IAM Responses to GAO Questions Concerning Its Review of the Global Household Goods Contract (GHC)

Introduction

The U.S. Government Accountability Office (GAO) has solicited the input of the International Association of Movers (IAM) as part of its review of the Department of Defense's (DOD) Global Household Goods Contract (GHC). This review, mandated by Congress in H.R. Rpt. No. 118-529, aims to assess TRANSCOM's monitoring processes and efforts to address challenges in the GHC's implementation. In this context, our members have raised concerns about the GHC and its broader implications for the industry.

The document below shows the questions posed to IAM by the U.S. Government Accountability Office (GAO) in blue font. IAM's responses can be found below each question.

IAM's remarks are intended to provide input to policymakers on the challenges faced by the moving industry under the Global Household Goods Contract. IAM does not provide guidance on pricing, operational decisions, or other competitive terms, and each member retains full independence in determining how to conduct its business. This document is shared for informational purposes and reflects general advocacy for a competitive and sustainable marketplace.

Question 1: Describe the International Association of Movers (IAM) role in the moving Industry.

IAM is the world's largest trade association in the moving industry representing more than 2,200 companies worldwide. Our mission is to champion the global moving industry by advancing the professionalism and operational excellence of our members.

To achieve our mission, we act as an advocate, resource, and unifying force for our network of members, including those who provide services to the U.S. Department of Defense (DOD). IAM was founded 62 years ago to represent the forwarders or transportation service providers (TSPs) who provide moving services to the U.S. Military. IAM still plays this role as an industry advocate to U.S. Transportation Command and the Military Services. When the Global Household Goods Contract (GHC) was announced in 2019, IAM expressed concerns regarding its potential impacts on the quality of life for military service members and their families during the moving process, as well as the quality and capacity TRANSCOM relies on to move servicemembers' personal property. IAM had engaged with TRANSCOM, GAO, the Office of the Secretary of Defense (OSD), the armed service committees in the House and Senate, etc. to advocate these positions at that time.

Once the contract was awarded, IAM recognized the GHC as a significant shift in the moving industry. Understanding the potential impact on our members and the broader industry, IAM focused on raising awareness of the new program and its implications. Our goal has been to assist those who may choose to transition from the old program to the new one by providing timely updates, fostering communication, and creating opportunities for members to learn about the changes and share their perspectives with HomeSafe Alliance.

Question 2: Discuss, if any, coordination/discussions with TRANSCOM on transitioning to GHC.

TRANSCOM has shown little intention to engage with IAM on the GHC. IAM still engages TRANSCOM on behalf of our members with issues relevant to the current program (DP3). Increasingly, topics or issues relevant to GHC appear to be off-limits for IAM engagement. Before the GHC was awarded, IAM was involved in TRANSCOM industry days to discuss the GHC and moving industry executive working group level discussions.

Question 3: Discuss, if any, coordination/discussions with HomeSafe Alliance, TRANSCOM's prime contractor for the GHC.

The International Association of Movers (IAM) continues to engage HomeSafe Alliance to bring forth more information on their plans for the GHC rollout and address industry concerns we hear from our members. This engagement has and continues to include direct conversations with HomeSafe leadership and in-person events such as IAM's Annual Meeting. Additionally, an IAM representative was invited to listen in on two HomeSafe Alliance service provider web events.

One substantive step IAM took in the autumn of 2023 was to review and provide input on HomeSafe Alliance's master services agreement (MSA). This document spells out HomeSafe's terms and conditions for the movers who sign up to participate with HomeSafe in the GHC. Our review brought forth questions and concerns that we shared with HomeSafe with the general statement that some of the MSA provisions were potentially unclear to potential service providers, or slanted heavily toward HomeSafe; and movers may be reluctant to sign such an agreement.

Most recently, during the 62nd Annual Meeting & Expo held in October 2024, IAM hosted a special session titled "Hear from HomeSafe Alliance on the latest GHC Shipments and Updates," where representatives from HomeSafe Alliance provided insights into the progress and updates related to GHC shipments. An open question and answer period was not included, but many pre-coordinated questions from our members were addressed during the session. Following this session, IAM organized a Learning Lab titled "Global Household Goods Contract (GHC) – Attendee Reaction to HomeSafe Presentation," allowing attendees to discuss and react to the information provided during the previous update.

Additionally, IAM has facilitated webinars and learning sessions to keep its members informed about the developments related to the GHC. For example, in May 2024, IAM conducted a webcast featuring William Joyce, COO of Joyce Van Lines, who shared his experiences participating in one of the first GHC moves under HomeSafe Alliance.

Through these efforts, IAM attempts to advocate for the household goods moving industry and inform its members. In this advocacy, we are striving to align the objectives of the GHC with the operational realities of moving companies to promote a more efficient and effective relocation process for military personnel and their families. Our members have complained that unless they sign HomeSafe's master agreement, they are being left out of meaningful conversations on what is happening with the GHC, which makes it harder for them to make decisions both with regard to their participation in DP3 during the transition to GHC, and their decision making on GHC overall.

Question 4: Discuss, if any, feedback from any of your member companies that have already conducted GHC moves.

IAM has heard from several members who have conducted GHC moves. Largely, the feedback we receive from these companies was that they chose to participate in the local moves to learn more about HomeSafe Alliance's way of doing business and to assess the financial feasibility of HomeSafe's rate structure. For those who have conducted the moves, we have been informed of the following issues.

First, some reported that while they can make the compensation work on local moves, the rates may not cover expenses on interstate shipments. This has been a notable frustration, as compensation offered sometimes does not meet their operational costs.

Second, they have found the IT system challenging and frustrating. HomeSafe Alliance is requiring all service providers to use the HomeSafe Connect platform. Although offered for free, service providers must now use a new system that does not integrate with their main move management system, requiring dual data entry. This increases the risk of errors, which can affect timely payments and potentially expose providers to higher claims liabilities under HomeSafe's MSA.

Third, there is still significant involvement from HomeSafe leaders in operations due to unclear processes. Providers question HomeSafe's ability to scale if leadership remains involved in day-to-day management.

These concerns underscore the need for ongoing dialogue and adjustments to ensure the GHC's success and sustainability for all stakeholders involved.

Question 5: We have seen in various media reports that some industry associations and companies are concerned about the pay rates under GHC. Please discuss your perspective or concerns about pay rates in GHC compared to existing tenders of service for DOD household goods shipments.

The industry and our members have raised concerns regarding the sustainability of pay rates under the GHC and their broader implications for the industry.

Our feedback reflects the collective input of our members and other industry   does not represent or suggest any coordinated actions or agreements among them. Each member

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remains independent in determining their own business practices. Below are the primary concerns raised:

1. **Sustainability of Rates**: Pay rates must be sustainable enough to cover rising operational expenses, including fuel, labor, and compliance with existing quality benchmarks. If rates are too low, they can compromise the financial health of moving companies, particularly smaller ones, which could lead to service disruptions and a reduction in capacity within the industry. This is especially critical as we see rising costs across the logistics sector.
2. **Market Competitiveness**: The transition from the traditional tender-of-service model to a fixed-rate structure under the GHC has reduced pricing flexibility. Members have highlighted that this rigidity may hinder their ability to adapt to demand fluctuations and inflationary pressures, which could affect service quality and long-term competitiveness.
3. **Quality vs. Cost Balance**: The GHC seeks to enhance service quality, yet adequate compensation is essential for companies to invest in improvements such as training, technology, and equipment. Insufficient pay rates may discourage these necessary investments, impacting the customer experience and the industry's ability to meet the DOD's objectives.
4. **Labor Implications**: To attract and retain skilled workers in a competitive market, moving companies must offer competitive wages. Pay rates that fail to account for labor costs, particularly during peak seasons, could affect the reliability and availability of services to military families.
5. **Small Business Viability**: The moving industry consists of a wide range of players, from large enterprises to small, family-owned businesses. Challenges with pay rates under the GHC could affect small businesses disproportionately, potentially impacting market diversity and service options
6. **Potential Costs of Service Provider Liability under Master Service Agreement -** Liability provisions under the GHC raise concerns about fairness and clarity:
    a. The claim liability of $1.50 per pound per article seems reasonable however, it excludes shipments that include mold or where HomeSafe defines the

claims issue as resulting from negligence. For example, it also excludes water, fire, infestation, pilferage, blatant mishandling and neglect in packing. With all of these exclusions, the $1.50 per pound liability is not a factor, as anything that is damaged could be defined by HomeSafe as falling under their sole discretion to determine liability, and they could then assign liability at replacement costs. There is essentially no limit to the liability. The lack of a clear definition of negligence puts service providers at risk for being subject to greater liability on almost anything damaged in a shipment, as you could argue that every damaged or missing article in a shipment is potentially the result of negligence.

b. The limit of the $75,000 per shipment is not limited by any weight amount. For example, a 1,000-pound shipment could result in a claim of $75,000.
c. The $75,000 limit has exceptions as well for hardship, inconvenience, home damage etc. Therefore, liability is unlimited when adding issues associated with these scenarios.
d. The claims and liability framework under the HomeSafe Master Service Agreement (MSA) raises concerns about fairness and financial responsibility. HomeSafe has the authority to determine the amount to be deducted from service providers for claims and to assign responsibility among multiple providers involved in a shipment. Under the MSA, service providers face increased financial exposure, as HomeSafe does not appear to share in the liability for claims. This represents a significant shift from the previous program, where Transportation Service Providers (TSPs) bore this responsibility, with agents facing more limited liability. The current structure could place a disproportionate financial burden on local agents, potentially impacting their ability to participate effectively in the program.
e. The master agreement states that companies linked by common financial and administrative control (CFAC) can be used to deduct claims from any of those CFAC companies, not just the company that has signed the master agreement. This is a huge risk to commonly owned entities that may or may not be in the DOD moving business. As one example, if a company who is a service provider to HomeSafe under the GHC also owns residential real estate, like apartment buildings, etc, that portion of the business could also be subject to this CFAC stipulation in the agreement.

f. The TRANSCOM Commander who initially made the decision to transition DP3 to a single prime contractor (GEN Stephen Lyons), emphasized that one of the main reasons to move to a single prime contractor was to remove multiple entities from the current process who each take a cut of the money that TRANSCOM pays to industry for a move. He argued that under GHC, the contract would push more money "to the curb" ultimately resulting in a healthier moving industry because the entities directly involved providing "boots at the curb" (moving companies directly servicing shipments…local moving and storage agents) would get a larger cut of the funds that DoD pays to the moving industry. In reality, there is much less money being pushed to these local agents under the GHC model.

Our association's primary concern is ensuring a balance between affordability for the DOD and the economic sustainability of the moving industry. We encourage TRANSCOM to consider adjustments to the pay rate structure and liability terms to better reflect market realities and support a competitive, diverse industry capable of delivering high-quality services to military families.

Question # 6: We have seen in various media reports that some industry associations and companies are concerned that moving companies may have to adjust their business models to comply with Service Contract Act (SCA) requirements. What is your perspective on this?

The Service Contract Act (SCA) presents a complex challenge for moving companies under the Global Household Goods Contract (GHC), as compliance with SCA requirements may necessitate adjustments to existing business models as well as increase costs for subcontractors. IAM recognizes that while the SCA's intent is to ensure fair wages and benefits for service employees on government contracts, meeting these requirements within the framework of the GHC could place additional operational and financial pressures on moving companies, where rates are already lower than the current tender program.

Here are some key considerations:

1. **Wage and Benefits Standards**: The SCA mandates that contractors pay specific wages and benefits to employees based on locality standards. For moving

companies accustomed to operating in a highly variable market, where wage standards can fluctuate based on demand and seasonality, this could lead to significant increases in labor costs. Meeting these standards may be particularly challenging for those operating in regions where wages and benefits under the SCA differ substantially from industry norms.

2. **Administrative Burden**: Compliance with the SCA introduces new administrative demands, as companies must now monitor and document employee wages and benefits based on the type of shipment they are working on. This compliance could lead to increased overhead costs, as companies may need to invest in additional administrative support or technology to track and report compliance data accurately. For many businesses, especially those with limited resources, adapting to these requirements could divert attention and resources away from day-to-day operations.
3. **Operational Flexibility**: The moving industry has traditionally relied on a flexible workforce to adapt to peak seasons and fluctuating demand. SCA compliance could constrain this flexibility, making it more challenging to scale labor up or down as needed. For instance, companies may need to shift away from using subcontractors or temporary labor due to the SCA's restrictions, impacting their ability to respond to demand efficiently. This change could increase operational complexity and reduce agility, potentially leading to delays or higher costs for peak-season moves.
4. **Independent Owner/Operator Driver Model:** Considered by industry veterans as resulting in the highest quality interstate move, using experienced independent owner/operator household goods drivers to load, transport and unload a household goods shipment, is the gold standard. Most have a trusted network of labor wherever the service is being provided, to help them pack, load and unload shipments. However, the application of the SCA to this household goods driver model creates significant compliance issues for these independent drivers. The record keeping requirement and resulting administrative burden for tracking wage, benefit and overtime status alone may push many of them out of the military market towards either other moving markets, or to the simpler freight market.

5. **Cost Management and Margins**: Adapting to the SCA may force moving companies to reevaluate their pricing models to cover the increased cost of compliance. With the fixed rates established under the GHC, there is limited room to adjust prices, which may reduce profitability for some companies. Additionally, companies may need to increase investment in employee benefits and wage management, which can strain margins in an already cost-sensitive industry.

6. **Lack of Compliance Guidance for the Moving Industry:** Despite what movers who are currently involved in the military market have been told by TRANSCOM, the Department of Labor (DoL), and the prime contractor, complying with the requirements under the SCA for the GHC is complex, daunting, and unclear. Reasonable people, even so-called experts in this area, disagree on what compliance might look like. IAM has made attempts to directly engage DoL on what SCA compliance will look like under GHC shipments, and those attempts were ultimately stalled when DoL backed out of participating at IAM's Annual Meeting this past October. Prior to that, IAM corresponded with, and held multiple virtual meetings with DoL representatives, to attempt to explain the operational enormity of the contract (up to 150,000 domestic shipments per year moving all across the country on irregular routes) and the complexity of operations (moving companies and their employees involved in multiple moving markets simultaneously, independent drivers, company drivers, multi-shipment loads from, to and through multiple separate Wage and Hour locations, etc). And frankly, the DoL representatives were shocked at what they heard in terms of trying to grasp how it would all work. Despite all this, and the fact that shipments that require SCA compliance are already moving in GHC, to date there is still very little SCA compliance support from the government or the contractor.

7. To address these concerns, IAM advocates for increased flexibility and support mechanisms from the DOD and GHC administrators to help moving companies navigate SCA compliance. This could include streamlined compliance support, or guidance on integrating SCA requirements without compromising operational efficiency. Our goal is to ensure that moving companies can adapt to SCA standards without sacrificing their ability to provide high-quality, timely service to military families, while still being profitable enough to invest in their workers and their infrastructure (trucks, equipment and facilities).

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Question #7: We have seen various media reports that some industry associations are concerned about capacity with GHC. Discuss any challenges or concerns on meeting capacity in GHC not already discussed in the questions above.

Capacity is a significant concern for the moving industry under the Global Household Goods Contract (GHC), and there are several specific challenges that need to be addressed to ensure that adequate resources are available to meet the demand consistently and reliably. While factors such as pay rates, Service Contract Act compliance, and seasonal fluctuations all impact capacity, here are some additional issues:

1. **Peak-Season Volume**: The moving industry experiences intense demand spikes, particularly during the summer, when military moves are most common. Meeting this surge in demand requires scalable resources, both in terms of workforce and equipment. Under the GHC, the fixed rates and strict service level requirements may limit a company's ability to quickly increase resources for peak season, potentially leading to capacity shortages, delays, and reduced quality of service for military families. Currently, the demand for capacity in the civilian and corporate residential moving markets is down significantly due to market pressures related to inflation and interest rates impacting the housing markets. This will not be the norm forever, and when those markets rebound, the demand for moving services in these markets will be competing with the same capacity as the GHC. This means the concerns over rates, the MSA, and SCA will be exacerbated as the potential service providers have to make a business decision as to which market they will dedicate their capacity.
2. **Workforce Availability and Retention**: The industry faces a growing challenge in recruiting and retaining skilled workers, from drivers to packers, to warehouse professionals, back-office support and managers, as other logistics sectors compete for the same labor pool. This labor shortage is compounded by what many of our industry participants believe is a lack of profitability under the GHC construct. This may make it difficult to offer competitive salaries to meet the demands of the GHC, which will require consistent, high-quality performance to meet the expectations of our service members as well as TRANSCOM. Moving companies may struggle to build and maintain a stable workforce capable of

meeting the GHC's standards without compromising on other aspects of their operations, particularly during high-demand periods.

3. **Capital Investment in Fleet and Equipment**: Capacity is also tied to the availability of trucks, trailers, and specialized moving equipment. The GHC's requirements may necessitate that companies expand or upgrade their fleets to meet quality and efficiency standards. However, this investment is challenging under the GHC's pay structures, which may not sufficiently offset the costs of acquiring, maintaining, and operating additional equipment, especially given rising fuel and maintenance expenses. Without additional capital investment, companies may struggle to meet capacity demands. Another aspect to companies investing in their fleet and equipment is the challenge of a lack of predictability for subcontractors in terms of how much volume they can expect over a given time period. The Prime Contractor now has total control over shipment distribution, and can award shipments to subcontractors as they deem appropriate. Under the current tender program, qualified TSPs are not guaranteed volume, but all understood the rules for shipment management and that the DoD would award shipments based on the TSP's best value score and quartile ranking in the traffic distribution list. This created a framework for stability in the program and a methodology for TSPs to understand where they stand for future volume based on their best value score. TSPs could use past performance and historical data, combined with specific program parameters to shape their capital investments in future years.

4. **Impact on Small and Regional Providers**: Smaller and regional moving companies play a vital role in the moving industry, especially in less populated areas. However, these companies may find it difficult to scale up to meet the GHC's requirements without substantial financial and operational strain. This could lead to a reduction in the number of available providers in certain regions, further straining capacity and potentially increasing the cost and time required for moves in those areas. Additionally, we've heard from smaller moving companies who are in more remote, military heavy markets, they have concerns about securing business funding from their bank when they have a majority of their receivables coming from one company.

5. **Financial Resilience**: GHC's demands place financial pressure on companies to invest in workforce development, fleet expansion, and compliance measures. Without flexibility in pricing or support to manage these expenses, some companies might exit the market (some already have), leading to a reduction in overall industry capacity. The financial strain could particularly impact smaller and mid-sized businesses, which are critical to providing the DOD with a broad network of service providers.

   IAM's perspective is that the success of the GHC in meeting demand capacity will depend on the ability to address these operational and financial constraints effectively. IAM advocates for collaborative solutions with TRANSCOM and HomeSafe Alliance to create mechanisms that provide flexibility in rates, support workforce development, and help companies manage peak demand challenges. Ensuring a diverse, resilient network of providers is essential for the GHC's capacity goals and the well-being of military families relying on these services. The current tender environment creates not only significant capacity, but a significant redundancy in capacity. In this environment, the failure or closure or bankruptcy of one company has very little impact on the DoD's requirement to move its service members, since many other companies are in the program and ready to increase their capacity relatively quickly if more volume were available due to other companies leaving the program. The GHC, with a single prime contractor, has no fallback plan in any similar scenario with the single prime contract winner. This has a direct impact on many areas related to DOD relocations, likely the most important being Military Readiness should there be a mass failure by the prime contractor, or even large subcontractor providers.

Under the DP3 program, redundancy is a core feature, allowing the Department of Defense (DoD) to remove underperforming Transportation Service Providers (TSPs) without disrupting operations. TSPs already within the program are equipped to absorb additional shipment volumes as needed, ensuring continuity even in the event of closures, system failures, or poor performance.

In contrast, the Global Household Goods Contract (GHC) adopts a single-prime-contractor model, which lacks built-in redundancy. If the contract award winner underperforms or encounters operational challenges, there is no immediate fallback until a new contract is bid and capabilities are rebuilt. This process has historically been lengthy; initial bids for the GHC began in 2019, and by 2025, only a limited rollout has occurred. A failure of the GHC model would present significant risks to service members and DoD operations, as no alternative providers or systems are positioned to step in.

The reliance on HomeSafe Connect and TRANSCOM's MilMove IT system further compounds this risk. These systems, once integrated, would be difficult to replicate or replace quickly in the event of failure. This creates a scenario where TRANSCOM is highly dependent on a single contractor, limiting flexibility and contingency options.

Additionally, the GHC's structure raises concerns about long-term competitiveness. A new bidder would face substantial barriers to entry, including the need to develop IT systems and operational capacity from scratch, making it challenging to compete effectively with the incumbent. This dynamic risks locking DoD into a long-term relationship with a single prime contractor, reducing market competition and adaptability.

A critical question remains: What contingency plans does TRANSCOM have in place if HomeSafe Alliance exits the contract or if the contract is not extended? As a limited liability company (LLC), HomeSafe's financial exposure is limited, and withdrawing from the contract could be a viable option if profitability declines. Such an outcome would force TRANSCOM to rapidly replace the contractor, a process that could disrupt DoD's mission of supporting military readiness.

Without alternative providers, HomeSafe may wield considerable leverage over the program. This could lead to challenges such as poor performance, capacity issues, or demands for increased compensation, with limited recourse available to TRANSCOM. Addressing these risks proactively is essential to ensuring the program's success and safeguarding DoD's ability to support service members effectively.

Question # 8: Discuss, if any, comments on changes to performance monitoring of industry under GHC by TRANSCOM.

TRANSCOM currently grades customer satisfaction in DP3 based on the percentage of total points a TSP receives on a customer satisfaction survey against the total points they could've received.

Alternatively, the GHC satisfaction score will be based on the percent of customers who rate their move as satisfied or better.

While using the same customer satisfaction questions, TRANSCOM utilizes two different methods of determining satisfaction to compare the two programs to each other. As an example, TRANSCOM has quoted satisfaction in DP3 as 77%. That means that on average a TSP earns 77% of the total points available on a satisfaction survey. But their own numbers show that those same surveys represent that nearly 90% of the respondents score their move as satisfied or better. If TRANSCOM is going to compare the two programs as a way to tout improvement under GHC, they should score the satisfaction survey in both programs in the exact same manner.

Monitoring performance under the GHC framework may be viewed as ineffective in enforcing meaningful consequences. Under the current program, TSPs face significant risks, ranging from a loss of short-term revenue to the potential existential threat of going out of business, if their performance falls below the minimum performance score, which are assessed quarterly. In contrast, the prime contractor is not subject to similar risks, as there is no ability or opportunity to reduce their volume as a punitive action. This lack of accountability arises from the absence of viable alternatives to the incumbent contractor. Any attempt at severe punitive action runs the risk of HomeSafe Alliance threatening to withdraw from the contract; an untenable situation given there are no other alternatives beyond the prime contractor.

Question # 9: Discuss any other challenges or concerns.

The focus on challenges or concerns have largely been on the domestic program to date. However, our members express serious concerns with the international program. All or most of the current DoD approved international TSPs will close their doors upon full rollout of the GHC to the international market. These are U.S. based small businesses, many who have served the DoD international moving market for decades. When they close their doors, the thousands of years of collective experience in moving U.S. service members to and from overseas locations will be lost.

There has been very little discussion to date on exactly how the international market transition will work. How will USTRANSCOM manage international DP3 shipments in-transit as DP3 international TSPs see their volume of shipments dwindle over time, and struggle to keep their doors open with enough revenue to maintain staff and manage their shipments and potential claims as DP3 international volume slows to a trickle or a halt?

For those business partners that HomeSafe chooses to engage in the international market, there is no sense yet what compensation will be for international shipments.

There are a multitude of processes associated with international movements such as customs requirements and country-specific processes that international TSPs handle today, that must be worked out. Changes such as unaccompanied baggage shipments utilizing commercial airlift instead of being handled via Air Mobility Command aerial ports and military airlift, is just one example.