Analyzing OCONUS Port-Handling Charges

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The Air Force ships cargo every day. Traffic managers are entrusted to move government property within prescribed timeframes while ensuring economical use of transportation funds. But do we know what we get for our transportation bucks?

The process of moving cargo seems simple. Take an item you want shipped to the traffic management office (TMO). They package it, label it, and ship it. Simple! It's just like taking something to United Parcel Service (UPS) or Federal Express (FedEx) but you don't have to pay for the service, right? Wrong.

The movement of cargo may seem simple and *free* to the customer, but make no mistake—there is no such thing as free transportation. Before TMO accepts the item for shipment, they are supposed to receive a line of accounting (LOA) or transportation account code (TAC) which is an account number where the shipment costs eventually get charged.

Many years ago before automation and transportation systems, the *rule of thumb* was this: TMO must have a TAC—any TAC—but we (TMO) knew that the shipment would not move without a TAC. The TAC was a simple 4-digit alphanumeric code. We even had a generic TAC written on a piece of paper ready to use when a shipment didn't have a TAC already assigned. The generic TAC we used in technical school (and at my first few bases) was F8A0. Everyone in the TMO community could relate to F8A0. We could move anything with that magic TAC.

As *worker bees* at the base level surface freight section, we never saw any monetary transactions take place. We knew by placing a TAC code on the paperwork the item made it to its final destination, but we didn't know at what price.

The generic TAC F8A0, and most other TACs for that matter, was really used to charge against the Air Force's Second Destination Transportation (SDT) budget. The SDT budget is a big pot of money called a centrally-managed allotment and is managed by Air Force Materiel Command (AFMC). Today over 40 different TACs bill against the SDT budget.

It is the combination of the TAC and local transportation operating funds that is used to ship cargo. The costs of packaging and labor are incurred by the local TMO operating funds. Most small parcel transportation services (for example, FedEx, UPS, and DHL) and some line-haul charges (over-the-road trucks and trailers) for domestic shipments are also paid for by the local TMO.

So what exactly does the TAC pay for? In very basic terms it includes the direct and some indirect transportation costs. The transportation charges for overseas shipments are directly charged to the TAC by either Surface Deployment and Distribution Command (SDDC) or Air Mobility Command. A rate structure is used to charge the cost of transportation (truck, aircraft, or vessel) by weight of the shipment. This is known as a direct cost that can be attributed to that single piece of cargo. However, the transportation cost is not all inclusive of other charges for accessorial services required to move the cargo to its destination. An example of an accessorial charge would be port handling.

Port handling is the cost related to having the cargo loaded on and unloaded off a vessel at a water port. Normally the military does not have personnel who perform these services so they contract the services of a stevedore company. Because stevedores are hired for the port, different companies are normally contracted at each port of embarkation and port of debarkation. Therefore the costs of these services may vary from port to port.

Stevedore companies charge the military direct costs relating to either the loading or unloading operation. They break down the cost of man-hours, supervision, and equipment used. Every

Article Acronyms

AFMC - Air Force Materiel Command
CONUS - Continental United States
DFAS - Defense Finance and Accounting Service
DoD - Department of Defense
DTR - Defense Transportation Regulation
FedEx - Federal Express
FY - Fiscal Year
LOA - Line of Accountability
MAJCOM - Major Command
SDDC - Surface Deployment and Distribution Command
SDT - Second Destination Transportation
TAC - Transportation Account Code
TCN - Transportation Control Number
TFMS - Transportation Financial Management System
TMO - Traffic Management Office
WPLO - Water Port Liaison Office
UPS - United Parcel Service

operation for each vessel could incur a different cost. Trying to charge the individual piece of cargo to an actual cost of port handling would be very tedious, challenging, and inconsistent for shipment planning purposes.

The SDDC has overcome this problem by agreeing to pay the direct cost of the stevedores and then accessing the port-handling charges to the shipper based on a rate structure by measurement tons. They publish a rate cost structure for each port used around the world since stevedore charges vary from port to port.

The SDDC normally charged the port-handling costs to the shipper through the same TAC as the over-ocean costs were charged. The Air Force had exceptions to this policy. It is not known exactly why, but the Air Force required overseas major commands (MAJCOM) to fund and pay some of the overseas port-handling charges, rather than having the costs charged to the TAC. It is important to note that this business rule only applies to overseas MAJCOMs (United States Air Force Central Command, United States Pacific Air Forces, and United States Air Forces in Europe). This does not apply to the continental United States (CONUS)-based ports where the TAC pays for the port-handling charges. AFMC owns and funds the second destination transportation (SDT) TACs that are used for most shipments. Because of this irregularity, MAJCOMs used their water port liaison offices (WPLOs) to determine overseas port-handling charges and reimburse SDDC directly through the Defense Finance and Accounting Service (DFAS).

The WPLOs received a monthly billing statement from DFAS provided by SDDC that included all Air Force transactions for every water port. The WPLOs verified and reconciled the bill and provided their fund cites to pay for the valid port-handling charges. This was a manual process, as not every shipment followed the rules of the AFMC SDT TACs. There were some Air Force TACs that should have included the port-handling charges in their transportation costs.

This manual method was used for many years. However, in 2003, automation changed things. The SDDC implemented a new financial system called the Transportation Financial Management System (TFMS). TFMS was designed around the business rules of the Defense Transportation Regulation (DTR). The DTR basically defined the TAC as the single line of accounting to which all transportation costs related to the shipment move would be charged. Therefore, TFMS was designed to allow only a single TAC or LOA to be used for each transportation control number (TCN). This change was unnoticeable to all Department of Defense (DoD) customers, with the exception of the Air Force.

The overseas WPLOs noticed that they were no longer receiving monthly billing statements from DFAS and their MAJCOM funding for port-handling costs were not being charged. No one knew what changes were taking place. Did SDDC stop charging for port handling? Was there an unusually long delay in the billing process? Was the bill going to another address? No one knew.

The Air Force Logistics Management Agency was commissioned to answer the mystery of the disappearing bills. During the data-gathering process, we discovered that TFMS was billing all transportation charges to the TAC as it was designed to do. After discussions with SDDC, it was discovered that TFMS could not accommodate the unique payment business rules of the Air Force.

This posed a fiscal problem for the Air Force. Funds obligated by overseas MAJCOMs to pay the port-handling charges were lost through lack of use. The SDT fund was severely constrained because unexpected port-handling charges were included in the overall transportation cost. This constraint meant shipments had to be restricted from movement when there were critical funds shortages. This fiscal dilemma continued for two fiscal years (FY)—FY04 and FY05.

The SDDC learned of the problem in FY06. To assist the Air Force, it developed an exceptions list that could be generated against the TFMS billing process. This exceptions list is a manual method that keys in on overseas port codes and creates a listing of port-handling charges assigned to those codes. This exception list process was used in FY06 to dampen the economic impact for funds already authorized for that year. Separate bills were issued to overseas MAJCOMs, specifically for port-handling charges as they had prior to FY04.

This manual *fix* is not a flawless method. It requires personnel at SDDC and the WPLOs to manually verify the data and segregate those transactions where the TAC either pays or doesn't pay the port-handling charges. Although the majority of shipments utilize an SDT TAC, there are many others that should not be paid for by the MAJCOM accounts. For example, the exceptions listing only searches for TACs beginning with the letter F. This includes all Air Force shipments, but it also includes Air Force Guard and Reserve TACs as well. The overseas MAJCOMs do not pay port-handling for Guard and Reserve cargo. Both the Guard and Reserve pay port-handling through their own TACs just like the rest of the DoD. Additionally, there are Air Force working capital funded items that also pay the port-handling charges through the appropriate TACs. All of those instances need to be returned to DFAS and SDDC to be rebilled to the correct TAC. Anytime there is manual manipulation of data, the chances of error increases.

What is the best way for the Air Force to pay the overseas port-handling charges? There are several options. They have pros and cons. The SDDC would like to allow TFMS to bill as designed and as indicated by the DTR published at the time of design. An interesting note is the DTR was revised in early 2005 to include the new business rules set by AFMC regarding Air Force payments of overseas port-handling charges by overseas MAJCOMs.

If the Air Force prefers to have the overseas MAJCOMs pay the overseas port handling, then SDDC will be asked to continue to provide manual billing support. This manual support could result in an increase of annual surcharge funds for the Air Force. The manual exceptions list will still result in the manual process of validating and rebilling the Guard and Reserve components bills, as well as the Air Force working capital funded shipments. If any of these transactions are overlooked by WPLO personnel, the overseas MAJCOMs will bear the additional cost of the loss. If there were no human error, the SDT budget would not be constrained due to the port-handling charges.

If SDDC were to bill against the TAC, the Air Force would have to make provisions for the rising cost of transportation and an increased budget for the SDT fund. Although it may seem like the pressure is on AFMC to conform to the way the DoD uses the TAC for all transportation costs provided by SDDC, the funds in the SDT and overseas MAJCOM budgets could be realigned. There would be an elimination of the manual process

providing more accurate billing. There would be no chance for error of port-handling charges against MAJCOM or SDT funds for the Guard or Reserve component or Air Force working capital funded shipments. It would lead to the elimination of the MAJCOMs requiring a port-handling budget.

The Air Force should take a long hard look at the way we pay port-handling charges. We should strive for accuracy in billing, eliminate unnecessary budgets, and properly obligate funds where services are rendered. When we have resolved this confusion and conflict, then and only then, can we honestly know who's paying the bill.

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Charles E. Taylor: Aviation's Unsung Hero

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An aircraft has a mechanical discrepancy and the man, or woman, you call is a skilled, trained aircraft maintenance technician (AMT). This professional investigates the fault, and before you know it, the problem is solved, the logbook is signed off, and the aircraft is returned to airworthy status. This scenario happens countless times at airports around the world 24/7, 365 days a year. This scenario, regardless of the severity of the discrepancy, does not differentiate between military, commercial, corporate, government, or general aviation aircraft. An aircraft is a technical piece of equipment, and the men and women who work on these modern marvels of engineering are, for the most part, taken for granted. Everybody knows that the AMT is skilled, knowledgeable, and professional. But does everybody know where these AMTs came from? Do they wonder who started the craft of the aircraft maintenance technician? Where did the basic principles of this demanding profession originate?

The world knows about mankind's first controlled, powered flight. Both Orville and Wilbur Wright are household names because their imagination and technical abilities allowed them to lay claim to the first manned powered flight—a rather impressive feather to have in one's cap. But who helped them achieve this milestone in mankind's history?

Unfortunately, the world knows little of the man that helped the Wright brothers and our country achieve this point in aviation's history. This man was Charles E. Taylor. Mr Taylor was a self-taught Midwestern mechanic, who worked for the Wright brothers in their bicycle shop. Charlie is considered the *unsung hero* of aviation because he was asked to build the first engines for the Wright Flyer. He met specifications requiring that the engine should produce 8 brake horsepower[1] and not weigh more than 200 pounds. Asked if he could produce such an engine, Charles E. Taylor simply replied, "Yes."

In roughly 6 weeks and working with a block of steel, the bicycle shop's lathe, drill press, and some simple hand tools, Taylor would make history. Because of the knowledge, skill, and integrity Mr Taylor possessed, the Wright Glider would become the Wright Flyer. Ohio and North Carolina would be the bases from which mankind would take the first manned, controlled, powered flight.

Article Acronyms

AMT - Aircraft Maintenance Technican
AMTA - Aircraft Maintenace Technican Association
FAA - Federal Aviation Administration

On December 17, 1903 when the Wrights took their first step into aviation history, Charlie was not there. He was back in the bicycle shop *minding the store*. Charlie knew his engine would work and stayed behind. But little do people know that Charlie made more than the first engines for the Wright Flyer. His skill was also used in manufacturing and repairing many of the components for the Flyer itself. One example is when Charlie repaired the propeller shafts after screws were jerked loose by using heavier gauge steel tubing. When parts needed attention that could not be addressed on the Kitty Hawk site, these parts were sent back to Charlie in the bicycle shop for repair.

After the Wrights successful flight, Charlie's knowledge, skill and integrity were needed even more. The Wrights would eventually need a larger engine, which of course was a task given to Charles E. Taylor. After necessary changes were made to new engine castings, Charlie built the 1904 engine with cylinders 1/8 inch thicker.

After the *problem* of flight was conquered, an area closer to the Ohio bicycle shop was needed for operations and improvements. It was then that 100 acres of prairie north of Dayton, now part of Wright-Patterson Air Force Base, called Huffman Prairie after its owner, became the first airport. But a prairie wasn't the ideal locale for an aircraft. Barbed wire fences, grassy hummocks, and such were all around the area. At this point in time it is, once again, Charles E. Taylor who assumes the responsibilities of an airport manager and getting things done. He dealt with unique problems, such as the assembling and maintaining of a shed, or an early-day hangar, in which the first Wright aircraft could be stored.

After twice being ignored by the United States government to examine their machine for possible military applications, the Wright brothers decided to take their new invention to Europe. They once again turned to their *aircraft mechanic* who was given the responsibility of crating the Wright Flyer for shipment across the globe to both England and France. This task was accomplished in a shed and then the Flyer was shipped to the East Coast by train. After the Wright Flyer made the journey to Europe, it was again Charles E. Taylor who was responsible for assembling the craft.

After the Wright's return to the United States, Calbraith (Cal) Perry Rodgers, grandson of Commodore Calbraith Perry whose *gunboat diplomacy* opened Japan to the West, decided to make an attempt at transcontinental flight. Once again, it was Charlie who was looked at to be Cal's chief mechanic for this historic attempt. But before working for Cal on the *Vin–Fiz Flyer*, named after the first bottled grape drink of Cal's sponsor for this event,