



NATIONAL FORWARDING CO., INC.

2800 ROOSEVELT ROAD – BROADVIEW, ILLINOIS 60155

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“Proudly Serving Military Families”

DATE: December 8, 2014
TO: Agents of National Forwarding Co., Inc. and Affiliates
FROM: Patrick C. Johnson, President
SUBJECT: **Conversion to Member Expense/ GBL Termination**

Since we have recently had some questions regarding the above subject, I thought it would be a good time to again distribute a memorandum that Kevin Spealman, VP of Claims and Customer Service, distributed to our agent family on May 2, 2013.

I think one of the more vexing issues is the fact that it is sometimes very difficult to make contact with a service member once the shipment has converted to storage at his or her expense. Our advice is to maintain contact with the destination PPSO to determine if they have any updated contact information if the contact information in our system is no longer valid. Kevin's memo also references a link which can be utilized to determine the service member's active duty status. Remember that you cannot sell or auction off household goods belonging to a military service member while they are on active duty and for 90 days afterwards. Doing so may subject you to substantial liability.

We suggest that you keep track of the shipments in SIT and the length of time they are there. We know that the turnover is usually pretty quick. If you have a shipment in SIT for more than 60 days, we would suggest that you take the initiative to contact the property owner and the PPSO to determine what their plans are. The longer you wait after the shipment has converted the less chance you have of making contact with the property owner. You may want to resort to social media and other databases which might be utilized to contact individuals. We have had agents successfully contact service members simply through online Yellow Pages or Facebook.

Also, please note that we are required to refund the amount which we would normally pay for unpacking. Any unpacking which is performed, therefore, must be billed and collected by the agent delivering a converted shipment through your invoice to the Transportation Office. The same applies for Item 135B – Destination Service Charge.

PCJ/Ig
Attachment



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DATE: May 2, 2013
TO: Agents of National Forwarding Co., Inc. and Affiliates
FROM: Kevin Spealman, VP of Claims & Customer Service
SUBJECT: **Conversion to Member Expense/GBL Termination**

This memo is somewhat longer than we would otherwise prefer, but due to some of the confusion over the years with the subject of shipments converting to owner expense, we felt that it would be helpful to put together a document that is more comprehensive in explaining what happens, and why, when a shipment does convert to owner expense.

SDDC recently distributed a Quick Reference Guide, geared mostly to PPSOs but somewhat to industry, that explained in detail the process (through DPS) that the PPSO has to complete in order to correctly convert a shipment to owner expense. The last two slides also outlined some of the responsibilities of the PPSO and TSP. The Guide can be found at the following link:

http://www.sddc.army.mil/PP/Training/SIT_Convert_To_Members_Expense.pdf

In this memo, I'd like to cover the whole matter of conversion, from communication to the service member, the process, valuation issues and liability. The subject of conversion is referenced not just in one location, but several – which has contributed to the confusion. The following information has been compiled from the 400NG Tariff, a recent *News “U” Can Use* bulletin from SDDC, and Chapter 406 of the Defense Transportation Regulation.

Communication of the Termination to the Member

As stated in the above mentioned Quick Reference Guide, it is the Transportation Office that bears the official responsibility of communicating to the member when the conversion will take place and what that means to them. Chapter 406 of the DTR states “Members/employees will be notified in writing by the TO of the expiration of authorized SIT and conversion to their expense. Notification will advise member/employee of the requirement to procure private insurance. At the member/employee expense, it is recommended that the member/employee and warehouseman conduct a joint inspection of the shipment and complete DD Form 1840 (Figure 401-5).” (More on the issue of an inspection under “process” below).

While the TSP is not mentioned as being responsible for notifying the customer of the conversion, good business practices dictate that the agent and TSP also do their part in ensuring that the customer is aware of the conversion, and hence the need to get insurance from the agent or come to an agreement about the valuation of his goods with the local agency, etc.

Process

Regardless of any other written or verbal communications, including DD Form 1857, there is only one way to definitively convert a shipment to owner expense, and that is through the DPS system. In accordance with the 400NG, Item 17-2, "*A termination notice will only be effective if transmitted to the TSP through DPS. No other form of electronic notice will be accepted by the TSP as notice of termination unless the Government, or the TSP, identifies a system malfunction that would require an alternative method of notification (i.e. fax or e-mail).*"

The DTR recommends that the customer, at his own expense, arrange for the shipment to be inspected jointly with the warehouseman, and a DD Form 1840 be prepared. Obviously, it is the LD at Delivery Form, not 1840, that is typically used, but we have a couple more observations on the issue of inspecting the goods at the time of termination. First, it has been our experience that virtually no customers are willing to bear the expense of having an agent break out the entire shipment just to look for loss and damage, and then crate it all back up again for continued storage. Secondly, such an event would have to take place prior to the conversion, not after. Lastly, it is, in my view, still questionable whether an inspection and subsequent documentation of damage or loss, between the member and the warehouseman, would have any actual validity. I say this because the "rider" being made noting any additional loss or damage is effectively against the TSP, not the warehouseman per se, and an argument could be made that the document or rider is not valid, because the party it is being made "against" is not present at the time of inspection (that party being the TSP itself). It is possible that the idea of an inspection comes from old DOHA Decisions, which were overruled in a 2001 Decision, mentioning the need for such an inspection and rider.

The claim itself is between the warehouseman as final handler and the customer, unless there is documentation such as a rider that pre-dates conversion, showing that the loss or damage occurred prior to the conversion. The claim is handled as any other commercial claim would be handled, between the warehouseman and the customer, since the shipment does not deliver under the Government Bill of Lading.

Getting Paid for Services Provided Following the Conversion

While delivery is at the government's expense, it is not a service that is performed or billed under the GBL contract. The DTR states "In either case the member/employee is entitled to delivery at government expense. Payment for delivery services at government expense, after the PPGBL/BL has terminated will be made by the T.O. under local invoicing or purchasing procedures. See Chapter 405, Paragraph F.3 for delivery payment procedures when SIT has expired and shipment has been terminated at SIT facility." Along with the delivery, the agent's invoice to the T.O. should include unpacking, destination service charge (Item 135B) and the applicable fuel surcharge for the billed delivery.

Selling or Auctioning Off Household Goods

Section 537 of the Service Members Civil Relief Act (SCRA), formerly Soldiers and Sailors Civil Relief Act, applies to storage liens, meaning that you cannot sell or auction off the member's goods during any period of military service of the member and for 90 days thereafter. You can go to the following link to help determine the active status of a member:

https://www.dmdc.osd.mil/appj/scra/single_record.xhtml.

Valuation and Liability

When a shipment converts to owner expense, the TSP's liability stops, and the warehouse is considered the final destination of the shipment. According to the DTR, at this time "the warehouseman will become the agent for the property owner and the shipment becomes subject to the rules, regulations, charges, and liability of the warehouseman."

Damage or loss deemed to have taken place prior to the conversion is subject to the terms and conditions of FRV coverage as stated in the Business Rules. Otherwise, the claim is not required to be in DPS, and is not subject to government claims regulations, etc. It is best that the customer and warehouseman reach an agreement as to coverage prior to the conversion, but if not, it reverts to whatever the default liability is in the warehouseman's state. While the government is responsible for advising the member to arrange a liability agreement with the agent upon conversion, the warehouseman should also communicate with the customer to advise him of his coverage for claims.

Hopefully this will assist in eliminating some of the confusion surrounding conversions, but if you have any questions about this issue, please refer claims related questions to myself, Kevin Spealman, and any billing or related questions to Michael Wilson, Manager, Billing & Settlement.

KS/lg