

Minutes Fort Belvoir, VA

SDDC Bulk Fuel Tank Movement IPT / Carrier Meeting

DATE:	September 15, 2004
ATTENDEES:	<p>The following members were present for this meeting:</p> <ul style="list-style-type: none">➤ Mark Anderson➤ Cathy Hollenbach➤ Maureen Carlo➤ Richard Calchera➤ Curt Stiles➤ Craig Terpening➤ Jack Foley➤ Althea Baker➤ Lance Hillman➤ Mike Penza➤ Evert Bono➤ Marty Misciagna➤ John Culmer➤ Lucille A. Monko➤ John Kelly➤ Jack Kelly➤ Brian Kelly➤ Bruce Hodges➤ Nancy Small➤ Ted Lepski➤ Bob Roberson➤ Tiffany Russell➤ Leon Patton, Jr.➤ Dennis Edwards <p><i>Note: See Attachment A. This document provides contact information for those IPT members attending this meeting</i></p>
FACILITATOR:	George Harris
SUMMARY BY:	George Harris

Wednesday, September 15, 2004

INTRODUCTION AND MEETING OVERVIEW

Mr. Harris discussed the agenda for the meeting. [See **Attachment B**] He provided a definition of an "Integrated Process Team" (IPT) and described the value that this type of team provides to SDDC and other organizations. The SDDC IPT members as well as the industry representatives introduced themselves.

IPT PRESENTATION

Mr. Culmer presented the goals for the team and some suggested plans for the Bulk Fuel Tank Movement acquisition. [See **Attachment C**] Once Mr. Culmer presented these ideas,

carriers were asked about any commercial practices that are in use that could be considered for their acquisition. This was important since the acquisition is a FAR Part 12 – Commercial Acquisition.

CARRIER COMMENTS

A. Past Contract

Pipeline Transportation

This carrier received one of the earlier requirements contracts that was terminated by SDDC. His company had an "eye-opener" when the Government terminated the contract after one year. They had invested in trailers; now these trailers are not being used. Pipeline is still hauling freight under the tender system at prices doubled from those in the previous contract. Many truckers just simply refuse to do business with the Government after the contract was terminated.

Their commercial customers typically sign contract for periods of at least 3 years. Pipeline proposes base year prices and increases prices in the option years. Contracts can be cancelled only in the event of carrier failure. This is what he expected to be the case with the initial SDDC contract.

B. Hours of Operation

Penn Lines

This company receives CPI increases from their commercial customers. They don't have as many changes from commercial customers on loading and unloading hours. Commercial customers provide carriers more flexibility. A combination of tight and ever-changing hours of operations, the need to dedicate equipment, and the possibility of terminated contracts increase the costs to the Government. Greenville supported this view, saying that the Government must meet industry half-way.

Terpening

Their customers are working 24/7 and in some cases, at unmanned loading/unloading stations. When they have problems, commercial customers provide carriers with more flexibility so close communications on changes are required.

Pipeline

There is a shortage of 70,000 drivers in the United States. Prices won't go down due to lack of drivers.

In some locations, they are experiencing a 4-hour delivery windows or delivery upon appointment in some commercial facilities. With the Government, hours are set, and operating hour changes don't give carriers needed flexibility for service.

He believes that the Government must be flexible. Base Commanders should not be able to adjust hours based on whim. If so, the Government will be given low priority by carriers.

In rare cases, there are also differences between published base hours and the Supply Depot hours making it more difficult for carriers.

For most origins, supply points want product sooner than the carrier can deliver.

Regarding demurrage, commercial customers specify free time on a "one and one" basis, designating one hour at the loading and unloading operations versus the Government's "two and two" requirements.

The loading facility also wants to schedule what tanks are loaded first based on miles to destination and this causes scheduling problems and lost productivity.

Coraluzzo

Drivers are trained to offered product. Why can't the industry perform its own quality assurance activity and be able to unload on a 24/7 hour basis? Greensville agreed with this suggestion.

C. Inventory Management

Greensville Transport

His company is managing inventories for their customers. They monitor inventory levels and work closely with customers to reorder/restock.

The representative for Terpening said that 90% of their business includes managing inventories in this fashion. Flying J also indicated that they provided inventory management services for clients such as Albertsons and Kroger for their retail gasoline chains.

D. Rates and Contracts

Fort Edwards

Their commercial customers call to request quotes providing a five (5) minute turnaround, and then award the business within 24 hours. There is no "heavy-duty paperwork" and the contract is in place for twelve (12) months or less.

Their fuel surcharge is running 9% per year.

He would add 5% to his Government bid due to the chance of cancellation.

Greensville Transport

Under the current tender system, they like the Government's business when asphalt business is at a lull. They spend the time every month to make changes to their tender prices, but this process is painstaking and ultimately they can turn down the business if other more profitable business is available.

Multiple Carriers

- The carriers at this point reached a consensus on the following:
 - Want a long term contract, at least 1 year
 - Can set prices for 12 months
 - Contracts with options years allow for an "uptick" in pricing

Fort Edwards

The previous contract had point-to-point rates as well as mileage rates. Mileage rates can be used to develop rates for new point-to-point rates. Mileage rates won't work unless the Government can provide volumes and destinations from each origin.

Flying J

They work with national brokers who have a list of certified carriers. Numerous carriers are called before one takes the cargo. A 300-mile chart from origin is used.

Mileage Chart/Rate Discussions

There was an active exchange of information about the use of mileage chart.

1. Mileage charts are always used if distance from origins varies
2. Rand McNally and PC* Miler have three rates: shortest, practical and hazardous materials miles
 - Minimums range from 20-40 miles; average miles/hours is calculated at 45 MPH
 - Cost of operations differ by location due to proximity of cities, traffic, time of travel
 - Rates should include consideration for:
 - Fuel surcharge
 - Bridge tolls
 - Highway tolls
 - Demurrage
 - Pump-off time
 - Terpening suggested that all carriers send their mileage rates to the Government with accessorial charges. They would move freight by the most practical or lowest legal rate.
 - States have different laws on weight of cargo (ranges from 7,700 to 12,000 lbs.)
 - Commercial customers are not as "fussy" about tank cleanliness
 - Minimum revenue by tank carrier had to be reasonable since carriers use dedicated equipment

E. Minimums

Fort Edwards

The Government should give minimums and they would price accordingly.

Minimums are difficult to set when related to dedicated equipment. Tolerance is so small so the carriers have high liability.

There was consensus among the carriers that they must have dedicated equipment

Greenville Transport

The carriers can set higher utilizations if the Government "opened up" hours of operations, which would in turn lower minimums and prices.

Terpening

They don't switch trailers for their commercial customers.

Hahn

Drivers get specially trained to service a particular customer and his company gets guaranteed revenue per truck.

Pipeline indicated that their customers guarantee a number of hours for truckers.

Fort Edwards has customers that guarantee 22 hours per week.

F. Penalties

Suttles

Penalties in the event of delayed pick-up or delivery was a major concern. Putting penalties on carriers will increase costs.

Pipeline didn't like the penalties. The difficulty arises when the origin or destination hours change, then the carrier is unfairly penalized.

They pay demurrage fees rather than penalties if they miss delivery windows. There has to be flexibility in system due to traffic, breakdowns, and unanticipated delays.

Greenville Transport

Under the present tender system, carriers take variable loads. Low rate carriers take all loads or mix loads.

Pipeline

Under current tender systems, carriers don't accept loads due to low rates. Rates have to cover equipment and labor, and drivers training costs range from \$5,000 to \$10,000.

Carriers need fuel surcharges and "uptick" pricing in option years.

Flying J

He wants the ability to request equitable adjustment in the event of low operating hours or changed locations.

G. Qualification Processes

Greenville Transport

He asked whether performance bonds would be included. These bonds are to be unloaded when SDDC certifies them. Commercial companies don't require such bonds.

Multiple Carriers

There was a discussion about commercial customer certification of qualification requirements. The chief points were as follow.

1. Certificate of liability — \$20,000 per load
2. Complete audit (onsite and desk audit)
3. Business references
4. Business and billing information
5. Fiscal responsibility
6. HazMat

H. Volume Data

Greenville Transport

He wants to see volumes movement by origin/destination.

Can you put in SPLC and get total movement?

Maureen Carlo can provide information on how to access this data at carlom@sddc.army.mil.

I. Subcontracting

Pipeline

Regarding subcontracting, owner/operators couldn't participate due to penalties.

Greenville indicated that commercial outfits don't like this practice because of liability concerns.

Ft. Edwards indicated that there are three types of contracts:

1. All to one carrier, no subcontractors
2. All to one carrier, with subcontractors

3. Dedicated/standby

Suttles said that the difference between agents and brokers is unclear.

J. Solicitation

There was an active discussion on what should be included in the upcoming solicitation. Areas to include are:

- Hours of service
- Equipment
- Contacts
- Emergency contract numbers
- Site location managers
- Volume/frequency per day
- Pumping requirements
- Site information

Pipeline and Greensville felt that the end users (at destination) should be included in this process.

K. Miscellaneous

Greensville asked whether the new contracts would be set-aside for small businesses. This will be considered according to Nancy Small.

Purchasing contracts will be handled separately from this contract.

Tenders will be used only for one-time-only movements.

Suttles felt that training is needed and this can be addressed at the pre-solicitation conference.

According to Mr. Evert Bono, the Defense Consolidation Initiative is underway to select a 3PL to perform functions on all freight purchases. They are beginning with all LTL freight within DLA.

ATTACHMENT A

Bulk Fuel Tank Movements Industry Meeting Attendee Roster September 15, 2004 Fort Belvoir, VA			
NAME (SB = Small Business LB= Large Business)	POSITION	COMPANY	PHONE NUMBERS
1. Mark Anderson (SB)	Vice President	Pipeline Transportation	904-219-2512
2. Cathy Hollenbach	Traffic Management	SDDC	757-878-8382
3. Maureen Carlo	SDDC - Traffic Management	SDDC OPS	757-878-8877
4. Richard Calchera	Director of Carrier	OPS Flying J	801-324-1198
5. Curt Stiles	Vice President, General Manager	Terpening Trucking Co. Inc.	860-451-8660
6. Craig Terpening (SB)	Traffic OPS Management	Terpening Trucking Co. Inc.	860-451-8660
7. Jack Foley	Director Reg. Compliance	P.S. Marston Assoc., Inc.	800-682-0150
8. Althea Baker (SB) (Woman Owned)	Owner	R.E. Baker	207-223-2560
9. Lance Hillman (SB)	President	Ft. Edwards Express	518-792-6571
10. Mike Penza (SB)	Vice President	S. Coraluzzo	856-691-1142
11. Evert Bono	Traffic Management	SDDC	757-878-8671
12. Marty Misciagna (LB)	Market Analyst	Penn Tank	800-537-3102

13.	John Culmer	AQ	SDDC	703-428-2016
Bulk Fuel Tank Movements Industry Meeting Attendee Roster September 15, 2004 Fort Belvoir, VA				
NAME (SB = Small Business LB= Large Business)		POSITION	COMPANY	PHONE NUMBERS
14.	Lucille A. Monko	Traffic Management	DESC	703-767-8392
15.	John Kelly	Director of Government Freight	Suttles	732-292-0852
16.	Jack Kelly		Suttles	732-292-0852
17.	Brian Kelly (LB)		Suttles	786-859-1820
18.	Bruce Hodges	Transportation Manager DESC- BID	DESC-BID	703-767-8398
19.	Nancy Small	Small Business Office	SDDC	703-428-2037
20.	Ted Lepski	General Manager	Greenville Transport	757-934-8289
21.	Bob Roberson (SB)		Hahn Transportation	301-865-5467
22.	Tiffany Russell		Regional Associates	800-755-9077
23.	Leon Patton, Jr.	AQ	SDDC	703-428-2392

ATTACHMENT B

Agenda

Carrier Meeting Bulk Fuel Tank Movements September 15, 2004

WEDNESDAY, September 15, 2004	
8:30 am	Introduction of Attendees and Government Representatives Welcome
	Presentation of Objectives and Plans Request for input from Carriers
	Begin discussion of specific topics for this Acquisition: <ul style="list-style-type: none">▪ What are the Commercial practices?▪ What is current state of the industry?▪ What are your Innovative Ideas?
	Open Discussion – How to make this process acceptable to the carriers?
	Wrap-up and Thank you
12:30 pm	<i>Adjourn</i>

ATTACHMENT C

Bulk Fuel Tank Movement IPT / Carrier Meeting

September 15, 2004

Why are we doing this?

- We are required to transition from tenders to a FAR-based contract for repetitive movements
- The contract will be designed to ensure:
 - Increased flexibility required by both DESC and the carrier
 - Stable pricing

Why we are asking for your input?

- To understand and incorporate commercial practices
- To learn about current market conditions
- To leverage carriers' experience
- To develop a partnership with interested carriers
- To conduct fact-finding and information exchange

What is an IDIQ contract?

- Is an indefinite-delivery, indefinite-quantity type of instrument
- Includes Multiple awards for each origin point
- Carrier will be required to accept order when placed
- Prices will be established for each movement based on mileage
- Includes minimum revenue volumes and commitments to carrier
- Includes a maximum volume to be awarded to carrier under the contract
- Includes order limitations

Guaranteed Minimum

- Based on a Percent of Revenue
- Payable at end of base year if not achieved
- If carrier rejects order (s), the associated volumes will be applied against minimum guarantees

Length of Contract

- One year base contract
- Options?

Performance Work Statement

- Carrier will be measured on performance objectives
- Requirements will be stated in terms of outcomes desired

Pricing

- Mileage rates from points of origin?
- Origins can be changed from initial location at quoted rates?
- Fixed pricing is required

Hours of Operations

- Fluid situation
- Base commanders have right to change hours
- SDDC / DESC will provide information on current hours of operations

Accessorial Charges?

- Diversion enroute
- Special Equipment
- Bunkering
- Reconsignment
- Cleaning
- Changes to DOT/HSA requirements due to new Government rules

Acquisition Milestones

Activity	Dates
Integrated Process Team meeting w/ Industry <ul style="list-style-type: none">• (Virginia)	14 – 15 Sept 04
Integrated Process Team meeting w/ Industry <ul style="list-style-type: none">• (Houston, Texas)	5 – 6 Oct 04
Integrated Process Team meeting w/ Industry <ul style="list-style-type: none">• (Los Angeles, California)	26 – 27 Oct 04
Pre-solicitation Conference or Draft Solicitation	TBD
Solicitation Issued	2nd Quarter FY 05
Pre-Proposal Conference	2nd Quarter FY 05
Contract Award	4th Quarter FY 05