



DEFENSE LOGISTICS AGENCY
DEFENSE LOGISTICS SUPPORT COMMAND
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FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

DLSC-P
PROCLTR 98-15

JUL 10 1998

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: Transportation Preference Evaluation Factor

The Defense Logistics Agency's (DLA) successful use of integrated logistics management arrangements, to provide support to military customers, has raised concerns regarding the impact of these arrangements on DoD transportation readiness programs. To address these concerns several areas were reviewed.

One area of particular concern was clarification of the waiver of the Cargo Preference Act for subcontracts for commercial products, as a result of the Office of Federal Procurement Policy (OFPP) memorandum of May 1, 1996 entitled, "Waiver of Cargo Preference Laws for Subcontractors Under a Government Contract for Commercial Items." The Assistant Deputy Under Secretary of Defense (Transportation Policy) (ADUSD(TP)), the Office of the Secretary of Defense (Acquisition Reform), the U.S. Maritime Administration, and the maritime industry worked together to develop the guidance provided in the Defense Acquisition Deskbook. A Defense Federal Acquisition Regulation Supplement Case has been initiated to incorporate the OFPP memorandum.

To further address transportation concerns, and to focus on the joint goal of DoD readiness, the ADUSD(TP), the Military services, and DLA have agreed to the Transportation Acquisition Policy issued by the Under Secretary of Defense, Acquisition and Technology (USD(A&T)) memorandum dated January 15, 1998 (Attachment 1). While most of the policy pertains to the acquisition of transportation and transportation related services, the fourth and fifth paragraphs under the policy section of the USD(AT) memorandum also address transportation in supply contracts.

This PROCLTR implements the policy in Attachment 1 by incorporating the transportation evaluation preference that favors suppliers, third party logistics managers, and integrated logistics managers who commit to use carriers who participate in the DoD Civil Reserve Air Fleet and Voluntary Intermodal Sealift Agreement programs, as required by paragraph four of the Transportation Acquisition Policy. Attachment 2 provides changes that will be included in the next revision to DLA Directive (DLAD) 4105.1 at 15.304(c)(90) and 47.305-7(b)(90). This preference shall be included in all solicitations that may include substantial transportation outside the continental United States. The circumstances of each procurement must be reviewed to determine the applicability of the Cargo Preference Act, the waiver of the Cargo Preference Act for subcontractors for commercial items and components, and exceptions to the waiver of the Cargo Preference Act for subcontractors for commercial items in the OFPP memorandum dated May 1, 1996. Clearly this preference need not be included when there is only one source for items solicited, or where awards will be made to all offerors solicited.

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Source selection plans should include transportation evaluation preferences or the basis for not including a transportation preference in the evaluation of proposals. The source selection decision document shall discuss transportation considerations used in the source selection.

This PROCLTR is effective immediately and expires upon incorporation in DLAD, or 1 year from the date of this letter, whichever occurs first. Should additional information be required, please contact Stephanie Pennello, DLSC-PPP at DSN 427-1355 or (703)767-1355, or by E-mail at stephanie_pennello@hq.dla.mil.



GWILYM H. JENKINS
Captain, SC, USN
Acting Executive Director
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Attachments

ACQUISITION AND
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010
15 JAN 1998



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
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DIRECTOR, OPERATIONAL TEST AND EVALUATION
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Transportation Acquisition Policy

The fundamental transportation policy of the Department of Defense (DoD) is that DoD transportation requirements shall be met, to the maximum extent possible, through the use of commercial transportation resources. Therefore, the acquisition of transportation and related services is integral to DoD's overall force deployment capabilities and logistics processes. The attached Transportation Acquisition Policy establishes, for the first time, a definitive, flexible DoD policy for the acquisition of transportation and related services.

The Transportation Acquisition Policy achieves a balance between our acquisition reform and readiness goals, enabling the DoD to reap the benefits of a flexible, efficient acquisition process, while simultaneously enhancing transportation readiness. It will improve the quality of transportation services provided to the DoD, enhance transportation readiness, and reduce administrative costs by streamlining and bringing consistency to the varied transportation acquisition processes currently in place. The policy requires the use of best-commercial practices and best-value evaluation procedures when acquiring transportation services. It basically requires that commercial transportation providers under direct contract to the DoD commit to support DoD contingency requirements through participation in the Civil Reserve Air Fleet (CRAF) and Voluntary Intermodal Sealift Agreement (VISA) programs, as a condition for receiving DoD business. Finally, it requires that carriers use Electronic Commerce/Electronic Data Interchange (EC/EDI) and provide their In-Transit Visibility (ITV) data to DoD.

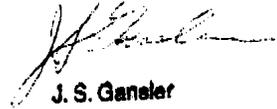
This policy applies across all modes of transportation as well as to the acquisition of transportation services which may be included as an integrated element of vendor, third party logistics, and integrated logistics manager contracts. This policy is effective immediately. The



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Deputy Under Secretary of Defense (Acquisition Reform) will incorporate this policy into the Acquisition Deskbook. The U.S Transportation Command will recommend any necessary changes to the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement. All DoD, Component, and Agency directives and regulations shall be modified to reflect this guidance.



J. S. Gansler

Attachment:
As stated

TRANSPORTATION ACQUISITION POLICY

BACKGROUND:

The fundamental Department of Defense (DoD) transportation policy is that DoD transportation requirements shall be met, to the maximum extent possible, by use of commercial entities. The DoD maintains and operates in peacetime only those owned or controlled transportation assets needed to meet approved DoD emergency, wartime, and training mission requirements that cannot be met from commercial transportation sources. Therefore, the acquisition of transportation and related services is integral to DoD's overall force deployment capabilities and logistics processes.

The acquisition of common-user transportation and related services to meet DoD transportation requirements in excess of DoD organic capability shall be accomplished primarily by the U. S. Transportation Command (USTRANSCOM). When it is beneficial to the DoD, the DoD may join, under the Economy Act, with other Federal Government Agencies to use transportation services procurement instruments negotiated by those agencies. DoD procurement instruments may also be developed to include traffic movement requirements of other Federal Agencies (e.g., GSA and Coast Guard). DoD shippers shall use applicable procurement instruments for transportation services when they are available, unless there is a documented negative critical mission impact.

DoD uses a number of different procurement instruments to purchase transportation and related services. These instruments include Government Bills of Lading (GBLs), Government Transportation Requests (GTRs), and similar transportation forms not regulated by the Federal Acquisition Regulation (FAR), as well as transportation contracts awarded under the FAR. Regardless of the procurement instrument that is used, the following policy, guidelines and requirements shall be addressed in all acquisitions of transportation and related services.

POLICY:

It is the policy of the DoD that the acquisition of all transportation and related services shall fulfill customer intermodal movement requirements from origin to destination. The acquisition of all transportation and related services shall be accomplished using best commercial practices and "best value" evaluation procedures, and shall include performance-based specifications, as applicable. When appropriate, these specifications may include incentives to encourage commercial entities to exceed performance criteria. The acquisition of transportation and related services shall incorporate efficient documentation, billing and payment processes, and, to the maximum extent possible, shall require the use of Electronic Commerce/Electronic Data Interchange (EC/EDI) for solicitations, movement documents, financial transactions and payment through Electronic Funds Transfer (EFT). The provision for In Transit Visibility (ITV) data to be furnished to, or accessible by, the appropriate DoD Automated Information System (AIS) (i.e., Global Transportation Network) shall be included in procurement instruments for transportation and related services. In addition, the acquisition of all transportation and related services shall include, consistent with applicable law, regulation, and policy, a requirement for U.S. Flag commercial entities to commit to support DoD contingency/wartime requirements through participation in DoD readiness programs (e.g., Civil Reserve Air Fleet (CRAF), Voluntary Intermodal Sealift Agreement (VISA), Contingency Response Program) as a condition for receiving DoD business.

It is DoD policy to procure transportation and related services using streamlined, "best value" acquisition processes. The following are some of the determining factors to be considered: quality of service, past performance, cost/price, service provisions, claims experience, provider availability and commitment of transportation assets to readiness support.

Third party logistics providers are commercial companies who offer multiple logistics services. Contracts with third party providers for logistics support and base operations functions during wars, contingencies, disasters, and humanitarian assistance, when the infrastructure to move material may be constrained, shall include a requirement that third party logistics providers integrate their transportation operations with the deployment process. This will enable the DoD to optimize use of constrained capability, e.g., aerial port landing capacity.

Many contract arrangements with vendors of DoD supplies, prime vendors, third party logistics providers, and integrated supply chain managers, include direct customer ordering, transportation, and integrated distribution services as an integral element of the contract. Annually, the Military Services, the Defense Logistics Agency, and other Defense Agencies will provide to USTRANSCOM their plans for any contracts which will include a significant requirement for transportation of items outside the Continental United States (OCONUS). USTRANSCOM will assess the impact of these plans on transportation readiness and will provide recommendations to alleviate any impact, as appropriate. These solicitations, consistent with applicable law and regulation, shall require suppliers, third party logistics providers, and integrated logistics managers to provide DoD electronic access to intransit visibility data and to use EC/EDI and other appropriate technologies, to the maximum extent possible; and shall include evaluation criteria that favor suppliers, third party logistics managers, and integrated logistics managers who commit to use carriers who participate in the DoD CRAF and VISA programs.

DoD contractors, vendors, and third party logistics providers should be encouraged to use transportation procurement instruments negotiated by, or in behalf of, the DoD. Conversely, to the maximum extent possible, procurement instruments with transportation providers shall be structured to allow their use by DoD contractors, vendors, and third party logistics providers moving items for the DoD.

The transportation acquisition process should involve the customer and transportation service providers early in and throughout the transportation acquisition process. The involvement of transportation providers shall be accomplished in a fair and equitable manner; care shall be taken not to favor some firms in an industry over others. The acquisition of transportation and related services shall be accomplished through a variety of flexible procurement instruments, including FAR-based contracts under Part 12, to the maximum extent practicable, and tariffs and tenders, as appropriate. Decisions as to the appropriate procurement instrument shall be based on the needs of customers, duration of the requirement, value of transportation services to be provided, and cost of implementing the process relative to the costs of services acquired to provide the greatest overall benefit to the government. When it is beneficial to the government, procurement instruments for transportation and related services will be long term, considering specific requirements, and existing and projected market conditions. Procurement instruments will include provisions to minimize the need for customers to make claims for loss and damage against carriers and to expedite the resolution of such loss and damage claims by generally requiring direct settlement of claims between the carrier and the customer. These instruments shall be structured to facilitate efficient billing and payment processes; acquiring activities shall involve the Defense Finance and Accounting Service (DFAS), local payment offices, or other financial institutions early in the acquisition process.

The acquisition of transportation and related services shall consider the provisions of DoD Directive (DODD) 5160.54, Critical Asset Assurance Program (CAAP), (pending promulgation in early 1998) to include a contractual requirement for cooperation in vulnerability assessments and assurance planning when contracting for private sector services and products, and consider all-hazard assurance of service when awarding contracts. Critical assets include information systems and computer-based systems and networks. Their vulnerability and protection should also be considered in the acquisition of transportation and related services.

DLAD Revision to Part 15

Subpart 15.3 Source Selection (FAC 97-04 baseline)

15.304 Evaluation factors and significant sub factors

15.304(c)(90)

Consistent with Department of Defense (DoD) Transportation Acquisition Policy and DoD Readiness objectives, solicitations for integrated logistics management arrangements, such as prime vendor, virtual prime vendor, On Demand Manufacturing, Quick Response, ECAT, and EMall, that may include contractor arranged transportation outside the continental United States, shall include an evaluation factor favoring offerors whose transportation arrangements include the use of carriers with commitments to DoD mobility agreements under Civil Reserve Air Fleet (CRAF) and the Voluntary Intermodal Sealift Agreement (VISA). A sample evaluation factor and language describing the factor for inclusion in solicitations are shown below.

Description of the preference

This solicitation, consistent with Department of Defense (DoD) Transportation Acquisition Policy and DoD Readiness objectives, includes a transportation preference that favors contractors whose transportation arrangements outside of the continental United States (OCONUS) include the use of carriers with commitments to DoD mobility agreements under Civil Reserve Air Fleet (CRAF) and Voluntary Intermodal Sealift Agreement (VISA).

Offerors, as a part of their proposal, shall indicate the carriers that the offeror will use for air and ocean transportation, if awarded the contract. Offers received will be evaluated to determine the degree of commitment to DoD readiness programs.

Under CRAF, select civil air carriers are contractually committed to support airlift requirements in emergencies when U.S. airlift needs exceed the capability of military aircraft. DoD provides financial incentives via transportation contracts with air carriers in exchange for pledged aircraft for international, long-range, short-range, domestic and Alaskan transportation requirements ready for activation, when needed. During activation, DoD controls the mission of these aircraft. Air carriers continue to operate and maintain their committed aircraft with their own resources. Before receiving a CRAF contract, air carriers must be certified as DoD-approved.

If air transportation OCONUS is anticipated, offerors should provide the name of the transportation company and a statement as to whether the transportation company(ies) has/have a commitment to CRAF. CRAF carriers are preferred.

The VISA was jointly developed by the Department of Transportation Maritime Administration, the DoD, and industry to make intermodal shipping services/systems, including ships, intermodal equipment and related management services available to the Department of Defense to support the emergency deployment and sustainment of U.S. Military forces by augmenting the capacity of DoD's organic sealift capabilities.

If ocean transportation is contemplated, offerors should provide the name of the company(ies) and category(ies) shown below that best describes the transportation arrangements under the proposed contract. VISA preferences are as follows:

- a. U.S. Flag vessel capacity operated by a Participant and U.S. Flag Vessel Sharing Agreement (VSA) capacity of a Participant.
- b. U.S. Flag vessel capacity operated by a non-Participant.
- c. Combined U.S. flag/foreign flag vessel capacity operated by a Participant and combination U.S./foreign flag VSA capacity of a Participant.
- d. Combined U.S. flag/foreign owned vessel operated by a non-Participant
- e. U.S. owned or operated foreign flag vessel capacity and VSA capacity of a non-Participant.
- f. U.S. owned or operated foreign flag vessel capacity and VISA capacity of a non-Participant
- g. Foreign-owned or operated foreign flag vessel capacity of a non-Participant.

For further information on the Voluntary Intermodal Sealift Agreement, see Federal Register Notice of February 13, 1997 (Volume 62, No. 30, pages 6838 - 6846).

Evaluation Factor

“The extent to which the offeror has, or uses other companies that have, CRAF and VISA commitments in both its DoD and commercial shipping methods.”

(End)

DLAD Revision to Part 47

47.305-7(b)(90)

DLAD 15.304(c)(90) contains a requirement to include a transportation evaluation factor in integrated logistics management arrangements where proposals are likely to include contractor arranged transportation outside the continental United States.