
REPORT BY THE U.S.

General Accounting Office



LM106356

Minority Motor Carriers Can Be Given More Opportunity To Participate In Defense Transportation

Although the Department of Defense has a policy of promoting increased opportunities for minority motor carriers to participate in its transportation services, only limited progress has been made.

Defense does not have an affirmative action program defining objectives, goals, and ways to increase the carriers' use. Such a program, as well as revisions in the transportation regulations, is needed if its policy is to be carried out.



LCD-78-213
JUNE 6, 1978



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-190820

The Honorable
The Secretary of Defense

Dear Mr. Secretary:

This report discusses ways the Department of Defense can increase opportunities for minority motor carriers.

The report contains recommendations to you on pages 11 and 12. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Commerce; the Secretaries of the Army, Navy, and Air Force; and the Chairmen of the Committees on Appropriations, Government Operations, and Governmental Affairs.

Sincerely yours,

A handwritten signature in cursive script that reads "R. B. Rutwell".

for F. J. Shafer
Director

GENERAL ACCOUNTING OFFICE MINORITY MOTOR CARRIERS CAN BE
REPORT TO THE GIVEN MORE OPPORTUNITY TO PARTICI-
SECRETARY OF DEFENSE PATE IN DEFENSE TRANSPORTATION

D I G E S T

The Department of Defense has a policy of promoting increased opportunities for minority motor carriers to participate in its transportation services. Only limited progress has been made.

GAO visited seven military field installations and noted that they only used 20 such carriers in calendar year 1977. This is a small number of the total carriers used. For example, one installation used 750 motor carriers for cargo transportation and only 1 was a minority. (See p. 3.)

Defense guidance has consisted primarily of a broad policy statement on increasing the use of minority business enterprises in transportation services. It has not formulated an affirmative action program which sets specific objectives, goals, and courses of action nor has it periodically evaluated or monitored the progress made. (See p. 4.)

GAO found that the Defense transportation regulations do not promote, and sometimes inhibit, opportunities for use of minority carriers. Revisions to the regulations are needed.

One revision would involve Defense support of applications for Interstate Commerce Commission operating authority. This would permit more new carriers, including minority firms, to participate in Defense business. (See p. 7.)

Another revision would increase the use of contract carriers. Currently the Depart-

ment of Defense almost always uses common carriers whereas most minority carriers are contract carriers. Common carriers serve the general public and contract carriers serve specific customers. (See p. 9.)

A third revision relates to Defense participation in a Small Business Administration (section 8(a)) program. This program assists socially or economically disadvantaged firms by paying the difference between their cost and the fair market value of the services they provide. (See p. 9.)

The Department of Defense should

- reemphasize the need to increase opportunities for minority motor carriers,
- develop an affirmative action program, and
- make appropriate revisions in the Defense transportation regulations. (See p. 11.)

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
MTMC	Military Traffic Management Command
SBA	Small Business Administration

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CHAPTER 1

INTRODUCTION

Executive Order 11625, dated October 13, 1971, states the opportunity for full participation in the Nation's free enterprise system by socially and economically disadvantaged persons is essential if social and economic justice is to be obtained and the national economy is to be improved.

The emphasis of the executive order is for Federal agencies to take an aggressive role in fostering and promoting minority business enterprise. The order provides that the Secretary of Commerce, with the participation of other Federal agencies, may:

- Develop comprehensive plans and specific program goals for the minority business enterprise program.
- Establish performance monitoring and reporting systems to assure goals are being met.
- Evaluate the impact of Federal support in meeting program objectives.

Department of Defense (DOD) efforts to increase opportunities for minority participation in its transportation program is an outgrowth of the national commitment. On August 2, 1976, the Principal Deputy Assistant Secretary of Defense (Installations and Logistics), instructed the Assistant Secretaries of the Army, Navy, and Air Force (Installations and Logistics) to take steps within legal and regulatory constraints to increase the opportunities for minority business enterprises. The Principal Deputy Assistant Secretary also requested the responsible transportation operating agencies in DOD to review their methods of operation to determine what affirmative actions should be taken to comply with the executive order.

The Armed Services Procurement Regulation (ASPR 7-104.36) defines a minority business enterprise as a business where at least 50 percent is owned by minority group members, or in the case of a publicly owned business, at least 51 percent of the stock is owned by minority group members. The regulation defines American minority group members as Blacks, Spanish-speaking, Orientals, Indians, Eskimos, and Aleuts.

TRANSPORTATION MANAGEMENT RESPONSIBILITY

The Military Traffic Management Command (MTMC) is DOD's single manager for military traffic, land transportation, and common-user ocean terminals. As such, MTMC is responsible for all traffic management functions within the continental United States, including the purchase and use of commercial transportation services. MTMC negotiates rates, charges, or specialized carrier services with the carrier industry.

MTMC is a jointly staffed, major field command of the Department of the Army, with Headquarters in Washington, D.C., and Area Commands in Payonne, New Jersey (Eastern) and Oakland, California (Western). The Area Commands perform as military traffic managers over their assigned geographical areas and are operationally responsible for routing and distributing freight tonnage moving in carload and truckload lots. Area Commands are also responsible for routing export traffic into ocean terminals.

Additionally, each military installation has an Installation Transportation Officer responsible for routing less than carload and truckload shipments. Such routing is based on MTMC instructions and other transportation requirements. Although the Transportation Officers are staff members of the installation command, they are under the technical supervision of MTMC.

CHAPTER 2

OPPORTUNITIES FOR MINORITY MOTOR CARRIERS'

USE CAN BE INCREASED

In August 1976, DOD requested the military transportation agencies to determine what affirmative actions should be taken to increase the opportunities for minority firms to participate in DOD business. Only limited progress has been made since that time in developing an effective affirmative action program.

DOD purchased about \$167 million in transportation services from motor carriers during fiscal year 1977. Detailed information was not available on overall expenditures for services from minority carriers. However, minority motor carrier participation was minimal at the military installations we surveyed. We found the following basic reasons for the limited progress in the use of minority firms.

- MTMC and other military transportation organizations have not formulated an affirmative action program which sets specific objectives, goals, and courses of action.
- DOD and the transportation organizations have not placed continued emphasis on the program nor have they evaluated the progress made.
- Transportation regulations do not promote and sometimes inhibit opportunities for use of minority carriers.

MINIMAL MINORITY PARTICIPATION AT INSTALLATIONS VISITED

Our review at seven military field installations showed that minority motor carriers provided only a small portion of the transportation services. As shown below, a total of 20 minority carriers were used in calendar year 1977.

<u>Installation</u>	<u>Minority carriers</u>
Naval Supply Center, Oakland	13
Travis Air Force Base	5
MTMC Eastern Area Command	1
MTMC Western Area Command	1
Naval Air Station, Alameda	0
Naval Supply Center, Norfolk	0
Defense Logistics Agency, Cheatham Annex	<u>0</u>
Total	<u>20</u>

The number of minority carriers was very small in relation to the total number of carriers used by the installations. For example:

- The freight traffic division of the MTMC Eastern Area Command used 750 motor carriers for cargo transportation. Only one of the carriers was a minority.
- The freight department at Travis Air Force Base used 83 motor carriers for cargo transportation. Five of the carriers were minority and provided about 3 percent of the transportation services.
- The general freight service at Naval Air Station, Alameda, was provided by 39 carriers. None were minority.

We identified the minority carriers through discussions with transportation officials at the seven installations. In the case of the four west coast installations, we also compared listings of all carriers used by the installations with commercial directories of minority firms in California.

AFFIRMATIVE ACTION PROGRAM NEEDED

MTMC and the transportation offices located at the individual military installations included in our review do not have effective affirmative action programs. In addition, the adequacy of efforts being made were not being monitored or periodically evaluated.

The identification of a problem area and the setting of specific objectives, goals, and courses of corrective action are characteristic of an effective program. Periodic evaluations are another required characteristic.

MTMC efforts

MTMC has not developed a specific affirmative action program to increase minority participation in meeting its transportation needs. However, it has conducted various promotional activities which include

- holding seminars for minority truckers to inform them of the procedures for obtaining DOD business,
- publishing a booklet on "How to Do Business with DOD" and distributing it at the 1976 convention of the Minority Trucking-Transportation Development Corporation (a national minority transportation assistance organization), and
- providing assistance and information to minority truckers.

MTMC officials acknowledge they have not taken an aggressive role regarding the use of minority carriers and they recognize that an "open-door policy" is not sufficient. However, these officials believe they lack authority to mandate goals and question whether such goals could be realistically met within present transportation regulations. They further stated that the Congress needs to enact legislation to authorize use of goals for minority programs before DOD can effect an appreciable increase in the use of minority carriers.

The Commander, MTMC, stated the lack of a comprehensive list of qualified minority carriers has also hindered more effective action and that, once such a list is developed, a stronger effort will be made to use more minority carriers. In September 1976, MTMC requested the Small Business Administration (SBA) and the Department of Commerce's Office of Minority Business Enterprise to provide a list of minority carriers. The latter office in turn issued a grant to the Minority Trucking-Transportation Development Corporation for development of a listing. In March 1978, the list was finally published.

Although the listing was not available until March 1978, we found other sources which could have been used for identifying minority motor carriers. For example, a San Francisco commercial publisher, "Source Publications," developed a directory of minority businesses and a directory of minority truckers and contractors in California. These directories are available to Federal, State, and local officials; however, DOD transportation personnel we talked to were not aware of

their existence. Although we don't know how complete or accurate the directories are, they certainly would serve as a starting point for DOD in identifying minority carriers.

Local efforts

During our discussions with installation transportation officers, we found that most officers were not even aware of the DOD policy to increase opportunities for minority participation in meeting DOD's transportation needs. The transportation officers generally believed that any program to increase minority participation must be initiated at the MTMC headquarters level. They stated that, without more specific direction and guidance from MTMC, they have no authority to develop or implement an affirmative action program. Other reasons also given for not taking action were:

- Transportation regulations do not allow for giving special consideration to socially or economically disadvantaged small business.
- Transportation officers lack time to actively identify and inform minority truckers of DOD's transportation needs.
- Transportation officers consider the carriers responsible for taking the initiative to seek DOD business, obtain operating authority, and submit competitive rates.
- Transportation officers perceive no need for promotional efforts since the carriers currently being used provide adequate service.

Program evaluations

An affirmative action program must be periodically evaluated in order to determine progress and make corrective modifications. In response to the August 1976 request from the Assistant Secretary of Defense (Installations and Logistics), the various DOD transportation agencies provided information on their existing or planned actions to increase opportunities for the use of minority carriers. We found, however, that the Assistant Secretary did not provide written feedback of his views on the adequacy of action taken or the progress being made in meeting program goals.

Similarly, MTMC officials have not monitored the efforts made by the various military shipping offices to increase

opportunities for minority carriers. According to MTMC officials, they do not have the time and required funding to make such evaluations.

TRANSPORTATION REGULATIONS NEED REVISION

DOD transportation regulations do not specifically address the use of socially or economically disadvantaged small firms. The regulations require that satisfactory service, low cost, least fuel consumption, and equitable distribution of traffic be the bases--in descending order of importance--for selection of motor carriers. MTMC officials stated these criteria take precedence over any program to enhance and promote the use of minority motor carriers.

Nevertheless, we believe that the following three areas of the regulations could be revised or expanded to increase opportunities for use of minority carriers:

- Supporting motor carrier applications for operating authority.
- Using contract carriers.
- Contracting under section 8(a) of the Small Business Act.

Carrier application support

In order to transport military cargo interstate, a common or contract carrier must get authority from the Interstate Commerce Commission. To get this authority, the carrier must obtain shipper support for his application from DOD. MTMC officials stated that because DOD has a limited need for new carriers, very few minority applications have been supported.

Before DOD will support an application, local installation transportation officers are required to evaluate the adequacy of all transportation modes. If the officer determines the existing service is adequate, the application is not recommended to MTMC for approval. If existing service is considered to be inadequate, the transportation officer must prepare a detailed supporting package before submitting an application to MTMC for approval. Among other things, the package must contain the following information:

- A complete statement describing the inadequacy of service. The statement is to cover exact commodity

descriptions of cargo involved; whether any carriers hold operating authority; infrequency of schedules and untimely schedules; inadequacy of interline connections; lack of cargo space; any characteristics requiring special equipment or services; any local conditions affecting shipments; and whether service required is permanent, temporary, or limited in nature.

- A statement concerning the mission and functions of the installation.
- Documented evidence of specific instances where carriers failed to furnish adequate service and the carriers' reasons for failure to perform.
- Documented evidence of any action taken with existing carriers in an effort to obtain improved performance.
- A summary of the total volume of actual and potential traffic involved.
- The names, titles, and a brief description of the duties of the individuals best qualified to testify as to the foregoing information and other related matters.

This package is then furnished to MTMC which makes the final determination of whether an application will be supported by DOD.

The extensive detailed information required by the transportation regulations to support applications discourages the transportation officers from initiating this support. An official of the Interstate Commerce Commission told us that this amount of detail is not required in all cases. As an example he stated that less evidence is required where an application is unopposed by other carriers.

Allowing transportation officers more flexibility in determining the amount of detailed information required should increase their willingness to support new carrier applications.

There is a certain amount of subjectivity at both the local and MTMC levels in the determination of adequacy of existing service. By opening up the DOD business to new carriers, DOD might well improve service and at the same time increase the opportunities for minority motor carriers.

Use of contract carriers

The Interstate Commerce Act provides that common carriers serve the general public and contract carriers serve the peculiar needs of a particular shipper or a limited number of shippers.

Although contract carriers can be used to meet transportation needs, DOD regulations state that a carrier must first execute a contract with MTMC. This additional requirement, in effect, encourages military transportation officers to use the services of common carriers to meet their transportation needs.

In actuality, DOD almost always uses common carriers. Officials of the Minority Trucking-Transportation Development Corporation told us, however, that most minority motor carriers are contract carriers since it is considerably easier and less expensive to become a contract carrier certified by the Interstate Commerce Commission.

The use of contract carriers may require some additional work on the part of installation transportation officers and MTMC but this would enable DOD to increase opportunities for minority motor carriers to participate in DOD business.

Utilization of section 8(a) program

Section 8(a) of the Small Business Act of 1953 gives SBA the authority to enter into procurement contracts with Federal agencies and, in turn, subcontract the work to small businesses. SBA has used this authority to develop a program designed to assist socially or economically disadvantaged small businesses in achieving a competitive business position.

In awarding a section 8(a) subcontract, SBA hopes to provide a firm with enough work to operate at a profitable level while developing its own commercial and Government sales. SBA obtains from Federal agencies prime contracts that ordinarily would be competitively awarded. The contracts are negotiated first between the Federal agency and SBA (prime contractor) and then between SBA and the section 8(a) firm (subcontractor).

Since disadvantaged section 8(a) firms are frequently not able to provide services at a cost as low as the fair market value, the Congress has appropriated Business Development Expense funds to pay the difference. Although DOD officials told us that the section 8(a) program could be used

for increasing minority carrier use, we found none of the military installations visited had used the program for transportation services.

This program is another alternative which DOD should more strongly consider in developing opportunities for minority carriers. DOD should pursue this matter with SBA.

CHAPTER 3

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY

COMMENTS AND OUR EVALUATIONS

CONCLUSIONS

Although DOD has issued policy guidance aimed at increasing opportunities for minority motor carriers to participate in DOD business, we found that progress has been limited. During our discussions, a number of reasons were given for the limited efforts. They ranged from not knowing there is a DOD policy to increase opportunities for minority carriers to the need for the Congress to authorize the use of goals for minority programs.

However, irrespective of the reasons for past nonaction, we believe it now is time to take positive actions if DOD is going to meet the intent of Executive Order 11625 and the August 1976 statement of DOD policy.

The prior chapter enumerates some areas for improvement. These areas primarily relate to establishment of affirmative action programs and revisions to DOD transportation regulations.

RECOMMENDATIONS

We recommend that the Secretary of Defense reaffirm DOD's intent to increase opportunities for minority businesses to participate in its transportation program and monitor the progress being made. We also recommend that the Secretary have the Commander, MTMC, develop an affirmative action program which will:

- Set specific objectives, goals, and methodologies for increasing the use of minority motor carriers.
- Provide for a periodic evaluation process and a monitoring procedure to insure attainment of desired goals.

We further recommend that the Secretary of Defense have the Commander, MTMC, revise the DOD transportation regulations so that they will

- be less restrictive in supporting new carrier applications for operating authority,

--increase the consideration given to use of contract carriers, and

--encourage contracting under section 8(a) of the Small Business Act.

AGENCY COMMENTS AND OUR EVALUATIONS

We furnished a preliminary draft of this report to officials of MTMC and the Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) and obtained informal comments. The officials agreed that more could be done to increase opportunities for minority carriers and furnished their views on each of our recommendations.

The officials noted that the Secretary of Defense, in a memorandum dated October 31, 1977, had reaffirmed DOD's support for the promotion of minority business development. This is a good document on the need to increase the use of minority firms in general but it does not specifically discuss the use of minority carriers in the DOD transportation program.

In view of the limited progress made in the past, we believe that there still is a need to specifically and formally tell transportation management officials at all levels about the DOD commitment to increase minority carrier participation in Defense business. In this regard, DOD officials did agree that there is a need for emphasizing to its field activities the Department's policy on the use of minority carriers.

Officials stated that MTMC is now formalizing an affirmative action plan that will be used as a model throughout DOD on actions to be taken to improve opportunities for minority carriers.

They also stated that DOD planned to revise the transportation regulations. One amendment will reflect the provisions and intent of Executive Order 11625. According to the officials, revisions also may be necessary to clarify and strengthen guidance concerning support of minority applications to do business with DOD.

The officials cited complexities in supporting applications and using contract carriers but indicated that they were working to overcome the difficulties. Regarding the section 8(a) program, the officials stated that as a start they are pursuing the use of this program in the area of unregulated local drayage contracts.

The comments of the DOD officials indicate that many positive actions are planned or have already been initiated. Completion and implementation of these actions should increase the opportunities for minority carriers to participate in DOD business.

CHAPTER 4

SCOPE OF REVIEW

We reviewed DOD's policy and implementing actions as they relate to minority motor carrier participation in DOD transportation and meeting the tenets of Executive Order 11625. We reviewed regulations, examined records, and interviewed officials at the following DOD organizations:

- Office of Assistant Secretary of Defense (formerly Installations and Logistics, now Manpower, Reserve Affairs and Logistics).
- Headquarters, MTMC.
- Headquarters, Military Sealift Command.
- Eastern and Western Area Commands, MTMC.
- Atlantic and Pacific Regions, Military Sealift Command.
- Naval Supply Center, Oakland, California.
- Naval Supply Center, Norfolk, Virginia.
- Naval Air Station, Alameda, California.
- Travis Air Force Base, Travis, California.
- Defense Logistics Agency, Cheatnam Annex, Williamsburg, Virginia.

Other Federal agencies contacted included the:

- General Services Administration.
- Small Business Administration.
- Department of Commerce's Office of Minority Business Enterprise.
- Interstate Commerce Commission.

We also contacted the Minority Trucking-Transportation Development Corporation, various minority motor carriers, and commercial ocean carriers providing DOD transportation services.

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