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**REPORT TO THE SUBCOMMITTEE
ON MANPOWER AND CIVIL SERVICE
COMMITTEE ON POST OFFICE
AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES**

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**Cost Of Using Civil Service Versus
Contractor Labor For Loading
And Unloading The GTS Admiral
William M. Callaghan At The
Military Ocean Terminal,
Bayonne, New Jersey**

B-171695

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

904584

090510

JUNE 21, 1972





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-171695

Dear Mr. Chairman:

This is our report on the cost of using civil service versus contractor labor for loading and unloading of the GTS ADMIRAL WILLIAM M. CALLAGHAN at the Military Ocean Terminal, Bayonne, New Jersey. The work was done pursuant to your request of May 20, 1971.

Senators Clifford P. Case and Harrison A. Williams, Jr., and Representative James J. Howard requested similar cost studies; we are also sending them copies of this report.

Sincerely yours,

James P. Stacks

Comptroller General
of the United States

The Honorable David N. Henderson
Chairman, Subcommittee on
Manpower and Civil Service
Committee on Post Office and
Civil Service
House of Representatives

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ABBREVIATIONS

GAO	General Accounting Office
ILA	International Longshoremen Association
MOTBY	Military Ocean Terminal, Bayonne
MSC	Military Sealift Command
MTMS	Military Traffic Management and Terminal Service
NFFE	National Federation of Federal Employees
POVs	Privately owned vehicles
RO/RO	Roll on/roll off

D I G E S T

WHY THE REVIEW WAS MADE

1 Under a new stevedoring contract which became effective April 1, 1971, some of the cargo-handling functions at the Military Ocean Terminal, Bayonne, New Jersey, were transferred from civil service employees to contractor employees. (See p. 3.) 294

The president of the National Federation of Federal Employees complained to the House Subcommittee on Manpower and Civil Service, Committee on Post Office and Civil Service, about the transfer. The issue centered on the loading and unloading of the vessel, the GTS ADMIRAL WILLIAM M. CALLAGHAN. The union official contended that the transfer would result in additional costs to the Government. (See p. 3.)

2 The Commander, Military Traffic Management and Terminal Service, took the position that economies would result and cited several other factors to support the transfer. (See p. 3.) D.1652

The Subcommittee requested the General Accounting Office (GAO) to consider the issues raised by the National Federation of Federal Employees and the matters discussed by the Military Traffic Management and Terminal Service. (See p. 4.)

FINDINGS AND CONCLUSIONS

It is less costly to use civil service labor than contractor labor to accomplish the load and discharge functions that were transferred. For example, at the activity level experienced in the two port calls made by the CALLAGHAN in March 1971, we estimated that these functions would cost about \$24,600 using civil service labor as opposed to about \$31,000 using contractor labor.

Although the Commander, Military Traffic Management and Terminal Service, stated that participation in the CALLAGHAN activities by civil service employees had resulted in significant overtime to perform their regular functions and that such participation had disrupted terminal operations, GAO was unable to find any evidence to support this contention. (See p. 10.)

Officials of the Military Ocean Terminal and the Military Traffic Management and Terminal Service were advised of GAO's findings but were not asked to comment on a draft of this report. (See p. 10.)

In addition to the above, GAO inquired into other related areas. They concerned

- original load and discharge policies (see p. 17),
- reductions in civil service positions at the terminal (see p. 18),
- factors that might affect the future cost of contractor labor (see p. 18), and
- use of general schedule labor instead of wage grade labor (see p. 20).

CHAPTER 1

INTRODUCTION

On April 15, 1971, the president of the National Federation of Federal Employees (NFFE) in letters to the House Subcommittee on Manpower and Civil Service, Committee on Post Office and Civil Service, and to the Commander, Military Traffic Management and Terminal Service (MTMTS), complained about the transfer of certain cargo-handling functions from civil service employees to contractor employees. The functions in question concerned the loading and unloading of the vessel, the ADMIRAL WILLIAM M. CALLAGHAN, at the Military Ocean Terminal, Bayonne (MOTBY). NFFE questioned the economies of such a transfer and indicated that the action would result in a substantial increase in costs to the Government. (See apps. I and II.)

MTMTS' response to NFFE (see app. III) explained the transfer, as follows:

- The original policy was to load and unload the vessel with contractor employees. When the CALLAGHAN was diverted to MOTBY from Philadelphia, Pennsylvania, in August 1968, however, contractor employees were not experienced in driving heavy military trucks and tracked vehicles, such as bulldozers, tanks, flame-throwers, and armored personnel carriers. Therefore civil service employees were detailed during a learning period to assist in the loading and unloading of the vessel. The stevedore union consented to this arrangement.
- Contractor employees have since gained sufficient experience to drive all types of vehicles properly and safely.
- Prior to the transfer of functions to contractor employees, it was necessary to disrupt other terminal activities at MOTBY to divert sufficient civil service employees to assist in the CALLAGHAN operations. The transfer has eliminated the need for MOTBY to provide civil service employees on an overtime basis

for the CALLAGHAN operations and for its regular functional areas. This avoidance of overtime has resulted in an overall reduction in costs to the Government.

--On the basis of the rate charged by the contractor for the functions involved, it is less expensive to use contractor labor than Government labor by virtue of contractor flexibility to adjust work force to work load. Stevedores are paid only for hours actually worked rather than for work done on a full-time basis.

On May 18, 1971, NFFE furnished the Subcommittee a copy of the letter it had received from MTMTS. (See app. IV.)

On May 20, 1971, the Subcommittee on Manpower and Civil Service requested that GAO give consideration to the issues raised by NFFE and to the matters discussed by MTMTS.

BACKGROUND

The CALLAGHAN is a high-speed, roll-on/roll-off (RO/RO) type cargo vessel operated by the Military Sealift Command (MSC). Under the RO/RO concept, wheeled vehicles ranging from heavy tanks and trucks to automobiles are loaded and unloaded under their own power. A picture of the CALLAGHAN is shown on the next page.

The CALLAGHAN operates between MOTBY and Bremerhaven, Germany. The round trip requires about 14 days; so the vessel makes about two port calls at MOTBY each month. Its cargo generally consists of privately owned vehicles (POVs), various military vehicles (wheeled and tracked), and some general cargo. Most of the vehicles are driven or towed on and off the vessel, but a significant number are lifted on and off the top deck. (See pictures on pp. 7, 8, and 9.) The CALLAGHAN is generally completely discharged and reloaded at MOTBY in about 20 hours.

Prior to April 1, 1971, contractor employees discharged and loaded POVs and military vehicles up to 2-1/2 tons,

U.S. ARMY PHOTOGRAPH

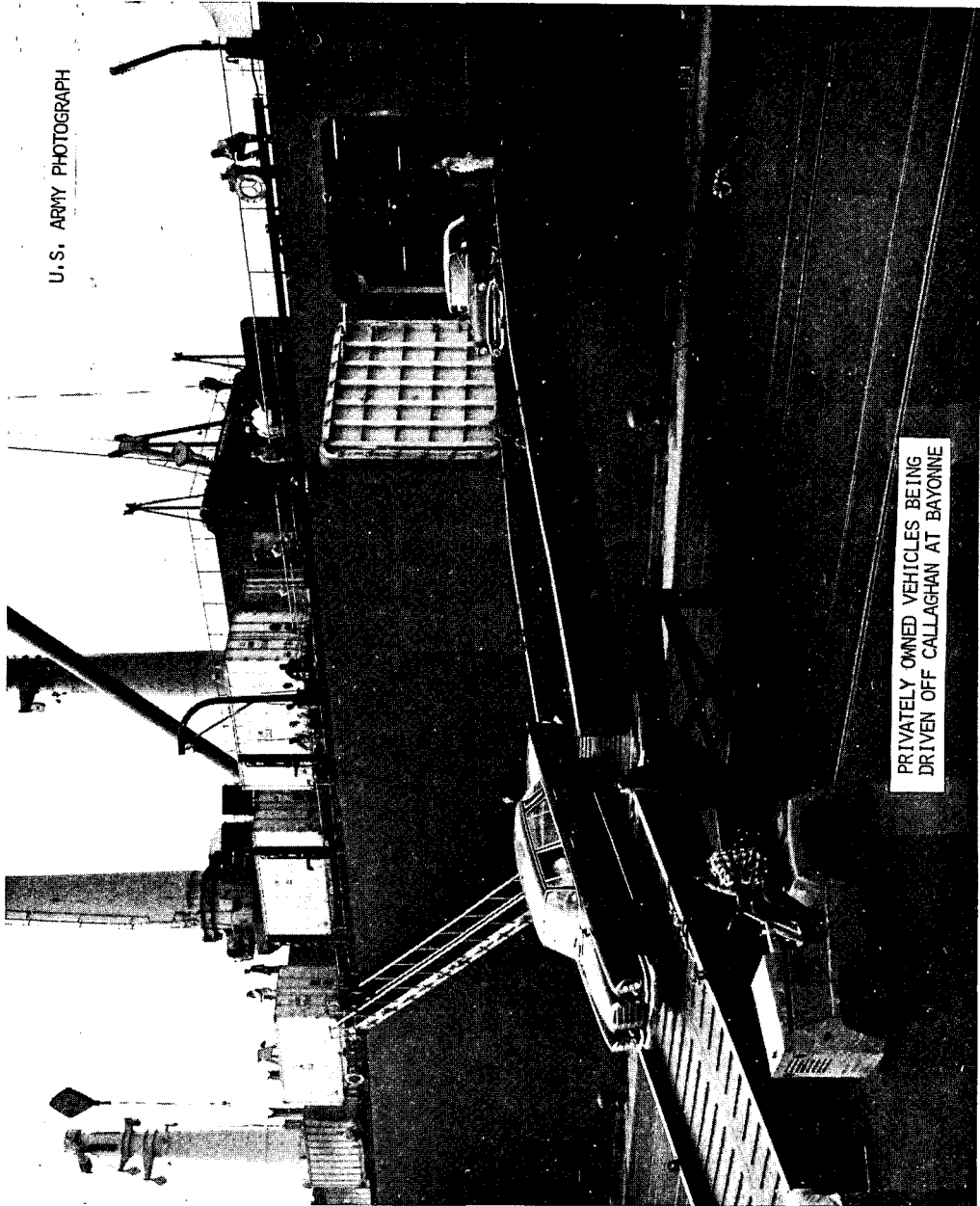


THE CALLAGHAN DOCKED AT THE MILITARY OCEAN TERMINAL, BAYONNE, NEW JERSEY,
WITH MILITARY VEHICLES BEING DRIVEN ABOARD THROUGH STERN HATCH.

lashed and unlashed all vehicles,¹ and checked all vehicles. Civil service employees discharged and loaded the heavier (2-1/2 tons and over) military wheeled and tracked vehicles and manned several support functions. Contractor employees were used for lifting cargo on and off the vessel; however, civil service provided the crane operators, barge-derrick crew, and signal men for these operations. About 88 percent of the labor costs associated with loading and unloading the CALLAGHAN were for contract labor.

Under the stevedoring contract which became effective April 1, 1971, some of the functions previously performed by civil service employees were assumed by the contractor. A chart showing the responsibilities of civil service and contractor labor before and after April 1, 1971, is included as appendix V.

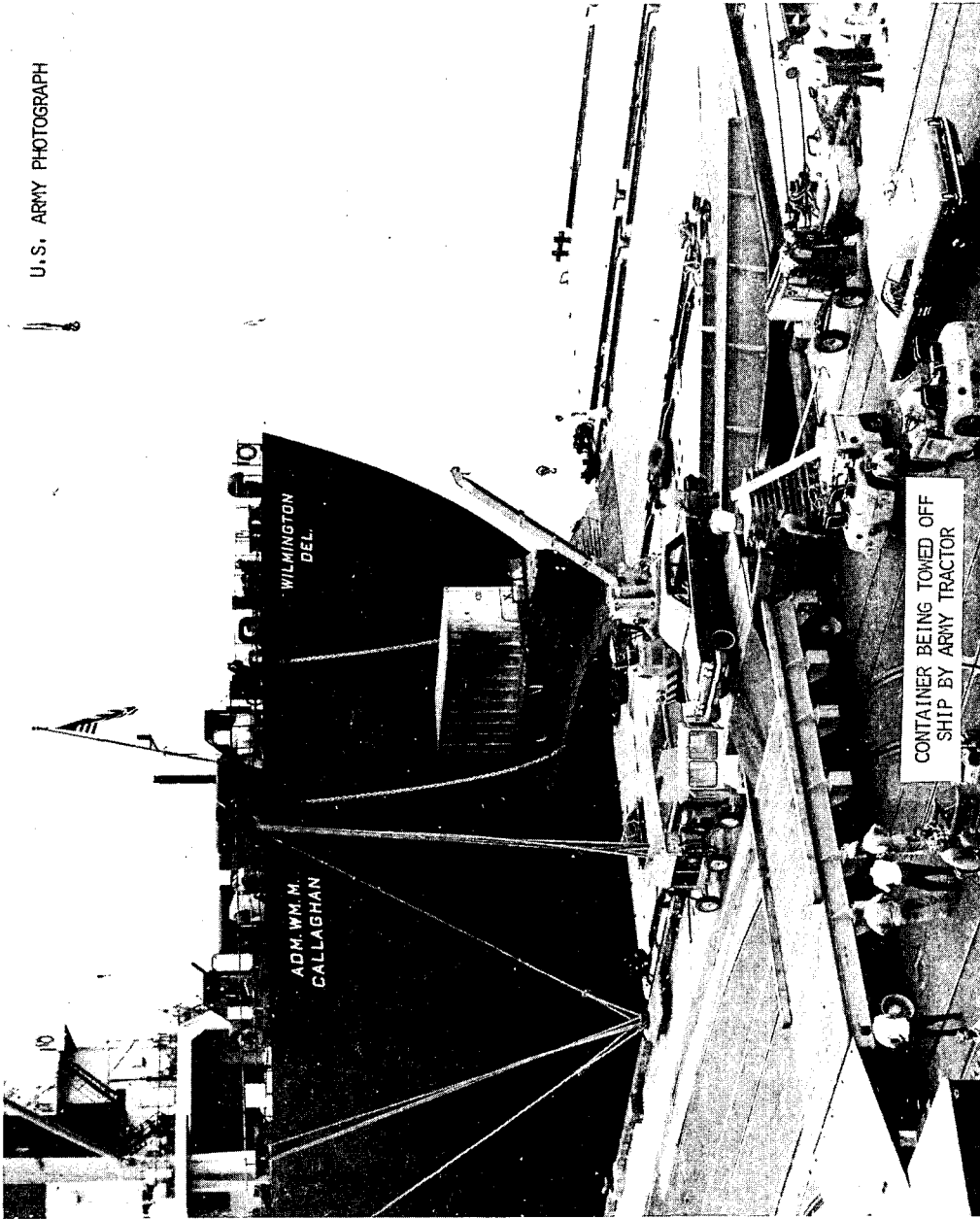
¹The securing and releasing of vehicles on the deck of the vessel.



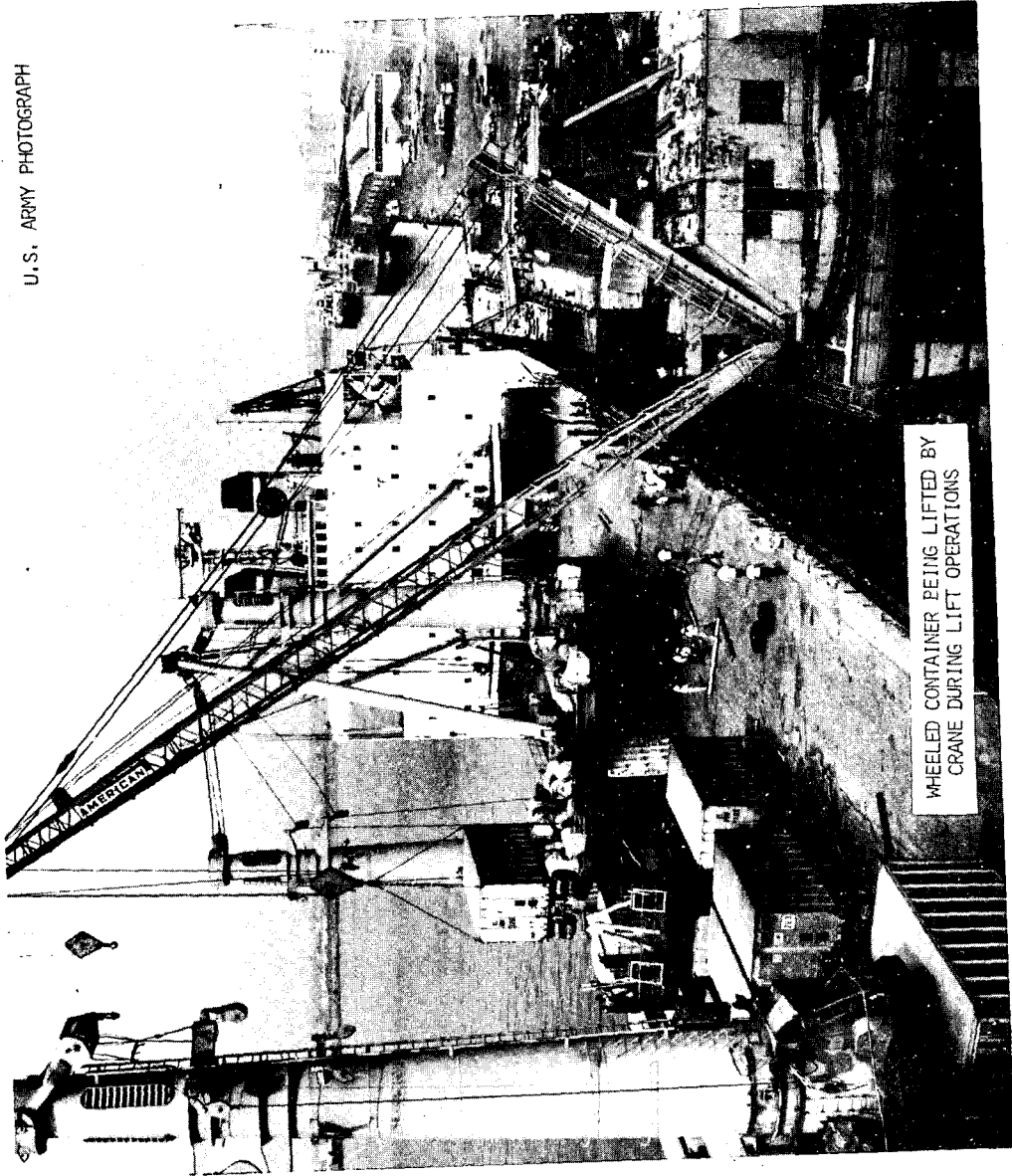
U.S. ARMY PHOTOGRAPH

PRIVATELY OWNED VEHICLES BEING
DRIVEN OFF CALLAGHAN AT BAYONNE

U.S. ARMY PHOTOGRAPH



U.S. ARMY PHOTOGRAPH



WHEELED CONTAINER BEING LIFTED BY
CRANE DURING LIFT OPERATIONS

CHAPTER 2

USE OF CIVIL SERVICE LABOR

LESS COSTLY THAN CONTRACTOR LABOR

Our analysis of costs involved to perform the functions transferred to the contractor operation showed that civil service labor costs less than contractor labor to accomplish these functions. For example, at the activity level experienced in the two port calls made by the CALLAGHAN in March 1971, we estimated that these functions would cost about \$24,600 using civil service labor as opposed to about \$31,000 using contractor labor.

We found no evidence that participation in the CALLAGHAN activities by civil service employees had resulted in significant overtime to perform their normal functions or that such participation had disrupted terminal operations.

These matters were discussed with officials of MOTBY and MTMTS, but they were not asked to comment on a draft of this report.

MORE ECONOMICAL FOR CIVIL SERVICE EMPLOYEES TO HANDLE TRANSFERRED FUNCTIONS

Three functions were transferred from civil service to the contractor: (1) processing POVs, (2) driving certain military vehicles off the vessel, and (3) driving certain military vehicles on the vessel.

We analyzed the applicable cost and tonnage data for the two CALLAGHAN port calls in March 1971--the last month in which civil service employees were responsible for the transferred load and discharge operations. We compared the cost of performing the above functions using civil service labor, adjusted to reflect a wage increase effective April 4, 1971, with an estimate of what it would have cost to use contractor labor at contractor rates which became effective April 1, 1971. We found that the civil service operations cost about \$6,400 less for this particular month.

Our cost comparison was based on an analysis of costs charged to the MOTBY activity cost codes concerned with the CALLAGHAN load and discharge operations. As agreed with the Subcommittee on Manpower and Civil Service, Committee on Post Office and Civil Service, we did not attempt to compute and include certain other cost factors, such as estimated Federal corporate tax revenues foregone and unfunded civil service retirement costs, that usually are considered when comparing the value of a civil service operation with that of a contractor operation. These items were not included because these amounts would be negligible and would not have a material effect on the cost differential.

Details of our calculation are shown in the schedules which follow.

<u>Port call March 10 and 11, 1971</u>	<u>Cost using civil service and contractor labor (prior to transfer)</u>	<u>Estimated cost using contractor labor only (after transfer)</u>
Discharge:		
Civil service labor to process POVs and drive off 1,628 measurement tons of military vehicles (a combined cost)	\$ 1,337	
Add civil service wage increase of 13% effective April 4, 1971, to adjust to current rates	174	
Contractor costs to unlash and check military vehicles at extra labor rates	126	
Contractor premium pay and/or waiting cost	35	\$ 35
Contractor costs to process POVs at extra labor rates		752
Contract commodity rate cost to discharge 1,628 measurement tons of military vehicles		<u>1,695</u>
Total discharge	<u>1,672</u>	<u>2,482</u>
Load:		
Civil service labor costs to drive on 15,066 measurement tons of military vehicles	2,336	
Add civil service wage increase of 13% effective April 4, 1971, to adjust to current rates	304	
Contractor cost to lash and check vehicles at extra labor rates	6,309	
Contractor premium pay and/or waiting cost for lashers and checkers	1,478	1,693 ^a
Contractor commodity rate costs to load 15,066 measurement tons of military vehicles		<u>12,242</u>
Total load	<u>10,427</u>	<u>13,935</u>
Total port call	<u>\$12,099</u>	<u>\$16,417</u>

^aAlso includes estimated premium pay for contractor drivers.

	Cost using civil service and contractor labor (prior to transfer)	Estimated cost using contractor labor only (after transfer)
<u>Port call March 26 and 27, 1971</u>		
Discharge:		
Civil service labor to process POVs and drive off 1,442 measurement tons of military vehicles (a combined cost)	\$ 1,006	
Add civil service wage increase of 13% effective April 4, 1971, to adjust to current rates	131	
Contractor costs to unlash and check military vehicles at extra labor rates	396	
Contractor premium pay and/or waiting costs	62	\$ 62
Contractor costs to process POVs at extra labor rates		717
Contract commodity rate cost to discharge 1,442 measurement tons of military vehicles		<u>1,500</u>
Total discharge	<u>1,595</u>	<u>2,279</u>
Load:		
Civil service labor costs to drive on 12,116 measurement tons of military vehicles	1,859	
Add civil service wage increase of 13% effective April 4, 1971, to adjust to current rates	242	
Contractor cost to lash and check vehicles at extra labor rates	5,309	
Contractor premium pay and/or waiting costs for lashers and checkers	1,868	2,217 ^a
Contractor commodity rate cost to load 12,116 measurement tons of military vehicles		<u>9,904</u>
Total load	<u>9,278</u>	<u>12,121</u>
Total port call March 26 and 27, 1971	<u>10,873</u>	<u>14,400</u>

SUMMARY

Total port call March 10 and 11, 1971	\$12,099	\$16,417
Total port call March 26 and 27, 1971	10,873	14,400
Add cost incurred in March 1971 not identified by port call:		
Civil service equipment utilization for RO/RO activities	1,354	
Contractor use of Government equipment		182
Civil service overtime in normal functional area due to CALLAGHAN activities--40 hours	<u>300</u>	
Total both port calls	<u>\$24,626</u>	<u>\$30,999</u>
Difference		<u>\$6,373</u>

^a Also includes estimated premium pay for contractor drivers.

Civil service employees who work on the CALLAGHAN are drawn from two sections of the Maintenance Branch of the Equipment Division. Of the total 1,082 civil service man-hours worked on the CALLAGHAN operations during March 1971, 613 were during normal working hours and were charged at straight-time rates. The remainder of civil service time was incurred on Saturday or after regular hours and was charged at overtime rates.

Diversion of civil service employees to the CALLAGHAN operation during normal working hours did cause overtime by the two sections of the Maintenance Branch to make up for work backlogged during the period of the diversion. For March 1971 these two sections incurred 40 hours of overtime as a result of CALLAGHAN activities. We have charged the combined civil service and contractor operations at the overtime rates for these 40 hours of reciprocal overtime attributable to the CALLAGHAN operations. A review of overtime hours expended by these two sections in previous months, however, showed that March 1971 may not have been a typical month. Prior months showed a greater amount of overtime in these two sections and indicated that the CALLAGHAN had a greater impact on normal activities during these months.

The following table shows that, even if each straight-time man-hour diverted to CALLAGHAN operations caused an overtime man-hour in normal activities, the civil service operation in March 1971 would still have cost about \$6,100 less than if the transferred functions had been performed entirely by contractor labor.

<u>Explanation</u>	<u>Estimated amounts</u>	
	<u>Increase or</u>	
	<u>decrease(-)</u>	
Cost of using contractor labor exclusively as shown in schedule on page 12		\$30,999
Cost of combined labor as shown in schedule on page 12	\$24,626	
Less 40 hours overtime included in schedule on page 12	-300	
Less civil service straight time for RO/RO activities	-4,228	
Add civil service straight-time hours at overtime rate	<u>4,783</u>	
Total	<u>\$24,881</u>	<u>\$30,999</u>
Additional cost using contractor labor		<u>\$6,118</u>

As discussed in the following section, we believe that, when spread over the entire work force of the two sections, civil service participation does not result in significant overtime or disruption of normal activities.

PARTICIPATION IN CALLAGHAN ACTIVITIES
HAD LITTLE EFFECT ON TERMINAL OPERATIONS

The Commander, MTMTS, in his response to NFFE, stated that the participation of civil service employees in CALLAGHAN activities not only disrupted normal terminal functions but also resulted in overtime in regular functional areas. He indicated that the contractor, on the other hand, had the flexibility to adjust its work force to the work load. (See app. III.)

We found that, prior to April 1971, civil service employees had been diverted from their normal duties to load and discharge the CALLAGHAN. We found, however, no evidence that participation in CALLAGHAN activities by civil service employees had resulted in significant overtime to perform their normal functions or that it had disrupted normal terminal operations.

Employees for the CALLAGHAN are drawn from the Maintenance Branch of the Equipment Division. The Chief of the Equipment Division informed us that he did not have sufficient personnel to support the CALLAGHAN activities and still adequately perform his primary mission--vehicle maintenance--without a serious maintenance backlog as a result. He indicated to us that he supported the decision to transfer civil service functions to the contractor. He was, however, unable to furnish us with any documentary evidence to support his contention. He could not furnish any reports or memorandums indicating the inability of the civil service work force to support both CALLAGHAN operations and normal vehicle maintenance work.

The Chief of the Maintenance Branch informed us, however, that the branch was capable of supporting both CALLAGHAN operations and regular maintenance activities. He stated that any maintenance backlog created by the CALLAGHAN was generally corrected in a day or two without incurring significant overtime. He stated also that work on the CALLAGHAN was frequently done on weekends when civil service employees would not be required for normal branch activities. The Chief of the Heavy Equipment and Processing Section which is one of the sections in the Maintenance Branch that supplies personnel informed us also

that the current civil service work force was capable of performing the CALLAGHAN functions in addition to normal section activities.

Our analysis of March 1971 records showed that the two sections involved in the CALLAGHAN activities used 40 hours of overtime, excluding CALLAGHAN work. An analysis for a 3-month period, December 1970 through February 1971, for these sections showed an average of 183 overtime hours each month that could be attributed to a backlog of maintenance work as a result of CALLAGHAN activities. This averaged out to less than 4 overtime hours a man for each month. If there was absolutely no capability in these two sections to absorb any of the CALLAGHAN operations so that each straight-time hour devoted to the CALLAGHAN resulted in a reciprocal hour of overtime for regular work, this would average about 12 overtime hours a man for each month. We do not believe that this rate of overtime is significant enough to be considered a disruption of normal terminal functions.

We found that, in the contractor operation, the contractor did have the flexibility, to some extent, to adjust the size of the daily stevedore work force to meet daily vessel requirements. MOTBY officials informed us, however, that the stevedore labor pool at MOTBY was definitely limited. Pier operations officials informed us that the increased use of contractor labor for warehouse operations had reduced the availability of stevedores to load and discharge vessels.

The CALLAGHAN, because of its high operating cost (about \$20,000 a day), has the highest load and discharge priority at the installation. Consequently, when the CALLAGHAN is in port during periods of heavy dock activity, stevedores are pulled from other vessels, and in some instances from the warehouses, to provide sufficient manpower to work the CALLAGHAN.

We obtained the estimated time of departure for other vessels being loaded and discharged at MOTBY during two CALLAGHAN port calls. We then determined whether contractor work gangs were diverted from these vessels to the CALLAGHAN

and whether, as a result, ship departures were delayed. In one instance, a ship departure was delayed for about a day but we could not relate the delay directly to the diversion of the work gang to the CALLAGHAN.

CHAPTER 3

OTHER RELATED MATTERS

We believe that, in addition to the comparative cost data included in chapter 2, the following information will be of interest to the Subcommittee.

ORIGINAL LOAD AND DISCHARGE POLICY

In explaining the transfer of operations to contractor employees, the Commander, MTMS, stated that:

"The original policy for the operation of the ADMIRAL CALLAGHAN *** was to load and unload the ship with contractor personnel and this was done prior to the diversion of the ship to Military Ocean Terminal, Bayonne."

Initially the CALLAGHAN was loaded and discharged exclusively by the contractor employees at the Northern Metal Company terminal in Philadelphia. The Northern Metal Company, a contractor facility, operated the Philadelphia outport for MTMS. According to an MTMS cost study dated January 2, 1970, the Northern Metal Company was selected as the home port for the CALLAGHAN during the initial 6-month period of its operation because of its proximity to the constructing shipyard.

MOTBY officials indicated that when RO/RO vessels began operating from the Military Ocean Terminal¹ in Brooklyn, New York, civil service employees drove all vehicles on and off the vessel. The International Longshoremen Association (ILA), however, requested a part of this work load. Consequently ILA stevedores assumed responsibility for discharging and loading POVs and lighter military vehicles on and off the RO/RO vessels.

Thus the load and discharge responsibilities that ultimately developed for all RO/RO vessels, including the

¹These operations were transferred to MOTBY in December 1966.

CALLAGHAN, were for contractor labor to drive the lighter military vehicles and POVs and for civil service to drive the heavier military vehicles. This arrangement remained applicable to the CALLAGHAN operations until April 1971.

REDUCTION IN CIVIL SERVICE POSITIONS AT MOTBY

On September 28, 1971, the Commander of MOTBY was informed by Eastern Area, MTMTS, that the authorized civil service personnel strength at MOTBY had to be reduced by 102 positions by the end of fiscal year 1972. Further, the Director of Personnel and Administration, Eastern Area, MTMTS, stated that consideration should be given to identifying vacant positions immediately, to the maximum extent possible, so that a reduction in force later in the fiscal year would not be required.

The Commander, MOTBY, informed us that, pursuant to this directive, MOTBY planned to reduce the Equipment Division work force by 25 driver positions and the Cargo Division by 75 positions. As a result of this proposed action, MOTBY intends to relinquish to the contractor the operation of three warehouses which are now worked by civil service employees, including the remaining warehouse where civil service employees continue to load containers. GAO has issued a report to the House Subcommittee on Manpower and Civil Service that compares and contrasts civil service and contractor container loading. (B-171695, Jan. 25, 1972.)

An official at MOTBY told us that Headquarters, MTMTS, through Eastern Area, MTMTS, is forcing MOTBY to contract out for additional terminal functions by continually reducing the authorized civil service manpower ceilings at MOTBY.

FACTORS THAT MIGHT AFFECT THE COST OF FUTURE CONTRACTOR LABOR

The comparative cost figures used in this report were adjusted to reflect a civil service wage increase effective

April 4, 1971. Because certain issues related to the cost of contractor labor were unresolved at the completion of our fieldwork in December 1971, no consideration could be given to these factors. These factors, however, could result in increased cost to the Government for contract labor, as discussed below.

International Longshoreman Association wage request

As reported by the news media, the contract between ILA and employers expired on September 30, 1971, without the negotiation of a new contract. This resulted in a 59-day east coast and gulf coast dock strike that began October 1, 1971. When negotiations broke down on November 23, 1971, longshoremen were ordered back to work on November 29, 1971, for an 80-day cooling-off period under the provisions of the Taft-Hartley Act.

The news media reported that ILA had requested a basic hourly wage rate of \$7.50 (a 63-percent increase over the present basic hourly wage rate of \$4.60) with 6 hours a day at the \$7.50 rate and 2 hours at time and a half or \$11.25 an hour. ILA demands include double time of \$15 an hour instead of the current time and a half for overtime work. It was also reported that the union was requesting a continuation of the guaranteed annual income. This would guarantee longshoremen a minimum of 2,080 hours' pay each year whether work was available or not.

An Eastern Area, MTMTS, official informed us that, if ILA wage requests were met, the cost of contract labor would increase by about 70 percent. Regardless of whether all demands are met, any settlement will almost certainly increase contract labor costs.

New stevedore contract

In November 1971 the contractor, International Terminal Operating Co., Inc., informed MOTBY officials that it was terminating the then-current stevedoring contract as of January 21, 1972. The contractor claimed that a new cargo documentation system, initiated by MTMTS subsequent to the award of the then-current stevedoring contract, significantly reduced productivity in the container-loading operation and

thereby made it impossible for the contractor to perform at the contract commodity rates.¹

The new documentation system did not affect the CALLAGHAN operation. The entire stevedoring contract, including CALLAGHAN activities, however, was offered again for bid and a new contract was awarded in January 1972. We did not determine what effect the new contract would have on costs to the Government for CALLAGHAN operations, because the basis for payment under the new contract could not be compared with the basis for payment under the old contract.

USE OF GENERAL SCHEDULE PERSONNEL
INSTEAD OF WAGE GRADE LABOR

The president of NFFE, in a letter dated May 18, 1971, to the Staff Director, Subcommittee on Manpower and Civil Service, indicated that MOTBY continually used GS employees to perform wage grade duties on an overtime basis and thereby unnecessarily increased costs.

Our review showed that the bulk of overtime work was done by wage grade employees. Some GS employees, however, had performed wage grade duties on overtime. For example, security guards (GS-4's) assisted in the container-loading operation on overtime and a GS-5 Cargo Division employee had in the past performed, and is currently performing, wage grade duties on overtime. In the latter case the employee was a former warehouseman and therefore was familiar with warehouse operations.

Some wage grade employees interviewed declined overtime work for various reasons. They informed us, however, that they were offered the opportunity to work overtime and that they were satisfied with the manner in which overtime had been distributed.

MOTBY officials maintained that GS employees, grades 9 through 11, were generally used in a supervisory capacity. The officials informed us that these employees might, on

¹Commodity rates, a stipulated rate for each unit of cargo handled.

occasion, perform wage grade functions; however, this is done only to complete the work on a timely basis.

We noted that the use of GS employees at MOTBY did not materially affect costs and that they were used to supplement rather than replace wage grade employees.

CHAPTER 4

SCOPE OF REVIEW

Our review included an examination of pertinent records and documents; observations of activities; and discussions with responsible military and civilian transportation officials, representatives of the International Terminal Operating Co., Inc., NFFE, and the American Federation of Government Employees. Our work was done during the period June 14, 1971, to December 31, 1971.

We did work at the following locations.

- Military Ocean Terminal, Bayonne, New Jersey.
- Headquarters, Eastern Area Military Traffic Management and Terminal Service, Brooklyn, New York.

G-1550

April 15, 1971

Mr. Bun B. Bray, Jr.
Staff Director, Subcommittee on
Manpower and Civil Service
Committee on Post Office & Civil Service
House of Representatives
Washington, D.C. 20515

Dear Bun:

This refers to a continuing problem of contracting-out at the Military Ocean Terminal Bayonne, New Jersey. Your knowledge and past actions in these matters have been extremely helpful in gaining relief from the steady pace of the Army in reducing their personnel ceiling for such activities.

The most recent incident involves the loading and unloading of the transport Callaghan which loads or unloads approximately twice a month and utilized thirty to fifty Civil Service employees in the process, frequently requiring overtime. This assignment was turned over to the contractor effective April 8, 1971. It may be that no lay-offs will result as a consequence in this reduction of responsibility for Civil Service employees, however, it is apparent that they will use attrition to reduce personnel ceiling. More importantly, it represents to the employees at the Terminal a further squeezing of their job opportunities in terms of work and overtime.

Information furnished to us indicates that the contract employees receive \$4.60 and \$4.95 an hour which results in an overtime rate of approximately \$7.00. Civil Service employees

APPENDIX I

Mr. Bun B. Bray, Jr.
House of Representatives

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April 15, 1971

receive approximately \$3.30 an hour or the overtime rate of \$4.15 an hour. When you add in the contractors profits, it is hard to understand how the cost to the Government can be less. The arithmetic of the matter points towards substantial cost increases.

I hope that you can assist us in this matter as you have in the past. I am enclosing a copy of a reference document which may assist you.

Sincerely,

N.T. Wolkomir
President

Enclosure

HG:fs

G-1550

April 15, 1971

Major General Clarence J. Lang
Commander, Military Traffic Management
and Terminal Services
U.S. Department of the Army
Washington, D.C. 20315

Dear General Lang:

We have learned that current policies call for contractor personnel in the loading and unloading of the transport Callaghan at the Military Ocean Terminal Bayonne, New, Jersey.

As we understand it, some thirty to fifty Civil Service employees previously performed such functions, in addition to related activities in the loading and unloading. This represents another action which curtails the opportunity for Civil Service employment.

We are convinced that this action will result in a waste of taxpayers money and that the cost under the contract exceeds the cost of this work when performed by Civil Service employees. It represents another shocking disregard for the employees at MOTBY and it is not in the public interest. It is our belief that this is another way of reducing the number of Civil Service employees and expanding the opportunity for contractors to realize enormous profits at the expense of the taxpayer.

We are bringing this matter to the attention of the appropriate committees of the Congress as well as the Government Commission on Procurement. Further, we are not aware that

Major General Clarence J. Lang
Commander, MTMTS

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April 15, 1971

the President of Local 1550 was informed regarding the necessity for such action or the reasons for the change in the method of operations..

Sincerely,

N.T. Wolkomir
President

HG:fs



DEPARTMENT OF THE ARMY
 HEADQUARTERS
 MILITARY TRAFFIC MANAGEMENT AND TERMINAL SERVICE
 WASHINGTON, D.C. 20315

IN REPLY REFER TO

27 APR 1971

MTMFS-ITO

Mr. Nathan T. Wolkomir, President
 National Federation of Federal Employees
 1737 H Street, N.W.
 Washington, D.C. 20006

Dear Mr. Wolkomir:

This is in reply to your letter of 15 April 1971, reference G-1550, concerning International Longshoremen's Association (ILA) versus civil service loading/discharging GTS Admiral William CALLAGHAN at Military Ocean Terminal, Bayonne (MOTBY).

It is correct that current policy calls for contractor personnel to load and unload the GTS Admiral CALLAGHAN, but let me emphasize from the outset that no reduction in civil service manpower has resulted or is anticipated because of this policy.

The original policy for the operation of the Admiral CALLAGHAN, a roll-on/roll-off (RO/RO) ship, was to load and unload the ship with contractor personnel and this was done prior to the diversion of the ship to Military Ocean Terminal, Bayonne. Initially, the contractor stevedore personnel at MOTBY were not experienced in driving heavy military trucks and tracked vehicles. Civil service personnel whose normal duties were in the motor pool, warehouses, and maintenance, but who were experienced drivers, were detailed to assist in the RO/RO operation with the consent of the stevedore union, during a learning period. This cannot be construed as establishing grandfather rights for civil service employees.

The Admiral CALLAGHAN has been worked on weekends, partial weekends, and nights, as well as in straight time hours. The result was that MOTBY was required to disrupt other terminal functions in order to divert sufficient civil service employees to supplement contract personnel during CALLAGHAN operations. Furthermore, an average of 420 manhours per voyage at premium rates were expended for civil service personnel.

In the development of the CALLAGHAN operation at MOTBY, contractor personnel have gained sufficient experience to drive all types of vehicles.

APPENDIX III

MMTS-110

Mr. Nathan T. Wolkowicz, President, National Federation of Federal Employees

properly and safely. While the contractor must be paid an overtime differential when the CALLAGHAN is worked on other than straight time, the requirement for MOTBY to provide civil service employees on overtime, both in the CALLAGHAN operation and in their functional area, has been avoided. This results in an overall reduction in cost to the government.

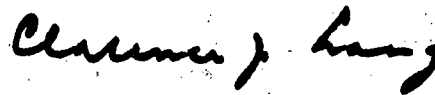
Again, let me emphasize that the civil service personnel normal duties do not involve the CALLAGHAN operation, and our experience indicates that the basic commodity rate by contractors is less expensive for the government by virtue of contractor flexibility to adjust work force to the workload, requiring payment of stevedores only for hours actually worked rather than on a full time basis.

Early in March 1971, Mr. Erceg, President, National Federation of Federal Employees, Local 1550, and Mr. Campanelli, American Federation of Government Employees, Local 2855, were briefed by the Commander, MOTBY on the necessity to adjust the work performed by civil service personnel in RO/RO operations. At that time the union representatives interposed no objections.

Modification of the RO/RO procedure was a necessary action to enable Commander, MOTBY to manage manpower and budgetary assets available to him to perform the overall mission of the terminal. Again, I repeat that no civil service employee has lost his job as a result of this action. The only result has been a reduction in the amount of overtime pay at premium rates to existing employees.

I can assure you that the above in no way constitutes a disregard for my personnel, either for their well being or for their continued employment.

Sincerely,



CLARENCE J. LANG
Major General, USA
Commanding

NATIONAL FEDERATION OF FEDERAL EMPLOYEES

VICE PRESIDENTS



1737 H STREET, N. W., WASHINGTON, D. C. 20006

NATHAN T. WOLKOMIR, President
RITA M. HARTZ, Secretary-Treasurer



1st Region: RICHARD H. CALL, Andover, New York
2nd Region: INEZ F. HOWARD, Orange, New Jersey
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4th Region: JAMES M. PEIRCE, Wichita Falls, Texas
5th Region: DOUGLASS M. MURRAY, Aurora, Colorado
6th Region: GRESHAM A. LAFL, Oceanside, California
7th Region: ALBERT W. LAMPTON, Richland, Washington
8th Region: JOSEPH J. SCHMIDTLEIN, Minneapolis, Minnesota
9th Region: MABEL L. THOMPSON, Cleveland, Ohio

IN REPLY REFER TO:
F-1550

May 18, 1971

Mr. Bun B. Bray, Jr.
Staff Director
Subcommittee on Manpower & Civil Service
Committee on Post Office & Civil Service
House of Representatives
Washington, D.C. 20515

Dear Bun:

This is in further reference to the continuing problem of contracting-out at the Military Ocean Terminal, Bayonne, New Jersey as discussed in our letters of November 30, 1970 and April 15, 1971.

I am enclosing a copy of a letter we received from MTMTS in response to a letter we wrote to them on April 15th concerning the Callaghan. Commenting on MTMTS's reply, our Local reports that the contractor employees perform on work measurement tonnage and can complete their operations in 5 or 6 hours while getting paid for 8 hours of work. On the other hand, of course, the Civil Service WG employee is paid on an hourly basis. The contractor, reports our Local, pays its employees \$4.60 through \$4.80 per hour for laborers, fork lift operators and checkers while the WG laborer receives \$3.19 per hour, the fork lift operator \$3.52 per hour, and the warehouseman \$3.67 per hour.

The Local points out that during the N.Y. - N.J. port strike, the contractor's operations were stopped when its employees walked off the job in sympathy with the strikers, leaving doors open and trailer trucks partially unloaded. Naturally, the loyal civil service employees were called upon to complete the operations and secure the buildings.

As far as cost factors and excessive overtime is concerned, MOTBY continually utilizes GS employees for Wage Grade duties and in other ways

APPENDIX IV

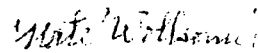
Mr. Bun B. Bray, Jr.

-2-

May 18, 1971

uses government employees for jobs beyond their position descriptions
thereby unnecessarily increasing costs.

Sincerely,



N. T. Wolkomir
President

Enclosure

DIVISION OF RESPONSIBILITIES BETWEEN
CIVIL SERVICE AND CONTRACTOR LABOR
BEFORE AND AFTER APRIL 1, 1971

Operations and activities	Responsibility	
	Prior to April 1, 1971	After April 1, 1971
Dock vessel (handle lines and secure vessel to dock)	Contractor	Contractor
Set up and dismantle side and stern ramps (support function)	Civil service and contractor ^a	Civil service and contractor ^a
Discharge POVs from vessel:		
Unlash vehicles from vessel	Contractor	Contractor
Process POVs, includes starting all vehicles, and when required provide fuel, repair flats, and push dead (disabled vehicles) off the vessel	Civil service	Contractor
Drive POVs off the vessel to an area about 400 feet from the vessel	Contractor	Contractor
Discharge military vehicles under 2-1/2 tons:		
Unlash vehicles from vessel	Contractor	Contractor
Drive vehicles off vessel	Contractor	Contractor
Discharge military wheeled and tracked vehicles 2-1/2 tons and over:		
Unlash vehicles	Contractor	Contractor
Drive vehicles from vessel	Civil service	Contractor
Lift off military vehicles, all sizes	Civil service and contractor ^b	Civil service and contractor ^b
Load POVs on vessel:		
Drive POVs onto vessel	Contractor	Contractor
Lash POVs to vessel	Contractor	Contractor
Load wheeled military vehicles under 2-1/2 tons:		
Drive vehicles onto vessel	Contractor	Contractor
Lash vehicles to vessel	Contractor	Contractor
Load wheeled and tracked military vehicles 2-1/2 tons and over:		
Drive vehicles onto vessel	Civil service	Contractor
Lash vehicles to vessel	Contractor	Contractor
Lift on military vehicles, all sizes	Civil service and contractor ^b	Civil service and contractor ^b
Miscellaneous activities:		
Check all vehicles (note c)	Contractor	Contractor
Pick up and replace damaged lashing gear (support function)	Civil service	Civil service
Direct traffic on vessel	Contractor	Contractor
Process vehicles on top deck (note d)	Civil service	Civil service

^aThis is basically a civil service operation as civil service provides the supervision, a crane and crane operator, and about four men. The contractor provides four or five men who hold the lines to guide the ramp into place.

^bCivil service generally provides a crane, and a crane operator plus two signal men to assist in lift on/ lift off operations. The contractor provides a work gang of about 20 men for each gang for these activities.

^cThis activity includes placing keys in POVs, checking for damage, and processing paperwork for all vehicles.

^dThis processing activity includes plywood covering over radiators and windshields and taping gas tanks, exhaust pipes, and headlights to protect the vehicle from sea spray.