 1980. Further, the motor carrier agrees to provide MTMC
with a certificate of insurance form. The certificate holder block of the form will indicate that MTMC, 5611 Columbia Pike, Falls Church, Virginia 22041-5050, ATTN: MTIN-FF, will be notified in writing, 30 days in advance of any change or cancellation. The deductible portion will be shown on the certificate. The insurance underwriter must have a policy holder's rating in the Best's Insurance Guide, listed in the Fiscal Service Treasury Department Circular 570, Listing of Surety Companies-Public Liability Insurance Interstate Carriers. Additionally, sections 1-3 provide the minimum insurance requirements.

(a) The carrier agrees to also file with MTMC proof of: $750,000 per vehicle for property (excluding hazardous cargo) and $1,000,000 per vehicle for oil, hazardous wastes, hazardous materials and hazardous substances defined in 49 CFR 5171.8 and listed in 49 CFR 5172.101.

(b) The Public Liability Insurance Intrastate Carriers-Public Liability Insurance shall be that as required by the state, except that for deregulated states, public liability shall be the same as that required of interstate carriers.

(c) Cargo Insurance of $150,000 per vehicle for loss and damage of government freight is required, and $20,000 per vehicle for vehicle transporters is required. Perishable carriers will maintain, as a minimum, cargo insurance in the amount of $80,000, and bulk petroleum carriers will maintain $25,000 per load.

2. The insurance will be enforce at all times while this Agreement is in effect or until such time as the carrier cancels all tenders. The carrier must agree to ensure that the policies include a provision requiring the insurer to notify MTMC prior to any performance of service for the carrier. Changes, renewals, and cancellation notices must also be sent to MTMC, 5611 Columbia Pike, Falls Church, VA ATTN: MTIN-FF. This requirement applies to both interstate and intrastate carriers. Carrier's insurance policy(s) must cover all equipment used to transport DOD freight.

6. Performance Bond

1. The carrier agrees to provide MTMC with a performance bond (Appendix B). The bond secures performance and fulfillment of the carrier obligation to deliver DOD freight to destination. The performance bond will cover DOD reprocurement costs as a result of carrier default, abandoned shipments, or bankruptcy. The bond will not be utilized for operational problems such as late pick up or delivery, excessive transit time, refusals, no shows, improper/inadequate equipment or claims for lost or damaged cargo.
The bond must be issued by a surety company listed in the Fiscal Service Treasury Department Circular No. 570. The bond must be completed on the form provided by MTMC. The bond will be continuous until cancelled. MTMC will be notified in writing, 30 days in advance of any change or cancellation. A letter of intent by the surety company is required with the initial application package. Upon MTMC approval, the carrier agrees to submit the performance bond before the Tender of Service will be accepted.

2. The sum of the bond will be determined as follows:

(a) Carriers having done business with DOD in their own name for 3 years or more will be required to submit a Performance Bond in the amount of 2.5% of their total DOD revenue, taken from the Freight Information Systems Report (FINS), for the previous 12 months, not to exceed $100,000 and not less than $25,000.

(b) New carriers and those carriers having done business in their own name with the DOD for less than 3 years will be required to submit a performance bond on areas of service offered. Areas of service will be computed as both origins and destinations served. The performance bonds required for respective services are as follows:

i. 1 state (including intrastate)-$25,000.

ii. 2 to 3 states-$50,000.

iii. 4 or more states-$100,000.

(c) After a carrier has exceeded 3 years of service with DOD, the bond requirement will change from area of service to percent of revenue based on the FINS report. The performance bond requirements for carriers with greater than 3 years service are as follows:

i. Bulk fuel and Perishable carriers-$25,000.

ii. Local drayage and commercial zone carriers are exempt.

iii. Carriers that have secured the performance bond as a result of qualifying under Ammunition and Class A and B explosives program, no additional performance bond is required.
7. Safety

1. Carriers doing business with the government will not have an "unsatisfactory" safety rating with the Federal Highway Administration, Department of Transportation, and if in the case of an intrastate carrier, with the appropriate state agency. The carrier further agrees to permit unannounced safety inspections of facilities, terminals, equipment, employees, and procedures by DOD civilian, military personnel, or DOD contract employees. The inspection may include in-transit surveillance of vehicles and drivers. The carrier agrees to provide evidence that fulfills the requirements set forth in 49 CFR 390-396. Inspection of carrier equipment, drivers' records, route plans and inspection reports will be permitted during both the pickup and delivery of shipments and in coordination with local police or other authorities while in transit. Carrier also agrees to allow inspection of carrier records and individual driver qualification files. When requested, carrier agrees to provide adequate evidence of an active driver safety, security training and evaluation program. Upon request, the carrier will furnish information to MTMC to verify or inspect carrier and driver records.

2. The carrier agrees to have in place company-wide safety management program. The carrier safety program will comply with applicable Federal, State and local statues or requirements. Safety programs at the company-wide or terminal level are subject to evaluation by DOD representatives.

3. The carrier will notify the consignor and consignee named on the Government Bill of Lading (GBL) or Commercial Bill of Lading (CBL) within 24 hours, of any loss, damage, or unusual delay. Information required to be reported is the origin/destination, GBL/CBL number, shipping paper information, time and place of occurrence, and other pertinent accident details. When requested, the carrier must furnish MTMC a copy of accident reports submitted to the Department of Transportation.

8. Drivers Requirements

1. The carrier will ensure that any driver used by the carrier to transport DOD freight possesses a valid commercial drivers license (in compliance with the Federal Commercial Motor Vehicle Safety Act of 1986) issued by the driver's state of domicile. Drivers must have at a minimum, 1 year of driving experience with equipment similar to that used to transport DOD freight, or have proof of graduation from an accredited trade truck motor driving school that operates similar equipment.
2. The carrier will ensure that the driver carries a company picture identification card to verify affiliation with the carrier named on the Government Bill of Lading.

9. Equipment

The carrier is prohibited from using trip-leased equipment or drivers, except with approval from MTMC. Leases of less than 30 days are considered trip-leases. In order for carriers to use trip-leased equipment, a carrier must apply for and be approved by MTMC under the trip-lease program.

10. Shipping Status

The carrier agrees to provide, at no additional cost to DOD, the status of any shipment within 24 hours after the request. Further, the carrier will not divulge any information to unauthorized persons concerning the nature and movement of any DOD shipment.

11. Documentation

1. The carrier is required to accept GBLs and CBLs. The bills of lading will function as the contract and documentation required to be presented to the government for payment of services rendered. Further, the carrier is bound by all terms and conditions stated on the Government Bill of Lading (SF1103; Appendix C) regardless of the type of bill of lading tendered.

2. The carrier must comply with the documentation prelodge procedures in effect at Military Ocean Terminals or the installation, when cargo is consigned for further movement overseas. (The prelodge procedure is the submission of advance shipment documents which identifies the shipment to the Military Ocean Terminal prior to delivery of the cargo at the terminal; 24 hours advance notification is required of the carrier). Upon notification, delivery instructions will be provided to the carrier.
12. Loss or Damage

The carrier is liable for loss or damage to cargo in accordance with the provisions of 49 CFR 11707 (the Carmack Amendment to the Interstate Commerce Act). The carrier is also required to promptly settle uncontested claims for loss or damage.

13. Standard Tender of Service

1. The carrier must comply with the Tender of Service preparation and filing instructions in the applicable freight traffic rules publications issued by MTMC. MTMC will reject any tenders that are not in compliance with the respective instructions.

2. The carrier is required to provide a street address where the company is located in lieu of a post office box number. The carrier is to provide the address prior to or in conjunction with submission of any tenders or other rate schedules. The carrier will advise MTMC of any change in address prior to the effective date of change. Failure to do so is grounds to discontinue use.

3. Any tenders that are inadvertently accepted and distributed for use and not in compliance with 32 CFR 619, the provisions of the Standard Tender of Freight Services (MT Form 364-R), or the MNC Freight Traffic Rules Publication and supplements thereof will be subject to immediate removal and non-use until corrections are made. The issuing carrier will be advised when tenders are removed under these circumstances.

14. Rates

1. The carrier is required to transport DOD shipments at the lowest DOD tendered rate applicable.

2. The guaranteed through rates submitted by a carrier will be effective for at least 30 days. These rates must be filed with MTMC-Eastern Area, ATTN: MTE-IN, Bayonne, New Jersey 07002. The carrier must publish all rates, charges and accessorial services on a MTMC approved form, and comply with the tender preparation instructions. Only services annotated with a charge in the tender will be paid by the shipper.
15. **Carrier Performance**

The carrier is required to ensure that all equipment and performance standards of service conform with all Federal, State, and local laws and regulations, as well as with the guidelines found in the Defense Traffic Management Regulation (DTMR) and 32 CFR 619. The carrier must remain current in the knowledge of service standards. The carrier accepts the Government's right to revoke approval, declare ineligible, non-use, or disqualify the carrier for unsatisfactory service for any operating noncompliance with terms of this Agreement or terms of any negotiated agreements, tariffs, tenders, bills of lading or similar arrangements determining the relationship of the parties, or for the publication or assessment of unreasonable rates, charges, rules, description classifications, practices, or other unreasonable provisions of tariffs/tenders. Rules governing the Carrier Performance Program are found in the DTMR. If a carrier is removed for these violations for 6 months or more, the carrier will have to be re-qualified.

16. **General Provisions**

Each carrier is required to possess a valid Standard Carrier Alpha Code (SCAC). When a company holding the appropriate authority has operating divisions, each with an unique SCAC, each such division is required to execute a separate agreement with MTMC governing the transportation of protected commodities.

17. **Terms of Agreement**

1. The Terms of Agreement are applicable to each shipment and the agreement will be effective from the date of approval by MTMC until terminated. Termination is effective upon written receipt.
2. The Terms of Agreement are not a guarantee by the government of any particular volume of traffic.

3. The carrier is required to notify MTMC immediately of any changes in ownership, affiliations, executive officers, and/or board members, and carrier name. The carrier is advised that failure to notify MTMC shall be grounds for immediate revocation of the carrier's approval and participation in the movement of DOD freight.

18. Additional Specialized Requirements

The terms of this Agreement will not prevent different or additional requirements, with respect to negotiated agreements or added requirements, for other types of service and/or commodities.

19. Inquiries

Inquires may be referred to: Commander, Military Traffic Management Command, ATTN: MTIN-FF, 5611 Columbia Pike, Falls Church, Virginia 22041-5050.

20. Carrier Acknowledgement and Acceptance

The certifying carrier official will ensure that the appropriate company officials and employees are familiar with the requirements, terms, and conditions of this Agreement and are in full compliance with the applicable provisions herein. Any information found to be falsely represented in the Freight Carrier Qualification Statement (Appendix D), attachments or procedures, to include additional requirements of the Agreement, shall be grounds for automatic revocation of this Agreement and immediate non-use of the carrier, the affiliated companies, divisions and entities. The Carrier Acknowledgement and Acceptance Form is to be completed
by the certifying official and forwarded to MTMC as part of the application. The Carrier Acknowledgement and Acceptance affidavit is as follows:

I, (Name and Title of Carrier Official), verify under penalty of perjury under the laws of the United States of America, that the information contained in the Carrier Qualification Program Application packet and this Agreement is true, correct and complete. If representing a company or organization, I certify that I am qualified and authorized to offer this information. I know that willful misstatements or omissions of material facts constitute Federal criminal violations punishable under 18 CFR 1621 by fines up to $10,000 for each offense, or punishable as perjury under 18 CFR 1621 by fines up to $2,000 or imprisonment up to 5 years for each offense. Further I understand the requirements of this Agreement and on behalf of (Name of Carrier and Motor Carrier Number) agree to comply with the terms and conditions contained herein.

(Signature of Carrier Official and Title)

Date: __________________________

Carrier Address: __________________________

Telephone number: __________________________

24 hr Emergency Number: __________________________

Interstate Operating Authority Number: ____________
Intrastate Operating Authority:________________________
Certificate Numbers (from all states):____________________
Military Traffic Management Command
Accept/Reject:_______________________________________
Signature and Title:____________________________________
Date Approved/Disapproved:__________________________

J. SUMMARY

The Carrier Qualification Program (CQP) was designed to ensure that DOD shippers get the best available service from commercial freight carriers. The CQP has attempted to establish identifiable elements which can be measured and evaluated to determine the ability of a carrier to satisfactorily service the government's transportation demands. While this program has made strides in standardizing carrier qualifications, there are areas that could be modified to improve the process for the government and the carrier.
IV. ANALYSIS AND PROPOSED STRUCTURE

A. INTRODUCTION

The purpose of the Carrier Qualification Program (CQP) is to support the DOD transportation policy to procure safe, secure, reliable and quality transportation at the lowest cost while supporting DOD's mission [Ref. 8:p. 4]. The thrust of this chapter is to perform a critical analysis of the current CQP and identify areas that could be modified to better support DOD transportation policy.

This chapter separates the current CQP into sections for analysis. Each section will provide a detailed analysis, discussion, assumptions and purposed structure on each issue. The 32 CFR 619 was used as the source data for this analysis.

B. OBJECTIVE

The objective of this analysis is to analyze whether or not the CQP can be improved and determine the best methods for refining the program while meeting DOD transportation policy. Proposals for refining the current program should only augment DOD transportation policy.

C. PERFORMANCE BOND

1. Discussion

As previously stated, the purpose of the performance bond is to secure performance and fulfillment of carrier obligations to deliver DOD freight. The bond
covers any instance where a carrier cannot or will not deliver DOD freight, to include default, abandoned shipments and bankruptcy [Ref. 7:p. 5]. Further, the amount of the performance bond required to be maintained by the carrier is found in one of two categories.

The two categories and requirements are:

1. Carriers having done business with the government for three years or more. This carrier is required to maintain a performance bond in the amount of 2.5% of their total DOD revenue taken from the Freight Information System (FINS) Report for the past twelve months, and the amount will not exceed $100,000 or be less than $25,000.

2. Carriers having done business with the government for less than three years. This carrier is required to maintain a performance bond of $100,000 when serving four or more states.

2. Analysis

The issue is the difference in requirements between carriers having done business with DOD for three years or more (category 1) and carriers having done business less than three years (category 2). The category 1 carrier can receive an unfair advantage by having to maintain a lower performance bond and subsequently pay lower premiums than the carrier found in category 2. HQMTMC Carrier Qualification Division (HQMTMC-CQD) reported that the differences in premiums is generally around $3000 [Ref. 9]. The practice of creating a difference in operating expenses between the two categories of carriers is in direct opposition to government contracting policy. The mandated policy provides for the use of government contracts as devices for achieving social, economic and foreign policy goals through the expenditure of government funds [Ref. 8:p. 4]. Further, this requirement is
potentially in conflict with the Federal Constitution's Commerce Clause, the Federal Acquisition Regulation (FAR) and the Interstate Commerce Act (ICA) because this practice accords preferential treatment and/or a discriminatory practice. As stated earlier, the average price difference between the two categories is approximately $3000. This cost differential could be a substantial cost factor for small or new businesses attempting to do business with the government. Consequently, this practice could be construed as violating the spirit of government contracting and poor management of the expenditures of public funds process.

The following paragraphs will discuss areas where the performance bond requirement possibly violates the FAR, Constitution, and ICA.

1. The FAR part 47.101 stipulates "agencies shall not accord preferential treatment to any mode of transportation or to any particular carrier either in awarding or administrating contracts for the acquisition of supplies or awarding contracts for the acquisition of transportation" [Ref. 10:p. 47-2]. Thus, the performance bond premium differential seems to violate the spirit of governmental contracting and the FAR by furnishing "preferential treatment" to carriers having done business with DOD for more than three years.

2. The specific provisions set forth in the Federal Constitution for regulation of transportation is the Commerce Clause. Provisions of the Constitution, as interpreted by the courts and the Interstate Commerce Act, prohibit any action that "places an undue burden on or discriminates against interstate commerce" [Ref. 11:p. 33].
The preamble of the Interstate Commerce Act states: "It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantage of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discrimination, undue preferences or advantages, or unfair or destructive competitive practices...." [Ref. 11:p. 33]

The significance of reviewing the Commerce Clause of the Constitution and the Interstate Commerce Act is to recognize Congressional intent to provide fair regulation of transportation; promote safe, efficient service and sound economic conditions; and secure reasonable changes without unjust discrimination or destructive competition while supporting the development, coordination and preservation of the national transportation policy [Ref. 11:p. 33].

Again, the current policy that predicates cost differentials between potential carriers appears to violate the essence of regulatory guidance set forth by Congress. The following section provides a proposed structure for the performance bond requirement.

3. Proposed Structure

In an interview with HQMTMC, the Carrier Qualification Division (CQD) indicated the current program has assisted in supporting MTMC’s goal of increasing
the quality of transportation services to DOD shippers. The information HQMTMC-CQD presented supported their argument that the quality of service has increased since beginning the CQP. The CQD pointed out that the number of carriers doing business with DOD has decreased from approximately 3300 to 600, which is considerably more manageable [Ref. 9].

MTMC’s attempts to improve the quality and efficiency of transportation services since the implementation of the CQP has proved to be worthwhile. The performance bond requirement, however, blatantly discriminates against new carriers and/or small businesses and violates the American ideal of promotion of small privately owned businesses. If the intent of MTMC is to provide an increased quality of service, an area or method other than the performance bond requirement should be selected. HQMTMC-CQD contends that the current performance bond requirement of $100,000 meets the needs of DOD. Therefore, the fixed performance bond amount, that meets the needs of DOD and considers the financial demands placed on carriers, should be accepted and instituted. This rate should be equal for all carriers regardless of the number of years having done business with DOD. The modification would provide standardized requirements for all carriers and illuminate any apparent preferential or discriminating practice.

D. FINANCIAL RECORDS

1. Discussion

The purpose of financial records required by the CQP is to allow an analysis of the prospective carrier to assure MTMC of the potential for satisfactory
performance and the avoidance of financial problems if approved to do business with DOD [Ref. 7:p. 3]. The financial records requirements for the CQP are found in 32 CFR 619.5 and Chapter III section F of this thesis. HQMTMC-CQD provided the following insight into the financial records requirements.

The financial soundness requirements set forth in the CQP, specifically the Current Ratio requirement of 1.0, has vastly increased the quality of service to DOD by allowing only financially stable carriers to qualify for business with DOD [Ref. 9]. This section of the CQP also requires information that allows MTMC to determine the extent of affiliations carriers have with one another. This requirement is to prevent carriers that go by more than one name or own more than one transportation company from receiving more than their fair share of DOD freight. This requirement has improved transportation services provided to DOD by eliminating unscrupulous carriers and providing a more equitable system for carriers operating legally [Ref. 9].

The financial requirements of the CQP has provided many benefits to DOD shippers, but HQMTMC-CQD indicates further refinement could improve the process. The following section analyzes the financial statement review and suggests additional requirements that could improve the program [Ref. 9].

2. Analysis

The purpose of the governmental review of financial records is to determine whether a potential contractor has the financial resources to fulfill
contractual requirements. Inherent to this estimate is the determination that the company has the financial wherewithal to remain in business [Ref. 12:p. I-1].

A healthy financial position enables a company to better serve customers. It permits the acquisition of needed labor, technology, and capital equipment. On the other hand, a weak financial position may result in eventual failure of a company, leaving it unable to fulfill the contract [Ref. 12:p. I-2].

An assessment of a carrier's financial capability to fulfill contractual requirements is a judgement call, derived from a thorough analysis of the company. Since it is necessary to defend an assessment, the assessment can best be defended when a comprehensive list of techniques are utilized in the decision making process. The financial statement analysis technique can provide valuable insight into a company. The purpose of financial statement analysis is to assist statement users in predicting the future by means of comparison, evaluation, and trend analysis. The most valuable information to most users of financial statements concerns what probably will happen in the future. The financial statement analysis can assist in these predictions [Ref. 13:p. 756].

The issue presented in the financial requirements is that the current ratio of one to one does not go far enough in determining the financial stability of a carrier. The current ratio requirement only compares current assets to current liabilities. This ratio can be manipulated easily by such methods as securing long term loans, issuing stock, etc. Therefore, to preclude carriers from manipulating ratios, the following section proposes additional ratio requirements that indicate
potential ratio manipulation and provide a better view of the carrier’s financial status.

[Ref. 14]

3. Proposed Structure

In order to perform financial statement analysis, the financial records required by the CQP (32 CFR 619.5) must be modified to include the following:

1. Income statement
2. Balance sheet
3. Statement of cash flows
4. Statement of changes in stockholder’s equity
5. Footnotes to the statements
6. Management’s report and independent auditor’s report

The footnotes to the annual report should include a summary of revenues, net income, and net assets employed for each of the different industry groups if more than one is represented in the financial statements [Ref. 15:p. 825].

Financial reports may be evaluated using different techniques. The following types of analysis are recommended for use in the CQP [Ref. 15:pp. 830-835]:

1. **Horizontal analysis** - an evaluation of financial statement data that looks at the change in a specific financial statement item from one period to another. This analysis requires two periods of data and evaluates the change in data items on a percentage basis.

2. **Vertical analysis** - an evaluation of financial statement data for a particular time period without comparison to other time periods. This analysis is a static analysis since only a single period’s data is used and is expressed on a percentage basis.
3. **Trend analysis** - describes horizontal analysis over three or more time periods. The objective of trend analysis is to look for trends or patterns in the accounting data that might help predict future outcomes.

4. **Ratio analysis** - a method of analysis used in making credit and investment judgements. This analysis utilizes the relationship of data found in financial statements to determine values and evaluate risks and compares such ratios to prior periods and other companies to reveal trends and identify eccentricities.

These four methods may be used separately or in conjunction with one another. While all these techniques are different in approach, one common feature is that financial comparisons are made to assist the analyst in determining the carriers' ability to perform within their proposed scope of operation [Ref. 15:p. 829].

The most important of these methods is the ratio analysis. There are dozens of ratios available to the CQP analyst, but the following ratios in the areas of performance, liquidity, leverage, and efficiency will provide the information needed to ensure the qualification process selects the best carriers.

The following sections provide the financial ratios the CQP should include, along with an explanation of the respective ratio.

a. **Liquidity Ratios**

Liquidity, or solvency, ratios are used to measure the financial soundness of a business and the ability to satisfy financial obligations [Ref. 12:p. C-1].

(1) **Quick ratio.** This ratio focuses on the carrier's liquid assets and ability to meet its current obligations. Assuming there is nothing to slow or prevent collections, a quick ratio of one to one or better is usually satisfactory [Ref. 16:p. 432].
Quick ratio =

\[
\frac{\text{cash + marketable securities + accounts receivable}}{\text{current liabilities}}
\]

(2) Current ratio. This ratio includes items that can be converted to cash within one year of normal operations. They include cash, marketable securities, accounts receivable and the value of inventory. Comparison of the current ratio with the quick ratio allows the CQP analyst to see how the carrier estimates the company's inventory. Inventory value estimation is an area that can be manipulated to meet the CQP's requirement of a current ratio of one to one.

Current ratio =

\[
\frac{\text{current assets}}{\text{current liabilities}}
\]

b. Accounting Performance Ratios

These ratios are used to determine how effectively expenses are managed. Compared with other periods and with industry statistics, this can be revealing in terms of a company's efficiency [Ref. 15:p. 354].

Margin of profit ratio. The profit margin ratio informs the analyst what percentage of net sales remained as earnings after deducting all expenses. This ratio is revealing in terms of a carrier's operating efficiency and pricing policy and its ability to compete successfully with other companies in its field [Ref. 16:p. 354]. In general, analysts feel that the higher the profit margin, the better the performance. However, it is not unusual for profit margins to be fairly small, below 5%, for large publicly owned companies [Ref. 15:p. 837].

41
Margin of profit ratio =

\[
\text{net income} \\
\text{net sales}
\]

c. **Leverage Ratios**

These ratios indicate proportionate risk to a company's owners and creditors. Debt is examined in relation to equity to determine the leverage of the company. The more financial leverage a company has, the higher the risk [Ref. 12:p. C-8].

**Debt to equity ratio.** This ratio is the primary accounting measure of leverage and risk. It shows to what extent owner's equity can cushion creditors' claims in the event of liquidation and the extent the carrier makes use of long-term debt. This ratio can assist in determining if long-term debt is being used to manipulate other ratios. As a rule of thumb, a company with a debt to equity ratio of more than 30% is highly leveraged and risky [Ref. 16:p. 240].

\[
\text{Debt-to-equity ratio} = \\
\frac{\text{total liabilities}}{\text{total equity}}
\]

d. **Activity Ratios**

These ratios measure the amount of sales volume a company is generating on its investment in assets and is thus an indication of the efficiency with which assets are utilized [Ref. 16:p. 114].

**Asset turnover ratio.** This ratio is useful in identifying trends in the turnover and profitability of current assets. It is an approximation of how efficiently
a carrier used its assets in its revenue generating process. This ratio further assists
the CQP analyst in determining how the company defines certain financial figures
and if financial ratio manipulation occurred [Ref. 16:p. 240]. This ratio will generate
a wide range of values and should be used when comparing companies of the same
relative size and operating characteristics.

Asset turnover ratio =

\[
\text{Asset turnover ratio} = \frac{\text{net sales}}{\text{total assets}}
\]

The purpose for recommending that additional ratios be added to
the current CQP is to assist the analyst in determining if the carrier has the financial
capability to perform within their proposed scope of operations and to determine if
a potential carrier is manipulating the current ratio.

Ratios are the principal tools of financial statement analysis. By
definition, ratios indicate relationships, and by excluding considerations such as dollar
amounts and the size of a company, their meaning can be limited or misleading.
Ratios have their greatest significance when used to make year-to-year comparisons
for the purpose of determining trends or when used in comparison with industry data.
Composite ratios for different industries are published by Standard and Poor's
Corporation, Dun and Bradstreet, Robert Morris Associate, and the Federal Trade
Commission. These references should always be consulted when determining ratio
requirements since they are based on industry norms [Ref. 16:p. 113]. This practice
is a normal operating procedure in the private sector and is deemed non-discriminatory and easily defendable. This method will protect DOD as well as the carrier.

E. RESOURCE REQUIREMENTS

1. Discussion

In 32 CFR 619.6, MTMC provides the resource criteria which potential carriers are evaluated against. These criteria include the number of drivers and administrators, equipment inventory, and ownership status of equipment. Approval and retention are contingent upon establishing and maintaining, to MTMC's satisfaction, sufficient resources to handle traffic anticipated by MTMC under the carriers proposed scope of operations.

2. Analysis

The purpose of MTMC's resource review is to determine if the carrier has the equipment, facilities and personnel to operate within their proposed scope of operations. The requirement is to protect the interests of DOD and the carrier by ensuring the carrier has resources needed to perform and to avoid potential non-use and ultimate disqualification.

While the requirement's intentions are admirable, the issue is that MTMC offers no guidance to define "sufficient resources." As the DOD traffic manager, MTMC has the responsibility to provide guidance to potential carriers that will assist in determining if the carrier has the capacity to meet the proposed scope of operations.
In an interview with MTMC Western Area (MTMC-WA) Carrier Qualification personnel, several areas of the CQP were discussed. The following paragraphs summarize the discussion and shortfalls of the requirement.

The area that dominated the discussion was the requirement for a carrier to possess and maintain sufficient resources and how that term was defined. MTMC-WA personnel reported that there are no finite numbers associated with the required number of personnel or equipment inventory. They said, "potential carriers' applications are reviewed and if all information required by 32 CFR 619 is provided, and it looks as if the carrier has enough equipment to transport DOD freight, their application is approved and forwarded to HQMTMC for basic rubber stamp approval." MTMC-WA added that, if some finite numbers or quantitative guidance was provided in the CQP, this would assist in the qualification process as well as provide guidance to carriers contemplating doing business with DOD [Ref. 17].

Finally, the question of what happens to the carriers that are approved and more than likely do not have the resources to provide the services within their proposed scope of operation? MTMC-WA responded that the carrier will probably fail and over time will be disqualified from doing business with DOD for non-performance as prescribed in the Carrier Performance Program (CPP) [Ref. 17].

Although MTMC is not responsible for day to day management of carriers doing business with DOD, there is a duty to assist potential carriers in determining what resources are required to perform within given scopes of operations. The
following section proposes some suggestions that will benefit the CQP and the potential carrier.

3. Proposed Structure

MTMC should review various traffic routes and the carriers servicing those areas to determine the range of resources required to participate in the movement of DOD freight. The carriers selected should represent both large and small, public and private companies with varying degrees of trip and ton-miles serviced. Only carriers that have provided superior service to DOD in accordance with the CPP should be selected.

After a sample group of carriers have been analyzed, a decision model or flow chart should be added to the CQP. These charts should provide guidance to area commands and insight to potential carriers to assist in determining if the carrier has the resources available or if the company is willing to commit the resources required to operate within the proposed scope of operation.

The decision model/flow charts should include resource categories that generally encompass all potential carriers. The charts should address the following areas:

1. Company size
2. Volume of traffic (tonnage per month)
3. Distance (mileage per month)
4. Number of pickups and deliveries
5. Equipment inventory dedicated to DOD freight
6. Number of drivers dedicated to DOD business
7. Number of hours logged by each driver
8. Number of administrative personnel
9. Truckload and less-than-truckload traffic categories
10. Percent of business that is DOD related

The CQP should provide more tangible guidance. If a decision model or a flow chart included the above information, this would assist MTMC and potential carriers in determining which carriers could provide the required services.

This initiative should improve the CQP process and help carriers determine if movement of DOD freight is within their capability or desire.

F. CARRIER PERFORMANCE

1. Discussion

The Carrier Performance Program (CPP) is designed to ensure DOD transportation needs are met by the best available commercial carriers. The terms and conditions of the CPP are found in the Defense Traffic Management Regulation (DTMR) and 32 CFR 619.8 Appendix A. In these references, MTMC prescribes the government's right to revoke approval, declare ineligible, place in non-use status, or disqualify the carrier for any operating deficiency or noncompliance with the CPP [Ref. 6:p. 104].

2. Analysis

The CPP is designed to improve and measure performance provided by commercial freight carriers serving DOD. The CPP is based on identifiable elements
of service which can be measured and evaluated to determine the level of performance provided. Carrier performance, in relation to each element of service, will be compared to established minimum levels of performance to determine if a carrier is providing satisfactory service. The elements of service to be used in evaluating carrier performance are described as follows: [Ref. 18:p. 1].

<table>
<thead>
<tr>
<th>Elements of Service</th>
<th>Minimum Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Claims experience</td>
<td>5% total shipments or 2% total DOD revenue</td>
</tr>
<tr>
<td>2. DOT hazardous regulation compliance</td>
<td>100%</td>
</tr>
<tr>
<td>3. Inadequate or improper equipment</td>
<td>2 in 45 days</td>
</tr>
<tr>
<td>4. Compliance with GBL instructions</td>
<td>90%</td>
</tr>
<tr>
<td>5. Overcharge ratio</td>
<td>5% total DOD revenue</td>
</tr>
<tr>
<td>6. Failure to pickup shipments as scheduled</td>
<td>2 in 45 days</td>
</tr>
<tr>
<td>7. Shipment refusals</td>
<td>3 or more in 30 days 4 in 90 days</td>
</tr>
<tr>
<td>8. Compliance with tariff, tender, or contract</td>
<td>90%</td>
</tr>
<tr>
<td>9. Transit time</td>
<td>85%</td>
</tr>
</tbody>
</table>

The General Accounting Office (GAO), in their review of the CQP, determined that the performance standards of the CPP are too lenient. Additionally, GAO concluded that such lenient standards sends a message of tolerance for poor service that is unacceptable. Lenient standards weaken incentives for carriers to
improve service and for shippers to aggressively monitor a carrier’s performance [Ref. 8:p. 42].

MTMC can improve the quality of transportation services by implementing changes to the CPP. These changes should lead to higher levels of efficiency and effectiveness. Recommendations for the proposed structure are found in the following section.

3. Proposed Structure

The performance standards utilized by MTMC should be changed to provide incentives for improved quality and penalize carriers that do not perform. The areas of the CPP that should be changed to facilitate improvement are as follows:

<table>
<thead>
<tr>
<th>Elements of Service</th>
<th>Minimum Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. On-time pickup and delivery</td>
<td>95%</td>
</tr>
<tr>
<td>2. Claims ratio (loss and damage)</td>
<td>2% total DOD revenue</td>
</tr>
<tr>
<td></td>
<td>2% total shipments</td>
</tr>
<tr>
<td>3. Billing accuracy</td>
<td>100%</td>
</tr>
<tr>
<td>4. Compliance with tariff, tender, or contract</td>
<td>100%</td>
</tr>
<tr>
<td>5. Compliance with GBL instructions</td>
<td>100%</td>
</tr>
</tbody>
</table>

MTMC acknowledged in the GAO report that DOD shippers could benefit from an improved CPP. MTMC stated that balancing the socioeconomic responsibilities, business relationships, protecting government property, and managing
the expenditure of public funds is possible with increased performance standards [Ref. 8:p. 29].

These proposed changes in the CPP should assist MTMC in attaining the leverage needed to obtain substantive improvements in service and sharp reductions in transportation costs [Ref. 8:p. 38].

Finally, when MTMC analyzes the CQP for possible change in the future, changes must be designed and implemented so that they affect all carriers equally.
V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

The central conclusion of this thesis is that the implementation of 32 CFR 619, Program for Qualifying DOD Freight Motor Carriers, can be improved. While the current motor carrier qualification program has made improvements to the overall quality of transportation services provided to DOD, additional changes should be implemented.

The key to receiving better transportation services is for DOD to use highly qualified and reliable carriers. The only way this can be accomplished is by having a motor carrier qualification program that sets high standards and demands compliance. The current policies constrain continued improvement in transportation management by allowing poor carrier performance and using inadequate qualification criteria.

B. RECOMMENDATIONS

This thesis suggested four areas that could be modified to provide higher quality carriers and better transportation services to DOD. Areas proposed for change are the performance bond, financial records, resource requirements, and carrier performance.

The performance bond requirement should be the same for all carriers regardless of the number of years the carrier has done business with DOD. MTMC has
a fiduciary duty to treat all carriers equally and without discrimination. The current program has prescribed different requirements based on a number of factors, and this practice is arguably discriminating. The practice or appearance of discrimination has to be avoided at all times.

The financial records requirements should be modified to require additional financial information to assist the analyst in screening carriers for financial stability. By requiring greater financial fitness in order to do business with DOD, MTMC can ensure that only financially sound carriers will transport DOD freight. This practice should limit the number of carriers to financially stable ones and create a pool of quality carriers.

The resource requirement should be amended to include more guidance to carriers considering doing business with DOD. By providing more information with respect to the number of drivers, equipment inventory, etc., the potential carrier should be able to decide if doing business with DOD is within their capability or desire.

Finally, the carrier performance program should be enhanced. The current performance standards are too lenient and send a message of tolerance for poor service, and they weaken the incentives for carriers to improve. By raising the performance standards, transportation services should show marked improvement and benefit all DOD shippers.

These changes to the program for qualifying DOD Freight Motor Carriers will assist in limiting carriers to only those high-performing companies. These changes
will promote high quality transportation services and provide the stability DOD shippers need.
CERTIFICATE OF INSURANCE

PRODUCER: Financial Guardian
3101 N. U. Freeway #220
Houston, TX 77040

INSURED: Ace Transportation
P. O. Box 91714
Lafayette, LA 70509

COMPANIES AFFORDING COVERAGE

<table>
<thead>
<tr>
<th>COMPANY LETTER</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>UIIDS AT LLOYDS</td>
</tr>
<tr>
<td>B</td>
<td>CHRISTIANIA GENERAL</td>
</tr>
<tr>
<td>C</td>
<td>CIGA c/o NCCI</td>
</tr>
<tr>
<td>D</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
</tr>
</tbody>
</table>

COVERAGES

This is to certify that policies of insurance listed below have been issued to the insured named above for the policy period indicated. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions, and conditions of such policies.

<table>
<thead>
<tr>
<th>CO #</th>
<th>TYPE OF INSURANCE</th>
<th>POLICY NUMBER</th>
<th>POLICY EFFECTIVE DATE</th>
<th>POLICY EXPIRATION DATE</th>
<th>LIABILITY LIMITS IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>91ACGL134</td>
<td>05/22/91</td>
<td>05/22/92</td>
<td>BODILY INJURY: S, S</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91BA209</td>
<td>05/22/91</td>
<td>05/22/92</td>
<td>PROPERTY DAMAGE: S, S</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B &amp; P COMBINED: 1,000, 1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PERSONAL INJURY: $</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C3624494A</td>
<td>12/01/90</td>
<td>12/01/91</td>
<td>STATUTORY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 500 EACH ACCIDENT</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 500 DISEASE POLICY LIMIT</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 500 DISEASE EACH EMPLOY</td>
</tr>
</tbody>
</table>
# PERFORMANCE BOND

**1. BOND NUMBER**

**2. DATE BOND EXECUTED (MM/DD/YYYY)**

**3. PRINCIPAL (Legal Name, SCAC and Address)**

**4. TYPE OF ORGANIZATION**

**5. STATE OF INCORPORATION**

**6. SURETY(IES) (Name and Address)**

**7. SUM OF BOND (Million(s) Thousand(s) Hundred(s) Cent(s))**

**8. EFFECTIVE DATE (MM/DD/YYYY) (12:01 a.m. Eastern Standard Time and continuing until cancelled)**

**DEPARTMENT OR AGENCY REPRESENTING THE GOVERNMENT:**

**MILITARY TRAFFIC MANAGEMENT COMMAND or the GENERAL SERVICES ADMINISTRATION**

Know all men by these presents, that we, the Principal and Surety(ies) hereto, are firmly bound to the United States of America (hereinafter called the Government) in the above sum for the payment of which we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally.

The condition of this obligation is such, that whereas the Principal contemplates entering into Government Bill of Lading contracts, from time to time during the effective period of this Bond, with the Government, represented by the department or agencies shown above for furnishing supplies or services to the Government, and desires that all such contracts be covered by one bond, instead of by a separate Performance Bond for each contract.

Now, therefore, if the Principal shall perform and fulfill all the undertakings, covenants, terms, conditions and agreements of any and all such contracts so entered into during the original term thereof and any extensions that may be granted by the Government, with or without notice to the Surety(ies) and during the life of any guaranty required under the conditions, and agreements of any and all duly authorized modifications of such contracts, that may hereafter be made, notice of which modifications of to the Surety(ies) being hereby waived, then the above obligation shall be void and of no effect.

This Performance Bond serves to protect the Government against potential financial damage and interference with the Military Traffic Management Command mission to effect delivery of shipments. By this Performance Bond, the Surety underwrites and assumes the Principal's liability to the Government for excess reprocurement costs when, due to the Principal's failure to complete delivery of a shipment, the Military Traffic Management Command deems it necessary to reprocure transportation services from an alternate carrier. The Government shall be the sole beneficiary of this Bond in the event the Principal defaults and is unable to perform for whatever reason, including that of filing a petition in bankruptcy, or an involuntary bankruptcy. This Bond will be continuous and may be cancelled at any time by the Surety(ies) upon thirty (30) days written notice to Headquarters, Military Traffic Management Command, Attn: MTIN-FF, 5611 Columbia Pike,, Falls Church, VA 22041-5050, representing the Government. Termination under this provision shall not effect, or relieve the Surety(ies) of any obligation or liability that may have occurred prior to such termination.

**NOTE 1:** The word "contracts" as used herein means agreements for transportation and services as provided in applicable Government Bills of Lading, and associated tenders of service, rate tenders and tariffs.

**NOTE 2:** The word "services" as used herein means all transportation and related services required to be performed in accordance with the applicable contracts as defined above.

In witness hereof, the Principal and Surety(ies) have executed this Performance Bond and have affixed their seals on the date set forth above.

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Previous editions are obsolete.
INSTRUCTIONS FOR COMPLETING PERFORMANCE BOND

1. Enter the Performance Bond number.

2. Enter the date on which the Performance Bond is executed.

3. Enter the full legal name, Standard Carrier Alpha Code (SCAC), and business address of the Principal.

4. Enter the type of organization (individual, partnership, joint venture, or corporation).

5. Enter the state in which the Principal is legally incorporated.

6. Enter the legal name and business address of the Surety(ies). The Bond shall be executed by a Surety identified in the most current Fiscal Service, Treasury Department Circular No. 570, and shall be acting within the limitations set forth therein.

7. Enter figures only as shown in the following example:

   Thousand(s)    Hundred(s)    Cent(s)
       100,       000,        .00

8. The Bond will be continuous until cancelled. Enter the beginning date of the Bond.

9. a. The Bond shall be signed by the executive carrier official, and the person's name and title shall be typed.

   b. The Principal's corporate seal shall be affixed.

   c. The original signature(s), typed name and title of the person representing the Surety shall be provided.

   d. The corporate seal of the Surety shall be affixed.
APPENDIX D

FREIGHT CARRIER QUALIFICATION STATEMENT
Form Approved
OMB No. 0702-0088
Expires Oct 31, 1993

Public reporting burden for this collection of information is estimated to average 6 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0702-0088). 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0702-0088), Washington, DC 20503. Please DO NOT RETURN your form to either of these addresses. Send your completed form to HQMTMC, ATTN: MTIN-FF, 5611 Columbia Pike, Falls Church, VA 22041-5050.

SECTION I - GENERAL CARRIER INFORMATION

1. CARRIER
   a. NAME
   b. ADDRESS (Street, City, State and Zip Code)
   c. SCAC

2. INTERSTATE AUTHORITY, INCLUDING APPLICABLE SUBS, AND STATE AUTHORITIES (Copies must be attached. In addition, stipulate proposed services by type of service, traffic lane, or geographical area. Attach separate sheet if necessary.)

3. COMPANY OFFICIALS
   a. NAME (Last, First, Middle Initial) AND TITLE
   b. ADDRESS (Include Zip Code)
   c. TELEPHONE (Include Area Code)

4. POINT OF CONTACT CONCERNING THIS QUESTIONNAIRE
   a. NAME (Last, First, Middle Initial)
   b. BUSINESS ADDRESS (Include Zip Code)
   c. TELEPHONE (Include Area Code)

5. COMPANY OWNERS (Attach separate sheet if necessary.)

6. AFFILIATED COMPANIES HAVING CONTROLLING INTEREST OR MANAGEMENT CONTROL IN YOUR COMPANY (List present or previous names and addresses. Attach separate sheet if necessary.)
   a. COMPANY NAME
   b. ADDRESS (Include Zip Code)
   c. (X one)
      (1) Affiliated
      (2) Controlling
7. COMPANIES WITH WHICH YOUR COMPANY WILL INTERLINE (NOTE: These companies must also complete a questionnaire)

<table>
<thead>
<tr>
<th>a. NAME</th>
<th>b. ADDRESS (Include Zip Code)</th>
<th>c. OPERATING AUTHORITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

8. INSURANCE. CARRIERS MUST HAVE THEIR INSURANCE COMPANIES SUBMIT PROOF OF INSURANCE AS REQUIRED BY THE DOT UNDER TITLE 49 SECTION 387 OF THE CODE OF FEDERAL REGULATIONS (CFR) PLUS THE REQUIRED MINIMUM OF CARGO INSURANCE IN ACCORDANCE WITH DOD REQUIREMENTS.

1. (1) Public Liability Insurance
   - Interstate Carriers: $750,000 per vehicle for property (excluding hazardous) and $1,000,000 per vehicle for oil, hazardous wastes, hazardous materials and hazardous substances defined in 49 CFR 171.8 and listed in 49 CFR 172.101.
   - Intrastate Carriers: Public liability insurance shall be that as required by the state, except that for deregulated states, public liability shall be the same as that required of interstate carriers.

2. (2) Cargo Insurance
   Cargo insurance in the amount of $150,000 for loss and damage of government freight per vehicle and/or $20,000 per vehicle transported (e.g., automobile transporters or vehicles in haulaway/driveaway service) must be maintained.

3. (3) Proof of Insurance
   Proof of insurance must be submitted to MTMC on a Certificate of Insurance form issued by the insurance company or agent. (The insurance underwriter must have a policyholder’s rating of “C” or better in Best’s Insurance Guide.) The “Certificate Holder” block of the form will also identify HQ MTMC, Attn: MTIN-FF, 5611 Columbia Pike, Falls Church, VA 22041-5050. It must also indicate the above will be notified 30 days in advance of any change or cancellation (to include nonpayment cancellation).

INSURANCE ISSUES. ANSWER ALL QUESTIONS. MTMC CONSIDERS YOUR INSURANCE A CRITICAL PART OF YOUR QUALIFICATIONS. IDENTIFY YOUR INSURANCE COMPANIES.

<table>
<thead>
<tr>
<th>(1) Type of Insurance</th>
<th>(2) Highest Rating</th>
<th>(3) Coverage Limit ($)</th>
<th>(4) Safety Inspections (X one)</th>
<th>(5) Interim Reviews (X one)</th>
<th>(6) Driver Audits (X one)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. AUTO LIABILITY (AL)</td>
<td></td>
<td></td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>b. AL REINSURER #1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. AL REINSURER #2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. GENERAL LIABILITY (GL)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. GL REINSURER #1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. GL REINSURER #2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. CARGO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. PERFORMANCE BOND
   THE BOND MUST BE ISSUED BY A SURETY COMPANY LISTED IN THE FISCAL SERVICE, TREASURY DEPARTMENT CIRCULAR NO. 570 (and updates thereto). THE BOND SHALL BE NO LESS THAN $100,000 AND WILL BE CONTINUOUS UNTILCANCELLED. HQ MTMC WILL BE NOTIFIED OF ANY CHANGE OR CANCELLATION. A LETTER OF INTENT BY THE SURETY COMPANY IS REQUIRED WITH INITIAL APPLICATION. UPON MTMC APPROVAL, CARRIER MUST SUBMIT PERFORMANCE BOND BEFORE TENDER OF SERVICE CAN BE ACCEPTED.

10. FINANCIAL RECORDS
    CARRIERS MUST FURNISH FINANCIAL STATEMENTS, CERTIFIED BY THE COMPANY CHIEF EXECUTIVE OFFICER, PRESIDENT, OR OWNER. THESE STATEMENTS MUST INCLUDE COMPANY CERTIFIED BALANCE SHEETS AND INCOME STATEMENTS FOR THE LAST 3 TAXABLE YEARS. THE FINANCIAL STATEMENTS MUST REFLECT A 1 TO 1 RATIO (1 dollar of liquid assets to each 1 dollar of current liabilities). CARRIERS MUST ALSO STATE THE EXTENT OF THEIR FINANCIAL INTEREST IN OTHER TRANSPORTATION COMPANIES OR THEIR AFFILIATION WITH ANY PERSON OR FIRM HOLDING INTERESTS IN OTHER TRANSPORTATION COMPANIES.
SECTION II - PERFORMANCE / EXPERIENCE

11. DEPARTMENT OF TRANSPORTATION (DOT) SAFETY RATING
   a. TYPE OF RATING
   b. DATE OF LAST AUDIT (YYMMDD)

   • IF OTHER THAN SATISFACTORY, GIVE CURRENT RATING AND REASON WHY

12. HAS YOUR COMPANY EVER BEEN SUSPENDED OR BARRED FROM GOVERNMENT TRAFFIC BY MTMC OR ANY OTHER
   FEDERAL OR STATE REGULATORY AGENCY? (X one)

   a. IF "YES," LIST ALL SUSPENSIONS, NONUSE, DISQUALIFICATIONS, AND DISBARMENTS WITHIN THE PAST 3 YEARS

   (1) Regulatory Agency
   (2) From (Month / Year)
   (3) To (Month / Year)

   b. PROVIDE EXPLANATION WHY THE ADVERSE ACTION WAS TAKEN AND WHAT YOU HAVE DONE TO CORRECT THE PROBLEM
      AND PREVENT RECURRENCE.

13. LIST ANY GUARANTEED TRAFFIC (GT) AWARDS FROM WHICH YOUR COMPANY WAS REMOVED OR VOLUNTARILY
    WITHDREW FROM WITHIN THE PAST 12 MONTHS. ALSO LIST ALL GT AWARDS YOU ARE PARTICIPATING IN (List origin(s)
    of all award(s)).

SECTION III - RESOURCES

14. LIST ALL YOUR TERMINALS, SATELLITE TERMINALS, AGENT’S TERMINALS, INCLUDING ADDRESS, THAT INTEND TO
    HANDLE DOD TRAFFIC.
    (Include description of terminal facilities. Attach separate sheet if necessary.)

15. LIST NUMBER AND TYPE OF PERSONNEL IN YOUR EMPLOY (i.e., operations managers, drivers (local and long haul),
    computer operators, tariff and tender personnel, safety inspectors, maintenance personnel, etc. Attach separate
    sheet if necessary.)

16. NUMBER OF DRIVERS

   a. FULL TIME

   b. PART TIME

17. ATTACH SEPARATE SHEET LISTING WAREHOUSING FACILITIES, TO INCLUDE SIZE, TYPE, AND WHETHER GOVERNMENT
    INSPECTED AND APPROVED.

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### SECTION IV - TRANSPORTATION EXPERIENCE

18. PROVIDE INFORMATION INDICATING YOUR TRANSPORTATION EXPERIENCE FOR THE LAST 3 FISCAL YEARS: (If less than 3 years experience, provide as many years of experience as possible.)

<table>
<thead>
<tr>
<th>a. YEAR</th>
<th>b. COMPANY/GOVERNMENT AGENCY</th>
<th>c. ADDRESS (Include Zip Code)</th>
<th>d. TELEPHONE (Include Area Code)</th>
<th>e. LIQUID/DRY LTL TL</th>
</tr>
</thead>
</table>

### SECTION V - OVERALL INVENTORY OF AVAILABLE EQUIPMENT

19. NUMBER OF TRACTORS

<table>
<thead>
<tr>
<th>a. SINGLE AXLE</th>
<th>b. DOUBLE AXLE</th>
</tr>
</thead>
</table>

20. VAN TRAILERS

<table>
<thead>
<tr>
<th>(1) Total No.</th>
<th>(2) High Cube</th>
<th>(3) Air-Ride</th>
<th>(4) Open Top</th>
<th>(5) Reefer</th>
</tr>
</thead>
</table>

- a. 39' OR LESS
- b. 40' TO 45'
- c. 48' OR GREATER

21. NUMBER OF FLATBEDS

<table>
<thead>
<tr>
<th>a. 40' TO 45'</th>
<th>b. 48 OR GREATER</th>
</tr>
</thead>
</table>

22. SPECIALIZED

- a. LOW BOYS
- b. DROP FRAMES
- c. OTHER SPECIALIZED EQUIPMENT

23. DUMP TRUCK VEHICLES

<table>
<thead>
<tr>
<th>a. SIZE/TYP</th>
<th>b. CONDITION</th>
<th>c. NUMBER</th>
</tr>
</thead>
</table>

24. TANK TRUCKS

<table>
<thead>
<tr>
<th>(1) Size/Type</th>
<th>(2) Loading/Unloading Capability</th>
</tr>
</thead>
</table>

- a. PETROLEUM
- b. OTHER THAN PETROLEUM
- c. STAINLESS STEEL
- d. OTHER SPECIALIZED EQUIPMENT, IF ANY, USED IN TRANSPORTING BULK (Include size/type and number)

25. DELIVERY VANS

<table>
<thead>
<tr>
<th>a. NUMBER</th>
<th>b. PERCENTAGE OWNED</th>
<th>c. PERCENTAGE LEASED</th>
</tr>
</thead>
</table>

26. FLEET MAINTENANCE

<table>
<thead>
<tr>
<th>a. IN-HOUSE</th>
<th>b. CONTRACTED OUT</th>
</tr>
</thead>
</table>

27. EXPLAIN YOUR MAINTENANCE PROGRAM

28. TRIP LEASE (X one)

| a. DO YOU TRIP LEASE SOME OF YOUR SHIPMENTS? YES NO  c. PERCENTAGE TRIP LEASED |
|---------------------------------|------------------|-------------------------------|
| b. IF "YES," DO YOU HAVE A TRIP LEASE AGREEMENT ON FILE WITH MTMC? |

29. WHAT PERCENTAGE OF YOUR EQUIPMENT IS NOW OR WILL BE DEDICATED TO DOD TRAFFIC?

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### SECTION VI - ADP CAPABILITY

MTMC has ADP capability using 5½ inch floppy disk, ASCII II format, MS DOS 3.2 or later, and ¼ inch magnetic tape. EBCDIC, 6250 BPI, unlabeled, unblocked.

#### 30. IS YOUR SYSTEM MS DOS 3.2 OR GREATER AND CAN IT PROVIDE THE FOLLOWING FUNCTIONS (X one):

<table>
<thead>
<tr>
<th>Function</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. On-line tracing and inquiry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Barcode scanning for receipt and shipment processing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Reports generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Shipment planning and load building based on time and volume constraints</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Auditing and reconciliation of payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Use of EDI TDCC standards to send shipment data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Automated preparation of shipping documents</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 31. IF YOUR SYSTEM CANNOT PERFORM THESE FUNCTIONS, WILL YOU MODIFY IT SO THAT IT WILL?

#### 32. HOW LONG WILL IT TAKE YOU TO MAKE THE MODIFICATIONS?

#### 33. CARRIERS OPERATING IN INTERSTATE COMMERCE SHOULD ANSWER THE FOLLOWING:

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Do you now have rates on file with the ICC? (X one)</td>
<td></td>
<td></td>
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<tr>
<td>b. If yes, how are they transmitted? (X one)</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>c. What type of system is being used?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 34. PROVIDE INFORMATION INDICATING SUCCESSFUL PERFORMANCE OF YOUR AUTOMATED CONTROL AND TRACKING REQUIREMENTS FOR CUSTOMER, INCLUDING GOVERNMENT AGENCIES. (Attach separate sheet if necessary.)

<table>
<thead>
<tr>
<th>Customer/Agency name and address (Include Zip Code)</th>
<th>Tender Tariff No.</th>
<th>From Date (YYMMDD)</th>
<th>To Date (YYMMDD)</th>
<th>Current Use</th>
</tr>
</thead>
<tbody>
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</table>

#### 35. REMARKS

MT Form 381-R, NOV 90
LIST OF REFERENCES


9. Telephone conversation 7 January 1994 Lt. Marler and Rick Wirtz, MTMC Headquarters, Motor Qualification Division, Inland Traffic, Falls Church, VA.

10. Federal Acquisition Regulation, part 47.101(c), April 1985.

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17. Miller, Iris D., and Joe, Ralph, Carrier Performance Division, Inland Traffic, MTMC Western Area, Oakland, CA, personal interview, 29 September 1993.

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   Naval Postgraduate School
   Monterey, CA 93943-5000

5. CDR Louis G. Kalmar, Jr., Code SM/Kl
   Naval Postgraduate School
   Monterey, CA 93943-5000

6. Military Traffic Management Command
   MTOP-QQ (Attn: Rick Wirtz)
   5611 Columbia Pike
   Falls Church, VA 22041-5050

7. General Accounting Office
   Attn: Nomi Taslitt
   441 G Street NW
   Room 5100
   Washington, DC 20548

8. Naval Supply Systems Command
   SUP 44A3 (Tom Gribble)
   1931 Jefferson Davis Hwy
   Arlington, VA 2241-5360
<table>
<thead>
<tr>
<th></th>
<th>Military Traffic Management Command</th>
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<tr>
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<td>MTOP-QER (Attn: Crystal Hunter)</td>
<td>5611 Columbia Pike</td>
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<td></td>
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<td>Professor Alan W. McMasters, Code SM/Mg</td>
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<td>13</td>
<td>LT James E. Marler, Jr.</td>
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<td>317 Tulip Cr.</td>
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