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Promoting Freight Carrier EDI Participation with the Defense Finance and Accounting Service – Indianapolis Center

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Executive Summary

PROMOTING FREIGHT CARRIER EDI PARTICIPATION WITH THE DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS CENTER

By the end of January 1994, the Defense Finance and Accounting Service - Indianapolis Center (DFAS-IN) will be ready to receive freight shipment and invoice information electronically from DoD shipping activities and freight carriers that are capable of sending such information. The success of the electronic system depends largely on two conditions:

- The implementation of electronic data interchange (EDI) at the six high-volume shipping depots of the Defense Logistics Agency (DLA) and three Army regional data centers known as Multifunctional Information Processing Activities (MIPAs) that house the EDI translation software and process EDI transactions for their corresponding satellite depots
- The availability of EDI-capable motor freight carriers to serve as DFAS-IN's trading partners.

Insofar as implementation of EDI at DLA and Army depots is concerned, it is proceeding apace. The six DLA depots are scheduled to complete their EDI implementation by the end of January 1994 and the three Army MIPAs by late May 1994. The process of determining the availability of EDI-capable motor carriers is also proceeding. In this report, we propose a three-step plan for soliciting freight carrier trading partners for DFAS-IN. First, we have prepared promotional and instructional materials and recommend their widespread distribution throughout the industry; second, we suggest a series of freight carrier workshops; and third, we propose a process of selectively targeting carriers that represent large shipment volumes. We recommend that DFAS-IN develop a process to test interested carriers' EDI qualifications prior to accepting electronic invoices for payment and that DFAS-IN conduct that process using the "first-come, first-served" service approach.

With the implementation of DLA and Army EDI plans and persistent, aggressive solicitation of the freight carrier industry, DFAS-IN can expect that 50 percent of all freight shipment information and 40 percent of all invoice

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information will be transmitted to it electronically within 6 months of initial EDI implementation.

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PROMOTING FREIGHT CARRIER EDI PARTICIPATION WITH THE DEFENSE FINANCE AND ACCOUNTING SERVICE – INDIANAPOLIS CENTER

INTRODUCTION

Each year the Defense Finance and Accounting Service – Indianapolis Center (DFAS-IN) receives over a million bills from freight carriers, generating several million pieces of paper. To eliminate the costs associated with handling that much paper, it is implementing the Defense Transportation Payment System (DTRS). DTRS will make extensive use of electronic data interchange (EDI) techniques to enhance its payment, collection, accounting, and reporting functions as well as to eliminate paper. It will receive freight government bills of lading (GBLs) and shipment cost data electronically from EDI-capable shipping activities through an EDI interface with Military Traffic Management Command's (MTMC's) CONUS Freight Management (CFM) system. In addition, DFAS-IN will receive electronic invoice information from EDI-capable carriers and match that information to the pre-positioned electronic shipment information for reconciliation and payment.

The DFAS-IN is interested in attracting freight carriers to be EDI trading partners as quickly as possible. We have developed and are implementing a plan to accomplish that goal. The plan calls for developing program materials, conducting general carrier workshops, and soliciting specific carriers for initial implementation of DTRS. Both the materials and the workshops are designed to introduce freight carriers to EDI and to DoD's operating concept and to explain what carriers must do to become DFAS-IN trading partners. By targeting specific carriers, DFAS-IN can be assured of having high-volume carriers qualified to transmit electronic invoices when DTRS goes into production.

In the next section, we estimate the volume of EDI invoices that DFAS-IN can expect. Since DFAS-IN is limiting EDI invoices to shipments originating at EDI-capable shipping activities, our projections are based on the Defense Logistics Agency (DLA's) and the Army's plans for implementing EDI at their shipping activities and on the EDI capability of carriers.

EDI PROJECTIONS FOR DFAS-IN

In a previous study, we found that 85 percent (1.1 million) of the total 1.3 million annual CONUS freight shipments are transported by motor carriers, 12 percent (0.2 million) by air freight carriers, 2 percent (20,000) by rail carriers, and 1 percent by others.¹ Those statistics remain relatively constant from year to year. In the same study, we found that DLA is the predominant DoD shipper, with 34 percent of the total (45 percent if we include the Defense Contract Administration Service's shipping), followed by the Army with 24 percent, the Air Force with 17 percent, the Navy with 12 percent, and the Marine Corps with 2 percent.

The current DFAS-IN plan focuses on carriers that have transported DLA and Army freight in the recent past. We concentrated on those carriers because DLA and Army EDI plans for shipping activities are more mature than those of the Air Force; DLA and Army represent significantly more EDI shipment potential than the Navy or the Marine Corps; and DFAS-IN's system, which will be needed to process Navy and Marine Corps bills under payment center consolidation plans, is currently capable of processing only DLA, Army, and Air Force bills.

The DLA and Army plan to implement EDI at their largest depots. They are targeting activities that account for 56 percent (618,000 shipments) of DFAS-IN's current total annual freight shipments (about 1.1 million shipments). From March 1991 through February 1992, EDI-capable carriers were involved in about 45 percent (490,000 shipments) of DFAS-IN's total freight business. Almost all of those shipments are by motor carriers because although rail carriers are EDI capable, their shipment volume is insignificant and few air freight carriers are EDI capable. The DLA's and Army's EDI plans are detailed below.

DLA EDI Implementation Plan and Schedule

The DLA is currently implementing EDI at six of its depot shipping activities and plans to add two Army depots now being consolidated under DLA management. The six DLA depots account for about 40 percent (435,000 shipments) of the freight G

8 percent. As a result, implementation of EDI at the DLA depots is key to the success of DoD's EDI transportation payment program.

The DLA has procured commercial EDI translation software packages for its depots and has developed a pilot system at the Defense Depot Ogden, Utah (DDOU). (DDOU was selected as the pilot activity because it is collocated with DLA's central design agency.) DDOU began testing the pilot system in February 1992 by exchanging information electronically with the CFM system.

In August 1993, the EDI pilot system at DDOU will make the transition to a full-scale production operation, and DDOU will then begin to export the pilot system to the other five depots in 1-month increments. Sharpe Army Depot, Cal., will eventually be consolidated with Defense Depot Tracy, Cal., and New Cumberland Army Depot, Pa., will eventually be consolidated with Defense Depot Mechanicsburg, Pa. Figure 1 shows the EDI implementation schedule at the six DLA depots between June 1993 and February 1994. Current plans call for an EDI capability at Sharpe Army Depot and New Cumberland Army Depot following the DLA depot implementation.

Depot	1993							1994	
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
1. Defense Depot Ogden, Utah	_____							_____	Unscheduled
2. Defense Depot Columbus, Ohio									

TABLE 1
DLA TRAFFIC PROFILE
(March 1991 – February 1992)

Depot (GBLOC) ^a / total shipments	Carrier	Shipments	% of total depot shipments	GT shipments	% of total depot GT shipments	EDI cap- ability ^b
Ogden, Utah (KASQ)	Consolidated Freightways	13,862	33.9	12,511	30.6	yes
	Overnite Transportation	13,001	31.8	11,701	28.6	yes
	Clearwater Trucking	5,977	14.6	5,223	12.8	yes
	Yellow Freight System	1,994	4.9	1,771	4.3	yes
	Molerway Freight Lines	1,398	3.4	1,225	3.0	no
	Motor Cargo	606	1.5	507	1.2	no
40,901		36,838	90.1	32,938	80.5	
Columbus, Ohio (EISQ)	Carolina Freight Carriers	12,				

TABLE 1
DLA TRAFFIC PROFILE
(March 1991 – February 1992) (Continued)

Depot (GBLOC) ^a / total shipments	Carrier	Shipments	% of total depot shipments	GT shipments	% of total depot GT shipments	EDI cap- ability ^b
	Dynamic Air Freight	1,831	2.4	0	0	no
	Jess Cervantes	2,186	2.9	1,442	1.9	no
	Clearwater Trucking	2,067	2.7	1,683	2.2	yes
	General Transportation	1,691	2.2	1,331	1.8	no
	Airborne Freight	1,549	2.1	0	0	yes
	Americargo	1,241	1.6	1,225	1.6	no
75,435		68,115	90.3	51,091	67.8	
Memphis, Tenn. (FDSQ)	Roadway Express, Inc.	23,149	20.0	19,980	17.3	yes

APPENDIX
FREIGHT CARRIER EDI CONTACT LIST

The freight carrier industry is mature with respect to electronic data interchange (EDI) capability. Many carriers are interested in transmitting electronic invoices to Defense Finance and Accounting Service – Indianapolis Center (DFAS-IN). This appendix includes a list of carrier representatives that either attended the first DFAS-IN EDI workshop for freight carriers on 24 March 1993 or called to express interest.

