

MILITARY SURFACE DEPLOYMENT AND DISTRIBUTION COMMAND  
(SDDC)

TRANSPORTATION AND TRAVEL

POLICY NO. TR-12

SUBJECT: Fuel-Related Adjustment (FRA) Policy

This version of Policy No. TR-12 supersedes all previous versions of TR-12, except to the extent that a previous version is explicitly referenced as the basis for payment in an agreement with SDDC.

1. Policy:

a. The following FRA or fuel surcharge policy applies to commercial carrier freight and personal property movements within the United States. SDDC will pay an FRA for certain types of domestic movements, as stated in paragraph E. SDDC will no longer pay an FRA on "Spot Bid" movements, regardless of mode. Nor will SDDC pay an FRA for any type of rail shipment. This policy provides the transportation industry, including individual carriers, economic adjustment and reasonable relief for unanticipated increases in diesel fuel prices. Carriers are urged to consider anticipated variation in fuel prices when submitting or supplementing rates during rate filing and/or bid submission periods.

b. Written provision will be made in SDDC regulations and solicited tender agreements for FRAs. At the sole discretion of the appropriate Contracting Officer this policy may be applied to Federal Acquisitions Regulation (FAR) contracts. SDDC has no obligation whatsoever to apply this policy to FAR contracts other than where the appropriate Contracting Officer determines that it shall apply.

2. Effective Date: The effective date of the policy change is 8 January 2007, except that the effective date of the policy change for the SDDC Personal Property Program is 1 April 2007 for the domestic line haul portion of international movements and 1 May 2007 for the line haul portion of domestic interstate and intrastate movements including Alaska and Hawaii. Until the policy change goes into effect for Personal Property Program shipments, the policy in TR-12 dated 5 October 2005 shall continue to be used to determine payment for Personal Property Program shipments.

3. Expiration Date: This policy is in effect until superseded or withdrawn in writing.

4. Definitions: The following definitions shall apply to terms used in this regulation.

a. Fuel Cost: The national average diesel fuel price published by the Department of Energy (DOE) Energy Information Administration (EIA). The diesel fuel prices published by the EIA may be found via the following sources:

- EIA Website: <http://www.eia.doe.gov/>
- EIA Weekly Petroleum Status Report
- EIA Hotline: (202) 586-6966

b. Pick up date: The date listed on the bill of lading indicating the calendar day on which the carrier takes possession of a given shipment.

c. Spot Bid: A flexible and responsive one-touch electronic resource that posts open shipments for bid by qualified carriers via the Internet. It is a viable acquisition alternative for procuring transportation services for one-time only, unique shipments of any or all modes. It supports SDDC Operations policy on overweight/over-dimensional shipments. Carriers bid on open shipments via the Internet, and bids remain sealed until the bid timeframe closes. It allows the Shipper to establish the bidding timeframe. Bids are used in place of standard tenders in the generation of a Bill of Lading. It also provides automatic open shipment notification for participating carriers. All submitted bids reflect an all-inclusive expense representing line haul, accessorial charges, and any additional expenses anticipated to support that particular shipment.

5. Application: SDDC shall pay an FRA in accordance with this policy on the following types of movements.

a. Personal Property Program:

1. Pickup occurs on or after 1 April 2007 for the domestic line haul portion of international movements and on or after 1 May 2007 for the line haul portion of domestic interstate and intrastate movements including Alaska and Hawaii.

2. The transportation charges applicable on domestic and international storage-in-transit shipments when such shipments are delivered or removed from the domestic storage-in transit warehouse of the CONUS segment including Alaska and Hawaii.

b. Domestic Freight Program:

1. The domestic line haul portion of the carrier rate including Alaska and Hawaii.
2. The accessorial, Commercial Security Escort Vehicles (CSEV).

6. Determination of Adjustment Amount:

a. Formula: For applicable shipments, the FRA shipments shall be paid based on a percentage of the line-haul rate. The line-haul rate does not include accessorials unless specified in the policy, i.e., E.2.b, or specifically called for in the solicitation for the freight movement on which the FRA is based. Where the FRA applies, SDDC shall pay the carrier 1% (one percent) of the line-haul rate, not including accessorial charges, for every increment of \$.10 (ten cents) by which the fuel cost exceeds \$2.50 at the time of pickup.

b. Determination of Fuel Cost at Time of Shipment:

1. For applicable personal property program shipments, SDDC shall pay the FRA based on the fuel cost published on the first Monday of the month in which the shipment subject to the FRA is picked up. If Monday is a holiday the fuel price will be determined based on the price on the next business day. The fuel adjustment will automatically apply to shipments picked up on or after the 15<sup>th</sup> day of the month through the 14<sup>th</sup> day of the following month.

2. For applicable domestic freight program shipments, SDDC shall pay the FRA based on the fuel cost published on the Monday of the week in which the shipment subject to the FRA was picked up. If Monday is a holiday the fuel price will be determined based on the price on the next business day.

7. Monitoring Diesel Fuel Prices:

a. Fuel Price Source: It is the responsibility of the carrier to monitor diesel fuel prices via one of the sources identified in this policy. The National Average diesel fuel price determined by the DOE, EIA will serve as the basis for determining the entitlement to an FRA. The National Average fuel price and the actual pickup date of shipment will determine if there is an entitlement to an adjustment and the amount of the adjustment. An adjustment is not applicable to any portion of transportation in which a surcharge or any other additional payment for fuel is already in existence.

b. Percentage: Please see the table included to the Attachment to this policy for a demonstration of the percentage amount of the FRA for applicable shipments.

8. Billing Procedures: Carriers will clearly show fuel price adjustments on all paper and electronic commercial freight bills and Bills of Lading and invoices. The amount of any diesel fuel rate surcharge must be shown as a separate item on the carrier's invoice.

## ATTACHMENT

The table below demonstrates the percentage of the line-haul rate SDDC will pay at a given fuel cost given a \$2.50 baseline. Should the baseline differ at any time, the same principle applies simply with a different starting point for calculating the percent adjustment. The table ends at \$4.40, but the same principle applies to fuel costs above that dollar amount.

<u>Cost per Gallon</u>	<u>Rate Adjustment %</u>
250.0 and below	0
250.1 – 260.0	1
260.1 – 270.0	2
270.1 – 280.0	3
280.1 – 290.0	4
290.1 – 300.0	5
300.1 – 310.0	6
310.1 – 320.0	7
320.1 – 330.0	8
330.1 – 340.0	9
340.1 – 350.0	10
350.1 – 360.0	11
360.1 – 370.0	12
370.1 – 380.0	13
380.1 – 390.0	14
390.1 – 400.0	15
400.1 – 410.0	16
410.1 – 420.0	17
420.1 – 430.0	18
430.1 – 440.0	19

For example, if the reported DOE, EIA National Average diesel fuel price is \$3.15 the carrier would be entitled to an FRA of 7% of the line-haul rate.