

VOLUME II - PETROLEUM MANAGEMENT

CHAPTER 6 -- TRANSPORTATION

A. GENERAL

1. This chapter prescribes transportation procedures and assigns associated responsibilities to DESC, Defense Energy Regions, Military Services, Military Traffic Management Command (MTMC), and the Military Sealift Command (MSC).

2. DESC/DERs shall:

a. Provide bulk petroleum transportation services through arrangements with MTMC, MSC, and commercial carriers.

b. Exercise technical direction and assistance in traffic management to ensure safe and efficient distribution of bulk fuel.

3. Resupply procedures by ocean tankers, scheduling, etc. are discussed in chapter 4 of this volume. Procedures for resolving product losses and quantity discrepancies in transit are discussed in chapters 5 and 9 of this volume.

4. Functions delegated to DESC by MTMC in CONUS are as follows:

a. Determining the most efficient method of transportation.

b. Distribution of traffic among various competing carriers.

c. Authority to suspend carriers for unsatisfactory service.

B. RATES AND ROUTES (CONUS)

1. Rates and Routes. Rates and routes used in transporting bulk petroleum products, except for ocean tankers, will be obtained from Military Traffic Management Command-Eastern Area (MTMCEA) IAW DoD 4500.9-R (see reference index).

2. Rate Tenders. Rate tenders offered by carriers to DoD units will be mailed to the Military Traffic Management Command Eastern Area (MTMCEA) for action IAW the Defense Traffic Management Regulation indicated above. If carrier business, type, style, circumstances, etc. indicate need for negotiation, requirements for such negotiation will be referred to MTMCEA with all relative data in support of the action.

3. Routing Data

a. MTMCEA will provide CONUS DERs/DEOs routing data for shipment of bulk petroleum products as standing route orders or domestic route orders. In developing routing data, DERs/DEOs shall take into account DFSPs receiving capabilities and constraints to avert detention or demurrage charges. The DERs/DEOs shall evaluate delivery patterns to determine prospective candidates for guaranteed traffic. If the DER/DEO determines the routing would benefit from guaranteed traffic, nominations will be forwarded to MTMC (MT-OPT) for solicitation. MTMC shall evaluate respondents to the solicitation from the carrier industry. Successful bidders shall be required to perform in accordance with the conditions set forth in the solicitation.

b. DESC shall coordinate the possibility of adjusting or increasing receiving capabilities with the Military Services to lower overall costs; and will provide an economic analysis if feasible.

c. MTMCEA shall provide routes and rates between origin and destination for bulk shipments. MTMC area commands shall provide CONUS DERs/DEOs standing or domestic route orders for shipments of drummed fuel. CONUS DERs/DEOs shall provide routing instructions to shippers such as oil refineries, GOGO/GOCO/COCO DFSPs and pipelines, and shipments between base-level DFSPs. Shippers shall coordinate the transportation schedule (e.g., tank truck) for loading/shipping the fuel and shipping schedules with the receiving DFSP. Military activities will schedule delivery orders with the supplier IAW the SIOATH instructions issued by the CONUS DERs/DEOs.

d. CONUS DERs/DEOs shall issue routing instructions (DESC Form 19.16) to the shippers for each mode of transportation by grade of fuel. Routing instructions shall be IAW the route order issued by MTMCEA and shall also include the percentage of the volume to be moved by each carrier. CONUS DERs/DEOs shall retain one copy of DESC Form 19.16 and distribute other copies (one each) as follows:

- (1) Carrier.
- (2) DESC-BI.
- (3) MTMCEA/MTE-INF-S.
- (4) Shipping terminal.
- (5) Alternate emergency relocation DER/DEO.
- (6) Home office of shipper if different than terminal.

e. When base-level DFSPs supply each other (as discussed in chapter 4, section H., of this volume), CONUS DERs/DEOs, in coordination with MTMCEA, shall provide the transportation office of shipping bases with routing instructions. Government Bills of Lading (GBLs) will be provided IAW section C., below. Shipping bases shall schedule transportation equipment for loading bulk fuel.

f. Requests for a specific mode of transportation and reporting conditions which will result in other than lowest overall costs are as follows:

(1) Pre-Contract. Transportation modes and limitations are reported in the Bulk Petroleum Receipt and Shipment Capability Report, RCS: DD-P&L(A)506. DFSP receiving capabilities and limitations are considered by DESC during contract negotiations to ensure shipping modes are consistent with its receiving facility.

(2) Post Contract. Subsequent to contract awards, Military Services shall substantiate requests for restrictive modes of shipments if such requests exceed the lowest overall shipping costs. Military Services may be required to reimburse DESC for increased transportation costs.

C. BILLS OF LADING (CONUS/Alaska)

1. SF 1103, Government Bill of Lading (GBL). GBLs are used to ship Government-owned product. DERs/DEOs shall provide GBLs to shippers (product contractors/DFSPs) in numbers appropriate to their workload. GBLs are printed with serial numbers assigned by General Services Administration (GSA) and are controlled/accountable documents. CONUS DERs/DEOs shall furnish shippers with GBL forms. The shipper shall prepare GBLs for free on board (FOB) origin shipments based on shipping and distribution instructions provided by CONUS DERs/DEOs. CONUS DERs/DEOs shall provide GBLs for military "base to base" shipments IAW chapter 4, section H., of this volume.

2. Commercial Bill of Lading (CBL). When GBLs are not available and shipment is urgent, CONUS DERs/DEOs shall instruct the shipper to use a CBL and to annotate the CBL as follows: "To be converted to GBL by DER- as instructed by authority of (name/title of the DERs/DEOs point of contact/phone number) per phone conversation (indicate date)."

3. Payment of GBLs. The following DoD agency pays transportation charges on DESC issued GBLs; GBLs issued by DESC will indicate this title/address in the "charges to be billed to" block:

Director DFAS Indianapolis Center ATTN: DFAS-IN-T Indianapolis, IN 46249-0611

4. Distribution of GBLs. Shippers distribute GBLs as follows:

a. Original plus one (1) copy (SF 1103 and SF 1104) to the carrier.

b. Three (3) copies (SF 1103-A) to the DER/DEO issuing routing instructions, who in turn will:

(1) Issue one (1) copy to the appropriate MTMC Area Command.

(2) Retain two (2) copies in the DER/DEO's file.

c. One (1) copy (SF 1103-B) to the consignee:

(1) Rail/pipeline shipments - mailed on day of shipment.

(2) Truck/barge shipments - may be sent with truck driver or barge master; or by mail if requested by consignee.

d. Copy 7 retained by the shipper.

5. DFAMS. CONUS DERs/DEOs shall input P51 (GBL) transactions to the DFAMS central data bank.

D. DEMURRAGE/DETENTION

1. MSC Controlled Vessels (Worldwide). MSC operates and bills cargo sponsors on the basis of the daily per diem rates. Demurrage claims submitted by carriers providing services on a spot or short-term charter basis are processed and paid by MSC. Sponsors (DESC/others) may initiate claims against contractors and non-DoD agencies causing vessel loading/discharge delays in excess of allowed vessel laytime.

2. Tank Trucks, Tank Cars, Inland and Coastal Tankers/Barge (Worldwide). DESC shall fund and pay detention/demurrage charges incurred by carriers in connection with loading/discharge operations at FOB origin contract sources and facilities storing DESC-owned fuel (unless such detention/demurrage results from lack of timely attention or other reasons attributed to the Military Services). Claims will be forwarded by the carrier to the DER/DEO responsible for the issue of the GBL/freight warrant for transportation of the corresponding load/discharge. The DER/DEO shall review the claim for compliance with the carriage terms and prepare the appropriate certification that will allow the carrier to be paid for incurred detention/demurrage. The DER/DEO shall advise DESC-BI of detention/demurrage incidents arising out of delays caused by product and/or storage contractors, non-DoD/military activities where lack of action contributes to the detention/demurrage for possible claims action. The carrier's detention charges arising out of FOB destination delivery product contracts will be forwarded to the appropriate Contracting Officer for payment.

E. LOADING AND RECEIVING CAPABILITIES

1. Military Locations. CONUS and Overseas DFSPs shall report shipping and receiving capabilities IAW volume V, appendix A41 of this manual.

2. Contractor Locations (Suppliers) in CONUS

a. DD Form 2691, Contractor Bulk Liquid Facilities Report, (volume V, appendix A39 of this manual) will be used to obtain loading capabilities from contractor shipping points (refinery or terminal). Contractors are required to complete and submit the form with their offers to DESC-BZ. The form shall be updated by the contractors as changes occur in shipment capabilities throughout the remainder of the contract period. (OMB No. 0704-0245 applies.) DESC-BZ shall distribute DD Form 2691 for successful product contracts immediately following award. Distribution will include the DER/DEO in which ordering authority is passed.

b. The DESC Contracting Officer shall enter the following in the as-of-date-block of the DD Form 2691: "contract expires (date)."

c. Copies of DD Form 2691 are distributed by DESC-BZ; the original form is filed in DESC-BZ and one copy each is distributed to DESC-BID and the appropriate CONUS DER/DEOs at the time copies of the contract awards are made.

F. PIPELINES

1. General. The following defines the relationship between DESC and the Military Services relative to establishing pipeline services for delivering bulk fuel to base-level DFSPs. Bulk fuel requirements and locations will be analyzed by DESC to determine the most economical transportation mode. The means of transportation selected shall be that which fulfills DoD requirements at the lowest overall cost from origin to final destination. Base-level DFSPs shall be serviced by:

- a. Connections to existing pipeline.
- b. Connection between DFSPs (intermediate to base-level).
- c. Construction of new service.

2. Military Services Coordination

a. Where it appears advantageous to the Government to consider pipeline service to deliver fuel, DESC shall discuss the proposed pipeline service with the military activities/commands involved. Upon concurrence, DESC shall require the following data from the Military Services:

(1) Projected requirements for the next 5 years and, if possible, projected use for the military base.

(2) BPWRS required outside the base boundary and the daily delivery quantities required.

(3) A guarantee that easement rights from the installation boundary to the base storage will be granted to the successful bidder, appropriately coordinated with state, Federal, and local authorities.

b. DESC shall maintain a listing of carriers interested in pipeline connections and, through MTMC, shall solicit carriers providing all pertinent data to obtain a competitive price for this service.

c. If the military activity and prospective carriers are unable to agree on easement rights onto the base, DESC shall attempt to negotiate an acceptable solution to the problem.

d. All related phases of pipeline connection relative to supply, storage, and quality control will be coordinated by DESC with the military base and its major command.

e. DESC shall provide guidance to the military activity relative to pipeline proposals and associated service.

f. Bases having pipeline receipt capability shall retain and maintain sufficient additional receiving facilities to ensure continuity of supply in the event of interruptions in pipeline service.

3. Pipeline (PL) Negotiations. PL negotiations will be conducted IAW the latest MOU between MTMC and DESC. The MOU provides guidance to negotiate with carriers for contracts, tenders, and tariffs in obtaining carrier facilities, rate agreements, rules, regulations, and services. Negotiations with carriers will include three separate cost elements: (1) transportation, (2) storage, and (3) associated services such as quality surveillance testing, truck or rail loading, and additive injection; Generally, pipeline transportation and breakout storage will be inclusive in a single rate while services such as truck, rail or loading and additive injection will be negotiated with separate and distinct rates. MTMC and DESC shall coordinate requirements for new or additional services as well as changes to existing services.

4. Pipeline (PL) Operating Agreements

a. DESC-BI shall provide DERs/DEOs with a standard PL operating agreement format and guidelines to negotiate transportation and accounting services, and quality control procedures. The quality control procedures will ensure that all necessary precautions and tests are taken in delivering quality product to the user.

b. To the extent pipeline carriers will cooperate, DERs/DEOs shall develop, negotiate, and maintain PL operating agreements with pipeline carriers in providing movement of DLA-owned products. Annually, DERs/DEOs shall review such agreements to ensure terms/services remain valid. In instances where a pipeline carrier refuses to negotiate a pipeline agreement, the appropriate DER/DEO shall review the company's tender/ tariff and other company rules and regulations for movement of fuel within their system to assess the risk of DESC doing business with the company. The DER/DEO shall forward a recommendation to DESC for consideration and possible waiver of the pipeline operating agreement requirement.

5. Funding and Operating Procedures. Reference chapter 8 of this volume for funding and operating procedures for overseas commercial pipelines and CONUS/overseas Government-owned pipelines.

G. BARGE SHIPMENTS

1. CONUS

a. CONUS DERs/DEOs shall request rating and routing of all commercial barge shipments via coastal, inland, or intercoastal waterways from MTMCEA. Shipments will generally be 2,100,000 gallons (50,000 barrels/7,950 cubic meters) or less.

b. Oceangoing barges with a capacity of 2,100,000 gallons (50,000 barrels/7,950 cubic meters) or more will be arranged by MSC when DESC tanker scheduling requirement exceeds the MSC-controlled fleet capability and oceangoing barge carriers successfully offer against a MSC solicitation.

2. Overseas

a. CINC-JPOs shall designate an in-country U.S. military unit in each country or island to handle bulk petroleum shipments via military barge and the following types of commercial barge shipments:

(1) Shipments via inland waterways.

(2) Shipments between terminals within a port area not suitable for movement on available MSC controlled vessel fleet.

b. The CINC-JPO designated military unit must request and receive from DESC funding via an OA prior to such movement.

c. DESC shall arrange through MSC for all commercial barge shipments of DLA-owned fuel:

(1) From one port area to another (ocean transportation).

(2) Between MSC-controlled tankers and shore facilities, and vice versa (upon mutual agreement between DESC and MSC that this is the appropriate method of loading or discharging fuel).

d. MSC and military units designated by CINC-JPOs consistent with paragraphs G.2.a. and G.2.b., above, shall not enter into competition or engage in duplication of services. MSC and designated military units, by mutual agreement, shall designate one or the other to contract for and perform the functions indicated in paragraphs G.2.a. and G.2.b., above.

H. GBL SHIPMENT REJECTIONS (CONUS). When GBL shipments are rejected or cannot be unloaded, the consignee shall notify the appropriate DER/DEO for instructions. The DER/DEO, and the QAR if required, shall determine the course of action to be taken and will so advise the consignee.

I. SAFETY. DFSPs which stock, ship, and receive petroleum products shall comply with Federal, State, and local regulations governing the handling of hazardous materials; and comply with guidance in DLAR 4500.3, chapter 33 (see reference index).

J. INLAND TRANSPORTATION OVERSEAS

1. Responsibility. Transportation of bulk petroleum products within overseas theaters will be provided by the agency designated by the CINC-JPOs IAW DoD Directive 4500.9. Inland transportation services for DLA-owned fuel to area DFSPs and base-level DFSPs shall be provided by such designated agency.

2. Funding

a. Requirements. Overseas commands shall submit estimated annual requirements to DESC to support obligation of transportation expenditures. Each command is required to submit the following information when providing transportation requirements: Origin/destination (by DoDAAC), NSN, quantity, mode and charges (U.S. dollars). DESC-F shall determine and submit quarterly transportation requirements, for transportation of DLA-owned product, to DESC-R for funding. Requirements will include service charges assessed to the Military Services by foreign governments under "government-to-government" agreements for which DLA/DFAS/DESC has payment responsibility.

b. Responsibility. DESC shall pay for commercial transportation charges when DLA-bulk fuel is shipped via commercial carrier on a GBL. Freight warrants or other

similar shipping documents may be used when the commercial operator is a foreign government, except those shipments described in subsection L.2., below. DESC fund citation will be provided to the agency charged with transportation responsibility of DLA-owned product. Activities will fax a copy of each issued GBL/freight warrant to DESC-B on a weekly basis. The issuing documents will be batched and faxed under a cover page identifying charges (U.S. dollars) and the total number of GBL/ freight warrants being forwarded. The fax will be forwarded on Monday following the week being reported.

3. Demurrage. Demurrage claims associated with DESC-funded shipments of bulk fuel will be processed IAW Military Service directives. Note: Demurrage charges shall not be funded with funds provided on DLA Form 1281, Advice of Obligation Authority, by DFAS-CO/DESC-RBF for overseas transportation costs.

K. MILITARY SEALIFT COMMAND (MSC)

1. Tanker Requirements Forecast

a. Annual - Five-Year Report. DESC reports long-range forecasts of bulk fuel lift requirements to MSC via Tanker Transportation Requirements Report, RCS: DLA(AR)194(DESC). The annual forecast is required approximately 5 months prior to the beginning of the fiscal year lift period. The annual forecast will be updated whenever significant changes in the distribution pattern occur. A 5-year forecast is required 1 month after the annual forecast is reported.

b. Developing Forecasts. DESC correlates projected product requirements with future procurements to determine: (1) requirements that will likely require MSC tanker delivery and (2) the most probable source areas of procurement in each case.

c. Military Services Data Input. The Military Services shall report projected per diem vessel requirements for a given period to DESC-B. See volume V, appendix A40 of this manual for reporting format and data instructions.

2. Slating Product. Slated bulk fuel requirements for ocean tanker deliveries are submitted to DESC-B via the CONUS/Overseas Bulk Fuel Slates (see chapter 4, section J., of this volume). Cargo and vessel schedules are developed/coordinated by DESC and MSC; logistic units are notified of cargoes, arrivals, and departures.

3. Funding. Units who prepare slates or requirements for MSC shipments shall indicate (by footnote) who has funding responsibility for cargo or partial cargo that will be owned by other than DESC. This data is used to ensure proper entry in the DESC lift report to MSC and subsequent billing breakout by MSC.

4. Deadfreight. DESC and the Military Services may accept deadfreight for operational necessity. DESC funds deadfreight if: (a) MSC tanker nominations for slated cargo are accepted by DESC or the Military Service; nominations will include the tanker cargo capacity and (b) after acceptance of the tanker for full cargo, DESC or Services reduce the quantity or the supplier fails to fulfill the cargo order which results in deadfreight expense.

5. Billing Data. MSC shall report billing data to DESC and Military Services for transportation on a per diem basis. DESC shall validate MSC bills for accuracy and cargo funding responsibility.

L. FUNDING TRANSPORTATION COSTS

1. DESC shall fund:

- a. Shipments from industry to DFSPs (inter-mediate or base-level).
- b. Shipments between DFSPs.
- c. Shipping and related charges assessed by common carriers. See section D.,

above, for demurrage/detention policy. Costs that are not chargeable to FSC by carriers, such as use of Government switch engines will be funded by the Military Services.

d. Transportation costs for less than truckload shipments when the receiver has insufficient storage or other valid reasons that preclude receipt of full truckloads.

e. Transportation costs for commercial shipment of fuels and lube oils via tank truck or barge to Navy/authorized vessels at dockside or at anchor adjacent thereto. Vessels failing to off load the total quantity ordered will direct the carrier to return product remaining in the truck or barge to the shipping terminal or other locations designated by the appropriate DER/DEO. GBLs will be issued to support return transportation costs; such costs will be charged to the requesting unit or vessel account. NOTE: See paragraph L.2.b., below, for funding responsibility for returned fuel (fuel ordered but not received by a Military Service Activity).

2. Military Services shall fund:

- a. Underway replenishment (UNREP) shipments.
- b. Any fuel ordered but not received for any reason not caused by DESC or the carrier.

M. UNDERWAY REPLENISHMENT (UNREP)

1. UNREP represents fleet oilers or MSC-controlled tankers refueling ship bunkers at sea.

2. Funding. Fleet or Type Commands fund transportation costs.

N. IN-PORT REPLENISHMENT (INREP)

1. INREP represents MSC-controlled tankers refueling APF ship bunkers (Maritime Prepositioned Ships (MPS) and PREPO tankers) in port.

2. Funding: (a) MSC tankers supplying bunker fuel to MPS vessels are funded by MSC and reimbursed by Military Service components; (b) DESC shall fund/ reimburse MSC for PREPO bunker requirements.

O. CONSOLIDATED CARGO (CONSOL)

1. CONSOL represents MSC-controlled tankers supplying cargo fuel to fleet oilers at sea. There are three categories of CONSOLs:

a. CHARGER LOG IV - is an opportune CONSOL whereby fleet oilers rendezvous with an MSC-controlled tanker along the tanker's prearranged routing (load port to designated discharge ports) for refueling at sea. Opportune means the cargo (type

of product and quantity) was not scheduled by the Navy but, circumstances are such that the fleet oiler has an opportunity to use the MSC tanker; in such cases, transfer of the contracted or DLA-owned fuel must be prearranged/approved by DESC-BI. If CHARGER LOG IV is not prearranged/approved and the circumstance justify, an emergency CONSOL action may be initiated to fill the requirement (see below).

b. Scheduled CONSOL - is a scheduled replenishment at sea where all or part of the MSC tanker load is on board to support U.S. Navy requirements. Usually, fleet units load out at land based DFSPs. Delivery of the fuel directly to the fleet saves the cost of fleet oilers making round trips to DFSPs and may save the cost of resupplying DFSPs drawn down by Navy oilers. Scheduled CONSOLs shall be requested through DESC-B at least 20 days in advance of the CONSOL date.

c. Emergency CONSOL - represents a requirement certified by the Navy to be a bona fide emergency which cannot be supplied in any other manner. Emergency CONSOLs may be scheduled with DESC, provided they are approved by the Navy Petroleum Office, Ft. Belvoir, VA.

2. Vessel Daily Cost - is the per diem rate for the vessel as published by MSC that is in effect at the end of the CONSOL.

3. Cargo Cycle - term used for billing transportation costs; it is calculated from vessel arrival at first load port of cargo in question to vessel arrival at first load port of the subsequent cargo.

4. On-Station-Time - is calculated from the time the MSC-controlled tanker arrives at the CONSOL location until the time it is released by the fleet.

5. Funding. DESC shall fund and reimburse MSC for all or part of transportation costs in CONSOL refueling at sea as follows:

a. CHARGER LOG IV. Tanker diversions of less than 24 hours will be paid for by DESC. If the tanker is diverted for longer than 24 hours, the Navy shall be charged at the vessel per diem rate for the entire time (including the 24 hours) the tanker is diverted. The number of days the tanker is diverted is defined as the difference between actual tanker transit time from the last load port to the first port of discharge (includes time-on-station performing the CHARGER LOG IV) minus the normal transit time between the last load port and the first discharge port.

b. Scheduled CONSOL. In theory, CONSOLs save costs for both DESC and the Navy; therefore, where the CONSOL tanker is on station for 72 hours or less, each agency shall absorb half the cost of the complete CONSOL cargo cycle. The number of days in the cargo cycle will be calculated IAW subsection O.3., above. DESC shall pay full per diem for half the number of days and the Navy shall pay full per diem for the other half. Additionally, if the CONSOL tanker is required to remain on station for more than 72 hours, each day of additional tanker per diem will be paid by the Navy.

c. PREPO DFSPs (used as CONSOLs). Using PREPO tanker to deliver Navy CONSOL requirements allows CONSOLs to be conducted without disrupting other tanker cargo operations; thus, DESC shall pay the OSD APF per diem rate and the Navy shall pay all charges over the APF per diem rate when PREPO tankers are used for this

purpose. Using PREPO tankers for CONSOL duties shall be coordinated with the appropriate CINC-JPO and DESC-B.

d. Emergency CONSOL. DESC funds transportation costs.

e. All request for CONSOLs must include appropriate funding documentation.

Copies will be sent to COMSC and DESC-BID prior to scheduled CONSOL date. Cost estimates can be obtained prior to CONSOL from DESC-OII.