

VISA EXECUTIVE WORKING GROUP (EWG)  
MEETING MINUTES, 18 APRIL 2002

1. NOTICE: The Executive Working Group (EWG) was organized by the National Defense Transportation Association (NDTA) Sealift Committee in March 1995, and consists primarily of representatives from the Department of Defense (DOD), the Department of Transportation (DOT) and the transportation industry. Industry representatives on the EWG are selected by Mr. James Henry, Chairman of the NDTA Sealift Committee (telephone (301) 423-3335). The purpose of the EWG is to study transportation issues of interest to government and industry and report the status of these issues to the NDTA membership. The EWG is a forum for the exchange of information. DOD officials participating in the EWG may not transfer any authority or responsibility for government decisions to industry or to the industry members of the EWG. By making the minutes of EWG meetings available electronically, DOD, DOT, and the NDTA promote other forums for the exchange of information. DOD invites interested parties to comment on issues considered at EWG meetings, to provide additional information, or to request further information. The DOD point of contact is CDR Humberto Quintanilla, who can be contacted by e-mail *humberto.quintanilla@hq.transcom.mil*, telephone (618) 229-1529, fax (618) 256-6877, or by mail: USTRANSCOM, ATTN: TCJ5-AS (CDR Quintanilla), 508 Scott Drive, Scott Air Force Base, Illinois, 62225-5357. Interested parties also may contact the NDTA through Mr. James Henry [telephone (301) 423-3335], the DOT through Mr. James Caponiti [telephone (202) 366-5400], or any industry member of the EWG. Industry members of the EWG are (in alphabetical order):

<u>Name</u>	<u>Organization</u>	<u>Telephone</u>
Mr. Edward Fortunato	Crowley Maritime Corp.	(703) 684-3132
Mr. Michael Garvin	Matson Navigation Company	(415) 957-4200
Mr. Kenneth Gaulden	Maersk - SeaLand	(703) 351-9200
Mr. Edward Kelly	American Maritime Officers	(202) 628-6322
Mr. Ans Kristbergs	Farrell Lines, Inc.	(201) 896-8979
Mr. J. Robert Leyh	Waterman Steamship	(202) 659-3804
Mr. Lawrence Cosgriff	APL	(202) 496-2480
Mr. Steve Gill	American Roll-on Roll-off Carriers	(201) 307-1626
Mr. James Wachtel	Lykes Lines Limited	(813) 276-4698

2. The agenda is at Attachment 1.
3. The list of EWG attendees is at Attachment 2.
4. The updated list of tasks from the EWG is shown at Attachment 3.
5. MEETING SUMMARY.

a. Opening Remarks.

LTG Brown (USTRANSCOM) welcomed the meeting participants. RDML Ames was introduced as the new USTRANSCOM J5.

b. VCC/DCC RFP Extension Update.

Ms. Gail Jorgenson (USTRANSCOM) reviewed the timeline for the VCC/DCC and USC 04. VCC-02, Solicitation Number DAMT01-02-R-0046, was issued electronically on 15 April 02, and closes on 30 May 02

- (1) The closure date for both VCC/DCC is 30 May 02. She reiterated that there probably would not be a need to extend the contracts. Audits will have to be accomplished during this time period. Ms. Jorgenson noted the need for close coordination between Government and industry to ensure that all dates on the timeline are met.

(2) Discussion.

- (a) Some carriers inquired why the audits had to take place when some companies were just completing the current round. The government stated the need to have updated 2001 data from a current audit would be used to establish the new contracts. The need for the audit was still in question until the government contracting officers stated that the carriers who chose to forgo an audit would have to use Method C rate negotiations, and those that conducted audits could continue their Method A rate process. This clarification highlighted the need for performing new audits.
- (b) Mr. Caponiti (MARAD) addressed the issue of miscommunications and process challenges associated with the VISA Enrollment Contract (VEC). He offered for MARAD to head a Process Review Team to assess the current application and enrollment process and associated procedures. All parties were in favor of this initiative as long as it did not disrupt the current timelines.

c. USC-04 IPT Update

Mr. Ken Gaulden was introduced to present the industry's input; he specifically stated, "This is Maersk/Sealand's position and not the industry position". He also said that, subsequent to his "proposed Executive Guidance USC-04 Development Initiative", he has had discussions with carriers and that there was not unanimous agreement with Maersk's industry position.

- (1) Maersk's input to the USC04 process improvement team - text (taken from the document) is located at Attachment 4.
- (2) Mr. Bill Lucas (MTMC) briefed on the USC04 IPT. He addressed the government's input to the USC04 process improvement team - text (taken from the power point brief) is located at Attachment 5.

(3) Discussion

The attendees did not have the opportunity to review both sets of IPT inputs. A primary issue is in protecting the current sealift industrial base. Cargo minimums are not working for everyone and another approach should be considered. Industry Representatives inquired about the long-term vision and goals of the Government Information Technology (IT) initiatives. Mr. Lucas said that MTMC wants to get out of the IT business and move more toward commercial standards.

d. USC – 03 Extension Status

Mr. Craig Robinson (MTMC) addressed the USC03 Extension Status. He stated that 12 out of 14 Extension Modifications have been executed. If necessary, a 6-month extension period from September 01, 2002 through February 28, 2003 could be considered.

e. NDTA Security White Paper

Mr. Dave Dias (USTRANSCOM) briefed on the NDTA Security White Paper titled "Transportation Security and the War Against Terrorism". LTG Brown introduced the subject and provided general background information on the NDTA Security White Paper. He stated that transportation accounts for 11% of the gross national product (GNP). It is critical that an overarching security program be established to ensure continued commerce. Mr. Dias individually addressed the 10 initiatives from the white paper – these initiatives can be reviewed in attachment 6.

f. Industry Discussion

Mr. Ken Gaulden (Maersk) asked if VISA priority is applied to U.S. flagged product tankers owned by VISA members. RADM Stewart (MSC) replied that this issue is being studied, and he would provide the EWG with a response as soon as possible.

g. EWG Recognition

RDML Fahy provided a farewell address to the EWG. LTG Brown thanked RDML Fahy for his service to his country, USTRANSCOM, and to the VISA program.

h. Review the Taskers. See Attachment 3.

i. Review/Amend EWG Schedule.

(1) Current schedule shows the following dates:

(2) EWG meeting on 16 May 02

16 May 02	VTC (Tentative)	16 Jan 03
20 Jun 02	Washington DC (TBD)	20 Mar 03
18 Jul 02	VTC (Tentative)	15 May 03
15 Aug 02	TBD	17 Jul 03
19 Sep 02	VTC (Tentative)	18 Sep 03
17 October 02	TBD	20 Nov 03
14 Nov 02	VTC (Tentative)	05 Jan 04
12 Dec 02	TBD	

j. Friction Points/Issues.

None

k. Rate the EWG Meeting. Ratings: 9.0 9.0 9.0 9.0

l. Closing Remarks.

(1) LTG Brown thanked the VISA EWG members for their attendance.

6. Point of contact for updates or corrections to these minutes is CDR Humberto Quintanilla at (618) 229-1529, fax (618) 256-6877, e-mail: [humberto.quintanilla@hq.transcom.mil](mailto:humberto.quintanilla@hq.transcom.mil).

Attachments:

1. EWG Agenda
2. EWG Attendees
3. Tasker list from EWG
4. Proposed Executive Guidance USC-04 Development Initiative
5. Universal Service Contract 04: Steps Toward Process Improvement
6. Security Initiatives

VISA EXECUTIVE WORKING GROUP  
18 APRIL 2002

AGENDA

<u>Time</u>	<u>Topic</u>	<u>POC</u>
0800	Opening Remarks	DCINC
	VCC/DCC/RFP Extension Update	TCJ-3/4-LQ/ MTMC/MS
	Integrated Process Team (IPT) Discussion	MTMC
	<ul style="list-style-type: none"><li>• Government thoughts and guidance for the IPT</li><li>• Industry thoughts and guidance for the IPT</li></ul>	
	<ul style="list-style-type: none"><li>• USC03 Extension</li></ul>	MTMC
	NDTA Security White Paper	Mr. McMillin
	Review/Amend EWG Schedule	Mr. McMillin
	<ul style="list-style-type: none"><li>- Review EWG Taskers</li><li>- Friction Points</li><li>- Rate the Meeting</li></ul>	
1155	Closing Remarks	DCINC
1200	Meeting Adjourns	

ATTENDEES FOR 18 APRIL 2002 EWG MEETING

LTG Daniel Brown	USTRANSCOM/TCDC
RDML Christopher Ames (Chris)	USTRANSCOM/TCJ5
Brig Gen James Swanson (Jim)	USTRANSCOM JA
Mr. Daniel McMillin (Dan)	USTRANSCOM J5-V
Mr. James Caponiti (Jim)	MARAD
RADM John Stewart	MSC
Mr. James Fischer (Jim)	MSC
Mr. Daniel Wentzel (Dan)	MSC
Mr. John Henry	MSC
Mr. William Lucas (Bill)	MTMC
Mr. Craig Robinson	MTMC
Mr. Greg Ircink	MTMC
Mr. Joe Crandall	MTMC
Ms. Patty Maloney	MTMC
Mr. Mark Trechter	DCAA
Mr. Kenneth Gaulden (Ken)	Maersk Line Ltd.
Mr. David DeBoer (Dave)	American President Lines, Ltd.
Mr. Steven Gill (Steve)	American Roll-On Roll-Off Carrier, LLC
Mr. Edward Fortunato (Ed)	Crowley Logistics
Mr. Michael Garvin (Mike)	Matson Navigation Company
Mr. James Madden (Jim)	Farrell Lines / P&O Nedlloyd
Mr. J. Robert Leyh (Bob)	Waterman Steamship Corporation
Mr. Edward Kelly (Ed)	AMO
Col Fraser Jones	USTRANSCOM JA
Mr. Bill Davis	USTRANSCOM JA
Mr. Roger Correll (Scott)	USTRANSCOM J-3/4-LQ
Ms. Gail Jorgenson	USTRANSCOM J-3/4-LQ
Ms. Ellen Green	USTRANSCOM J-3/4-LQ
Mr. David Dias (Dave)	USTRANSCOM J5-A
CDR Humberto Quintanilla (Burt)	USTRANSCOM J5-AS
Mr. Kenneth Mills (Ken)	USTRANSCOM J5-AS
MAJ Todd Robbins	USTRANSCOM J5-AS
Mr. John Boysha (John)	Stanley Associates

TASKERS FROM 21 MARCH 2002 EWG

TASK

ECD

1. Send out information on CEO meeting  
Lead: Mr. Dave Dias
2. Next IPT Meeting at Scott on 30 April 02  
Team Review of IPT Initiatives/Develop top priorities
3. Review of VEC process and procedures  
Lead: Mr. Jim Caponiti

# Proposed Executive Guidance USC-04 Development Initiative

## I. STRATEGIC OBJECTIVES

- A. Streamline the proposal requirements and source selection process.**
- B. Facilitate decentralized cargo booking.**
- C. Facilitate multi-year contracts.**
- D. Ensure adequate safeguards exist protect industrial base.**

## II. CONCEPT OF OPERATIONS

### A. Contract Provisions

#### 1. Minimum Cargo Commitments

- a. The USC-04 contract either would have no minimums (e.g., a requirements contract or a pre-priced basic ordering agreement) or smaller and more uniform minimums than those in the USC-03 IDIQ contract.
- b. Any cargo guarantees would be designed to accomplish two specific goals:
  - (1) Minimize the restrictions placed on the shippers' best value booking decisions; and
  - (2) Satisfy the legal requirement for contractual consideration.

#### **2. Industrial Base**

- a. Properly structured, the USC-04 contract can fairly support and maintain the industrial base in most cases.
- b. Nevertheless, it would be prudent to include a mechanism in the USC-04 contract to protect the industrial base in case of unintended consequences.
- c. The most effective and least intrusive mechanism to provide a safety net for the industrial base is a maximum cargo limitation of some sort.

#### **3. Term of Contract**

- a. From a carrier's perspective, there are two main obstacles to multi-year contracts.
  - (1) Risk of low market share for long periods of time.
  - (2) Dynamic cost structure.
- b. The USC-04 contract can be structured to mitigate these obstacles to an extent that would reasonably permit multi-year contracts.

Attachment 4

- (1) Contemporaneous best value booking would allow carriers to compete for every shipment, thus reducing the risk of low market shares caused by "winner-take-all" procurements.
- (2) Mechanisms to protect the industrial base, such as maximum cargo limitations, would further reduce the risks of low market share.
- (3) Periodic rate refreshments at pre-determined time intervals would provide the carriers with the opportunity to improve the price competitiveness and to mitigate the risk of unanticipated cost changes.
- (4) Accepting all proposed rates except those determine to be excess would reduce the risk that a carrier could be shut out of a trade lane.

## **B. SOURCE SELECTION**

### **1. Decentralized, Contemporaneous Best Value Booking**

- a. MTMC would continue to utilize best value, performance-based contracting.
- b. MTMC, however, would eliminate its pre-award, best value evaluation.
  - (1) Pre-award best evaluations are resource-intensive for both the government and the carriers.
  - (2) The only "output" from such an evaluation is the allocation of minimum cargo commitments, which may or may not correspond with the shippers' operational requirements.
- c. Instead of a pre-award, best value evaluation, shippers would be empowered from the start to book cargo with the carrier they determine represents the best value to the government for the specific requirements associated with the shipment being booked.
- d. MTMC's responsibility in the source selection process would be to provide shippers with the infrastructure they need to make well-informed best value determinations:
  - (1) Negotiated contract rates, terms & conditions
  - (2) Access to monthly performance reporting
  - (3) Access to carrier schedule information
  - (4) Access to a booking system (e.g., direct booking or IBS).
  - (5) Technical assistance

### **2. Price Negotiations**

#### **a. Rate Structure**

- (1) MTMC would continue to use the same basic rate structure (i.e., single factor rates, bi-factor rates, ocean rates, line haul/drayage rates, mileage rates).

- (2) MTMC, however, would reduce the number of rates by soliciting only one rate for each specific origin/destination combination for a particular container type (e.g., 20's, 40's, and reefers) rather than soliciting rates for each shipper for the same origin/destination combination and container type.
  - (a) In the past, MTMC has solicited several different rates for the same routing (i.e., the general section and various SCRs frequently covered the same origin/destination combination.)
  - (b) Over the years, performance requirements under peacetime contracts have become more uniform among all of the shippers, thereby reducing (if not eliminating) any perceived need for multiple rates for the same origin/destination combination.
  - (c) To the extent that shippers have unique requirements, shippers can obtain tailored services through best value booking (i.e., selecting the carrier that best meets the shipper's unique requirements).

#### **b. Acceptance of Rates**

- (1) MTMC would accept all proposed rates except those that are determined to be excessive.
  - (a) The USC-03 contemplated that MTMC would accept more rates than it had in previous contracts.
  - (b) While MTMC may have made some movement in that direction, MTMC did not go far enough under USC-03.
  - (c) Shippers and carriers continue to hound MTMC to accept proposed rates that it had previously rejected.
- (2) Accepting all rates provides the government with greater flexibility without obligating the government to use any particular service/rate combination that does not represent the best value to the government.

#### **c. Rate Refreshments**

- (1) MTMC would provide for periodic rate refreshments (e.g., annual).
- (2) During rate refreshments, carriers would have the option of submitting new rates for any or all CLINs.
- (3) MTMC would accept refreshed rates unless it determined that a particular rate was excessive.
- (4) Shippers would book cargo with the carrier they determine represents the best value to the government for that particular shipment based on current service capability, past performance, and refreshed rates.

### **3. Proposals**

#### **a. Initial Awards**

- (1) Offerors would be required to submit price proposals through CARE. Attachment 4

- (a) MTMC and the carriers should continue to work together to streamline the CARE input process.
- (2) Offerors would submit the CARE service module.
  - (a) MTMC and the carriers would continue to work together to eliminate the submission of service data that is not necessary for booking decisions, and streamline the CARE input process.

**b. Contemporaneous Best Value Bookings**

- (1) Under the USC-04 contract, carriers would continue to be required to maintain service schedules and submit complete and accurate past performance reports.
- (2) Carriers also would be encouraged to continue to provide shippers with additional service information, if any, on their own initiative or in response to inquiries.
- (3) Shippers would use service schedule information, past performance reports, day-to-day operational experience, USC-04 prices, and other relevant information to make best value booking decisions.

# **Universal Service Contract 04**

## **VISA EWG Meeting**

Prepared by USTRANSCOM, MTMC and MSC  
18 April 2002

### Steps Toward Process Improvement

- Assess current acquisition processes in place under USC 03
- Identify specific processes requiring change and/or improvement
- Develop Strategic Objectives

### ASSUMPTIONS

- Direct Booking fully implemented
- IBS is available/legacy system
- Cargo Preference Laws in place
- VISA priorities exists

Attachment 5

## **INITIAL OVERALL ASSESSMENTS**

- RFP and proposal process still too complex
  - Number of rates/routes solicited
  - Resource intensive for Government and offerors
  - Evaluation criteria/factors
  - Evaluation process too cumbersome
- CARE
  - CARE II SM needs to be changed allowing ease for carriers in submitting vessel data

## **IDEAS FOR IMPROVEMENT**

- Simplify the RFP and proposal process
  - Further reduce the number of rates solicited and awarded by consolidating trade lanes/routes
  - Streamline existing proposal processes
  - Develop meaningful and measurable key evaluation discriminators
  - Develop a longer-term contract with adjustable pricing
  - Simplify evaluation process
- CARE
  - Evaluate need for carriers to submit voluminous vessel information

