

January 2010

Governmentwide Transportation Management Study

SUMMARY OF FINDINGS AND
RECOMMENDATIONS



Project overview

Executive summary

Agency segmentation

Spend analysis

Recommendations

Implementation approach

Implementation timeline



Project approach

- Completed over 50 interviews with agencies, associations, carriers, and commercial companies
- Developed a series of findings based on current Federal agency transportation management practices and analysis of available data
- Identified improvement opportunities and cost savings potential through maturity assessment of current state and best practices

Recommendations to address these findings focused on three policy areas

- Organizational structure and reporting
- Procurement methods
- Operational improvements

Recommendations also factored in other drivers

- Commercial best practices focus on sustainability and will support government compliance with Executive Order 13514
- Provide an approach to develop and maintain improved transportation management practices collaboratively across the Federal government
- Recommendations are applicable for all modes of outbound transportation



Study identified:

- Total actual outbound spend is ~2x budget
- \$20–\$30 billion in recurring cost savings possible over a 5-year period

Policy changes to transportation organizations and procurement processes will:

- Provide visibility and create methods for capturing and governing actual spend
- Improve operational efficiency and comply with sustainability programs
- Optimize efficient spend for outbound transportation

Operational improvements that need to take place in next steps:

- Expand transportation management IT capability to include a portal for data collection and reporting
- Create a GSA-led Transportation Management Center of Excellence (COE)
 - Expand transportation management training and require certification for those with obligation authority
 - Consolidate and coordinate shipments within and among agencies
- Perform agency specific detailed analysis and identify agency improvement initiatives

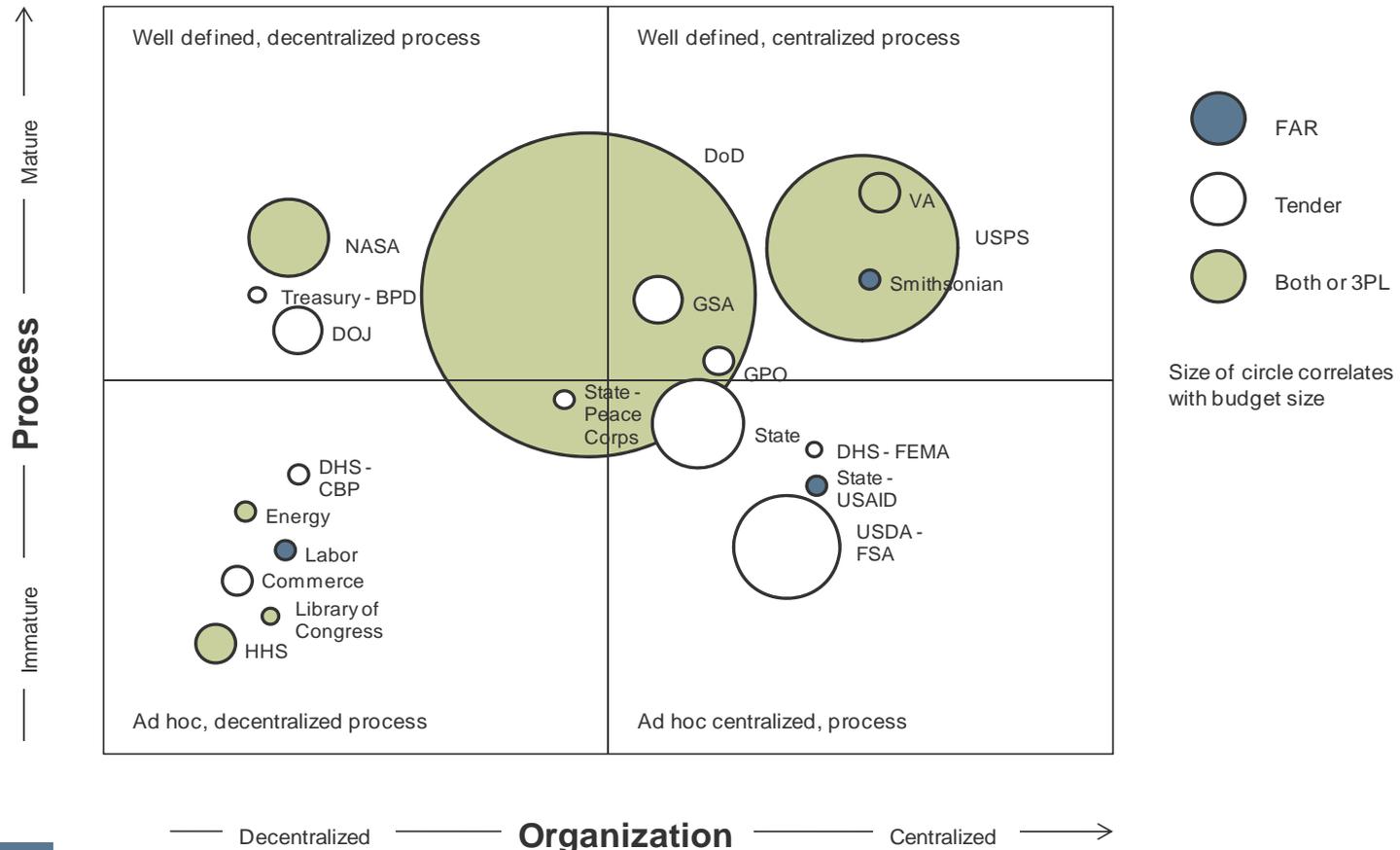
Phased implementation of proposed recommendations will:

- Establish government-wide visibility and oversight into transportation spend
- Promote GSA’s advocacy for excellence and innovation of transportation programs
- Provide leadership, expertise, and collaboration with Federal agencies and key policy stakeholders

Analysis of inbound transportation should be conducted to identify additional improvement opportunities

Federal agencies lack a unified procurement approach

- Comparative analysis based on process, organization, procurement method and reported budget
- Process maturity is an assessment of clear policies, proactive planning, oversight, visibility into spending, defined roles and responsibilities and seamless employment transition



Object Class Code (OCC) 22.0 (Transportation of Things) contained \$24.6B for FY08

- \$10.5B for federal civilian agencies
 - \$2.8B for non-USPS civilian agencies
 - \$7.7B for USPS
 - GSA does not have direct authority over USPS, but USPS voiced desire to improve operational performance and work with GSA to do so
- \$14.1B for DoD
 - PRTM work with USTRANSCOM has identified \$500M–\$700M in potential annual savings

DoD and Top 5 Civilian Agency FY08 Budget for Object Class Code 22.0

DoD	\$14,100M
USPS	\$7,663M
USDA	\$986M
State	\$339M
DHS	\$162M
NASA	\$127M
Other Agencies	\$1,289M
Total	\$24,666M

Through interviews it became clear that OCC 22.0 does not capture all transportation expenditures

- Civilian agencies capture a substantial amount of transportation spend outside of OCC 22.0

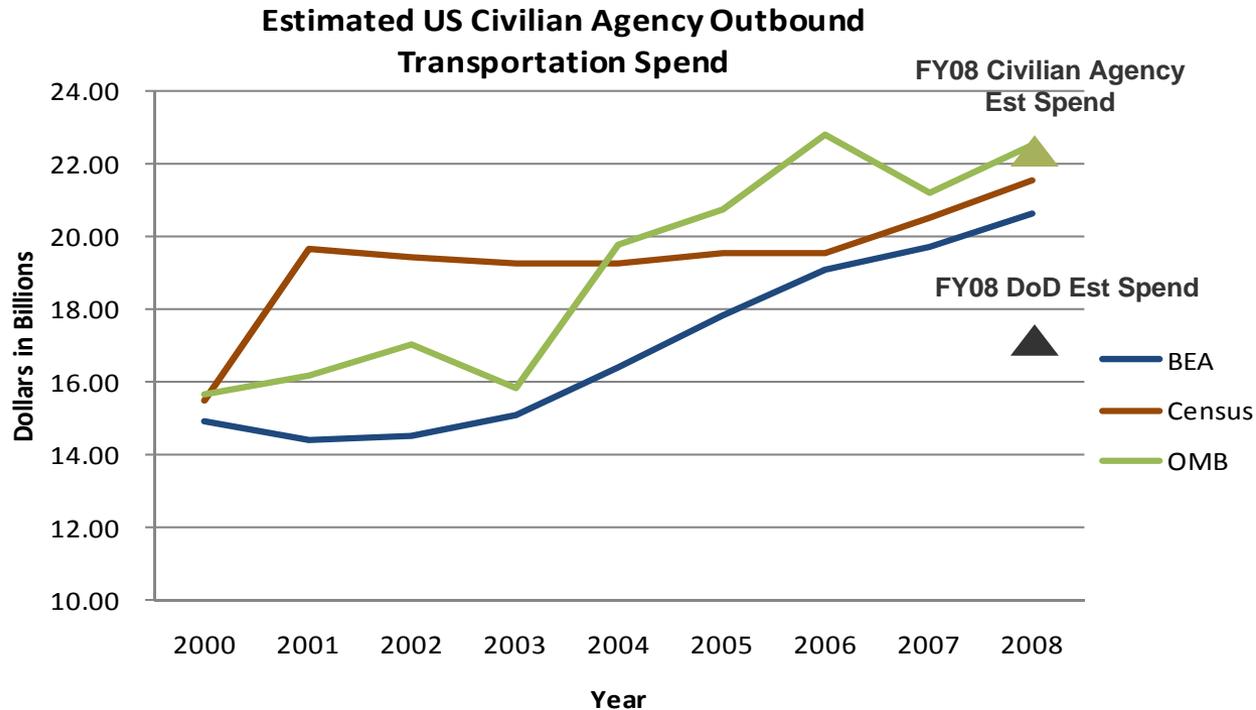
Note: Budget numbers are from PB09 and include FY 08 Supplemental



Transportation Expenditures for Federal Civilian Agencies in 2008 were Between \$20B & \$22B

Outbound transportation spend is ~2X budget

- PRTM research shows that total FY08 actual spend is likely between \$40B and \$50B, including ~\$20B to ~\$22B for civilian agencies



- US Census and Bureau of Economic Analysis both estimate Federal civilian agency spend
- Spend analysis from OMB includes OCC 22.0 obligations & estimated transportation costs in OCC 25.2 (Other Services)
 - OCC 25.2 budget in FY08 was \$120.9B for civilian agencies (Top 3 – DHS: \$10.4B, VA: \$6.1B, DoT: \$5.7B)
 - Assumption that ~10% of OCC 25.2 was transportation based on Census, Bureau of Transportation Statistics & industry groups

Sources:

OMB: FY10 President's Budget, FY08 Actual Obligation Data for OCC 22 and ~10% of OCC 25.2 (Other Services)

US Census: Table 1030: Transportation-Related Components of U.S. Gross Domestic Product

Bureau of Economic Analysis: Gross Output by Industry – Transportation

Reasons for variances include:

- Transportation costs not identified in all FAR-based contracts
 - Interviews revealed that some service contracts at multiple agencies do not itemize transportation costs
 - FAR subpart 47.207-11 only requires civilian agencies to report contracted movement exceeding 50 short tons
- Allowance for transportation services to be captured outside OCC 22.0
 - For example, OCC 22.0 rules permit transportation costs for services procured and paid by vendors to be excluded regardless of whether the cost is itemized in the contract
- Inconsistency in assigning costs to OCC 22.0
 - Multiple examples of transportation cost reported in OCC 25.2

Examples of actual spend exceeding budget for OCC 22.0

- FY08 VA budget included \$40M in OCC 22.0 with actual spend estimated to be \$340M
- USAID budgeted \$13M in OCC 22.0 in FY06 and reported actual obligations of \$14M, but GAO* estimated actual spend of ~\$720M in Food Aid ocean transportation
- USPS estimated total non-mail freight spend of ~\$600M in FY08 but only reported \$40M
- Export Import Bank had no OCC 22.0 budget but spent at least \$25.5M in FY08

*April 2007 GAO-07-560 Foreign Assistance Report

Analyzed interview results and data

- Government and commercial sector interviews documented current and best practices
- PRTM used its commercial domain expertise and experience to find common themes among organizations with well executed transportation operations
- PRTM's Transportation Management Maturity Model facilitated comparison between Federal agency and commercial practices

Based on findings and best practices, PRTM identified improvement opportunities in the following areas:

- Organizational structure/reporting
- Procurement methods
- Operations

PRTM developed recommendations that will achieve significant savings

Recurring savings in reduced expenditures through improved operational efficiency and service level improvements

- 10–15% recurring savings from policy and structural changes
 - Organizational structure and reporting
 - Identifying and selecting the best procurement method (appropriate uses of FAR vs. Tender)
- 10–15% recurring savings from operational improvements
 - PRTM experience with private companies & government agencies, including US Transportation Command, confirms this is a conservative estimate
 - Examples of documented savings in government and commercial organizations include:
 - Consolidation: 20–30% savings
 - Mode conversion: 6–8% savings
 - Sourcing and rates: 10–15% savings
 - Accessorial management: 8–10% savings
 - Utilization: 15–20% savings

Savings of \$20B–\$30B over 5 years possible by implementing recommendations based on PRTM experience and domain expertise



Implementing PRTM's recommendations will help Federal agencies realize sustainability opportunities currently employed in commercial industry, and will facilitate compliance with the EO

- Policy that improves transportation management can reduce spend and improve performance, while improving sustainability, through:
 - Reducing the carbon footprint through operational efficiencies
 - Application of operational improvements such as consolidation, backhauling, mode selection, and utilization
 - Selection of best procurement method – optimize the use of Tenders and FAR

Implementing recommendations will result in operational improvements and cost reduction while also driving regulatory compliance



Three Recommendation Categories for Realizing Operational Improvements, Sustainability Compliance & Savings

Recommendation Category	Recommendations
<p style="text-align: center;">A</p> <p style="text-align: center;">Organizational Structure / Reporting</p>	<ol style="list-style-type: none"> 1. Implement policy that strengthens oversight responsibility within agencies <ul style="list-style-type: none"> ▪ Designate a transportation lead for each agency to ensure transparency and accountability of policy execution ▪ Establish reporting criteria in the FMR Subchapter D requiring agency lead for transportation management whose responsibilities include: <ul style="list-style-type: none"> – Oversight of transportation policy – Establish clear decision criteria and guidance for selection of procurement and routing methods – Maintain and report agency transportation metrics – Ensure transportation managers are certified in accordance with GSA policy – Serve as a member of the Governmentwide Transportation Policy Council (GTPC) 2. Require TSPs to report spend and other data elements by agency <ul style="list-style-type: none"> ▪ Enable identification and validation of actual spend and transportation data necessary for operational improvements ▪ Require agencies to stipulate TSPs to report transportation data quarterly to GSA ▪ Report transportation data through GSA portal from key shipping documents



Three Recommendation Categories for Realizing Operational Improvements, Sustainability Compliance & Savings (Cont'd)

Recommendation Category	Recommendations
<p style="text-align: center;">B</p> <p style="text-align: center;">Procurement Methods</p>	<ol style="list-style-type: none"> 3. Coordinate procurement with GSA as part of a structured procurement strategy <ul style="list-style-type: none"> ▪ Achieve economies of scale to negotiate rates and better use of procurement methods through coordination and information sharing ▪ Require stronger guidance in the FMR on the use of tender vs. FAR, coordinate requirements and acquisition prior to procurement, and require sharing of agency specific rate information <ul style="list-style-type: none"> – Subpart B—Acquiring Transportation or Related Services, §102-117.30 – Subpart C—Business Rules to Consider Before Shipping...§102-117.100 – Subpart E—Shipping Freight §102-117.165 – Subpart G—Shipping Household Goods, §102-117.220 4. Implement requirements for reporting transportation demand to the GSA portal <ul style="list-style-type: none"> ▪ Establish a baseline of historical spend and volume ▪ Create quarterly forecasts and report to GSA based on historical information and anticipated changes in demand for both FAR and tender based procurements ▪ Require agencies to report demand forecasts quarterly to GSA in the FMR Subchapter D – Transportation Management, Subpart K—Reports §102-117.345



Three Initial Recommendations for Realizing Operational Improvements, Sustainability Compliance & Savings (Cont'd)

Recommendation Category	Recommendations
<p style="text-align: center;">C</p> <p style="text-align: center;">Operational Improvements</p>	<ol style="list-style-type: none"> 5. Expand transportation management IT capability <ul style="list-style-type: none"> ▪ Develop data analysis tool for agency transportation information ▪ Create portal to collect and disseminate standardized information to support procurement activities, consolidation analysis, operational metrics reporting, and forecasting demand ▪ Enhance TMSS functionality to increase system usage ▪ Determine need for common transportation management and optimization system <p><i>Transportation Management Center of Excellence</i></p> 6. Expand transportation management training and require certification for those with obligation authority <ul style="list-style-type: none"> ▪ Implement training curriculum ▪ Implement certification for transportation officers and those with obligation authority over \$2,500 ▪ Issue policy to mandate certification in the FMR 7. Consolidate and coordinate shipments among agencies <ul style="list-style-type: none"> ▪ Establish central consolidation & coordination within each agency for outbound shipping ▪ Leverage preferred TSPs to identify and implement consolidation opportunities



Three Initial Recommendations for Realizing Operational Improvements, Sustainability Compliance & Savings (Cont'd)

Recommendation Category	Recommendations
<p style="text-align: center;">C</p> <p style="text-align: center;">Operational Improvements</p>	<p><i>Transportation Management Center of Excellence (cont'd)</i></p> <p>8. Implement transportation specific marketing plan</p> <ul style="list-style-type: none"> ▪ Market GSA's transportation services to foster a collaborative process & ensure agency buy-in <ul style="list-style-type: none"> – Identify target audience – Package and position service offerings – Use multiple mediums, including TSPs, to reach target audience – Measure effectiveness of marketing plan <p><i>Agency Specific</i></p> <p>9. Implement agency specific recommendations</p> <ul style="list-style-type: none"> ▪ Use results of agency data analysis, maturity model, and agency segmentation to identify improvement opportunities ▪ Realize improvements through consolidation, utilization, mode optimization by implementing select best practices

Recommendations are structured to permit incremental implementation

- While change on this scale will initially seem daunting, breaking out the recommendations into phases permits controlled management
- A well defined phased implementation plan includes a detailed management oversight structure to facilitate change management and limit risk

Incremental implementation will maintain momentum and deliver results

- Additional capabilities established in Phase 1a
- Recommendations 1 to 9 will be completed in Phases 1b & 2



Phase 1a – Develop required infrastructure and capabilities (18 weeks)

- Build a training curriculum for certifying federal transportation officer with obligation authority
- Analyze agency specific data on transportation data
- Charter enhanced OGP-led management oversight body for policy implementation and professional development (the GTPC will serve as the core team of this oversight body)
- Conduct a Voice of the Agency assessment for customers' perspective and inform GSA policy
- Build a performance metric framework (PMF) to assess progress and impact of policy changes
- Develop scope of analysis of federal inbound transportation

Phase 1b – Continue implementation of recommendations & standup center of excellence (18 months)

- Implement policy recommendations (Recs 1-4), expand transportation management IT capabilities (Rec 5), and begin training & certification (Rec 6)

Phase 2 – Complete implementation of operational improvements (18 months)

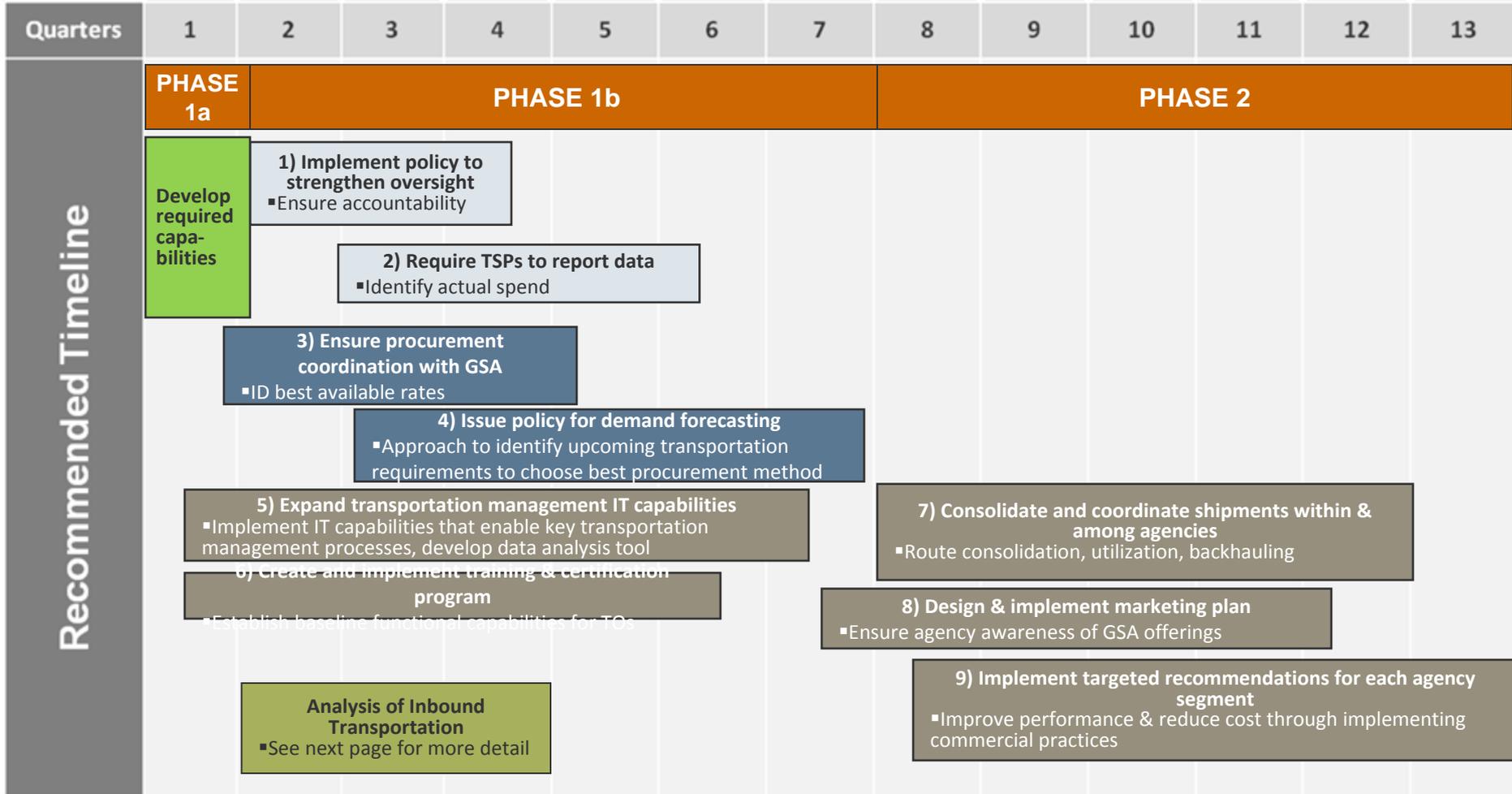
- Develop and launch marketing plan (Rec 8) and operational improvements (Recs 7 & 9)

Note: Detailed approach to Phase 1a can be found in the appendix



Policy Development & Implementation Timeline

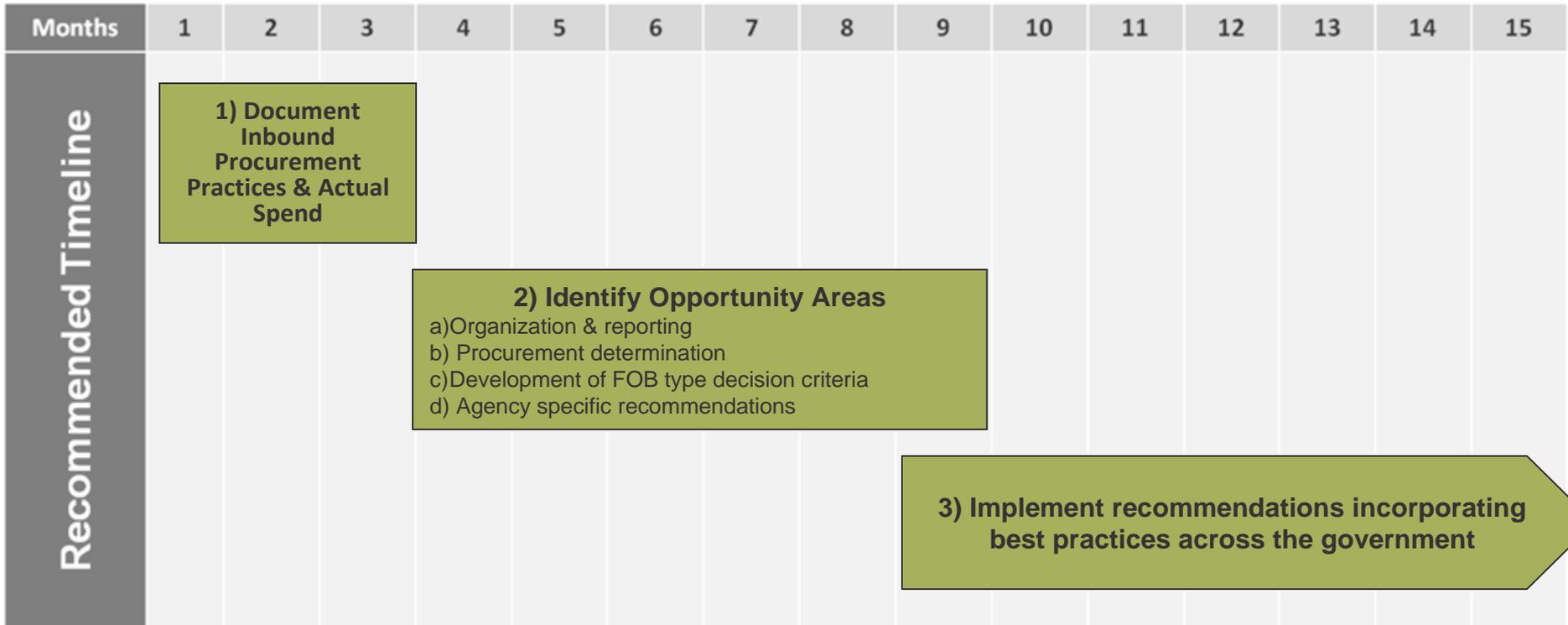
High level implementation timeline (in quarters)



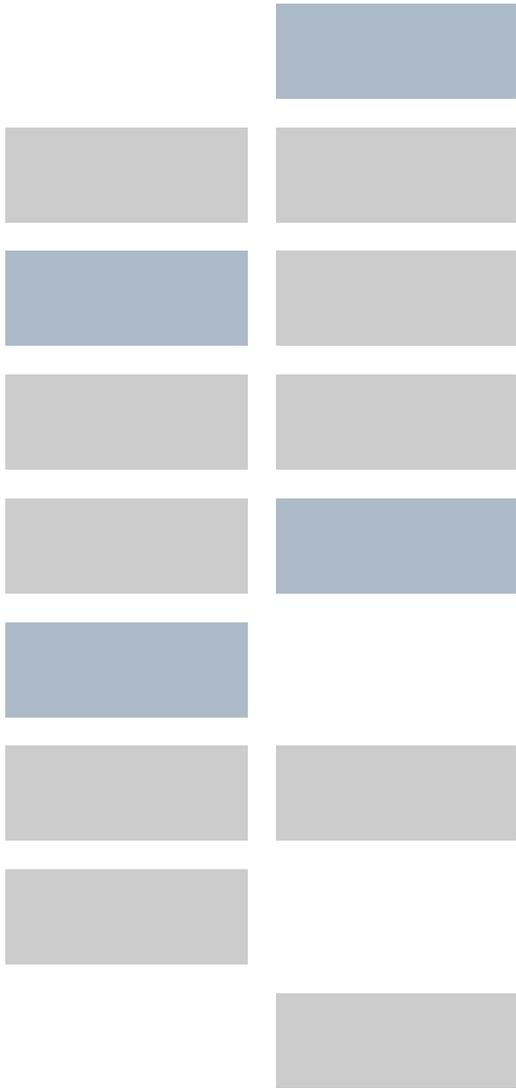


Additional Improvement Areas: Inbound Spend is ~3–5X Outbound with Commensurate Savings Opportunity

Most agencies procure requirements using FOB destination which obscures inbound transportation costs



Assessment should occur concurrently with implementation of outbound recommendations



Appendix

DETAILED APPROACH TO IMPLEMENTATION PHASE 1A

Develop Training and Certification

Expand GSA's Travel and Transportation Management Training curriculum

- Develop detailed training and certification plans to cover all aspects of transportation management
- Develop different plans for selected target groups
- i.e. executives, transportation officers, acquisition / contract officers
- Course material developed with input from industry and trade associations
- Course will incorporate commercial and government best-practices

Analyze Agency Specific Transportation Data

Create a data analysis tool and portal to collect and analyze transportation data in a standardized process for government customers

- Develop a Budget Data Request (BDR) to obtain additional outbound transportation detail on agency Object Classification Codes (OCCs) 22.0, 25.2, and other OCCs that may contain outbound transportation costs
- Work with agency finance and transportation offices to obtain additional information as needed
- Baseline actual expenditures on transportation services
- Perform analysis on BDR information, initially focusing on the top 10 spenders
- Develop a data analysis tool to analyze actual spend and other transportation related data

Charter Enhanced OGP-led Management Oversight Body

This oversight body will:

- Implement recommendations developed by OGP's Transportation Management Study
 - Develop a human capital strategy
 - Develop suggested organizational structures for different agency segments
- Oversight body will be comprised of:

Board of Advisors

- Consists of industry & government SMEs

Executive Steering Committee

- Sets strategic direction for improved federal transportation management

- Approval of policy changes

- Strategic direction setting

Core Team

- Manages the portfolio of transportation improvement initiatives



Phase 1a – Develop Required Infrastructure & Capabilities (Cont'd)

Conduct “Voice of Agency” Assessment

Perform a targeted Voice of the Agency assessment to ensure service offerings meet customers needs

- Perform interviews with high level executives
- Identify explicit and latent needs
- Align individual agency perspectives with government-wide view
- Develop requirements in a structured manner

Build a Performance Metric Framework (PMF)

PMF gives agencies and OGP Oversight Committee the ability to identify high level operational problems to diagnose underlying issues

- Develop a standard set of metrics
 - Mode mix
 - Cost per lb/cube
 - On-time delivery
 - Perfect order fulfillment
 - Tender rejection rate
- Develop PMF as transportation management tool

Develop Scope for Analysis of Federal Inbound Transportation

Similar to OGPs Outbound Transportation Management Study

- Identify personnel to interview within each Federal agency
- Identify commercial carriers, associations, and private sector companies to interview
- Develop questions for interview guide
- Develop a Budget Data Request (BDR) for OMB to issue to Federal civilian agencies regarding inbound transportation details
 - Identify relevant Object Classification Codes that may contain inbound transportation costs
 - i.e. Supplies and Equipment purchased FOB destination