



United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-255563

November 16, 1993

General George A. Joulwan  
Commander-in-Chief  
U.S. European Command

Dear General Joulwan:

This letter is the result of our review of freight traffic management practices in the European theater. Our objectives were to examine the Department of Defense's (DOD) systems for (1) identifying and reporting in-transit freight losses and damages and (2) reporting transportation charges. We have discussed the issues in this letter with your staff and have incorporated their comments where appropriate. They generally agreed with the recommendations and the information presented.

BACKGROUND

The European Command (USEUCOM) issues directives on in-transit freight losses and damages unique to its theater. U.S. Army, Europe (USAREUR), a major component of USEUCOM, oversees traffic management services in Central Europe<sup>1</sup> during peacetime and wartime. USAREUR uses two systems for transporting DOD freight within Central Europe--military and European-based commercial carriers. The 37th Transportation Command (37th TRANSCOM), a component of USAREUR, transports ammunition, mail, supplies, and other items within the theater. The 266th Theater Finance Command (266th TFC), also a component of USAREUR, pays commercial carriers for transportation services incurred within the Central European theater.

The Military Traffic Management Command (MTMC) in Europe is responsible for managing the theater's cargo loss and damage program. MTMC's Intra-Theater Commercial Transportation Division (ICTD), monitors freight losses and damages caused by commercial carriers and negotiates commercial carrier transportation tenders.

<sup>1</sup>Central Europe includes Belgium, Denmark, France, Germany, Italy, Luxembourg, and the Netherlands.

Military units submit requests for transportation services to their Movement Control Team. The Movement Control Team then assigns the requests to the 37th TRANSCOM. If 37th TRANSCOM assets are not available, the Movement Control Team selects a commercial carrier from an ICTD-provided list and determines the services required.

#### RESULTS IN BRIEF

USEUCOM does not analyze data on freight losses and damages caused by the European theater's military and commercial carriers. Analysis of this information would be useful in identifying and correcting weaknesses in USEUCOM's transportation system. In addition, the 266th TFC does not report commercial carrier transportation charges, which could assist USAREUR in identifying its budget needs for freight transportation.

#### ANALYSIS OF FREIGHT LOSSES AND DAMAGES COULD BE USEFUL

USEUCOM Directive 64-3 includes procedures for the ICTD to initiate claims against commercial carriers for freight losses and damages. However, the directive does not require USEUCOM to monitor freight losses and damages caused by either commercial or military carriers. Collecting and analyzing this information would give USEUCOM information that it needs to ensure that its transportation system is operating efficiently and effectively.

The directive also does not contain procedures for following up and reporting on freight losses and damages caused by military carriers. During our review of ICTD's files covering fiscal year 1990 to 1992, we found eight reports showing losses and damages to freight totaling about \$23,524.<sup>2</sup> These reports indicated that the losses and damages were caused by the 37th TRANSCOM. An ICTD official told us that she did not assess these reports to identify trends and problem areas because she was not required to do so.

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<sup>2</sup>The use of military carriers has substantially increased in fiscal year 1992 due to the downsizing and realigning of military bases in the European theater, which will continue for many years. In fiscal year 1992, 37th TRANSCOM's budget to transport freight was about \$44 million. This amount includes such costs as overhead and civilian salaries, and excludes such costs as military salaries and vehicle depreciation.

The ICTD official told us she kept copies of the reports and--although not required--sent the originals to the 37th TRANSCOM. The official told us that she did not verify that the reports had been received or determined whether investigative action had been taken. 37th TRANSCOM officials told us that the addressee that the reports were sent to is no longer in 37th TRANSCOM, and that they had never received any of the reports. We also contacted several of the units that submitted these reports to the ICTD and confirmed that they had not been investigated.

ICTD initiates and pursues freight loss and damage claims<sup>3</sup> against commercial carriers. However, it does not report information such as loss and damage statistics and the amount of funds recovered from commercial carriers to USEUCOM. Consequently, USEUCOM is unable to use this information to determine and correct weaknesses in its transportation system.

REPORTING OF TRANSPORTATION  
CHARGES COULD BE HELPFUL

USAREUR Regulation 55-355 requires the 266th TFC to prepare a monthly report summarizing the amount paid to commercial carriers for freight expenses. This data should be categorized by country and the type of transportation and service.

Officials from the 266th TFC acknowledge that they are not in compliance with this requirement. Further, these officials told us that neither USAREUR resource management nor logistics personnel have asked the 266th TFC for this report. Our analysis of commercial carrier invoices showed that during fiscal year 1992 the 266th TFC paid commercial carriers approximately \$88.9 million to transport DOD freight.

Summarizing and reporting the amount paid monthly to commercial carriers for transporting DOD freight would provide USAREUR with information that could assist USAREUR in identifying its budget needs for freight transportation.

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<sup>3</sup>The ICTD received 68 reports claiming \$234,135 in losses and damages caused by commercial carriers for fiscal years 1990 through 1992. The ICTD pursued each of these reports and settled \$60,843 in claims (European laws limit the amount of money that the carriers may reimburse).

RECOMMENDATIONS

To improve DOD's freight traffic management practices in the European theater, we recommend that the Commander, USEUCOM (1) amend Directive 64-3 to include procedures for reporting freight losses and damages caused by the theater's military carriers and (2) designate managers to analyze freight losses and damages caused by the theater's military and commercial carriers. The latter action would allow USEUCOM to determine and correct weaknesses in its transportation system.

In addition, we recommend that the Commander, USAREUR, direct the 266th TFC to prepare a monthly report summarizing the amount of funds paid to commercial carriers for transporting DOD freight within the European theater.

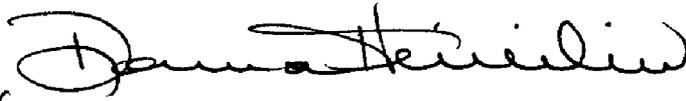
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We conducted our work from January to September 1993 in accordance with generally accepted government auditing standards. Our scope and methodology are presented in appendix I.

Please inform us of the actions you intend to take on these matters within 30 days. We are sending a copy of this letter to the Chairman of the Subcommittee on Readiness, House Committee on Armed Services.

We thank you and your staff for the courtesy and cooperation extended to us during our audit. If you or your staff wish to discuss any of these issues further, please contact me or Elliott Smith, Assistant Director for Planning and Reporting, at DSN 320-7511 or Donna Heivilin, Director, Defense Management and NASA Issues, at (202) 512-8412. Major contributors to this work are Nomi Taslitt, Assistant Director; Inez M. Azcona, Evaluator-in-Charge; and Kevin B. Perkins, Evaluator.

Sincerely yours,

  
for Arthur R. Goldbeck  
Director, European Office

SCOPE AND METHODOLOGY

We visited the Military Traffic Management Command in Europe, Rotterdam, the Netherlands; Intra-Theater Commercial Transportation Division, Stuttgart, Germany; Headquarters, U.S. Army, Europe, Heidelberg, Germany; 266th Theater Finance Command, Heidelberg, Germany; 21st Theater Army Area Command, Kaiserslautern, Germany; 1st Theater Movement Control Agency, Kaiserslautern, Germany; 37th Transportation Command, Kaiserslautern, Germany; and Headquarters, U.S. Air Forces in Europe, Ramstein Air Base, Germany.

To examine DOD's system for identifying and reporting on in-transit freight losses and damages, we interviewed officials from the Military Traffic Management Command in Europe; Intra-Theater Commercial Transportation Division, U.S. Army, Europe; 1st Transportation Movement Control Agency; and the 37th Transportation Command. We also reviewed freight loss and damage claim files at the Intra-Theater Commercial Transportation Division.

To examine DOD's system for monitoring transportation charges, we interviewed officials from the U.S. Army, Europe; 266th Theater Finance Command; 1st Transportation Movement Control Agency; 37th Transportation Command; and the Intra-Theater Commercial Transportation Division. At the 266th Theater Finance Command we also analyzed commercial carrier invoices received and paid during fiscal year 1992. We reviewed commercial carrier invoices and reports at both the 266th Theater Finance Command and Intra-Theater Commercial Transportation Division.

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