

096353

~~3.52.48~~

73-0488



LM096353

Standard Container Register
Needed To Insure Propriety Of
Payments To Carriers B-145455

Department of Defense
Federal Maritime Commission

*UNITED STATES
GENERAL ACCOUNTING OFFICE*

~~701544~~ 096353

MAY 23, 1973



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-145455

To the Secretary of Defense and the
Chairman, Federal Maritime Commission 70

This is our report on the need for a standard container register to insure propriety of payments to carriers.

Copies of this report are also being sent to the Senate and House Committees on Government Operations; the Senate and House Committees on Appropriations; the Senate Committee on Commerce; the House Committee on Merchant Marine and Fisheries; and the Director, Office of Management and Budget. 7-615-20
7-6-30-7
5023 3

A handwritten signature in cursive script that reads "J. K. Fasick".

J. K. Fasick
Director

C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	3
2 NEED FOR A STANDARD CONTAINER REGISTER	5
Containers with same outside measure-	5
ments had different capacities	6
Inadequate container registers	7
Similar problems on shipments under	
Government bills of lading	7
3 AGENCY AND INDUSTRY COMMENTS AND OUR EVALUA-	
TION	8
4 CONCLUSIONS AND RECOMMENDATION	11
5 SCOPE OF REVIEW	12
APPENDIX	
I Letter dated September 28, 1972, from the	
Assistant Secretary of Defense (Installations and Logistics) to the General	
Accounting Office	13
II Letter dated December 6, 1972, from the	
Secretary of the Federal Maritime Commis-	
sion to the General Accounting Office	15

ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
GBL	Government bill of lading
MSC	Military Sealift Command
MTMTS	Military Traffic Management and Terminal Service
RFP	request for proposal

*GENERAL ACCOUNTING OFFICE
REPORT TO THE SECRETARY OF
DEFENSE AND THE CHAIRMAN,
FEDERAL MARITIME COMMISSION*

STANDARD CONTAINER REGISTER
NEEDED TO INSURE PROPRIETY
OF PAYMENTS TO CARRIERS
Department of Defense
Federal Maritime Commission
B-145455

D I G E S T

WHY THE REVIEW WAS MADE

About 60 percent of Department of Defense (DOD) ocean cargo is shipped in trucklike bodies (containers) that can be detached from the wheels and chassis of trucks. (See p. 3.)

During a survey of payments to carriers for container service, the General Accounting Office (GAO) found there was no apparent source from which to verify container capacity, even though capacity was a key factor in computing charges. GAO wanted to find out what effect this was having on DOD as a shipper.

FINDINGS AND CONCLUSIONS

DOD paid about \$185 million during fiscal year 1972 for container service worldwide. Although charges for such service were subject to a minimum charge based on container capacity, DOD paid carriers without knowing actual capacities. (See p. 5.)

Registers had been published showing the inside cubic capacities of the containers owned by various commercial carriers, but such registers were unofficial and were not binding on carriers or shippers. (See p. 5.)

Also, capacities shown for the same containers differed in the various

registers and varied from year to year. (See p. 5.)

The \$185 million spent by DOD for container service involved hundreds of thousands of containers. An error as little as 40 cubic feet (1 measurement-ton) could cause an overpayment of about \$32 on each container shipped to Vietnam and about \$12 on each container shipped to Germany. (See p. 5.)

GAO made a limited analysis of container operations of private shippers and found that they too had made payments which could have been affected by the cubic capacity of the container used. (See p. 5.)

RECOMMENDATIONS OR SUGGESTIONS

GAO is recommending that the Federal Maritime Commission take appropriate action to insure that carriers subscribe to a register or list container capacities in their tariffs. (See p. 11.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Assistant Secretary of Defense (Installations and Logistics) said DOD endorsed GAO's position that a standard container register be established. He concurred with GAO's findings that it was difficult to accurately audit carrier billings for container service. (See p. 8.)

After evaluating the Assistant Secretary's comments, GAO representatives met with DOD and Federal Maritime Commission officials to discuss establishing the register. At that meeting it was agreed that the Maritime Commission, under its regulatory authority, would be the appropriate implementing agency. (See p. 8.)

The Secretary of the Federal Maritime Commission confirmed this agreement and said the Commission directed

its staff to formulate a rule requiring carriers under its jurisdiction quoting per-container rates to (1) subscribe to a register listing standard containers as a tariff or (2) list in their tariffs capacities of their owned or leased containers. (See p. 8.)

According to the Secretary of the Commission, this rule is to be constructed in cooperation with GAO, DOD, and other affected agencies and a separate industry advisory group is to be established. (See p. 8.)

CHAPTER 1

INTRODUCTION

Few developments in surface transportation have aroused as much interest as containerization. Containerization is the shipping of cargo in trucklike bodies (containers) that can be detached from the wheels and chassis of the truck. When the containers are detached from the chassis, they can be (1) loaded into specially constructed steamships for the ocean voyage, (2) loaded onto rail flatcars, or (3) attached to a prepositioned chassis and trucked inland.

Containerization is an extremely flexible operation and has many advantages over conventional transportation. Time in transit is greatly reduced because preloaded containers enable the carrier to achieve a 24-hour turnaround time--that is, to unload and reload vessels within 24 hours. Less loss and damage occurs in properly loaded containers than in conventional shipping. Containers can be loaded and sealed by shippers either at a port or some inland point and remain unopened until they reach the overseas consignees. This sealing greatly reduces the chances of pilferage and, in the case of refrigerated cargo, reduces spoilage of perishable commodities by maintaining a constant temperature.

About 60 percent of the Department of Defense (DOD) ocean cargo is shipped in containers. Some of the cargo is loaded into the containers at inland points and moved directly to the ocean carrier's terminal at the port. Other cargo is shipped to the terminal where it is loaded in the containers. In either case, however, the loaded containers move through commercial facilities where they are loaded aboard container ships.

Most military shipping contracts and agreements provide that payment be based on a charge for the number of measurement-tons¹ shipped, subject to a minimum charge. The minimum charge is based on a stated percentage of the cubic capacity of the container if less than that amount of space is actually

¹A measurement-ton, the basis of ocean rates for containers, is 40 cubic feet.

used. Other military contracts for shipping containers have a flat charge for each container used. This charge is also based on the cubic capacity of the container used and, therefore, the container capacity must be known.

CHAPTER 2

NEED FOR A STANDARD CONTAINER REGISTER

During 1972 DOD paid about \$185 million for container service worldwide. Although charges for such service were subject to a minimum charge based on the use of a certain percentage of the cubic capacity of the container, DOD paid carriers without knowing the actual capacities. Registers had been published showing the cubic capacities of commercially owned containers, but such registers were unofficial and were not binding on the carriers or the shippers. Also the capacities shown for the same containers differed in the various registers and varied from year to year.

The \$185 million spent by DOD for container service involved hundreds of thousands of containers. An error of as little as 40 cubic feet in the size of a container could result in an overpayment of about \$32 on each container shipped to Vietnam and about \$12 on each container shipped to Germany.

Our limited analysis of the container operations of private shippers showed they too had made payments which could have been affected by the cubic capacities of the containers. No standard register showed container capacities and shippers could not verify the actual capacities or proper carrier charges. Although private shippers generally use more than the minimum capacity, the lack of knowledge of container capacities could become a problem.

CONTAINERS WITH SAME OUTSIDE MEASUREMENTS HAD DIFFERENT CAPACITIES

Most of the intermodal containers used today are from 20 feet long to 40 feet long. Many have the same outside length but have different cubic capacities. For example, Sea-Land Service, Inc., containers 23025, 20523, 23000, and 25010 are each 35 feet in outside length. The cubic-foot capacities, however, are 1,594, 1,639, 1,401, and 1,801, respectively, according to a Sea-Land listing.

As shown in the schedule on page 7, the container capacities could differ further, according to the source. The

discrepancies, although in most cases relatively small, can cause substantial differences in billings for containers of the same length. We found many examples of different payments for containers of the same capacity.

INADEQUATE CONTAINER REGISTERS

As the single manager for ocean transportation within DOD, the Military Sealift Command (MSC) is responsible for procuring ocean transportation to meet DOD needs. To do this, MSC negotiated various contracts and shipping agreements with commercial carriers. The agreements were known as requests for proposals (RFPs).

RFP 400, which expired on June 30, 1970, and a specific shipping contract effective at the same time provided for service to Vietnam. Each required a payment based on a minimum of 75 percent of the container capacity. A list of container capacities for each carrier party to these contracts was provided, but it did not identify the containers by serial number. Because, as previously stated, some carriers had different inside capacities for containers of the same length, the list was inadequate. The list showed, for example, 10 different capacities for Sea-Land Service, Inc., containers. But without the corresponding serial numbers for each series of containers, container capacities could not be determined.

RFP 500, the successor to RFP 400, became effective July 1, 1970, and was subsequently succeeded by RFP 600 on July 1, 1971. Ocean charges under both contracts were based on the load in each container with a minimum charge based on 100 percent of the cubic capacity. So, in effect, there was a flat per-container rate based on the capacity of the container for a majority of the cargo.

We visited Sea-Land Service, Inc., and asked it to give us a list of container capacities by serial number series. Sea-Land did not keep such a central control of containers but did furnish us a listing prepared by its engineering department.

As shown in the following table, a listing of containers by serial numbers alone is not adequate. Because of the varying capacities, depending on the source, a standard register is essential.

Carrier	Serial number	RFP 400 (note a)	RFP 500 (note c)	Official intermodal register			International registry			Sea-Land listing
				1969	1970	1971-72	1970	1971	1972	
American Export	181001-181300	-	2372	2420	2420	2427	2420	2420	2427	-
	182001-183950	2420	2372	2420	2420	2427	-	2420	2427	-
Seatrains Lines	300001-300101	2100	1803	1950	1950	1950	-	1950	1950	-
	300001-300089	-	-	-	-	-	2032	-	-	-
	300090-300101	-	-	-	-	-	1803	-	-	-
Sea-Land Service	23025-23109	b1706	1715	1706	1674	1594	1706	1594	1594	1594
	20523-20622	b1706	1614	1614	1711	1639	1614	1639	1639	1639
	23000-23023	b1706	1473	1482	1463	1401	1482	1401	1401	1401
	25010-25136	b1766	2028	1766	1828	1801	1766	1801	1801	1801
	33213-36003	b2054	2066	2054	2095	2095	2054	2095	2095	2095
United States Lines	2000015-2006008	1110	1151	-	-	-	1110	1151	1151	

^aSizes shown but no serial numbers furnished.

^bSmallest size shown.

^cRFP 600 did not quote actual capacities for individual containers.

SIMILAR PROBLEMS ON SHIPMENTS UNDER
GOVERNMENT BILLS OF LADING

The problem of container capacities also exists on DOD shipments under Government bills of lading (GBL). The rates for these shipments are negotiated by, or filed with, the Military Traffic Management and Terminal Service (MTMTS) and generally apply from an inland point in the continental United States to an inland point overseas. But, the tenders on file at MTMTS do not show container capacities nor do they furnish any information on what source is to be used to obtain them even though the tenders contain minimum charges based on cubic capacities. In our audit of GBLs for this traffic, we found numerous discrepancies on container sizes. The following shipment illustrates the problem.

Sea-Land container Number 23041 was moved across the Atlantic and the capacity billed for and paid was 1,280 cubic feet, representing the 75-percent minimum in the tender. Four months later, the same container again moved across the Atlantic and was billed for and paid at 1,112 cubic feet, again at the 75-percent minimum. The difference (4.2 measurement-tons) at the applicable rate represents a difference of over \$200 in payments for the same container.

CHAPTER 3

AGENCY AND INDUSTRY

COMMENTS AND OUR EVALUATION

We brought our findings to the attention of the Secretary of Defense in a report dated July 31, 1972, and proposed that he direct DOD officials to meet with carrier representatives, commercial shippers, and other Government agencies to establish a worldwide standard register of container capacities. We proposed also that this register include the various lengths of containers and the corresponding cubic capacities.

The Assistant Secretary of Defense (Installations and Logistics), responding for the Secretary of Defense, commented in a letter dated September 28, 1972. (See app. I.) He stated that DOD endorsed our proposal for action on establishing the register and concurred that it was difficult to accurately audit carrier billings for container services. According to the Assistant Secretary, DOD supported its participation in establishing a standard register but believed the Government agency having overall responsibility for such matters should lead in developing and maintaining the register.

After evaluating the Assistant Secretary's comments, we met with officials of DOD and the Federal Maritime Commission to discuss establishing the register. At that meeting it was agreed that the Maritime Commission, under its regulatory authority, would be the appropriate implementing agency.

The Secretary of the Federal Maritime Commission confirmed this agreement in a letter dated December 6, 1972. (See app. II.) The Secretary stated that the Commission directed its staff to formulate a rule requiring carriers under its jurisdiction quoting per-container rates to (1) subscribe to a register listing standard containers as a tariff or (2) list in their tariffs capacities of their owned or leased containers. The Secretary also stated that this rule is to be constructed in consultation and in cooperation with GAO, DOD, and other agencies which are affected and interested and with a separate industry advisory group which will be established at a later date.

When we informed DOD of our findings, we also furnished copies of our report to five steamship carriers that own the bulk of the intermodal containers currently being used in worldwide shipping. We also furnished copies to the Federal Maritime Commission, the Interstate Commerce Commission, the Department of Transportation, and the two companies presently publishing unofficial registers.

Only two of the steamship carriers, Matson Navigation Company and the United States Lines, Inc., commented on our findings. The President of Matson Lines stated that our approach to this problem was entirely sound and reasonable but suggested that the Federal Maritime Commission, rather than DOD, be the implementing agency. We agreed with his suggestion and, as previously stated, the Commission has accepted responsibility for establishing a container register.

The president of the United States Lines stated that current MSC agreements provide for propriety of payments by listing all the containers and their respective sizes. We do not agree, however, because the sizes listed are only average sizes based on unofficial data. In our opinion, such information cannot be an acceptable basis for payment. Additionally our report concerns a worldwide problem which encompasses not only MSC shipments, but all container shipments. Therefore, whatever arrangement MSC and the carriers have, the lack of an official register would leave problems for insuring propriety of payments for other than MSC shipments.

According to United States Lines, the development of such a register would be too costly and, since there are existing registers, a better proposal would be to allow the industry to develop its own standard registers. It is true that registers have been developed and that such registers have made significant strides toward achieving standardization. However, the fact that there is more than one register and that the information in these registers sometimes differs for the same equipment indicates the need for more stringent regulation.

The Intermodal Publishing Company disagreed with our contention that existing registers are unofficial. The company pointed out that its current register issues were filed with the Federal Maritime Commission and with the Interstate Commerce Commission and it implied that this filing

makes them official. However, just because a document, tariff, or register is filed with the regulatory agencies does not make it official. These agencies accept the registers and assign them official numbers in order that they may be filed. This procedure does not make them official, nor does it say whether the regulatory agency approves or disapproves them. It merely means that the agency has received the registers and has filed them.

The Intermodal Publishing Company also disagreed with our contention that its register was inadequate but agreed that the register could be considered inadequate because all carriers are not a party to its register.

The Chairman of the Interstate Commerce Commission commented that, although carriers subject to its jurisdiction do not bill by cubic capacity, the Commission nevertheless believed that the establishment of a standard register would aid intermodal transportation and therefore would be in the public interest.

The only other comments received were those of the Federal Maritime Commission, which we previously discussed.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATION

CONCLUSIONS

Although container capacity is a key factor in computing charges for container service, DOD had made payments without knowing the actual cubic capacity of the containers it had paid for. Commercial firms had also paid for container service without an authoritative source from which they could verify such capacities.

Our findings clearly showed the need for a worldwide authoritative register of container capacities which would be binding on all shippers--Government and commercial--and on all carriers. This register would be similar to, and would serve the same purpose as, the Official Railway Equipment Register.

RECOMMENDATION

We recommend that the Chairman, Federal Maritime Commission, take appropriate action to insure that carriers are required to subscribe to a register or list container capacities in their tariffs.

CHAPTER 5

SCOPE OF REVIEW

We included an examination of pertinent payment records and applicable tariffs, quotations, contracts, and shipping agreements. We examined records relating to DOD and selected commercial container shipments.

Our review was done at

- Headquarters, Military Sealift Command, Washington, D.C.;
- Military Sealift Command, Atlantic, New York, New York;
- Military Sealift Command, Pacific, Oakland, California;
- Headquarters, Military Traffic Management and Terminal Service, Washington, D.C.;
- Military Traffic Management and Terminal Service, Eastern Area, Brooklyn, New York;
- Military Traffic Management and Terminal Service, Western Area, Oakland, California;
- Military Ocean Terminal, Bayonne, Bayonne, New Jersey;
- Military Ocean Terminal, Bay Area, Oakland, California; and
- Sea-Land Service, Inc., New York, New York



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

BEST DOCUMENT AVAILABLE

INSTALLATIONS AND LOGISTICS

28 SEP 1972

Mr. Henry W. Connor
Associate Director,
Logistics and Communications Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Connor:

This answers your letter of July 31, 1972 to the Secretary of Defense which forwarded copies of your draft report, "Standard Container Register Needed to Ensure Propriety of Payments to Carriers," Code 43156 (OSD Case #3508).

The DoD endorses the GAO recommendation that action be initiated to establish a worldwide standard register of container capacities, and concur with the GAO findings that it is difficult to audit accurately carrier billings for container services. Containers utilized by the carriers vary in cargo capacity depending upon manufacturer and materials which are utilized in construction. The greater cargo capacity variations occur in the case of refrigerated container types as indicated in the examples included in the GAO report. Also, dry cargo vans can vary two or more measurement tons in cargo capacity depending upon the factors cited above.

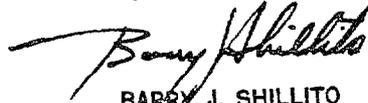
As an interim procedure, the current method of using average container capacities, which was implemented 1 January 1971 by the Military Sealift Command (MSC), seems to be a practical solution to the problem of one container being represented at various capacities and the attendant inconsistencies emanating therefrom. Under the current MSC method, average container capacities for series of containers are agreed upon between MSC and the carriers based on certified data submitted by the carriers. The agreed average container capacity then becomes the official capacity for billing and payment purposes. The use of "average" rather than "actual" container capacities is considered proper and consistent. It has virtually eliminated the administrative difficulties in preparing shipping documents and in auditing and reporting container shipments.

APPENDIX I

We support the active participation of the Department of Defense in the establishment of a world-wide standard register of container capacities. However, while the DoD may be the major single user of containers, DoD is not the major user of container service when compared with all commercial users. Therefore, we believe that the Government agency having the overall responsibility for such matters would be the more appropriate agency to lead in the development and maintenance of the recommended register.

We appreciate the opportunity to comment on the draft report.

Sincerely,



BARRY J. SHILLITO
Assistant Secretary of Defense
(Installations and Logistics)

BEST DOCUMENT AVAILABLE

FEDERAL MARITIME COMMISSION
WASHINGTON, D.C. 20573

DEC 6 1972

Henry W. Conner
Associate Director,
Logistics and Communications Division
United States General Accounting Office
Washington, D. C. 20548

Re: The Comptroller General's Draft Report to Congress, Standard
Container Register Needed to Insure Propriety of Payments to
Carriers

Dear Sir:

This Commission on this date has directed its staff to formulate a rule requiring carriers under its jurisdiction quoting per container rates to:
1) Subscribe to a register that lists standard capacities as a tariff;
or 2) Publish in their tariffs lists of capacities of their owned or leased containers. This rule is to be constructed in consultation and in cooperation with the General Accounting Office, the Department of Defense, and such other agencies which are affected and interested, and with a separate industry advisory group, which will be established at a later date.

We appreciate your concern over this situation as described in your letter of July 31, 1972, requesting our views on the Comptroller General's Draft Report to Congress. We trust our efforts, related herein, will provide a timely solution of the subject problems.

Very truly yours,


Francis C. Hurney
Secretary

Copies of this report are available at a cost of \$1 from the U.S. General Accounting Office, Room 6417, 441 G Street, N.W., Washington, D.C. 20548. Orders should be accompanied by a check or money order. Please do not send cash.

When ordering a GAO report please use the B-Number, Date and Title, if available, to expedite filling your order.

Copies of GAO reports are provided without charge to Members of Congress, congressional committee staff members, Government officials, news media, college libraries, faculty members and students.

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D. C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



**SPECIAL FOURTH-CLASS RATE
BOOK**